



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

Financial Statements

as at 31 December 2018

Headquarters - 00159 Rome, Via Giuseppe Donati n° 174

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

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

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

INDEX

	Page
Corporate bodies	3
<u>MANAGEMENT REPORT</u>	
General comments	5
Works portfolio	14
Alternative Performance Indicators	
- Foreword	15
- Highlights	16
- Reclassified Income Statement	18
- Reclassified Balance Sheet	22
Investments	25
Quality systems	25
Human resources	26
Relations with subsidiary Company and Consortiums	30
Registered office and main operating units	37
Forecast management developments	38
Information provided pursuant to art. 2428 of the civil code article 3 point 6-bis	39
Information in relation to the application of Italian Legislative Decree No. 196/03	40
Information in relation to the application of Italian Legislative Decree No. 231/01	41
<u>THE FINANCIAL STATEMENTS</u>	
BALANCE SHEET, INCOME STATEMENT AND FINANCIAL REPORT (tables)	44
EXPLANATORY NOTES	
General overview	54
Structure and contents of the financial statements	55
Accounting standards and criteria for assessment	56
BALANCE SHEET INFORMATION	
INCOME STATEMENT INFORMATION	
Statement of cash flows	113
Guarantees and risks	114
Relations with related parties	116
Operations with buyback clause	123
Financial leasing operations	123
Significant events after the closure of the financial year	123
Summary of essential data of last financial statements of the company exercising management and coordination activities (Atlantia S.p.A.)	124
Shareholders' Meeting proposals	125
Report by the Board of Auditors	126
Report by the Independent Auditing Firm	132

CORPORATE BODIES

Board of Directors

in office for three year period 2018 - 2020

Chairman (1)	Gennarino Tozzi
Chief Executive Officer	Franco Tolentino
Director	Marco Troncone
Director	Monica Cacciapuoti
Director (2)	Riccardo Bonasso

Board of Auditors

in office for three year period 2016 - 2018

Chairman (3)	Alessandro Ludovico Trotter
Chairman (4)	Francesco Mariano Bonifacio
Standing auditor	Piergiorgio Cempella
Standing auditor (5)	Francesco Mariano Bonifacio
Standing auditor (6)	Mario Francesco Anaclerio
Alternate auditor (7)	Anna Rita De Mauro

Independent auditing firm

for the period 2012 - 2020

Deloitte & Touche S.p.A.

- (1) Powers of legal representation; supervisory powers over all corporate activities.
- (2) Term of office from 19 March 2018
- (3) Resigned on 23 October 2018
- (4) Term of office from 24 October 2018
- (5) Standing auditor until 23 October 2018
- (6) Term of office from 24 October 2018
- (7) Resigned on 05 November 2018

Management Report

GENERAL CONSIDERATIONS

Dear Shareholders,

Financial year 2018 ended with a decrease in the volume of works realised by the Company when compared to 2017. The total revenues (about 291 million Euros) reduced by about 98 million Euros (-25.23%). This reduction concerned the totality of company activities carried out for other companies in the group and external contractors.

This decrease was also due to the finalisation in 2017 of a Transaction Deed in which Autostrade per l'Italia (hereinafter ASPI) paid to Pavimental about 28.2 million Euros to balance and settle all the claims, requests and reserves related to the application of the final discounts established by the Ministry of Infrastructures and Transport (hereinafter MIT) on the infrastructural contracts awarded in the Barberino del Mugello area instead of the provisional contractual ones. Requests for additional payments on various contracts with ASPI for about 16.6 million Euros, of which about 2.8 million were recorded in previous years, were also finalised in December 2018.

Activities in the maintenance sector reduced during the course of the year. In this regard, following the failure to extend the road surface maintenance contract, Pavimental opened the CIGS procedure for a duration of 12 months on 4 June last, which also involved the workers in the maintenance sector and in other related sectors.

Lastly, there was also a slowdown in the excavation of the Santa Lucia tunnel, the predominant activity of the main infrastructure in the portfolio involving mechanised excavation using a TBM-EPB, as a result of an anomaly in the system of internal seals, which led to the temporary interruption of excavations from March to the second half of June. Following the repairs to the holding system of the bearing, the boring machine performed well in terms of excavations: the percentage as at 31 December 2018 was 42.90%.

As a result of that described above, 2018 closed with losses of about 16.2 million Euros.

With regard to the procurement of contracts, it must be highlighted that on 11 July 2018, the company signed with Aeroporti di Roma (hereinafter ADR) a contract for the realisation of the works for the completion of the Land Side and Air Side infrastructures of the Terminals Subsystem East side - ET 1 - expansion westwards of T1. for a value of €71,723 thousand, and a contract for the realisation of the works for the completion of the Land Side and Air Side infrastructures of the Terminals Subsystem East side - Lot 2 - Boarding area C main Node Boarding area D, for an amount of €37,154 thousand. These activities will begin in 2019.

Also in December 2018, the company signed with Nardò Technical Center S.r.l. a contract for the refurbishment of the road surfacing at the testing centre in Nardò for an amount of about 15.5 million Euros.

Production will be completed in the first half of 2019.

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

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

Maintenance-Surfacing works

Total production amounted to €25,844 thousand, entirely carried out for ASPI. As mentioned above, the relevant contract has expired.

Other maintenance work for ASPI, Soundproofing – Lateral Side Barriers

Soundproofing activities amounted to € 1,909 thousand, with a decrease of € 8,118 thousand compared to 2017, due to the completion of the works for the installation of the sound absorption barriers awarded in previous years.

The activities concerning the Lateral Barriers have also almost been completed.

Other maintenance works for ADR

Their value amounts to €36,827 thousand, a reduction of €7,902 thousand compared to 2017, and includes the second phase of the expansion of the West area of the apron at Fiumicino Airport (€ 14,359 thousand), works for mitigating the hydraulic risk (€ 7,125 thousand), the completion of the land side and air side infrastructures for the East side terminal subsystem (€ 6,407 thousand), the re-qualification of parking positions 100-200 at G.B. Pastine airport in Ciampino (€5,233 thousand) and other works at the airport (€3,702 thousand).

Other activities for other contractors

The total amounted to €244 thousand. The activities concerning the subsidiary Co.Im.A S.c.a.r.l. for the realisation of the A12 Livorno - Civitavecchia highway stretch and the activities concerning the consortiums Lambro and Consorzio Costruttori TEEM as part of the project for

the realisation of the External East Ring Road in Milan were also completed. On 14 December 2018, the company signed with Nardò Technical Center S.r.l. a contract for the refurbishment of the road surfacing at the testing centre in Nardò for an amount of about 15.5 million Euros. The contractual activities will begin in the first half of 2019.

Construction of Infrastructures

The total amounted to €210,460 thousand.

The following are the details of the main contracts:

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

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

As at 31 December 2018, production amounted to €63,055 thousand.

54.35% of the contracted work has been completed.

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

A contract was signed during April 2014 for re-qualification and enhancement works on SP 46 Paderno – Rho – Nuovo Polo Fieristico for an initial amount of € 76,556 thousand. As at 31 December 2018, production amounted to €73,864 thousand, including €7,422 thousand for the additional payment to the Contractor for the early opening of the section.

96.48% of the contracted work has been completed.

Highway Milan – Naples extension to three lanes of the section Barberino di Mugello – Florence North (Lot 0)

This work was awarded in January 2011. The activities concerning this infrastructural work were basically completed as at 31 December 2017.

Production for 2017 included part of the additional payments defined in the Transaction Deed signed in December to balance and settle all of the claims, requests and reserves concerning the application of the discounts defined by the MIT rather than the provisional ones for the 3 Lots in the Barberino area.

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

In April 2014, the Company was awarded the works for adding a third lane to the section between Barberino di Mugello and Florence North (Lotto 1) for an amount of € 223,455 thousand. Production as at 31 December 2018 amounted to €173,564 thousand and includes part of the additional payments defined in 2017 in the Transaction Deed to balance and settle all of the claims, requests and reserves concerning the application of the discounts defined by the MIT rather than the provisional ones for the 3 Lots in the Barberino area and a bonus of € 1,848 thousand for the advance opening of the Calenzano stretch.

The request for additional payments of €11,240 thousand was also settled with the contractor in December 2018.

81.04% of the works had been completed by 31 December 2018.

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

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

The predominant activity in the Lot is the Santa Lucia Tunnel, to be constructed as a natural tunnel excavated mechanically using a TBM-EPB. 42.90% of the excavation works had been completed by 31 December 2018.

Production as at 31 December 2018 amounted to €114,835 thousand; this amount includes part of the additional payments defined in the Transaction Deed signed in 2017 to balance and settle all of the claims, requests and reserves concerning the application of the discounts defined by the MIT rather than the provisional ones for the 3 Lots in the Barberino area.

Works for the extension to three lanes in the section Barberino Florence South - Incia Valdarno, NORTH lot, from Km 300+749 to Km 306+986 of the highway A1 Milan - Naples

The works were awarded by the Contractor ASPI in November 2014 for an amount of €93,372 thousand. The production completed as at 31 December 2018 was €39,738 thousand (amounting to a percentage completion of 42.56%).

Completion of works on the third lane in the section Barberino di Mugello – Florence North, section Florence North - Florence South section B Lots 4, 5 and 6 from Km 287+353 to Km 295+623 of the Milan – Naples highway

The works were awarded in November 2014 for an amount of €43,094 thousand.

The activities concerning this infrastructural work amounted to €8,042 thousand in 2018, which includes the additional payments defined with the contractor ASPI for €1,126 thousand.

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

The works following the opening in December 2015 of the Valico Variant were awarded for an amount of €31,011 thousand. Production during the year amounted to €13,313 thousand.

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

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

Production recorded as at 31 December 2018 amounted to €19,407 thousand.

Infrastructure activities for ADR

The contract for the Infrastructural Completion of the Land Side and Air Side works for the East side Terminal Subsystem - Lot 1 - Second and Third Phase - Structures - Shell Finishing and Systems for Boarding Area “A”, Forepart T1, Connection Building at Leonardo Da Vinci Airport was signed on 2 August 2017, for an amount of € 127,799 thousand. Production registered as at 31 December 2018 amounted to €19,697 thousand.

As already highlighted, the company signed with Aeroporti di Roma a contract for the realisation of the works for the completion of the Land Side and Air Side infrastructures of the Terminals Subsystem East side - ET 1 - expansion westwards of T1 for a value of €71,723 thousand, and a contract for the realisation of the works for the completion of the Land Side and Air Side infrastructures of the Terminals Subsystem East side - Lot 2 - Boarding area C main Node Boarding area D, for an amount of €37,154 thousand. These activities will begin in 2019.

The activities in Poland were carried out through the local branch of Pavimental S.p.A. in T.A.E. with Pavimental Polska S.p.z o.o., with production during the year amounting to € 1,409 thousand. The Polish permanent establishment closed on 2018 on almost level terms.

A breakdown by business field of the 2018 activities is summarized below:

Production Value											
Business areas 2018						Business areas 2017					
Road surfacing maintenance	Non maintenance works	Infrastructures	Other contractors	Other revenues	Total	Road surfacing maintenance	Non maintenance works	Infrastructures	Other contractors	Other revenues	Total
Maintenance - Road surfacing	25,844	1,692			27,536	102,232	4,636				106,868
Service Stations, Tunnels and Viaducts		1,292			1,292		4,773				4,773
Other works		82			82		944				944
Other infrastructures		(2)			(2)		(281)				(281)
Expansion to 4 lanes A4		24,829			24,829		31,354				31,354
SP 46 Paderno Rho - Nuovo Polo Fieristico stretch		1,565			1,565		1,880				1,880
Expansion to 5 lanes A8 Milan Laghi		1,485			1,485		1,721				1,721
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 0		35,691			35,691		17,984				17,984
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 1		64,809			64,809		42,878				42,878
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 13		1,033			1,033		448				448
Completion of the pass variant		13,213			13,213		11,132				11,132
Florence infrastructures		29,879			29,879		35,070				35,070
Borgonuovo Telepass junction		278			278		5,185				5,185
Interconnections and junctions		1,048			1,048		11				11
Adriatica A14 various lots		(147)			(147)						
Adriatica A14 Lot 6 B		952			952		988				988
Fano compensation works		11,621			11,621		7,791				7,791
Soundproofing		1,919			1,919		10,037				10,037
Somme Urgencies		6,555			6,555						
For Autostrade per l'Italia	25,844	11,540	186,254		223,638	102,232	20,390	202,288			324,910
For Others in the Atlanta Group											
Società Autostrade Meridionali		(232)			(232)		(190)				(190)
Tangenziale di Napoli							25				25
Stalexport Małopolska S.A.		1,306			1,306		3,619				3,619
Pavimental Polska		103			103		381				381
Aeroplani di Roma		36,827		19,697		56,524	44,729	403			45,132
Società Autostrada Tirrenica							217				217
Works for Atlanta Group	25,844	49,544	205,951		281,339	102,232	69,171	202,691			374,094
For other contractors											
Lambo Srl									152		152
Consorzio Costruttori Teem									146		146
Co.I.m.A. Srl									1,034		1,034
Airport works										76	
Other works										76	
Todini S.p.A											
Pedelombarda											
Nardò Technical Centre S.r.l.											
Total works	25,844	49,544	205,951	229	281,568	102,232	69,171	202,767	1,332		375,502
Losses on infrastructure works provision					5,020		5,020				4,719
Pre-operating costs on infrastructure contracts					(511)		(511)				(1,417)
Total production	25,844	49,544	210,460	229	286,077	102,232	69,171	206,069	1,316		378,788
Revenue from sales							593	593			1,378
Revenue from services							15	229	244		203
Typical value of production*	25,844	49,544	210,460	244	822	102,232	69,174	206,083	1,316	1,581	380,386

* Amount net of other costs and revenue

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

Environmental management

The company made a major effort in 2018 in order to ensure that its activities were carried out in complete respect of the laws in force on environmental matters.

Specifically:

- all of the facilities authorized to produce bituminous conglomerate with a recycled component retained their registration in the Provincial Register of Companies and/or the National Roll of Environmental Managers;
- the management of “milled” waste continued during the year, in order to ensure the respect of the deadlines and quantitative limits authorized for reserve deposits. This has been done through the partial reuse of the recycled conglomerates and conferments to authorized third parties;
- the transfer to ISO 14001:2015 Environmental Certification of all activities carried out by Pavimental was completed in 2018;
- punctual and assiduous environmental monitoring was carried out on all operating areas, production facilities and maintenance and construction worksites of the Company. The scheduled plan of audits was fully implemented;
- as usual, the individuals involved in the management of environmental aspects were all given training during the course of 2018;
- the efficiency of the fire-fighting devices present in the Company’s Operating Units was verified and guaranteed;
- An Energy Manager was appointed to ensure the preservation and rational use of energy.

- For all of the production facilities of the Companies authorized to recover material left over from the demolition of bituminous conglomerate road surfacing, as a result of the publication of Ministerial Decree 69/2018 (*End or Waste* regulation), the necessary documentation for the updating of the authorizations needed to produce “Bituminous conglomerate granulate” was submitted within the timeframe granted.

Management of health and safety in the workplace

In 2018, activities concerning safety were characterised by the need to ensure the fulfilment of the legal obligations, at the same time pursuing the continuous enhancement of the company's health and safety.

To this end, the following activities were carried out during the course of the year:

- fulfilment of the obligation to update the training of the RLS and persons responsible (corporate standard) annually and, where deemed necessary, carrying out additional and updating training, informative and professional training activities for dependent staff. This activity is aimed at ensuring the respect of the safety laws in force;
- performance of the “Audit Project”, the objective of which is the direct involvement of the staff responsible for the worksites in the inspections aimed at verifying the respect of the laws in force concerning health and safety in the workplace;
- continuous monitoring of injuries in the workplace, with weekly disclosure to the top management and those responsible for health and safety;
- renewal of the BS OHSAS 18001:2007 certification for the next three years;
- acquisition of ISO 39001:2012 certification attesting the application within the company of Road Safety Management System (SGS), with specific reference to the entire Infrastructures department;
- updating of the operating and/or organizational procedures concerning safety as a result of the organizational changes made. The current procedures system has thus been adjusted to the organization and is consistent with it;
- management of the pre-contractual documents needed for verification of Technical and Professional Suitability (ITP) of the company and third parties involved;
- auditing of each operating site, which is sometimes supplemented by interventions aimed at technical support if required.

