Translation from the Italian original, that remains the definitive version.
This report has been translated into the English language solely for the convenience of the International readers.

PIZZAROTTI GROUP

Consolidated Financial Statements

at 31 December 2019

IMPRESA PIZZAROTTI & C. S.p.A.
Registered office: Parma (PR) – Via A.M. Adorni 1
Share Capital: Euro 250,000,000 fully paid-up
Enrolled in the Parma Register of Companies
R.E.A. (*Repertorio Economico Amministrativo*, Administrative Economic Register) no. 43991
VAT no. 00533290342
A company subject to the direction and coordination of MIPIEN S.p.A.

Contents

Composition of Corporate Bodies

Board of Directors

PAOLO PIZZAROTTI	Chairman
MICHELE PIZZAROTTI	Vice-Chairman and Managing Director
CORRADO BIANCHI	Managing Director
GIORGIO CASSINA	Managing Director
MARCO TARANTINO	Director
MAURO PIRONDI	Director

Board of Statutory Auditors

PIERLUIGI PERNIS	Chairman
ANGELO ANEDDA	Standing Auditor
ALBERTO VERDERI	Standing Auditor

Independent Auditors

PRICEWATERHOUSECOOPERS SPA

Report on Operations

Report on Operations

The financial statements at 31 December 2019 are accompanied by this Report on Operations prepared by the Board of Directors.
For any comments on the Group's operational performance, the data shown below do not consider the reclassification of income statement and balance sheet values in accordance with IFRS 5 as the management believes that this method of reporting is more useful for the comparability and measurement of the performance of operations.

Consolidated income statement data at 31 December 2019

Millions of euros

Description	2019 (§)	2018
Revenues	1,299.2	1,317.4
Gross operating profit - Ebitda	**25.6**	**94.2**
Ebitda %	*2.0%*	*7.2%*
Operating profit - Ebit	**(20.6)**	**53.8**
Ebit %	*-1.6%*	*4.1%*
Profit before taxes	**(14.2)**	**12.0**
Net profit for the year	**(9.9)**	**6.3**

(§) The figures stated are inclusive of items reclassified as assets held for sale according to IFRS 5

EBITDA = is the acronym of Earnings Before Interest, Taxes, Depreciation, Amortisation and Write-downs, or Gross Operating Margin. Since EBITDA is not a measure of performance calculated in accordance with Italian GAAPs, nor with the international accounting standards (IASs/IFRSs), the calculation of this margin may not be unambiguous.

EBIT = is the acronym of Earnings Before Interest and Taxes and corresponds to the Operating Result reported in the income statement.

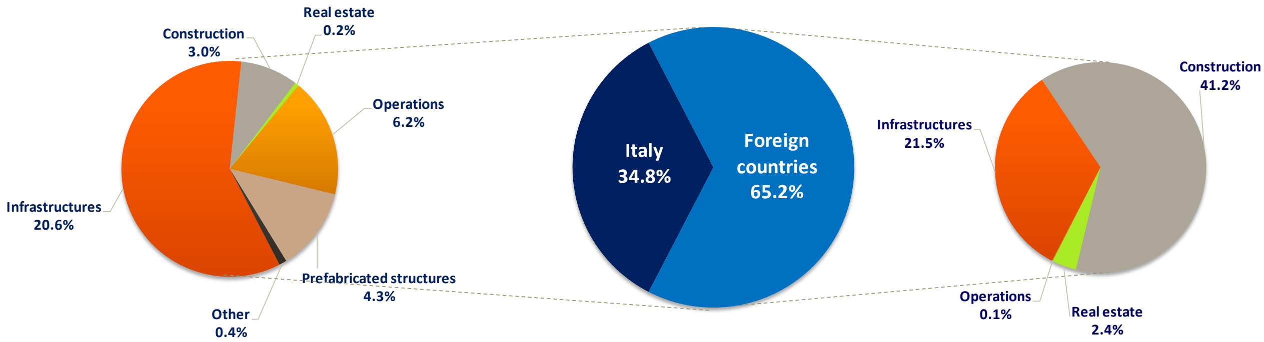
Below is the **breakdown of revenues by sector and market**.

Millions of euros

Description	31/12/2019			31/12/2018		
	Italy	Foreign countries	Total	Italy	Foreign countries	Total
Infrastructures	268.1	279.9	548.0	215.5	322.7	538.2
Construction	39.0	534.7	573.7	85.5	490.2	575.7
Real estate	2.8	31.8	34.6	8.1	51.4	59.5
Operations	80.7	0.8	81.5	77.9	0.5	78.4
Prefabricated structures	56.3	-	56.3	59.8	-	59.8
Other	5.1	-	5.1	5.8	-	5.8
Total	**452.0**	**847.2**	**1,299.2**	**452.6**	**864.8**	**1,317.4**
percentage	***34.8%***	***65.2%***	***100.0%***	***34.4%***	***65.6%***	***100.0%***

December 2019

Revenues by sector and market



Final **production volumes** reported by the Pizzarotti Group at 31 December 2019, **equal to Euro 1,299 million**, remained **substantially in line with the corresponding data for the 2018 financial year,** and related to Italy for Euro 452.0 million (Euro 452.6 million at 31 December 2018) and to International Markets for Euro 847.2 million (Euro 864.8 million at 31 December 2018). The main contributions to this result were given by some large contracts being performed in **international markets**, and, in particular by those in the civil building sector in Montenegro (Portonovi tourist complex) and the Middle East (Maternity Hospital in Kuwait), and those in the sector of infrastructures in Paris for the works of the *Grand Paris* line.

In **Italy**, the start of some new strategic projects for our country in the sector of infrastructures, both in the **segment of High Speed/High Capacity railway line works** (High Speed/High Capacity Brescia-Verona railway line, High Speed/High Capacity “Terzo Valico dei Giovi” railway line, Cravasco and Castagnola lots, High Speed/High Capacity Naples-Bari railway line, Cancello-Frasso lot) and in the **segment of motorways** (third lot of the widening of the third lane of the A4 Motorway), also made it possible to mitigate the decline reported in the civil building sector, the overall impact of which on total volumes in Italy decreased from 18.9% in 2018 to 8.6% in 2019.
2019 was in fact characterised in January by the completion of the works for the construction of the *ENI Towers* in Rome, under the responsibility of subsidiary Buildit S.p.A., and by the procrastination of the suspension of the works concerning the construction of a shopping centre in Parma called Parma Urban District. For more details, reference should be made to the section concerning the "Business sectors – focus on" of the Report on Operations.

In **comparison with the forecasts of the Business Plan**, the lower final production volumes were mainly due to the High Speed/High Capacity Brescia-Verona railway line contract, which was affected by the effects of the method of accounting for the costs of taking possession of work site areas (expropriation), which led to deferring the accrued portion of costs and corresponding revenues to the 2020 financial year, together with a portion of the amortisation of costs incurred to acquire the contract, as calculated on the basis of the progress of production.

The Group geographical diversification is confirmed by the strong contribution from foreign operations, which accounted for more than 65% of total production volumes, in line with the final results recorded in 2018, against an incidence of 50% in terms of order backlog.
A breakdown of business by sector confirms the primacy of the infrastructure and construction markets, with an impact of 52.5% and 29.9%, respectively, on total production in the backlog:

actually this figure is the average between a different composition that exists between the domestic and international markets; the latter confirms in fact its greater focus on the construction sector, which accounts for more than 57% of the total foreign portfolio, also as a result of the major orders that were gained in Guadeloupe, Serbia and Peru in 2018.

As regards the **real estate sector**, it should be noted that, in relation to the new *Jardin Exotique* project, implemented through investee Plein Sud Sam, additional notarial deeds of sale were formally executed for about Euro 19 million during 2019: therefore, notarial deeds had been signed for eight property units against an amount of revenues totalling Euro 48.8 million at 31 December 2019.

EBITDA was equal to 2.0% and to Euro 25.6 million in absolute terms (7.2% and Euro 94.2 million in absolute terms in December 2018) **while EBIT came to -1.6% and Euro -20.6 million in absolute terms** (4.1% and Euro 53.8 million in absolute terms in December 2018).

In operational terms, income flows were mainly affected by the final losses recorded in the areas of Poland and the USA due to the problems encountered in performing construction contracts, which led the Group to decide not to invest further in the respective markets.
As referred to below in the section on the pro-forma Income Statement, **these areas adversely affected the results for more than Euro 52 million, of which an amount of Euro 21.0 million attributable to the Poland region and Euro 31.2 million to the USA region**.

With regard to **Poland**, the complex legal dispute that arose with the public customer GDDKiA led to the early termination of the road contracts gained in 2015 and to Impresa Pizzarotti S.p.A. bringing a civil action before the competent local courts to seek compensation for the charges related to the enforcement of the guarantees and the damage arising from the early termination of the work contracts, in addition to the reimbursement of additional costs incurred for the execution of the works.
In relation to the **United States of America**, the continuing difficulties related to the complexity of the target market led the Group to make the strategic decision to exit the market in 2021 at the latest after completing the remaining projects in progress, although a longer time horizon will probably be necessary for the conclusion of the various pending disputes.
For more details on the two cases mentioned above, reference should be made to the paragraphs commenting on the business sectors of this Report.

Net of these countries:

(i) **EBITDA came to 6.1% and to Euro 70.7 million in absolute terms and benefitted from the regular performance of the main contracts** in progress, as well as from the positive final results recorded by the orders that had been substantially completed, for which it was therefore possible to proceed with a review of their respective whole-life budgets. In Italy, and in particular in Rome, reference is made to the contract concerning the turn-key construction of two towers for use as offices intended to be leased to ENI and the contract concerning the restoration and building services of the Hotel De la Ville, near Piazza Trinità dei Monti. On the international market reference is made to civil building works concerning the Al Amiri and New Maternity Hospitals in Kuwait City and to infrastructure works relating to the construction of Road 6 - Cross Israel Northern Highway no. 6 Yoqneam-Somech, which were all executed through the Parent Company.

Compared to 2018 (7.2% and Euro 94.2 million in absolute terms), EBITDA was mainly affected by the lower contribution given by the real estate projects in Monte Carlo, the performance of which is linked to the time required to draw up and execute the notarial deeds.

(ii) **EBIT came to 2.4% and to Euro 28.0 million** and was affected by the accrual to the provision for risks set aside on a prudential basis for more than Euro 20 million in relation to some infrastructure works on the International market (mainly in Israel and Peru). These risks were attributable respectively to geological problems, due to the different geological conditions compared to contract forecasts, and to significant uncertainties in design borne by the Customer. The aforesaid provisions make it possible to confirm the development forecasts for these projects, which, on the contrary, may benefit from potential higher fees that will be requested from the Customers. In the real estate sector, the continuing weakness of the Italian market and its recent evolution have required the recognition of a provision in relation to the S. Teresa (Parma) project, the valuation of which was based on a prudent projection of the selling prices of the apartments actually reported in 2019; obviously this approach does not take account of the positive effects expected from the commercial actions in progress, which are aimed at recovering profit margins compared to the negative final results reported at the date.

Within the asset disposal programme launched by the Group, the **management of equity investments** contributed with a largely positive result, mainly following the transfer of 49.6% of the quotas of the Monegasque company Marex Sam on 26 September 2019, which allowed the Group to realise a capital gain of Euro 40.1 million.

Consolidated balance sheet data at 31 December 2019

Millions of euros

Description	2019 (§)	2018
Fixed assets	402.1	377.1
Net working capital	420.0	342.7
Provisions for risks, severance pay and net long-term liabilities	(72.9)	(88.5)
Net invested capital	**749.2**	**631.3**
Equity	**387.7**	**407.3**
Net financial position	**361.5**	**224.0**
Debt/Equity	0.93	0.55

(§) The figures stated are inclusive of items reclassified as assets held for sale according to IFRS 5

Net working capital = total short-term assets, less short-term liabilities

The breakdown of the **net financial position** is detailed in the table below:

Millions of euros

Description	31/12/2019 (§)	31/12/2018	Variation
Cash and cash equivalents	242.3	294.0	(51.7)
Total cash and cash equivalents	**242.3**	**294.0**	**(51.7)**
Short-term financial receivables	12.4	9.5	2.9
Securities valued at FVTPL	12.7	25.0	(12.3)
Short-term financial receivables for service concession arrangements	0.5	0.5	-
Short term financial receivables	**25.6**	**35.0**	**(9.4)**
Current bank debt	(72.0)	(104.6)	32.6
Current portion of other financing	(44.3)	-	(44.3)
Current portion of medium/long-term loans	(82.0)	(24.9)	(57.1)
Current portion of financial debt for finance leases	(6.7)	(4.3)	(2.4)
Current portion of financial debt for operating leases	(6.7)	-	(6.7)
Bank and leases debt - nominal value	**(211.7)**	**(133.8)**	**(77.9)**
Commissions on loans-current portion	-	-	-
Accrued interest expense on bank loans and bond issue	(0.5)	(2.3)	1.8
Derivative Assets/(Liabilities)	(1.1)	(0.9)	(0.2)
Total current bank and leases debt	**(213.3)**	**(137.0)**	**(76.3)**
Short-term net financial position	**54.6**	**192.0**	**(137.4)**
Bond issue - nominal value	-	(100.0)	100.0
Placement commissions	-	0.3	(0.3)
Bond	**-**	**(99.7)**	**99.7**
Non-current portion of financial debt	(479.6)	(420.4)	(59.2)
Non-current portion of other financing	(20.0)	-	(20.0)
Non-current portion of financial debt for finance leases	(20.2)	(16.7)	(3.5)
Non-current portion of financial debt for operating leases	(13.7)	-	(13.7)
Bank and leases debt - nominal value	**(533.5)**	**(437.1)**	**(96.4)**
Commissions on loans - non-current portion	4.8	6.5	(1.7)
Derivative Assets/(Liabilities)	-	-	-
Long-term financial position	**(528.7)**	**(530.3)**	**1.6**
Net financial position - continued operations	**(474.1)**	**(338.3)**	**(135.8)**
Net financial position - asset disposal	**-**	**-**	**-**
Net financial position	**(474.1)**	**(338.3)**	**(135.8)**
Long-term financial receivables	95.2	96.3	(1.1)
Securities valued at FVTOCI	-	-	-
Long-term financial receivables for service concession arrangements	17.4	18.0	(0.6)
Long-term financial receivables	**112.6**	**114.3**	**(1.7)**
Total financial position	**(361.5)**	**(224.0)**	**(137.5)**

(§) The figures stated are inclusive of items reclassified as assets held for sale according to IFRS 5

Net invested capital amounted to **Euro 749.2 million** (Euro 631.3 million in December 2018), showing an increase of Euro 117.9 million.

The Group's net financial position as a whole recorded an **increase in exposure of about Euro 137.5 million,** as resulting from the changes that affected the following items of financial statements:

(i) **net increases in fixed assets for Euro 25.0 million** attributable to the operating lease component for Euro 15.4 million, reported in the accounts following the adoption of the new accounting standard IFRS 16 – *Leases* as from 2019, and, as such, not reported in the 2018 comparative values.
As regards property, plant and equipment, the increase related to both the Group's investments in foreign markets (in particular in France, Israel and Serbia) and strategic investments recorded in Italy in relation to the works for the construction of the High-Speed/High-Capacity "*Terzo Valico dei Giovi*" railway line;

(ii) **an increase in net working capital for Euro 77.3 million,** largely resulting from the financial support to the contracts.
Among the **contracts that entailed the highest financial outlays in the period** note in particular: (a) the works relating to the **High-Speed/High-Capacity "*Terzo Valico dei Giovi*"** railway line, the production of which was affected by both issues concerning unforeseen geological events that caused their slowdown and additional activities relating to the "asbestos risk", which had not been foreseen in tendering, against which intense negotiations were started with the Customer for the relative payment, (b) the works relating to some **contracts in the USA (New York) and Romania areas**, which are currently at an advanced stage of completion and for which the settlement is in progress for some items under dispute, which to date have been collected partially, (c) the **works in Poland**, for the well-known legal proceedings that led, among others, to interrupting the performance of the related contracts and the enforcement of the guarantees backing them, (d) the works at the **sites that are currently in full operation (Maternity Hospital in Kuwait, Portonovi Tourist complex in Montenegro and Point-à-Pitre Hospital in Guadeloupe**), for which the contract advance is being partially recovered.
On the other hand, the **net financial position** specifically **benefitted** from a reduction in working capital resulting from the collection of**:** (a) the payment of a countervalue of about Euro 28.5 million (at a percentage of 50%) against the claims submitted by the Contractor in relation to the works for the construction of the **new high-capacity railway line between Tel Aviv and Jerusalem,** (b) the financial facility, to an extent of 10% of the contract amount, in relation to the project for the construction of the **Kula Tower, in Serbia,** within the scope of the large Belgrade Waterfront urban regeneration project and (c) the **contract receivable of Euro 40.0 million, which arose from higher charges for expropriation** financed directly and in advance by Impresa Pizzarotti as a member of the BBM consortium, General Contractor of the **Brebemi motorway**, which was completed on 11 November 2019;

(iii) **a decrease in long-term net liabilities for Euro 15.6 million,** linked both to a greater exposure to customers for receivables relating to retention money and to the reclassification, among short-term items, concerning an amount of Euro 10.5 million consisting of the debt for the loan disbursed by minority shareholders of the investee Plein Sud Sam, the promoter of the *Jardin Exotique* real estate project currently underway in Monte Carlo;

(iv) **a decrease in consolidated shareholders' equity for Euro 19.6 million.**
The **consolidated shareholders' equity** (including minority interests) came to **Euro 387.7 million,** showing a decrease of Euro 19.6 million compared to the value posted at 31 December 2018 as a result of: (i) the loss for the period of Euro 9.9 million, (ii) the contribution of Euro 4.5 million given by minority interests in support of the equity of subsidiary Fine Properties New York LLC, promoter of the 249&251 West 14th real estate project in New York and (iii) a reduction of Euro 15.5 million in minority interests resulting from the resolution on the distribution of dividends of investees Fine Properties Monte Carlo Sam and Engeco Sam as described in more details in the explanatory notes to the accounting statements.
In terms of equity, it should be noted that the company holds 1,444,800 own shares for a total acquisition value of Euro 2,324,056.

It should be noted that the total net financial position includes **equity investments** in project companies, in preparation for the business that has been developed and to be developed in the coming years, the overall amount of which is about Euro 225.8 million, broken down into share capital and subordinated loans (Euro 226.9 million at 31 December 2018).

The net financial position was also affected by **real estate projects** whose value in terms of net inventories at Group level was equal to Euro 150.3 million (Euro 171.5 million at 31 December 2018); these include the projects developed with other partners through investee companies, which amounted to about Euro 62.2 million and are made up of the projects of *Jardin Exotique* and 249&251 West 14th in Monte Carlo and New York, respectively.

With regard to gross debt, it should be noted that on 7 August there was the full repayment of the senior unsecured Bond issue outstanding for a total of Euro 100 million, placed with European institutional investors (Euro Private Placement), whose notes had been admitted to trading on the multilateral trading facility operated by the Irish Stock Exchange. The redemption of the Private Placement meant that the regulatory requirements according to which Impresa Pizzarotti was classified as a PIE - Public Interest Entity were no longer met. This repayment took place against a concurrent draw-down of the Backstop to Private Placement line specifically provided for as part of the Financing transaction entered into by the Company on 21 September 2018.

Pro-forma income statement position at 31 December 2019

The income flows in 2019 were adversely affected by the final results recorded in the USA and Poland areas due to the problems encountered in the performance of construction contracts, which led to the decision to exit the respective markets.
The following pro-forma income statement has been prepared in order to report the Group's normalised results of operations, net of non-recurring items described above:

Income Statement	FY 2019				FY 2018
Description	Figures published (§)	USA	Poland	Pro-forma	Figures published
Revenues	1,299.2	(76.8)	(65.4)	**1,157.0**	**1,317.4**
Operating costs	1,273.7	(103.9)	(83.4)	**1,086.4**	**1,223.2**
Operating profit - Ebitda	**25.6**	**27.1**	**18.0**	70.7	94.2
	2.0%			***6.1%***	***7.2%***
Amortisation, depreciation and write-downs	46.2	(2.1)	(1.4)	**42.7**	**40.4**
Operating profit - Ebit	**(20.6)**	**29.2**	**19.4**	28.0	53.8
	-1.6%			***2.4%***	***4.1%***
Capital gains from disposal of equity investments	41.4	-	-	**41.4**	**-**
Financial income and costs	(34.9)	2.0	1.6	**(31.3)**	**(31.1)**
Fair-value valuation of financial assets	0.0	-	-	**0.0**	**(2.4)**
Value adjustments to equity investments	(0.1)	-	-	**(0.1)**	**(8.3)**
Profit before taxes - continued operations	**(14.2)**	**31.2**	**21.0**	38.0	12.0
Taxes	4.2	-	-	**4.2**	**(5.7)**
Net profit	**(9.9)**	**31.2**	**21.0**	42.3	6.3

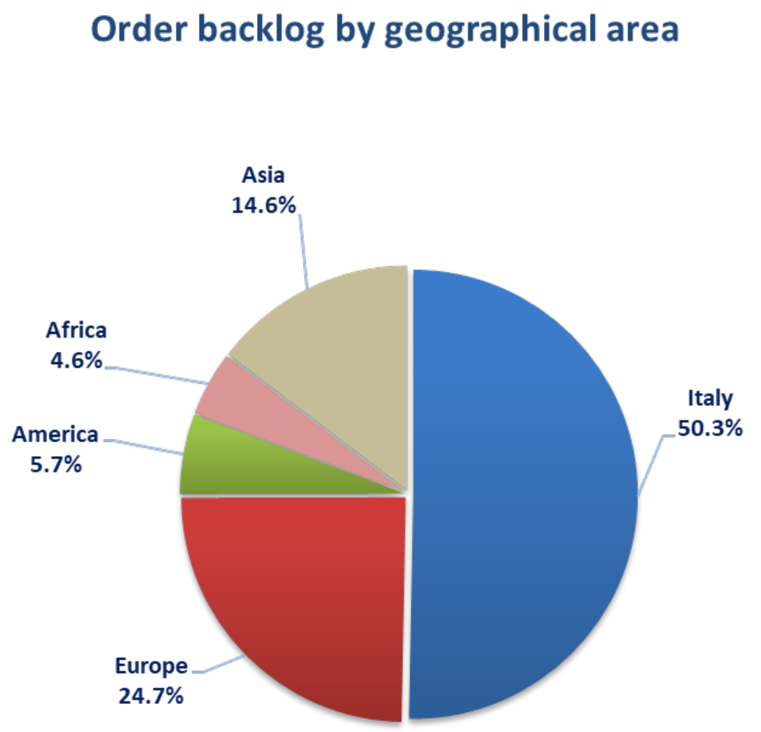
(§) The figures stated are inclusive of items reclassified as assets held for sale according to IFRS 5

Order Backlog

At 31 December 2019 **the order backlog** for **Group construction work** totalled **Euro 5,832 million** (Euro 6,343 million at 31 December 2018); the concessions, on the basis of agreements already executed, valued in terms of the future revenues that will flow to project investee companies, totalled Euro 5,202 million, which brought the total amount to Euro 11,034 million.

The construction backlog showed a substantial balance between the Italian and foreign components, since it was accounted for by orders gained on the domestic market for 50.3% and by orders gained on international markets for 49.7%, as detailed below:

December 2019



International market

During 2019 the considerable commercial investment, which is aimed at pursuing an increasingly greater internationalisation of the business, also continued.

Compared to the end of 2018, **the order backlog recorded the acquisition of new construction works on the international market for a total amount of Euro 412 million at 31 December 2019**. Below are the most significant works:

Country	Group Company	Share	Project description	Amounts in Million of euros
Norway	Impresa Pizzarotti Spa	49.00%	Nykirke - Barkaker Railway	187.6
Israel	Impresa Pizzarotti Spa	50.00%	Road 16 Motorway	117.7
Switzerland	Pizzarotti SA	34.00%	Kerenzerbergtunnel Safety Tunnel	32.5
Montecarlo	Engeco	33,50% - 50%	Extention To The Sea Montecarlo	72.4

In **Norway**, through Impresa Pizzarotti S.p.A.:

- **Nykirke-Barkåker Railway Project**: as part of the major infrastructure programme launched in the country, particularly in the railway sector, on 26 September 2019 the Joint Venture set up by Impresa Pizzarotti and Salini Impregilo, with shares of 49% and 51% respectively, was awarded the contract for the upgrading of a railway line between the cities of Nykirke and Barkåker, south of Oslo in Norway. The overall project, worth about Euro 383 million, provides for the design and construction of civil works for approximately 13.6 km of a new double-track railway line, including two bridges, three tunnels and a station near Skoppum. The work, the construction contract for which was signed on 8 October 2019, is part of the project to modernise mobility in Norway and strengthens the Pizzarotti Group's footprint and participation in sustainable mobility.

In **Israel**, through Impresa Pizzarotti S.p.A.:

- **Road 16 Motorway**: the work, whose construction is worth about Euro 213 million and which will be carried out by Impresa Pizzarotti S.p.A. and a local partner on an equal share basis, is a new access road to Jerusalem for traffic proceeding from the west and will link Highway 1 to Route 50. On 25 October 2018 Shapir-Pizzarotti Highway 16 Ltd signed the contract for the design, construction, operation and maintenance of the new Road 16, the related works of which will be started immediately after the financial closing of the project and the execution of the various agreements entered into in October 2019.

In **Switzerland**, through subsidiary Pizzarotti SA:

- **Kerenzerbergtunnel safety tunnel**: on 20 December 2019, Pizzarotti SA, the leading company of a group of Companies with a share of 34%, signed the contract for the execution of the works relating to the Kerenzerbergtunnel safety tunnel. The project, worth a total equivalent of approximately Euro 96 million, involves the construction of a 5,500 linear metre safety tunnel, parallel to the existing Kerenzerberg motorway tunnel (Canton Glarus, south of Lake Walensee), and will be excavated largely by Tunnel Boring Machine [TBM].

In **Monte Carlo**, through subsidiary Engeco SAM:

- ***Estensione a mare***: within the scope of the "*Estensione a mare*" project in Monte Carlo, the subsidiary Engeco SAM increased its shares in the *Association En Participation* [AEP] *Maitrise d'Ouvrage Delegué Aménagements* [MODA] and *Maitrise d'Ouvrage Delegué Superstructures* [MODS], thus increasing its order backlog by more than Euro 72 million during 2019.

Furthermore, it should be noted that the order backlog was affected by a reduction of about Euro 280 million mainly following the termination of the contracts in the Polish market and the subsequent assignment of the Moscow Theme Park contract, which was completed on 20 January 2020, as detailed in the section concerning the "Significant corporate transactions" of this Report.

Domestic market

In this market, during 2019 **the order backlog showed an increase of Euro 313 million against: (i) new orders gained for construction works for a total of Euro 247.5 million and (ii) the 5-year renewal of the agreement for the lease and maintenance of the Belpasso property complex for Euro 65.4 million.** In particular:

Country	Group Company	Share	Project description	Amounts in Million of euros
Italy	Impresa Pizzarotti Spa	31.19%	Naples-Bari high-speed railway - Frasso-Telese section	74.7
Italy	Impresa Pizzarotti Spa	57.87%	Port of Genoa - connection to the airport	74.1
Italy	Impresa Pizzarotti Spa	50,5% - 100%	SAVE - Venice Airport	98.7
Italy	Impresa Pizzarotti Spa	100.00%	Belpasso - Five-year renewal for rental and maintenance of the property complex	65.4

- **High Speed Naples-Bari railway line - Frasso-Telese Section**: the work, for the customer Rete Ferroviaria Italiana S.p.A., relates to the working design and construction of the Frasso Telesino – Telese section of the High-Speed Naples-Bari railway line. The overall amount of works is equal to about Euro 240 million, while the share held by Impresa Pizzarotti S.p.A. as the representative of the ATI [*Associazione Temporanea di Imprese*, Temporary Business Grouping] is equal to 31.19%. The contract was signed on 19 August 2019 following the final award that took place on 29 March 2019.

- **Genoa port – connection to airport**: on 16 December 2019 the Joint Venture set up by Impresa Pizzarotti and other Italian companies was awarded the work contract for the final and executive design and the execution of the road works described in the "extraordinary programme of urgent interventions for the port's recovery and development and related accessibility infrastructure for the intermodal connection between Cristoforo Colombo airport and the city of Genoa." The works amount to a total of Euro 128 million, of which an amount of Euro 74.1 million is shown in Impresa Pizzarotti's order backlog against its share of 57.87%.

- **Venice Airport**: on 13 August 2019 the ATI represented by Impresa Pizzarotti S.p.A. was finally awarded the tender launched by SAVE S.p.A., for the execution of the works concerning the enlargement of the second lot of the passenger terminal and the refurbishment of the existing terminal at Venice airport. The bid totalled Euro 247.4 million, while the share held by Impresa Pizzarotti S.p.A. in the ATI is equal to 42.30%.

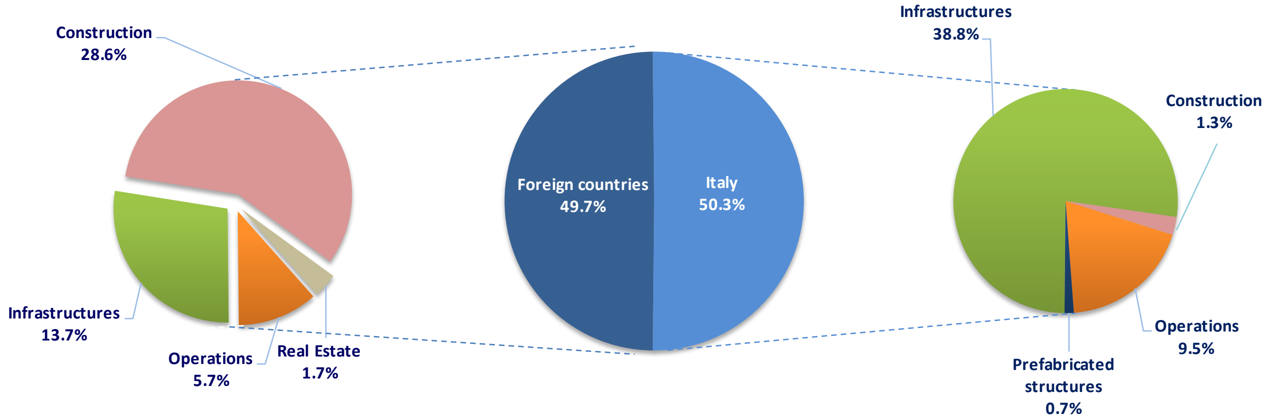
- **Belpasso property complex (Catania)**: on 8 April 2020, the US Government exercised the option to renew the second of the four five-year periods of the existing contract expiring in 2035, which includes both lease and maintenance (global service) service of the structure consisting of 526 residential units occupied by the families of American military personnel employed at the NATO base in Sigonella. This second renewal, which covers the period from 10 July 2020 to 9 July 2025, allowed Impresa Pizzarotti S.p.A. to increase its order backlog by about Euro 65.4 million.

Below is the **breakdown of the construction backlog by sector and geographical area**:

Description	31/12/2019 Italy	Foreign countries	Total	31/12/2018 Italy	Foreign countries	Total
Infrastructures	2,262.7	801.7	3,064.4	2,379.7	786.0	3,165.7
Construction	75.6	1,667.1	1,742.7	170.9	1,913.9	2,084.8
Real estate	0.4	99.2	99.6	18.3	105.5	123.8
Operations	555.9	330.4	886.3	553.8	328.6	882.4
Prefabricated structures	39.0	-	39.0	86.0		86.0
Total Order Backlog	**2,933.6**	**2,898.4**	**5,832.0**	**3,208.7**	**3,134.0**	**6,342.7**
percentage	***50.3%***	***49.7%***	***100.0%***	***50.6%***	***49.4%***	***100.0%***

December 2019

Order Backlog by Sector and market



Significant corporate transactions

Some significant corporate transactions completed in 2019 or in previous financial years, the effects of which ceased to be felt in 2019, are described below.

SAT S.p.A/Ge.Sat Scrl transaction

At the end of 2017 Impresa Pizzarotti completed the purchase and sale of Equity in the project company SAT S.p.A., the concessionaire for the design, construction and operation of four hospitals located in Pistoia, Prato, Lucca and Massa, and in consortium company Ge.Sat Scrl, which has been appointed by SAT to provide non-health services.
In short the transaction led the Pizzarotti Group to complete the sale of its stake in SAT S.p.A. and to increase the quota held in Ge.Sat, the O&M Company for the project, up to the present percentage of 46.15% (increased by 16.15% compared to the previous quota of 30%). As a result of this transaction, therefore, Impresa Pizzarotti continued to directly manage the O&M work for this project, availing itself of its expertise in the integrated management of services in high technological intensity facilities, without any use of additional capital.

In detail, **two distinct but simultaneous purchase and sale contracts** were executed in the framework of this transaction.
The **first contract, with counterparty Techint S.p.A.**, holding 35% in both SAT and Ge.Sat, concerned the acquisition of the two interests and of the shareholder loan in SAT for a share of 16.15% - proportionally to the interest already held by Impresa Pizzarotti and equal to 30% in both cases. The first closing for 11.54% was completed in December 2017, while the remaining share was bought at the same time as the final sale, as commented on below.

The **second contract, with counterparty Equitix Italia 3 Srl**, an Italian company controlled by the UK infrastructure fund Equitix, which mainly operates in the infrastructure and PPP sector, concerned the sale of 29% of the interest held in SAT and of the shareholder loan, in addition to the interest simultaneously acquired from Techint. In December 2017 the first closing was completed for 25% of the interest and for the total shareholder loan, while the closing relating to the second phase of the transaction took place in December 2019, with an additional sale of: (i) the SAT investment already held by Impresa Pizzarotti for a share of 4% and (ii) the investment simultaneously acquired from Techint.
In terms of results of operations and cash flows, **the 2017 financial statements benefitted from a capital gain of about Euro 5.5 million and net cash flows of Euro 8.3 million – an additional capital gain of Euro 1.4 million was realised in December 2019** upon the completion of the second closing, **which was accompanied by net cash flows of about Euro 8.0 million**.
At 31 December 2019 the remaining stake held by the Pizzarotti Group in SAT S.p.A. was equal to 1%.

Sale of the investment held in Pizzarotti IE OOO (VDHK contract)

In 2017 the Russian subsidiary Pizzarotti I.E. OOO was awarded the contract for the design and construction of the "Park of the Future" in Moscow, which was entered into with AO VDHK, controlled by the local Municipality, for a total amount of about Euro 148 million.

The execution of the works was affected from the outset by technical problems in terms of design and authorization, which prevented planning from being regularly scheduled and site works from being developed, with consequent inefficiencies in economic and financial terms; a solution was therefore found with the customer, which involved a third constructor to take over works.

In September 2019 an option contract was therefore signed for the sale of the entire investment held in Pizzarotti I.E. OOO at a price of Euro 3 million, in addition to the repayment of the financial receivables claimed by the Group in the execution of the works in question. The closing with the endorsement of the shares was completed on 20 January 2020, following, among others, the buyer taking over the guarantees given. At that date the price of transfer, equal to Euro 3 million, had been collected in full, while the remaining financial receivables disbursed to Pizzarotti IE OOO, amounting to about Euro 11 million, are expected to be paid in instalments by the end of 2020.

Sale of the investment held in Marex Sam (Monte Carlo)

On 26 September 2019, the sale of 49.6% of the Marex Sam quotas, the Group's investment in the "*Estensione a Mare*" project in Monte Carlo, was completed for a countervalue of Euro 72.3 million, which was paid in full at the closing date. From a financial point of view, the transaction allowed the Group to realise a capital gain of Euro 40.1 million. In December 2019, the remaining investment in Marex held by the Group was equal to 1.8%.

Business sectors – focus on

Domestic market

Below are described our main current projects.

Infrastructure

BRESCIA-BERGAMO-MILAN MOTORWAY (BRE.BE.MI)

Impresa Pizzarotti holds a 12.5% interest, both directly and through its parent company Autostrade Lombarde S.p.A., in concessionaire Brebemi S.p.A. which has been appointed to **prepare the final design and working drawings and specifications, as well as to construct and operate the Brescia-Bergamo-Milan motorway**.

Impresa Pizzarotti also holds an interest of 50% interest in the BBM Consortium which has been appointed as General Contractor for the construction of the motorway; the motorway axis is in operation from July 2014 and the work is now completed.
Finally, Impresa Pizzarotti holds an interest of 50.1% in Interconnessione S.c.a.r.l. which has constructed the interchange between the A35 and A4 motorways, which was handed over and opened to traffic in November 2017, almost two months ahead compared to the expected deadline. This opening certainly led to a significant growth in motorway management revenues, which showed an increase equal to 26.4% and 13.7%, respectively, in December 2018 and December 2019, compared with the same periods of the previous years. During 2019 work also continued on the administrative procedures aimed at the testing of the motorway axis, which is expected by 2020.

The new road is already expected to be the business solution to the problems at present being faced by the concessionaire since it will enable the development of such traffic volume so as to allow the achievement of the economic and financial balance of the project and, accordingly, a financial return for the Shareholders, as provided for in the new EFP, which was approved by the CIPE [*Comitato Interministeriale per la Programmazione Economica*, Interministerial Committee for Economic Planning] and became effective in January 2016.

The key performance indicators of the concessionaire Brebemi S.p.A., which also showed an increase compared to the previous year, **were significantly positive and in line with industry standards**.

The results of operations recognised in the accounts of the concessionaire are reported below:

Description	31/12/2019	31/12/2018
Revenues	88.8	78.2
Gross Operating Profit - Ebitda	**59.8**	**51.1**
Ebitda %	**65.1%**	**62.9%**
Amortisation, depreciation and provision	(11.2)	(10.3)
Operating Profit - Ebit	**48.7**	**40.8**
Net interest income and cost	(111.1)	(88.4)
Taxes	13.3	10.4
Net Profit	**(49.1)**	**(37.2)**

In October 2019 the concessionaire completed the full refinancing of the existing debt through a mix of actions which involved a bond issue and a new bank loan, with the aim of optimising debt structure and especially its costs which to date are a heavy burden on net results**.**

As regards the BBM Consortium and the difficulty it has had to face owing to the failure of its equal partner CCC to provide the funds necessary to meet its obligations, **a complex agreement was signed between the BBM Consortium and the concessionaire Brebemi in March 2018 which laid the foundations for a permanent solution of the issues still unresolved, especially the remaining expropriation procedures,** which were then successfully completed by 21 July 2018, the deadline for considering the Work to be in the Public Interest.

At the end of 2016 and at the beginning of 2017 agreements had already been signed with Brebemi and with the Pool of banks assisting the BBM consortium, which were aimed at obtaining: a) the definition of a time schedule for the payment of additional expropriations equal to about Euro 117 million, which would be advanced by consortium BBM, b) the commitment by shareholder Impresa Pizzarotti to advance the payment of its share of funds in an amount equal to about Euro 58 million in order to facilitate both the due performance of the agreements signed with Brebemi and a solution to the financial problems of shareholder CCC, and c) the payment, in the form of a financial advance, for any higher costs incurred for the execution of changes to the project.

Impresa Pizzarotti honoured its commitments by financing the BBM Consortium; during the last quarter of 2017, however, the continuing problems caused by partner CCC's difficulty in raising funds made it necessary to enter into another agreement for a permanent solution both of the remaining expropriation procedures and of the BBM Consortium's debts.

The **agreements signed at the beginning of March 2018** provided for: a) the payment of about Euro 55 million to Brebemi on the part of the Pool of banks assisting the BBM consortium, equal to the amounts to be paid by shareholder CCC, required to pay the remaining additional expropriations, b) the terms of repayment by Brebemi of the debt due to both the BBM consortium, for the payments already made, and to the Pool of banks, as described above, totalling about Euro 117 million, c) the payment of an amount of Euro 18 million to settle claims by the BBM Consortium, necessary to normalise the Consortium's debt position.