PORTFOLIO OF WORKS

As at 31 December 2018, there are works still to be carried out in the portfolio valued at € 639,330 thousand, made up as follows:

	€ thousands
<u>Autostrade per l'Italia :</u>	
- Ordinary road surfacing maintenance	393,550
- Infrastructure works	2,322
- Other highway works	191
- Sound proofing, roadside barriers	<u>396,063</u>
<u>Other Companies in the Altantia Group :</u>	
- Airport works	227,885
- Other highway works	<u>52</u>
	<u>227,937</u>
<u>Other contractors</u>	
- Other works	<u>15,330</u>
	<u>15,330</u>
	<u>639,330</u>
Total works portfolio	<u>639,330</u>

ALTERNATIVE PERFORMANCE INDICATORS

FOREWORD

This paragraph describes and comments the Reclassified Income Statement and the Reclassified Balance Sheet for 2018, compared to the values for the previous financial year.

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

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

HIGHLIGHTS

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

Ebit: difference between production value and costs.

Ebitda Margin: Ebitda/Revenues from sales and services.

Ebit Margin: Ebit/ Revenues from sales and services.

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

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

ROI: Operating result (Ebit) / Net invested capital

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

€ thousands		2018	2017
Typical production value*		286,914	380,386
EBITDA		3,044	46,420
Ebitda Margin	%	1.1%	12.2%
EBIT		(20,383)	25,527
Ebit Margin	%	-7.1%	6.7%
Net profits/losses		(16,205)	15,794
Average paid workforce	no.	862.22	887.61
Cost of employment		60,992	59,532
Cost of employment / Revenue	%	21.3%	15.7%
Cash Flow		7,218	36,544
ROE	%	-51.9%	100.7%
ROI	%	-13.9%	13.3%

€ thousands		31 December 2018	31 December 2017
Net Invested Capital		146,363	192,164
Net financial debts		131,352	160,687
Equity		15,011	31,477

* net of other income and revenue

RECLASSIFIED INCOME STATEMENT (as per table on page 21)

The typical production value for 2018, amounting to € 290,968 thousand (gross of the other income and revenue of €4,054 thousand), shows a decrease of €98,189 thousand (- 25.23%).

2018 was characterised by an overall decrease in the volumes realised, which concerned all of the business activities for other companies in the Group and for third party contractors. This reduction was also due to the inclusion in 2017 of the income from the finalisation with ASPI of the dispute on the Barberino - Florence North contracts (€ 28,153 thousand). Requests for additional payments on various contracts with ASPI for € 16,646 thousand Euros, of which € 2,800 million were recorded in previous years, were also finalised in December 2018.

The external production costs decreased by €56,210 thousand (- 19.99%) compared to those for the previous year, as a result of the reduced requirements for goods and services due to the reduced production completed. However, the reduced production in the business line of maintenance of road surfacing and the previously mentioned shutdown of the TBM had a negative effect on the year.

The cost of work increased by €1,460 thousand (about +2.45%). For a correct comparison to be made, it should be noted that in 2017, the Company had capitalised the cost of personnel used for preparing the TBM, an Aqueduct and an Electrical cable duct required for its use, for €1,957 thousand. As described previously, as a result of the failure to renew the maintenance contract, Pavimental started a CIGS procedure in May 2018, activated on 4 June 2018 for 12 months. The plan for the renovation and personnel management of the maintenance sector and related sectors has also involved a procedure of dismissal on a non-objectionable basis, the cost of which was about €2,200 thousand as at 31 December 2018. The average paid workforce fell from 887.61 units in 2017 to 862.22 units in 2018.

The Gross Operating Profit (EBITDA) amounted to € 3,044 thousand, a decrease of € 43,376 thousand from last year because of the dynamics described above.

Amortizations amounted to €21,440 thousand, an increase (of € 5,147 thousand) compared to 2017. The amortization of the TBM and other investments for the excavation of the Santa Lucia tunnel, attributed to the income statement of the Company based on linear distance excavated, amounted to € 13,848 thousand. 42.90% of the excavation works had been completed by 31 December 2018.

In 2018, the Company recorded a provision for risks and charges totalling €1,750 thousand, a decrease of €2,223 thousand compared to 2017. This amount includes:

- the provision for disputes with suppliers the outcome of which is expected to be unfavourable (€1,018 thousand);
- the provision for employment disputes (€161 thousand);
- the provision for contractual costs, mainly referring to the disposal of milled waste (€291 thousand);
- the provision for environmental recovery disputes (€200 thousand);

A provision was made for the depreciation of unusable receivables or ones that are difficult to recover for €237 thousand.

As a result of the movements shown above, the Operating Balance (EBIT) worsened by € thousand 45,910 compared to 2017.

The net financial charges decreased by €201 thousand compared to last year, as a result of the combined effect of the reduction:

- of the total charges to the banking system for short-term payables (€506 thousand) due to the lesser recourse to debts by the Company in 2018;
- of the financial income (€255 thousand), following the receipt of the credit claimable from Autostrade Centro Padane in April 2018, which was interest bearing.

The costs accrued on the loan paid out by CACIB for the purchase of the TBM, valued at amortized cost, amounted to € 867 thousand, in line with those recorded in 2017. This amount also includes the cost of derivative financial instruments concerning the loan contract. The interest accrued on the inter-company joint bank account was also in line, amounting to €802 thousand.

The Company closed the financial year with less net financial indebtedness compared to 31 December 2017; in particular, there was less exposure towards the banking system and greater use of the credit lines on the bank accounts held by ASPI and Atlantia.

The value adjustments of the financial assets include income of €13 thousand concerning the fair value recording of the floor type derivative incorporated in the above loan and the €9 thousand cost for the Interest rate swap part considered as not for hedging.

The fiscal income attributable to the financial year amounted to €6,065 thousand, due to the provision for fiscal consolidation income of €5,861 thousand, income from previous years' taxes of €410 thousand and the net charges for deferred taxes of €204 thousand.

The 2018 result is negative by €16,205 thousand (profits of €15,794 thousand in 2017).

ANALYSIS OF THE INCOME RESULTS

Thousands of Euros

	2018	2017	Differences	
			Value	%
Revenue from works	331,645	339,660	(8,015)	(2.36)
Other revenue from sales and services	836	1,598	(762)	(47.68)
Other revenue and income	4,054	8,771	(4,717)	(53.78)
A. TOTAL REVENUE	336,535	350,029	(13,494)	(3.86)
Change in work in progress to order	(45,567)	39,128	(84,695)	216.46
B. "TYPICAL" PRODUCTION VALUE	290,968	389,157	(98,189)	(25.23)
External production costs	(225,028)	(281,238)	56,210	(19.99)
Other costs	(1,904)	(1,967)	63	(3.20)
C. ADDED VALUE	64,036	105,952	(41,916)	(39.56)
Net cost of employment	(60,992)	(59,532)	(1,460)	2.45
D. GROSS OPERATING PROFIT (EBITDA)	3,044	46,420	(43,376)	93.44
Amortizations	(21,440)	(16,293)	(5,147)	31.59
Other allocations for adjustments	(237)	(627)	390	(62.20)
Allocations to the provision for risks and charges	(1,750)	(3,973)	2,223	(55.95)
E. OPERATING PROFIT (EBIT)	(20,383)	25,527	(45,910)	179.85
Financial income and expenses	(1,811)	(2,093)	282	(13.47)
Profits and losses on exchange rates	(80)	1	(81)	(8,100.00)
Value adjustments of financial assets	4	143	(139)	97.20
F. PROFIT/(LOSS) BEFORE TAX	(22,270)	23,578	(45,848)	194.45
Taxes on financial year income, current, deferred and prepaid taxes	6,065	(7,784)	13,849	(177.92)
H. PROFIT FOR THE YEAR	(16,205)	15,794	(31,999)	202.60

RECLASSIFIED BALANCE SHEET (as per table on page 25)

The “**Invested capital less the financial year liabilities and M/L term provisions for risks and charges**” as at 31/12/2018 amounted to € 146,363 thousand (€ 192,164 thousand as at 31/12/2017). The item is detailed as follows:

“**Fixed assets**” amounting to € 81,996 thousand as at 31/12/2018, this item decreased by € 16,068 thousand compared to 31/12/2017 (€ 98,064 thousand), mainly as a result of the following changes:

- the decrease of €21,440 thousand in amortizations for the year;
- new investments in tangible fixed assets of € 7,830 thousand and in intangible fixed assets of €37 thousand;
- adjustments for investments as at 31 December 2017 of €2,372 thousand;
- disposal of tangible fixed assets for €123 thousand net of the relevant funds;

“**Working capital**” amounting to € 67,969 thousand as at 31/12/2018; with respect to 31/12/2017, this item underwent a decrease of € 30,258 thousand mainly consisting of the combined effect of the variations to the following items:

- increase in the warehouse inventories (€ 5,354 thousand), mainly attributable to the operating requirements of the Barberino Lot 2 contract and the contracts awarded by ADR;
- increase of € 41,810 thousand in ongoing works to order; The change is mainly attributable to the invoicing and receipt during the financial year:
 - of the payments deriving from the Transaction Deed by which Autostrade per l’Italia recognised €28,153 thousand to Pavimental for the balance and settlement of all claims, demands and reserves concerning the application of the discounts defined by the MIT on the 3 lots for Extension to the third lane Barberino di Mugello - Incisa di Valdarno, in the section Barberino di Mugello - Florence North;
 - the payments deriving from the Settlement Agreement signed with the Contractor Autostrade per l’Italia for the definition of reserves on the Barberino Lot zero contract for €19,794 thousand;

These effects are partially compensated by the increase in activities in the area of Fano Infrastrutture (€2,532 thousand) and towards Aeroporti di Roma (€7,537 thousand);

- the reduction of €10,071 thousand in the trade receivables, mainly due to the reduction in significant receivables from Autostrade per l'Italia (€ 6,907 thousand) and Autostrade Meridionali (€1,445 thousand) as a result of the dynamic of invoicing and receiving the works completed and those claimable from Autostrade Centro Padane recorded in previous years and received in April (€ 6,786 thousand), partly compensated by the receivables from Aeroporti di Roma (€7,122 thousand);
- the increase of €5,276 thousand in other liabilities, mainly due to the inclusion of VAT payable (receivable as at 31 December 2017).

These changes were partially compensated by

- the decrease on €13,449 thousand in the trade payables, as a result of less activities being carried out and the consequent lowering of the overall value of the payables;
- the increase of €8,408 thousand in other assets. This increase is essentially attributable to the inclusion of the receivables from Atlantia S.p.A. for the transfer of the tax loss recorded in 2018, due to the subscription of the Group to the consolidated tax regime and the recording of advance payments to suppliers.

The “**Medium and long-term provisions for risks and charges**” amounted to €3,602 thousand (€ 4,127 thousand as at 31/12/2017) and decreased by € 525 thousand due to the use of the employee severance fund for personnel leaving the company.

The “**Equity**” amounted to €15,011 thousand (€31,477 thousand as at 31/12/2017), recording a decrease of €16,466 thousand, mainly as a result of the financial year loss.

As at 31/12/2018, the Company has a positive “**Net financial position**” (Net financial indebtedness) of € 131,352 thousand (€ 160,687 thousand as at 31/12/2017) a reduction of € 29,335 thousand.

The payables to banks for the loans granted by CACIB and UBI Banca for the purchase of the TBM and accessories decreased by €7,469 thousand as a result of the payback envisaged by the amortization plans.

The dynamics of amounts received in late 2018 affected the decrease in short-term debts to the banking system (€ 34,655 thousand), partially compensated by an increase in the use of the intercompany credit lines (€13,030 thousand).

ANALYSIS OF THE EQUITY STRUCTURE

Thousands of Euros

	31.12.2018	31.12.2017	Differences	
			Value	%
A. FIXED ASSETS				
Intangible Assets	119	174	(55)	(31.61)
Tangible Assets	76,485	92,498	(16,013)	(17.31)
Financial Assets	5,392	5,392		
	81,996	98,064	(16,068)	(16.39)
B. FINANCIAL YEAR CAPITAL				
Warehouse inventories	130,481	166,937	(36,456)	(21.84)
Trade receivables	28,916	38,987	(10,071)	(25.83)
Other assets	37,510	29,102	8,408	28.89
Trade payables	(102,191)	(115,640)	13,449	(11.63)
Provision for risks and charges	(9,006)	(8,694)	(312)	3.59
Other liabilities	(17,741)	(12,465)	(5,276)	42.33
	67,969	98,227	(30,258)	(30.80)
C. INVESTED CAPITAL				
less financial year liabilities (A + B)	149,965	196,291	(46,326)	(23.60)
D. PROVISION FOR MEDIUM AND LONG-TERM RISKS AND CHARGES				
Employee severance fund for subordinate employment	3,602	4,127	(525)	(12.72)
	3,602	4,127	(525)	(12.72)
E. INVESTED CAPITAL				
less financial year liabilities and provision for medium and long-term risks and charges: (C - D)	146,363	192,164	(45,801)	(23.83)
Hedged by:				
F. EQUITY				
Share capital paid-up	10,116	10,116		
Reserves and profits (losses) brought forward	21,100	5,567	15,533	279.02
Financial year profits (losses)	(16,205)	15,794	(31,999)	(202.60)
	15,011	31,477	(16,466)	(52.31)
G. NET MEDIUM AND LONG-TERM FINANCIAL DEBTS				
Medium and long-term financial Assets /Liabilities	26,945	34,414	(7,469)	(21.70)
	26,945	34,414	(7,469)	(21.70)
H. NET SHORT-TERM FINANCIAL DEBTS				
(Net cash on hand)				
Short-term financial payables	128,391	132,417	(4,026)	(3.04)
Short-term cash and financial receivables	(23,984)	(6,144)	(17,840)	(290.36)
	104,407	126,273	(21,866)	(17.32)
TOTAL NET FINANCIAL (AVAILABILITY) DEBTS (G + H)	131,352	160,687	(29,335)	(18.26)
I. TOTAL, AS IN E				
(F + G + H)	146,363	192,164	(45,801)	(23.83)

INVESTMENTS

The investments made during the course of 2018 amounted to €7,867 thousand.

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

€ thousands	Fixed assets Intangible	Fixed assets Tangible	Total
- Improvement of third party assets			
- Application Software	37		37
- Software licences			
- State grants			
- Land and industrial buildings		741	741
- Plant and machinery		5,503	5,503
- Lorries and vehicles in support of operating activities		911	911
- Other tangible fixed assets		119	119
- Assets under construction and payments on account		556	556
	<hr/> 37	<hr/> 7,830	<hr/> 7,867

QUALITY SYSTEM

Activities concerning Quality were very intense in 2018.

Specifically:

- the company's Quality System was subjected to an overall audit by a third party and also as regards the annual surveillance according to regulation ISO 9001. No criticalities were found and the certificates are thus currently valid, expiring on 31 October 2020;
- the FPC (Factory Production Control) certificate was awarded in March for the production of concrete-based conglomerates at a new facility located near Leonardo da Vinci airport in Fiumicino. The annual inspection for maintaining the FPC certificate awarded during 2017 was also conducted.
- the FPC certificates for bitumen modified from polymers at the facilities of the Operating Units of Loreto, Magliano Sabina and Zola Predosa (Bologna) were the subject of annual surveillance, as provided by harmonised standard UNI EN 14023;
- similarly, in fulfilment of that required by standard UNI EN 13108, the internal and external surveillance audits were carried out on all the currently certified operating units of Pavimental;

- the FPC certificate according to the optional scheme for production of Cement Bound Granular Mixtures was renewed;
- training activities for personnel at headquarters and on worksites were planned and carried out, with in hall activities and training on the job. Internal and external audits were conducted on the main infrastructural highway worksites, on suppliers of construction products and on all airport activities. Overall, there were about 70 first and second party audits and about 10 inspections on Company working areas;
- during the course of 2018, the main system documents as regards the corporate operating processes were updated according to the company's Quality System. The Quality Manual was also monitored and updated;
- as regards the “Make it Sustainable” Sustainability certification, an audit was conducted in May 2018 for the annual maintenance of the certificate awarded to the Operating Unit in Zola Predosa. The audits concerning the certification of the Barberino Infrastrutture Operating Unit for its triennial renewal were conducted in May and November 2018.

HUMAN RESOURCES

From an **organizational viewpoint**, 2018 was a year of consolidation as regards the enhancement and rationalisation of the operations started in 2017.

The main organizational changes implemented during the year were:

- the setting up of a new Technical Head Office, Infrastrutture Est, merging the works of the Marche Area unit and Roncobilaccio Infrastrutture;
- the merger of Firenze Infrastrutture into Barberino Infrastrutture, which took the name of Infrastrutture Toscana;
- the creation of a new department called New Technologies and Equipment, into which the Machines and Systems Unit merged;
- the merger of all Staff activities under the direct management of the Chief Executive Officer: Administration and Financial Statements, HR, Organization and IT, Business Controlling, Legal and Corporate;
- the merger under the direct management of the General Manager of all the Technical Departments and all activities directly related to the operating processes. (for example Machines and Systems, Security, Environment and Quality, Reserves Management, etc.).