In signing the agreement it was also established that: (i) the amount that the BBM Consortium claims from Brebemi for the higher expropriation costs already incurred, equal to about Euro 62 million, will be assigned automatically to its consortium members Pizzarotti and CCC as voluntary payment of the claims arising from their loans to the Consortium, (ii) for the purposes of the settlement of the debt, which will only be repayable when the expropriation procedures have been completed, Brebemi may opt for cash settlement and the conversion into shares either in whole or in part, (iii) the amount that the BBM Consortium claims from Brebemi for the payment of the higher expropriation costs financed with the disbursement of about Euro 55 million on the part of the Pool of banks backing the BBM Consortium, may be assigned by the latter to the guarantor and the settlement of which will be the object of a separate agreement.

On 13 March 2018 the Pool of banks backing the BBM Consortium paid Brebemi Euro 55 million as described above**, which enabled it to start the work necessary to complete the expropriation procedures immediately. These procedures came to a successful conclusion before 21 July 2018, the deadline for considering the Work to be in the Public Interest**.

On 7 November 2019 the members of the BBM consortium and Brebemi agreed that the contract receivable of Euro 62 million, corresponding to the value of the higher expropriation costs financed by the consortium members directly and in advance, had to be settled according to the following procedures: (i) a **cash payment to Impresa Pizzarotti S.p.A., equal to Euro 40 million, which was made on 11 November 2019,** the availability of which was envisaged by the concessionaire within the refinancing transaction as referred to above, (ii) a **capital increase** with the issue and offer as an option to the members Impresa Pizzarotti and CCC **so as to set off the remaining amount of the contract receivable claimed from Brebemi** and equal to Euro 20.2 million for Impresa Pizzarotti and to Euro 2.0 million for CCC, respectively. The capital increase provides for a time limit set on 30 June 2020 for subscription and will be carried out through the issue of new Brebemi ordinary shares at a price of Euro 1.00 per share.

MILAN EASTERN OUTER BYPASS ROAD (TEEM)

This is a **project finance initiative regarding the design, construction and operation of the abovementioned Milan Eastern Outer Bypass Road**, the concession for which has been awarded to the project company Tangenziale Esterna S.p.A. [TE] in which Impresa Pizzarotti holds a 10.2% stake. Impresa Pizzarotti also holds a 27.357% stake in the TEEM construction consortium (CCT, *Consorzio Costruttori TEEM*] that is carrying out this work, acting as General Contractor and a 81.063% stake in the Arcoteem Consortium, which has been awarded the contract for Lot B of the Bypass Road.

The stakes held in the construction consortium CCT and in the Arcoteem Consortium take into account the increases which have occurred since 7 April 2017 after the departure of the shareholder UNIECO Soc. Coop. in liquidation.

The road section was opened to traffic on 16 May 2015, while the remaining works for Lot B, which are minor compensatory works, were completed in April 2017, in compliance with the deadline for completion set out in the additional agreement that was signed with the concessionaire at the beginning of 2017.

All works have been completed and the operations were completed during 2018 for the technical and administrative test as regards the relations both between the Concessionaire and the General Contractor and between the Concessionaire and the Granting Authority.

At the beginning of 2019, the first regulatory concession period (from 1 April 2014 to 31 March 2019) expired and, after a series of preliminary contacts and talks with the Granting Authority, the application for review of the Concession's Economic and Financial Plan was formally submitted on 29 March 2019. The new plan, which provides for the fee adjustment as the only measure of rebalancing, was approved by the Board of Directors of the granting authority CAL S.p.A. [CAL] on 5 August 2019 and forwarded, together with the relevant scheme of Additional Deed no. 3 to the Concession Agreement, to the Ministry for Infrastructure and Transport for continuing the approval procedure.

By a memo dated 14 January 2020, the Granting Authority informed the Concessionaire that the procedure for updating the Economic and Financial Plan, which had been started between the parties in March 2019, had to be brought into line with: (i) the new provisions of Article 13 of Decree Law no. 162 of 30 December 2019 ("Thousand-Extensions [*Milleproroghe*] Decree"), according to which the concessionaires whose five-year regulatory period expires in 2020 shall put forward proposals to the Granting Authority for updating the economic and financial plans, which cancel and supersede any previous proposed update and (ii) the outcome of the procedure initiated by the Transport Regulatory Authority [*Autorità di Regolazione dei Trasporti*, ART] under resolution no. 176 issued on 19 December 2019, whereby ART started a procedure aimed at establishing the toll tariff system for the Agreement signed between CAL and TE. This new tariff system, which was established at the end of the public consultation phase by means of resolution no. 29/2020, provides in any case for a safeguard mechanism aimed at ensuring that concessionaires recover the capital costs related to investments already made in compliance with the level of profitability resulting from the application of the previously applicable tariff system.

TE has already filed an appeal with the competent Regional Administrative Court against ART and against the Granting Authority’s memo of 14 January 2020.

As regards motorway operation, the analysis of the key traffic indicators has confirmed that the growth trend continued during 2019 too, which had already been highlighted during 2018, **with an overall average increase of 6.7% in terms of vehicle/km**. This confirms that the motorway is currently in a ramp-up phase which is expected to benefit from a normal increase in traffic in this start-up stage and there will also be more traffic from the Brebemi motorway.

Below are the concessionaire’s income statement data:

Description	31/12/2019	31/12/2018
Revenues	66.1	60.6
Gross Operating Profit - Ebitda	**44.2**	**39.7**
Ebitda %	**65.7%**	**63.0%**
Amortisation, depreciation and provision	(18.1)	(11.3)
Operating Profit - Ebit	**26.1**	**28.4**
Net interest income and cost	(50.8)	(59.8)
Taxes	5.9	8.2
Net Profit	**(18.8)**	**(23.2)**

In spite of the fact that revenues from motorway operation showed a significant growth trend in 2019 compared to 2018 and the key performance indicators were significantly positive and in line with industry standards, there remained a net negative result that was affected by the recognition of considerable financial costs, which however showed a significant decline compared to 2018, thanks to the improved economic conditions as a result **of the refinancing transaction entered into on 2 August 2018.**

The new loan agreement, which was signed with a pool of commercial lending banks and Cassa Depositi e Prestiti S.p.A **for a total amount of Euro 950 million, allowed the concessionaire to benefit from better market conditions, as well as from an extension of the debt maturity dates**.

HIGH-SPEED MILAN-VERONA RAILWAY LINE

Impresa Pizzarotti holds a 27.27% a share in the Cepav Due Consortium, which has been awarded the project for the working drawings and specifications and the construction of the Milan to Verona High-Speed railway line. This share includes the 3.27% increase recorded at the beginning of 2018 after the exclusion, according to the articles of association, of consortium member Condotte d'Acqua S.p.A. with the consequent proportional increase in the interests of the remaining members.

Condotte d'Acqua S.p.A. has in fact filed an appeal pursuant to Article 161, paragraph 6, of Bankruptcy Law and was admitted to the procedure on 15 January 2018; at the end of the standstill period necessary to prepare a composition with creditors agreement, the option of regaining its original quotas which the General Meeting granted to the excluded Member had not been exercised.

As regards works, **on 10 December 2016 a first functional lot was opened to traffic in relation to the Treviglio – Brescia section**, with a total value of about Euro 1,445 million and, at present, all activities are in progress for the technical and administrative test certificates. On 28 January 2020 the Cepav Due consortium signed with the customer Rete Ferroviaria Italiana [RFI] a Deed of Submission [*Atto di Sottomissione*], which provided for: (i) the terms and conditions of the agreement to settle mutual claims, (ii) the release of 75% of the amount of the outstanding guarantees and (ii) the terms for the completion of testing operations.

On 6 June 2018 a new supplementary agreement was signed which will regulate the construction of a second functional lot relating to the Brescia Est-Verona section for a total amount of Euro 2,160 million, divided into two construction lots. The works for the first construction lot, which amount to Euro 1,645.8 million and which were started after the contract became effective on 5 July 2018, suffered an unexpected slowdown due to the failure to issue the urgent possession orders for the areas on the part of RFI, the issue of which was expected on 3 September 2018.

In the period from July 2018 to June 2019, however, it was in any case possible to acquire some areas amicably by signing agreements with about 20% of the properties affected by the passage of the railway line. Work then started on archaeological paperwork and the necessary preparation of design details for these areas.

Possession orders were cleared and the project entered into full operation from 5 July 2019, i.e. the date from which operations started for the entry into possession of the areas involved in the railway works.

After taking possession of the areas, operations started in relation to the clearance of war remains, archaeological finds, site setting-up, characterization of critical sites and resolution of the first public utilities.

With regard to site set-up, preparation operations were started in the areas of Sommacampagna, Lonato Ovest, for the amount of works to be executed both directly and under contract, Frassino and Sona 2, as was the construction of material storage areas. With regard to the works on the High Speed Line, on the other hand, operations were started on the West side entrance of the

Lonato natural tunnel, the construction of poles on the east side entrance of the S. Giorgio natural tunnel and the pre-excavation of the west side entrance of the S. Giorgio natural tunnel. Excavation operations involving the tunnel of the new A4 junction of Castelnuovo and the operations involving the South roundabout were also started.

Public tender procedures are currently underway as part of the contract obligation to contract 60% of the works.

The Consortium's Work Progress Report showed an amount of Euro 199.5 million at 31 December 2019.

On 17 April 2020, a notice was received from RFI regarding the financing of Construction Lot 2.

It should be noted that the final design approved by the CIPE [*Comitato Interministeriale per la Programmazione Economica*, Interministerial Committee for Economic Planning] accepts a design variation with respect to the original route, planning for the road to pass through the city of Brescia by quadrupling the tracks. The variation, which falls within the scope of operation of the supplementary agreement signed, is currently the object of RFI's preliminary design and the related approval process will provide for the execution of an additional supplementary agreement between Cepav Due and RFI.

As a result of these events, the Board of Directors believes that, even considering the normal uncertainty that is typical of this sector, there are grounds for believing that the total amounts reported as assets in connection with the Milan to Verona High-Speed railway line will be recovered; for details, reference should be made to the paragraph on "Intangible assets" of the explanatory notes.

HIGH-SPEED NAPLES-BARI RAILWAY LINE –CANCELLO-FRASSO TELESINO SECTION

On 22 December 2017 the Cancello-Frasso Telesino Consortium signed, with customer Rete Ferroviaria Italiana [RFI], **the contract for the working drawings and specifications and the execution of works for the construction of the High-Speed Naples-Bari railway line (Cancello - Frasso Telesino section) and of the Rome to Naples alternative route via Cassino, including ancillary works.** The overall initial amount of the contract was equal to Euro 312 million, while **the Group' share in the Consortium is equal to 34%**.

RFI approved the Working Drawings with instructions and suggestions **on 17 January 2019**; this approval includes **the new time limits and recalculation of the contract amount as about Euro 333 million**; the new deadlines and the new contractual amount were ordered under a **Deed of Submission no. 1**, which was signed by the Consortium, which dissented with reasons, on 23 January 2019.
Works were handed over on 23 January 2019.

The set-up of the main construction site was completed and works were started on all fronts during 2019.
The activities were, in general, conditioned by various events, which entailed the preparation of estimate for changes reports which are in the information-gathering phase and, specifically: (i) archaeological finds and discovery of waste, (ii) delays in the resolution of interferences on the

part of the managing Entities and unavailability of the collection sites envisaged in the project and (iii) some unforeseen geological events that implied additional consolidation works.

The Consortium's Work Progress Report showed an amount of Euro 34.9 million at 31 December 2019.

HIGH-SPEED NAPLES-BARI RAILWAY LINE –FRASSO TELESINO-TELESE SECTION

On 29 March 2019 the ATI represented by Impresa Pizzarotti S.p.A. was finally awarded the tender launched by Rete Ferroviaria Italiana S.p.A. **for the working drawings and specifications and the execution of works for the construction of the Frasso Telesino – Telese section of the High-Speed Naples-Bari railway line**. **The overall amount of the works is equal to about Euro 242 million while Impresa Pizzarotti S.p.A.'s share in the ATI is equal to 31.19**%.

The agreement was signed on 19 August 2019 while the report for the start of the executive design was signed on 28 August 2019.
On 24 February 2020 the Executive Design was delivered to Italferr S.p.A., which is currently in the information-gathering phase.
Works are expected to start at the beginning of September 2020.

HIGH-SPEED MILAN–GENOA RAILWAY LINE, TERZO VALICO DEI GIOVI RAILWAY LINE, CASTAGNOLA LOT

Impresa Pizzarotti S.p.A., in association with Collini Lavori S.p.A. (holding 70% and 30% shares, respectively) was awarded the railway civil engineering and related works in the Castagnola Lot (**Valico tunnel and the Castagnola Section to access the Valico tunnel**), **which forms part of the project for the construction of the High-Speed/High-Capacity "Terzo Valico dei Giovi" railway line**. The contract, which was signed on 15 December 2017, shows a total amount of works equal to about Euro 188 million.

On 5 March 2018 the works were taken over and the excavation of the chamber in the final part of the winze already constructed by the Cociv Consortium started. The execution of the works was slowed down by instability situations for substantial landslips during the excavation of the chamber, which entailed the start of large-scale strengthening works.

These events also partially affected the tubes adjacent to the chamber and, to a greater extent, the odd track in the direction of Genoa where the strong convergence caused a significant reduction in the tunnel section. In addition, stress concentrations on the finished works required major structural strengthening works.

During the last few months of 2019, intense negotiations were started with the Customer for the recognition of additional works relating to the "asbestos risk", resulting from subsequent requirements applied by the Entities and therefore not envisaged during the tendering phase.
The negotiation will see the payment of a surcharge to be calculated on the development of the excavation with differentiation according to classes and a realignment of the work programme.

As at 31 December 2019 the work progress was equal to 23.3%.

HIGH-SPEED MILAN–GENOA RAILWAY LINE, TERZO VALICO DEI GIOVI RAILWAY LINE - CRAVASCO LOT

Impresa Pizzarotti S.p.A., in association with Collini Lavori S.p.A. (holding 70% and 30% shares, respectively) was awarded **the railway civil engineering and related works in the Cravasco Lot** (Cravasco section tunnel), which forms part of the project for the construction of the High-Speed/High-Capacity "Terzo Valico dei Giovi" railway line. **The contract, which was signed on 18 January 2018, shows a total amount of works equal to about Euro 215 million**.

On 18 May 2018 the works were completed and operations were started on preparatory site setting-up and line inlets in the chamber already constructed by the Cociv Consortium.
In the same way as the concurrent works for the "Castagnola lot", talks were started with the Customer for the recognition of additional operations related to the "asbestos risk", resulting from subsequent requirements applied by the Entities and for this reason not envisaged in the tendering phase, which is expected to lead to the payment of a reasonable amount and the realignment of the work program.

The excavation of the four railway tubes has started and the overall work progress was equal to 29.0% at 31 December 2019.

TIRRENO-BRENNERO (TI.BRE) MOTORWAY

This is an **integrated contract worth more than Euro 260 million for the preparation of the working design and specifications and the construction of the first lot of the Tyrrhenian-Brenner multimodal corridor – a link connecting the Cisa Motorway at Fontevivo (Province of Parma) and the Brenner Motorway at Nogarole Rocca (Province of Verona).**

The motorway section develops for about 9.5 km long, 2.5 km of which consisting of a new road section layout of the present A15 motorway running south of the A1 motorway axis; the project also includes: the new road interchange between A15 and A1 motorways, the underpass tunnel of the A15 motorway with respect to the A1 motorway, the new viaduct over the river Taro for a distance of 2 kilometres, the motorway embankment until the new exit for *Terre Verdiane* and the interconnection road network with the existing path.

The contract was finally awarded by the motorway operator, Autocamionale della Cisa S.p.A., in May 2013 and was signed in November 2013, at the same time as the start of the activities preparatory to construction and of working drawings and specifications.
The procedure for the approval of the engineering work on the part of the competent authorities was completed in March 2016 and it was necessary to wait until September 2016 in order to obtain the final and formal approval on the part of the MIT [*Ministero delle Infrastrutture e dei Trasporti*, Ministry for Infrastructure and Transport].

Work commenced in September 2016 after the signature of the first partial notice to proceed, followed by the second partial notice to proceed in November 2016. The final notice to proceed was issued on 15 March 2017.

The Contracting Authority approved the first estimate for changes report which includes the modifications to the working design requested by the MIT, the modifications to the lighting installations requested by ASPI [*Autostrade per l'Italia*, Italian Motorways] in the vicinity of the interchange between A15 and A1 motorways the modifications necessary for laying the sub-foundations and provisional supporting structures of the viaduct over the river Taro and, finally, the modifications to the motorway fence.

The second estimate for changes report is being completed, which includes some requests submitted alternatively by RFI, ASPI, SALT and Consorzio di Bonifica, including: the possibility of inspecting the Taro viaduct (lighting and walkway), the construction of the ballast protection wall, the Closed Circuit Television [CCTV] and Programmable Logic Controller [PLC] systems, painting the metal decks, the change in the manner of execution for the construction of the crossing of the A1 motorway, the road system for access to the Consortium's pit in Viarolo, the ASPI Variable Message Signs [VMS] north of the Taro viaduct and the use of better performing safety barriers on the northbound carriageway of the A1 motorway.

The year 2019 was marked by particularly adverse weather conditions, which caused deviations from scheduled production volumes, mainly related to handling materials. In order to make up for this delay, in December 2019 the parties reached an agreement whereby the Customer undertook to pay sums to favour the supply of inert materials located outside the Emilia-Romagna Region.
The weather events described above also caused the flooding of the River Taro, the last of which occurred in November 2019, which aggravated the situation of the construction site areas that had already been severely affected by the flooding events of the previous 2017-2018 and 2018-2019 autumn-winter seasons.

As a result of these events, the General Contractor is working with the customer Società Autostrada Ligure Toscana S.p.A. [SALT] on setting out a new contract time limit for work completion, which is currently scheduled on 18 November 2020.

As at 31 December 2019 the **work progress was equal to about 82.5%.**

CAMPOGALLIANO-SASSUOLO MOTORWAY

The project involves the **construction and operation of the new Campogalliano-Sassuolo motorway link between the A22 motorway and the SS467 "Pedemontana" state road**; Impresa Pizzarotti holds a 31.29% interest in a group of companies which has been finally awarded the concession for the design, construction and operation of this link road on the part of the granting authority Ministry for Infrastructure and Transport [MIT].

In December 2014 an Agreement was entered into with the MIT, which regulates the relationship between the Granting Authority and the Concessionaire for the design, construction and operation of the Campogalliano Sassuolo Motorway Link.
In 2016 an understanding was reached with the Granting Authority MIT concerning some amendments to the EFP, which led to the implementation of tax exemption measures that were approved by the CIPE on 1 May 2016 by resolution no. 13/2016, which was registered by the Court of Auditors on 23 November 2016 and published in the Official Gazette on 22 December 2016.

On 13 July 2018 the MIT transmitted to the concessionaire AutoCS S.p.A. a certified true copy of the Interministerial Decree no. 289 of 24 May 2018, which was registered with the Court of Auditors on 21 June 2018, approving the Concession Agreement and the 1st Additional Deed and confirming the effectiveness of the deeds with the time limits starting for the design, construction and operation.

The concessionaire AutoCS S.p.A. has appointed the CCS Consortium, 90%-owned by Impresa Pizzarotti, to prepare the engineering work and the execution of additional preliminary activities.
The total amount of the project is equal to about Euro 430 million; the amount of works is equal to about 303 million for the construction of the motorway link and to about Euro 16 million for the construction of the Rubiera bypass road.

The Final Design and Engineering Work of the Campogalliano-Sassuolo Motorway was delivered by the CCS Consortium to AutoCS on 7 November 2018 and then transmitted by the latter to the MIT on 12 November 2018.
The Final Design of the Rubiera bypass road was delivered by the CCS Consortium to AutoCS on 14 December 2018 and then transmitted by the latter to the MIT on 19 December 2018, for the subsequent Services Conference.
On 9 April 2019 the MIT informed AutoCS that it had successfully completed the cost-benefit assessment and that it had started the information-gathering phase for the Engineering Work.
On **1 October 2019 the MIT issued the decree of approval of the Engineering Work of the motorway axis** under which it is now then possible to start the works.
On 6 December 2019, the CCS Consortium sent AutoCS the Final Design of the Rubiera bypass road, as updated in compliance with the provisions of the Lombardia-Emilia Romagna Public Works Department (*Provveditorato OO.PP*).
With the **full effect of the concession**, on 30 December 2019 AutoCS's Board of Directors' meeting approved the awarding of the contract for certain preparatory works for the construction of the motorway link road, such as the work site electrical system and clearance of war remains, to the CCS Consortium. At the subsequent Board of Directors' meeting held on 29 January 2020, the concessionaire entrusted the services for legal aid for the financial closing of the project and the updating of the traffic study.
At the beginning of February 2020, **operations were started for expropriation** with the service of the possession order on the owners concerned.

A4 TAGLIAMENTO GONARS MOTORWAY

The project concerns **a contract awarded to a General Contractor for the design and construction of the third lot of the extension of the third lane of the A4 Motorway in the section included between the new Bridge over the River Tagliamento and the Municipal district of Gonars**; the section involved in the contract is part of a wider project aimed at widening the motorway as provided for in the CIPE resolution of 18 March 2005. Impresa Pizzarotti holds an interest of 50% in the special purpose company Tiliaventum S.c.a.r.l., which was finally awarded the contract on 3 May 2010.

Before entering into the contract, the contracting authority submitted the improvements presented at the time of the bid concerning the Bridge over the River Tagliamento to the competent Entities (Magistrate of Waters [*Magistrato delle Acque*] of Venice and Civil Engineers [*Genio Civile*] of Venice), which in turn submitted a number of observations and requests. Following these observations, the Sole Manager responsible for the Procedure [*Responsabile Unico Del Procedimento*, R.U.P.] took steps to request additional information on the project as to the bid submitted for the bridge and Tiliaventum Scarl signed the contract relating to the Final Design only in June 2012.

In September 2014 the Final Design relating to the entire section involved in the contract was transmitted to the Deputy Commissioner [*Commissario Delegato*], which approved a number of instructions from the local Authorities.
Following the long project procedure and some different positions on the payment of any higher costs arising from the instructions from the local Authorities and from some regulatory changes, in March 2015 the R.U.P. submitted a proposal to the Contracting Authority in order to reach a settlement agreement with Tiliaventum S.c.a.r.l.. Following the proposal submitted by the R.U.P., the Deputy Commissioner asked for an opinion from the Italian Anti-corruption Authority [*Autorità Nazionale Anti Corruzione,* A.N.A.C.] and from the State Lawyers [*Avvocatura generale dello Stato*] concerning the execution of a settlement agreement. In June 2015, following the opinions rendered by A.N.A.C. and by the State Lawyers, the R.U.P. verified the validity of the proposal submitted at the final design stage and whether it complied with the legislation in force through the appointment of a specific committee.

On 23 June 2016, the settlement agreement was signed between the parties; the Final Design was approved on the same date. **On 5 August 2016 the contract was signed for the development of the Engineering Work and for the execution of all the works estimated at Euro 294 million.**
On 4 November 2016 the Engineering Work was delivered to the Commissioner, who approved it by Decree no. 318 of 30 December 2016; works were started following the notice to proceed served on 8 February 2017, i.e. the date from when the period of time of 1,430 days runs, which is set out as per contract for the related execution.

Following the approval of the first estimate for changes report, concerning the payment of higher costs for the discovery of concealed human waste, the installation of additional safety equipment and the traffic restrictions ordered on some existing overpasses, **the amount of the work contract was reset at Euro 295.8 million**, of which Euro 274.5 million for works and Euro 15.3 million of costs for the implementation of the Safety and Coordination Plans.

Work is proceeding without any substantial problems and progress was 84.2% as at 31 December 2019, faster than the contractual schedule of works.
The aim of this early execution of the work is to receive the acceleration bonus provided for in the Work Contract for General Contractor.

On 30 November 2019 a 3-lane stretch of motorway with a total length of 6.8 km was opened to traffic in both directions, including the Viaduct over the River Tagliamento. In the subsequent months from December 2019 to February 2020, additional sections of the motorway platform were opened to traffic in a final three-lane configuration, for a total of approximately 20 km.

In October 2019 the Contracting Authority received the second estimate for changes report relating to the payment of higher costs incurred for the discovery of concealed waste, the disposal of concrete resulting from the demolition of the pre-existing Bridge over the River Tagliamento and for the requests made by third parties. Finally, in addition to the above work, we must note further activities and operations, which are additional to the provisions of the contract. Their price is at present being discussed by the Customer and the General Contractor.

In the first months of 2020 the works did not report any particular problem and continued according to the project's time schedule.

EXTENSION OF THE THIRD LANE OF THE A4 MOTORWAY, LOT 2 - SAN DONÀ DI PIAVE-ALVISOPOLI EXIT SECTION, SUB LOT 1

On 27 December 2017 the R.T.I. [*Raggruppamento Temporaneo di Imprese*, Temporary Business Grouping] between Impresa Pizzarotti S.p.A. (with a share of 51% as representative), Sacaim S.p.A. (30%) and Rizzani de Eccher S.p.A. (19%) was awarded **the contract for the widening of the section of the A4 motorway between the Portogruaro exit and the River Tagliamento. The related contract was signed on 21 March 2018 for a total value of Euro 87.4 million** and involves the widening of A4 motorway adding a third lane, work on the minor road overpasses and a series of art works on the motorway itself.

On 6 March 2018 the consortium company Lemit S.c.a.r.l. was established, which will be responsible for operational management of the contract with the same corporate structure as the R.T.I..

An appropriate Service Order was issued by the Works Manager on 28 May 2018 which certified the commencement of the work preparatory to the commencement of the works in consideration of a partial portion of the entire contract. This enabled the contractor to formalise a request for an advance which took place in June 2018, for an amount corresponding to 20% of the works and equal to Euro 17.5 million.

By subsequent Service Orders issued in the period from June 2018 to June 2019, the Contracting Authority took steps to authorise Lemit S.c.a.r.l. to proceed with the partial delivery of the works.
The delivery of the works was finally authorised by a last report dated 9 March 2020, as from which the contract terms started counting.

On 29 March 2019, due to the subsequent requirements applied by the Contracting Authority, the Deed of Submission no. 1 was formalised which concerned the works for the sub-lot of the first section of approximately 200 linear metres of motorway, set at Euro 2.8 million.
After the first new prices agreement report was signed in September 2019, on 28 November 2019 the Deed of Submission no. 2 was formalised, which related to the estimate for changes report aimed at the payment of higher costs incurred by the Contractor following the discovery of concealed human waste, the discovery of archaeological finds, the new provisions in the field of safety and the systematic land clearance of war devices. The overall amount of payment was equal to Euro 2.5 million.

Finally, an additional Estimate for Changes report was provided for in the last Deed of Submission no. 3.

Following the last Deed of Submission no. 3, aimed at recognising further work not provided for in the contract to the benefit of the contractor, the amount of the work contract was reset for a total of Euro 89.0 million.

Works are continuing with several critical issues related to the discovery of concealed waste and archaeological finds, which are affecting the time of execution. **At 31 December 2019 work progress was 18.4%.**

Finally, in addition to the above information, we must note further activities and operations, which are additional to the provisions of the contract. Their price is at present being discussed between the Customer and the Contractor.

A14 MOTORWAY/PORT OF ANCONA LINK

Impresa Pizzarotti has an 18% interest in a group of companies which is the concessionaire for the **construction of the motorway link between the Port of Ancona and the surrounding road system.**

The work, which will be carried out on a project finance basis, provides for an investment of about Euro 480 million and a concession term of 36.5 years (6.5 years for the design and construction and 30 years for the operation); in December 2013 the project company Passante Dorico S.p.A. e was established and then the agreement was signed with the MIT.

Following the issue of a memo on the part of the Granting Authority on 15 December 2016, whereby the Ministry stated that the final design and related proposal for the rebalancing of the EFP could not be approved, the Concessionaire Passante Dorico filed an appeal with the Marche Regional Administrative Court on 13 February 2017 seeking its annulment. During the first hearing at which the merits of the matter were debated on 2 February 2019, some preliminary issues regarding the jurisdiction of the Regional Administrative Court led the Court to adjourn the case to 22 May 2019 in chambers firstly and then to further adjourn it to 22 January 2020 as a result of the subsequent replacement of the President.

By an order dated 9 March 2020, the Marche Regional Administrative Court ruled on the merits of the appeal filed in the interests of Passante Dorico, rejecting its local jurisdiction in favour of the Lazio Regional Administrative Court.

In view of the results of the projects promoted, assessments are underway for future actions to be taken to protect the company.

CISPADANA MOTORWAY

The project involves the **construction and operation of the new Regional Cispadana Motorway [*Autostrada Regionale Cispadana*] – from the Reggiolo/Rolo section on the A22 motorway to the Southern Ferrara exit on the A13 motorway**; Impresa Pizzarotti holds a 19.3% stake in ARC S.p.A., the project company that shall manage the work and holds a 57.48% share in the Construction consortium that will have to perform the works.
The concession will have a term of 49 years; the amount of works is equal to Euro 993 million, while the estimated investment amounts to a total of Euro 1,308 million.

2012 saw the submission of the Final Design and the EIS [Environmental Impact Study; SIA, *Studio di Impatto Ambientale*], which were prepared and presented by the Arccos Consortium (the consortium of construction companies specially and exclusively set up to prepare the final design). The final design and the EIS report were drawn up in accordance with the preliminary design that had been approved on 19 December 2011, referred to in the concluding minutes of the preliminary Services Conference.

On 3 October 2012 an application was made to the Ministry for Environment to start the EIA [Environmental Impact Assessment; VIA, *Valutazione di Impatto Ambientale]* procedure and on 10 October 2012 a notice was accordingly published in the daily press in order to allow Observations to be submitted.
After various inspections and discussion meetings, on 17 June 2013 the Ministry for Environment asked for supplements to the documents that had been presented; the supplementary documents were delivered on 1 August 2013, within the prescribed statutory time limits.
Following a request submitted by the Ministry for Environment, on 13 November 2013 the public were informed that the supplementary documents had been filed. The 60-day time limit set under Legislative Decree 152/2006 for the presentation of observations on the supplementary documents expired on 12 January 2014.

In April 2014 the CdM [*Consiglio dei Ministri*, Council of Ministers] passed a resolution on the 2014 Economy and Finance Document [*Documento di Economia e Finanza*] and submitted it to the Chamber of Deputies and the Senate for approval. This paper acknowledges the Cispadana motorway as a “Strategic Infrastructure”.
From 2014 to 2017 a succession of opinions have been handed down and a series of discussions have taken place between the Ministry of Cultural Heritage and Activities and Tourism [MIBACT, *Ministero Dei Beni e Delle Attività Culturali e Del Turismo*] and the Ministry for Environment and Land and Sea Protection [MATTM, *Ministero dell’Ambiente e Della Tutela Del Territorio e Del Mare*], which have led to two distinct opinions being issued by the Council of Ministers.

In July 2017 the MATTM issued a favourable EIA [Environmental Impact Assessment; VIA, *Valutazione di Impatto Ambientale*] Decree, with certain instructions, after which the Emilia Romagna Regional Government asked the Concessionaire to proceed with the modification of the Final Design.

ARC S.p.A., through the Arccos Consortium, followed the instructions and issued cost sheets for the project checked by a third party and sent to the Emilia Romagna Regional Government on 6 September 2018.

The Regional Government unsuccessfully held various meetings with the MIT in order to decide upon the corrective measures necessary to put the Economic Financial Plan on a balanced footing again.

Following the agreements reached between the Granting Authority and Autostrada del Brennero S.p.A., which is the majority shareholder of the concessionaire, as to measures concerning the payment of new government grants and a recapitalisation of ARC S.p.A., for an amount of about Euro 100 million each, in December 2018 further study into the design was conducted in order to optimise the project and redress the equilibrium of the Economic and Financial Plan.

On 12 June 2019 the Board of Directors of the concessionaire ARC S.p.A. resolved to appoint the ARCCOS consortium to develop the Final Design.

The ARCCOS Consortium then prepared the updated version of the Final Design in accordance with the requirements of the EIA Decree of 25 July 2017 and delivered the design documentation to the Concessionaire in December 2019.

Talks are currently in progress with the Environmental Observatory and the Emilia Romagna Regional Government for the approval of the Final Design in order to authorise the start of proceedings for the Services Conference.

FERRARA – PORTO GARIBALDI MOTORWAY

This project relates to **the design, construction and operation of the Ferrara – Porto Garibaldi Motorway Junction. This concession term is 43 years and the investment amounts to Euro 560 million**.
Impresa Pizzarotti holds an interest of 31.5% in the grouping of constructor partners.

During the 2012 financial year, the tender, which had been launched in January 2009, was provisionally awarded to the concessionaire ATI [*Associazione Temporanea di Imprese*, Temporary Business Grouping] of which Impresa Pizzarotti is a partner with a share of 16.1%; this provisional award was confirmed in 2014 following the judgement issued by the Council of State.
Currently the final award and the execution of the related Agreement are suspended pending the approval of the preliminary project and of the Environmental Impact Study on the part of the Granting Authority MIT.

In May 2016 the MIT asked the ATI to update the Economic and Financial Plan and the Regulatory Financial Plan, including the relevant transport studies in order to evaluate the financial sustainability of the project; by a subsequent memo issued at the beginning of September, it repeated that the start of the authorisation procedure necessary for the execution of the Agreement will be considered only after said documents are received.

On 24 February 2017, Autostrada del Brennero S.p.A., acting as the Representative for the RTI [*Raggruppamento Temporaneo di Imprese*, Temporary Business Grouping] that has been awarded the work, served a notice on the MIT, reminding the Authority to start taking all the action and performing all the formalities necessary actually to put in hand the subsequent phases of the procedures which the Project is to be subject to (Environmental Impact Assessment, Strategic Environmental Assessment, Services Conference).
On 22 January 2019 the MIT acknowledged a formal notice to complete the administrative procedure aimed at the approval of the preliminary design and at the signature of the agreement, confirming, however, that it was impossible to act as requested because an up-to-date traffic plan had not been presented and stating that it was not prepared to grant the public funds at the basis of the tender.
In a letter of 13 March 2019 the ATI again formally warned the MIT to complete the administrative procedure and put financing back in place, this being the last step before legal action.
Following the failure to obtain a reply, proceedings were initiated before the Lazio Regional Administrative Court for access to the documents concerning the non-repayable government grant. At the Court’s hearing held in chambers on 17 July 2019, it was acknowledged that the Administration itself had declared that the documents for which access had been requested were not available, and that the subject matter of the dispute had actually ceased to exist.
The new actions of recourse against the MIT are still being prepared.
In view of these issues, the project, prudentially, has not been valued in the Company’s order backlog.

CUMA AND NAPOLI NORD WATER PURIFICATION PLANTS

In 2014 Impresa Pizzarotti participated in three tenders envisaged within the framework of the project named “Major Project - Environmental remediation and redevelopment of Regi Lagni areas”, aimed at restoring and upgrading the treatment sections of purification plants in Cuma, Napoli Nord and Marcianise, in partnership with Degremont, now Suez.

The ATI [*Associazione Temporanea di Imprese*, Temporary Business Combine] was finally awarded the contract for the water purification plants located in Cuma and Napoli Nord; Impresa Pizzarotti holds interests of 51% and 51.5% in the Cuma S.c.a.r.l. and Napoli Nord S.c.a.r.l. consortia, respectively. The quota held in the Napoli Nord S.c.a.r.l. consortium was reduced compared to the initial investment of 58%, following the transfer of 6.5% of the capital to the member Suez which took place on 15 July 2019.
Both projects concern the **working drawings and specifications and the restoration and upgrading of the purification plant, as well as the operation of the plant itself and of the network of district collectors for a period of 5 years from the hand-over of the plants**.

The final award to the ATI composed of Pizzarotti – agent - and Suez took place on 21 March 2016 for the Cuma project and on 12 May 2016 for the Napoli Nord project. Following the appeals filed by other bidders, the award was confirmed for both the Cuma and Napoli Nord plants on 24 November 2016.

The amount of works for the Cuma project, which was initially equal to Euro 125 million (of which Euro 87 million relate to plant operation, while the remaining amount relates to construction and renovation works), **has been increased as a result of the condition assessment survey reports prepared jointly with the Campania Regional Government up to an overall amount of Euro 143.9 million, of which Euro 99.0 million relate to plant operation, while the remaining amount relates to construction and renovation works.**

The Cuma plant was handed over on 11 May 2017 and the ATI has been operating it since 12 May 2017. **The related contract was signed on 14 July 2017**.
As regards construction, which should have commenced in 2017, the working drawings for the modernisation works have been delivered. Their examination only ended in April 2018 with the issue of a building permit.

On **20 December 2019** the Works Manager certified the **partial completion of the contract works**, according to the current contract deadline, except for suspended construction operations involving primary digesters, the completion of which remains conditional on the prior execution of non-contract works for gas tightness. **The recovery and modification work progress completed up to 10 December 2019 reached about Euro 37.8 million**.
Currently, we are waiting for the **Estimate for Change report** including works for improving the functionality and durability of the plant units, set at Euro 1.6 million, and the issue of the final Work Progress Report.

As to the Napoli Nord project, the works amount to Euro 79 million, of which an amount of Euro 54 million relates to operations, while the remaining amount concerns construction and upgrading works.
In April 2018 a report on the condition of the plant was drawn up and **additional sums were agreed with the Granting Authority, amounting to Euro 3.4 million for construction and to Euro**

0.2 million a year for operations. On 20 April 2018 the notice to proceed was signed for the Napoli Nord plant and activities for operations started from 21 April 2018. The related contract was signed on 12 November 2018.
As regards construction, it should be noted that the working drawings for the modernisation works were delivered and approved at the end of 2018. The related Building Permit was received only in May 2019, the date from which the works were started.

Due to delays for the permits for seismic retrofit, which were received in June and October 2019, and for subcontracting permits, **the recovery and modification work progress completed up to 31 December 2019 reached about Euro 3.6 million.**

INFRASTRUCTURE WORKS IN THE NAPLES AREAS

ENTE AUTONOMO VOLTURNO (EAV) AND CAMPANIA REGIONAL GOVERNMENT

The Campania Regional Government has rescheduled the planned investments and, specifically, within the context of the concessions under its responsibility, decided not to proceed with certain works, namely putting *Pompei Station underground* and the *Feudo-Nola section*. After the cancellation of these works at the end of 2017, a settlement agreement was signed with the Campania Regional Government for the reimbursement of the costs incurred by the constructors, including Impresa Pizzarotti.

The new three-year plan provides, instead of the works that are no longer regarded as current, the execution of other projects along the Circumvesuviana line (now EAV – Ente Autonomo Volturno) Torre Annunziata – Castellammare; among these are the doubling of the rail track between the station located at Via Nocera - currently under construction - and the station of Castellammare city centre, for a value of approximately Euro 80 million and the regeneration of the station of Castellammare city centre with an underground parking space for approximately Euro 55 million. The new works were approved by a Resolution issued by the Campania Regional Council in May 2016, as was a different financing schedule by a CIPE resolution.

Torre Annunziata – Castellammare line:
After negotiations, a Supplementary and Implementation Deed was signed on 9 July 2018 which redetermined the terms and conditions of the Concession and whereby the Implementing Entity identified, as part of the design and construction services entrusted to the concessionaire San Giorgio Volla Due Consortium, the completion of the work for the "Doubling of the Circumvesuviana Torre Annunziata-Castellammare di Stabia Centro railway line." The San Giorgio Volla Due Consortium, therefore, appointed the Consortium member Impresa Pizzarotti to execute the works listed below in as many lots:

- (i) Lot 1 - Works along the line between Moregine and via Cosenza;
- (ii) Lot 2 - Stabia Scavi station and Stabia Scavi garage;
- (iii) Lot 3 – Doubling the Stabia Scavi-Castellammare Centro section.