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

As regards the **disclosure systems**, 2 important projects must be highlighted concerning the adjustment to the future obligation of electronic billing between companies introduced by the 2018 State Budget and the optimisation of the process of electronic management of procurement requests.

Despite the recovery of the percentage of works awarded in house, as a result of the approval of the 2017 State Budget, in 2018, the Company was not awarded, by express refusal for the year in question by the MIT, of the activities for the maintenance of the road network managed by ASPI. Said failure generated a significant fall in production and an excess of human resources employed in the maintenance sector. As a result, **Industrial Relations** in 2018 essentially involved the management of such problems, culminating in the opening of the CIGS procedure at the national level, aimed at all personnel involved in maintenance activities; this procedure is disciplined by the 17 May 2018 agreement with all national operators in the sector, during coordination. The respect of this agreement has implied, among other aspects, the commitment to honour interventions supporting the income agreed therein (such as paying indemnities for “failed rotation”) and the commitment to favour and finalise a plan for voluntary redundancy, in the form of incentives to leave or dismissal on a non-opposable basis. For the management and operating of these two types of redundancy, a series of territorial and centralised Trade Union agreements were discussed and finalised from May to November 2018, by force of which the dual result of reducing excess personnel and non-conflictuality has been achieved.

As regards the infrastructures sector more specifically, with particular reference to the Tuscany area and tunnel excavating, Industrial Relations focused on the management of the CIGO procedure involving the Barberino Infrastrutture worksite from April 2018 for about 12 weeks, as a result in the temporary stoppage of works caused by the breakdown of the TBM. Another problem in terms of Industrial Relations, again at the Barberino Infrastrutture worksite, was that of the composition, during territorial Trade Union discussions and at the Prefecture of Florence, over nine months, of the demands for remuneration and contribution claims by about 40 workers, employees of subcontractors, for joint liability charged to Pavimental.

Furthermore, at the end of the year, discussions were started with the territorial Operating Structures in Fiumicino aimed at sharing, in a climate of collaboration, the management and reallocation solutions for Pavimental staff allocated to tenders ongoing at the airport.

Regarding the aspects concerning the **Selection** of human resources, 215 new working positions opened up in 2018, of which 44 were filled by internal candidates, which also promoted horizontal and vertical mobility processes. Of specific relevance were the programmes for the selection and insertion of staff skilled in mechanised excavation, for the completion of the workforce involved in the realisation of the Santa Lucia tunnel, and resources specialised in technological construction for the realisation of the tenders awarded by Aeroporti di Roma.

In the framework of infra-group mobility, following the start of the CIGS involving staff in the maintenance sector, internal selections have filled the vacant positions within the Companies in the Group, which has so far led to the secondment of 15 resources.

Objectives for the **Development** of professional skills were pursued during the course of the year, through managerial development courses for executive management staff and the review, in collaboration with the executive managers, of the Performance Management system aimed at identifying, measuring and developing services in line with the corporate strategic objectives. Subsequently, management and seventh level staff were trained on the use of the new took and will experiment it during the course of next year.

As regards Training, a training plan was implemented, dedicated to the maintenance staff involved in the Cigs, aimed at acquiring new or renewed technical and specialist skills which will enable them to be employed in other infrastructural and/or airport activities or requests from Companies in the Group. In addition to in-hall training, the plan involves on the job training aimed at transferring technical skills. 87 resources were involved in the training process during the course of 2018.

The enhancement of the corporate culture as regards safety in the workplace, environmental protection and quality also continued. Particular focus was placed on training and updates on new regulations and techniques of interest to the company, such as electronic billing, the laws concerning anti-corruption and privacy and Building Information Modelling.

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

A total of about 10,000 hours of training were carried out during 2018.

The following table compares the company workforce as at 31 December 2018 and 2017 respectively, in consideration of the different types of continuing and fixed-term employment contracts:

	31 December 2018			31 December 2017			
	CONT.	FT	TOTAL	CONT.	FT	TOTAL	Delta
Executives	9		9	9		9	
Managers	24	2	26	25	2	27	(1)
Office workers	264	5	269	278	8	286	(17)
Manual workers	504	154	658	540	110	650	8
	<u>801</u>	<u>161</u>	<u>962</u>	<u>852</u>	<u>120</u>	<u>972</u>	<u>(10)</u>

As regards the average remunerated workforce, 2018 closed with an average of 862.22 units compared to 887.61 in 2017.

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

	2018			2017			
	CONT.	FT	TOTAL	CONT.	FT	TOTAL	Delta
Executives	9.00		9.00	7.83		7.83	1.2
Managers	24.80	2.00	26.80	25.33	1.98	27.31	(0.5)
Office workers	266.32	7.55	273.87	277.27	12.39	289.66	(15.8)
Manual workers	428.28	124.27	552.55	454.42	108.39	562.81	(10.3)
	<u>728.40</u>	<u>133.82</u>	<u>862.22</u>	<u>764.85</u>	<u>122.76</u>	<u>887.61</u>	<u>(25.39)</u>

SUBSIDIARIES AND CONSORTIUM COMPANIES

Pavimental Est (in liquidation)

Headquarters in Moscow

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

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

Pavimental Polska Sp.z o.o

Head office in Trzebinia
Share Capital 3,000,000 PLN
Holding 100%.

Production activities are focused on the performance of:

- works linked to contract HM-3-2016 Resurfacing 2016-2017 on the A4 Katowice-Krakow highway, acquired on 05/02/2016. The contract, in consortium with Pavimental SpA.(leader Pavimental Polska), was originally valued at 38.5 million PLN, changed to 44.9 million PLN in subsequent variation orders. The new deadline for the works has been set at 30/04/2019, compared to the contractual deadline of 31/10/2017. As at 31/12/2018, works had been completed for a progressive production value of 43.5 million PLN, of which 3.4 million PLN by Pavimental;
- works linked to contract F2b-6-2014 Silesia Drainage part II on the A4 Katowice-Krakow highway, acquired on 01/04/2016. The contract, in consortium with Pavimental SpA.(consortium leader), was originally valued at 22.4 million PLN, changed to 28.7 million PLN in subsequent variation orders (4 being formalised). The work was completed as at 31/12/2018.
- works linked to contract ROM48 Renovation of piers on the Bridge M48 on the A4 Katowice-Krakow highway, acquired on 04/07/2017. The contract was originally valued at 20.4 million PLN, changed to 20.7 million PLN in subsequent variation orders. The contractual deadline is on 25/11/2019. As at 31/12/2018, works had been completed for a progressive production value of 14.2 million PLN;
- works for the road surfacing contract Batalionow Chlopsky to Krzeszowice acquired on 20/07/2018, for a value of about 4 million PLN (contract to measure). The work was completed and tested on 30/11/2018;
- works linked to the contract for the construction of the Libiaz roundabout, acquired on 20/07/2018. The contract is worth 3.3 million PLN. Due to an extension formalised by the contractor, the new deadline for the works has been set at 31/05/2019, compared to

the contractual deadline of 18/12/2018. As at 31/12/2018, works had been completed for a progressive production value of 1.9 million PLN;

- works linked to the contract for the surfacing of the Braci and 11 Listopada roads in Sosnowiec, acquired on 07/08/2018. The contracts are valued at 5.8 million PLN, which was changed to 5.4 million PLN as a result of project changes to the works on to be carried out on the 11 Listopada road and subsequent annexes. The contractual deadline originally set as 16/11/2018 has been changed to 07/12/2018 as a result of the project changes. A contract annex was signed on 11/01/2019 suspending the works and relevant fines from 22/12/2018 due to unfavourable weather conditions. As at 31/12/2018, works had been completed for a progressive production value of 4.2 million PLN;

As at 31 December 2018, the loan granted by Pavimental S.p.A. amounted to 3 million PLN, as a result of the use of the credit line made available for the consortium works in the HM-3-2016 contract.

As at 31 December, the workforce was 44 units, of which 17 office workers and 27 labourers.

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

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

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

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

The Company entered liquidation on 12 June 2013.

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

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

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

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

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

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

The consortium entered liquidation on 14 May 2018.

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

Headquarters in Tortona (AL)

Share capital €510,000

Holding 30%

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

Galileo S.c.a r.l. (in liquidation)

Headquarters in Perugia

Share capital €10,000

Holding 40%

The works at Pisa airport were completed in 2008.

The consortium members Pavimental S.p.A., Todini S.p.A. and Ediltevere S.p.A. hold 40%, 40% and 20% respectively of the capital quotas. The testing certificate was released on November 18, 2010. The S.c.a r.l. entered liquidation in November 2012 and its cancellation from the Companies Register is still pending.

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

Headquarters in Tortona (AL)

Share capital €10,000

Holding 49%

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

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

Società Tangenziale Esterna S.p.A.

Headquarters in Milan

Share Capital €464,945,000

Holding 1%

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

Consorzio Costruttori TEEM

Headquarters in Milan

Share capital €10,000

Holding 1%

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

As at 31 December 2018, activities were mostly concluded.

Consorzio Lambro

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

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

As at 31 December 2018, activities were mostly concluded.

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

€ thousands

Economic relations	2018	2017	Diff.
<u>Ordered works</u>			
Consorzio R.F.C.C. in liquidation		1,034	(1,034)
Pavimental Polska	103	381	(278)
Consorzio Costruttori TEEM		146	(146)
Consorzio Lambro		152	(152)
	103	1,713	(1,332)
<u>Other revenue</u>			
Consorzio Lambro		227	(227)
Consorzio R.F.C.C. in liquidation		118	(118)
Pavimental Polska	10	197	(187)
Consorzio Trinacria in liquidation		40	(40)
	10	582	(572)
<u>Service costs</u>			
Consorzio Ramonti in liquidation	6	7	(1)
Consorzio Elmas in liquidation	1	4	(3)
Consorzio R.F.C.C. in liquidation	78	1,168	(1,090)
Consorzio Costruttori TEEM	24	145	(121)
Consorzio Lambro	84	44	40
Consorzio CAIE	5	5	
Pavimental Polska	1,346	3,653	(2,307)
	1,544	5,026	(3,482)
<u>Other costs</u>			
Consorzio R.F.C.C. in liquidation	43		43
Consorzio Ramonti in liquidation	7		7
Consorzio Galileo in liquidation	1		1
Consorzio Costruttori TEEM	117		117
Consorzio Lambro	26		26
	194		194
<u>Financial income</u>			
TE Tangenziale Esterna di Milano	139	139	
Pavimental Polska	11	10	1
	150	149	1

€ thousands

Equity relations	31 December 2018	31 December 2017	Difference
<u>Trade receivables and assets under construction</u>			
Consorzio R.F.C.C. in liquidation	3,160	3,190	(30)
Consorzio Costruttori TEEM	344	579	(235)
Consorzio Lambro	2,317	2,307	10
Consorzio Galileo in liquidation		195	(195)
Consorzio Elmas in liquidation	548	548	
Pavimental Polska	22	15	7
Consorzio RFCC in liquidation	124	124	
	6,515	6,958	(443)
<u>Financial receivables</u>			
TE Tangenziale Esterna di Milano	1,618	1,480	138
Consorzio Ramonti in liquidation	156	107	49
Consorzio Elmas in liquidation	1,030	1,030	
Pavimental Polska	697	2,272	(1,575)
Pavimental Est in liquidation	383	349	34
Consorzio RFCC in liquidation	2,291	2,291	
Consorzio R.F.C.C. in liquidation	20	20	
	6,195	7,549	(1,354)
<u>Other receivables</u>			
Consorzio R.F.C.C. in liquidation		30	(30)
Consorzio Elmas in liquidation	2	2	
Consorzio Ramonti in liquidation	142	155	(13)
	144	187	(43)
<u>Trade payables</u>			
Consorzio Costruttori TEEM	247	315	(68)
Consorzio Galileo in liquidation		180	(180)
Consorzio Elmas in liquidation	1,444	1,446	(2)
Consorzio Lambro	486	440	46
Pavimental Polska		1,171	(1,171)
Consorzio R.F.C.C. in liquidation	2,660	2,602	58
	4,837	6,154	(1,317)

REGISTERED ADDRESSES, SECONDARY OFFICES AND LOCAL UNITS

The following are the registered addresses:

REGISTERED ADDRESS

ROME - Via Giuseppe Donati no. 174

SECONDARY OFFICES AND LOCAL UNITS

Worksites:

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

MANAGEMENT OUTLOOK

An increase of value of production is foreseen during the 2019 financial year, mainly due to:

- the recovery of road surfacing maintenance of the ASPI network, which is expected to begin in the second half of the year;
- the infrastructural contracts with ASPI, as a result of the excavation of the S. Lucia tunnel and the extension to the third lane between Florence South and Incisa; the lifetime revenues on some ASPI contracts include works for about 25 million Euros to be finalised and regulated in financial terms by the contractors during the next financial year;
- the airport contracts with ADR, which include the entry into operation of two new works concerning the westward expansion of Terminal 1 (Lot 2 Part A - third section) and reconfiguration of boarding area C (AIC) and the new boarding area D node (NID) at Fiumicino airport (FCO). These increased volumes compensate the completion of the contracts concerning the Aprons.

In the event that the scenario envisaging the reprisal of the highway road surfacing maintenance activities does not materialise, management believes that the possible negative impacts on the financial statements for the 2019 financial year could be such as to reduce the equity of the Company, but ensuring a value compatible with the requirements of the Civil Code.

At the same time, it must be highlighted that the Company has prudentially not taken into consideration the effects of new contracts, either from the Group through urgent procedures or from third parties by participation in tenders and those deriving from the registration of works reserves, in preparing the 2019 budget.

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

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

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

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

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

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

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

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

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

Other information ex art. 2428 of the Civil Code

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

INFORMATION ON THE APPLICATION OF LEGISLATIVE DECREE No. 196/03

The primary objective during 2018 as regards the management of privacy by Pavimental was the definitive acknowledgement in May on the rules as reformed by EU Regulation 679/2016, also known as the GDPR.

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

- the setting up of the data processing register;
- the review of all types of disclosure;
- the review of the Privacy organization chart;
- the actualisation of the appointments of those authorised to process personal data inside and outside of the Data Controller Pavimental;
- the preparation or Privacy Impact Assessments of the new processes on the security of personal data;
- the adjustment of all signage concerning the video surveillance systems in the various production sites, etc.;

In accordance with the guidelines of the Atlantia Group, the DPO - Data Protection Officer - has been appointed and the Guarantor advised of such; AI Comply has been identified as the DPO.

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

Lastly, the year ended with the preparation and sharing with the DPO of the programme and scheduling for 2019 of additional specific action for the proper maintenance of the new Privacy model, including that aimed at preparing and distributing an update disclosure form for the staff of Pavimental.

INFORMATION ON THE APPLICATION OF LEGISLATIVE DECREE No. 231/01

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

- Avv. Nicola Selvaggi Coordinator
- Mr. Bruno Ciappina Member
- Gen. Franco Mottola Member (replaced Arch. Rossella Degni on 28/02/2017)

In consideration of the reformulation of the criminal circumstance in art. 603-bis of the Penal code “Illegal recruiting and exploitation” (so-called “Gangmaster system”), the modifications to the crime of corruption between individuals with the introduction of the new crime of “Instigation of corruption between individuals”, and in adherence to Law 179 of 30 November 2017 containing “Dispositions for the protection of those who report the crimes or irregularities that they become aware of during public or private working relations”, the Company, assisted by the external consultant PwC, has updated the mapping of the company processes exposed to these crimes, and modified and integrated the 231 Organizational Model.

The Board monitored the functioning and updating of company procedures and promoted checks by the Internal Audit department - which were promptly carried out - with respect to the awarding of subcontracts, with a focus on the flow of information between persons bound to do so pursuant to the Consolidation Act on safety matters and also concerning “Reserves Management”.

The Board also entrusted an external consultancy firm - Golder Associates s.r.l. - with carrying out an environmental audit of the Florence - lot 1 North worksite.

Certificate of attestation (SOA)

The preliminary procedure was started in 2018 for the five-yearly renewal of the Certificate issued on 22/01/2019 under no. 30634/17/00 for the Certification Company La Soatech S.p.A., meaning the attestation now expires on 21/01/2014.

This renewal introduces the following new categories: OG12 (Environmental clearance and protection works and systems) in classification III, OS19 (Telecommunications and data transmission and processing networks) in classification I and OS 30 (Internal electrical, radiotelephone and television systems) in classification III.

The expansion of the following categories was also recognised:

<i>Category</i>	<i>from Classification</i>	<i>to Classification</i>
OG7 (Maritime works and drainage works)	III	III-bis
OG10 (Plants for transforming high and medium voltage)	III-bis	V
OG13 (Landscape engineering works)	II	IV-bis
OS10 (Non-luminous road signage)	IV	V
OS23 (Demolition of works)	II	IV
OS24 (Green and urban areas)	III-bis	VI

Lastly, the classification of the following categories was changed:

<i>Category</i>	<i>from Classification</i>	<i>to Classification</i>
OG6 (Aqueducts, irrigation works)	V	IV-bis
OG11 (Technological systems)	V	IV-bis
OS11 (Special structural equipment)	VI	V

The updating of the Technical Managers of the Company was also done in the same Certificate.

Financial Statements

Balance Sheet

and

Income Statement

BALANCE SHEET

ASSETS

31/12/2018

31/12/2017

A) Receivables from shareholders for amounts unpaid

B) Fixed Assets:

I - Intangible Assets:

1) Plant and development costs

3) Industrial patents and intellectual property rights

4) Concessions, licenses, trademarks and similar rights

7) Others

46,427

56,665

16,391

119,483

71,434

78,087

24,586

174,108

II - Tangible Assets:

1) Land and buildings

7,288,897

7,696,469

2) Plant and machinery

63,015,545

73,079,202

3) Industrial and commercial equipment

3,678,295

4,412,599

4) Other assets

649,399

853,164

5) Fixed assets under construction and advance payments

1,852,642

76,484,778

6,456,061

92,497,495

III - Financial Assets:

1) Investments in:

(*)

5,391,872

(*)

5,391,872

a) subsidiaries

726,722

726,722

b) associates

8,900

8,900

d - bis) other companies

4,656,250

4,656,250

2) Receivables:

— — 3,329,427

— — —

3,559,309

a) from subsidiaries

1,447,848

— — —

1,800,416

d) from subsidiaries of the parent company

3,792

— — —

3,792

d - bis) from others

1,877,787

— — —

1,755,101

4) derivative financial instruments

— — —

8,721,300

— — — 8,951,181

TOTAL FIXED ASSETS (B)

85,325,561

101,622,784

C) Current assets:

I - Inventories:

1) Raw and auxiliary materials and consumables

19,691,946

14,337,981

3) Work in progress to order

151,668,073

171,360,018

197,240,145

211,578,126

II - Receivables:

1) from customers

7,053,864

15,024,102

2) from subsidiaries

2,431,334

2,183,059

3) from associates

2,713,247

2,871,803

4) from the parent company

9,175,541

4,082,129

5) from subsidiaries of the parent company

21,302,401

23,232,046

5 - bis) tax receivables

3,671,676

4,357,737

5 - ter) prepaid taxes

4,563,655

4,732,110

5 - quater) from others

15,592,598

66,504,316

— — —

10,054,027

66,537,012

III - Financial Assets not constituting fixed assets:

5) derivative financial instruments

— — —

— — —

6) other securities

— — —

— — —

IV - Cash and cash equivalents:

1) bank and postal deposits

19,395,688

1,796,055

3) cash and cash equivalents

9,591

19,405,279

10,889

1,806,944

TOTAL CURRENT ASSETS (C)

257,269,613

279,922,082

D) Accrued expenses and other prepayments

4,522,755

5,990,268

TOTAL ASSETS

347,117,929

387,535,135

(*) Due within next financial year

(**) Due after next financial year

BALANCE SHEET

LIABILITIES

	31/12/2018	31/12/2017
A) Net equity:		
I - Capital	10,116,452	10,116,452
II - Share premium reserve	4,622,072	4,622,072
IV - Legal reserve	1,913,444	1,123,727
VI - Other reserves indicated separately:		
Reserve for unrealised gains on exchange rates	-266,404	-156,794
Conversion reserve		
Payments on account for capital increases		
VII - Reserve for transactions hedging flows for expected financial revenues	-173,616	-22,058
Profits (losses) retained	15,004,619	
IX- Profits (losses) for the financial year	-16,205,071	-15,794,335
	<u>15,011,496</u>	<u>31,477,734</u>
B) Provisions for risks and charges:		
2) For taxes, including deferred taxes	85,309	84,095
3) derivative financial instruments	464,022	282,878
4) others	8,456,339	8,328,325
	<u>9,005,671</u>	<u>8,695,297</u>
C) Employee severance fund	<u>3,601,920</u>	<u>4,126,935</u>
D) Payables:		
4) payables to banks	22,523,418	30,489,551
4) payables to other creditors		
6) advance payments	40,899,069	44,741,253
7) payables to suppliers	94,828,932	107,199,352
9) payables to subsidiaries	5,328,154	5,219,218
10) payables to associates	1,220	179,765
11) payables to the parent company	1,347,236	230,320
11 - bis) payables to subsidiaries of the parent company	129,579,261	118,305,622
12) tax payables	5,537,987	1,364,218
13) payables to social security and welfare institutes	1,073,238	1,240,155
14) other payables	10,300,469	9,369,648
	<u>319,385,117</u>	<u>343,093,281</u>
E) Accrued expenses and other prepayments	<u>113,726</u>	<u>141,888</u>
TOTAL LIABILITIES	<u>347,117,929</u>	<u>387,535,135</u>

(*) Due within next financial year

(**) Due after next financial year

INCOME STATEMENT	2018	2017
A) Production value:		
1) revenue from sales and services	332,480,943	341,258,514
3) changes to work in progress on order	- 45,567,296	39,128,264
4) increases in fixed assets for internal work		3,915,676
5) other revenue and income	11,063,621	13,085,657
Total production value	<u>297,977,268</u>	<u>397,388,112</u>
B) Production costs :		
6) for raw and auxiliary materials, consumables and goods	108,161,153	122,741,581
7) for services	125,519,799	170,039,198
8) for use of third party assets	1,097,174	1,048,339
9) for staff		
a) salaries and wages	41,558,196	40,711,091
b) social security costs	15,747,853	15,818,298
c) employee severance fund	2,748,799	2,521,307
d) pension and similar costs	484,635	514,396
e) other costs	<u>2,623,198</u>	<u>63,162,681</u>
10) amortizations and depreciations:		
a) amortization of intangible fixed assets	91,625	157,079
b) depreciation of tangible fixed assets	21,348,047	16,135,673
d) provision on bad debts reserve		
	<u>236,967</u>	<u>21,676,638</u>
11) changes in inventories of raw and auxiliary materials, consumables and goods	- 5,353,965	- 6,328,285
12) provisions for risks	1,259,106	2,233,124
13) other provisions	490,800	1,740,251
14) other operating costs	<u>2,347,843</u>	<u>2,240,443</u>
Total production costs	<u>- 318,361,229</u>	<u>- 371,862,130</u>
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A-B)	<u>-20,383,961</u>	<u>25,525,981</u>
C) Financial revenues and expenses :		
15) income from equity investments:		
subsidiaries		
associates		
16) other financial income:		
a) from receivables booked under fixed assets		
other	138,690	140,680
d) other income		
from subsidiaries	10,705	9,774
from associates		
from subsidiaries of the parent company		
other	<u>97,122</u>	<u>246,517</u>
17) interest and other financial charges:		
to subsidiaries		
to associates		
to parent company	263	
to subsidiaries of the parent company	801,567	842,802
other	<u>1,255,951</u>	<u>- 2,057,781</u>
17 - bis) profits and losses on exchange rates	- 79,385	610
Total financial income and expenses	<u>- 1,890,648</u>	<u>- 2,091,801</u>
D) Value adjustments of financial assets and liabilities :		
18) revaluations		
a) of equity investments		
d) of derivative financial instruments	<u>13,214</u>	<u>13,214</u>
19) write-downs		
a) of equity investments		
d) of derivative financial instruments	<u>-8,772</u>	<u>-8,772</u>
Total value adjustments of financial assets and liabilities	<u>4,442</u>	<u>143,671</u>
Pre-tax result	<u>-22,270,167</u>	<u>23,577,851</u>
20) taxes due on financial year income, current, deferred and prepaid taxes		
a) Current taxes	- 1,860	- 6,816,910
b) Taxes concerning previous years	410,007	- 201,219
c) Deferred and prepaid taxes	- 203,698	- 765,386
d) Income from fiscal consolidation	5,860,648	
Total taxes due on financial year income, current, deferred and prepaid taxes	<u>6,065,096</u>	<u>- 7,783,516</u>
21) Financial year profits (losses)	<u>-16,205,071</u>	<u>15,794,335</u>

BALANCE SHEET

ASSETS

31/12/2018

31/12/2017

A) Receivables from shareholders for amounts unpaid

B) Fixed Assets:

I - Intangible Assets:

1) Plant and development costs	46	71
3) Industrial patents and intellectual property rights	57	78
4) Concessions, licenses, trademarks and similar rights	16	25
7) Others	119	174

II - Tangible Assets:

1) Land and buildings	7,289	7,697
2) Plant and machinery	63,016	73,079
3) Industrial and commercial equipment	3,678	4,413
4) Other assets	649	853
5) Fixed assets under construction and advance payments	1,853	6,456
	76,485	92,498

III - Financial Assets:

1) Investments in:	(*)		(*)
a) subsidiaries	727	5,392	5,392
b) associates	9		9
d - bis) other companies	4,656		4,656
2) Receivables:		3,329	
a) from subsidiaries	1,448		1,800
d) from subsidiaries of the parent company	4		4
d - bis) from others	1,877		1,755
4) derivative financial instruments		8,721	
TOTAL FIXED ASSETS (B)		85,325	101,623

C) Current assets:

I - Inventories:

1) Raw and auxiliary materials and consumables	19,692	14,338
3) Work in progress to order	151,668	197,240
	171,360	211,578

II - Receivables:

1) from customers	(**) 7,054	(**) 15,024
2) from subsidiaries	2,431	2,183
3) from associates	2,713	2,872
4) from the parent company	9,175	4,082
5) from subsidiaries of the parent company	21,302	23,232
5 - bis) tax receivables	3,672	4,358
5 - ter) prepaid taxes	4,564	4,732
5 - quater) from others	15,593	10,054
	66,504	66,537

III - Financial Assets not constituting fixed assets:

5) derivative financial instruments		
6) other securities		

IV - Cash and cash equivalents:

1) bank and postal deposits	19,396	1,796
3) cash and cash equivalents	10	11
	19,406	1,807

TOTAL CURRENT ASSETS (C)	257,270	279,922
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D) Accrued expenses and other prepayments	4,523	5,990
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TOTAL ASSETS	347,118	387,535
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(*) Due within next financial year

(**) Due after next financial year

BALANCE SHEET

LIABILITIES

31/12/2018

31/12/2017

A) Net equity:		
I - Capital	10,116	10,116
II - Share premium reserve	4,622	4,622
IV - Legal reserve	1,913	1,124
VI - Other reserves indicated separately:		
Reserve for unrealised gains on exchange rates	-266	-157
Conversion reserve		
Payments on account for capital increases		
VII - Reserve for transactions hedging flows for expected financial revenues	-174	-22
Profits (losses) retained	15,005	
IX- Profits (losses) for the financial year	<u>-16,205</u>	<u>15,794</u>
	<u>15,011</u>	<u>31,477</u>
B) Provisions for risks and charges:		
2) For taxes, including deferred taxes	85	85
3) derivative financial instruments	464	283
4) others	8,457	<u>9,006</u>
		<u>8,328</u>
C) Employee severance fund	<u>3,602</u>	<u>4,127</u>
D) Payables:	(**)	(**)
4) payables to banks	<u>22,524</u>	<u>30,490</u>
4) payables to other creditors		
6) advance payments	40,899	44,741
7) payables to suppliers	94,829	107,199
9) payables to subsidiaries	5,329	5,219
10) payables to associates	1	180
11) payables to the parent company	1,347	230
11 - bis) payables to subsidiaries of the parent company	129,579	118,306
12) tax payables	5,538	1,364
13) payables to social security and welfare institutes	1,073	1,240
14) other payables	10,300	<u>319,385</u>
		<u>9,370</u>
E) Accrued expenses and other prepayments	<u>114</u>	<u>142</u>
TOTAL LIABILITIES	<u>347,118</u>	<u>387,535</u>

(*) Due within next financial year

(**) Due after next financial year

INCOME STATEMENT	2018	2017
A) Production value:		
1) revenue from sales and services	332,481	341,258
3) changes to work in progress on order	- 45,567	39,128
4) increases in fixed assets for internal work		3,916
5) other revenue and income	11,064	13,086
Total production value	<u>297,978</u>	<u>397,388</u>
B) Production costs:		
6) for raw and auxiliary materials, consumables and goods	108,161	122,742
7) for services	125,519	170,039
8) for use of third party assets	1,097	1,049
9) for staff		
a) salaries and wages	41,558	40,711
b) social security costs	15,748	15,818
c) employee severance fund	2,749	2,522
d) pension and similar costs	485	514
e) other costs	2,623	1,663
10) amortizations and depreciations:		
a) amortization of intangible fixed assets	92	157
b) depreciation of tangible fixed assets	21,348	16,136
d) devaluations of credits included under operating capital and cash assets	237	21,677
11) changes in inventories of raw and auxiliary materials, consumables and goods	- 5,354	- 6,328
12) provisions for risks	1,259	2,233
13) other provisions	491	1,740
14) other operating costs	— — 2,348	— — 2,240
Total production costs	<u>- 318,361</u>	<u>- 371,862</u>
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A-B)	<u>20,383</u>	<u>25,526</u>
C) Financial revenues and expenses:		
15) income from equity investments:		
subsidiaries		
associates		
16) other financial income:		
a) from receivables booked under fixed assets		
other	139	141
d) other income		
from subsidiaries	11	10
from associates		
from subsidiaries of the parent company		
other	97	247
17) interest and other financial charges:		
to subsidiaries		
to associates		
to subsidiaries of the parent company	802	843
other	1,256	1,752
17 - bis) profits and losses on exchange rates	- 80	1
Total financial income and expenses	<u>- 1,891</u>	<u>- 2,092</u>
D) Value adjustments of financial assets and liabilities:		
18) revaluations		
a) of equity investments		
d) of derivative financial instruments	13	13
19) write-downs		
a) of equity investments		
d) of derivative financial instruments	-9	-9
Total value adjustments of financial assets and liabilities	<u>4</u>	<u>144</u>
Pre-tax result	<u>-22,270</u>	<u>23,578</u>
20) taxes due on financial year income, current, deferred and prepaid taxes		
a) Current taxes	- 2	- 6,817
b) Taxes concerning previous years	410	- 201
c) Deferred and prepaid taxes	- 204	- 766
d) Income from fiscal consolidation	5,861	
Total taxes due on financial year income, current, deferred and prepaid taxes	<u>6,065</u>	<u>- 7,784</u>
21) Financial year profits (losses)	<u>-16,205</u>	<u>15,794</u>

Statement of Cash Flows

	2018	2017	2016
A. CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES (indirect method)			
Profit (loss) for the year	(16.205)	15.794	(33.707)
Income tax	(6.065)	7.784	(11.469)
Interest received/interest paid	1.891	2.092	948
Capital gains/losses arising from sale of assets	(341)	(129)	(360)
1. Profit (loss) for the year before tax, interest, dividends and capital gains/losses from sales of assets	(20.720)	25.541	(44.588)
Adjustment for non-cash items or which no counter-entry was made under net operating capital			
Provisions	2.278	4.070	5.278
Long term loss write down			
Amortisation and depreciation	21.440	16.293	8.546
Other adjustment of non-cash items	194	(256)	539
<i>Total adjustment of non-cash items</i>	23.912	20.107	14.363
2. Cash flow before net operating capital adjustments	3.192	45.648	-30.225
Adjustment to net operating capital			
Inventory increase/decrease	40.218	(18.326)	28.190
Receivables from customers decrease/(increase)	10.060	14.769	8.577
Payables to suppliers increase/(decrease)	(17.285)	(26.942)	8.678
Accrued and deferred assets decrease/(increase)	1.467	386	(2.686)
Accrued and deferred liabilities increase/(decrease)	(28)	137	
Other adjustments to net operating capital	1.532	(1.728)	(3.120)
<i>Total adjustment of net operating capital</i>	35.964	(31.704)	39.639
3. Cash flow after net operating capital adjustment	39.156	13.944	9.414
Other adjustments			
Interests received/(paid)	(1.664)	(1.481)	(920)
(Income tax paid)	(211)	4.285	(8.230)
Dividends received			
(Use of provisions)	(2.674)	(6.109)	(2.366)
<i>Total other adjustments</i>	(4.549)	(3.305)	(11.516)
Net cash generated from/(used in) operating activities (A)	34.607	10.639	(2.102)
B. CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Tangible fixed assets			
(Investments) in tangible assets	(5.458)	(29.060)	(39.187)
Realisable price of disposals	461	633	488
Intangible Fixed Assets			
(Investments) in intangible assets	(37)	(56)	(110)
Financial fixed assets			
(Investments)			(931)
Proceeds from sales of tangible assets	230	217	
Net cash generated from/(used in) investing activities (B)	(4.804)	(28.266)	(39.740)
C. CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Third party means			
Increase/(decrease) in short-term debts to banks	(4.026)	6.212	12.756
Loans granted		10.579	20.060
Loans repaid	(8.178)	(579)	
Own means			
Paid increases in capital			
Disposals (purchase of treasury shares)			
Dividends (advances on dividends paid)			
Net cash generated from/(used in) financing activities (C)	(12.204)	16.212	32.816
Increase/(Decrease) in cash and cash equivalents (A+B+C)	17.599	(1.415)	(9.026)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1.807	3.222	12.248
CASH AND CASH EQUIVALENTS AT END OF YEAR	19.406	1.807	3.222

Explanatory Notes to the Financial Statements

– **Aspects of a General Nature**

As at December 31, 2018, Pavimental S.p.A. (hereinafter also the Company) has a capital of 110,116,452.45 Euros, with a number of shares amounting to 77,818,865 and is owned 59.40% by Atlantia S.p.A., 20% by Autostrade per l'Italia S.p.A., 20% by Aeroporti di Roma S.p.A. and 0.60% by Astaldi S.p.A.