The works of Lot 1 and Lot 2 were the object of supplementary estimate for changes reports, which were approved and contracted on 3 December 2019.

LOT 1 – Track doubling works – Sub-lots 1 and 2

Lot 1 is the construction of the new railway line beside the line in service at present on the Moregine-Pioppaino-Via Nocera section, including public art works and more specifically:

- **Moregine – Pioppaino section** whose civil line works have been substantially completed. At present, some additional work is being carried out and the San Benedetto bridge is being demolished and rebuilt.
- **Pioppaino – Castellammare via Nocera section:** on the inland side, the civil works necessary for the track bed between Pioppaino and Via Nocera have practically come to an end, while technological works continue in order to move railway operations on the new track under construction entrusted to Hitachi Rail. Finally, these actions will be followed by the works on the seaward side, which involve the construction of the semi-metal decks of the bridges located at via De Nicola and via Einaudi, as well as of the underpass of the Stabia Scavi station and the related platform and the planned sound-absorbing tunnel.

LOT 2 – Stabia Scavi Station and Car Park

As regards execution of the works at the station, operations are in progress for reinforced concrete structures being erected on the east side, while as regards the works for the construction of the car park, reinforced concrete structures and finishing are being completed for technical rooms.

LOT 3 – Track doubling on the Stabia Scavi- Castellammare Centre section

In relation to Lot 3, the validation of the final design is currently underway, as are the activities of expropriation and taking possession of the work site areas.
In January 2019, by a specific resolution passed by the Governing Board of the San Giorgio Volla Due Consortium, Impresa Pizzarotti was directly awarded the final works for an amount set at about Euro 92 million on a provisional basis.

NAPLES UNDERGROUND LINE 1 AND LINE 6

Garibaldi Station:

In relation to the works for Garibaldi Station, the works had been substantially completed at 31 December 2019. The station was opened to metropolitan services on 31 December 2013, following the opening of all boutiques for business and the inauguration of the station pit.
The works for the layout of the Garibaldi Square and the floor for commercial use next to the underground station were handed over to customer Grandi Stazioni Rail S.p.A. at the end of April 2015.
The areas occupied by Grandi Stazioni on which the rest of the works are to be completed were made actually available in June 2018, when work began in the northern area of the land where the underground car park is to be constructed and in the central area for the creation of the new northern urban highway exit, Piazza Ipogea, composed of terraced steps and a passage leading to the Grandi Stazioni car park.
At the same time the utilities grids were laid, the western area was paved and the road resurfaced without interfering with either pedestrian or motor traffic.
The same type of work was carried out on the eastern area and the roads in the centre, to the extent possible on the portions made available by the Municipal Authority.

The north square, as scheduled, was completed and handed over to the Municipal Government of Naples on 29 November 2019, together with the connection between it, the Grandi Stazioni car park, the Line 2 station and the shopping arcade in the south square.
For the completion of the remaining above-ground facilities concerning the Piazza Principe Umberto area, which is expected by August 2020, the Company is still waiting to take possession of the work site areas.

It should be noted that, as regards the Naples Underground Line 1, works were started for the last section between Centro Direzionale and Capodichino, and Impresa Pizzarotti was awarded by Metropolitana di Napoli S.p.A. a service contract for the management of public tenders. Two tenders had already been launched and awarded at 31 December 2019.

Arco Mirelli Station

The project involves the construction of a station on the Naples underground line 6 and total works progress achieved about 96.7% at 31 December 2019.
After the problems that had arisen with reference to the collapses detected in some buildings next to the station pit, works were resumed without any constraints or conditions. All the work which was to be done to carry out structural repairs to the damaged buildings has been completed.
The station structural works and finishing (technological in the services premises and public art works in the public spaces) have now finished except for a few remaining tasks that are being concluded. The test runs and final inspection of the Station and the above ground facilities of any and all road networks for vehicles and pedestrian ways are expected to be carried out by July 2020.

Construction

Below are described the main works in progress:

NORTH BRIDGE (*PONTE NORD*)

This is a **project finance initiative for the design, construction and exclusive management of public and private works in Parma**. In particular the public work is a new vehicle and pedestrian bridge over the Parma river, including public spaces and covered paths with linking road systems.

The concessionaire Project Company is Ponte Nord S.p.A., which is 50% owned by Impresa Pizzarotti.
The construction of the bridge and its road infrastructure was completed during previous years; the construction of the additional works included in the original agreement – executive offices and accommodation/hotel facilities – is still suspended, following the stalemate in the completion of the Urban Planning Scheme [PUA, *Piano Urbanistico Attuativo*], even though in the past the Coordination Committee meeting was held unsuccessfully, as provided for in the agreement, for the purpose of achieving a technical and financial solution capable of restoring the sustainability of the project. Therefore, arbitration proceedings were brought against the Customer and the Municipality of Parma, including a formal request for the reinstatement of the economic and financial balance: the Arbitration Board was established in October 2016 and the Court-appointed Expert’s report was prepared, as required by the President of the Board, during the first half of 2017.

Legal action was further postponed on more than one occasion in 2018 in order to enable the parties to explore remaining possibilities of reaching a conciliation settlement agreement. The settlement of the dispute was definitively scheduled for March 2020. In fact, on 9 March 2020, the Arbitration Board issued the award that establishes the Concessionaire's right to obtain rebalancing under a new economic and financial plan that the Granting Authority is obliged to allow. If rebalancing is not obtained, the award provides for the Concessionaire's right to withdraw from the contract, with recognition of the related monetary compensation.

TUSCANY HOSPITALS (*OSPEDALI TOSCANI*)

This is a **project finance order for the construction and subsequent operation of four hospitals located in Lucca, Massa (Apuane), Prato and Pistoia**; at the end of 2017 Impresa Pizzarotti S.p.A. started **a transaction for the sale of the stake held in SAT S.p.A. with simultaneous increase in the quota held in Ge.Sat Scrl,** which is responsible for managing non-health services during the concession period. For details on the transaction, reference should be made to the paragraph on "Significant corporate transactions" above.
Up to now a Technical and Administrative Acceptance Test Certificate [*Certificato di Collaudo Tecnico Amministrativo*, CTA] has been issued for all the hospital facilities.
Hospital facilities are all in operation and their operations proceed normally, as forecasted in the economic and financial plan.

As regards the dispute which is still pending between SAT and Azienda Sanitaria Toscana in relation to the higher costs incurred during the execution of the construction works for reasons attributable to the Customer, it should be noted that: (i) for the Prato and Pistoia hospitals the Florence Conciliation Board was appealed to and the Parties reached an understanding, which was formalised under a settlement agreement on 18 December 2019, providing for the payment of a consideration of Euro 3.3 million to the Concessionaire and from the latter to the Constructor; (ii) for the Lucca and Massa hospitals the attempt at mediation procedure is expected to be concluded by the 2020 financial year.

CONSTRUCTION OF THE PARMA URBAN DISTRICT

In February 2018 Impresa Pizzarotti S.p.A. signed a contract for the **construction of a commercial area named "Parma Urban District" in the former Salvarani area in the municipality of Parma**. The project promoter is PUD S.r.l., which is jointly controlled by Parma Sviluppo S.r.l. and Sierra Parma Project B.V. **for a total amount of about Euro 113 million**.

The related company PUD S.r.l. was forced to halt the works on 19 October 2018 owing to an interim seizure order handed down in connection with an investigation against some officials of the Municipality of Parma.
Neither said company, nor any of its directors, Quotaholders or their directors or employees are involved in the investigation on any basis.
The value of the work done up to the date on which work stopped was about Euro 19.8 million, mainly for the construction of the most of the foundation elements, consisting of piles and plinths, the assembly of the entire multistorey car park from prefabricated reinforced concrete parts and some areas in the building to be used for shops.

PUD S.r.l. took action immediately and lodged an appeal against the seizure order that was rejected by the Court, which, however, in stating its grounds for refusal, clarified the point that there was no prohibition on developing the areas concerned but at the same time pointing out that there was a shortcoming in Parma City Council’s consideration of the application in which they had not obtained a favourable opinion from ENAC [*Ente Nazionale per l’Aviazione Civile*, Italian Civil Aviation Authority], necessary owing to the Centre’s proximity to Parma Airport.
Accordingly, PUD requested the Council and put it on notice to act with all due diligence in order to obtain this opinion so that it can lawfully ask for the areas to be released.
On 22 March 2019 the Council formally started the information-gathering phase aimed at approving the updating of the Airport Risk Plan and at obtaining the abovementioned opinions from ENAC.
On 20 January 2020, the Municipal Government of Parma served PUD S.r.l. with the City Council’s Resolution no. DG-2020-3 of 10 January 2020, whereby the Municipal Government made public the documents of the town planning process underway with ENAC, while starting a participatory phase reserved for the parties concerned, in order to gather observations and statements useful to conclude the process itself.
The documentation provided the same information as had been already obtained during the previous informal talks with the Municipal Government, i.e.:

- the Municipal Government had submitted to ENAC a new Risk Plan which, as far as the PUD intervention was concerned, confirmed in full the provisions in the matter of town planning and design already approved in the previous authorisation measures: Urban Planning Scheme, Urban Planning Agreement and Building Permit;
- ENAC had acknowledged the Municipal Government’s provisions in the matter of town planning and had stated that the project was feasible, but only under certain conditions; to this end, it had asked for evidence that some general principles inferred from the Regulation for the construction and operation of airports, mainly concerning volume distribution and anthropic load, had been complied with;
- the Municipal Government had taken note of the requests without modifying the project forecasts, while illustrating and arguing the characteristics of the intervention already approved;
- finally, ENAC had requested an additional review of the Plan, specifying some qualitative requirements, which could lead to modifying some non-substantial issues of the PUD project.

After taking note of these contents, PUD’s management reported that, for the purposes of the necessary sustainability audits concerning the initiative, the quantitative requirements related to ENAC's requests had not been described sufficiently.
Therefore, on 24 January 2020, PUD submitted to the Municipal Government an observation whereby it confirmed its expectation to be able to complete the authorised project, while emphasising that the information provided was not sufficient to fully assess the sustainability of a project solution different from that already approved.
Following this notice, the Municipal Government called PUD to a special hearing on 4 March 2020 during which its officials better illustrated the contents of ENAC's requests, while inviting PUD to submit its final observations on the sustainability of the project.
The engineers working for PUD prepared a design solution scheme appropriate to the objectives illustrated during the hearing, which modified the initial structure only marginally, and asked the Municipal Government to verify unofficially whether ENAC was satisfied with the scheme before giving its final opinion on the sustainability of the new solution for the initiative.

The latter check is currently still in progress, since it has been recently affected by the restrictions and delays imposed by the Covid-19 health emergency even on public administrations.

Given the information provided above, the Board of Directors believes that there are grounds for considering that the assets reported in the balance sheet are recoverable.

ENI TOWERS ("TORRI ENI") EXECUTIVE BUILDINGS and "BUILDING 10"

This is a **contract awarded by the Uturn Fund, managed by BNP REIM SGR, to Buildit S.p.A - wholly owned by Impresa Pizzarotti - for the working drawings and specifications and turn-key construction of two office buildings, intended to be leased to ENI, at the Europarco area in Rome**.

The contract involves the construction of two independent buildings, mainly intended for offices and related facilities (company day nursery, cafeteria, training centre). Also included is the construction only of the underground structures of a third building in the same lot, owned by the same fund but intended for another tenant. The total area is about 100,000 square meters, with a Gross Usable Area built for about 38,000 square meters.
The consideration for the contract is equal to Euro 89 million for ENI buildings. The first building was delivered in April 2018 and the second in January 2019.
They had been completed and partially tested at 31 December 2019.

The contract for the basement floors of **Building 10** is worth about Euro 3 million, to which is added an amount of Euro 29 million for the above-ground portion, for which a formal offer has been submitted to the customer. Work is at a standstill at present owing to the Customer's problems with authorising the works and the steel structures of the basements have all been prefabricated and stored by the supplier. Negotiations are in progress with the Customer, which in the meantime has requested the temporary dismantling of the work site cranes, in order to negotiate the higher costs in the hoped-for expectation of being able to resume works by 2020. The two basement floors in the third building are expected to be completed within 4 months after works are resumed.

RESTORATION AND BUILDING SERVICES OF THE HOTEL DE LA VILLE IN ROME

The contract relates to the restoration of the fabric and building services of the Hotel de la Ville in Rome, near Piazza Trinità dei Monti, owned by Reale Immobili S.p.A. and operated by Rocco Forte & Family S.p.A..
The objective of the project work, early worth more than Euro 20 million, is an overall restoration of the building, its preservation and the upgrading of the services of the entire Hotel and the neighbouring commercial premises.
Contractual completion time is 14 months from commencement of works in December 2017.

After the demolition works provided for in the project started, the need arose to carry out some substantial additional work to remedy the building's state of disrepair and comply with the competent Authorities' requirements, in particular the Fire Brigade Department [*Vigili del Fuoco*, VVFF] and the Local Health Unit [*Azienda Sanitaria Locale*, ASL], with major changes with respect to the engineering work design prepared by the Customer.

The difficulties have led to the preparation of an addendum to the contract involving an increase in cost of about Euro 9 million and a lengthening of completion time of only 2 months, with staggered deliveries to the Customer.

The hotel was opened to the public on 23 May 2019 and the contract had been completed in full, summer inspections had been concluded and the winter ones were being completed at 31 December 2019. The issue of the final acceptance certificate is therefore currently in progress.

Real Estate

The sales results recorded in the domestic market in 2019 remained in line with the trend reported in previous years in terms of property units sold and did not report any recovery in unit prices. Furthermore, there still was a greater interest on part of the business world in executive office and retail property leases.

The Group's real estate business remains mainly focused on urban regeneration in areas within built-up centres previously occupied by decommissioned industrial plants.
In this field, the procedure continued during the year for the administrative formalities necessary to develop the owned areas.

The progress made with the main real estate projects is summarised below.

Projects under development

- "Crocetta" area: **a new district for handicraft industry and executive offices in Parma for a total Gross Usable Area of about 70,000 sq. m.**
  Promoter: Impresa Pizzarotti S.p.A.
  Urban planning process: the Implementing Urban Planning Scheme [PUA, *Piano Urbanistico Attuativo*] has been submitted and is being considered.
  The project is currently the responsibility of Impresa Pizzarotti S.p.A. following the deed of merger by incorporation of Parco Farnese S.r.l., which was signed on 27 December 2017, with accounting and tax effect from 1 January 2017.

- The former Bormioli area: **regeneration of an industrial area in Parma for residential, commercial use and executive offices, for a total Gross Usable Area of about 49,000 sq. m.**.
  Promoter: BRF Property S.p.A. (Pizzarotti's share: 34.6%).
  Urban planning process: it was completed with the signature of the Urban Planning Agreement [*Convenzione Urbanistica*] on 12 February 2016.
  Sales and development: after a transaction was completed in relation to the contract for the sale of an important commercial lot to the Despar Group, work has been started on the recovery of some historic buildings to convert to use for services and **applications for Building Permit have been submitted for the second commercial lot to be used for shops and offices**.

- Porta della Città ("Gateway to the City") Area: **a new district for executive offices and commercial use at the northern entrance to Parma, for a total Gross Usable Area of about 35,000 sq. m.**.

Promoter: Impresa Pizzarotti S.p.A.
Urban planning process: in the light of the new PSC [*Piano Strutturale Comunale*, Municipal Structural Plan] approved by the Municipality of Parma, which has confirmed the description of the district as an "expansion area", a new agreement on operations will have to be prepared; this is also necessary in order to comply with the new Regional Town Planning Law, which was enacted at the beginning of 2019, in order to set out methods and timing of the construction project.

- **"Maddalena Punta Villa"**: **new residential settlement for villas, including 15 lots for a total Gross Usable Area of about 2,500 sq. m. in the municipality of La Maddalena (Province of Olbia-Tempio).**
  Promoter: Impresa Pizzarotti S.p.A.
  Urban planning process: the **approval procedure** concerning the Municipal Urban Planning Scheme [PUC, *Piano Urbanistico Comunale*] previously adopted, which confirmed the use and the size of this section, has not been completed since the related time limits have elapsed. **While waiting for the new Municipal Authorities to renew the procedure, the objectives of the town planning scheme have been confirmed.**

- **The former "Officine Adige Verona" area**: **regeneration of an industrial area for residential, commercial use, executive offices and hotel facilities for a total Gross Floor Area (SLP, *Superficie Lorda di Pavimento*) of about 128,000 sq. m..**
  Promoter: Aida S.p.A. (Pizzarotti's share: 10%).
  Urban planning process: a public/private agreement has been signed which allows the project to be implemented in lots on the basis of agreed Building Permits; Building Permits for urban infrastructure works and a Shopping Centre have been issued.
  Sales: there was the completion of the sale of the shopping centre and executive offices for a total Gross Floor Area of about 50,000 sq. m.; negotiations are still in progress in order to also consider the sale of the remaining portions of land owned by Aida S.p.A..

- **"Parco del Sole"**: a residential complex in the south of Parma containing 22 flats**.**
  Promoter: Impresa Pizzarotti S.p.A.

Projects in progress

- **"Parma Santa Teresa" Residential Complex**: **redevelopment of the "Former Gondrand/Anagrafe area" in the centre of Parma, which is expected to include 50 luxury residential units, as well as the related underground parking lots.**
  Promoter: Parma S. Teresa Srl (100% Pizzarotti).

  Following a period of limited operations due to archaeological interferences, the works were resumed in 2016 and carried out as planned, thus leading to the **completion of all the common parts and of the entire eastern block, which has now been largely delivered to customers and inhabited.**

  The western block apartments have recorded the first contracts of sale and will be customized in terms of interior finishes according to the customers' choices.

The continuing weakness of the market, which has also been confirmed in its recent evolution, has led to recording final selling prices of the apartments that have not made it possible to offset the construction costs that are normally incurred in a project of excellence in terms of both quality and architectural solutions. A prudent projection of whole-life results, based on the selling prices stated in the notarial deeds that have been drawn up so far, has led to the recognition of a provision for risks that evidently does not take account of the positive effects expected from ongoing commercial actions aimed at recovering profit margins.

- **The former "Rossi e Catelli – Parmavera project" area**: **requalification of an industrial area for residential use in Parma for a total Gross Usable Area of 29,000 sq. m., of which an area of about 16,000 sq. m. has already been developed and/or sold.**
  Promoter: Parmaresidenziale1 S.r.l. (100% Pizzarotti).

  An Urban Planning Agreement has been signed and is active, with works started as early as 2009. Another 4 residential lots remain to be developed under a Building Permit, in addition to the 3 lots already developed and sold. Of these, Lot No. 2, which includes 41 apartments, was completed during 2016 and approximately 90% of the units has already been sold. For Lot no. 3 a project has been developed which provides for the construction of 48 apartments and which is currently in the information-gathering phase on the part of the Municipality of Parma: permits could be issued by 2020.

- **"Martinella" Shopping Centre**: **the project, which is being developed in Parma** is being implemented by Martinella Srl which is 42.3% invested in by Impresa Pizzarotti S.p.A.. A part of this project has been sold (Famila supermarket) while the remaining lots are to be let.

- **Fontanellato (PR)**: the following units have been sold at present: (i) all the five lots for the erection of villas in the residential area, for which the related urbanisation works have been completed, (ii) the land for production purposes in favour of the two neighbouring companies, which will use it to enlarge their plants; in this regard, it should be noted that the notarial deed was executed at the end of 2019.

Operations and Concessions

TUSCANY HOSPITALS (*OSPEDALI TOSCANI*)

Impresa Pizzarotti holds a 46.15% quota in Ge.Sat Scrl, the O&M Company for the project finance order for the construction and subsequent operation of four hospitals located in Lucca, Massa (Apuane), Prato and Pistoia. **The contract for awarding the management of non-health and commercial services was entered into with the Concessionaire SAT S.p.A. on 30 June 2013,** in line with the provisions laid down in the concession agreements entered into by SAT S.p.A. with the four competent Local Health Units (AUSL).

In 2013 operations were started for the new hospitals in Pistoia and Prato on 26 July and 26 September, respectively.

The formal operations of the Lucca hospital actually started on 17 May 2014.

Finally, the formal management of non-health services for the new Massa hospital started on 16 November 2015.

Following the start of operations for the last hospital included in the contract and in the agreements existing between the parties, **Ge.Sat's overall work relating to the management of all hospitals continued in full operation**.

On 29 December 2017 Techint S.p.A. sold to Astaldi Concessioni S.p.A. and to Impresa Pizzarotti S.p.A. the quota held in the company for 18.85% and 16.15%, respectively. The present corporate structure is therefore composed of Impresa Pizzarotti at 46.15%, Astaldi S.p.A. 35% and Astaldi Concessioni S.p.A. 18.85%.

This sale forms part of a complex transaction described in the section relating to the "Significant corporate transactions" of the Report on Operations, to which reference should be made.

MINEO AND BELPASSO REAL ESTATE COMPLEXES

"*Residence degli Aranci*" (Mineo)

This is a residential village in Mineo (in the Province of Catania), constructed by Impresa Pizzarotti S.p.A. between 1997 and 2001, intended as accommodation for the family of the US servicemen at the Sigonella base, **consisting of 404 homes** in addition to the associated primary and secondary infrastructures, enclosed in a protected, autonomous estate.

In 2011 it was rented by the Italian Ministry of Interior and **converted into a Reception Centre for Asylum Seekers (*Centro di Accoglienza per Richiedenti Asilo*, CARA)**.
After announcing the closure of the Reception Centre and starting to dismantle it, **the Italian Ministry of Interior exercised the right of withdrawal as provided for in the contract in February 2019 with effect from 1 September 2019**.

By a provisionally enforceable judgment, published on 30 December 2019, the Court of Catania in the first instance ordered the Presidency of the Council of Ministers - Civil Protection Department to pay Impresa Pizzarotti the sum of Euro 9.3 million for damages to the complex set as at 31 December 2012. The Presidency of the Council appealed against the judgment with a request for suspension of its provisional enforceability.

Currently the property is still available to the Prefecture of Catania because, due to the failure to comply with the terms and conditions for restitution provided for in the contract, Impresa Pizzarotti has refused to take charge thereof. The Company has also promoted a Preliminary Technical Assessment [*Accertamento Tecnico Preventivo*, ATP] aimed at having a Court-appointed consultant establish the actual condition of the property and at seeking for full compensation for damages.

It should be noted that some **practical proposals** have been put forward with some public counterparties for the **conversion of the real estate complex**, **partly also having the purpose of maintaining employment levels in the areas in the vicinity of the facility.**

"*Residence dei Marinai*" (Belpasso)

This is a **residential village** in Belpasso (in the Province of Catania), constructed by Impresa Pizzarotti S.p.A. between 2001 and 2005, intended as accommodation for the family of the US servicemen at the nearby NATO base, **consisting of 526 homes** in addition to the associated primary and secondary infrastructures, enclosed in a protected, autonomous estate.

The whole estate has been let to the US Government. The current contract has a term of until 2035 with renewal options every 5 years, the last of which was exercised on 8 April 2020 for the period from 10 July 2020 to 9 July 2025.

A confrontation with the US Government is currently underway with a view to introducing some contract amendments that will enable the Group to gain greater operational programming and planning capacity, including an adequate enhancement of the real estate complex.

Impresa Pizzarotti still delivers a comprehensive Global Service which includes not only non-routine maintenance as owner of the building, non-programmable repairs, emergency call outs, scheduled and/or preventive maintenance, managing, coordinating and delivering services at residents' request, managing and operating complex plants to keep them fully efficient and ensure that they run without a break and maintains all the concessions, authorisations, licences and permits issued by local authorities for the residential complex.

CUMA AND NAPOLI NORD PLANTS

As already referred to in the report on the Infrastructure sector in Italy, Impresa Pizzarotti is a member of the projects for both the **executive drawings and execution of the restoration to a usable condition and the modification of the Cuma and Napoli Nord water purification plants and the operation of the plants themselves and of the network of district collectors**.

The award of the contract to the ATI composed of Impresa Pizzarotti – representative – and Suez was finally confirmed for both plants on 24 November 2016.

The two projects provide for a **5-year period of plant operation from the date when the plants are made available for works** – the notices to proceed for Cuma and Napoli Nord were signed on 11 May 2017 and 20 April 2018, respectively.

By virtue of these documents, activities were started for the operation of the plants, taking over the personnel who had been recruited by the previous management.

The contract for the Cuma plant was signed on 14 July 2017.

Impresa Pizzarotti invests in **Cuma S.c.a.r.l.,** which has been awarded the works, with a **quota of 55.63% for the performance of construction works and 49% for the operation of the plants**.

From the start of operations the related works for the Cuma plant have recorded a final amount of Euro 58.4 million out of a total of Euro 91.6 million, as defined in the condition assessment survey reports prepared in agreement with the Campania Regional Government.

During the operations, and in particular in 2018 and 2019, significant critical issues were reported in the disposal of sludge due to the closure of almost all the collection sites in Italy. Disposal was very difficult and above all more costly, also due to the need to transfer the material to cross-border landfills. The Regional Government, after having acknowledged the emergency, started a price adjustment procedure according to Article 115 of Legislative Decree no. 163 of 2006, recognising periodic provisional adjustments pending the definition of a new price in line with the market. Compared to the initial contract provisions, the situation described has led to an increase in the contract amount of the works to be paid for according to volumes and quantities.

Despite the declaration of the end of works for the restoration and upgrading of the plant, dated 20 December 2019, the full operation of the entire sludge line remains subject to the resolution of the problems encountered during the testing operations, which was followed by the formulation of a technical and economic proposal on the part of the Consortium company, which is still subject to approval by the Campania Regional Government.

From the start of operations the relating work for the Napoli Nord plant recorded a progressive amount of Euro 17.3 million out of a total of Euro 54.5 million, as defined contractually and including the condition assessment survey reports prepared in agreement with the Campania Regional Government.

The related contract was signed on 12 November 2018.

Following the transfer of 6.5% of the capital to the member Suez, which took place on 15 July 2019, Impresa Pizzarotti holds **a quota of 56.25% in Napoli Nord S.c.a.r.l., which has been awarded the contract, for the execution of construction works**, compared to an initial quota of 78%, **and a quota of 49% for the operation of the plants**, the latter having remained unchanged compared to the initial value.

As in the case of Cuma, difficulties also arose in the disposal of sludge at the Napoli Nord plant, which resulted in an increase in the contract amount of works to be paid for according to volumes and quantities.

Prefabricated structures

During 2019 the Sector achieved a final **production of about Euro 56.3 million**, showing a slight decline compared to about Euro 60 million in 2018. Profit margins were also positive and in line with the forecasts for the period.

The trend in the Sector is to be considered positive as a whole, although there is continuing market difficulties for orders in the prefabricated industrial and services buildings segment.

The production in the railway sector, in which the Group operates both through Parent Company Impresa Pizzarotti S.p.A. and through its subsidiary Traversud S.r.l., **was approximately Euro 40.0 million and accounted for about 70% of production for the entire Sector.**

The **major contracts in progress in 2019 in the railway sector concerned**:

- RFI S.p.A. – Value contract no. 12406 of 26 May 2017 for the supply of Pre-stressed Vibrated Reinforced Concrete [CAVP, *Calcestruzzo Armato Vibrato Precompresso*] Sleepers with USPs (Under Sleeper Pads) throughout Italy;
- RFI S.p.A. – Master Agreement no. 45/2018 of 26 February 2018 for the execution of works and delivery of supplies for the completion of a programme of “Renewals” in the North-East Italy lot; Impresa Pizzarotti operates as the principal supplier of RFI230-RFI240-RFI260 type Pre-stressed Vibrated Reinforced Concrete Sleepers, within the ATI represented by GCF S.p.A.;
- RFI S.p.A. - Master agreement no. 36/2018 of 26 February 2018 for the execution of works and delivery of supplies for the completion of a programme of “Renewals” in the South Italy lot, under which Traversud operates as the principal supplier of RFI230-RFI240-RFI260 type Pre-stressed Vibrated Reinforced Concrete Sleepers, within the ATI represented by Consorzio Armatori Ferroviari S.c.p.A.;

- RFI S.p.A. - Master agreement no. 31/2018 of 15 February 2018 for the execution of works and delivery of supplies for the completion of a programme of "Renewals" in the Central Italy lot, under which Traversud operates as the principal supplier of RFI230-RFI240-RFI260 type Pre-stressed Vibrated Reinforced Concrete Sleepers, within the ATI represented by Salcef S.p.A.;
- RFI S.p.A. – Value contract no. 12391 of 27 March 2017 for the supply of Pre-stressed Vibrated Reinforced Concrete Sleepers throughout Italy.

Among the most important works completed during 2019 in the **industrial prefabricated buildings and services sector** are the construction of: (i) buildings in Macro-lot 2 in Prato for various customers, (ii) a building for Sammontana S.p.A. in the Municipal district of Empoli for food industry, (iii) a building for ROC.FIN S.r.l. in the province of Ancona for mechanical industry and (iv) a building for L.F.M Laboratori Farmaceutici Milanesi S.r.l. in the province of Varese for pharmaceutical industry.

As regards the **infrastructure sector**, note the (i) continuation of works for the construction of noise barriers in expanded clay and concrete, within the scope of the works for the 3rd Lane of the A4 Motorway in the Nuovo Ponte sul Fiume Tagliamento-Gonars Section-1st lot, on behalf of Tiliaventum S.c.a.r.l. and (ii) the supply of panels to Impresa Iembo S.r.l. for the reconstruction of a section of noise barrier on the Parma ring road.

The trend in procurement in the first quarter of 2020, as well as in the programmes to resume works in the order backlog, suggests that there will be a reduction in production volumes in the industrial prefabricated buildings and services sector during the current year.

The production in the railway sector during the first quarter of 2020 recorded the same trend as in the previous year, except for the period of stoppage of works caused by the Covid-19 health emergency.

Production forecasts for 2020, which are expected to be lower than those for 2019, are conditional on the issue of new calls for tenders for the systematic maintenance of the permanent way equipment of RFI's national network by July 2020.

International Market

Geographical diversification is one of the main drivers that the Group has identified in order to pursue the objective of consolidating growth in size and creating value for its shareholders and stakeholders in general, at the same time reducing the risk of concentrating on one market.

In conformity to the guidelines that have been laid down, the Group will **stabilise its position in the markets in which it is already present and enter emerging markets**, working on wide-ranging infrastructural development programmes or with a strong potential in the domestic market.

The Group continued, as already done in last years, **significant commercial investments that, at present, have allowed it to be awarded new contracts for an amount of about Euro 412 million, mainly in Israel, Norway, Monte Carlo and Switzerland, as detailed in the section on the "Order Backlog" above.**

The Group has supported its increased business activities by expanding Head Office services in order to meet the complex needs of a sector in which there are many different operational scenarios.

The developments in the works backlog in the main countries of operation are commented on below.

France

The **major operations** in the country include the **participation in various initiatives within the scope of the "*Grand Paris*" project**, the outer circular line for the Paris Underground, which is the biggest European infrastructural project, to be executed in the period from 2015 to 2030 **and the construction of the new hospital in Guadeloupe**.

At present Impresa Pizzarotti S.p.A. holds shares of between 22% and 33% in the **works for the *Grand Paris* project** through consortia established to carry out six different projects:

- **Lots 2 and 3** of Paris Underground **Line 4**, which have been substantially completed;
- the ***Arrière gare* of Haussmann-Saint Lazare work site**, which is being executed;
- the **extension of Paris Underground Line 11** - lot GCO1 starting from the terminus of Mairie des Lilas station relating to the construction of a 3-km long tunnel using a TBM (Tunnel Boring Machine) and 4 stations, which is being executed;
- **Line 15 South** - this contract, which provides for the construction of a lot of the new 15 South line of the Paris underground between Noisy Champ and Bry Villiers stations, involves the construction of two tunnels using a TBM, equal to 4.7 km and 2.2 km, respectively. This site, whose works are being executed, was chosen for the inauguration of the entire Grand Paris project since it was the first in which a TBM was used.
- **Lot 1 of Line 17,** which provides for the construction of a 6.1 km long tunnel to be excavated by TBM, the construction of the artificial Gonesse tunnel, the construction of seven pits and of two stations at Bourget airport and Triangle de Gonesse.

These six contracts, which are worth about Euro 328 million for the Pizzarotti's share, together with the establishment of a substantial unit dedicated to the preparation of the numerous bids expected to be received in next months and years, represent the basis for the planned development of the Group within this huge infrastructural programme.

Another major contract, which was gained in 2018 by a consortium formed by Impresa Pizzarotti S.p.A. (with an interest of about 90%) and by a local partner, concerns the **construction of a hospital in Guadeloupe, worth about Euro 285 million**; the project, which was financed in full by the French Ministry of Health, is currently being performed and operations are continuing as per contract and to satisfaction of the customer.

Furthermore, the Group's activities concerned the establishment of a strong Italian/French consortium to bid in tenders for substantial works relating to the High-Speed Lyon to Turin Railway Line, the first bid of which, which has already been submitted, should be awarded in the second quarter of 2020 and the two subsequent ones of which are still being analysed.

Principality of Monaco

The Group is present through the investments held in the following companies:

- **Engeco Sam**, a historic Monegasque company that in turn holds investments in some specialist companies operating in the sector of construction (electrical systems, facades, special foundations) and project management;
- **Fine Properties Monte Carlo Sam, Plein Sud Sam and FPMC Agence Sarl** which mainly carry out real estate development and sales activities;
- **Marex Sam**, which holds a minority interest in “Anse du Portier”, the promoter of the “*Estensione a Mare*” initiative.

The major initiatives in the area involve **the prestigious real estate projects:**

- The ***Jardin Exotique*** project, worth about Euro 338 million in aggregate, equal to revenues arising from the sale of the real estate units, consists in the construction and promotion of a luxury residential building, activities of which the Group controls all the phases - both technical - design, construction and sale – and operational, including procurement of funds. At present, sales attained heights which were abundantly superior to expectations, with preliminary contracts already signed for about Euro 300 million, thus also recording significant results for the real estate agency FPMC Agency Sarl which is wholly controlled by the Group. In 2019 the additional notarial deeds of sale were formally executed for about Euro 19 million and, therefore, at 31 December 2019 notarial deeds had been signed for eight property units against a revenue amount totalling Euro 48.8 million.

  The *Jardin Exotique* project, in addition to the Group’s activities on its own account, is currently being performed for the contract relating to design and construction for the Monaco public authorities of new greenhouses and an underground car park with 15 floors and over 1,800 car spaces, worth about Euro 190 million in aggregate.

- The "***Estensione a Mare***" project, which provides for the creation of a new portion of land going forward into the sea for approximately 6 hectares, where residential and commercial buildings will be erected over an area of about 100,000 sq. m., with an estimated selling value of more than Euro 5.5 billion; the Group invests in the construction through Engeco Sam, whose contracts are worth more than Euro 475 million, of which an amount of about Euro 219 million is not reported in the order backlog, as the related works will be executed in association with other partners through a newco, the governance of which is currently based on joint control. The operations for the construction of the maritime infrastructure are continuing ahead of the work schedule and those for the construction of the platform have been started. The results of the pre-marketing of this transaction exceeded all expectations, specifying that the flats and villas will be handed over between 2024 and 2025.

As regards the Group’s investment in the project, which consists of the overall capitalisation commitment entered into with the Promoter through investee Marex Sam, it should be noted that the sale of 49.6% of the quotas of Marex Sam was completed on 26 September 2019 for a countervalue of Euro 72.3 million, which was paid in full upon the closing. In financial terms, the transaction allowed the Group to realise a capital gain of Euro 40.1 million. In December 2019, the remaining investment held by the Group in Marex was equal to 1.8%.

Other major projects being performed in the area include "Villa Marie" through FPMC Sam, "La Monida" through Engeco Sam, "Carre d'Or" and "Sporting d'Hiver" through Monaco Facades Sam.

Russia

In 2019 the activity concerned mainly the design and preliminary activities related to the financial closing of the project company Neva Medical Infrastructure O.O.O., in which the Group holds an interest of 71%, in the framework of a project finance contract of a new hospital in St. Petersburg; the aggregate value, including design, construction and operation, will be approximately Euro 327 million.

As regards the construction activities concerning the VDNKh contract, involving the design and construction of a theme park in Moscow, worth about Euro 148 million, reference should be made to the information provided in the section on "Significant corporate transactions" of this Report.

Furthermore, the Group executed an agreement with the Moscow regional government and with the Russian Sovereign Fund RDIF for the construction of a number of overpasses on a project finance basis on the external road network of Moscow necessary to relieve the traffic congestion; the concession agreement relating to two pilot overpasses was signed in May 2018 and the construction, worth about Euro 33 million, will be performed by Russian subsidiary Pizzarotti RU ooo.

Switzerland

The Group has been historically present in the country through its subsidiary Pizzarotti SA, based in Bellinzona (Ticino Canton). At present minor orders of a not significant amount are being executed in Cantons Ticino, Graubunden, Geneva and San Gallo on behalf of public authorities.

In August 2019 Pizzarotti SA, as the leading company of a consortium invested in at 34%, was awarded the contract for the works of construction of the Kerenzerberg safety tunnel in the Canton Glarus for a value of about CHF 107 million. The tunnel, 5,500 linear meter long, will be largely excavated with a Tunnel Boring Machine [TBM].

Romania

Activities, **mainly for infrastructures**, were conducted both through a permanent establishment and in a joint venture and concerned actual construction and taking part in tenders for new projects and litigation management.

Site work is in progress on **two construction sites:**

- **Vinţu de Jos – Coslariu:** most of the works **for the regeneration of the 34 Km-long railway system in the "Vinţu de Jos - Coslariu" section, worth Euro 208.7 million**, have been completed, except for the works involved in a change order, which are expected to be completed in 2020. The **proceedings brought by the Constructor** in order to seek for compensation of additional costs acknowledged by the Court-appointed Expert [*Consulente Tecnico d'Ufficio*], had **a favourable outcome** - in May 2018, in particular, the competent Court ordered the **payment of the equivalent of an amount of Euro 32 million**, as defined in the Court-appointed Expert's Report, **in favour of the Group**.

In October 2019 the **Court of Appeal** rejected the customer CFR's request, **thus confirming the first-instance judgment, while the entire sum was paid in April 2020.**

- **Sebeş –Turda:** the works for the **design and construction of the Sebeş –Turda motorway section, worth about Euro 148.1 million in aggregate**, are in progress at present and are expected to be substantially completed in 2020, with delays attributable to the difficulties encountered as a result of the delay in the Customer's approving the design and its decision to ask for a design that differs from the one in the bid submitted by Impresa Pizzarotti, which is attached to the contract. For a first part of requests, Impresa Pizzarotti has then initiated the procedure to settle disputes involving a preliminary DAB (Dispute Adjudication Board) judgment and subsequent arbitration proceedings. Following an agreement with the Customer, the parties have decided to make recourse directly to arbitration for all Impresa Pizzarotti's claims accrued to date and in April 2020 a request was filed for an amount of just over Euro 100 million.

Finally, as regards the contract completed in relation to the "Bucharest – Braşov motorway section", it should be noted that the judicial proceedings relating to the dispute with the Customer were concluded with the recognition in favour of Impresa Pizzarotti of a value equivalent to about Euro 8 million, a portion of which was collected in April 2020. The remaining amount will be settled in August 2020 as per the agreements signed with the Customer.

In consideration of the important tenders for the two-year period 2019 and 2020 and in the light of the experience gained in the country, the Company is ready to bid in a large part of those related to the expected investment of over Euro 6 billion in rail and road infrastructures. To date the Company has already submitted four bids, which are expected to be awarded in summer 2020.

Morocco

The activity in the country was limited to managing the proceedings connected with the construction of **a road tunnel in Rabat** in order to be paid the amounts that have accrued for the works that have been completed, in addition to higher compensation for the damage caused by the customer.

Following the settlement of the dispute, which acknowledged an amount of approximately Euro 6.2 million against expectations for higher financial awards and the disapplication of the penalties unduly applied by the customer AAVB (*Agence pour l'Aménagement de la Vallée du Bouregreg*, Vallée du Bouregreg Development Agency), the Company has decided to start the International Arbitration (ICSID).

Libya

In September 2013, the customer REEMP (Ras Ejdyer-Emssad Expressway Monitoring Project Management Committee) was appointed by the Libyan Government to construct the country's east to west motorway, financed by Italy under the bilateral treaty, and signed a contract with the LEC (Libyan Expressway Contractors) Consortium, for the construction of the 401 km long East section between Ras Ejdyer and Emssad, for a value of Euro 944.5 million.

The initial investment held by Impresa Pizzarotti, equal to 15.5%, increased up to 18.34% following the Governing Board's approval of the exit of the consortium member Condotte d'Acqua S.p.A. from the corporate structure.

It has not yet been possible to start the work referred to in the contract owing to the unstable political situation and at the moment this is not likely to take place in the near future owing to the serious safety problems that still remain.

Algeria

The Group operates both through a permanent establishment and through a local company, Pizzarotti Algerie Sarl, either directly or in association with other European or local partners.

As a result of the standstill in the country's investments and public tenders, the Company is selecting and considering opportunities for new investments.

The main activities conducted by the Group during 2019 were settling some accounts for completed projects.

Kuwait

Works in progress in the country concern two hospital projects, involving the design, construction and maintenance of:

- The **Al-Amiri Hospital**, **for an overall value of about Euro 285 million,** to be completed within a term of 36 months through a consortium in which Impresa Pizzarotti participates together with other two local partners that hold equal shares. The works are substantially completed to the satisfaction of all and are also appreciated by the Customer. At present some accounting and contract items are being settled and the maintenance service option laid down in the contract is being implemented.

- The **Maternity Hospital, a grand health facility worth more than Euro 800 million**, considering the estimate for changes reports being approved**,** to be constructed directly through the local permanent establishment of Impresa Pizzarotti. The design phase is currently completed and the construction works now continue apace, even if there was an initial delay owing to the slippage in the design phase for reasons attributable to the customer, with which a contract extension has been agreed within the terms of an extension of time.

Saudi Arabia

The Group operates in the Country through local company named Pride Saudi Ltd., based in Riyadh, 50%-owned by Impresa Pizzarotti S.p.A..

The **construction of a sewage tunnel to be executed with Tunnel Boring Machine [TBM] in Riyadh**, with a length of 13.8 km and **worth about Euro 60 million**, on behalf of the National Water Company through Saudi Tumpane, was suspended a few months from the completion because of delays in payments. Given the impossibility of reaching an agreement for the amicable settlement of the dispute, Pride Saudi Ltd has decided to refer to international arbitration as required by the contract. The award is expected by 2020.

USA

Operations in the country are essentially based in New York and are focused on the building sector **in the two segments of construction and real estate development**, through **Pizzarotti LLC**, which is wholly owned by the Group, and **Fine Properties New York LLC**, which is 61% invested in by the Group, respectively.

The activities, including various projects in New York, following the completion and discontinuance of some of them, are currently focused on the following construction projects:

- Jardim Complex in the Chelsea district of Manhattan, already handed over for the most part and being completed;
- Renovation of the “Amsterdam House” buildings in Manhattan.
- Construction of the W14th real estate complex in Manhattan through its subsidiary Fine Properties New York LLC.

The work in New York through Pizzarotti LLC began in partnership with two local partners which initially held 40% of the building company and were responsible for its management. The objective of working with local partners was to limit the risk aspects typical of entry into new countries or markets, involving physiological start-up costs, whose amount is the more substantial the more complex and competitive is the scenario.

Divergences concerning the management of the company, however, augmented the responsibilities associated with these risk factors and even increased their costs. For this reason, at the beginning of 2017 the Pizzarotti Group decided to pay off the two minority shareholders and take over full control of the company, thus embarking on an in-depth corporate reorganisation, whose costs essentially fell to the 2017 financial year.

The continuing difficulties connected with the complexity of the target market, also highlighted by the final results of operations recently reported, have led the Group to make the strategic decision to exit this market in 2021 at the latest, after completing the projects mentioned above. A longer time horizon will probably be necessary for the settlement of the various disputes that are still pending in relation to various projects.
The Group also participates in **real estate development activities** for the construction of:

- a **luxury real estate complex on W14th Street**, within a project which has a revenue value of about USD 90 million, whose construction works, which are the responsibility of Pizzarotti LLC, were started in spring 2018;

- **a real estate complex named River Park in the prestigious Cobble Hill district of Brooklyn**. The interest in the real estate development company is held through Pizzarotti FPG LLC, which is wholly owned by Pizzarotti LLC.

Poland

In 2015 Pizzarotti was awarded, by the public General Director of National Roads and Motorways (GDDKiA) road authority, a contract for the **design and construction of three different lots of three motorway sections of Highway S5** with a total countervalue of about Euro 208 million. To these was added a **further Expressway S-61 motorway lot** the contract for which was signed in June 2017 for an overall amount of design and construction works equal to about Euro 117 million.

These works are part of a substantial programme of public investments in road and rail infrastructures which this country commenced from 2014 to 2016, 80% funded by the European Union. All the main European constructors are taking part.

The present situation in the market, in which there is a shortage of the main production factors – labour, materials and subcontracting services – and an increasingly rapid rise in demand arising from the large number of public tenders, has led to an exceptional rise in prices and therefore of construction costs. This was unforeseen and unforeseeable at the time of the execution of the contracts. A normal solution for this issue has not been found in the form either of a contract modification or a legal remedy to redress the balance of the contractual consideration.

The efforts made for several months and the talks that have taken place led the Company to hope in action on the part of the Polish Government to mitigate the obvious widespread financial strain undergone by all the contractors so that they can finish the works without suffering a large part of the expected losses, considering the current percentage of completion of the various projects.

As this is a problem shared by all, the Company has agreed a common strategy with the other constructors, the Italian firms in particular, which has led to their jointly appointing a team of local lawyers to defend their interests with both the Government and the Customer.

In spite of the intervention by the Governments concerned which have included talks with the European Commission, there was no significant progress in legislative terms. This naturally gave rise to conflict with GDDKiA, which led to the early termination of the awarded contracts in June 2019, with any consequent attempt at enforcing the existing insurance guarantees in terms of both performance and advance payment bonds.

Impresa Pizzarotti has promptly brought two urgent precautionary proceedings – separately for the guarantees of lots S5 and S61 – before the competent court of Rome, which are aimed at inhibiting the enforcement of the guarantees (and counter-guarantees).

While pending the precautionary proceedings before the Court of Rome, the Guarantor resisted the customer's requests, including the various legal proceedings - for each guarantee - initiated before the Polish courts, which in any case did not take any enforcement measure; this occurred until the end of October, when the Guarantor voluntarily paid an amount of about Euro 48 million corresponding to the value of the S5 guarantees.

Within the complex legal case described above, on 20 February 2020 the Group entered into an agreement with the Guarantor Euler Hermes, which was aimed at setting out the amounts, timing and conditions for the repayment of both performance and advance payment bonds. The amount was set at Euro 64.3 million, with payment in 24 monthly equal instalments as from April 2020, in addition to initial upfront fees of Euro 30 million, which were paid in March 2020. In signing this agreement, the parties also mutually waived the legal actions they had brought.

At the same time, Impresa Pizzarotti, through its legal advisors and an appointed third-party expert, has put together a dossier of documents supporting its request for higher fees submitted against the Customer, set at more than Euro 180 million, and has thus taken a civil action before the competent local courts in order to seek compensation for damages arising from the early termination of the contracts and the reimbursement of additional costs incurred for the execution of the works.

The recognition expected from the lawsuit against the customer during 2019 was classified among trade receivables and the value previously stated among contract asset was written off accordingly. This receivable was stated against an entry in a provision for risks of about Euro 20 million, recorded when the 2018 financial statements were prepared, to adjust the estimate to the portion regarded as highly probable in consideration of the Company's possible liability at the end of the judicial proceedings, also calculated with the assistance of the advisors working on the dispute.

Moldavia

The works related to the **contract for the upgrade of Road R16**, for an amount of Euro 52 million are currently being executed after overcoming the difficulties encountered in starting works, which were caused by the Customer's delay in approving the design. The Company has put in requests for extra time and payment as a result of these delays, which are currently being defined with the Customer Ministry for Infrastructure and Transport.

Montenegro

The major operations in the country concern the construction of the **tourist resort named Portonovi**. This project, over an area of approximately 140 thousand sq. m., provides for the construction of a luxury hotel, apartments, villas and a marina for a **contract amount which will total about Euro 340 million, considering the changes being approved, showing a considerable amount compared to the initial amount of Euro 256 million**. During 2019, work continued at a very high pace to allow the initial opening of the resort to the public on 1 August 2019 - the final complete opening of the hotel area is expected by summer 2020, even if, as a result of the Covid-19 health emergency, it will be probably postponed to autumn 2020. The efforts made have made it possible to attain the objective of partial opening in summer 2019, not at all taken for granted given the delays reported in the design under the responsibility of the Customer as per contract.

Peru

The operations in the country, which were started in 2014, are currently focused on the following seven contracts for:

- The **design and construction of the Inen hospital for anti-cancer treatments in Lima,** worth more than Euro 60 million, in a joint venture with a major local company; the Group's share is 48% and the works have been substantially completed;
- The **construction of the hospital in Iquitos**, for a value of approximately Euro 51 million, through a consortium in which Impresa Pizzarotti acts as the leading company with an interest of 51%;
- The **design and construction of the hospital in Pucallpa**, for a value of approximately Euro 103 million, through a consortium in which Impresa Pizzarotti acts as the leading company with an interest of 43%;

- The **construction of a stadium in Lima**, for a value of approximately Euro 14 million, through a consortium in which Impresa Pizzarotti acts as the leading company with an interest of 50% and the works have been substantially completed;
- The **construction of the La Joya arch bridge** in the vicinity of Arequipa, for a value of approximately Euro 30 million, through a consortium in which Impresa Pizzarotti acts as the leading company with an interest of 60%; the delays reported in the works, which are currently suspended, arose from problems linked to the design under the responsibility of the Customer;
- The **design and construction of the building complex named Callao Aeronaval Base,** located in the District of Lima**,** for a value of approximately Euro 43 million, through a consortium in which the Group acts as the leading company with an interest of 50%;
- **The construction of the new Arequipa Penitentiary**, with a 50% share and a contract value of Euro 43 million with the customer Ministry of Justice.

As regards t**he construction of the new ICA Penitentiary, at the beginning of 2020 the Customer declared the invalidity of the contract**, which had been signed in May 2018 between the Consorcio Ejecutor ICA consortium (Impresa Pizzarotti S.p.A.'s share equal to 35% as leading company) and the Ministry of Justice, for an amount of about Euro 84 million. The Company is currently waiting for the appointment of the arbitration board called upon to rule on this decision and its consequences.

Cameroon

After years of studies and research, in March 2017 Impresa Pizzarotti & C. S.p.A. and the Government of Cameroon signed a contract for the design and development of a new city area in Yaoundé, the capital. The project, which was preceded by a Memorandum of Understanding dated December 2012, has involved the highest institutional authorities in Italy and Cameroon, as part of an industrial development strategy in the latter country based on an approach of financial and environmental sustainability, with the aim of creating jobs and profits in the allied industries, as well as the transfer of professional and technological know-how.

In a comprehensive programme for the design and development of **a village with 10,000 flats and 61 public buildings, the word has been given to start work on the first phase of the contract, which provides for the design of the whole complex and the construction of the first 1,000 apartments, the public buildings and the industrial base**. The Customer is the Ministère de l'Habitat et du Développement Urbain [MINHDU; Ministry of Housing and Urban Development], which in March 2017 awarded Impresa Pizzarotti S.p.A. the construction contract for the first phase for an amount of Euro 148 million out of a total of about Euro 550 million estimated up to now; the expected term is 26 months, the effect of which is subject, among other things, to the areas being made available.

Despite the arrangement of activities for the preparation of the industrial areas, as well as for the design and procurement of equipment, the actual start of the works has been significantly delayed due to the site areas not yet being made available by the public customer. At the end of 2019 an area was identified, which was alternative to that initially indicated by the Cameroon government. At present a contract addendum is being defined and a new design is being prepared with the consequent review of the amount and the work schedule.

Australia

At the end of 2016, Impresa Pizzarotti signed an **agreement with the Australian Group Roberts** for the establishment of a newco with the **initial goal of entering the construction market and, subsequently, the infrastructure market**.

Based in Sydney at first, **Roberts Pizzarotti PTY Limited** started business in 2017 and set up its structure in a matter of months, engaging the staff it considered necessary to commence work and obtaining the certifications and accreditations required to operate in the country.

The Company is jointly-controlled by the two shareholders and is not included in companies consolidated on a line-by-line basis since at present the governance structure provides for joint control.

At the beginning of 2020 the two partners decided to separate and **at the end of March 2020 the Pizzarotti Group sold its share to the Australian partner** - the sale was made at a price of AUD 7.7 million corresponding to approximately Euro 4.4 million, thus realising a capital gain compared to the carrying amount of Euro 0.8 million.

Israel

The Group has been operating in the country for over ten years through Parent Company Impresa Pizzarotti whose activity focuses on the infrastructures sector, carrying out the following works on an equal basis with the local partner Shapir Civil and Marine Engineering Ltd:

A1 - High Speed Railway to Jerusalem Section C "Sha'ar Hagai - Mevasseret Zion": the project, which was awarded on 18 October 2007, consists of the main lot of the new high-capacity railway line between Tel Aviv and Jerusalem.
The project, under a contract signed with Customer Israel Railway Ltd, has been fully financed by the Israeli Government through the Ministries of Treasury and Transport.
The total amount of the project is equal to about Euro 410 million, including a payment of about NIS 244 million, about Euro 57 million, for claims submitted by the contractor as defined in the agreement signed with the customer on 25 March 2019, the collection of which took place during the first half of 2019.

Road 6 - Cross Israel Northern Highway no. 6 Yoqneam-Somech: this project for the design and construction of the two-carriageway extension of the Road 6 motorway northwards in the Yokneam – Somech section for 20 km with three lanes in each direction involves the excavation of 3 tunnels, 4 exits, 5 main viaducts, 5 secondary viaducts, 16 underpasses and finally a part of the engineering services: ventilation, lighting, traffic control and toll payment systems. Within the scope of the works, which were started in 2015, the section was opened to traffic in two stages on 12 November 2018 and 28 March 2019, respectively, in advance of the contractual deadline.
Following the completion of the works, dispute management sessions were started according to the procedures laid down as per contract. The claims submitted by the Joint Venture amount to more than NIS 1.2 billion and, following a specific request from the customer, which is aimed at avoiding a civil action, will be considered by a committee of experts within a period of time running up to 2020 for the first decisions of the committee.
The contract value for Impresa Pizzarotti, which has been taken into account in measuring work in progress and which is equal to 50% of total, amounts to about Euro 325 million, including a variable consideration of NIS 173 million, the collection of which is regarded as highly probable, also on the basis of the legal and technical opinions rendered by the Group's advisors.

Road 16 – Design, Financing, Construction, Operation and Maintenance of the new Road 16 linking Highway 1 to Route 50: on 25 October 2018 the concessionaire SPC Israel Shapir-Pizzarotti R16 Ltd, which is 50% invested in by Impresa Pizzarotti S.p.A., signed the contract for the design, construction, operation and maintenance of the new Road 16 in Jerusalem (Israel). On 7 November 2019 the concessionaire therefore signed the Engineering, Procurement and Construction contract with the R16 Joint Venture, which is jointly controlled by the two partners Impresa Pizzarotti and Shapir. This work, whose construction is worth about Euro 235 million, is a new access road to Jerusalem for traffic proceeding from the west and will link Highway 1 to Route 50. The works, which were started in the second half of 2019, have recently reported geological problems for which a provision for risks of Euro 5.8 million has been prudentially recognised as regards Pizzarotti's share in order to cover the estimated higher costs of excavation works on natural tunnels. This provision makes it possible to keep the initiative's development forecasts unaffected, which, on the contrary, may benefit from potential higher fees requested from the Customer in consideration of the different geological conditions of the rock in situ compared to contract provisions.

United Arab Emirates (Dubai)

During 2017, at the same time as the Abu Dhabi branch was closed, the Group opened the new Dubai branch, which commenced activities in early 2018 after the signature of a contract for the construction of the prestigious **Dorchester Hotel** in an equal joint venture with Roberts, the former partner of the Australian company Pizzarotti-Roberts PTY Limited. Construction works, which were started in early 2018, will be developed over a period of 30 months, for a total amount of more than Euro 170 million.

Serbia

During the last quarter of 2018 the Pizzarotti Group was awarded the contract for the construction of the **Kula Tower** within the scope of the **large Belgrade Waterfront urban regeneration project.**

The tower, which is to be the highest in Serbia, has been designed by the Skidmore, Owings and Merrill LLP (SOM) firm and will be erected on behalf of the developer responsible for the whole operation, a Joint Venture controlled by Eagle Hills, which is the vehicle Emaar Properties, one of the biggest real estate companies in the world, uses to carry out its projects outside the United Arab Emirates. Belgrade City Council has a minority share in the developer. The works, for an amount equal to Euro 146 million, will be executed by a Joint Venture in which the Pizzarotti Group holds 96%, while the remaining interest is held by a local partner. Works were started during the first quarter of 2019 and operations proceed as scheduled.

Norway

Norway has for some years been implementing a large-scale infrastructure programme, particularly in the railway sector, which has attracted the attention of major international contractors. In October 2019, the Salini/Impregilo-Pizzarotti Joint Venture (holding 51% and 49%, respectively) signed a contract for the construction of a 13.6 km section of the new double-track railway line, Nykirke-Barkåker section, for a total of approximately Euro 383 million.

The works include the construction of new tunnels, both natural and artificial, the modernization of a tunnel, the construction of bridges and a pedestrian walkway, as well as the construction of a new station. The works are expected to be started during the first half of 2020.

Significant events after the reporting date

COVID-19

During the second half of February 2020, the Pizzarotti Group, and in particular the Parent Company, was faced with the COVID-19 pandemic, which spread exponentially worldwide.
In order to cope with this unexpected and sudden emergency, the Group has set up committees responsible for monitoring the situation on an ongoing basis and taking decisions aimed at safeguarding company assets. In particular, in order to ensure the full operation of the entire company organisation, while minimising the impact of this situation in terms of occupational health and safety, a structured set of measures have been implemented at the Group's headquarters and at all Italian and foreign sites. Specifically, the measures adopted provide for smart-working activities, extended to all white-collar staff members, and the adoption of restrictive measures to regulate provisions in the matter of health and hygiene and access to construction sites and production plants, in compliance with the restrictions set by the competent authorities in all markets regions where the Group is present.

In many areas of the Group's operations, the impossibility of ensuring minimum safety conditions for workers, as shared with the customers following active collaboration actions taken in this regard, has led, in most cases, to the suspension of operations on site which, although with different times and methods, has extended between 30 and 40 calendar days.
This suspension has been further extended due to the phases of slowdown and return to full production, which preceded and followed it respectively, with a consequent increase in unavoidable costs due to force majeure events to be incurred to put operations on a safe footing and resume production.

In this context, the resulting slippage in production volumes has entailed significant cash outflows due to both the need to support working capital and the intention to maintain employment levels unchanged.

The Group's strategy, as outlined in the 2019-2023 business plan drawn up at the beginning of February, already provided for a set of measures aimed at ensuring a balanced capital and financial structure through, in particular, an asset disposal programme and a capital increase by shareholders as specified below. The critical issue represented by the COVID-19 pandemic has made it appropriate to proceed with requests to the banking system for a loan of Euro 100 million backed by a SACE guarantee in order to avoid financial stress and allow the Group’s financial and liquidity position to be strengthened in order to confirm, even in the short term, the pursuit of the economic and financial objectives.

Sources of funding

The income flows in 2019, which were affected in particular by the final results recorded in the USA and Poland areas, as already commented, involved the update by the directors of the Group's 2019-2023 business plan, which was then subjected to IBR (Independent Business Review) on the part of a leading consulting firm that substantially confirmed the reasonableness of the assumptions adopted in preparing the aforesaid plan. This update confirmed and strengthened the asset disposal program, making it a key issue of the Group's strategy aimed at achieving balance in terms of financial resources and equity. This disinvestment programme was accompanied by more general financial measures with the banking system, which provided for and obtained at the reporting date: (i) the shareholder Mipien's commitment to subscribe a cash capital increase of Euro 10 million, as well as the declaration of a general commitment to support the subsidiary for the achievement of the objectives set in terms of equity and results of operations in the 2020–2023 business plan; (ii) the banking system's commitment to granting new signature lines of credit aimed at supporting the Group in core business development and (iii) the compliance with financial parameters applied to the syndicated loan of Euro 500 million raised in September 2018, consistently with the forecasts in the abovementioned business plan, all other contract provisions remaining unchanged. As part of the financial measures, the Group also received support from some Banks, with the favourable opinion on the part of their respective decision-making bodies, for access to a loan of Euro 100 million backed by a SACE guarantee in accordance with the Liquidity Decree, which is expected to be paid in the short term.

At present, it is believed that all of these measures will give the Group adequate financial support for the achievement of the objectives set at Group level in the new business plan for the financial years 2020-2023, despite the significant uncertainties arising from the continuing evolution of the reference scenario due to the critical issues in the sector and the impossibility of making precise forecasts about the duration and impact of the current pandemic.

Other information

Information on transactions with related parties

The transactions with related parties carried out during 2019 fall within the scope of the Group's normal course of business and were regulated at arms' length. During the year no transactions were carried out, which were considered to be important under the applicable regulations.
Of particular interest among these are (i) the financial investment made by the Group in the related company FPMC Sam, which has implemented the real estate project *Pétite Afrique* in Monaco and which holds a stake of 52.5% in Plein Sud Sam, the promoter of the *Jardin Exotique* real estate project, which is still in progress in Monte Carlo, and (ii) the business relations between Impresa Pizzarotti S.p.A. and the Pizzarotti family with regard to contracts for the renovation of residential buildings for not significant amounts.

For any additional information, reference should be made to the explanatory notes.

Quality, Safety and Environment

During 2019 the certifications of the corporate quality, safety and environmental management system were maintained following the successful performance of the periodic surveillance audit carried out by RINA SERVICES, as was the international recognition IQNet.

The quality, safety and environmental certifications, which have been renewed for the eighth (ISO 9001) and fifth (ISO 14001 and OHSAS 18001) time, respectively, with the update of the new standards ISO9001:2015 and ISO14001:2015 in 2018, evidence the renewed efforts of the Company towards the satisfaction of internal and external stakeholders and, together with the 3 sectors for which the Group is qualified, namely: EA 28 (building company), EA 34 (engineering firms) and EA 35 (general contractor), they allow the Group to operate with no limitations on national and international markets.

In 2019 an in-depth process of modernisation of the Company's organisational structure was completed with the aim of building up and strengthening the Pizzarotti Group's position among the world's leading construction companies. As a part of the process, a new Headquarters Areas Division has been formed which centralises and reorganises all the corporate services at head office level. As regards, in particular, the management of the quality, safety and environmental system, the "Foreign Environment and Safety" service team was merged into the "Head Office Quality, Safety and Environment Area" in order to standardise and enhance the supervision and support of all the operating divisions in Italy and abroad.

In this regard, the "Risk Management Committee", facilitating the implementation of the instructions received from the Board of Directors, continued with the activities for the search and planning of audit methods, based on risk management principles and aimed at streamlining the control process, which is also jointly monitored by the "Administration and Finance" and "Quality, Safety and Environment" areas, through inspections involving individual countries/orders.

In 2019 the activities of the Supervisory Body continued focusing on the prevention of the offences laid down under Legislative Decree no. 231/2001, through direct checks, as well as, in the process of audit of its operations, with the support of the "Risk Management Committee", which fostered an increasingly widespread supervision activity.

Research and Development activities

No R&D activities were undertaken during the 2019 financial year of a kind that could be capitalised in these financial statements.

Information required by Article 2364, paragraph 2, of the Italian Civil Code

The governing body, in view of the Covid-19 pandemic emergency referred to in Article 106 of Decree Law no. 18 of 17 March 2020 ("Cure Italy"), has provided, in general terms and by way of derogation from the provisions of Articles 2364, paragraph 2, and 2478-*bis* of the Italian Civil Code or as otherwise stated in the articles of association, that the time limit for calling the ordinary shareholders' meeting is increased up to one hundred and eighty days from the end of the last financial year.

25 June 2020

For the Board of Directors

The Chairman

Cav. del Lav. Paolo Pizzarotti

Consolidated Financial Statements

Accounting Statements

STATEMENT OF FINANCIAL POSITION - in thousands of Euros

ASSETS

	Notes		31/12/2019	31/12/2018
Fixed Assets				
Property, plant and equipment	1		101,701	112,870
Right-of-use assets	2		40,690	-
Intangible assets	3		99,106	101,883
Equity investments	4		159,824	162,306
Financial assets	5	**	112,661	114,340
Other non-current assets	11		52,142	46,790
Deferred tax assets	6		45,885	46,046
Total fixed assets			**612,009**	**584,235**
Current assets				
Inventories	7		258,905	279,814
Contract assets	7		348,235	420,731
Trade receivables	8		490,577	382,047
Trade receivables from Group companies	9		83,473	72,425
Tax receivables	10		29,796	39,941
Other current assets	11		61,059	79,333
Financial assets	5	**	25,662	35,052
Cash and cash equivalents	12	**	242,232	294,011
Total current assets			**1,539,939**	**1,603,354**
Assets Held for Sale	27		64,549	-
Total Assets			**2,216,497**	**2,187,589**

SHAREHOLDERS' EQUITY AND LIABILITIES

			31/12/2019	31/12/2018
Shareholders' equity				
Share capital			248,555	248,555
Legal reserve			9,072	9,072
Reserve prescribed by by-laws			42,011	63,751
Other reserves			64,256	60,221
Profit (losses) for the period			(22,352)	(18,981)
Capital and reserves attributable to minority interests			33,694	19,337
Profit (loss) attributable to minority interests			12,427	25,302
Total shareholders' equity	**13**		**387,663**	**407,257**
Non-current liabilities				
Bank and other loans	14	**	494,829	513,639
Long-term portion on lease liabilities	15	**	33,880	16,693
Staff severance pay	17		4,636	5,276
Deferred tax liabilities	18		35,649	42,703
Provisions for risks and charges	18		56,428	49,284
Other non-current liabilities	20		75,595	84,119
Total non-current liabilities			**701,017**	**711,714**
Current liabilities				
Bank overdraft and short-term portion on loans	14	**	198,819	131,865
Short-term portion on lease liabilities	15	**	13,455	4,345
Financial payables for derivatives	16	**	1,126	858
Trade payables to suppliers	21		469,944	489,848
Payables to Group companies	19		82,886	66,350
Taxes payable	10		32,304	39,000
Contract liabilities	7		227,430	300,216
Other current liabilities	20		52,432	36,136
Total current liabilities			**1,078,396**	**1,068,618**
Liabilities Held for Sale	27		49,421	-
Shareholders' equity and liabilities			**2,216,497**	**2,187,589**

** Items included in the net financial position

INCOME STATEMENT - in thousands of Euros

	Notes	31/12/2019	31/12/2018
Revenues		1,222,021	1,258,328
Other proceeds		66,167	59,074
Total revenues	**22**	**1,288,188**	**1,317,402**
Raw materials and consumables		175,575	184,870
Costs for services	23	877,207	848,380
Personnel costs	24	174,468	151,715
Other operating expenses	23	34,041	38,218
Amortisation, depreciation and write-downs		46,153	40,377
Total costs		**1,307,444**	**1,263,560**
Operating profit		**(19,256)**	**53,842**
Financial income	25	56,332	14,806
Financial costs	25	(51,645)	(45,938)
Financial assets at fair value	25	16	(2,396)
Value adjustments to equity investments		(124)	(8,281)
Profit before taxes - continued operations		**(14,677)**	**12,033**
Taxes	26	4,451	(5,712)
Net profit - Continued operations		**(10,226)**	**6,321**
Net profit - Held for Sale assets	27	301	-
Minority interests		(12,427)	(25,302)
Net result		**(22,352)**	**(18,981)**

STATEMENT OF COMPREHENSIVE INCOME - in thousands of Euros

	31/12/2019	31/12/2018
Consolidated profits (losses) for the period (A) - continued operations	**(10,226)**	**6,321**
Accounting for interest rate risk hedging derivatives recognised according to the cash flow hedge method	*(284)*	*(448)*
Related taxes	*68*	*(12)*
Accounting for interest rate risk hedging derivatives recognised according to the cash flow hedge method and valued at equity	-	-
Related taxes	-	-
Profits (losses) from restatement of financial assets at FVTOCI	*164*	*(13)*
Profits (losses) form translation of financial statements of foreign companies	*(1,001)*	*8,236*
Total Other comprehensive income (losses) that will be subsequently reclassified to profit for the period, net of tax effect (B)	**(1,053)**	**7,763**
Profits (losses) from remeasurement of defined-benefit plans	*(230)*	*212*
Related Taxes	*23*	*(32)*
Total Other comprehensive income (losses) that will not be subsequently reclassified to profit for the period, net of tax effect (C)	**(207)**	**180**
Consolidated comprehensive income for the period - continued operations (A) + (B) + (C)	**(11,486)**	**14,264**
Consolidated comprehensive income for the period from discontinued operations (D)	**301**	**-**
Consolidated comprehensive income for the period (A+B+C+D)	**(11,185)**	**14,264**
Attributable to:		
Shareholders of the Parent Company	*(23,384)*	*(12,239)*
Minority shareholders of subsidiaries	*12,199*	*26,503*
Consolidated comprehensive income for the period	**(11,185)**	**14,264**

CASH FLOW STATEMENT - in thousands of Euros

	31/12/2019	31/12/2018
Net profit for the period - Group and minorities	(10,226)	6,321
Taxes	(4,451)	5,712
Profit before taxes	**(14,677)**	**12,033**
Adjustments for:		
Non-monetary items		
Amortisation and depreciation of tangibles and intangibles	25,818	12,140
Write-down of receivables	220	190
Write-down / revaluations of equity investments	124	8,281
Accrual to provisions	20,114	28,047
Subtotal	**31,599**	**60,691**
Investing activities items		
Capital gains / losses from disposal of equity investments	(41,442)	-
Other adjustments		
Net interest income and costs and dividend received	36,755	31,131
Non-monetary items from assets held for sale	(1,327)	
Cash flow from operating activities before changes in net working capital	**25,585**	**91,822**
Changes in working capital		
Receivables from customers	(120,704)	(132,161)
Sundry receivables and accrued income and prepaid expenses	(10,311)	(33,156)
Inventories, Contract Assets and Contract Liabilities	(2,158)	(47,110)
Payables to suppliers	43,465	144,170
Provisions	(20,664)	(15,554)
Other payables and accrued expenses and deferred income	12,187	11,443
Subtotal	**(98,185)**	**(72,368)**
Cash flows activities generated by (used in) operating activites	**(72,600)**	**19,454**
Financial income and dividend received	16,784	14,806
Financial costs	(51,645)	(45,938)
Taxes	4,248	(5,712)
Net cash flows generated by (used in) operating activites	**(103,213)**	**(17,390)**
Net increases in intangible assets	(972)	(7,942)
Net increases in property, plant and equipment	(14,369)	(31,872)
Net increases in Right-of-use assets - finance leases	(13,075)	
Net increases in Right-of-use assets - operating leases	(24,209)	
Net increases in non-current financial assets	43,044	(3,778)
Changes in consolidation area	-	-
Cash flows activities generated by (used in) investing activites	**(9,581)**	**(43,592)**
Other changes in shareholders' equity	5,819	(304)
Dividend distribution	(15,488)	(6,316)
Other mid- and long-term changes	(15,045)	(9,189)
Cash flows activities generated by (used in) financing activites	**(24,714)**	**(15,809)**
Net cash flow for the period	**(137,508)**	**(76,791)**
Net financial position at the beginning of the period	**(223,997)**	**(147,206)**
Net cash flow for the period	**(137,508)**	**(76,791)**
Net financial position at the end of the period	**(361,505)**	**(223,997)**

NET FINANCIAL POSITION - in thousands of Euros	Notes	31/12/2019	31/12/2018
Cash and cash equivalents	12	242,232	294,011
Financial assets	5	25,662	35,052
Derivative assets/(liabilities)	16	(1,126)	(858)
Short-term financial debt	14	(198,819)	(131,865)
Short-term portion on lease liabilities	15	(13,455)	(4,345)
Short-term net financial position		**54,494**	**191,995**
Medium/long-term financial debt	14	(494,829)	(513,639)
Long-term portion on lease liabilities	15	(33,880)	(16,693)
Financial assets	5	112,661	114,340
Medium/long-term net financial position		**(416,048)**	**(415,992)**
Net financial position - continued operations		**(361,554)**	**(223,997)**
Net financial position - assets held for sale	**27**	**49**	**-**
Total net financial position		**(361,505)**	**(223,997)**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY - in thousands of Euros

Description	Share Capital	Legal Reserve	Reserve required by Articles of Association	Cash flow hedge reserve	Reserve for Securities at FVTOCI	Reserve for Severance Pay IAS 19	Translation Reserve	FTA Reserve	Other Reserves	Profit (loss) for the year	Total Equity attributable to the Group	Equity attributable to Minority Interests	Total Equity
Balance as at 31 December 2017 (§)	**248,555**	**7,876**	**43,549**	**(177)**	**(151)**	**(1,597)**	**(4,873)**	**(42,713)**	**128,545**	**1,166**	**380,180**	**27,376**	**407,556**
Last year result		1,196	20,202						(20,232)	(1,166)	-		-
Other Comprehensive Income: Translation of financial statements in foreign currency							7,035				7,035	1,201	8,236
Other Comprehensive Income: Other changes				(460)	(13)	180					(293)		(293)
Dividends											-	(6,316)	(6,316)
Other changes									(5,323)		(5,323)	(2,924)	(8,247)
Current period result										(18,981)	(18,981)	25,302	6,321
Balance as at 31 December 2018	**248,555**	**9,072**	**63,751**	**(637)**	**(164)**	**(1,417)**	**2,162**	**(42,713)**	**102,990**	**(18,981)**	**362,618**	**44,639**	**407,257**
Last year result			(21,740)						2,759	18,981	-		-
Other Comprehensive Income: Translation of financial statements in foreign currency							(773)				(773)	(228)	(1,001)
Other Comprehensive Income: Other changes				(216)	164	(207)					(259)		(259)
Dividends											-	(15,488)	(15,488)
Other changes									2,308		2,308	4,771	7,079
Current year result										(22,352)	(22,352)	12,427	(9,925)
Balance as at 31 December 2019	**248,555**	**9,072**	**42,011**	**(853)**	**-**	**(1,624)**	**1,389**	**(42,713)**	**108,057**	**(22,352)**	**341,542**	**46,121**	**387,663**

(§) The statement of equity figures for the financial year 2017 of the Pizzarotti Group have been restated to comply with the introduction of the new accounting standard IFRS 15.

Explanatory notes to the financial statements

GENERAL INFORMATION

The **Pizzarotti Group** has operated in the sector of the design and execution of major civil engineering projects in Italy and abroad for more than a hundred years. **It is one of the most important Italian construction groups and mainly acts as an EPC** (Engineering, Procurement and Construction) **Contractor but is also the Concessionaire in concession and project finance initiatives.**

The Group also **constructs prefabricated buildings** for housing and industry **and conducts Real Estate business**.

Impresa Pizzarotti forms part of the Mipien Group and is subject to the Direction and Coordination activity of Mipien S.p.A., the parent company, with registered office in Parma, at Via Anna Maria Adorni no. 1 and with a share capital of Euro 300,000,000.

The essential data from the Parent Company's last financial statements are provided, together with other information, at the foot of these notes.

LAYOUT, CONTENTS AND BASIS OF PREPARATION

The consolidated annual financial statements have been prepared in compliance with the **International Accounting Standards ("IFRS")** issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. The term "IFRS" also includes the International Accounting Standards ("IAS"), which are still in force, as well as all the interpretations issued by the IFRS Interpretation Committee, previously called the International Financial Reporting Interpretations Committee ("IFRIC") and before that the Standing Interpretations Committee ("SIC").

The consolidated annual financial statements are made up of the statement of financial position, the income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and the explanatory notes.

As regards the method of presentation:

- The statement of financial position shows current and non-current assets and liabilities separately. Current assets, which include cash and cash equivalents, are those intended to be realized, transferred or used during the company's normal operating cycle. Non-current assets include credit balances with a realization cycle of over twelve months, including property, plant and equipment, intangible and financial assets, right-of-use assets and deferred tax assets. Current liabilities include payables due within twelve months, including the current portion of non-current loans. Non-current liabilities include payables due beyond twelve months, including financial payables, provisions for personnel and deferred tax liabilities;
- the income statement shows a classification of costs by nature;

- the cash flow statement shows cash flows from operating, investing and financing activities separately and according to the indirect method.

The consolidated financial statements have been prepared on the basis of the general principle of historical cost, except for the line items which are measured at fair value in compliance with IFRS, as stated below in the accounting policies.

The consolidated statement of financial position, income statement, cash flow statement and statement of changes in equity are presented in Euros and the amounts are stated in thousands of Euros, except as otherwise stated.

The Pizzarotti Group consolidated annual financial statements consist of the statement of financial position, the income statement and the cash flow statement of the Parent Company, Impresa Pizzarotti & C S.p.A., and of the Italian and foreign operating companies directly or indirectly controlled by the Parent Company.

Control exists when the Group has the power, directly or indirectly, to determine the investee's operational, management and administrative decisions and obtain the relative rewards. Generally speaking, the existence of control is presumed when the Group has, directly or indirectly, more than half of the investee's voting rights.

The consolidated financial statements are those prepared for the year ended 31 December 2019, as approved by the corporate bodies, where applicable, of the entities included in the consolidation area.

The financial statements included in the consolidated accounts have been prepared adopting the same accounting standards for each entity as those adopted by the Parent Company, carrying out any adjustments to the consolidated accounts necessary to make the items homogeneous that are affected by the application of different accounting standards.

PRINCIPLES OF CONSOLIDATION

The financial statements used for consolidation have been suitably adapted (standardised) and reclassified in order to conform them to the Group's accounting standards and policies in line with the provisions laid down under the current IAS/IFRS.

The financial statements used for translation are those expressed in the functional currency, which is the local or any other currency in which most of the entity's financial transactions and assets and liabilities are denominated.

The financial statements expressed in foreign currency are converted into Euros by applying the year-end exchange rates for the items in the statement of financial position and average exchange rates for the Income Statement items.

Any differences arising between the exchange rates of opening equity and the rates at the end of the year are recognised in the reserve from currency translation.