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

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

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

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

will be prepared by Atlantia S.p.A., with headquarters in Via A. Nibby 20, Rome, and will be made public in the terms and methods provided by the laws in force.

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

The financial statements for the year closed on 31 December 2018 have been prepared according to the dispositions of the Civil Code, as modified since 1 January 2016 by Legislative Decree 139/2015, which acknowledged European Directive no. 34/2014. The financial statements include the balance sheet prepared according to the scheme in art. 2424 of the Civil Code, the income statement prepared according to the scheme in art. 2425 of the Civil Code, the Statement of cash flows prepared according to that required by art. 2425 ter of the Civil Code, and these explanatory notes prepared according to the dispositions of art. 2427 of the Civil Code.

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

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

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

The values in the aforementioned accounts tables include the corresponding values in the financial statements for the previous year closed on 31 December 2017, for comparative purposes pursuant to paragraph 5 of art. 2423 ter.

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

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

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

It should be pointed out that, in respect of that established by art. 2497 bis, paragraph 4 of the Civil Code, the summary overview of the essential figures from the financial statements as at December 2017 of Atlantia S.p.A. (last financial statements approved as of the date of preparation of these explanatory notes), a company which as of the date of these financial statements exercises management and coordination activities over Pavimental S.p.A., has been annexed to these explanatory notes.

– **Accounting Principles and criteria for assessment**

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

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

- a) Prudence: the assessment of the items has been made according to prudence, applying reasonable caution in estimates in uncertain conditions. Only the profits realised on closure of the financial year have been stated and the risks and losses concerning the financial year have been taken into account, even if they became known after closure of the financial year. The heterogeneous elements of the single items have been assessed separately.
- b) Prospects of going-concern: the assessment of the items has been made taking into consideration the continuation of activities.
- c) Substantial representation: the recording and presentation of the items took into account the substance of the transaction or contract in question;
- d) Competence: the income and costs concerning the financial year have been taken into account, independently of the date of receipt or payment;
- e) Consistency in the criteria for assessment: the criteria for assessment have not been modified with respect to those used in the previous financial year.
- f) Relevance: the relevance of information has been assessed according to that stated in O.I.C. 11.

g) Comparability: the amount of the corresponding item in the previous financial year has been given for each item in the balance sheet and income statement.

No items have been compensated.

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

Fixed assets

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

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

Intangible fixed assets

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

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

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

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

Tangible fixed assets

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

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

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

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

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

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

The amortization of the tangible fixed assets required for the construction of the Santa Lucia Tunnel, the main activity of the tender for the works for the expansion to three lanes - Lot 2 on the Barberino di Mugello - Florence North stretch of the Milan-Naples highway, is recorded in the financial statements on the basis of the linear distance excavated. Taking the specific nature of the activity carried out into account, this method of determining the amortizations is deemed functional to the remaining possibility of use linked to the "economic duration" of such special fixed assets, as disciplined by national accounting principle OIC 16.

Financial fixed assets

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

The holdings recorded under the financial fixed assets are assessed at the cost of purchase or subscription; the holdings in foreign currency are recorded at the exchange rate at the time of their purchase or at the cost they were originally recorded at. The cost is reduced for durable

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

Holdings are not subject to reassessment.

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

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

Inventories and work in progress contracts

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

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

The Work in progress contracts refer to tenders that were still ongoing at the end of the financial year by force of contracts with the contractors for works not yet certified; they are recorded on the basis of the contractual payments accrued with reasonable certainty, calculated on the basis of the method of completion percentage and determined in relation to the physical progress of the works, gross of the advance payments received and net of the payments definitively charged.

Given the technical complexity, dimension and realisation duration of the works, the additional payments, contract variations, price reviews, the reserves and the incentives represent elements to be assessed even before the agreement with the counterparty is formalised. The requests for additional payments due to modifications to the works provided contractually are considered in the overall amount of the tender revenues when it is

reasonably certain that the contractor will approve the variants and the relevant price. The other requests for payments (claims), due to increased costs incurred for reasons attributable to the contractor, for example, are considered in the overall amount of the revenues when there is a reasonable certainty that they will be recognised, in consideration of the advanced state of negotiation or technical/legal assessments.

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

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

Receivables

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

Provisions for risks and charges

The provisions for risks and charges are allocated to cover certain or probable losses or liabilities for which the amount or date of contingency is not determinable on closure of the financial year. The provisions reflect the best possible estimate on the basis of the elements available on the date of preparation of the financial statements. The risks for which the occurrence of a liability is merely possible are indicated, if significant, in the comments on the funds, without the need to allocate provisions for risks and charges.

Employee Severance Fund for Subordinate Employment

The employee severance fund for subordinate employment is determined in compliance with art. 2120 of the Civil Code, with regard to the regulatory modifications made in the meantime pursuant to and by effect of the discipline of Legislative Decree no. 252 dated 5 December

2005 and subsequent amendments and integrations. The amount recorded in the financial statements reflects the debt accrued at the end of the year to employees, net of advance payments made and replacement tax. This liability is reassessed by means of indices.

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

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

Payables

Payables are recorded in the financial statements according to amortized cost, taking the time factor into account. Should the effects due to the application of the amortized cost criterion and/or the effect of the time factor not be significant, the payables are assessed at nominal value.

Receivables and Payables in foreign currency

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

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

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

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

Derivative financial instruments

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

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

Cash and cash equivalents

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

Accrued Income and prepaid expenses

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

Taxes

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

As of the 2009 fiscal year, Pavimental has adhered to the National Consolidated Fiscal system of Atlantia S.p.A. on a non-continuous basis and has done so again for 2018 – 2020, defining all the reciprocal relations and responsibilities (so-called “Regulation”). The Regulation

signed by the parties provides for the total recognition of the amount corresponding to the product of the IRES rate and the losses or profits transferred, and the transfer of any eventual tax receivables. Consequently, the equity relations concerning the current IRES fiscal regime are classified in the financial statements under receivables from the parent company or payables to the parent company.

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

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

The advance and deferred income tax, commensurate to the temporary differences between the ordinary values recorded among the assets and liabilities in the financial statements and the corresponding fiscally significant values. Eventual backdated fiscal losses, are recorded on the basis of the fiscal rates known – on the date of the financial statements – for the financial years in which they will occur and the company makes accounting adjustments to the allocations on the basis of the new rates if the circumstances arise.

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

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

Revenues and Costs

The revenues from production, other revenues and income and costs and charges have been recorded in application of the principle of economic and temporal competence and prudence. In particular, the revenues deriving from tenders are accounted on the basis of the contractual payments accruing with reasonable certainty, calculated according to the completion percentage and determined in relation to the physical progress of the works.

BALANCE SHEET

(values as at 31 December 2017 in brackets)

Balance Sheet - Assets	€347,118 thousand (387,535)
Fixed assets	€85,325 thousand
(101,623)	
Intangible Assets	€119 thousand (174)

This item shows a net decrease of €55 thousand compared to the previous financial year, in relation to the combined effect of the following factors:

- decrease by effect of the financial year amortization amounting to €92 thousand;
- increase by effect of new software investments for a total of €37 thousand, mainly for the development of web applications for the realisation of a portal for the management of equipment hiring and personnel management.

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

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

€ thousands	31/12/2017			Changes in the current financial year			31/12/2018		
	Cost	Amortizations	Net value	Investments	Classification	Amortizations	Cost	Amortizations	Net value
. Concessions, licenses, trademarks and similar rights:									
- Software licences	432	421	11			8	432	429	3
- State grants	808	741	67			13	808	754	54
. Patents and property rights and rights of use									
- Software:	3,512	3,448	64	37		61	3,549	3,509	40
- patent rights industrial property rights and	18	11	7			1	18	12	6
. Other:									
- construction sites and offices improvement	624	599	25			9	624	608	16
	<u>5,394</u>	<u>5,220</u>	<u>174</u>	<u>37</u>		<u>92</u>	<u>5,431</u>	<u>5,312</u>	<u>119</u>

Tangible Assets

€76,485 thousand (92,498)

The decrease in value of the tangible assets, amounting to € 16,013 thousand, derives prevalently from the combined effect of the following factors:

- financial year amortizations amounting to €21,348 thousand;
- increase deriving from the new investments made by the Company, amounting to €7,830 thousand, according to that illustrated in the Investments chapter of the Report on Management, which see;
- adjustments for investments recorded as at 31 December 2017, for €2,372 thousand;
- decrease of €123 thousand, due to withdrawals from use and disposals net of the relevant amortization funds and exchange rate differences;

The amortization of the TBM and other investments required for the excavation of the Santa Lucia Tunnel, the main activity of the tender for the works for the expansion to three lanes - Lot 2 on the Barberino di Mugello - Florence North stretch of the Milan-Naples highway, is recorded in the income statement of the Company on the basis of the linear distance excavated and amounts to €13,848 thousand.

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

€ thousands	Changes in the current financial year												31/12/2018				
	Historical Cost						Accumulated depreciation										
	Cost	Provision	Net value	Investments	Reclassification	Disposals	Other adjustments	Giff. Exchang	Tot.	Depreciation	Disposals	Giff. Exchang	Tot.	Cost	Provision	Net value	
	18,033	10,336	7,697	741	(31)	(2)	708	1,148	(31)	(1)	1,116	18,741	11,452	7,289			
Industrial land and buildings	18,033	10,336	7,697	741	(31)	(2)	708	1,148	(31)	(1)	1,116	18,741	11,452	7,289			
Plant and Machinery	146,618	73,539	73,079	5,503	2,538	(2,576)	(1)	5,464	18,021	(2,494)	15,527	152,082	89,066	63,016			
Industrial and trade equipment	32,043	27,630	4,413	911	238	(807)		342	1,866	(789)	1,077	32,385	28,707	3,678			
Other Assets	6,487	5,634	853	119	11	(219)		(89)	313	(198)	115	6,398	5,749	649			
Fixed assets in progress and others	6,456		6,456	556	(2,787)		(2,372)		(4,603)			1,853		1,853			
	209,637	117,139	92,498	7,830	(3,633)	(2,372)	(3)	1,822	21,348	(3,512)	(1)	17,835	211,459	134,974	76,485		

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

Financial Assets € 8,721 thousand
(8,951)

For comments on the performance of the activities of the holding companies during the course of 2018, see that stated in the Report on Management in the paragraph entitled Holding companies and consortiums.

The item in question includes:

Investments in subsidiary companies € 727 thousand (727)

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

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

Pavimental S.p.A. is the sole owner of holdings in Pavimental Polska; the value of the holding amounts to €713 thousand. The 2017 financial statements, the last approved, closed with net losses of 4.5 million PLN (approximately €1.1 million); this result has brought the net equity of the Company to 13.1 million PLN (approximately €3.3 million).

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

Investments in associates € 9 thousand (9)

These concern:

€ thousands	Book value	Provision for depreciation	Financial statements value
- Consorzio Galileo (in liquidation)	4		
- Consorzio R.F.C.C. (in liquidation)	155		155
- Consorzio Ramonti (in liquidation)	5		5
	<hr/> 164	<hr/> 155	<hr/> 9

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

The allocation takes into account the losses in the financial statements of the Consortium as at 31 December 2017 and other liabilities that may derive from the liquidation proceedings.

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

<i>Investments in other companies</i>	<i>€ 4,656 thousand</i>
(4,656)	

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

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

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

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

€ thousands	Book value	Provision for depreciation	Financial statements value
- Tangenziale Esterna S.p.A.	4,649		4,649
- Consorzio Costruttori TEEM *	6		6
- Consorzio Lambro	1		1
- Consorzio Autostrade Italiane Energia	4,656		4,656
* Book value € 100			

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

€ thousands	31.12.2017				Changes in the current financial year					31.12.2018			
	Cost	Revaluation	Devaluation	Value in fin.stat	Purchases	Revaluation (ex. Art. 2426, no. 4 of the Civil Code)	Redesignation	Devaluation	Devaluation	Cost	Revaluation	Devaluation	Value in fin.stat
Equity Investments in Subsidiaries:													
Pavimental Est (in liquidation)	1,563	(1,563)		713						1,563	(1,563)		713
Pavimental Polka Sp. Z.o.o.	713			6						713			6
Consorzio Elmas (in liquidation)	6			8						6			8
Consorzio Co.lm.A. (in liquidation)	8			8						8			8
	<u>2,290</u>	<u>(1,563)</u>		<u>727</u>						<u>2,290</u>	<u>(1,563)</u>		<u>727</u>
Equity Investments in Associates:													
Consorzio R.F.C.C. (in liquidation)	155	(155)								155	(155)		4
Consorzio Galileo (in liquidation)	4			4						4			4
Consorzio Ramonti (in liquidation)	5			5						5			5
	<u>164</u>	<u>(155)</u>		<u>9</u>						<u>164</u>	<u>(155)</u>		<u>9</u>
Investments in Other Companies:													
- Tangenziale Esterna S.p.A.	4,649		4,649							4,649		4,649	
- Consorzio Lambo	6		6							6		6	
- Consorzio Costruttori TEEM *													
- Consorzio Autostrade Italiane Energia	1		1							1		1	
	<u>Total</u>	<u>4,656</u>	<u>4,656</u>							<u>4,656</u>		<u>4,656</u>	
* Book value € 100													
	<u>7,110</u>	<u>(1,718)</u>	<u>5,392</u>							<u>7,110</u>	<u>(1,718)</u>	<u>5,392</u>	

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

Name	Head Office	Capital in foreign currency	Capital in Euros	Loss/profit in foreign currency	Loss/profit in Euros	Net equity in foreign currency	Net equity in Euros	Holding %	Corresp. Financial Statement N.A. (A)	Book value in Euros (B)	Excess (B - A)
Subsidiaries:											
Pavimental Est (in liquidation)	Moscow	Rub. 4,200,000	60,500	Rub. (905,000)	(13,000)	Rub. (30,972,000)	(446,300)	100	(446,300)		(446,300)*
Pavimental Polska Sp. Z.o.o.	Trzebinia	Pln 3,000,000	718,200	Pln. 4,531,796	1,064,519	Pln. 13,154,329	3,149,146	100	3,149,146	713,222	2,435,924
Consorzio Elmas (in liquidation)	Rome		10,000				10,000	60	6,000	6,000	
Consorzio Co.Im.A. (in liquidation)	Rome		10,000				10,000	75	7,500	7,500	
									2,716,346	726,722	1,989,624
Associates:											
Consorzio R.F.C.C (in liquidation)	Tortona		510,000		(20,462)		(8,101,896)	30	(2,430,569)		(2,430,569)**
Consorzio Galileo (in liquidation)	Todi (PG)		10,000					40	4,000	4,000	
Consorzio Ramonti (in liquidation)	Tortona		10,000					49	4,900	4,900	
									(2,421,669)	8,900	(2,430,569)
Other Holding Companies:											
Tangenziale Esterna	Milan		464,945,000		(32,402,528)		333,365,961	1	3,333,660	4,649,450	(1,315,790)***
Consorzio Costruttori TEEM	Milan		10,000				10,000	1	100	100	
Consorzio Lambro	Milan		200,000				200,000	2.78	5,560	5,560	
									3,339,320	4,655,110	(1,315,790)
Notes:											
(*) The excess, adjusted through waiver of Pavimental receivables booked in previous years, was fully covered by the "Investment devaluation surplus fund" under liabilities.											
(**) The surplus is entirely covered by the "investments devaluation surplus Fund" under liabilities.											
(***) Financial statements figures refer to the last approved financial statements. Accumulated losses are considered recoverable.											