The **main exchange rates** used for the translation into Euro of the economic and equity values of the companies and permanent establishments with a functional currency other than the Euro were the following:

Exchange rate		December 2019		December 2018	
		Final	Average	Final	Average
AED	Dirham UAE	4.1257	4.1113	4.2050	4.3371
AUD	Dollar AUS	1.5995	1.6109	1.6220	1.5797
CHF	Swiss franc	1.0854	1.1124	1.1269	1.1550
DZD	Dinar Algeria	133.8916	133.6757	135.4881	137.6525
ILS	Shekel	3.8845	3.9901	4.2972	4.2423
KWD	Kuwait Dinar	0.3405	0.3402	0.3476	0.3567
LYD	Libyan Dinar	1.5709	1.5653	1.5972	1.6102
MAD	Dirham Morocco	10.7810	10.7660	10.9390	11.0820
MDL	Leu Moldova	19.2988	19.6457	19.5419	19.8351
PEN	Peruvian Nuevo Sol	3.7255	3.7364	3.8630	3.8793
PLN	Zloty	4.2568	4.2976	4.3014	4.2615
QAR	Ryal Qatar	4.0892	4.0749	4.1678	4.2987
RON	New Leu	4.7830	4.7453	4.6635	4.6540
RUB	Russian ruble	69.9563	72.4553	79.7153	74.0416
SAR	Riyal Saudi Arabia	4.2128	4.1980	4.2938	4.4286
USD	Dollar USA	1.1234	1.1195	1.1450	1.1810
RSD	Serbian Dinar	117.8319	117.8182	118.3109	118.2365
XAF	Franc CFA	655.9570	655.9570	655.9570	655.9570
NOK	Norwegian Krone	9.8638	9.8511	9.9483	9.5975

Note: The exchange rate expresses the amount of foreign currency required to purchase 1 Euro

The differences arising from the translation of the opening equity at period-end exchange rates and the differences arising from the translation of items of the balance sheet at the exact year-end exchange rate and of the income statement at the average exchange rate for the period are charged to the translation reserve.

The consolidation principles may be summarised as follows:

• as the subsidiaries' accounting standards are the same as the Group's, they are consolidated on a line-by-line basis; according to this method:

(i) the full amounts of the assets, liabilities, costs and revenues in the subsidiaries' financial statements are recognised regardless of the amount of interest held;

(ii) the carrying amount of the equity investments is written off against their shares of equity;

(iii) any transactions concerning receivables/payables and costs/revenues among the companies consolidated on a line-by-line basis, including dividends distributed within the Group, are written off;

(iv) minority interests are reported under the appropriate equity item and the share of profit or loss attributable to minority interests is similarly reported separately in the Income Statement.

• investments in associates are valued at equity, whereby their carrying amounts are adjusted in order to account for:

(i) the investor's share of the investee's results after the acquisition date;

(ii) the variations deriving from changes in the investee's equity that have not been recognised in the Income Statement in accordance with the relevant standards;

(iii) the dividends distributed by the investee;

(iv) any capital gain paid on acquisition (measured according to the same policies as specified in the paragraph on “Accounting policies” with reference to goodwill);

(v) the share of results obtained from applying the equity method are reported in the Income Statement;

(vi) the Group’s accounting standards are homogenised if necessary.

Dividends, revaluations, write-downs, losses on equity investments in entities included in the consolidation area, as well as capital gains and capital losses on intragroup sales of equity investments in entities included in the consolidation area are written off.

Any profits and losses arising from transactions between companies included in the consolidation area that are not obtained directly or indirectly through transactions with third parties are written off.

The financial statements of some subsidiaries which are not very significant have not been consolidated: these investments are measured as set out in the note on “equity investments”.

Business combinations

The acquisition of subsidiaries is accounted for according to the method set out under IFRS 3. Acquisition cost is the sum of the fair values on the date on which control is obtained of the assets sold and the liabilities incurred or assumed, of the equity instruments issued by the Group in exchange for the control over the acquiree and the costs directly attributable to the combination.

The identifiable assets, liabilities and contingent liabilities of the acquiree that meet the conditions for recognition according to IFRS 3 are recognised at fair value on the acquisition date, except for non-current assets (or disposal groups), which are classified as held for sale according to IFRS 5 and are entered and measured at the lower of purchase value and fair value less costs to sell.

Goodwill from acquisition is recognised as an asset and initially measured at cost. It is the excess of acquisition costs (calculated as set out above) over the Group’s share of the current amounts of the recognised identifiable assets, liabilities and contingent liabilities. If, after the restatement of these values, the Group’s share of the current amounts of the identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost, the excess is recognised through profit or loss.

Minority shareholders’ interests held in the acquiree are initially measured at the same value as that of their share of the current amounts of the recognised assets, liabilities and contingent liabilities.

If a business combination is carried out in more than one phase, with successive acquisitions of shares or quotas, each transaction is treated separately, using cost and information regarding the fair value of each transaction to determine any additional portion of goodwill. When a subsequent acquisition allows the entity to obtain control over an entity, the portion previously held is revalued on the basis of the fair value of the identifiable assets, liabilities and contingent liabilities, determined on the date of the said subsequent acquisition. A contra-entry for this revaluation is recognised under the Group’s equity.

Acquisitions after control has been obtained no longer give rise to revaluations of identifiable assets, liabilities and contingent liabilities at fair value; any positive or negative difference between acquisition cost and the additional portion acquired in the entity's net assets is recognised under equity. If quotas are sold that do not give rise to the loss of control, any difference between the sale price and the carrying amounts of the assets sold is recognised through profit or loss among financial income or costs.

ACCOUNTING POLICIES

These consolidated financial statements have been prepared on a going-concern basis, which the directors consider appropriate given the Group's performance. **The accounting standards adopted in these Financial Statements are the same as those adopted in the previous financial year**, except as stated in the paragraph on "Accounting standards, amendments and interpretations applicable from 1 January 2019" below. **The most important accounting standards and policies adopted are described below**.

Interests in joint arrangements

A joint arrangement is an arrangement of which two or more parties contractually share the control over an arrangement, that is to say when the decisions on the relevant activities related to such arrangement require the unanimous approval of all parties.

As regards the **procedures for the measurement and recognition in the financial statements, the IFRS 11 provides for different methods for:**

JOINT OPERATION (JO): a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement.

JOINT VENTURE (JV): a joint arrangement whereby the parties that have joint control have rights to the net assets of the arrangement.

The wording of the IFRS 11 as regards the distinction between JOs and JVs is, therefore, based on the rights and obligations arising from the co-venturers in relation to the jointly controlled investment, that is to say on the substance of the relationship and not on its legal form.

As regards the recognition in the consolidated financial statements of the JVs, IFRS 11 requires, as the only consolidation criterion, the Equity method.

As regards the JOs, given that the parties to the arrangement share the rights to the assets and assume the obligations for the liabilities linked to the arrangement, **IFRS 11 requires that each joint operator must recognise in its financial statements the proportional value of assets, liabilities, costs and revenues related to the JO.**

Some entities (defined as Special Purpose Vehicles or SPVs), which had been consolidated on a proportional basis in the Consolidated Financial Statements at 31 December 2013, could not be defined unequivocally as a "joint operation" and were therefore described as "joint ventures", consequently recognised according to the equity method as from the 2014 financial year. This also became necessary because, as required by IAS 11 and its related interpretations, they are structured as separate vehicles and their legal status as a vehicle prevails over other contractual arrangements or specific facts or circumstances.

However, it should be noted that:

- these SPVs cannot take part in tenders since, as they do not exist before the tender itself, they do not have the technical references that the calls for tender require entrants to satisfy. These references and the necessary financial position, performance and cash flow requirements are satisfied by the partners which afterwards set up an SPV together;
- SPVs cannot perform any types of activity other than that strictly intended by their shareholders, which is to fulfil the obligations under their contract with the customer, which they must do in the sole interest of these shareholders;
- the shareholders are the only entities with joint and several and unlimited liability to the customer for the performance of the contract either directly or by the SPV; the shareholders and not the SPV provide the customer with all the guarantees required under the contract;
- shares in an SPV can only be transferred to other shareholders with the customer's permission, irrespective of the legal form in which the vehicle has been formed;
- on the termination of the contract it is to the shareholders, and not to the SPV, that the customer issues the contractually agreed technical references as confirmation of the completion of the works.

Title to the revenues from the execution of the contract works is held by the shareholders as their direct entitlement, on the basis of the shares in the SPV that they have stated in the tender procedure. Accordingly, the Group also assumes the direct obligations to pay the costs attributable to the contract in the same proportion as its share in the vehicle.

The Group considers that the above, up to now, is the best interpretation of the application of the IFRS 11, without this ruling out different interpretations in the future, which may impact on some Group ratios. Nevertheless such potential impacts are not expected to affect either the Group's net profit or its assets.

Property, plant and equipment

Property, plant and equipment are recognised according to the cost method and are entered at purchase price or production cost, including any additional costs directly attributable to making the assets ready for use. Purchase price or production cost is recognised net of government capital grants, which are recognised when the conditions for their being granted have been satisfied.

Property, plant and equipment are systematically depreciated on a straight-line basis over their useful life, which is an estimate of the time the asset is expected to be used by the entity. Should a tangible asset consist of more than one important part with different useful lives, depreciation is calculated separately for each part. The depreciable amount is the entry value, less its presumable net realisable value at the end of its useful life, if this is significant or can be calculated reasonably. Land is not depreciated, even if it is acquired together with a building.

The costs of improvement, modernisation and transformation which increase the useful life of property, plant and equipment are recognised under the appropriate item and depreciated over the asset's residual useful life.

The costs of the replacement of identifiable components of complex assets are recognised under balance sheet assets and depreciated over their useful life; the residual entry value of the component that has been replaced is recognised through profit or loss. Maintenance and repair costs are recognised in the income statement for the period in which they have been incurred.

When events occur that lead it to presume that there is an impairment of property, plant and equipment, their recoverability is verified by comparing its entry value with its recoverable amount, which is the higher of fair value, net of disposal costs, and value in use.

In the absence of a binding sale agreement, fair value is estimated on the amounts observed in an active market, in recent transactions or on the basis of the best information to hand for an estimate of how much the entity could obtain from selling the asset.

Value in use is calculated discounting the expected cash flows arising from the use of the asset or, if they are significant and can be calculated reasonably, from its sale at the end of its useful life. Cash flows are determined on the basis of reasonable and supportable assumptions that represent the best estimate of the future economic conditions that will exist over the asset's remaining useful life. The discounting rate takes the risk inherent in the entity's business sector into account.

When the reasons for write-downs no longer exist, assets are revalued and the adjustment is recognised in profit and loss as a revaluation (reinstatement of value) up to the amount of the write-down previously recognised (or at the lower of recoverable value and entry value, gross of previous write-downs) less the depreciation rates that would have been applied if no write-down had been recognised.

Depreciation begins when the asset is ready for use and is calculated on the basis of the remaining possibility of its use over its useful life. The useful life estimated by the Group for the various classes of assets is as follows:

Categories	Years
Land	
Building	20 - 33
Plant and machinery	4 - 10
Industrial and business equipment	3 - 5
Other assets	5 - 8

Leasehold improvements are classified under property, plant and equipment on the basis of the cost incurred. The depreciation period is the lower of the tangible asset's residual useful life and the residual lease term.

Right-of-use assets

Right-of-use assets are recognised in accordance with the new IFRS 16, which provides for a single method of accounting for leases in the financial statements of lessees - eliminating the distinction between operating and finance leases. For more details on the application, reference should be made to the on "Amendments to the applicable accounting standards."

Goodwill and other intangible assets

Intangible assets are identifiable assets without physical substance, controlled by an entity and able to produce future economic benefits. They also include goodwill acquired for a consideration.

These assets are recognised at cost, calculated according to the criteria for property, plant and equipment. Development costs are capitalised provided that the cost can be reliably determined and that the asset can be shown to be able to produce future economic benefits.

Intangible assets with a finite useful life are systematically amortised from the time that they are ready for use over their useful life, taken as an estimate of the period during which the entity expects to utilise them. The recoverability of their entry value is verified adopting the criteria set out in the paragraph on “Impairment of assets” below.

Goodwill is not subject to amortisation: the recoverability of its entry value is checked at least once a year (through an impairment test) and in any case when events occur that indicate a possible impairment loss.

Other intangible assets also include contract acquisition costs, which are amortised on the basis of the progress of the work involved.

Service concession arrangements

Service concession arrangements are the subject of IFRIC 12, which regulates the method for recognising and measuring concession agreements between a public sector entity and a private enterprise. The Pizzarotti Group has applied IFRIC 12 since the 2010 financial year.

IFRIC 12 applies to service concession arrangements if the following conditions are satisfied:

(i) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price; and

(ii) the grantor controls – through ownership or in another way – any residual interest in the infrastructure at the end of the term of the arrangement.

<u>Measurement of revenues from concession agreements:</u> the operator acts as a service provider (constructing and managing the work) and must recognise revenues from construction services and upgrading and revenues from the operation of the infrastructure in accordance with IFRS 15 “Revenue from contracts with customers.”

The grantor pays the operator a consideration for the construction/upgrading services that it provides. The consideration must be recognised at fair value and may consist in rights to:

(a) a financial asset (financial asset model);

(b) an intangible asset (intangible asset model).

The main innovation in IFRIC 12 is that the operator must not report the transferable infrastructure under property, plant and equipment in that it does not have “control” over it, as described in paragraph 5 of IFRIC 12.

The right to use the infrastructure in order to provide the service, which is the asset to recognise according to IFRIC 12, is classified as a financial asset when there is an unconditional right to receive payment regardless of the actual use of the infrastructure and as an intangible asset when there is a right to charge users for the utilisation of the public service.

If the operator is paid for the construction services partly with a financial asset and partly with an intangible asset, the accounting model is a mixed one: in these cases the financial asset component of the agreed consideration must be separated from the intangible asset component.

Specifically, IFRIC 12 requires the operator to calculate the amount of the financial asset first and after this (with reference to the value of the construction and/or upgrading services provided) the amount of the intangible asset.

The concessions that the Group holds regard the design, construction and management of students’ residences. The findings of the analysis of these concessions showed that the latter are accounted for either according to the financial asset model or to the intangible asset model.

The right to payments under Concession agreements that fall under the financial asset model have been determined discounting the cash flows arising from the unconditional right to receive payment, regardless of the extent to which the infrastructure is actually used, at a rate of interest including time value and counterparty risk.

The amount calculated in this way was compared with the fair value of the construction service and the amount of the difference up to the said fair value is recognised under financial assets; the tangible asset (represented by freely transferable assets) previously reported was written off when the financial asset was recognised.

Equity investments

Equity investments in associates are valued at equity.

Payables to subsidiaries, associates and other companies for capital contributions that have been subscribed but not yet called in by their respective Corporate Bodies have been reclassified, as in previous financial years, as a direct reduction in their respective carrying amounts of the equity investments concerned.

Equity investments in entities other than subsidiaries, associates, joint operations or joint ventures have been classified at the time of acquisition under “Equity investments” and fall within the category of “Financial assets at fair value through profit or loss” according to IFRS 9. As these investments are mainly in consortia and consortium companies in which the Company holds a lower than 20% interest, these financial assets, according to IFRS 9, are recognised under non-current assets.

Impairment of assets

IAS 36 requires entities to conduct impairment tests on property, plant and equipment and intangible assets if there is evidence of any possible impairment.

Impairment tests are conducted on goodwill, any other intangible assets with an indefinite useful life and assets not available for use at least once a year. The recoverability of the amounts recognised is verified by comparing the carrying amount with the higher of net sale price, if there is an active market, and value in use of the asset.

Value in use is determined by discounting the expected cash flows from the utilisation of the asset or cash generating unit, as well as from the amount expected to be received when it is disposed of at the end of its useful life.

Cash generating units have been identified in accordance with organisational and business structure as homogeneous units that generate independent cash inflows deriving from the continuing use of the assets that belong to them.

Inventories

Inventories of goods are recognised at the lower of average purchase cost and market value. Costs include additional costs; market value is calculated taking account of the cost of replacement of the assets. Any write-downs are written off in subsequent financial years if the reasons that made them necessary no longer exist.

Investment property

Investment property is measured at the lower of cost, plus any additional costs incurred, and presumed realisable value. The costs incurred are the cost of acquiring the area and additional costs, construction costs and the financial costs of the project until completion. They are classified under final inventories in the financial statements.

Contract assets and liabilities

All assets and liabilities arising from contracts with customers are classified as “Contract assets” and “Contract liabilities” in the statement of financial position, among assets and liabilities, respectively. The classification of contract assets and liabilities, as required by IFRS 15, depends on the relationship between the service the Pizzarotti Group has delivered and the customer’s payment; the items in question constitute, in fact, the sum of the following components analysed individually for each job order:

(+) Value of work in progress, determined in accordance with IFRS 15, according to the Cost-to-Cost method

(-) Advances received on certified works (Work Progress Reports)

(-) Contract advances.

If the resulting value is positive, the net balance of the order is stated under “Contract assets”, while, if negative, it is stated under “Contract liabilities.”

The work in progress **is measured on the basis of the consideration agreed with the customers by reference to the percentage of completion of the contract**. Revenues from contract work in progress are recognised using the percentage-of-completion method.

Percentage of completion is calculated using the “cost to cost” method, which, in its turn, is calculated applying the percentage of completion to expected total revenue as the ratio between costs incurred and total expected costs.

If several contracts are in place under which work is apportioned among more than one order and have been entered into, at or near the same time, with the same customer (or with the customer’s related parties), they can be treated and measured as a single order (this is the **combining** construction contracts procedure) if one or more of the following requirements are met:

a) The contracts are negotiated as a package with a single commercial objective;

b) The amount of consideration to be paid in one contract depends on the price or performance of the other contract; or

c) The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation in accordance with IFRS 15.

Contract assets and liabilities are measured adopting the best estimate of the amount of work executed on the reporting date; the assumptions at the basis of the valuations are revised periodically and any economic effects are accounted for in the financial year in which the revisions are made.

If events occur after the financial statements have been closed but before they have been approved which provide further evidence regarding possible profits or losses on the contract, these further evidence is considered in calculating final contract revenues or costs in order to take profits or losses into account.

Should the expected cost of completing the work be higher than the expected revenue, the final loss is accounted for in full in the financial year in which the circumstance becomes known.

All the costs directly attributable to the contract are taken into account in valuing the work in progress, in addition to contract risks and revision clauses when they can be determined objectively. **Contract costs, which fall within the scope of cost-to-cost calculation, also include**:

• **pre-operating costs**, which are all the costs incurred in the initial phase of the contract before construction starts. This category comprises the costs of design and studies specifically related to the contract concerned, costs of organisation and start-up and site installation costs. These pre-operating costs are included in the calculation of progress payments and are taken into account in the calculation of cost-to-cost at the time they are incurred; during the initial phase of the contract they are recognised as items in the value of work in progress, if recoverable, without recognising the profit margin if it cannot be estimated reliably;

• **post-completion costs**, which are the site dismantling costs generally incurred after completion in order to remove the installations (or the entire site) and to take the equipment and plants back to their places or transfer them to another site. This item also includes losses on abandoned materials and the cost of transporting unused materials. They must be included in cost estimates and are thus also taken into account in work progress reports if they are incurred during the term of the contract. No specific provisions, therefore, are set aside through profit or loss.

Finally, contract costs also include the financial costs of loans specifically related to the work executed on a project finance basis, as well as of the General Contractor; in fact, as early as during the tender phase, specific clauses in the individual contracts lay down special payment terms which entail recourse to financing of invested capital.

When the outcome of a long-term contract cannot be estimated reliably, the value of work in progress is calculated on the basis of the costs incurred when it is reasonable to expect that these will be recovered, without recognising any profit margin.

In accordance with IFRS 15, paragraph 56, requests for additional payments submitted to the customers are taken into account in valuing the work in progress only to the extent that it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognised when the uncertainty associated with the variable consideration is resolved. The following factors are considered whether it is highly probable that the variable considerations will be obtained:

- the existence of an enforceable right to the consideration
- the status and stage in the process of the request for the consideration based on an enforceable right (Court judgment in the Company's favour)
- opinions of independent third party advisors (an expert advisor's assessment in the Company's favour)
- the valuation of the consideration estimated by Courts hearing the matter.

If the amounts of claims relate to closed contracts, they are recognised under receivables from customers.

Financial assets – Debt instruments

According to the features of the instrument and of the business model adopted for related operations, financial assets, consisting of debt instruments, are classified into the following three categories:

(i) financial assets measured at **amortised cost;**

(ii) financial assets at **fair value through other comprehensive income** (hereinafter also referred to as OCI);

(iii) financial assets at **fair value through profit or loss.**

Financial assets are initially recognised at fair value; upon initial recognition, the value of trade receivables without a significant financial component consists of the transaction price.

After initial recognition, financial assets that generate contract cash flows that only consist of payments of principal and interest are measured at amortised cost if they are held for the purposes of collecting their contract cash flows (**hold to collect business model**). According to the amortised cost method the value upon initial recognition is then adjusted to take account of repayments of principal, as well as of impairment (if any) and of the amortisation of the difference between redemption value and the value upon initial recognition.

Amortisation is carried out on the basis of the effective internal interest rate which consists of the rate that makes the present value of future cash flows and the value upon initial recognition equal.

Receivables and other financial assets measured at amortised cost are reported in the balance sheet, net of any related provision for write-down.

Financial assets consisting of debt instruments, the business model of which provides for both the possibility of collecting contract cash flows and the possibility of obtaining capital gains on disposal (**hold to collect and sell business model**), are measured at fair value through Other Comprehensive Income (FVTOCI). In this case the changes in the fair value of the instrument are recognised in equity, among other comprehensive income. The cumulative amount of fair value changes, charged to the equity reserve that includes other comprehensive income, is subject to reversal through profit or loss upon the derecognition of the instrument. Interest income calculated by using the effective interest rate, foreign exchange differences and write-downs are recognised through profit or loss.

Financial assets consisting of debt instruments which are not measured at amortised cost or at FVTOCI are measured at **fair value through profit or loss** (FVTPL).

Financial assets that are disposed of are derecognised from balance sheet assets when their related contract rights to receive the cash flows linked to the financial instrument expire, or are transferred to third parties.

The recoverability of financial assets consisting of debt instruments not measured at fair value through profit or loss is assessed on the basis of the "**Expected Credit Loss model**."

Financial liabilities

Financial liabilities arising from loans, trade payables and other payment obligations, are initially recognised at fair value, net of directly-attributable additional costs and are subsequently measured at amortised cost applying the effective interest rate method. Additional costs for financing transactions are classified among balance sheet liabilities as a reduction in the loan granted and the amortised cost is calculated by taking account of these costs and of any possible discount or premium, envisaged upon settlement. The effects of the measurement at amortised cost are charged to "Financial (Costs)/Income" in the income statement.

Should there be a change in expected cash flows and should it be possible to estimate them reliably, the amounts of loans are recalculated to reflect the change on the basis of the present value of the expected new cash flows and the internal rate of return initially calculated.

Financial liabilities are classified under current liabilities, unless the entity has an unconditional right to defer their settlement for at least 12 months after the reporting date. Financial liabilities are derecognised from the financial statements when they are paid off or when the company has transferred all the risks and charges relating to the instrument itself.

Own shares

Own shares are classified as a direct reduction in equity.

Derivatives

Derivatives are used as hedges in order to reduce interest rate risk. Under IFRS 9, a derivative may only qualify for hedge accounting if it is formally designated as a hedge at inception, if there is documentation of the hedging relationship, if it is presumed that the hedge is highly effective, if its effectiveness can be measured reliably and if the hedge is highly effective during the different accounting periods in which it is intended to be used.

All derivatives are measured at fair value as required by IFRS 9.

When a financial instrument qualifies for hedge accounting, the following methods of accounting for it are applied:

• **Fair value hedge** - If a derivative is designated as a hedge against exposure to changes in the current value of an asset or liability in the financial statements arising from a particular risk that could affect the income statement, any profit or loss arising from subsequent changes in the fair value of the hedging instrument is recognised through profit or loss.

The hedged item is adjusted at its fair value in relation to the hedged risk against an entry in the income statement.

• **Cash flow hedge** - If a derivative is designated as a hedge against exposure to changes in the cash flows from an asset or a liability recognised in the financial statements or from a transaction that is forecast to be highly probable and such changes could affect profit and loss, the effective portion of the change in the fair value of the hedging instrument is recognised under equity in the Cash Flow Hedge reserve. Accumulated profits or losses are reclassified from equity to profit or loss when the underlying has effects on the income statement. The ineffective portion of the hedge is recognised through profit or loss immediately. If the hedged transaction is no longer deemed probable, any profits and losses not yet realised and retained in equity are recognised through profit or loss immediately.

If a derivative does not qualify for hedge accounting because it does not meet the formal and substantive requirements of IFRS 9, it is measured at fair value against an entry through profit or loss.

Cash and cash equivalents

These include cash on hand and short-term at sight bank deposits.

Assets / Liabilities associated with disposal groups

Assets and liabilities associated with disposal groups, the book value of which will be recovered mainly through the sale rather than through their continuous use, are recognised separately from the other assets and liabilities in the statement of financial position.

Prior to being classified under disposal groups, they are recognised based on the specific relevant IFRS applicable to each asset and liability, and then entered at the lower of book value and presumed fair value, net of related costs to sell. Any losses are immediately recognised through profit or loss.

The overall financial effects of these transactions, net of any related tax effect, are recognised separately under a single item of the income statement.

Employee benefits – Staff severance pay

The provision for staff severance pay (*Trattamento di Fine Rapporto*, TFR) is recognised at the actuarial value of the liability determined according to current law, collective labour agreements and supplementary company agreements. Professional actuaries calculate actuarial value based on demographic, financial and turnover variables.

Any profits and losses arising from actuarial calculations are recognised in the statement of comprehensive income as required by IAS 19.

Provisions for risks and charges

Provisions for risks and charges are made to cover liabilities whose existence is certain or likely but whose amount or timing are uncertain on the reporting date. In accordance with IAS 37, provisions are recognised when:

- there is a present obligation, either legal or implicit, arising from past events;
- the settlement of the obligation is likely to result in an outflow of cash;
- a reliable estimate can be made of the amount of the obligation.

Provisions are recognised at the value representing the best estimate of the amount that the company would pay to settle the obligation or to transfer it to a third party at the closing date of the period.

When the time value of money is material and a reliable estimate can be made of the dates on which the obligations will be settled, the provision is discounted at the entity’s average debt rate; the increase in the provision as a result of the lapse of time is recognised through profit or loss under “Financial income/costs”.

Provisions are reviewed periodically to reflect changes in estimates of cost, settlement times and the discount rate; the results of revised estimates are recognised under the income statement item to which the provisions were previously charged.

Revenue from contracts with customers

Revenue from contracts with customers is recognised by applying a model which provides for five steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the prices to the performance obligations; (v) recognise revenue when (or while) a performance obligation is satisfied.

The Group recognises revenue from contracts with customers when (or as) it satisfies the performance obligation, transferring the promised goods or services (i.e. the asset) to the customer. Assets are transferred when (or as) the customer obtains control of them.

The Group transfers control of the goods or services over time, and therefore satisfies the performance obligation and recognises the related revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the latter performs;
- the Group's performance creates or enhances the asset (e.g. work in progress) that the customer controls as it is created or enhanced;
- the Group's performance does not create an asset with an alternate use and the Group has an enforceable right to payment for performance completed to date.

If the performance obligation is not satisfied over time, it is satisfied at a point in time. In this case the Group recognises the revenue at the time at which the customer obtains control of the promised asset.

Dividends

Dividends are recognised through profit or loss among financial income when the Shareholders' right to receive the payment arises - this usually corresponds to the date on which the Shareholders 'meeting approves the related resolution.

Current taxes and deferred tax liabilities

Income taxes accrued in the period are calculated on the basis of an estimate of taxable income and current rules, and are measured in accordance with the prescribed tax rate on the reporting date.

Deferred tax assets and liabilities are calculated on the basis of the temporary differences between the amounts of the assets and liabilities recognised in the financial statements and the

corresponding amounts recognised for tax purposes. Deferred tax assets are recognised when their recoverability is likely.

Deferred tax assets and liabilities are classified under non-current assets and liabilities.

As regards the recognition of transactions directly under equity, the deferred tax effect is also recognised under equity.

Translation of foreign currency items

The following is a summary of the policies for the translation of foreign currency items:

- **monetary assets and liabilities in foreign currency**, excluding property, plant and equipment and intangible assets and equity investments valued at cost, **are measured at the spot rate on the reporting date, recognising changes through profit or loss**;
- **property, plant and equipment and intangible assets and equity investments (non-monetary assets) are recognised at historical costs expressed in foreign currency and are converted at the historical rate**;
- **revenues and costs from currency transactions are recognised through profit or loss at the rate on the day on which the transaction is carried out**;
- any significant effects of changes in rates occurring after the reporting date are presented in the notes to the financial statements.

As regards the translation of financial statements of companies that have been consolidated or valued at equity and expressed in a currency other than the reporting currency (functional currency), reference should be made to the section on the consolidation principles.

Use of estimated values

The application of international accounting standards (IAS/IFRS) in the preparation of the financial statements means that the Company’s Management must make accounting estimates based on complex and/or subjective judgments based on past experience and assumptions that are considered reasonable and realistic on the basis of the information to hand at the time of the estimate. The utilisation of these accounting estimates affects the carrying amounts of assets and liabilities, disclosures regarding contingent assets and liabilities on the reporting date, as well as the amount of revenues and costs during the relevant period. The actual results may differ from those estimated owing to the uncertainty surrounding the assumptions and conditions on which the estimates are based.

The estimates and assumptions are reviewed periodically and the effects of each change are recognized immediately in the Income Statement.

SEGMENT INFORMATION

7 August saw the full repayment of the Senior Unsecured Bond issue outstanding for a total of Euro 100 million placed with European institutional investors (Euro Private Placement) and the notes of which had been admitted to trading on the multilateral trading facility operated by the Irish Stock Exchange. The subsequent repayment of the Private Placement meant that the regulatory requirements on the basis of which Impresa Pizzarotti had been classified as a PIE - Public Interest Entity company were no longer met.

Considering the above, the rules of IFRS 8 are deemed no longer applicable.

AMENDMENTS TO THE APPLICABLE ACCOUNTING STANDARDS

Newly-issued Accounting Standards and interpretations endorsed with effect from 1 January 2019

As at the reporting date of these Financial Statements, the following Accounting Standards and Interpretations had been endorsed, which were then mandatorily applicable as from 1 January 2019):

Standard, amendment or interpretation	Status
IFRS 16 - *Leases*, issued in January 2016	Endorsed in October 2017
IFRIC 23 - *Uncertainly over Income Tax Treatments,* issued in June 2017	Endorsed in October 2018
Amendments to IAS 19 – *Plan Amendment, Curtailment or Settlement,* issued in February 2018	Endorsed in March 2019
Amendments to IAS 28 – *Long-term interests in Associates and Joint Ventures*, issued in October 2017	Endorsed in February 2019
Amendments to IFRS 9 – *Prepayment Features with Negative Compensation,* issued in October 2017	Endorsed in March 2018
Annual Improvements to IFRS Standards 2015-2017 Cycle, issued in December 2017	Endorsed in March 2019

Effects of adoption of new accounting standards

No significant effects on these Group's consolidated financial statements were recorded with reference to the accounting standards listed above, which became applicable from 1 January 2019, except for IFRS 16.

IFRS 16 – Leases

Issued by the IASB in January 2016, IFRS 16 introduces a single model for accounting for leasing transactions in lessees' financial statements, removing the distinction between operating and finance leases. According to the model, the lessee recognises an asset which represents the right to use the underlying asset and a liability which reflects the obligation to make the lease payments. Optional exemptions are allowed for short-term lease transactions and for those of low value.

IFRS 16 replaces the current provisions governing leases, including IAS 17 '*Leases*', IFRIC 4 '*Determining Whether an Arrangement Contains a Lease*', SIC 15 '*Operating Leases – Incentives*' and SIC 27 '*Evaluating the Substance of Transactions in the Legal Form of a Lease*'.

The scope of application of the new standard applies to all the leases, except for a few exceptions. A lease is a contract that grants the right to use an asset for a certain period of time in exchange for a consideration. The method of accounting for all leases is based on the model provided for in IAS 17, while excluding any lease relating to low-value assets and short-term contracts (e.g. less than 12 months).

At the date when a lease is recognised, the financial liability equal to the present value of the payments to be made and the asset over which the entity has a right of use must therefore be recorded, thus accounting for financial charges and the asset's amortisation separately.

The Group has made use of the option to apply IFRS 16 without making any restatement of the values at 31 December 2018 and without any retroactive effect on the opening equity at 1 January 2019.

In addition, the Group has made use of the simplifications relating to low-value assets and to any contract with a term of less than 12 months.

Recognition

Following the adoption of the new accounting standards, the statements of financial position have been adjusted in order to provide a view of the Group's position complying with IFRS 16.

Specifically, the financial statements now report the items of "Right-of-use assets" among assets, "Short-term portion on lease liability" and "Long-term portion on lease liability" among liabilities in order to include the values arising from the adoption of IFRS 16.

Furthermore, the finance leases that were accounted for among "Property, plant and equipment" and under items "Long-term portion on finance leases" and "Short-term portion on finance leases" until 31 December 2018 have been reclassified to the items reported above.

The income statement recognises the amortisation of Right-of-use assets and any interest expense accrued on lease liabilities under financial items, unless capitalised, in lieu of operating lease payments previously recognised as operating costs according to IAS 17.

Effects on opening balance sheet values

As at 1 January 2019 the carrying amount and the accumulated amortisation relating to finance leases amounted to Euro 52,034 thousand and to Euro 34,984 thousand, respectively.

These values have been reclassified from "Property, plant and equipment" to "Right-of-use assets" in the accounts.

The corresponding lease debt at the same date, equal to Euro 16,693 thousand for the amount falling due beyond twelve months and to Euro 4,345 thousand for the amount falling due within twelve months, has been instead reclassified from "Long-term portion on finance leases" and "Short-term portion on finance leases" to the new items "Long-term portion on lease liability" and "Short-term portion on lease liability" in the accounts.

In relation to operating leases, the value of the assets stated at 1 January 2019 under "Right-of-use assets" was equal to Euro 20,735 thousand, while the corresponding lease liability under "Long-term portion on lease liability" and "Short-term portion on lease liability" amounted to Euro 20,747 thousand.

Newly-issued Accounting Standards and interpretations endorsed and not early adopted by the Group

The accounting standards, amendments and interpretations published by the IASB and endorsed by the European Union, but which will become applicable after 31 December 2019, are listed below:

Standard, amendment or interpretation	Status
Amendments to references to *Conceptual Framework* in the IFRS issued in March 2018	Applicable from 1 January 2020
Amendments to IAS 1 and IAS 8 - *Definition of Material* issued in October 2018	Applicable from 1 January 2020

No significant effects on the Group's consolidated financial statements are expected to arise from the accounting standards listed above, which have not yet been adopted by the Group.

Accounting Standards and interpretations not yet applicable and not early adopted by the Group

The accounting standards, amendments and interpretations published by the International Accounting Standards Board (IASB) and by the International Financial Reporting Standards Interpretations Committee (IFRS IC), for which the competent EU bodies had not yet completed the process of endorsement of amendment as at 31 December 2019 are listed below:

Standard, amendment or interpretation	Status
IFRS 17 - *Insurance Contracts* issued in May 2017	Applicable from 1 January 2021
Amendments to IFRS 3 - *Business Combinations* issued in October 2018	Applicable from 1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 - *Interest Rate Benchmark Reform*, issued in September 2019	Applicable from 1 January 2020

No significant effects on the consolidated financial statements are expected to arise from the accounting standards and interpretations listed above, which are not yet applicable and not early adopted by the Group.

CONSOLIDATION AREA

At 31 December 2019, the consolidation area of the Pizzarotti Group was as follows:

Company's name	Country	Currency	Share capital	Ownership %	Method
Italy					
Impresa Pizzarotti & C Spa	Parma - Italy	Euro	250,000,000		on a line-by-line basis
Parmaresidenziale 1 Srl	Parma - Italy	Euro	100,000	100.0	on a line-by-line basis
Parma S. Teresa Srl	Parma - Italy	Euro	80,000	100.0	on a line-by-line basis
Consorzio Pizzarotti Todini Kef Eddir	Parma - Italy	Euro	100,000	100.0	on a line-by-line basis
Ampliamento Centro Cavagnari Scrl	Parma - Italy	Euro	10,000	100.0	on a line-by-line basis
Buildit Spa	Rome - Italy	Euro	50,000	100.0	on a line-by-line basis
Confer Scrl	Parma - Italy	Euro	45,900	99.99	on a line-by-line basis
Consorzio Campogalliano Sassuolo	Parma - Italy	Euro	10,000	90.0	on a line-by-line basis
Linea per Sorrento Scrl	Parma - Italy	Euro	20,000	89.0	on a line-by-line basis
Consorzio Arcoteem	Parma - Italy	Euro	10,000	81.06	on a line-by-line basis
Consorzio Tunnel Giovi	Parma - Italy	Euro	10,000	70.0	on a line-by-line basis
Arco Mirelli Scrl	Parma - Italy	Euro	20,000	69.88	on a line-by-line basis
Taurano Scrl	Parma - Italy	Euro	10,200	60.0	on a line-by-line basis
Napoli Nord Scrl	Parma - Italy	Euro	10,000	51.5	on a line-by-line basis
Consorzio Arccos	Parma - Italy	Euro	10,000	57.93	on a line-by-line basis
Traversud Srl	Melfi - Italy	Euro	1,550,000	51.0	on a line-by-line basis
Cuma Scrl	Parma - Italy	Euro	10,000	51.0	on a line-by-line basis
Lemit Scrl	Udine - Italy	Euro	100,000	51.0	on a line-by-line basis
Interconnessione Scrl	Alessandria - Italy	Euro	10,000	50.1	on a line-by-line basis
Consorzio Stabile Traversud	Parma - Italy	Euro	120,000	50.06	on a line-by-line basis
Consorzio BBM (*)	Parma - Italy	Euro	50,000	50.0	on a line-by-line basis
Co.Sat scrl (*)	Rome - Italy	Euro	10,000	50.0	on a line-by-line basis
Foreign countries					
Pizzarotti SA	Switzerland	CHF	5,000,000	100.0	on a line-by-line basis
Pizzarotti Algerie Sarl	Algeria	DZD	2,000,000	100.0	on a line-by-line basis
Pizzarotti Cote d'Azur Sas	France	Euro	300,000	100.0	on a line-by-line basis
Origami Sarl	France	Euro	7,500	100.0	on a line-by-line basis
Pizzarotti Monaco Sarl	Montecarlo	Euro	15,000	100.0	on a line-by-line basis
Pizzarotti USA Corp.	USA	USD	113,215,846	100.0	on a line-by-line basis
Pizzarotti SA Corp.	USA	USD	5,046,461	100.0	on a line-by-line basis
Pizzarotti 45 Broad Corp.	USA	USD	3,000,000	100.0	on a line-by-line basis
Pizzarotti NY LLC	USA	USD	114,135,846	100.0	on a line-by-line basis
Pizzarotti Construction SM Srl	Moldova	MDL	21,723	100.0	on a line-by-line basis
Pizzarotti Montenegro doo	Montenegro	Euro	1,000	100.0	on a line-by-line basis
Pizzarotti LLC	USA	USD	114,515,846	100.0	on a line-by-line basis
Pizzarotti FPG LLC	USA	USD	5,847,349	100.0	on a line-by-line basis
Pizzarotti IE ooo	Russia	RUB	5,000,000	100.0	on a line-by-line basis
Pizzarotti R.U. ooo	Russia	RUB	10,000	100.0	on a line-by-line basis
Pizzarotti Housing & Building LTD	Israel	NIS	0	100.0	on a line-by-line basis
Impresa Pizzarotti & Pomponio Constructii GEIE	Romenia	RON	0	100.0	on a line-by-line basis
Pizzarotti Millennium d.o.o. Beograd	Serbia	RSD	10,000	96.0	on a line-by-line basis
Neva Medical Infrastructure ooo	Russia	RUB	10,000	71.0	on a line-by-line basis
Fine Properties New York LLC	USA	USD	38,200,250	61.0	on a line-by-line basis
Engeco Sam (*)	Montecarlo	Euro	300,300	49.74	on a line-by-line basis
Fine Properties Montecarlo Sam (*)	Montecarlo	Euro	150,000	42.0	on a line-by-line basis
FPMC Agency Sarl (*)	Montecarlo	Euro	15,000	42.0	on a line-by-line basis
Monaco Facades Sam (*)	Montecarlo	Euro	150,000	34.82	on a line-by-line basis
Plein Sud Sam (*)	Montecarlo	Euro	150,000	22.05	on a line-by-line basis

(*) These investee companies have been consolidated line-by-line since the Group exercises control over them.

The table below reports the changes in the consolidation area compared to the previous year:

Consolidation area as at 31/12/2018		
Consolidated entities (nr.)		**48**
Entities included in consolidation area in 2019		
Company's name	**Event**	**Method**
Pizzarotti R.U. ooo	Setting up	on a line-by-line basis
Entities exluded from the consolidation area in 2019		
Company's name	**Event**	**Method**
Prisco Russia BV	Liquidation	on a line-by-line basis
Servizi Edilizia Mobilità Srl	Disposal	on a line-by-line basis
Consolidation area as at 31/12/2019		
Consolidated entities (nr.)		**47**

As at 31 December 2019 the consolidation area saw the entry of Pizzarotti R.U. O.O.O. and the exit of S.E.M. – Servizi Edilizia Mobilità S.r.l. and Prisco Russia BV; in particular:

- **Pizzarotti R.U. O.O.O.**: this company, which was established in June 2019 with a capital of RUB 10,000 and which is wholly owned by the Group, is 99% invested in by Pizzarotti SA and 1% by the Parent Company Impresa Pizzarotti S.p.A.. Within the scope of Project Finance initiatives, the company will be responsible for the execution of the works relating to a number of overpasses on the outer road network of Moscow and those relating to the construction of the St Petersburg Hospital on behalf of their respective Concessionaires. The company takes over title to the construction contracts from Pizzarotti I.E. O.O.O. following the signature of the option contract for the sale of the entire investment held in Pizzarotti I.E. O.O.O., which was completed in January 2020. For more information, reference should be made to the section concerning “Significant corporate transactions” of the Report on Operations.

- **Servizi Edilizia Mobilità S.r.l.**: the transfer of 70% held by the Group in S.E.M. S.r.l., active in the construction and operation of a multi-storey car park named “Cristo Re” in Rome, took place on 21 January 2019.

- **Prisco Russia BV:** the company incorporated under Dutch law was cancelled from the register of companies on 10 December 2019 after the sale of the investment it held in Pizzarotti IE to the parent companies Pizzarotti SA and Impresa Pizzarotti S.p.A. for 99% and 1%, respectively.

COMMENTS ON THE BALANCE SHEET ITEMS

FIXED ASSETS

1. Property, plant and equipment

Below is the breakdown of property, plant and equipment, net of the related depreciation fund:

Description	31/12/2019			31/12/2018		
	Historical cost	Accumulated depreciation	Net value	Historical cost	Accumulated depreciation	Net value
Land and buildings	114,318	41,684	72,634	112,630	38,981	73,649
Plant and machinery	39,760	28,799	10,961	86,472	64,278	22,194
Industrial and business equipment	8,925	6,134	2,791	10,468	6,929	3,539
Other assets	17,579	10,691	6,888	20,293	12,834	7,459
Property, plant and equipment under construction	8,427	-	8,427	6,029	-	6,029
Total	**189,009**	**87,308**	**101,701**	**235,892**	**123,022**	**112,870**

Below is the breakdown of property, plant and equipment, at the beginning and at the end of the period, showing the related changes:

Description	31/12/2018	Increases	Depreciation	Decreases	Other changes	31/12/2019
Land and buildings	73,649	2,279	(3,015)	(348)	69	72,634
Plant and machinery	22,194	6,821	(2,352)	(399)	(15,303)	10,961
Industrial and business equipment	3,539	1,162	(1,218)	(180)	(512)	2,791
Other assets	7,459	3,801	(1,903)	(1,684)	(785)	6,888
Property, plant and equipment under construction	6,029	2,906		(280)	(228)	8,427
Total	**112,870**	**16,969**	**(8,488)**	**(2,891)**	**(16,759)**	**101,701**

The increases in property, plant and equipment related to both investments made by the Group in foreign markets, worth about Euro 12.8 million and strategic investments recorded in Italy, equal to more than Euro 4.2 million. The first items related in particular to the recently-started projects in France, Israel and Serbia, while in Italy the orders that gave the most significant contribution to the capex investments were those regarding the works for the construction of the High-Speed/High-Capacity "Terzo Valico dei Giovi" section - Castagnola lot, through the Tunnel Giovi Consortium in which Impresa Pizzarotti holds a 70% quota.

Furthermore, it should be noted that "Other changes" include the reclassification of the net book value totalling Euro 17.1 million to "Right-of-use assets" following the adoption of IFRS 16 – *Leases* as from 1 January 2019, as detailed below.

Below are the changes in property, plant and equipment during the 2018 financial year:

Description	31/12/2017	Increases	Depreciation	Decreases	Other changes	31/12/2018
Land and buildings	63,587	4,057	(2,778)	(47)	8,830	73,649
Plant and machinery	15,332	12,692	(4,228)	(1,540)	(62)	22,194
Industrial and business equipment	2,358	2,873	(1,262)	(465)	35	3,539
Other assets	4,044	5,054	(1,493)	(33)	(113)	7,459
Property, plant and equipment under construction	5,438	2,121	-	(25)	(1,505)	6,029
Total	**90,759**	**26,797**	**(9,761)**	**(2,110)**	**7,185**	**112,870**

2. Right-of-use assets

Right-of-use assets amounted to Euro 40.7 million. The item under consideration includes the values arising from the adoption of IFRS 16 – *Leases* for which the Group has adopted a simplified transition method without recognising any impact on the Equity at 1 January 2019.

Below are the values of historical cost and accumulated amortisation at 31 December 2019:

Description	31/12/2019 Historical cost	Accumulated depreciation	Net value
Right-of-use assets - Land	61	(56)	5
Right-of-use assets - Building	10,910	(2,670)	8,240
Right-of-use assets - Plant and machinery	68,299	(38,911)	29,388
Right-of-use assets - Industrial and business equipment	2,577	(2,121)	456
Right-of-use assets - Other tangible assets	5,547	(2,946)	2,601
Total	**87,394**	**(46,704)**	**40,690**

Below are the related changes for the period:

Description	31/12/2018	Increases	Depreciation	Decreases	Reclassification	Other changes	31/12/2019
Right-of-use assets - Land	-	-	(56)	-	-	61	5
Right-of-use assets - Building	-	2,243	(2,683)	(30)	293	8,417	8,240
Right-of-use assets - Plant and machinery	-	14,589	(9,612)	(1,910)	14,768	11,553	29,388
Right-of-use assets - Industrial and business equipment	-	269	(334)	-	1,155	(634)	456
Right-of-use assets - Other tangible assets	-	1,594	(960)	(31)	834	1,164	2,601
Total	**-**	**18,695**	**(13,645)**	**(1,971)**	**17,050**	**20,561**	**40,690**

The most significant changes included:

- The reclassification of Euro 17.1 million from “Property, plant and equipment” in relation to the net book value of assets under finance leases at 1 January 2019;
- The increase of Euro 18.7 million attributable for Euro 11.5 million to the new finance leases entered into in Italy mainly in relation to the contract for the woks of construction of the High-Speed/High-Capacity “Terzo Valico dei Giovi” section;
- “Other changes”, for about Euro 20.6 million, were almost entirely attributable to the effects arising from the first-time adoption of the new standard, as detailed in the paragraph on the “Effects of adoption of new accounting standards”, in relation to the component of operating leases for which the column then shows the effects as at 1 January 2019.

3. Intangible assets

The table below shows the changes in intangible assets, the net value of which at the end of December 2019 amounted to Euro 99,106 thousand:

Description	31/12/2018	Increases	Decreases	Amortisation	Other changes	31/12/2019
Intellectual property rights	-	-	-	-	-	-
Concessions - Licences - Trademarks	486	159	-	(210)	3	438
Other intangible assets	100,442	49	(8)	(3,540)	-	96,943
Intangible assets under construction	955	770	-	-	-	1,725
Total	**101,883**	**978**	**(8)**	**(3,750)**	**3**	**99,106**

During 2019: (i) the decreases consisted almost exclusively of the amortisation for the period for an overall amount of Euro 3,750 thousand, of which an amount of Euro 3,474 thousand relates to contract acquisition costs, (ii) the increases mainly concerned the capitalisation of costs incurred in relation to the project aimed at adopting a new integrated management system within the Group, which had been started by Parent Company Impresa Pizzarotti S.p.A. during 2018.

"Other intangible assets" mainly include the item "contract acquisition costs", which are the charges, yielding long-term economic benefits, which the Parent Company incurred in acquiring a 24% share of works in the contract for the construction of the "Milan-Verona High-Speed Railway Line", awarded to the Cepav Due Consortium.

This is the non-profit making special purpose vehicle which the members of the consortium have formed, in the manner which has become very widespread in this sector, to support and coordinate the activities to be carried out by the members of the consortium in order to perform the contract: in fact the return on the contract goes to the individual members.

These are charges whose economic benefits will not be consumed within a single financial year and have all the characteristics necessary to qualify as intangible assets according to IAS 38, since they are assets with a finite useful life amortised on the basis of the progress of the contract in accordance with the "cost-to-cost" method.

The amortisation of these long-term charges started in 2011 after the commencement of works.

The balance sheet assets recognised in the financial statements at period-end are considered recoverable through executing the works. For information regarding progress with these works, reference should be made to the Report on Operations. Moreover, the extent to which the values concerned are considered recoverable is borne out by the impairment test conducted at the end of the financial year, from which no permanent impairment losses arose.
The values subject to discounting are based on the amounts of the Brescia-Verona section, defined with the customer Rete Ferroviaria Italiana S.p.A. [RFI] after the signature of the second supplementary agreement issued on 6 June 2018 and on their related temporal development. These values also consider a prudential estimate of the amount relating to a project variation with respect to the original route concerning the road to pass through the city of Brescia, which will be the object of an additional supplementary agreement between Cepav Due and RFI.
On 17 April 2020 a notice was received from RFI as to the financing of the Construction Lot 2.

The table below reports the breakdown of this item:

Description	31/12/2019	31/12/2018	31/12/2017
Todini SpA business unit	24,134	24,134	24,134
Fioroni Ingegneria in AS business unit	16,712	16,712	16,712
Surplus value paid for the acquisition of Garboli	92,702	92,702	92,702
Subtotal of long-term charges - Cepav due	**133,548**	**133,548**	**133,548**
Accumulated amortisation	(46,125)	(42,947)	(41,515)
Total long-term charges - Cepav due	**87,423**	**90,601**	**92,033**
Other minor items	9,520	9,841	3,716
Total other intangible assets	**96,943**	**100,442**	**95,749**

In 2004 Impresa Pizzarotti already held a 12% share of works involved in the "Cepav Due" project as a result of the acquisition of the specific business unit from Todini S.p.A.; with the acquisition of Garboli, which was afterwards merged by incorporation into Impresa Pizzarotti S.p.A., this share of works increased up to 24% since the investee also had a similar share again as a result of the acquisition of a business unit from Fioroni Ingegneria S.p.A. in AS under extraordinary management, in 2001.
This share recognizes the 3.27% increase recorded at the beginning of 2018 after excluding, according to the articles of association, the consortium member Condotte d'Acqua S.p.A. with the consequent proportional increase in the interests of the remaining Members. Therefore, at present Impresa Pizzarotti holds a 27.27% quota in the Cepav Due Consortium.

The statement below shows the changes in intangible assets in 2018:

Description	31/12/2017	Increases	Decreases	Amortisation	Other changes	31/12/2018
Intellectual property rights	-	-	-	-	-	-
Concessions - Licences - Trademarks	571	161	(4)	(206)	(36)	486
Other intangible assets	95,749	6,869	-	(2,173)	(3)	100,442
Intangible assets under construction	-	919	-	-	36	955
Total	**96,320**	**7,949**	**(4)**	**(2,379)**	**(3)**	**101,883**

4. Equity investments

The value of equity investments totalled Euro 159,824 thousand, down by Euro 2,482 thousand compared to 31 December 2018:

Description	31/12/2019	31/12/2018
Equity investments in subsidiaries	41	46
Equity investments in associates	18,146	20,980
Equity investments in other companies	141,637	141,280
Total	**159,824**	**162,306**

Below is the breakdown of changes in equity investments in the period:

		Changes in 2019				
Description	31/12/2018	Increases	Decreases	Measurements at equity	Other changes	31/12/2019
Equity investments in subsidiaries	46	6	(15)	-	4	41
Equity investments in associates	20,980	121	(2,182)	(39)	(734)	18,146
Equity investments in other companies	141,280	1,039	(765)	-	83	141,637
Total	**162,306**	**1,166**	**(2,962)**	**(39)**	**(647)**	**159,824**

The main changes were due to additional capital contributions to non-subsidiary companies, as well as to the overall economic effects arising from equity-accounted investees.

The carrying amounts of investments, as in the previous year, were stated net of the payments still to be made on the quotas and/or shares subscribed.

Subsidiaries

Equity investments in subsidiaries mainly include quotas in consortium companies and consortia in liquidation, whose carrying amounts are approximately the same as their equity on the reporting date.

Below is the breakdown of equity investments in subsidiaries, which were not consolidated on a line-by-line basis as they were irrelevant:

Description	Registered Office	Paid-up share Capital (*)	Shareholders' Equity (*)	Result (*)	% Share	Book Value
MP Scrl	Parma	10	10	-	99.99%	10
Covipar Scrl in liquidation	Parma	46	46	-	64.9%	13
Europa House Abuja Scrl in liquidation	Rome	10	10	-	61.1%	6
Fondovalle Scrl in liquidation	Parma	10	10	-	60.6%	6
Olbia 90 Scrl in liquidation	Parma	10	10	-	51.0%	6
Total for subsidiaries						**41**

* Share Capital, Shareholders' Equity and Result for the year make reference to the information reported in the last approved financial statements eventually adjusted in compliance with IAS / IFRS requirements and, in case of financial statements expressed in functional currency (diffferent from Euro), converted by applying final exchange rates of financial statements themselves.

Associates

Below is the breakdown of equity investments in associates:

Description	Registered Office	Paid-up share Capital (*)	Shareholders' Equity (*)	Result (*)	% Share	Book Value
Parmense Costruzioni Scrl	Parma	10	10	-	50.0%	5
Eurosia Srl	Parma	110	385	(281)	50.0%	478
Consorzio Val d'Enza	Parma	26	26	-	50.0%	13
Ponte Nord Spa	Parma	1,667	1,508	-	50.0%	458
Europa Scrl	Parma	10	10	-	50.0%	5
Metroleggera sc p.a. in liquidation	Parma	3,750	3,750	-	50.0%	1,875
Tiliaventum Scrl	Udine	2,500	2,500	-	50.0%	1,250
Pride Saudi Arabia Ltd	Saudi Arabia	2,374	1,916	-	50.0%	958
Consorzio J.V. Garboli Tirrena Scavi	Lucca	10	10	-	50.0%	5
Centro Servizi Salerno Scrl in liquidation	Naples	20	20	-	50.0%	5
Diana 2 Srl	Parma	24	315	(58)	50.0%	177
Boccioleto Srl	Parma	10	(90)	(140)	50.0%	60
Shapir Pizzarotti Highway 16 Ltd	Israel	-	-	-	50.0%	-
Seresa Scrl	La Spezia	10	10	-	49.9%	4
Gespar Conservatorio Spa	Parma	1,180	1,349	(119)	47.6%	642
Ge.Sat Scrl	Prato	10	10	-	46.2%	5
Martinella Srl	Parma	100	56	(50)	42.3%	104
Mod S Sam	Montecarlo	150	390	218	41.5%	62
S.G.C. Scrl	Parma	10	10	-	40.0%	4
Consorzio ATB Tunnel Brennero	Parma	100	100	-	39.0%	39
Gescos Scpa	Bari	307	127	-	36.4%	150
Il Tirone Spa	Messina	120	184	2	36.0%	5
BRF Property Spa	Parma	2,000	1,817	(192)	34.6%	5,321
Consorzio Cancello Frasso Telesino	Parma	15	15	-	34.0%	5
Villaggio Olimpico MOI Scrl in liquidation	Turin	10	10	-	33.3%	3
Consorzio Ferroviario Vesuviano	Naples	153	155	-	33.3%	94
Consorzio S.Giorgio Volla 2	Naples	71	72	-	33.3%	26
LLC Overpasses of Moscow Region	Russia	525	82	(59)	33.3%	175
Autostrada Campogalliano Sassuolo Spa	Trento	17,538	17,538	-	31.3%	5,487
Sogefon Sam	Montecarlo	250	1,539	251	30.0%	500
Snef Monaco Sam	Montecarlo	150	214	29	30.0%	45
Bergamote Sarl	Montecarlo	n.d	n.d	n.d	30.0%	45
Movefer Scrl	Pisa	52	(204)	(43)	29.6%	8
Nuova Movefer Scrl	Pisa	52	52	-	29.6%	15
Tor Vergata Scrl	Rome	31	31	-	28.9%	9
Assi Stradali Scrl in liquidation	Vicenza	11	11	-	28.6%	3
Consorzio Costruttori Teem	Milan	10	10	-	27.4%	2
Consorzio Cepav Due	Milan	52	52	-	27.3%	12
Consorzio S.Giorgio Volla	Naples	71	72	-	25.0%	21
Mod A Sam	Montecarlo	150	2,502	2,333	25.0%	38
N.P.F. Scrl	Milan	40	40	-	25.0%	10
Uica Scrl in liquidation	Rome	31	31	-	21.7%	3
Consorzio Umbria Domani	Perugia	91	92	-	21.4%	20
Total for associates						**18,146**

* Share Capital, Shareholders' Equity and Result for the year make reference to the information reported in the last approved financial statements eventually adjusted in compliance with IAS / IFRS requirements and, in case of financial statements expressed in functional currency (diffferent from Euro), converted by applying final exchange rates of financial statements themselves.

Investments in associates are valued at equity; if necessary, the financial statements of associated companies are adjusted to make them compliant with the accounting policies of the Group.

The latent capital gains related to the Company's properties and land were taken into account in valuing its real estate companies.

The major changes during 2019 concerned:

- **Madison 45 Venture LLC**: the sale of the remaining interest held by this investee in the project for the construction of a tower with about 65 floors in Broad Street in the Financial District of New York entailed, at the same time, the repayment of an amount of USD 2.4 million to the Parent Company Pizzarotti 45 Broad Corp., wholly owned by the Group.
- **Marex Sam**: the disinvestment from the assets relating to the interest held by the Group through its investee Marex Sam in the real estate "*Estensione a Mare*" project in Monte Carlo. The sale of these assets, for a total carrying amount of Euro 31.6 million broken down into equity investment (Euro 74 thousand corresponding to a 49.6% stake in the share capital) and subordinated loan (Euro 31,572 thousand), was completed in September 2019 with the simultaneous collection of a price of Euro 72.3 million, which allowed the Group to realise a capital gain of Euro 40.7 million.

It should also be noted that at the end of March 2020 the Group sold its stake held in Roberts Pizzarotti PTY Ltd, equal to 50% of the share capital - the sale took place at a price of AUD 7.7 million corresponding to Euro 4.4 million and therefore allowed the Group to realise a capital gain compared to the carrying amount of Euro 0.8 million, in addition to making it unnecessary to recognise, according to the equity method, the final losses that the investee recorded in the financial statements at 31 December 2019. As from 31 December 2019 the investment was classified, in accordance with IFRS 5, among assets held for sale, for which reference should be made to note 27.

Other companies

Below is the breakdown of equity investments in other companies:

Description	Registered Office	% Share	Book Value
TE - Tangenziale esterna Spa	Milan	10.2%	47,298
Autostrade Lombarde Spa	Brescia	6.4%	30,000
Brebemi Spa	Brescia	7.4%	24,620
Infracis Srl	Verona	13.8%	14,873
ARC - Autostrada Regionale Cispadana Spa	Trento	19.3%	9,997
Others			14,849
Total for other companies			**141,637**

The main changes related to investments in other companies concerned:

- The increases relating to the subscription of capital as investments in Real Estate projects in the US market and the fulfilment of commitments to capitalise concessionaire project companies. Specifically:
    - a payment of USD 858 thousand in the company promoting the River Park real estate project through **Pizzarotti FPG LLC,** which is wholly owned by Pizzarotti LLC. The project consists of the construction and sale of three residential buildings in Cobble Hill, Brooklyn. The Equity that the Group will contribute to the project accounts for 14.2% of total. This payment brings the value of the investment up to a total of USD 5.8 million.

- The subscription of another capital increase in **ARC - Autostrada Regionale Cispadana S.p.A.** for a total amount of Euro 270 thousand, corresponding to the first tranche of Euro 700 thousand out of the amount of Euro 14 million of capital called up during the year.

- The decrease of Euro 765 thousand following the completion of the second closing, in December 2019, concerning the purchase and sale of the Equity in the **SAT S.p.A. project company**, which is the concessionaire for the design, construction and operation of four hospital facilities located in Pistoia, Prato, Lucca and Massa.
  As detailed in the section on "Significant corporate transactions" to which reference should be made, the closing relating to the second phase of the transaction concerned the sale of the SAT investment already held by Impresa Pizzarotti for a stake equal to 4% and of the investment acquired at the same time by Techint. In economic and financial terms the 2019 financial statements benefitted from a capital gain of Euro 1.4 million, which was accompanied by a net cash flow of about Euro 8.0 million.

As regards the investment held in **Brebemi S.p.A.** there was a negative difference between the relevant portion of Shareholders' Equity and the entry value of the investment that is still affected by the start-up phase of the project. The successful and final completion of the procedure for the re-balancing of the Economic and Financial Plan, as approved by the CIPE resolution no. 60/2015 published in the Official Gazette on 29 January 2016, together with the early handover of the works relating to the interconnection between A35 and A4 highways, which took place on 13 November 2017 and which is a prerequisite for the balance of the EFP, suggest that there are no permanent impairment losses arising from the equity investment, which, in order to cover its own financial requirements, may rely on additional requests for the disbursement of the project loan, as well as on the expected receipt of shares of government grants.
Finally, it should be noted that in October 2019 the concessionaire completed the full refinancing of the existing debt through a mix of actions which involved a bond issue and a new bank loan, with the aim of optimising debt structure and especially its costs. The absence of permanent impairment losses is also supported by the outcome of the impairment test carried out by the parent company Autostrade Lombarde S.p.A., as indicated in the related disclosure in the financial statements at 31 December 2019.

The value of the equity investment held in **Tangenziale Esterna S.p.A.** did not record any change compared to the previous year, as the losses reported by the investee at 31 December 2019 must not be regarded as permanent losses, but as recoverable in subsequent years against an overall term of 50 years of the related concession, as well as taking account of the regulatory framework of the concession agreement, which provides for the right to update and rebalance the economic and financial plan at the expiry of each five-year regulatory period. The absence of permanent impairment losses is also supported by the evaluations made by the majority shareholders of the Concessionaire.

5. Financial assets

The table below shows the breakdown of current and non-current financial assets:

Financial Assets

Fixed assets	31/12/2019	31/12/2018	Variation
Financial receivables	95,194	96,288	(1,094)
Securities valued at FVTOCI	-	38	(38)
Service concession arrangements	17,467	18,014	(547)
Total	**112,661**	**114,340**	**(1,679)**
Current assets	**31/12/2019**	**31/12/2018**	**Variation**
Financial receivables	12,384	9,522	2,862
Securities valued at FVTPL	12,732	25,033	(12,301)
Service concession arrangements	546	497	49
Total	**25,662**	**35,052**	**(9,390)**
Total financial assets	**138,323**	**149,392**	**(11,069)**

The table below reports the breakdown of the financial receivables from investee companies, including the subordinated loans envisaged in the commitments aimed at the capitalisation of the SPVs for the financial support to the operational strategy in the business of concessions. Financial receivables are broken down by residual maturity.

Description	31/12/2019			31/12/2018		
	Current	Non-current	Total	Current	Non-current	Total
Mipien Spa	-	17,329	17,329	-	17,078	17,078
Parma Sviluppo Srl	-	13,168	13,168	-	13,397	13,397
Pride Saudi Arabia Ltd	5,684	-	5,684	5,584	-	5,584
Martinella Srl	-	1,336	1,336	-	1,340	1,340
Nuova Movefer Scrl	-	1,230	1,230	-	1,230	1,230
Aliparma Srl	763	-	763	1,061	-	1,061
Movefer Scrl	-	290	290	-	290	290
Others	5,937	1,957	7,894	2,877	1,703	4,580
Total other financial receivables	**12,384**	**35,310**	**47,694**	**9,522**	**35,038**	**44,560**
Marex Sam	-	-	-	-	25,064	25,064
Tangenziale Esterna Spa	-	22,657	22,657	-	20,851	20,851
Brebemi Spa	-	37,227	37,227	-	15,335	15,335
Total Subordinated Loans	**-**	**59,884**	**59,884**	**-**	**61,250**	**61,250**
Total	**12,384**	**95,194**	**107,578**	**9,522**	**96,288**	**105,810**

The most significant changes that occurred during 2019 included:

- the disinvestment from the assets relating to the interest the Group holds through the investee **Marex Sam** in the real estate **"*Estensione a mare*" project in Monte Carlo**. The sale of these assets, for a total carrying amount of Euro 31.6 million broken down into equity investment (Euro 74 thousand corresponding to a stake of 49.6% of the share capital) and subordinated loan (Euro 31,572 thousand), was completed in September 2019 with the simultaneous collection of a price of Euro 72.3 million, which therefore allowed the Group to realise a capital gain of Euro 40.7 million;

- The increase of Euro 20.2 million in the subordinated loan in favour of the **concessionaire Brebemi S.p.A.** through the assignment without recourse of the receivable that Impresa Pizzarotti claims from the BBM consortium. This assignment falls within the scope of the agreements signed between the BBM consortium members and Brebemi on 7 November 2019, which were aimed at satisfying the contract receivable corresponding to the value of higher expropriation charges financed directly and in advance by the consortium members. For more details on this issue, reference should be made to the chapter on "Business sectors-Focus on - Brescia-Bergamo-Milan Motorway (BRE.BE.MI)" in the Report on Operations;

- the capitalisation of additional interest accrued and not collected in the period in relation to the subordinated loans in **Tangenziale Esterna S.p.A.** and in the **Brebemi S.p.A. Project Company** for an amount equal to about Euro 1,806 and Euro 1,662 thousand, respectively. Within the business model adopted by the Group, the subordinated loans are classified among Hold To Collect and Sell (HTCS) assets in the accounts and are therefore measured at Fair Value Through Other Comprehensive Income (FVTOCI).

Below is the breakdown of liquidity investments by type into current financial assets held for trading – measured at FVTPL – and non-current financial assets available for sale – measured at FVTOCI.

PORTFOLIO		
Current assets	**31/12/2019**	**31/12/2018**
STOCK FUNDS		2,673
SHARES	10,682	19,134
MANAGEMENT	-	1,176
BONDS	2,050	2,050
Total current asset	**12,732**	**25,033**
Non-current assets	**31/12/2019**	**31/12/2018**
SHARES	-	38
Total non-current assets	**-**	**38**
TOTAL	**12,732**	**25,071**

As in previous periods, the securities portfolio held for trading was measured at fair value through profit or loss according to the new standard IFRS 9. This portfolio amounted to a total of Euro 12,732 thousand in December 2019 (Euro 25,033 thousand in December 2018).

The portfolio of non-current financial assets, which is not held for trading purposes, was measured at fair value through a specific equity reserve according to the new standard IFRS 9. At 31 December 2019 the value of this portfolio was equal to zero against the subsequent transfer of the corresponding shares during the year.

The service concession arrangements arise from the application of IFRIC 12 in relation to the following concessions:

Grantor	Object of the concession	Concession term
Edisu Piemonte - Entity for the right to university study	Design, construction and operation of Villaggio Villa Claretta in the Municipal district of Grugliasco (Turin) as students' residence	Year: 2036
Edisu Piemonte - Entity for the right to university study	Design, construction and operation of Villaggio Spina due in the Municipal district of Turin as students' residence	Year: 2036

6. Deferred tax assets

This item includes the receivable for deferred tax assets, equal to Euro 45,885 thousand (Euro 46,046 thousand at 31 December 2018) accrued on the temporary differences between the value attributed to an asset or liability according to the accounting policies used and the value attributed to the same for tax purposes. For the breakdown, reference is made to note 26.

7. Inventories and contract assets and liabilities

Inventories

Inventories totalled Euro 258.9 million and their breakdown is shown in the table below:

Description	31/12/2019	31/12/2018	Variation
Raw and secondary materials and consumables	22,617	21,280	1,337
Investment property	150,286	171,511	(21,225)
Finished products and goods for resale	18,828	24,749	(5,921)
Advances	67,174	62,274	4,900
Total	**258,905**	**279,814**	**(20,909)**

Investment property

	31/12/2019	31/12/2018	Variation
Italy	94,496	107,903	(13,407)
Foreign countries	171,279	166,866	4,413
Subtotal	**265,775**	**274,769**	**(8,994)**
Advances from customers	(115,489)	(103,258)	(12,231)
Total Investment property	**150,286**	**171,511**	**(21,225)**

The investment property totalled Euro 150.3 million (Euro 171.5 million at 31 December 2018) and included Euro 115.5 million (Euro 103.3 million at 31 December 2018) on account of advances paid by customers for the acquisition of property units.

The value of the projects developed in the **Italian market, equal to Euro 94.5 million, mainly consists of costs capitalised in relation to the projects developed in Parma through two subsidiaries Parmaresidenziale1 S.r.l. and Parma S. Teresa S.r.l..** The decrease of Euro 13.4 million compared to the previous year reflects the results of the sales which involved both the projects in 2019.

As regards the S. Teresa project, in particular, the sales recorded negative results due to the average selling prices of the apartments which were not profitable and which were prudentially used as a basis for the whole-life forecasts of the project. In order to take account of the continuing weakness of the market and its recent evolution, the Promoter decided to record any and all expected whole-life losses as early as from the reporting date of the 2019 financial statements, through the allocation of an appropriate provision for risks for which reference should be made to note 18. *Provision for risks and charges and deferred tax liabilities* in these explanatory Notes.

At an international level the projects developed with other partners through investee companies concerned the recent real estate development project ***Jardin Exotique***, in Monte Carlo, through investee Plein Sud Sam and the **West 14th** project in New York, through subsidiary Fine Properties New York LLC.

Compared to 2018, the net increase of Euro 4.4 million was linked, on the one hand, to the capitalisation of new costs for the period, and, on the other, to the formalisation of additional notarial deeds of sale for about Euro 19 million in relation to the *Jardin Exotique* project concerning the construction of a residential building with 66 flats on seven storeys over two storeys of commercial premises, in addition to commercial spaces. As at 31 December 2019, therefore, this project reported notarial deeds signed for eight property units against an amount of revenues totalling Euro 48.8 million and advances from promissory buyers for a total of Euro 108.9 million.

Finished products and goods for resale, Raw materials, supplies and consumables

Inventories of finished products and goods for resale mainly consist of prefabricated buildings of Impresa Pizzarotti and of subsidiary Traversud S.r.l., while inventories of raw materials mainly refer to materials and commodities intended for use abroad, in the projects being developed in Kuwait, Peru and Romania and, in Italy, in those being implemented by the Tunnel Giovi consortium within the scope of works for the construction of the High-Speed/High-Capacity "Terzo Valico dei Giovi" section.

Contract assets and liabilities

Net contract assets and liabilities totalled Euro 120.8 million at 31 December 2019, substantially in line with those reported at 31 December 2018.

Assets and liabilities from contracts with customers consist of contract work in progress reported according to the percentage-of-completion method, net of invoices relating to work progress reports and of contract advances as resulting from the table below:

Contract assets	31/12/2019	31/12/2018	Variation
Contract work in progress	3,718,827	3,964,754	(245,927)
Progress payments	(3,349,283)	(3,453,860)	104,577
Advances	(21,309)	(90,163)	68,854
Total contract assets	**348,235**	**420,731**	**(72,496)**
Contract liabilities	**31/12/2019**	**31/12/2018**	**Variation**
Contract work in progress	2,558,442	2,363,024	195,418
Progress payments	(2,556,539)	(2,407,878)	(148,661)
Advances	(229,333)	(255,362)	26,029
Total contract liabilities	**(227,430)**	**(300,216)**	**72,786**
Total contract assets and liabilities	**120,805**	**120,515**	**290**

If the resulting value is positive, the net balance of the job order is stated among "Contract assets", while, if negative, it is stated among "Contract liabilities" according to IFRS 15.

Below is the breakdown of contract assets and liabilities by geographical area:

Contract assets

Description	31/12/2019	31/12/2018	Variation
Italy	196,853	226,311	(29,458)
Europe	62,463	110,612	(48,149)
America	36,053	35,354	699
Africa	5,144	6,566	(1,422)
Asia	47,722	41,888	5,834
Total	**348,235**	**420,731**	**(72,496)**

Contract liabilities

Description	31/12/2019	31/12/2018	Variation
Italy	(70,343)	(92,140)	21,797
Europe	(66,205)	(74,351)	8,146
America	(27,233)	(38,670)	11,437
Africa	(24,808)	(34,544)	9,736
Asia	(38,841)	(60,510)	21,669
Total	**(227,430)**	**(300,215)**	**72,785**

Net contract assets and liabilities include requests for fees additional to those agreed as per contract and formalised with the customers by 31 December 2019 to the extent that their payment is highly probable on the basis of favourable judgments handed down in the competent jurisdictions or of the legal and technical opinions rendered by the Group's advisors. In the 2019 consolidated financial statements the amount of these additional fees, as calculated on the basis of the work progress of the related contracts, was equal to Euro 201.6 million (Euro 183.9 million at 31 December 2018). An additional amount of Euro 82.9 million was stated in the accounts for this reason among receivables (trade receivables, other receivables) since it related to job orders that had been substantially completed.

Contract assets

The decrease of about Euro 72.5 million in contract assets was due to the progress of work on the projects started in Italy for Euro 29.5 million and to the development of projects being carried out abroad for the remaining amount of Euro 43.0 million.

In Italy the change compared to 2018 resulted from changes of opposite sign among which note:

- decreases mainly attributable to the works for: (i) the construction of the **Tyrrhenian-Brenner (Ti.Bre)** motorway, which amounted to about Euro 35.9 million at the end of December 2019 compared to Euro 60.7 million at the end of 2018 and (ii) the **Brebemi** motorway axis for which a remaining value of contract assets equal to about Euro 50.6 million was reported at the end of 2019, due to both higher costs incurred for both the execution of changes to the project and unexpected finds and the share of costs associated with additional expropriations, for which reference should be made to the information already reported in the Report on Operations;
- an increase mainly attributable to the works of the **High Speed/High Capacity "Terzo Valico dei Giovi" section**, Castagnola and Cravasco lots, executed through the Tunnel Giovi Consortium, which amounted to about Euro 33.6 million at the end of December 2019 compared to Euro 13.5 million at the end of 2018.

The net negative change of about Euro 43.0 million recorded in relation to contract assets for International projects was mainly attributable to:

- **Israel** – through Impresa Pizzarotti S.p.A.**:**
  - An increase of about Euro 25.0 million in the contract being performed in relation to the construction of the **Road 6 Cross Israel Northern Highway**;
  - a decrease of about Euro 24.9 million in the contract relating to the construction of the **A1 motorway - High Speed Railway to Jerusalem Section C "Sha'ar Hagai - Mevasseret Zion**;

- **Romania** – through Impresa Pizzarotti S.p.A.:
  - A decrease of Euro 27.6 million in the contract relating to the **rehabilitation of the railway section Vinţu de Jos – Coslsariu**;
  - An increase of Euro 16.3 million in the contract relating to the **design and construction of the motorway section Sebeş –Turda;**
  - A decrease of Euro 6.3 million in the contract relating to the construction of the **motorway section Bucharest – Braşov;**

- **Poland** – through Impresa Pizzarotti S.p.A.:
  - A decrease of about Euro 18.7 million in the contracts relating to the design and construction of various motorway lots of **Highway S5** and **Highway S61**;

- **Russia –** through subsidiary Pizzarotti IE O.O.O.:
  - A decrease of Euro 14.6 million in the contract relating to the construction of the **VDNKh** Theme Park in Moscow.

As regards **Israel**, the overall change in contract assets was neutral since: (i) 2019 saw the payment of about NIS 244 million, approximately Euro 57 million, for claims submitted by the contractor in relation to the high-capacity railway line between Tel Aviv and Jerusalem (A1 - High Speed Railway to Jerusalem, Section C "Sha'ar Hagai - Mevasseret Zion), as provided for in the agreement signed with the customer on 25 March 2019. The amount for Impresa Pizzarotti S.p.A., equal to 50% of total, was collected in May 2019 and (ii) the amount of requests for additional fees for additional works and differences in the hydrogeological situation with respect to the contract provisions concerning the execution of the *Road 6 Cross Israel Northern Highway* project was adjusted during 2019 on the basis of the high probability of it being paid, as supported by the opinions rendered by the Group's consultants.

As regards **Romania**, the developments that were reported during 2019 in relation to the disputes concerning the works for the regeneration of the Vinţu de Jos – Coslariu motorway section and those relating to the construction of the Bucharest – Braşov motorway section, were both favourable for the Constructor; as regards the first dispute, in particular, in October 2019 the Court of Appeal rejected the requests submitted by customer CFR, confirming the first-instance judgment which acknowledged an equivalent to Euro 32 million for additional costs in favour of the Group, which to date have been collected in full. In relation to the second dispute, the competent Court acknowledged an equivalent to approximately Euro 9 million in favour of the Constructor, while confirming the rejection of the appeal filed by the Customer. This amount, which was invoiced in full during 2019, according to the agreements reached with the customer, was partially collected in March 2020; the remaining receivables is expected to be collected by summer 2020.

As regards **Poland**, reference should be made to the information provided in the report on operations in relation to the complex legal case that has arisen and that has led to the early termination of the road system contracts gained with the public customer GDDKiA in 2015. Impresa Pizzarotti, through its legal advisors and an appointed third-party expert, has put together a dossier of documents supporting its requests for higher fees submitted against the Customer, set at more than Euro 180 million, and has thus taken a civil action before the competent local courts in order to seek compensation for damages arising from the early termination of contracts and the reimbursement of additional costs incurred for the execution of the works. The recognition expected from the lawsuit against the customer during 2019 was classified among trade receivables and the value previously stated among contract asset was written off accordingly. This receivable was stated against an entry in a provision for risks of about Euro 20 million, recorded when the 2018 financial statements were prepared, to adjust the estimate to the portion regarded as highly probable in consideration of the Company's possible liability at the end of the judicial proceedings, also calculated with the assistance of the advisors working on the dispute.

As regards **Russia**, the decrease in contract assets was connected with the application of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which shows the effects arising from the sale, in January 2020, involving the subsidiary Pizzarotti IE OOO holding the contract for the implementation of the *Theme Park* project in Moscow. The technical problems in terms of design and authorization, which prevented planning from being regularly scheduled and site works from being developed, with consequent inefficiencies in economic and financial terms, led to finding a solution with the customer, which involved a third constructor to take over works.

In September 2019 an option contract was therefore signed for the sale of the entire investment held in Pizzarotti I.E. OOO at a price of Euro 3 million, in addition to the repayment of the financial receivables claimed by the Group in the execution of the works in question. The closing with the endorsement of the shares was completed on 20 January 2020, following, among other things, the buyer taking over the guarantees given. At that date the price for the transfer, equal to Euro 3 million, had been collected in full, while the instalments of the remaining financial receivables disbursed in favour of Pizzarotti IE OOO, amounting to about Euro 11 million, are expected to be paid by the end of 2020.