Other receivables € 3,329 thousand (3,559)

This item is constituted by receivables for security deposits paid to the subsidiary Pavimental Polska (as work guarantees) for € 1,448 thousand, to third parties for the connection of electricity and telephone utilities and rents due (€218 thousand) and loans to employees (€42 thousand).

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

Current Assets	€257,270 thousand (279,922)
Inventories	€171,360 thousand (211,578)
<i>Raw and subsidiary materials and consumables</i>	<i>€ 19,962 thousand</i>
(14,338)	

These are the final inventories of materials, amounting to €19,016 thousand, constituted by:

€ thousands	31.12.2018	31.12.2017
- Aggregates and cement	1,707	1,826
- Spare parts machinery and equipment	643	357
- Prefabricated and brick	1,273	1,669
- Steel, laminates and profiles	2,385	2,600
- Bitumen, fuels and lubricants	1,609	961
- Other materials	11,399	6,249
	<u>— — — 19,016 — — —</u>	<u>— — — 13,662 — — —</u>

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

The assessment of the inventories was made at average weighted purchase cost, and is lower than the market value; the final inventories of materials as at 31 December 2018 are not bound by mortgages, privileges or other real guarantees limiting their availability to the Company.

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

<i>Work in progress on contracts</i>	€ 151,668 thousand (197,240)
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This item expresses the amount of works carried out and not yet certified by progress reports as at 31 December 2018; said amount was determined according to the physical measurement method, on the basis of the agreed payments.

The also include additional payments that are being finalised and formalised with the counterparty (work variants, price reviews, incentives, etc.) recorded in the financial statements in the measure in which they it is reasonably certain that they can be reliably assessed in the following financial year.

During the course of 2018, amounts paid through Settlement Agreements pursuant to art. 240 of Legislative Decree 163/2006 following reserves submitted to the contractor ASPI were recorded in the financial statements.

The tenders involved were Barberino Infrastrutture Lot 1 (€11,240 thousand), Florence North - Florence South Stretch B (€1,126 thousand), Foggia Industrial Zone Exit (€291 thousand), San Benigno Lot 1 (€ 1,689 thousand in total, of which € 500 thousand ascertained in previous years), A14 expansion Lot 1B (€ 2,300 thousand, of which € 2,447 thousand ascertained in previous years).

On the basis of that highlighted, the requests for additional payments to the Contractor ASPI amounted to € 18,649 thousand as at 31 December 2018 (€ 2,003 thousand referring to additional payments accounted in previous years for the installation of sound barriers).

During the course of the year, payments for €28,153 thousand were billed to ASPI, which were defined in 2017 and recognised to Pavimental by Transaction Deed to balance and settle all claims, demands and reserves concerning the application of the definitive discounts notified by the Ministry of Infrastructures and Transport on the 3 Lots of expansion to three lanes of Barberino di Mugello - Incisa di Valdarno, Barberino di Mugello - Florence North stretch instead of the provisional contractual ones and the payments deriving from the

Settlement Agreement signed with ASPI for the finalisation of the reserves concerning the Barberino Lot zero contract, for €19,794 thousand.

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

€ thousands	31.12.2018	31.12.2017
- Maintenance of road surfacing (ASPI)	4,344	37,378
- Infrastructure projects (ASPI)	90,130	115,904
- Other highway works (ASPI)	30,919	29,058
- Airport works (ADR)	18,164	10,627
- Airport works (other contractors)	125	125
- Other works (other contractors)	5,270	5,941
- Pre-operating costs	3,429	3,940
- Provisions for losses on multi-year projects	(713)	(5,733)
	<u>151,668</u>	<u>197,240</u>

The following is a breakdown of the inventories by tender

INVENTORIES					
Description	31.12.2017	Changes in the current financial year			31.12.2018
		Increases (+) Reductions (-)	Writedowns (-) Value adjustment (+)	Provision for losses (-)	
Raw and subsidiary materials and consumables					
Land held for sale	13,662 676	5,354			19,016 676
	14,338	5,354			19,692
Ordered works in Progress					
Loss on multi-year jobs provision	(5,733)	5,733		(713)	(713)
Works Autostrade per l'Italia:					
Maintenance - Road surfacing	37,378	(33,034)			4,344
Soundproofing	21,845	(1,640)			20,205
Roadside barriers	2,478	(2,004)			474
Other works	4,735	5,508			10,243
Other infrastructures	134				134
Adriatica A14 various Lots	12,396	(1,872)			10,524
Expansion to 5 lanes A8 Milan Laghi	682	(222)			460
SP 46 Paderno Rho - Nuovo Polo Fieristico stretch	2,577	(2,110)			467
Expansion to 3 lanes A9 Lainate Como	1,109	(1,109)			
Other Infrastructures North Area	147				147
Expansion to 4 lanes A4	14,037	(2,608)			11,429
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 0	13,014	(9,513)			3,501
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 1	23,449	(4,194)			19,255
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 2	17,963	(6,889)			11,074
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 13	687	(578)			109
La Certosa Infrastructures	2,065	(1,423)			642
Service Stations	361	816			1,177
Padova infrastructures	208				208
Junctions	106	279			385
Crespellano Infrastructures	1,305				1,305
Foggia Infrastructures	51	291			342
San Benigno Lot 1	1,190	477			1,667
Completion of Pass Variant Lots 9-11-12	5,216	(2,547)			2,669
Florence North Florence South Section B	2,598	1,918			4,516
Florence North Florence South Section C	1,698	(1,576)			122
Fano compensation works	4,285	2,532			6,817
Borgonuovo junction	5,225	(4,143)			1,082
Florence South Incisa Lot 1	5,401	6,697			12,098
Stalexport Autostrada Malopolska	160	1			161
Società Autostrada Tirrenica S.p.A.					
Società Autostrade Meridionali S.p.A.	948	(733)			215
Tangenziale di Napoli S.p.A.	105				105
Aeroporti di Roma S.p.A.	10,627	7,537			18,164
Consorzio Co.Co.TEEM	187	(16)			171
Consorzio Lambro	104	(40)			64
Consorzio Co.Im.A.	3,469	(108)			3,361
Torino - Savona S.p.A.					
Todini					
Other highway and road works	968	223			1,191
Cagliari airport	5				5
Giampino airport	6				6
Fiumicino airport	14				14
Other airport works	100				100
Pre-operating costs	3,940	(512)			3,428
	197,240	(44,859)		(713)	151,668
Total inventories	211,578	(39,505)		(713)	171,360

The decrease of €45,572 thousand in work in progress on contracts compared to last year is thus mainly attributable to the billing and receipt during the year of the payments deriving from the Transaction Deed for the 3 Lots If the Expansion to three lanes of Barberino di Mugello - Incisa di Valdarno, Barberino di Mugello - Florence North stretch, amounting to € 28,153 thousand, and the payments deriving from the Settlement Agreement concerning the Barberino Lot zero contract, amounting to €19,794 thousand.

This effect is partially compensated by the increase in activities in the Fano Infrastrutture area (€2,532 thousand) and with Aeroporti di Roma (€7,537 thousand);

It should also be noted that as at 31 December 2018, the Company had released funds to cover future losses allocated in previous financial years totalling €5,733 thousand.

Funds were also allocated in 2018 to cover future losses, totalling €713 thousand.

Lastly, the Company released to the income statement €1,350 thousand in pre-operating costs concerning ongoing infrastructure tenders suspended in previous years in the value of the inventories and suspended pre-operating costs for new initiatives for €838 thousand.

Receivables	€66,504 thousand (66,537)
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The following is the representation by category and by geographical area of the receivables included in the item in question:

	31.12.2018			31.12.2017		
	Italy	Abroad	Total	Italy	Abroad	Total
Receivables:						
- From customers	7,054		7,054	15,021	3	15,024
- From subsidiaries	1,398	1,033	2,431	1,352	831	2,183
- From associates	2,713		2,713	2,872		2,872
- From the parent company	9,175		9,175	4,082		4,082
- From subsidiaries of the parent company	19,705	1,597	21,302	21,732	1,500	23,232
- Tax-related	3,672		3,672	4,320	38	4,358
- Prepaid taxes	4,564		4,564	4,732		4,732
- From others	15,593		15,593	10,054		10,054
	<u>63,874</u>	<u>2,630</u>	<u>66,504</u>	<u>64,165</u>	<u>2,372</u>	<u>66,537</u>

The movement is attributable to that described hereafter.

Receivables from Customers € 7,054 thousand
 (15,024)

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

	31.12.2018		31.12.2017	
	€ thousands		€ thousands	
Receivables from contractors:				
- Payments billed for works awarded			3,508	9,894
- Payments to be billed on completion of works			53	553
Receivables from customers:				
- Payments billed			10,148	10,939
- Payments to be billed			30	107
	<u>—</u>	<u>—</u>	<u>13,739</u>	<u>21,493</u>
Bad debt provision			(6,685)	(6,469)
Total Receivables from Customers	<u>—</u>	<u>—</u>	<u>7,054</u>	<u>15,024</u>

The decrease of €7,754 thousand in the receivables from clients is essentially attributable to the receipt of the receivables from Autotrade Centro Padane recorded in previous years and received in April (€6,786 thousand).

The receivables from Customers include amounts due from Adriatica S.c.a.r.l. in joint administration for €4,860 thousand, which the Company is recovering on the basis of the allocation plan. As a result of the amounts received and supported by the opinion of its legal consultants, the Company, on the basis of the available elements, believes that some of the amounts recorded in the financial statements are recoverable.

There were no movements in the provision for bad debts during the year:

€ thousands	31/12/2017	Allocation	Used / Released	31/12/2018
Provision for bad debts from customers	6,469	226	(10)	6,685
	6,469	226	(10)	6,685

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

Receivables from subsidiaries € 2,431 thousand (2,183)

The details of this item are as follows:

€ thousands	31.12.2018	31.12.2017
Trade Receivables from:		
- Consorzio Co.Im.A. (in liquidation)	(202)	(248)
- Pavimental Polska	22	10
- Consorzio Elmas (in liquidation)	550	550
Financial Receivables from:		
- Pavimental Est (in liquidation)	383	418
- Consorzio Co.Im.A. (in liquidation)	20	20
- Pavimental Polska	697	472
- Consorzio Elmas (in liquidation)	1,030	1,030
	<hr/> 2,500	<hr/> 2,252
Bad debt provision	(69)	(69)
Total Receivables from Subsidiaries	<hr/> 2,431	<hr/> 2,183

Receivables from associates € 2,713 thousand (2,872)

The details of this item are as follows:

€ thousands	31.12.2018	31.12.2017
Trade Receivables from:		
- Consorzio R.F.C.C. (in liquidation)	124	124
- Consorzio Galileo (in liquidation)	195	195
- Consorzio Ramonti (in liquidation)	142	155
Financial Receivables from:		
- Consorzio R.F.C.C. (in liquidation)	2,291	2,291
- Consorzio Trinacria (in liquidation)	156	107
	<hr/> 2,713	<hr/> 2,872
Bad debt provision		
Total Receivables from Associates	<hr/> 2,713	<hr/> 2,872

Receivables from the parent company **€ 9,175 thousand**
(4,082)

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

€ thousands	31.12.2018	31.12.2017
Receivables from Atlantia S.p.A. :		
- Advance payments	169	179
- Receivables for adhesion to consolidated fiscal system	9,006	3,903
Total Receivables from the Parent Company	<hr/> — — — 9,175	<hr/> — — — 4,082

The increase is essentially attributable to the inclusion of the fiscal loss as at 31 December 2018 transferred to the consolidating company.

The item also includes the receivables claimable from Atlantia S.p.A. concerning the claim for reimbursement of the sums for the deductibility of IRAP on the IRES taxable base for the years of adhesion to the fiscal consolidated regime and transferred to the latter during the definition of the items concerning the consolidated fiscal regime (€951 thousand).

Receivables from subsidiaries of the parent company **€ 21,302 thousand (23,232)**

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

The details of this item are illustrated below:

	31.12.2018	31.12.2017
Trade Receivables		
- Payments billed for works awarded	16,865	19,367
- Payments to be billed on completion of works	3,023	2,673
 Advance payments	 2,536	 2,367
 Sundry Receivables	 31	 9
 <hr/>	 22,455	 24,416
 Bad debt provision	 (1,153)	 (1,184)
 <hr/> Total Receivables from Subsidiaries of the Parent Company	 21,302	 23,232

The decrease of €1,930 thousand in the item in question is due to the combined effect of:

- the decrease in receivables from ASPI (€6,907 thousand) due to the dynamics of billing and receipt in November and December;
 - the decrease in receivables from Società Autostrade Tirrenica (€666 thousand) and from Società Autostrade Meridionali (€ 1,445 thousand) due to the receipt of receivables recorded in previous years;
 - the increase in receivables from ADR (€7,122 thousand) due to the dynamics of billing and receipt for works carried out.

Tax receivables

€ 3,672 thousand (4,358)

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

€ thousands	31.12.2018	31.12.2017
Receivables from the State for:		
- VAT	486	2,664
- Tax paid overseas	38	38
- Ires	848	848
- Irap	1,474	1,474
- Other	864	1,106
	3,672	4,656
Bad debt provision		(298)
Total Tax Receivables	3,672	4,358

In 2018, all of the credit for the recovery of excises on all crude oil products and natural gas depreciated in 2017 were received, and the relevant fund was therefore released to the income statement.

Advance taxes **€ 4,564 thousand (4,732)**

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

COMPOSITION OF PREPAID TAXES						
Description	31/12/2018			31/12/2017		
	Temporary differences	Rate applied	Prepaid tax	Temporary differences	Rate applied	Prepaid tax
Allocation to taxed funds:						
Provision for risks and charges:						
- losses on multi-year contracts	713	24.00%	171	5,761	24.00%	1,383
- pending lawsuits	4,037	24.00%	969	3,022	24.00%	726
- environmental recovery	225	24.00%	54	50	24.00%	12
- contract costs	291	24.00%	70	1,740	24.00%	418
- multi-year staff incentives	399	24.00%	96			
Fiscal effects of derivative instruments - id	203	24.00%	49	61	24.00%	15
Board of Directors fees	426	24.00%	102	342	24.00%	82
Cost of exchange rate from evaluation	382	24.00%	93	332	24.00%	80
Provision for bad debts from customers	4,911	24.00%	1,179	4,684	24.00%	1,124
Amortizations deductible in future years	7,418	24.00%	1,781	3,718	24.00%	892
Balance	19,005		4,564	19,710		4,732

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

From others: from other creditors € 15,593 thousand
(10,054)

This item is composed of the following:

€ thousands	31.12.2018	31.12.2017
- Receivables from social security and welfare institutes	2,008	
- Receivables from personnel	27	10
- Advance payments to suppliers and subcontractors	12,250	6,056
- Receivables from insurance companies	845	608
- Receivables from disputes with suppliers	346	346
- Other	586	3,492
	<hr/> 16,062	<hr/> 10,512
Provision for bad debts from others	(469)	(458)
	<hr/> 15,593	<hr/> 10,054
Total Receivables from Others	<hr/>15,593	<hr/>10,054

Cash and cash equivalents **€19,406 thousand (1,807)**

These are constituted by bank deposits amounting to €19,396 thousand and cash and values on hand amounting to €10 thousand. There are no cash funds or bank accounts in Italy or abroad that are bound or subject to restrictions and duration limits.

Accrued expenses and other prepayments **€ 4,523 thousand**
(5,990)

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

€ thousands	31.12.2018	31.12.2017
- Rent due in subsequent years already paid	12	12
- Insurance premiums for policies taken out during the year valid for the next and subsequent years	4,082	5,891
- Other costs related to the following financial year for rents, CED, road taxes, state concessions etc.	429	87
	<u>4,523</u>	<u>5,990</u>

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

There are no accrued income and deferred liabilities with a duration in excess of five years.