Contract liabilities

The net decrease of Euro 72.8 million in contract liabilities, was due to the progress of work on the projects started in Italy for Euro 21.8 million and to the development of projects being developed at global level for the remaining amount of Euro 51 million.

Specifically, **in Italy** the main decreases related to the works involving **the first construction lot of the High-Speed/High-Capacity Brescia-Verona Section,** the advance of which, outstanding for a remaining amount of Euro 40.6 million at 31 December, had been collected during 2018, and to those which have been completed, concerning the turn-key construction of two buildings for use as offices intended to be leased to ENI, in the Europarco district in Rome through subsidiary Buildit S.p.A..

In international markets, the decreases related to contract liabilities in **Montenegro (Portonovi Resort)** and **Kuwait (Maternity Hospital),** totalling Euro 41.0 million, were offset by an increase of about Euro 10.7 million arising from the collection of the contract advance for the works for the construction of the **Kula Tower in Serbia,** which took place at the beginning of 2019.

8. Trade receivables

The Group's exposure to customers and third parties both for invoices issued and for work progress reports already certified but still to be invoiced amounted to a total of Euro 490.6 million, showing an increase compared to the corresponding figure for December 2018, amounting to Euro 382.0 million. This increase was fully attributable to the receivables claimed by the Group on the international market.

The table below reports the breakdown of exposure by the geographical area of the contracts:

Description	31/12/2019	%	31/12/2018	%
ITALY	**187,265**	**38.2%**	**189,526**	**49.6%**
FRANCE	59,307		52,240	
MONTENEGRO	19,317		13,094	
KUWAIT	22,379		33,679	
USA	11,260		24,121	
PERU	9,029		16,579	
SWIZTERLAND	11,328		10,333	
GUADALUPE	8,865		-	
MIDDLE EAST	14,402		16,047	
ROMANIA	51,643		5,471	
UNITED ARAB EMIRATES	7,141		1,959	
SERBIA	2,972		-	
MOLDOVA	2,081		1,293	
POLAND	73,614		1,033	
MOROCCO	1,276		2,130	
RUSSIA	-		803	
ALGERIA	5,157		835	
CAMEROON	1,899		12,805	
OTHERS	1,642		99	
FOREIGN COUNTRIES	**303,312**	**61.8%**	**192,521**	**50.4%**
Total	**490,577**	**100.0%**	**382,047**	**100.0%**

The most significant increases in exposure are associated with **Romania (Euro 46.2 million) and Poland (Euro 72.6 million) markets** for the reasons already commented in paragraph 7. Contract assets and liabilities to which reference should be made.

As regards Italy, the fact that the exposure to customers remained substantially unchanged between 2018 and 2019 was due to changes of opposite sign, including in particular:

- A decrease in the receivables that the **BBM consortium** claimed from the concessionaire Brebemi following the **transfer of about Euro 62.2 million to the members**, of which an amount of Euro 60.2 million to the member Impresa Pizzarotti and Euro 2.0 million to the member CCC. This transfer fell **within the scope of the agreements that in October 2019 had led to setting out the methods to settle the contract receivable corresponding to the value of the higher expropriation costs** financed by the BBM consortium members directly and in advance. These agreements provided, in particular, for: (i) a cash payment to Impresa Pizzarotti S.p.A., equal to Euro 40 million and (ii) a capital increase with the issue and offer as an option to the members Impresa Pizzarotti and CCC so as to set off the remaining amount of the contract receivable claimed from Brebemi and equal to Euro 20.2 million for Impresa Pizzarotti and to Euro 2.0 million for CCC, respectively;

- An increase of Euro 26.2 million in the receivables that the Tunnel Giovi consortium claimed in relation to the phase of start-up of operations **for the sites relating to the construction of the High-Speed Milan-Genoa railway line, "*Terzo Valico dei Giovi*" section, Castagnola and Cravasco lots.**

Trade receivables are recognised net of a provision for bad debts of Euro 14,579 thousand (Euro 14,349 thousand at 31 December 2018); the changes in the provision for bad debts, including a provision for default interest, are reported below:

Description	2019	2018
January, 1st	14,349	14,337
Provisions	220	-
Uses	-	-
Other movements	10	12
December, 31st	14,579	14,349

9. Receivables from Group companies

Receivables from non-consolidated Group companies are broken down in the table below:

Description	31/12/2019	31/12/2018
Receivables from subsidiaries	514	346
Receivables from associates	76,489	65,226
Receivables from the Parent company	6,470	6,853
Total	83,473	72,425

Receivables from subsidiaries

Description	31/12/2019	31/12/2018
Covipar Scrl	346	346
MP Scrl	140	-
Olbia 90 Scrl	28	-
Total	514	346

These companies were not consolidated as they were irrelevant.

Receivables from associates

Trade receivables from associates and consortia showed an increase of Euro 11.3 million compared to December 2018 are broken down as follows:

Description	31/12/2019	31/12/2018
Consorzio Cepav Due	32,315	21,347
Ge.Sat Scrl	17,853	17,811
Tiliaventum Scrl	6,498	1,609
Pride Saudi Arabia Ltd	4,941	4,848
Consorzio Costruttori Teem	2,604	4,745
Consorzio Ferroviario S. Giorgio-Volla due	2,401	6,481
Consorzio Cancello - Frasso Telesino	2,211	208
Consorzio Ferroviario Vesuviano	1,954	2,385
Parmense Costruzioni Scrl	1,768	1,768
Consorzio Val D'enza	1,127	1,127
JV Pizzarotti Tirrena Scavi	581	597
Centro Servizi Salerno Scrl	392	392
Ponte Nord Spa	387	386
Consorzio Ferroviario S. Giorgio-Volla	362	458
Nuova Movefer Scrl	302	302
Consorzio ATB Tunnel Brennero	203	203
Umbria Domani Scrl	163	105
Martinella Srl	145	123
Assi Stradali Scrl	37	37
Eurosia Srl	22	22
MP Scrl	-	140
Other minors	223	132
Total	**76,489**	**65,226**

The change compared to December 2018 (Euro 11,263 thousand) was mainly due to the contract concerning the first construction lot of the **High Speed [HS]/High Capacity [HC] Brescia-Verona section railway line after the possession orders were cleared and the project entered into full operation from 5 July 2019, i.e. the date from which operations started for the entry into possession of the areas involved in the railway works.**

Receivables from the parent company

Receivables from parent company Mipien S.p.A. amounted to Euro 6,470 thousand, showing a slight decline compared to the corresponding value posted in December 2018, equal to Euro 6,853 thousand. This balance mainly includes the account receivable arising from the disposal of the investment held in Parma Sviluppo S.r.l. which took place in 2017. The other components of the account receivable relate to the interest charged on the loan and surety charges on the counter-guarantees issued.

10. Tax receivables and taxes payable

At the end of the period tax receivables only included receivables from the Tax Office, amounting to Euro 29,796 thousand (Euro 39,941 thousand at 31 December 2018) mainly including VAT credit.

Taxes payable amounted to Euro 32,304 thousand (Euro 39,000 thousand at 31 December 2018); consisting mainly of current tax liabilities, VAT debt and IRPEF (*Imposta sul Reddito delle Persone Fisiche*, Personal Income Tax) tax withheld from employees and advisors. They also include the short-term portion of direct and indirect tax payables of Euro 973 thousand that arose following the concession settlement agreement to which the Parent Company Impresa Pizzarotti adhered according to Decree Law 119/2018 in order to definitively settle any and all pending disputes. The portion of these payables falling due beyond 12 months, equal to Euro 3,157 thousand, is classified among long-term liabilities. The related payment is expected to be made in quarterly instalments, the last of which expiring in February 2024. For more details, reference should be made to the section on the "Tax disputes" of these Notes to the Financial Statements.

11. Other assets

Below is the breakdown of other assets by maturity:

	31/12/2019		31/12/2018	
Description	**short-term portion**	**long-term portion**	**short-term portion**	**long-term portion**
Sundry receivables from contracting authorities	3,627	45,710	7,612	40,516
Advance payments for expropriation indemnities	802	-	979	-
Insurance and social security institutions	3,079	-	3,275	-
Receivables for advance fees	2,008		691	-
Receivables from others	51,543	6,432	66,776	6,274
Total	**61,059**	**52,142**	**79,333**	**46,790**

- The positive change of Euro 5.2 million in "**Receivables from contracting authorities**" was mainly attributable to the net effect arising from: (i) an increase of Euro 14 million in the receivable for retention money for the project recently started in Kuwait concerning the construction of the Maternity Hospital through Impresa Pizzarotti S.p.A. and (ii) a decrease of Euro 8.3 million in the similar receivable for the *Portonovi* project in Montenegro, which is now in the phase of substantial completion and which is implemented through subsidiary Pizzarotti Montenegro doo.

- "**Receivables from others**", showing a fall of Euro 15.2 million compared to the value posted in 2018, reported the following main changes:
  - A decrease of about Euro 24.3 million recorded as a result of the reclassification, among assets held for sale, involving the advances paid to the subcontractors working for the VDNKh Theme Park contract out of the sums made available by the customer for this purpose. For more details, reference should be made to paragraph 27. "Assets and liabilities held for sale" of these explanatory Notes.
  - The recognition of a receivable of Euro 5.8 million in the financial statements of investee Fine Properties Monte Carlo Sam, consisting of the distribution of interim dividends to its minority shareholders.

It should be noted that "Receivables from others" include the account receivable of about Euro 10 million which arose in 2017 after Impresa Pizzarotti S.p.A.'s return of the sums it had received for additional works in 2016 on the strength of the favourable first instance judgment in the action brought against the Nice Chamber of Commerce and Industry (*Chambre de Commerce et*

d'Industrie, C.C.I.N.C.A.), the customer for the construction of an underground garage near the port. The sum was returned after the Court of Appeal set aside the previous judgment on a technicality in June 2017.
At present Impresa Pizzarotti awaits the decision of the Nice Administrative Court, to which the merits proceedings have been referred back by the Court of Appeal, regarding the possibility of combining these proceedings with a parallel action, also brought by Impresa Pizzarotti S.p.A., for the award of the additional sums claimed but not allowed in the first instance judgment.

Receivables from others were recognised net of a provision for bad debts of Euro 895 thousand, which considers the risk of some credit items not being collectible.

12. Cash and cash equivalents

As at 31 December 2019 cash and cash equivalents, represented by the credit balances of bank accounts and cash and cheques at the various offices, construction sites and foreign branches, amounted to Euro 242,232 thousand, showing a decrease of Euro 51,780 thousand compared to the value posted in December 2018.
The changes compared to the previous year are reported in the cash flow statement.

The table below shows the breakdown by geographical area:

Description	31/12/2019	31/12/2018	Variation
Italy	107,406	118,385	(10,979)
Europe	98,964	110,706	(11,742)
America	11,272	18,613	(7,341)
Africa	342	1,298	(956)
Asia	24,247	45,009	(20,762)
Total	**242,232**	**294,011**	**(51,780)**

As at 31 December 2019 this item of financial statements included sums pledged in relation to the following projects:

- **Italia Cepav Due** : within the scope of the scheme for the financial support guaranteed by a major Italian bank for the contract involving the second functional lot of the High Speed/High-Capacity Brescia-Verona section railway line, the partners of the General Contractor have paid a total amount of Euro 50 million into various specific escrow accounts – of which an amount of Euro 14 million to be paid by Impresa Pizzarotti – pending the approval of the bank resolution concerning the total requirements of the contract.
- **Poland S5 and S61 lots**: within the scope of the agreement that the Group entered into on 18 December 2019 with the guarantor Euler Hermes, which had issued guarantees in favour of the customer GDDKiA, a cash collateral of Euro 30 million is stated among cash and cash equivalents as security for the payment, which was made in February 2020, concerning the upfront fees corresponding to the first instalment of the financial payable that arose following the enforcement of the guarantees backing the contract. At 31 December 2019 this payable totalled Euro 64.3 million and consisted of short-term borrowings of Euro 44.3 million, while medium/long-term borrowings accounted for the remaining amount of Euro 20.0 million. The

agreement for repayment provides, in fact, for a payment in 24 monthly instalments as from March 2020, in addition to the upfront fees of Euro 30 million referred to above.

13. Shareholders' equity

The consolidated shareholders' equity at 31 December 2019 amounted to Euro 387.7 million, showing a decrease of Euro 19.6 million compared to 31 December 2018. This net change was due both to the result for the period and to a reduction arising from the distribution of dividends on the part of investees Fine Properties Monte Carlo Sam [FPMC] and Engeco Sam as resolved by the Shareholders' Meetings that were held, for both companies, on 5 April 2019.

As reported in the statement of changes in Equity, these distributions, totalling Euro 27.1 million, had an adverse impact on the share of equity attributable to minority interests for a total amount of Euro 15.5 million, since FPMC and Engeco are consolidated on a line-by-line basis.

The changes in equity items that occurred during the period are summarised in the statement of changes reported together with the accounting statements.

Share capital

The share capital amounts to Euro 250,000,000, divided into 250,000,000 shares with a par value of Euro 1 each; the amount recognised in the accounts, equal to Euro 248,555,200, is affected by the reclassification of own shares, whose par value of Euro 1,444,800 has been entered as a direct reduction in share capital.

A portion of the reserves and provisions transferred to share capital over various years, pursuant to Article 105 of Presidential Decree 917/1986, totalling Euro 139.2 million, is liable to equalisation tax, in case of distribution, while the credit balances from revaluation, included in equity for a total amount of Euro 5.9 million, contribute to the formation of taxable income if they are distributed to shareholders or used for purposes other than loss coverage.

Equity reserves

The table below shows the breakdown of equity reserves:

Description	31/12/2019	31/12/2018	Variation
Legal Reserve	9,072	9,072	-
Reserve required by Articles of Association	42,011	63,751	(21,740)
FTA Reserve	(42,713)	(42,713)	-
Other Reserves	108,058	102,990	5,068
Other comprehensive income	(1,772)	(652)	(1,120)
Deferred tax from other comprehensive income	683	596	87
Total	**115,339**	**133,044**	**(17,705)**

The changes in equity items that occurred during the year are summarised in the statement of changes reported together with the accounting statements. Specifically:

- **Legal reserve** – it includes the regulatory provision provided for in Article 2430 of the Italian Civil Code and did not report any change compared to the previous year.
- **Reserve required by articles of association** – the decrease of Euro 21,740 thousand was attributable to the allocation of the result for the 2018 financial year for the Parent Company Impresa Pizzarotti S.p.A..
- **First-Time Adoption reserve** - this reserve, which was set aside at the time of drafting the first financial statements prepared in accordance with international accounting standards, did not report any change compared to the previous year.

- **Other reserves** – the increase of Euro 5,068 thousand was mainly attributable to the reclassification of the 2018 Translation reserve.
- **Other comprehensive income -** the breakdown is as follows:

Description	Cash flow hedge reserve	Reserve for Securities at FVTOCI	Reserve for Severance Pay IAS 19	Translation Reserve	Tax effect	Total
Balance as at 1 January 2018	**(233)**	**(155)**	**(2,020)**	**(4,873)**	**483**	**(6,798)**
Change from subsidiaries and JOs	(605)	(13)	212	6,888	113	6,595
Change from associates and JVs	-	-	-	147	-	147
Balance as at 31 December 2018	**(838)**	**(168)**	**(1,808)**	**2,162**	**596**	**(56)**
Change from subsidiaries and JOs	(285)	168	(229)	(750)	87	(1,009)
Change from associates and JVs				(24)		(24)
Balance as at 31 December 2019	**(1,123)**	**-**	**(2,037)**	**1,388**	**683**	**(1,089)**

Below is the reconciliation between equity and profits recognized in the separate financial statements of Impresa Pizzarotti S.p.A. at 31 December 2019 and those reported in the consolidated financial statements as at the same date:

Description	Equity at 31 December 2019	of which December 2019 result	Equity at 31 December 2018
Separate financial statements at 31 December 2019	**234,268**	**(53,156)**	**287,548**
Different measurement of equity investments as a result of consolidation with respect to their book value	105,647	30,248	74,017
Effect of measurement at equity	875	(57)	914
Other minor	752	613	139
Consolidated financial statements at 31 December 2019	**341,542**	**(22,352)**	**362,618**

14. Bank and other loans

Bank loans and other borrowings are broken down by maturity as follows.

Description	31/12/2019	31/12/2018
Loans - portion due within 12 months	198,819	131,865
Loans - portion due from 1 to 5 years	489,530	505,540
Loans - portion due beyond 5 years	5,299	8,099
Total	**693,648**	**645,504**

Medium- and long-term loans and mortgages, included under payables to banks and other borrowings, due beyond 12 months, amounted to Euro 494,829 thousand (Euro 513,639 thousand at 31 December 2018) and are broken down as follows:

Mortgage/Collateral-backed loans on specific projects	Amount	Initiative
Unicredit - 0.75% interest repayable by 2027	4,426	Impresa Pizzarotti Spa - Spina due students' residence (Turin)
Unicredit - 0.7% interest repayable by 2027	1,979	Impresa Pizzarotti Spa - Spina due students' residence (Turin)
Cassa di Risparmio di Parma - 3.5% interest repayable by 2020	3,502	Parma S. Teresa Srl - (Parma)
Banca del Monte - 3.25% interest repayable by 2028	5,104	Parmaresidenziale 1 Srl - Parmavera (Parma)
Bank of West - 3% interest repayable by 2020	13,234	Fine Property New York - West 14th (New York)
Total Mortgage/Collateral-backed loans on specific projects	**28,245**	

Other Loans	Amount
Various Institutions Pool - Line A - 2.9% interest repayable by 2023	172,500
Various Institutions Pool - Line C - 2,75% interest repayable by 2021	120,000
Various Institutions Pool - Line B - 4,75% interest repayable by 2021	100,000
Various Institutions Pool - Line RCF - 2,9% interests repayable by 2022	30,000
Other financing	19,981
Banca Stato	24,142
Others - 1,95% interest repayable by 2022	4,700
Total other loans	**471,323**
Loan commissions	(4,739)
Grand total	**494,829**

The extension of the maturity of the bank debt as from the financial statements of December 2018 was due to the refinancing transaction entered into by Parent Company Impresa Pizzarotti S.p.A. with some banks on 21 September 2018. This **Loan Agreement for up to Euro 500 million** allowed **the Group to rely on reliable financial support for its expected growth and refinancing a part of the existing debt extending the maturity dates at the same time.**
This loan agreement is structured into the following lines:

- ***Amortising Term Loan***: an amortising credit line, with a term of five years from signing, for a total principal amount of Euro 230 million for the refinancing of a portion of the short and medium/long-term debt outstanding at the date of execution; the repayment plan provides for half-yearly instalments of an equal amount, the first of which will expire on 30 June 2020; half-yearly interest is calculated at a rate of 2.9%.

- ***Backstop to Private Placement [BTPP]:*** a bullet credit line, with a term of three years from signing, for a maximum total principal amount of Euro 100 million to service the repayment of the Private Placement notes due at the beginning of August 2019. Interest rate is 4.75% as from August 2019, plus a step-up margin of 0.25% on a half-yearly basis.

- ***Bridge to Asset Disposal***: a bullet credit line with a term of 3 years from signing for a maximum total principal amount of Euro 120 million to cover financial requirements pending the completion of the disposal of specific assets; interest rate is 2.75% for the first two years and then rising to 3.5%.

- ***Revolving Cash Flow [RCF]:*** a revolving credit line with a term of four years from signing, for a maximum total principal amount of Euro 50 million to support the Group's core business operations; interest rate is 2.9%.

The total amount of Euro 350 million disbursed on 24 September 2018 in relation to the Amortising Term Loan and Bridge to Asset Disposal lines was fully used to refinance the outstanding short- and medium/long-term debt. The Backstop to Private Placement line was disbursed for Euro 100 million at the beginning of August 2019 against the full repayment of the bond issue falling due, while the Revolving Cash Flow line was used for a total amount of Euro 30 million at 31 December 2019.

Within the overall financing transaction, Impresa Pizzarotti entered into **Hedging Agreements** with the lenders for a notional amount of the Amortising Term Loan [ATL] line equal to Euro 138 million, corresponding to 60% of total debt. The effects of the related contract will become applicable from 31 December 2018 to 21 September 2023, the maturity date of the TLA line.

As reported above, it should be noted that on 7 August there was the full repayment of the Senior Unsecured Bond issue outstanding for a total amount of Euro 100 million, which had been placed with European institutional investors (Euro Private Placement) and whose notes had been admitted to trading on the multilateral trading facility operated by the Irish Stock Exchange. The subsequent repayment of the Private Placement meant that the regulatory requirements under which Impresa Pizzarotti was classified as a PIE – Public Interest Entity were no longer met.

In relation to the **real estate projects** in Italy, this item includes:

- **Mortgage-backed loans** with a residual value of Euro 16,192 thousand (Euro 22,895 thousand at 31 December 2018) whose short-term portion is Euro 7,547 thousand and whose portion due beyond 5 years is Euro 2,722 thousand; the properties securing the loans outstanding at 31 December 2019 are those concerned in the **"Maddalena"**, **"Parmaresidenziale"** and **"S. Teresa"** real estate projects.

- **Loans backed by collateral** constituted by surface rights over the area on which the "**Spina Due**" real estate project stands, with a residual value of Euro 7,247 thousand (Euro 8,049 thousand at 31 December 2018) whose short-term portion is Euro 843 thousand and whose portion due beyond 5 years is Euro 2,577 thousand.

In relation to the **real estate projects on the international market**, note:

- the loan agreement entered into by subsidiary **Fine Properties New York LLC** for the development of the real estate complex on **W14th** in New York, the first tranche of which was paid at the same time as the acquisition of the area in January 2016. On 12 September 2019 there was the completion of the closing relating to the refinancing transaction with Bank of the West, which increased the amount up to a total of USD 40 million compared to an initial amount of USD 23 million. This increase was made necessary following the subsequent change in the dimensions of the project. At 31 December 2019 the disbursement of this loan amounted to about USD 14.9 million.

- A loan agreement amounting to Euro 110 million entered into by the investee **Plein Sud Sam** in June 2017, in support of the real estate project ***Jardin Exotique*** in Monte Carlo: a base line of Euro 80 million for the acquisition of the land, which was subsequently completed during the second half of 2017, and a Capex line totalling Euro 30 million.

  As at 31 December 2019, the base line for the acquisition of the land had been repaid in full, while the Capex line had been used for Euro 15 million. The base line was repaid by using the sums collected out of the advances for preliminary contracts already signed for about Euro 274.0 million, plus VAT.

Finally, note the debt totalling Euro 64.3 million held by the Parent Company Impresa Pizzarotti S.p.A., which arose following the enforcement of the guarantees that backed the contracts it had been awarded on the Polish market. This debt falls within the scope of the **agreement signed by Impresa Pizzarotti S.p.A. and the insurance company Euler Hermes on 20 February 2020,** which was aimed at regulating the repayment of the amounts paid by the guarantor as advance and performance bonds. At 31 December 2019, this debt was stated among short-term borrowings for Euro 44.3 million and among medium/long-term borrowings for the remaining amount of Euro 20.0 million. The agreement for the repayment provides, in fact, for a payment in 24 monthly instalments as from March 2020, in addition to upfront fees of Euro 30 million repaid by Impresa Pizzarotti in February 2020.

The income flows in 2019, which were affected in particular by the final results recorded in the USA and Poland areas, as already commented, involved the update by the directors of the Group's 2019-2023 business plan, which was then subjected to IBR (Independent Business Review) on the part of a leading consulting firm that substantially confirmed the reasonableness of the assumptions adopted in preparing the aforesaid plan. This update confirmed and strengthened the asset disposal program, making it a key issue of the Group's strategy aimed at achieving balance in terms of financial resources and equity. This disinvestment programme was accompanied by more general financial measures with the banking system, which provided for and obtained at the reporting date: (i) the shareholder Mipien’s commitment to subscribe a cash capital increase of Euro 10 million, as well as the declaration of a general commitment to support the subsidiary for the achievement of the objectives set in terms of equity and results of operations in the 2020–2023 business plan; (ii) the banking system’s commitment to granting new signature lines of credit aimed at supporting the Group in core business development and (iii) the compliance with financial parameters applied to the syndicated loan of Euro 500 million raised in September 2018, consistently with the forecasts in the abovementioned business plan, all other contract provisions remaining unchanged. As part of the financial measures, the Group also received support from some Banks, with the favourable opinion on the part of their respective decision-making bodies, for access to a loan of Euro 100 million backed by a SACE guarantee in accordance with the Liquidity Decree, which is expected to be paid in the short term.

The table below shows the reconciliation of liabilities arising from financing activities for the financial year ended 31 December 2019, as required by IAS 7 *Disclosure Initiative*, which was issued in January 2016 and was endorsed in November 2017:

Financial liabilites as at December 31, 2018	**667,400**
Cash flows from financing activities	**(18,385)**
Changes in the consolidation area	**-**
Exchange rates variation	**2,065**
Fair value variation	**268**
Other variations	**90,760**
Other financing (Poland agreement)	*64,313*
Lease liabilities	*26,297*
Other net variations	*150*
Financial liabilites as at December 31, 2019	**742,108**

15. Lease liabilities

The table below reports the breakdown of these liabilities by maturity at 31 December 2019.

Description	31/12/2019	31/12/2018
Lease liabilities - portion due within 12 months	13,455	4,345
Lease liabilities - portion due from 1 to 5 years	32,735	14,035
Lease liabilities - portion due beyond 5 years	1,145	2,658
Total	**47,335**	**21,038**

This item, which was previously headed “Finance leases”, the balance of which at 31 December 2018 amounted to Euro 21.0 million, following the adoption of IFRS 16 – *Leases* , was renamed as “Lease liabilities”. For more details, reference should be made to the section concerning the amendments in the applicable accounting standards of these notes.

These include in particular the contract signed with Unicredit Leasing in support of the "**Villa Claretta**" project expiring in 2023, the remaining amount of which amounted to Euro 4,610 thousand in December 2019. This initiative, concerning the concession for the construction and operation of a university residence in Turin, in the municipality of Grugliasco, falls within the scope of application of IFRIC 12 and is stated under “Financial assets”.

16. Financial receivables and payables on derivatives

This item includes the fair value at the reporting date of the contracts entered into with the purpose of hedging against the interest rate risk.

The table below shows the related breakdown:

Fair Value of outstanding derivatives	31/12/2019		31/12/2018	
	Assets	Liabilities	Assets	Liabilities
IRS for trading	-	3	-	20
IRS for Fair Value Hedge	-	-	-	-
IRS for Cash Flow Hedge	-	1,123	-	838
Total	**-**	**1,126**	**-**	**858**

The notional value of the interest rate hedges that have been executed amounted to Euro 138,241 thousand (Euro 138,717 thousand at 31 December 2018) and almost entirely consisted of the portion of the Amortising Long Term line provided for in the loan agreement executed on 21 September 2018, which was hedged against the risk of fluctuations in interest rates within the hedging agreements with the lending banks.

The total fair value of the derivatives was negative and amounted to Euro 1,126 thousand (negative for Euro 858 thousand at December 2018).

This fair value change is almost entirely recognised against an entry under equity, net of related tax effect, since it is related to designated hedges according to the definition under IFRS 9.

17. Staff severance pay (TFR)

At 31 December 2019 the Group's debt to employees, as calculated by applying the criteria set out in IAS 19, amounted to Euro 4.6 million.
The value of this item, attributable to the staff severance pay regulated by Article 2120 of the Italian Civil Code, as well as the changes that occurred during the period, are summarised in the table below:

Description	31/12/2018	Provision	Settlements and advance payments	Net payment to the INPS(*) Treasury Fund and other funds	Other changes	31/12/2019
Provision for Staff Severance Pay (TFR)	5,276	2,548	(2,223)	(1,013)	48	4,636
	-					-

(*) Istituto Nazionale della Previdenza Sociale, National Social Security Institute

The amount of the severance pay set out in the financial statements at 31 December 2019 represents the residual portion of the debt as at the date of entry into force of the Pension Reform - introduced by Law no. 296 of 27 December 2006 ("2007 Financial Act") and subsequent Decrees and Regulations issued in the first months of 2007 - net of the payments made until the reporting date.

This provision can be treated as a liability arising from a defined benefit plan, and, therefore, it has been subjected to actuarial assessment in accordance with IAS 19.
This assessment was carried out by making use of an independent professional, using the following parameters:

Summary of technical and economic bases

- Annual discount rate: 0.41%
- Annual inflation rate 1.2%
- Annual increase rate of severance pay: 2.4%

Annual turnover rates and severance pay advances

- Frequency of advances: 1.5%
- Frequency of turnover: 7%

The table below shows the potential effects that would have been recognised on the defined benefit obligation following hypothetical changes in the actuarial assumptions that were reasonably possible at the end of the financial year:

	Turnover frequency		Inflation rate		Discounting rate	
	+1%	-1%	+0,25%	-0,25%	+0,25%	-0,25%
Change in the total amount of the obligation	(19)	20	35	(35)	(56)	57

18. Provision for risks and charges and deferred tax liabilities

The table below reports the changes in the provisions for risks and charges and deferred tax liabilities:

Description	31/12/2018	Increases	Decreases	Other changes	31/12/2019
Provision for deferred tax liabilities	42,703	567	(8,168)	547	35,649
Subtotal	**42,703**	**567**	**(8,168)**	**547**	**35,649**
Provision for obligations from contracts	7,755	4,635	(147)	(4,198)	8,045
Provision for losses from contracts	21,337	15,167	(4,324)	(15,173)	17,007
Provision for risks on equity investments	26	-	-	-	26
Provision for pending disputes	7,964	-	-	13,608	21,572
Other minor items	12,202	312	(2,756)	20	9,778
Subtotal	**49,284**	**20,114**	**(7,227)**	**(5,743)**	**56,428**
Total	**91,987**	**20,681**	**(15,395)**	**(5,196)**	**92,077**

The Provision for deferred tax liabilities recognised in the financial statements is the liability for deferred tax arising from the temporary differences between the carrying amounts of assets and liabilities and their value for tax purposes; for details, reference should be made to note 26.

Other provisions for risk and charges mainly consist of:

- a provision for disputes and contractual guarantees set aside to meet the risk of losing some current lawsuits;
- a provision for losses from contracts set aside to cover final losses in relation to some contracts for which total costs are expected to exceed total revenues;
- a provision for obligations from contracts set aside as a result of a prudent assessment of future costs related to works that have been completed, while the concluding phase of the contracts concerned has not yet ended, as well as to activities related to work in progress. It also includes the calculation of future charges for non-routine maintenance.

During 2019 the most significant changes concerned:

- **Provision for contracts at a loss**

    - The allocation of a total amount of Euro 15.2 million mainly related to the contract for the construction of the Road 16 Motorway in Israel and the S. Teresa real estate project in Italy (Parma).
      As regards the **Road 16** contract, in particular, the works have recently reported geological problems, affecting in particular the excavation of natural tunnels; this has led the Shaphir Pizzarotti JV to take the decision to prudentially set aside a provision for risks of Euro 5.8 million, attributable to Pizzarotti's share, in order to take account of estimated higher charges. This provision makes it possible to keep the initiative's development forecasts unaffected, which, on the contrary, may benefit from potential higher fees requested from the Customer in consideration of the different geological conditions of the rock in situ compared to contract provisions.
      As regards the **St. Teresa project**, as already described, in order to take account of: (i) the continuing weakness of the market and its recent evolution and (ii) the projections of

whole-life results of operations, the Promoter decided to recognise, as early as from the reporting date of the 2019 financial statements, any and all final losses through the allocation of a specific provision for risks of Euro 5.1 million; obviously this provision does not take account of the positive effects expected from the commercial actions in progress, which are aimed at recovering profit margins.

- The use of Euro 4.3 million mainly related to some contracts in the process of being performed in the USA (New York) and which are now close to a substantial completion;

- The reclassification of Euro 15.3 million related entirely to the contracts on the Polish market and is aimed at stating the provision for risks totalling Euro 20 million, recognised when preparing the 2018 financial statements, partly among contracts at a loss and partly among obligations from contracts, in the Provision for pending disputes;

- **Provision for obligations from contracts**: the changes in this provision included, among others, the reclassification reported above as to the contracts in Poland and, among increases, the accrual to a provision of about Euro 3.8 million to take account of a prudential estimate of possible future charges concerning two contracts in **Israel** – (A1 - High Speed Railway to Jerusalem Section C and Road 6 - Cross Israel Northern Highway no. 6 Yoqneam-Somech), completed at 31 December 2019;

- **Provision for pending disputes**: the changes in this provision included, among others: (i) a reduction due to the reclassification of an amount of Euro 6.0 million consisting of charges set aside in previous years in relation to tax disputes pending with the Revenue Agency – as from the reporting date of the 2019 financial statements these charges were stated among taxes payable according to the findings of the concession settlement agreement (Decree Law 119/2018) as detailed below and (ii) an increase due to the reclassification of an amount of about Euro 20 million set aside in 2018 in relation to the contracts in Poland, as described above.

Tax disputes

The **Parent Company Impresa Pizzarotti** has joined the **concession settlement agreement under Decree Law 119/2018** in order to settle all the pending tax disputes in which it was involved and, for this purpose, **it has allocated the entire estimated liability among tax payables**, set at Euro 4,130 thousand at 31 December 2019, of which an amount of Euro 3,157 thousand classified as medium/long-term portion. The payment of the debt is in fact expected to be made in quarterly instalments, the last of which expiring in February 2024.

19. Payables to Group companies

Below is the breakdown:

Description	31/12/2019	31/12/2018
Payables to subsidiaries	384	396
Payables to associates	80,159	62,581
Payables to the Parent company	2,343	3,373
Total	**82,886**	**66,350**

Payables to subsidiaries

The table below reports payables to subsidiaries:

Description	31/12/2019	31/12/2018
Covipar Scrl	220	220
Other minors	164	176
Total	**384**	**396**

These companies were not consolidated as they were irrelevant.

Payables to associates

Below is the breakdown of the balances of trade payables to associates:

Description	31/12/2019	31/12/2018
Tiliaventum Scrl	25,263	23,274
Consorzio Cancello - Frasso Telesino	15,521	1,462
Consorzio Cepav Due	11,524	10,027
Ge.Sat Scrl	9,057	9,078
Parmense Costruzioni Scrl	3,783	3,783
Consorzio Costruttori Teem	3,762	5,472
Tor Vergata Scrl	3,385	793
Consorzio Val D'enza	1,816	1,816
Metroleggera Scpa in liquidation	1,779	1,779
Nuova Movefer Scrl	1,286	1,286
Consorzio Ferroviario Vesuviano	835	1,301
Consorzio Ferroviario S. Giorgio-Volla due	633	937
Seresa Scrl	588	588
Centro Servizi Salerno Scrl	567	567
Consorzio Ferroviario S. Giorgio-Volla	101	65
Pride Saudi Arabia Ltd	62	90
Assi Stradali Scrl	62	62
Consorzio ATB Tunnel Brennero	53	50
Eurosia Srl	10	10
Europa Scrl	3	3
MP Scrl	-	76
Other minors	69	62
Total	**80,159**	**62,581**

The change over the value posted in December 2018 (Euro 17,578 thousand) **was mainly due to an increase in the debt for the reversal of the Cancello Frasso Telesino consortium costs against the works concerning the working design and construction of the High-Speed Naples – Bari railway line (Cancello – Frasso Telesino section)**, which were started in 2019 following the completion of the set-up of the main site.

Payables to parent companies

The payable to parent company Mipien S.p.A. amounted to Euro 2,343 thousand (Euro 3,373 thousand at 31 December 2018), and mainly related to the consideration for sureties and financial services rendered.

20. Other liabilities

Below is the breakdown of other liabilities into short and long-term portion:

	31/12/2019		31/12/2018	
Description	**short-term portion**	**long-term portion**	**short-term portion**	**long-term portion**
Payables to subordinate staff	11,926	-	10,876	-
Payables for insurance premiums	331	-	736	-
Payables to directors and statutory auditors	134	-	110	-
Payables to social security institutions	6,411	-	5,803	-
Trade payables	-	68,782	-	67,967
Other payables	33,630	6,813	18,611	16,152
Total	**52,432**	**75,595**	**36,136**	**84,119**

The current portion amounted to Euro 52,432 thousand, up by Euro 16,296 thousand compared to December 2018, while that due beyond 12 months amounted to Euro 75,595 thousand and mainly consisted of **trade payables** for retention money to suppliers and subcontractors, the amount of which was substantially in line with the value posted in 2018.

As regards **other payables**, note the reclassification from long-term to short-term portion concerning an amount of Euro 10.5 million, consisting of the debt for the loan disbursed by the minority shareholders of investee Plein Sud Sam, the promoter of the real estate *Jardin Exotique* project which is currently being carried out in Monte Carlo. This reclassification arose from the planned repayment and distribution plan of the investee's equity, which can rely on the gradual collection of advances on sales almost entirely realised.

Finally, payables to subsidiaries, associates and others for portions of share capital subscribed but not yet called in by their Corporate Bodies have been reclassified, as in previous periods, as a direct reduction in the respective carrying amounts of the equity investments.

21. Trade payables to suppliers

Payables to suppliers amounted to Euro 470 million, showing a decrease compared to the corresponding value posted in December 2018, equal to Euro 490 million.
They showed a net decrease of approximately Euro 20 million, mainly due to (i) the reclassification of the **subsidiary Pizzarotti IE ooo**'s payables to liabilities held for sale according to IFRS 5, which entailed a reduction in this item for about Euro 42 million, equal to the balance at the end of 2018 and (ii) the increase, in Italy, for an amount of more than Euro 24 million in the payable to suppliers charged to the recently-started contract concerning the works for the construction of the High-Speed/High-Capacity "Terzo Valico dei Giovi" railway line - Castagnola and Cravasco lots, through the **Tunnel Giovi Consortium** which is 70% invested in by Impresa Pizzarotti.

Other changes recorded both in Italy and on international markets were substantially neutral as a result of offsetting contracts that have been substantially completed against others in the start-up phase; specifically: (i) in Italy, the reduction of Euro 10 million arising from payments to suppliers of the subsidiary Buildit S.p.A. was almost entirely neutralised by the increases recorded by the contract for the works for expansion of the A4 motorway in the section between the Portogruaro junction and the River Tagliamento executed through subsidiary Lemit S.c.a.r.l. and (ii) abroad, the reduction of almost Euro 11 million related to payments to suppliers of the subsidiary Pizzarotti LLC (USA) was largely neutralised by the increases recorded in France and Kuwait by Impresa Pizzarotti through its permanent establishments.

Income Statement

22. Revenues

Revenues at 31 December 2019 amounted to a total of Euro 1,288,188 thousand, showing a decrease of Euro 29,214 thousand compared to December 2018. This item is broken down as follows:

Description	31/12/2019	31/12/2018	Variation
Revenues from sales and services	1,239,171	1,069,057	170,114
Change in inventories	(17,150)	189,271	(206,421)
Other revenues	66,167	59,074	7,093
Total	**1,288,188**	**1,317,402**	**(29,214)**

If revenues also include the amount of Euro 11,054 thousand attributable to the Russian subsidiary Pizzarotti IE ooo and classified on the line of net result from assets held for sale according to IFRS 5, the amount increases up to Euro 1,299,242 thousand.