RECEIVABLES CLASSIFIED BY MATURITY AND TYPE								
Description	31/12/2018				31/12/2017			
	Matured amounts				Matured amounts			
	Within following FY	From 2nd to 5th following FY	Beyond 5th FY	Total	Within following FY	From 2nd to 5th following FY	Beyond 5th FY	Total
Receivables in the Financial Assets								
Security Deposits:								
From subsidiaries		1,448		1,448		1,800		1,800
From subsidiaries of the parent company		4		4		4		4
From others		1,877		1,877		1,755		1,755
		3,329		3,329		3,559		3,559
Receivables in the Current Assets								
Financial receivables:								
From subsidiaries		2,130		2,130		1,940		1,940
From associates		2,447		2,447		2,398		2,398
	4,577			4,577	4,338			4,338
Trade Receivables								
From customers		7,054		7,054		15,024		15,024
From subsidiaries		301		301		243		243
From associates		266		266		474		474
From parent company		169		169		179		179
From subsidiaries of the parent company		21,302		21,302		23,232		23,232
	29,092			29,092	39,152			39,152
Receivables from others								
Tax-related		3,672		3,672		4,358		4,358
Prepaid Taxes		265		4,299		502		4,732
From parent company		2,196		6,810		3,903		3,903
From others:								
Insurance companies		844		845		608		608
Suppliers		12,250		12,250		6,056		6,056
Other		2,497		2,498		3,390		3,390
	21,724	11,109		32,835	18,817	4,230		23,047
Total Receivables	55,393	14,438		69,833	62,307	7,789		70,096

RECEIVABLES AND CASH ASSETS IN FOREIGN CURRENCY OR WITH EXCHANGE RATE RISK						
Description	31.12.18			31.12.17		
	In foreign currency or with exchange rate risk	In Euros	Total	In foreign currency or with exchange rate risk	In Euros	Total
Receivables in Financial Assets						
Security Deposits	1,448	1,881	3,329	1,800	1,759	3,559
	1,448	1,881	3,329	1,800	1,759	3,559
Receivables in Operating Capital						
From customers		7,054	7,054	3	15,021	15,024
From subsidiaries	317	2,114	2,431	349	1,834	2,183
From associates		2,713	2,713		2,872	2,872
From the parent company		9,175	9,175		4,082	4,082
From subsidiaries of the parent company	1,597	19,705	21,302	1,500	21,732	23,232
Tax-related		3,672	3,672	38	4,320	4,358
Prepaid Taxes		4,564	4,564		4,732	4,732
From others		15,593	15,593		10,054	10,054
	1,914	64,590	66,504	1,890	64,647	66,537
Cash Assets						
Bank and postal deposits	1,829	17,387	19,216	1,560	48	1,608
Cash and cash equivalents		10	10		11	11
Prepaid cards		180	180		188	188
	1,829	17,577	19,406	1,560	247	1,807
Total Receivables and cash assets	5,191	84,048	89,239	5,250	66,653	71,903

Balance Sheet - Assets

€347,118 thousand (387,535)

Net Equity

€15,011 thousand (31,477)

The Net Equity is constituted by:

Share Capital

€10,116 thousand (10,116)

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

The following are the details of the composition of the corporate set-up as at 31 December 2018:

Shareholders	Number of shares	Amount in Euros	% Ownership
Atlantia S.p.A.	46,223,290	6,009,027.70	59.40%
Autostrade per l'Italia S.p.A.	15,563,773	2,023,290.49	20.00%
Aeroporti di Roma S.p.A.	15,563,773	2,023,290.49	20.00%
Astaldi S.p.A.	468,029	60,843.77	0.60%
As at 31.12.2018	<u>77,818,865</u>	<u>10,116,452.45</u>	<u>100%</u>

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

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

Legal Reserve **€1,913 thousand (1,124)**

other reserves **€-266 thousand (-157)**

Reserve from conversion **€ -266 thousand (-157)**

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

Reserve for hedging expected cash flows **€-174 thousand (-22)**

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

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

Financial year profits (losses) **€ -16,205 thousand**
(15,794)

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

NET EQUITY MOVEMENTS											
Description	31/12/2016	Difference in the financial year				31/12/2017	Difference in the financial year				31/12/2018
		Shareholders' Meeting Resolution on 23/03/2017	Other NE movements	Conversion reserve	Profit (loss) for the financial year		Shareholders' Meeting Resolution on 19/03/2018	Other NE movements	Conversion reserve	Profit (loss) for the period	
Capital	10,116					10,116				10,116	
Share premium reserve	29,332	(24,710)				4,622				4,622	
Legal Reserve	1,124					1,124	789			1,913	
Other reserves:											
<i>Payments for capital increase</i>											
<i>Conversion reserve</i>	(355)			198		(157)		(109)		(266)	
<i>Foreign exchange gains from evaluation</i>											
<i>Reserve covering hedging of expected financial flows</i>	(113)		91			(22)		(152)		(174)	
Profits (losses) retained	8,997	(8,997)				15,005				15,005	
Profits (losses) for the financial year	(33,707)	33,707		15,794		15,794	(15,794)		(16,205)	(16,205)	
	15,394		91	198	15,794	31,477		(152)	(109)	(16,205)	
										15,011	

COMPOSITION OF NET EQUITY					
Description	Amount	Possibility of use	Amount available	Summary of uses in the three preceding financial years	
				To hedge losses	For other reasons
Capital	10,116	B			
Capital reserves	4,622	A,B,C	4,622		
Legal reserve	1,913	B			
Other reserves:					
- Conversion reserve	(266)	B			
- Reserve covering hedging of expected financial fl	(174)	B			
Profits retained	15,005	A,B,C	15,005		
Total	31,216		19,627	0	
Non-distributable amount					
Remaining distributable amount			19,627		

Key:

A: for capital increase

B: to cover losses

C: for distribution to shareholders

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

Provisions for risks and charges**€9.006 thousand (8,696)**

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

€ thousands	31.12.2017	Allocations	Used / Released	31.12.2018
Provision for risks and charges:				
- for taxes, including deferred	85			85
- derivative financial instruments liabilities	283	194	(13)	464
- other:				
provision for pending lawsuits	3,022	1,179	(164)	4,037
provision for environmental recovery costs	33	200	(8)	225
provision for losses on multi-year contracts	28		(28)	
provision for contractual costs	1,740	371	(1,820)	291
provision for multi-year staff incentives		399		399
provision for share premium excesses	3,505			3,505
	<u>8,696</u>	<u>2,343</u>	<u>(2,033)</u>	<u>9,006</u>

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

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

COMPOSITION OF DEFERRED TAXES						
Description	31/12/2018			31/12/2017		
	Temporary differences	Rate applied	Deferred tax	Temporary differences	Rate applied	Deferred tax
Allocation to taxed funds:						
Provision for risks and charges:						
- taxes, including deferred (Income from ex. rate from evaluation)	362	24.00%	87	362	24.00%	87
Amortized cost (release)	(8)	24.00%	(2)	(8)	24.00%	(2)
Balance	354		85	354		85

Passive derivative financial instruments	€ 464 thousand (283)
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This item shows the negative market value of the derivative contracts ongoing as at 31 December 2018 and includes:

- the negative fair value (€ 256 thousand) of the Interest Rate Swap (IRS) subscribed to hedge the interest rate risk of the loan granted by Credit Agricole Corporate Investment Bank Deutschland for the purchase of the TBM;
- the negative fair value (€ 208 thousand) of a floor type derivative incorporated in the above loan.

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

Other Funds	€8,457 thousand (8,328)
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In detail:

<i>Fund for ongoing lawsuits</i>	<i>€ 4,037 thousand (3,022)</i>
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This item is an estimate of the probable costs deriving from ongoing litigations as of the closure of the financial statements. The amount allocated represents the best possible estimate on the basis of the available elements, taking into account the opinions of the external legal advisers.

The increase is due to the balance between the new allocations (€ 1,179 thousand) and the release to the income statement for use and the excess of allocations made in previous years (€164 thousand).

<i>Fund for environmental recovery costs</i>	<i>€ 225 thousand</i>
(33)	

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

<i>Fund for multi-annual contract losses</i>	<i>€ - thousand (28)</i>
<i>Fund for contractual charges</i> (1,740)	<i>€ 291 thousand</i>

As in the previous year, this fund includes €291 thousand as the estimate of the charges concerning the disposal of material resulting from the demolition of road surfacing during 2018 (milling material), for which disposal by the end of the financial year was not possible; this will be done in the first few months of 2019, and the charges are to be attributed by economic and temporal competence to the 2018 financial year. The amounts for the disposal of milling material (€ 1,040 thousand) and for disputes with suppliers (€ 700 thousand) allocated in 2017 have been used in their entirety.

<i>Fund for Excess Holding Depreciation</i>	<i>€ 3,505 thousand (3,505)</i>
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This fund has been allocated to cover the equity deficits emerging from the assessment of the probable costs to be incurred in relation to Pavimental Est in liquidation (€343 thousand) and Consorzio R.F.C.C. in liquidation (€3,162 thousand).

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

€ thousands	31.12.2017	Reclassification	Allocations	Uses	31.12.2018
Subsidiaries:					
Pavimental Est (in liquidation)	343				343
Associates:					
Consorzio R.F.C.C. (in liquidation)		3,162			3,162
		3,505			3,505

Employee Severance Fund for Subordinate Employment **€3,602 thousand (4,127)**

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

€ thousands	31.12.2017	Allocations	Uses for payments	Uses for advance payments	Decrease for substitute tax	31.12.2018
Employee severance fund	7,998	129	(1,121)			7,006
Advance payments	(3,652)	(71)		531		(3,192)
Tax on Employment severance f	(219)	(22)			29	(212)
	<u>4,127</u>	<u>36</u>	<u>(1,121)</u>	<u>531</u>	<u>29</u>	<u>3,602</u>

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

<u>Payables</u>	€319,385 thousand (343,093)
Payables to Banks	€30,490 thousand (55,244)

This item includes € 26,008 thousand in payables for the loan, valued at amortized cost, underwritten on 2 October 2015 with Credit Agricole Corporate Investment Bank Deutschland. This investment is for the purchase of the TBM machine, relevant accessories and any other working machine required for the completion of the works concerning Lot 2 Santa Lucia Tunnel, and the cost of the insurance policy granted by Euler Hermes in favour of the exporter of the TBM and relevant accessories. The interest rate on the loan is 1.198% as at 31 December 2018, and the average duration of the loan is approximately 5.5 years. The loan contract requires that Pavimental maintain orders for works and services from the Companies in the Group amounting to at least treble the amount of the ongoing loan and grants the financing bank the right to withdraw from the contract should the Atlantia Group cede control of the Company (Change of Control clause).

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

Lastly, the balance includes the temporary exposure to the banking system (€215 thousand). The Company closed the financial year with less indebtedness to the banking system, using the credit lines held with ASPI and Atlantia to a greater extent.

Advances	€40,899 thousand (44,741)
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The difference in this item is essentially due to the recovery of the deposits paid by ADR for the amounts billed in 2018.

Payables to suppliers	€94,829 thousand (107,199)
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The decrease of €12,370 thousand is attributable to the dynamics of payments to suppliers for materials purchased and services rendered.

The liabilities in foreign currency for invoices received or to be received were adjusted to the exchange rate applicable on 31 December 2018.

Payables to subsidiaries	€5,329 thousand (5,219)
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The details of this item are as follows:

€ thousands	31.12.2018	31.12.2017
Trade Payables to:		
- Consorzio Co.Im.A. (in liquidation)	2,660	2,602
- Pavimental Polska	1,221	1,171
- Consorzio Elmas (in liquidation)	1,448	1,446
	— — — 5,329	— — — 5,219

Payables to associates	€1 thousand (180)
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The details of this item are as follows:

€ thousands	31.12.2018	31.12.2017
Trade Payables to:		
- Consorzio Galileo (in liquidation)	1	180
- Consorzio Trinacria (in liquidation)	1	180
	— — — — 1	— — — — 180

Payables to the parent company	€1,347 thousand (230)
---------------------------------------	------------------------------

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

€ thousands	31.12.2018	31.12.2017
Trade Payables to Atlantia S.p.A.	203	218
Tax-related Payables to Atlantia S.p.A.	294	
Other Payables to Atlantia S.p.A.	30	12
Financial Payables to Atlantia S.p.A.	820	
	<hr/> 1,347	<hr/> 230

Payables to companies controlled by the parent company **€129,579 thousand (118,306)**

The increase of €11,273 thousand in this item is essentially attributable to the increased usage of the joint bank account held with ASPI (€ 12,210 thousand), the charge for which is remunerated at rates in line with the market (Euribor average 1 month + 100 base points); the balance as at 31 December 2018 amounted to €127,356 thousand.

Tax payables **€5,538 thousand (1,364)**

This item increased by €4,174 thousand compared to 31 December 2018, and this is mainly related to the fact that the company had Receivables from the State coffers for VAT as at 31 December 2017, while it had VAT Payables as at 31 December 2018.

Payables to pension funds and social security **€ 1,073 thousand**
(1,240)

These are represented by contributions due from the Company accrued as at 31 December 2018 and payable in the following months. The payments were made according to the terms of the law.

Other Payables **€10,300 thousand (9,370)**

The breakdown of the item in question is as follows:

€ thousands	31.12.2018	31.12.2017
- Payables to personnel	6,799	6,490
- Payables to companies in grouping	55	65
- Payables to insurance companies	3,174	2,527
- Payables for state concessions	22	69
- Payables to others	250	219
— — —	<u>10,300</u>	<u>9,370</u>

ACCRUED EXPENSES AND OTHER PREPAYMENTS **€114 thousand (142)**

€ thousands	31.12.2018	31.12.2017
Deferred liabilities		
- Interest due on payables to banks	114	137
Accrued income		
- Rent receivable	5	
— — —	<u>114</u>	<u>142</u>

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

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

PAYABLES CLASSIFIED BY MATURITY AND TYPE								
Description	31/12/2018				31/12/2017			
	Matured amounts				Matured amounts			
	Within following FY	From 2nd to 5th following FY	Beyond 5th FY	Total	Within following FY	From 2nd to 5th following FY	Beyond 5th FY	Total
Payables to banks								
Short-term payables to banks	215			215	17,271			17,271
Payables to banks for loans	7,751	18,631	3,893	30,275	7,650	22,605	7,718	37,973
Financial payables								
Payables to the parent company	820			820				
Payables to subsidiaries of the parent company	127,356			127,356	115,146			115,146
	136,142	18,631	3,893	158,666	140,067	22,605	7,718	170,390
Trade payables								
Deposits	40,899			40,899	44,741			44,741
Payables to suppliers	94,829			94,829	107,199			107,199
Payables to subsidiaries	5,329			5,325	5,215			5,215
Payables to associates	1			1	180			180
Payables to the parent company	203			203	218			218
Payables to subsidiaries of the parent company	1,837			1,837	2,830			2,830
	143,098			143,094	160,383			160,383
Other payables								
Payables to subsidiaries	4			4	4			4
Payables to associates								
Payables to the parent company	324			324	12			12
Payables to subsidiaries of the parent company	386			386	330			330
Tax-related	5,538			5,538	1,364			1,364
To social security and welfare institutes	1,073			1,073	1,240			1,240
To others	10,300			10,300	9,370			9,370
	17,625			17,625	12,320			12,320
Total Payables	296,865	18,631	3,893	319,385	312,770	22,605	7,718	343,093
Deferred and accrued liabilities	114			114	142			142
Total	296,979			319,499	312,912	22,605		343,235

PAYABLES IN FOREIGN CURRENCY						
Description	31.12.18			31.12.17		
	In foreign currency	In Euros	Total	In foreign currency	In Euros	Total
Financial Payables						
To banks		30,490	30,490			55,244
To subsidiaries		820	820			55,244
To subsidiaries of the parent company		127,356	127,356			115,146
	158,666	158,666		170,390	170,390	
Trade Payables						
Deposits		40,899	40,899			44,738
To suppliers	16	94,813	94,829	3	107,168	107,199
To subsidiaries	1,221	4,104	5,325	1,171	4,044	5,215
To associates		1	1		180	180
To the parent company		203	203		218	218
To subsidiaries of the parent company		1,837	1,837		2,830	2,830
	1,237	141,857	143,094	1,205	159,178	160,383
Other Payables						
Payables to subsidiaries		4	4		4	4
Payables to associates						
Payables to the parent company		324	324		12	12
Payables to subsidiaries of the parent company		386	386		330	330
Tax-related	116	5,422	5,538	60	1,304	1,364
To social security and welfare institutes		1,073	1,073		1,240	1,240
To others		10,300	10,300		9,370	9,370
	116	17,509	17,625	60	12,260	12,320
Total Payables	1,353	318,032	319,385	1,265	341,828	343,093