The table below reports the breakdown of revenues by sector:

Millions of euros

Description	31/12/2019			31/12/2018		
	Italy	Foreing countries	Total	Italy	Foreing countries	Total
Infrastructures	268.1	279.9	548.0	215.5	322.7	538.2
Construction	39.0	523.7	562.7	85.5	490.2	575.7
Real estate	2.8	31.8	34.6	8.1	51.4	59.5
Operations	80.7	0.8	81.5	77.9	0.5	78.4
Prefabricated structures	56.3	-	56.3	59.8	-	59.8
Other	5.1	-	5.1	5.8	-	5.8
Total	**452.0**	**836.2**	**1,288.2**	**452.6**	**864.8**	**1,317.4**
percentage	***35.1%***	***64.9%***	***100.0%***	***34.4%***	***65.6%***	***100.0%***

The table below reports the breakdown of revenues in terms of geographical area:

Description	31/12/2019	31/12/2018	Variation
Italy	452,021	452,550	(529)
Europe	495,130	476,716	18,414
America	178,302	214,657	(36,355)
Africa	8,346	13,715	(5,369)
Asia	154,389	159,764	(5,375)
Total	**1,288,188**	**1,317,402**	**(29,214)**

As already mentioned in the Report on Operations, the final **production volumes** recorded by the Pizzarotti Group, **equal to Euro 1,288.2 million** at 31 December 2019 (**Euro 1,299.2 million** if we consider the contribution of net assets and liabilities held for sale). These volumes remained **substantially in line with the corresponding values posted in 2018** and related to Italy for Euro 452.0 million (Euro 452.6 million at 31 December 2018) and to International Markets for Euro 836.2 million (Euro 864.8 million at 31 December 2018). The main contributions to this result were attributable to: (i) some large projects being performed in **international markets**, especially those in the civil building sector in Montenegro (Portonovi tourist complex), the Middle East (Maternity Hospital in Kuwait) and those in the sector of infrastructures relating to works for the Grand-Paris line in Paris.

In **Italy**, the start of some new strategic projects for our country in the sector of infrastructures, both in the **segment of High Speed/High Capacity railway line works** (High Speed/High Capacity Brescia-Verona railway line, High Speed/High Capacity “Terzo Valico dei Giovi” railway line, Cravasco and Castagnola lots, High Speed/High Capacity Naples-Bari railway line, Cancello-Frasso lot) and in the **segment of motorways** (third lot of the widening of the third lane of the A4 Motorway), also made it possible to mitigate the decline reported in the civil building sector, the overall impact of which on total volumes recorded in Italy decreased from 18.9% in 2018 to 8.6% in 2019.
2019 was in fact characterised in January by the completion of the works for the construction of the *ENI Towers* in Rome, under the responsibility of subsidiary Buildit S.p.A., and by the procrastination of the suspension of the works concerning the construction of a shopping centre in Parma called Parma Urban District. In relation to this suspension, reported by the Parent Company due to a procedural problem that arose between the Municipal Government of Parma and ENAC, the latter's approval of the proposed design solution that modifies the initial structure only marginally is currently being verified. For more details, reference should be made to the section of the Report on Operations concerning the "Business sectors - Focus on."

In **comparison with the forecasts of the Business Plan**, volumes were mainly affected by the effects of a different method of accounting for the costs of taking possession of work areas (expropriation) in the High Speed/High Capacity railway line works Brescia-Verona, which led to deferring the accrued portion of costs and corresponding revenues to the 2020 financial year, together with a portion of the amortisation of costs incurred to acquire the contract, as calculated on the basis of the progress of production.

Below is the breakdown of other revenues:

Description	31/12/2019	31/12/2018	Variation
Charge-backs for seconded staff	7,982	8,076	(94)
Revenues for insurance compensation for damage	12,417	776	11,641
Contingent assets	2,222	4,288	(2,066)
Capital gains from disposals of assets	356	293	63
Others	43,190	45,641	(2,451)
Total	**66,167**	**59,074**	**7,093**

“Others” include invoices of various kinds that are not directly related to ordinary operations, but in any case related to the Group’s production activity; among others:

- invoices for charge-backs to subcontractors for construction site services and for costs incurred for activities carried out on a time and materials basis under their competence;
- invoices for charge-backs to tenants and/or managers for utilities concerning properties that are owned or held under concessions (typically university residences);
- invoices for charge-backs to minority investees for the refund of travelling expenses or surety charges;
- invoices for charge-backs between the ATI members aimed at rebalancing the costs of participation in the tenders according to the respective percentages;
- invoices to the online auction operator for success fees linked to the achievement of the profitability targets of the auctions;
- adjustments to estimates of some liabilities recognised in the accounts in previous years.

This item, which is typically applied in the construction sector, was substantially in line with the past years and its amount in absolute terms increases in proportion to the increase in works carried out in Joint Ventures with other Shareholders as it consists of the contribution in terms of people and means to the special purpose vehicle - consortium or consortium company.

"Revenues for insurance compensation" was almost entirely attributable to the indemnities paid for the contract for the construction of the first lot of the multimodal Tyrrhenian-Brenner (Ti.Bre) corridor as compensation for damages resulting from adverse weather events that also caused the flooding of the River Taro. The income recorded for this reason was offset by the costs incurred by the constructor, which affected the profit margins of the contract by a corresponding amount.

23. Costs for services and other operating expenses

Costs for services, equal to a total amount of Euro 877,207 thousand, showed an increase of Euro 28,827 thousand compared to December 2018. This item is broken down as follows:

Description	31/12/2019	31/12/2018	Variation
Costs charged back by consortia and consortium companies	122,784	116,002	6,782
Costs from foreign branches	216,422	216,650	(228)
Third-party manufacturing costs	359,817	420,715	(60,898)
Overheads for site and head office operation	178,184	95,013	83,171
Total	**877,207**	**848,380**	**28,827**

Costs charged back by consortia, relating to the execution of works in partnership with other companies in the sector, were substantially in line with the corresponding figure for 2018 (Euro 6,782 thousand) as the result of production volumes that were also in line not only in terms of value, but also in the composition of their type.

Costs from foreign branches, which showed a slight decrease compared to December 2018 (Euro - 228 thousand), is broken down below by geographical area:

Description	31/12/2019	31/12/2018	Variation
Europe	116,325	95,959	20,366
America	31,654	16,962	14,692
Africa	5,741	3,263	2,478
Asia	62,702	100,466	(37,764)
Total	**216,422**	**216,650**	**(228)**

The change in **Third-party manufacturing costs**, showing a net decrease of Euro 60,898 thousand, was mainly due to civil building works both abroad and in Italy. More specifically:

i. the significant higher volumes related to the works now being executed in Montenegro (Portonovi tourist complex) through subsidiary Pizzarotti Montenegro O.O.O., which reported an increase of more than Euro 81 million in the item. During 2019, work continued at a very high pace to allow the initial opening of the resort to the public on 1 August 2019 - the final complete opening of the hotel area is expected by autumn 2020;
ii. a decrease of about Euro 64 million in costs relating to the contracts in New York, which have been nearly substantially completed;
iii. the reclassification of costs attributable to the Russian subsidiary Pizzarotti IE OOO to the "Net result from assets held for sale" according to IFRS 5, which affected these costs for more than Euro 62 million corresponding to the value referable to the 2018 financial year;
iv. an increase of more than Euro 13 million recorded by subsidiary Pizzarotti Millennium DOO, which is responsible for the execution of works at the Kula Tower in Belgrade, which were started in the first quarter of 2019;
v. a decrease of almost Euro 28 million recorded by subsidiary Buildit S.p.A. in relation to the works for the construction of two towers in the Europarco district in Rome, the first of which was handed over in April 2018 and the second in January 2019.

Finally, the significant increase (Euro 83,171 thousand compared to December 2018) in **Overheads for site and head office operation** was mostly attributable to the recognition of a cost of Euro 64.3 million arising from the enforcement of the guarantees in Poland, as already commented above in the Report on Operations and to the item referred to in note "14. Bank and other loans", which includes the related financial debt.

Head office overheads include costs charged by the Parent Company for administrative and management services, amounting to Euro 3,656 thousand; in relation to the Parent Company Impresa Pizzarotti S.p.A., costs for services also include Euro 11 thousand paid to subsidiaries and Euro 103,566 thousand paid to associates.

Other operating expenses, amounting to Euro 34,041 thousand at 31 December 2019, include rentals and hires, excluded from the scope of application of the new IFRS 16, amounting to Euro 20,089 thousand.

24. Personnel costs

In 2019 personnel costs amounted to Euro 174,468 thousand, showing an increase of Euro 22,753 thousand compared to the previous year. Below is the breakdown:

Description	31/12/2019	31/12/2018	Variation
Wages and salaries	133,088	116,052	17,036
Social security and welfare contributions	30,729	26,820	3,909
Accrual to the provision for Staff Severance	3,526	3,053	473
Others	7,125	5,790	1,335
Total	**174,468**	**151,715**	**22,753**

This increase reflects the increase in the average number of employees during the comparative period as shown in the following table:

Description	December 2019		December 2018	
	Parent Company	Total	Parent Company	Total
Executives	69	87	64	85
Office workers	949	1,434	813	1,282
Manual workers	1,366	1,994	872	1,334
Total	**2,384**	**3,515**	**1,749**	**2,701**

At 31 December 2019 the Group employed an average number of 3,515 staff members, up by 30.1% compared to the December 2018 average figure - thus confirming the prevalence of staff seconded abroad as a result of substantial revenues generated in international markets, as well as of the presence of a larger number of international contracts that required greater use of staff for directly executed works.

25. Financial income and costs and financial assets at fair value

The value concerning financial income, financial charges and financial assets at fair value was positive and totalled Euro 4,703 thousand, which is broken down as follows:

Description			
Financial income	**31/12/2019**	**31/12/2018**	**Variation**
Income from equity investments	42,191	1,052	41,139
Interest income on securities	-	-	-
Interest income from banks	316	772	(456)
Financial income from parent company	275	283	(8)
Financial income from companies controlled by parent company	258	271	(13)
Interest income on other receivables	4,422	6,000	(1,578)
Foreign exchange gains	7,722	6,174	1,548
Profit from trading of securities	1,104	233	871
Others	44	21	23
Total financial income	**56,332**	**14,806**	**41,526**
Financial costs	**31/12/2019**	**31/12/2018**	**Variation**
Capital losses from disposal of equity investments	-	-	-
Interest expense on derivatives	(561)	(122)	(439)
Interest expense on loans and mortgages	(22,164)	(21,471)	(693)
Charges on sureties	(15,165)	(12,917)	(2,248)
Financial costs to the parent company	(45)	(45)	-
Losses from trading of securities	(398)	(267)	(131)
Foreign exchange losses	(8,971)	(7,967)	(1,004)
Financial costs for leases	(1,264)	(268)	(996)
Others	(3,077)	(2,881)	(196)
Total financial costs	**(51,645)**	**(45,938)**	**(5,707)**
Fair value measurements	**31/12/2019**	**31/12/2018**	**Variation**
Derivatives	16	(159)	175
Securities	-	(2,237)	2,237
Total fair value measurements	**16**	**(2,396)**	**2,412**
Total	**4,703**	**(33,528)**	**38,231**

Financial income

At 31 December 2019 financial income **amounted to Euro 56,332 thousand, up by Euro 41,526 thousand compared to the corresponding value posted in 2018.** This increase was entirely attributable to the sale of the investment held by the Group in the "*Estensione a mare*" project in Monte Carlo. The disposal of this investment, consisting of the overall capitalisation commitment undertaken with the Promoter *Anse du Portier* through investee Marex Sam, was completed on 26 September 2019 through the sale of 49.6% of the quotas of Marex Sam for a countervalue of Euro 72.3 million, which was paid in full at the time of the closing.

The transaction allowed the Group to realise a capital gain of Euro 40.1 million in financial terms.

Financial costs

At 31 December 2019 financial costs **totalled Euro 51,645 thousand, showing an increase of Euro 5,707 thousand** compared to the value posted in the corresponding period of 2018 – this change was mainly attributable to: (i) an increase of Euro 2,248 thousand for surety charges, with specific regard to the international sector for the start of some new projects in Serbia, Peru and Kuwait and to Italy, in relation to the works for the High-Speed/High-Capacity railway line being executed through the Cepav Due consortium; (ii) an increase of Euro 996 thousand, mainly due to the effects of the adoption of the new IFRS 16 – Leases; (iii) an increase of Euro 693 thousand for interest expense on financings and loans due to a rise in the average level of gross financial debt over the period; (iv) an increase of Euro 1,004 thousand for foreign exchange losses, which were more than offset by gains within the overall currency management.

Fair value measurement of financial assets

As regards fair value measurements, the element which mostly affected the result was the sale of securities held in the portfolio in 2019, which led to writing off the related value.

26. Taxes

The table below shows the breakdown of taxes accrued during the period:

Description	31/12/2019	31/12/2018	Variation
Direct IRES/IRAP taxes	3,460	13,084	(9,624)
Deferred tax assets/liabilities	(7,911)	(7,372)	(539)
Total	**(4,451)**	**5,712**	**(10,163)**

Group taxes at 31 December 2019 were determined on the basis of the tax rate the Group expects to apply at the end of the year, bearing in mind the tax rates laid down in the various tax regulations in force in the various areas in which it operates.

The tax rate for the 2019 financial year, including the IRAP (Local Production Activity) tax effect, was 27.9%.
The tax rate also takes account of the different taxation regimes in force in the countries in which the company operates through separate legal entities.
The calculation of taxes for the period was carried out, as in previous periods, by applying the Foreign Tax Credit system in order to avoid double taxation on income generated abroad by permanent establishments.

Impresa Pizzarotti has joined the tax consolidation agreement, which is prepared by the parent company Mipien S.p.A. and which also includes Aliparma S.r.l., Parmaresidenziale S.r.l., Parma S. Teresa S.r.l., Monte delle Vigne S.r.l. and Buildit S.p.A..

Below is the breakdown of deferred tax Assets and Liabilities, equal to Euro 45,885 thousand and Euro 35,649 thousand, respectively:

Description	Tax
Deferred tax liabilities	**31/12/2019**
Capital gain instalments	-
Accelerated amortisation and goodwill	-
Financial income	105
Temporary differences: contracts and long-term charges	25,972
Capital property at fair value	8,601
Other minor items	971
Total	**35,649**
Deferred tax assets	**31/12/2019**
Amortisation of goodwill	-
Provisions for risks	15,103
Securities valued at FVTOCI	-
Interest costs	10,318
Other minor items	20,464
Total	**45,885**

Deferred tax assets ("Others") include the tax benefit of about Euro 14.8 million set aside in 2018 following the adoption of IFRS 15 – "Revenue from contracts with customers" and calculated on the basis of requests for additional payments which it has not been possible to consider as "highly probable", also on the basis of opinions from Group advisors, the circumstance that the associated revenue is not written off at a future date.

The tax rate of deferred tax assets and liabilities, including the IRAP tax effect, was 27.9%, as in the financial statements at 31 December 2018.

27. Assets held for sale

As a result of the disposal, during 2020, involving some assets reported below, assets (and related liabilities) classified as held for sale were measured, upon their recognition, at the lower of their relevant book value and related fair value, net of selling costs, as required by IFRS 5. This fair value measurement did not entail adjustments to the corresponding book value at 31 December 2019.

The assets disposed of by the Group in 2020 were as follows:

- **Equity investment in subsidiary Pizzarotti IE OOO (VDHK Contract):** the closing with endorsement of the shares was completed on 20 January 2020 following, among others, the buyer's takeover of the guarantees given. As at that date the selling price of Euro 3 million had been collected in full. For more details on the transaction, reference should be made to the section on "Significant corporate transactions" of the Report on Operations.

- **Equity investment in the jointly-controlled company Roberts Pizzarotti PTY Ltd**: on 24 March 2020 the Group sold its 50% stake in Roberts Pizzarotti PTY Ltd. For more details on the transaction, reference should be made to the information provided in note 4. Equity investments in these explanatory Notes to the accounting statements.

Below is the breakdown of assets and liabilities held for sale as at 31 December 2019 (*amounts in thousands of Euros*):

Description	**31/12/2019**
Equity investments in associates	756
Deferred tax assets	1,330
Inventories	580
Contract assets	22,198
Trade receivables	906
Tax receivables	11,074
Other current assets	27,656
Cash and cash equivalents	49
Assets held for sale	**64,549**
Trade payables	46,834
Tax payables	2,587
Liabilities held for sale	**49,421**

Furthermore, the table below shows cumulative costs and income, net of tax, which are relevant in relation to Pizzarotti IE O.O.O. (amounts in thousands of Euros):

Description	**31/12/2019**
Revenues	9,810
Other proceeds	1,244
Total revenues	**11,054**
Raw materials and consumables	666
Costs for services	10,005
Personnel costs	1,533
Other operating expenses	177
Amortisation, depreciation and write-downs	63
Total costs	**12,444**
Operating profit - Ebit	**(1,390)**
Financial income	1,894
Financial costs	-
Profit before taxes - continued operations	**504**
Taxes	(203)
Net profit	**301**

Other information

Commitments and guarantees

The accounts report the risks, commitments and guarantees given and received by the Group; below is the breakdown:

Description	31/12/2019	31/12/2018	Variation
Sureties and endorsements			
in favour of associates	621,583	666,869	(45,286)
in favour of the Parent company	8,142	8,142	-
in favour of others	106,746	87,281	19,465
collaterals	177,106	210,793	(33,687)
Total sureties and endorsements	**913,577**	**973,085**	**(59,508)**
Other commitments and risks			
guarantees given by banks and insurance companies to third parties	1,344,724	1,390,208	(45,484)
Subtotal	**1,344,724**	**1,390,208**	**(45,484)**
guarantees received from the Parent Company	29,692	45,458	(15,766)
guarantees received from other third parties	55,511	162,118	(106,607)
guarantees received from suppliers	196,176	207,266	(11,090)
Subtotal	**281,379**	**414,842**	**(133,463)**
Total other commitments and risks	**1,626,103**	**1,805,050**	**(178,947)**
Total	**2,539,680**	**2,778,135**	**(238,455)**

Guarantees given by banks and insurance companies to third parties - As at the reporting date, some banks and insurance companies had issued guarantees, amounting to **Euro 1,345 million** (Euro 1,390 million at 31 December 2018), on behalf of the Group, against advances from customers and obligations under current contracts. Of these, **guarantees amounting to Euro 85 million had been counter-guaranteed by the parent company and third parties**.

Furthermore, at 31 December 2019 the Group had also issued **guarantees in the interests of investees and of the parent company**, against contract obligations and bank credit lines, amounting to Euro 736.5 million against Euro 762.3 million in December 2018 and received **guarantees from suppliers and third-parties for Euro 196 million.**

Disclosures on financial instruments and financial risk management

The statements below, relating to the current financial year and to the previous one, report the disclosures on financial instruments and risk management required by IFRS 7 for the assessment of the significance of financial instruments to the Group's financial position, profitability and cash flow.

Categories of financial assets and liabilities

The table below shows the classes of financial instruments held by the Pizzarotti Group and the fair value measurements associated with each item:

Financial assets at 31 December 2019 (Values in Euros/000)	Notes	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Hedging derivatives	Total	Fair Value
Financial assets	5	35,310		77,351		112,661	112,661
Other assets	11	52,142				52,142	52,142
Total non-current financial assets		**87,452**	**-**	**77,351**	**-**	**164,803**	**164,803**
Trade receivables	8	490,577				490,577	490,577
Receivables from group companies	9	83,473				83,473	83,473
Financial assets	5	12,384	12,732	546		25,662	25,662
Cash and cash equivalents	12	242,232				242,232	242,232
Total current financial assets		**828,666**	**12,732**	**546**	**-**	**841,944**	**841,944**
Total financial assets		**916,118**				**1,006,747**	**1,006,747**

Financial assets at 31 December 2018 (Values in Euros/000)	Notes	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Hedging derivatives	Total	Fair Value
Financial assets	5	60,102	-	54,238	-	114,340	114,340
Other assets	11	46,790	-	-	-	46,790	46,790
Total non-current financial assets		**106,892**	**-**	**54,238**	**-**	**161,130**	**161,130**
Trade receivables	8	382,047	-	-	-	382,047	382,047
Receivables from group companies	9	72,425	-	-	-	72,425	72,425
Financial assets	5	9,522	25,033	497	-	35,052	35,052
Cash and cash equivalents	12	294,011	-	-	-	294,011	294,011
Total current financial assets		**758,005**	**25,033**	**497**	**-**	**783,535**	**783,535**
Total financial assets		**864,897**	**25,033**	**54,735**	**-**	**944,665**	**944,665**

Financial liabilities at 31 December 2019 (Values in Euros/000)		Financial liabilities at amortized cost	Hedging derivatives	Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through other comprehensive income	Total	Fair Value Risk Adj
Bank and other loans	14-15	528,709	-	-	-	528,709	544,320
Other liabilities	20	75,595	-	-	-	75,595	75,595
Total non-current financial liabilities		**604,304**	**-**	**-**	**-**	**604,304**	**619,915**
Bank overdraft and short-term portion on loans	14-15	212,274	-	-	-	212,274	212,274
Financial payables on derivatives	16	-	1,123	3	-	1,126	1,126
Trade payables to suppliers	21	469,944	-	-	-	469,944	469,944
Payables to the Group companies	19	82,886	-	-	-	82,886	82,886
Total current financial liabilities		**765,104**	**1,123**	**3**	**-**	**766,230**	**766,230**
Total financial liabilities		**1,369,408**	**1,123**	**3**	**-**	**1,370,534**	**1,386,145**

Financial liabilities at 31 December 2018 (Values in Euros/000)		Financial liabilities at amortized cost	Hedging derivatives	Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through other comprehensive income	Total	Fair Value Risk Adj
Bank and other loans	14-15	530,332	-	-	-	530,332	537,585
Other liabilities	20	84,119	-	-	-	84,119	84,119
Total non-current financial liabilities		**614,451**	**-**	**-**	**-**	**614,451**	**621,704**
Bank overdraft and short-term portion on loans	14-15	136,210	-	-	-	136,210	136,210
Financial payables on derivatives	16	-	838	20	-	858	858
Trade payables to suppliers	21	489,848	-	-	-	489,848	489,848
Payables to the Group companies	19	66,350	-	-	-	66,350	66,350
Total current financial liabilities		**692,408**	**838**	**20**	**-**	**693,266**	**693,266**
Total financial liabilities		**1,306,859**	**838**	**20**	**-**	**1,307,717**	**1,314,970**

The notes refer users to the sections in these explanatory notes, where the items concerned are described.

The carrying amounts of short-term instruments are approximately the same as **fair values**, which has been measured as follows:

- for **listed instruments**, at the official price in their relevant markets on the reporting dates;

- for **derivatives**, the price provided by the banking counterparty calculated considering market benchmarks on the reporting date and using measurement models that are widely used in the financial sector;

- for **loans received**, a cash flow discounting model has been used, which takes the EURIBOR/Euro swap rate curve on the reporting date into account.

Fair value hierarchy

With reference to financial instruments recognised in the Statement of Financial Position at fair value, IFRS 7 requires that these values be classified on the basis of a fair value hierarchy reflecting the significance of the inputs used in measuring fair values. The levels are as follows:

- Level 1 – prices quoted on an active market for assets or liabilities being measured;
- Level 2 - inputs other than quoted prices referred to in the preceding paragraph, which can be observed directly or indirectly on the market;
- Level 3 - inputs that are not based on observable market data.

Financial assets and liabilities of the Pizzarotti Group are classified as follows.

		Fair value hierarchy		
Financial assets at 31 December 2019 (Values in Euros/000)	**Fair Value**	**Prices quoted in active markets (Level 1)**	**Observable significant inputs (Level 2)**	**Non-observable significant inputs (Level 3)**
Financial assets	112,661	-		112,661
Other assets	52,142			52,142
Total non-current financial assets	**164,803**	**-**	**-**	**164,803**
Trade receivables	490,577			490,577
Receivables from group companies	83,473			83,473
Financial assets	25,662	-	2,050	23,612
Cash and cash equivalents	242,232			242,232
Total current financial assets	**841,944**	**-**	**2,050**	**839,894**
Total financial assets	**1,006,747**	**-**	**2,050**	**1,004,697**

Financial liabilities at 31 December 2019 (Values in Euros/000)	Fair Value	Fair value hierarchy		
		Prices quoted in active markets (Level 1)	Observable significant inputs (Level 2)	Non-observable significant inputs (Level 3)
Bank and other loans	544,320			544,320
Other liabilities	75,595			75,595
Total non-current financial liabilities	**619,915**	**-**	**-**	**619,915**
Bank overdraft and short-term portion on loans	212,274			212,274
Financial payables on derivatives	1,126		1,126	-
Trade payables to suppliers	469,944			469,944
Payables to the Group companies	82,886			82,886
Total current financial liabilities	**766,230**	**-**	**1,126**	**765,104**
Total financial liabilities	**1,386,145**	**-**	**1,126**	**1,385,019**

In compliance with IFRS 13, the fair value of financial instruments is measured taking counterparty risk into account.

Credit quality of financial assets

During 2019 the changes in the **portfolio of non-current financial assets**, which is not held for trading purposes and is measured at fair value through a specific equity reserve according to the standard IFRS 9, were as follows:

Portfolio Securities valued at FVTOCI	31/12/2019	31/12/2018
1 January	**38**	**823**
Net changes (purchases/sales)	(38)	(772)
Interest income	-	-
Changes of FVTOCI		(13)
31 December	**-**	**38**

The securities portfolio held for trading was measured at fair value through profit or loss according to the new standard IFRS 9. Below is the breakdown of this financial portfolio in December 2019:

Description	31/12/2019	31/12/2018
Stock funds	-	2,673
Shares	10,682	19,134
Management	-	1,176
Bonds	2,050	2,050
Total securities portfolio valued at FVTPL	**12,732**	**25,033**

The negative change through profit or loss, arising from the performance of the financial markets at the end of the year, was zero (negative for Euro 2,237 thousand at 31 December 2018) as resulting from the following breakdown:

Portfolio Securities valued at FVTPL	31/12/2019	31/12/2018
1 January	**25,033**	**32,794**
Net changes (purchases/sales)	(12,301)	(5,524)
Changes of FVTPL		(2,237)
31 December	**12,732**	**25,033**

The Book values at the reporting date corresponded to the maximum exposure to credit risk.

Financial derivatives

The Group has executed derivative contracts on interest rates in order to reduce changes in cash flows caused by interest rate trends. Although these instruments are all related to assets and liabilities recognised in the financial statements, on the basis of IFRS 9 they are partially considered as held-for-trading instruments and, therefore, the fair value change is recognised through profit or loss.

The notional value of derivatives on interest rates that have been executed amounted to Euro 138,241 thousand (Euro 138,717 thousand at 31 December 2018) and almost entirely consisted of the portion of the Long Term Amortizing line provided for in the loan agreement entered into on 21 September 2018, which was hedged against the risk of fluctuations in interest rates within the hedging agreements with the lending banks.

Notional values	31/12/2019	31/12/2018
IRS for trading	241	717
IRS for Fair Value Hedge	-	-
IRS for Cash Flow Hedge	138,000	138,000
Total	**138,241**	**138,717**

The negative fair value of the derivatives totalled Euro 1,126 thousand (Euro 858 thousand in 2018) - this change was almost fully recognised against an entry under equity, net of related tax effect, since it is related to contracts designated as hedges according to IFRS 9.

	31/12/2019		31/12/2018	
Fair Value of outstanding derivatives	**Assets**	**Liabilities**	**Assets**	**Liabilities**
IRS for trading	-	3	-	20
IRS for Fair Value Hedge	-	-	-	-
IRS for Cash Flow Hedge	-	1,123	-	838
Total	**-**	**1,126**	**-**	**858**

Financial risk management

The Pizzarotti Group’s operations are exposed to financial risks, i.e. all the risks associated with the Group’s available capital funds, affected by credit management and by the liquidity and/or the volatility of market variables, such as interest and exchange rates. Such risks may be summarised as **market risk, credit risk and liquidity risk.**

These risks are constantly monitored by the Group's management and are mitigated in some cases by recourse to natural hedges and derivatives on interest rates.
For more information on the impact arising from the COVID-19 emergency, reference should be made to the paragraph on "Significant events after the reporting date" of the Report on Operations.

Market risk

Market risk is the risk that the value of assets, liabilities or future cash flows may fluctuate as a result of market price variations. These variations may affect exchange and interest rate and price markets.

Interest rate risk

The Group is exposed to the risk of changes in interest rates with regard to variable-rate loans received, derivatives on interest rates and bonds in its portfolio. Although the derivatives are designated as hedges from an operational point of view, owing to the stringent requirements of IFRS 9, from an accounting point of view only a part of the derivatives outstanding at 31 December 2019 have been accounted for according to the cash flow hedge method (see note 15); the remainder have been considered speculative for the purposes of their presentation in the accounts. The management constantly monitors the risk of changes in interest rates.

This risk is mitigated by the interest that accrues on short-term investments of the cash reserves in consortia and consortium companies incorporated under Italian law and in the foreign subsidiaries whose role is to support the Group's operations.

A sensitivity analysis of interest rate risk has been conducted in accordance with IFRS 7.

The analysis, which focused on the Parent Company, in which nearly all the financial instruments used by the Group are concentrated, was carried out assuming a parallel and symmetrical shift of +/- 25 basis points on the interest rate curve for the entire financial years 2018 and 2017; the carrying amount of instruments accounted for at amortised cost was redetermined assuming a +/- 25 basis point increase/decrease (during the period) in the set interest rate.

Unlisted instruments accounted for at fair value were measured using the EURIBOR/Euro swap curve published on the closing dates of the 2019 and 2018 financial statements, as increased/decreased by 25 base points at each node on the curve.

2019

		+25 bps		-25bps	
	Notional / Fair value	Interests	Δ Fair Value	Interests	Δ Fair Value
Total	590,291	(70)	464	70	(464)

2018

	Notional / Fair value	+25 bps Interests	+25 bps Δ Fair Value	-25bps Interests	-25bps Δ Fair Value
Total	**490,767**	**(239)**	**762**	**239**	**(762)**

The fair value change attributable to derivatives is the fair value change, net of interest accrued in the year.

Exchange rate risks

Exchange rate risk is the risk of the fair value of, or the future cash flows arising from, a financial instrument fluctuating as a result of changes in currency rates. The Group's policy is to try to obtain "natural" hedges of financial inflows and outflows without having recourse to derivatives to cover itself against this risk. Moreover, no material effects were observed either on the previous or on the latest reporting date.

Price risks

Price risk is the risk of the fair value of a listed financial instrument varying as a result of a change in its price in the relevant markets. The Group is therefore exposed to the price risk attached to financial investments in shares. A sensitivity analysis of price risk has been conducted as required by IFRS 7.

The analysis carried out showed that if share prices had risen (fallen) by 10% as of 31 December 2019, the effect would have been the following:

	Fair value	Impact through P&L +10%	Impact through P&L -10%	Impact through Equity +10%	Impact through Equity -10%
Shares valued at FVTPL	10,682	1,068	(1,068)	1,068	(1,068)
Shares valued at FVTOCI	-	-	-	-	-
Total	**10,682**	**1,068**	**(1,068)**	**1,068**	**(1,068)**

Credit Risk

Credit risk is the risk of one of the parties to a financial instrument involving the other party in a financial loss by not fulfilling an obligation. This may come about as a result of strictly technical and commercial, administrative and legal or typically financial factors, i.e., synthetically, the counterparty's credit standing. The Group's exposure to credit risk mainly arises from the nature of its activities, which leads it to operate with public counterparties whose solvency and punctuality in payment are carefully monitored and are related to macroeconomic considerations. The management strategy of this type of risk is structured through a process from the evaluation phase of the offers to be submitted, through a careful analysis of the characteristics of the countries in which the works are expected to be carried out and of the customers that request the submission of an offer which, as already indicated, are usually public bodies or entities treated as such. It should also be noted that the analysis of the exposure to credit risk based on overdue amounts is not very significant, as the loans are to be measured together with the other working capital items, and in particular those items that represent a net exposure to the customers in relation to the aggregate of the works being executed.

Liquidity Risk

Liquidity risk is the risk of an entity finding difficulty in fulfilling the obligations related to financial liabilities. The Group sets itself to maintain the liquidity necessary to manage its operations and repaying its debts when they fall due. The Group's strategy is to pursue the financial autonomy of the contracts being performed, taking account of the configuration of consortia and SPVs, which can link the availability of financial resources to the implementation of the relevant projects. Cash management is centralised in the Parent Company and liquidity risk is monitored so that the measures necessary to reduce impacts can be taken. Below is reported a liquidity analysis.

The table below reports the breakdown and maturity of financial liabilities stated according to future cash flows:

December 31, 2019

	Time Band			Total cash flows
	< 1 year	1-5 years	> 5 years	
Payables to banks and other financing	213,583	500,327	5,299	719,209
Payables to suppliers	469,944	68,782	-	538,726
Payables to Group companies	82,886	-	-	82,886
Lease liabilities	13,455	32,735	1,145	47,335
Non-derivative liabilities	**779,868**	**601,844**	**6,444**	**1,388,156**
Derivatives held for trading	2		-	2
Hedging derivatives	559	571	-	1,130
Total	**780,429**	**602,415**	**6,444**	**1,389,288**

December 31, 2018

	Time Band			Total cash flows
	< 1 year	1-5 years	> 5 years	
Payables to banks and other financing	141,693	535,334	8,099	685,126
Payables to suppliers	489,848	67,967	-	557,815
Payables to Group companies	66,350	-	-	66,350
Lease liabilities	4,345	14,035	2,658	21,038
Non-derivative liabilities	**702,236**	**617,336**	**10,757**	**1,330,329**
Derivatives held for trading	489	162	-	651
Hedging derivatives	16	3	-	19
Total	**702,741**	**617,501**	**10,757**	**1,330,999**

The financing cash flows analysed have been determined estimating future cash flows on the basis of the EURIBOR/Euro swap interest rate curve on the reporting date.
The analysis of financial liabilities originating from derivatives has only been conducted for derivatives with a negative fair value on the reporting date, considering non-discounted cash flows for derivatives hedging outstanding variable-rate loans and the fair value for derivatives maturing in less than a year, since the discounting effect on flows of less than a year is not considered material.
The management considers that liquid assets, expected receipts from the collection of its receivables from customers and cash currently invested in forms of investment which can be liquidated in the short term put the Group in a position to meet its financial needs effectively.

Furthermore, it should be noted that:

- on 21 September 2018, the Parent Company Impresa Pizzarotti entered with some Banks into a refinancing transaction aimed at providing the Group with a stable source of finance to support its substantial growth expectations and to refinance a part of its existing loans while extending their maturities at the same time.
- As part of the financial measures laid down in the 2019-2023 business plan, the Group received support from some Banks for access to a loan of Euro 100 million backed by a SACE guarantee in accordance with the Liquidity Decree.

For more details on the abovementioned transactions, reference should be made to note 13 “Bank and other loans”.

Fees due to directors and statutory auditors

Fees due to the Parent Company's directors and auditors, including the performance of their functions in the other entities included in the consolidation, amount to Euro 725 and 92 thousand, respectively. No receivables for advances paid under this heading are recorded in the accounts.

Below are the fees that accrued and were paid in 2019 to the independent auditors PricewaterhouseCoopers S.p.A. on the basis of the engagements for the statutory audit of accounts: (i) for the 2014-2022 financial years, assigned by a resolution passed by the shareholders' meeting held on 12 June 2015, which expired on 13 September 2019 following the repayment of the bond and the consequent loss of the status of Public Interest Entity [PIE] and (ii) for the 2019-2021 financial years, assigned by a resolution passed by the shareholders' meeting held on 13 September 2019 (amounts in thousands of Euros):

Values in thousand of Euros

Typology	2019
A) Auditing fees	**374**
- Referred to parent company Impresa Pizzarotti S.p.A (*)	215
- Referred to subsidiaries and associated companies	159
B) Other services	**441**

(*) Fees include both separate and consolidated financial statements (interim and annual)

Highlights of the financial statements of MIPIEN S.p.A. at 31 December 2018

The highlights of Parent Company Mipien S.p.A., which are reported in the summary statement attached below, have been taken from the related financial statements for the financial year ended 31 December 2018. For the proper and complete understanding of the financial position of Mipien S.p.A. (the Parent Company) at 31 December 2018, as well as of the profitability and cash flows achieved by the company in the financial year ended on that date, reference should be made to the financial statements, which, together with the independent auditors' report, are available in the form and manners prescribed by law.

Values in Euros

INCOME STATEMENT	2018	2017
Value of production	5,671,890	5,655,215
Production costs	4,931,061	3,983,211
Operating profit	**740,829**	**1,672,004**
Financial income/costs	(358,548)	(57,540)
Value adjustments to financial assets	(20,521,895)	(429,215)
Profit before taxes	**(20,139,614)**	**1,185,249**
Income taxes for the year	(87,869)	(415,471)
Net profit	**(20,227,483)**	**769,778**

BALANCE SHEET	2018	2017
ASSETS		
Fixed assets	360,472,184	425,179,024
Current assets	4,228,351	4,260,521
Accrued income and prepaid expenses	110,541	306,856
Total assets	**364,811,076**	**429,746,401**
LIABILITIES		
Shareholders' equity	334,034,986	398,338,631
Provisions for risks and charges and Staff severance pay (TFR)	534,862	1,416,673
Payables	30,240,958	29,990,847
Accrued expenses and deferred income	270	250
Total liabilities	**364,811,076**	**429,746,401**

****

For the Board of Directors
The Chairman
Cav. del Lav. Paolo Pizzarotti

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

IMPRESA PIZZAROTTI & C. SPA

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the Shareholders of
Impresa Pizzarotti & C. SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Impresa Pizzarotti & C. SpA (hereinafter also the "Company") and its subsidiaries (hereinafter also the "Pizzarotti Group"), which comprise the statement of financial position as of 31 December 2019, the income statement, the statement of comprehensive income, statement of changes in equity, cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Pizzarotti Group as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Impresa Pizzarotti & C. SpA pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without modifying our opinion, we draw attention to what is described by the directors in the following paragraphs:

- “Significant events after the reporting date – Sources of founding” of the report on operations, in which have been described the measures undertaken by the directors, following the income results of the financial year 2019, finalised to the definition and subsequent signing of an agreement with financial institutions aimed at achieving balance in terms of financial resources and equity of the Pizzarotti Group.

- “Intangible assets” of the notes to the financial statements where the directors report that as at 31 December 2019 Impresa Pizzarotti & C. SpA recognised as assets significant amounts relating to the acquisition costs of a 24% stake in the Cepav Due consortium; the stake held increased by 3.27% during the first few months of the year 2018. Those amounts are ‘contract acquisition costs’ capitalised as intangible assets. In this connection we draw attention the comments set out in the paragraph “Domestic Market - Infrastructure Sector – High-Speed Milan-Verona Railway Line” of the directors’ report on operations, specifically the elements that characterised the development during 2019 and the initial period of 2020 of events referred to the construction of the Treviglio-Brescia functional sub-portion and in particular the progress of the activities aimed at the construction of a second function lot relating to the Brescia Est – Verona section. The directors, taking into consideration the overall scenario, in spite of the existence of the normal uncertainties, which are typical in the circumstances, considered the related amounts, capitalised among assets of the statement of the financial position as at 31 December 2019 to be reasonably recoverable.

Other Matters

Our audit was conducted in the exceptional and wholly unforeseeable scenario created by the Covid-19 emergency and related measures, including restrictions on movement, issued by the Italian government to protect citizens’ health.
In consideration of the above, the audit procedures required by the applicable professional standards were performed through (i) a reorganisation of work based on extensive use of smart working; (ii) a different method of carrying out activities, also with reference to the collection of audit evidence, mainly through the use of electronic documents transmitted to us remotely; (iii) the use of technological tools for communicating remotely with the Company’s management and governance bodies.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors of Impresa Pizzarotti & C. SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Pizzarotti Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Impresa Pizzarotti & C. SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Pizzarotti Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pizzarotti Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pizzarotti Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Pizzarotti Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Impresa Pizzarotti & C. SpA are responsible for preparing a report on operations of the Pizzarotti Group as of 31 December 2019, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Pizzarotti Group as of 31 December 2019 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of Pizzarotti Group as of 31 December 2019 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Parma, 25 June 2020

PricewaterhouseCoopers SpA

Signed by

Nicola Madureri
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.