INCOME STATEMENT

<u>Production Value</u>	<u>€297,978 thousand (397,388)</u>
Revenues from Sales	€593 thousand (1,378)
Revenues from Services	€331,888 thousand (339,800)

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

REVENUE FROM SALES AND SERVICES				
Description	2018	2017	Difference	Difference %
Revenue from sales				-56.97%
Sales to others of conglomerates and inert materials	593	1,378	(785)	
Sales to parent company	593	1,378	(785)	
Revenue from services				
Autostrade per l'Italia:				
Maintenance - Road surfacing	58,508	88,796	(30,288)	
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 0	9,513	869	8,644	
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 1	39,885	25,980	13,905	
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 2	71,698	32,064	39,634	
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 13	1,612	2,284	(672)	
Soundproofing	3,559	10,107	(6,548)	
Roadside barriers	1,998	1,508	490	
Other highway works	3,677	6,923	(3,246)	
Florence infrastructures	22,840	45,370	(22,530)	
Completion of Lots 9-11-12	15,760	19,408	(3,648)	
Expansion to 4 lanes A4	27,437	24,189	3,248	
Expansion to 3 lanes A9 Lainate Como	1,107	11,476	(10,369)	
Expansion to 5 lanes A8 Milan Laghi	1,706	4,778	(3,072)	
SP 46 Paderno Rho - Nuovo Polo Fieristico stretch	3,675	2,584	1,091	
Other Infrastructures North Area		1,958	(1,958)	
Adriatica A14 various Lots				
Adriatica A14 Lot 6 B	2,677		2,677	
Foggia Infrastructures		400	(400)	
Crespano Infrastructures		3,183	(3,183)	
Fano compensation works	9,089	3,500	5,589	
Expansion to 3 lanes Fiano Gra				
La Certosa Infrastructures	1,423	1,640	(217)	
San Benigno Lot 1		2,588	(2,588)	
Refurbishment of service stations	4,421	144	4,277	
Junctions				
Padova Infrastructures				
Expansion to 4 lanes Modena Bologna		837	(837)	
	280,585	290,586	(10,001)	-3.44%
Road / highway works:				
Todini		155	(155)	
Other contractors		(2,454)	2,454	
Co.Im.A. Scarl	108	195	(87)	
Stalexport	1,299	3,994	(2,695)	
Tangenziale di Napoli S.p.A.		585	(585)	
Società Autostrade Meridionali S.p.A.	501	2,386	(1,885)	
Lambro Scarl	41	264	(223)	
Co.Co.TEEM Scarl	16	298	(282)	
Pavimental Polska	108	385	(277)	
Torino - Savona S.p.A.		(5)	5	
Pedelombarda S.c.p.A.				
Other contractors for peening works				
	2,073	5,803	(3,730)	-64.28%
Airport works:				
Aeroporti di Roma	48,987	43,271	5,716	
Aeroporto di Napoli				
	48,987	43,271	5,716	13.21%
Other services:				
Services to others	19	3	16	
Services to subsidiaries	210	203	7	
Services to associates				
Inter-company services	14	14		
Services to other holdings				
	243	220	23	10.45%
Total revenue from services	331,888	339,880	(7,992)	-2.35%
Total revenue from sales and services	332,481	341,258	(8,777)	-2.57%

The lifetime revenues on some ASPI contracts include works for about €25,000 thousand which will be defined and then formalised by the contractors during the course of next year.

Variation in work in progress on contracts **€-45,567 thousand (39,128)**

This item includes the difference between final inventories for the previous year (€197,240 thousand) and the value of the final inventories for 2018 (€151,668 thousand). This item was further adjusted (€5 thousand) as a result of the conversion of the items for the permanent establishment in Poland, expressed in local currency.

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

Increases in Fixed Assets for internal works **€- thousand (3,916)**

Last year, this item included the capitalisation of the costs incurred for the preparation of the TBM, an Aqueduct and an electricity line required for its use as part of the contract for the expansion to three lanes - Lot 2 - in the stretch from Barberino di Mugello to Florence North. The preparation of the above activities ended in 2017.

Other revenues and income **€11,064 thousand (13,086)**

This item is composed of the following:

€ thousands	2018	2017	Difference
- Capital gains from disposal of assets	383	209	174
- Staff costs recovery	2,150	1,143	1,007
- Recovery of cost of materials, supply of services and other charges	4,479	2,962	1,517
- Definition of costs and revenue from previous financial years	186	1,092	(906)
- Rounding off and discounts on supplies	39	174	(135)
- Sale of scrap	135	96	39
- Absorption of risks and charges provision	1,548	5,457	(3,909)
- Third party compensation	731	407	324
- Miscellaneous revenue	1,173	1,311	(138)
- Rent receivable	240	235	5
	<u>— 11,064</u>	<u>— 13,086</u>	<u>— (2,022)</u>

Below is the breakdown of revenues by geographical area:

€ thousands	Italy	Europe	Total
- Revenue from sales	593		593
- Revenue from services			
- Works	330,237	1,408	331,645
- Services	33	210	243
- Difference in works in progress	(45,569)	2	(45,567)
- Other revenue and income	11,044	20	11,064
Total Production Value *	<u>296,338</u>	<u>1,640</u>	<u>297,978</u>

* net of increases in fixed assets for internal works

Production Costs

€318,361 thousand (371,862)

This item includes:

€ thousands	2018	2017	Difference
- Raw and subsidiary materials and consumables	108,161	122,742	(14,581)
- Services	125,519	170,039	(44,520)
- Use of third party assets	1,097	1,049	48
- Staff	63,163	61,228	1,935
- Depreciation and write-off	21,677	16,919	4,758
- Changes in inventories of raw and accessory materials and consumables	(5,354)	(6,328)	974
- Risks and charges provision	1,259	2,233	(974)
- Other provisions	491	1,740	(1,249)
- Other management costs	2,348	2,240	108
	<u>318,361</u>	<u>371,862</u>	<u>(53,501)</u>

The overall decrease in the production costs, amounting to €53,501 thousand, is correlated to the reduced requirement for goods and services due to less production being completed. However, the lack of activity in the road surfacing maintenance sector for ASPI and the temporary shutdown of the TBM on Lot 2 of Barberino Infrastrutture had a negative effect during the year;

Purchase of raw and subsidiary materials and consumables €108,161 thousand (122,742)

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

€ thousands	2018	2017	Difference
- Inert substances and cement	7,197	9,164	(1,967)
- Bitumens, fuel, lubricants and packaged conglomerates	12,935	18,155	(5,220)
- Steel, laminates, profiles and grids	12,062	15,861	(3,799)
- Spare parts, plant and machinery	713	587	126
- Works materials	42,021	54,283	(12,262)
- Other materials	33,233	24,692	8,541
	<u>108,161</u>	<u>122,742</u>	<u>(14,581)</u>

Service costs

€125,519 thousand (170,039)

These concern the corporate management costs.

In particular:

€ thousands	2018	2017	Difference
- Works awarded to third parties	49,716	79,215	(29,499)
- Surveillance	5,839	11,831	(5,992)
- Canteen, mission reimbursements and staff-related costs	4,490	4,297	193
- Utilities and postal costs	4,474	4,301	173
- Transport and shipping	11,920	17,470	(5,550)
- Insurance	7,355	6,789	566
- Maintenance of fixed assets	3,611	4,190	(579)
- Rent	12,441	12,248	193
- CED maintenance fees	397	503	(106)
- Consultancy and auditing of the financial statements	4,998	4,994	4
- Legal and notary services	850	764	86
- Highway toll fares	607	752	(145)
- Cleaning	711	668	43
- Laboratory tests and analysis	824	704	120
- Temporary employment/fixed project employment	103	124	(21)
- Safety and security	550	730	(180)
- Technical assistance	125	68	57
- Services from parent company / Intercompany	349	162	187
- Waste disposal	8,492	10,574	(2,082)
- Services for issue of certification	35	83	(48)
- Personnel services	1,806	1,406	400
- Common consortium costs	198	1,360	(1,162)
- Directors' fees	426	342	84
- Auditors' fees	22	22	0
- Other services	5,180	6,442	(1,262)
	<hr/> 125,519	<hr/> 170,039	<hr/> (44,520)

As highlighted, the decrease is correlated to the reduced requirements for services due to less production being completed. The remuneration due to the Directors amounted to a total of € 426 thousand.

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

Use of third party assets €1,097 thousand (1,049)

This item is represented by:

€ thousands	2018	2017	Difference
- Rents payable	903	978	(75)
- Software	115	1	(115)
- State grants	79	70	(79)
- Real rights on third party assets	<u>—</u>	<u>1,049</u>	<u>(269)</u>
	<u>1,097</u>	<u>—</u>	<u>—</u>

Staff Costs

€63,163 thousand (61,228)

The breakdown of the components of the staff costs is as follows, compared to the corresponding figures for the 2017 financial year:

€ thousands	2018	2017	Difference
- Salaries and wages	41,558	40,711	847
- Social security costs	15,748	15,818	(70)
- Employee severance fund	2,749	2,522	227
- Pension fund	485	514	(29)
- Other costs	2,623	1,663	960
	<u>63,163</u>	<u>61,228</u>	<u>1,935</u>

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

The following is the average remunerated workforce of the company (which decreased from 887.61 units in 2017 to 862.22 in 2018), subdivided by category as follows:

	2018			2017			Delta
	CONT.	FT	TOTAL	CONT.	FT	TOTAL	
Executives	9.00		9.00	7.83		7.83	1.2
Managers	24.80	2.00	26.80	25.33	1.98	27.31	(0.5)
Office workers	266.32	7.55	273.87	277.27	12.39	289.66	(15.8)
Manual workers	428.28	124.27	552.55	454.42	108.39	562.81	(10.3)
	<u>728.40</u>	<u>133.82</u>	<u>862.22</u>	<u>764.85</u>	<u>122.76</u>	<u>887.61</u>	<u>(25.39)</u>

Amortizations and depreciations

€21,677 thousand (16,919)

This item includes:

Amortization of intangible fixed assets

€ 92 thousand (157)

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

€ thousands	Rate	2018	2017	Difference
- Application software	14.29%		34	(34)
- Application software	16.67%			
- Application software	20.00%			
- Application software	25.00%		16	(16)
- Application software	33.33%	61	63	(2)
- Industrial patents	5.00%	1	1	
- Software licences	33.33%	8	10	(2)
- State grants	10.00%	13	14	(1)
- Cost for improvement Trezzo worksites	10.00%	9	8	1
- Cost for improvement Barberino worksites	-		11	(11)
		<u>92</u>	<u>157</u>	<u>(65)</u>

Amortizations of tangible fixed assets

€ 21,348 thousand (16,136)

These are broken down in the following table:

€ thousands	Rate	2018	2017	Difference
- Works and improvements on land	4.00%	57	57	
- Light buildings	10.00%	9	9	
- Light buildings	12.50%	1,082	1,177	(95)
- Generic plant	10.00%	313	280	33
- Special systems and equipment		13,848	7,972	
- Specific plant and machinery	12.50%	166	285	(119)
- Specific plant and machinery	15.00%	3,695	4,260	(565)
- Miscellaneous tools	40.00%	55	41	14
- Motor cars and other vehicles	25.00%	410	433	(23)
- Vehicles, lorries, excavators and mechanical diggers	20.00%	1,400	1,300	100
- Electromechanical and electronic machinery	20.00%	262	272	(10)
- Furniture and fittings	12.00%	51	50	1
		<u>21,348</u>	<u>16,136</u>	<u>(664)</u>

As previously described, the amortization of the Plant and special equipment, which includes the investments required for the construction of the Santa Lucia tunnel, is attributed to the

income statement on the basis of the linear distance excavated by the TBM. The percentage of progress of the excavations was 42.90% as at 31 December 2018.

Depreciation of the receivables included in the current assets and cash and cash equivalents
€ 237 thousand (626)

In 2018, the Company allocated €237 thousand to align to the presumable value of realization the items which arose in previous financial years and doubtfully recoverable receivables.

Changes in the inventories of raw and subsidiary materials and consumables

€-5,354 thousand (-6,328)

The item in question is represented by the difference between the final inventories at the end of the previous financial year (€14,338 thousand) and those at the end of the financial year being examined (€19,692 thousand).

Allocations to provisions for risks

€1,259 thousand (2,233)

During the current financial year, amounts were allocated for probable risks deriving from lawsuits for €1,259 thousand, as described in more detail in the paragraph on the fund for ongoing lawsuits.

Other allocations

€491 thousand (1,740)

In 2018, the Company allocated €291 thousand for future charges for the disposal of milling material concerning the maintenance activities for the contractor ASPI. These charges concern the activities performed in the latter part of the year, which produced milling residue to be disposed of, and for which the costs will arise in economic terms in early 2019.

The amount also includes the allocation of € 200 thousand for the restoration of environmental damages of a known nature and reliably estimated amount but with an uncertain date of occurrence.

Other operating expenses **€2,348 thousand (2,240)**

This amount is illustrated in the following table:

€ thousands	2018	2017	Difference
- Losses from disposal of fixed assets	42	80	(38)
- Representation costs	17	7	10
- Subscription fees and purchase of publications	36	34	2
- Stamp and registration fees, government grants	85	86	(1)
- Vehicle tax	105	100	5
- Property tax	130	102	28
- Waste disposal tax	127	123	4
- Fines	388	700	(312)
- Definition of costs and revenue of previous financial years	501	86	415
- Third party damages	154	314	(160)
- Other	763	608	155
	<hr/> 2,348	<hr/> 2,240	<hr/> 108

Financial Income and Expenses **€- 1,891 thousand (- 2,092)**

This amount is illustrated in the following table:

€ thousands	2018	2017	Difference
Financial income:			
- Income from non-current receivables	139	141	(2)
- Income from subsidiaries	11	10	1
- Miscellaneous income			
- Interest on arrears	97	351	(254)
	<u><u>247</u></u>	<u><u>502</u></u>	<u><u>(255)</u></u>
Financial expenses:			
- Financial payables to AutoTrade per l'Italia	802	843	(41)
- Short-term financial payables to banks	390	611	(221)
- Interest on loans	705	733	(28)
- Interest on derivative financial instruments	208	150	58
- Other financial costs	1	9	(8)
- Bank commissions and charges	(51)	234	(285)
- Interest for late payment to suppliers	3	15	(12)
	<u><u>2,058</u></u>	<u><u>2,595</u></u>	<u><u>(537)</u></u>
Profits and losses on exchange rates:			
Profits from exchange rates realised	1	40	(39)
Profits from exchange rates from evaluation	5		5
Losses from exchange rates realised	24		24
losses from exchange rates from evaluation	62	39	(23)
	<u><u>(80)</u></u>	<u><u>1</u></u>	<u><u>(81)</u></u>
Total Financial Income and (Expenses)	<u><u>(1,891)</u></u>	<u><u>(2,092)</u></u>	<u><u>201</u></u>

The item in question shows an overall decrease of €201 thousand compared to 2017, as a combined effect of:

- the reduction of the overall charges to the banking system for short-term payables of €506 thousand due to the reduced recourse to indebtedness by the Company in 2018;
- the reduction in financial income of € 255 thousand as a result of the receipt of the receivables from AutoTrade Centro Padane (in April 2018), which were interest-bearing.

Value adjustments to Financial Assets €4 thousand (144)

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

- a) the recording of the ineffective portion, amounting to €9 thousand, of the Interest Rate Swap (IRS) underwritten to hedge the interest rate risk of the loan granted by Credit Agricole Corporate Investment Bank Deutschland for the purchase of the TBM;

- b) the recording of the positive change in fair value of €13 thousand of the floor type derivative incorporated in the above-mentioned loan.

<u>Financial year income tax</u>	€6,065 thousand (-7,784)
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The fiscal income in 2018 amounted to €6,065 thousand, due to the income generated by the fiscal losses of €5,861 thousand and the movements in advance taxes. Advance taxes of €1,749 thousand were allocated in the financial year, and advance taxes of €1,953 thousand were released. During the year, the Company also recorded income of €410 thousand for the settlement of IRES and IRAP for 2017.

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

RECONCILIATION BETWEEN ACTUAL TAX CHARGE AND THEORETICAL TAX CHARGE

(Amounts in thousands of Euros)

IRES (INCOME TAX)		Tax effect	
Description	Total differences	Amounts	Incidence
Pre-tax result	(22,270)		
Theoretical tax Charge/Gain		(5,345)	24.0%
Temporary taxable differences in future years:			
Other temporary differences			
Total			
Temporary deductible differences in future years:			
Amortizations deductible in future years	3,700		
Allocation Bad debt provision	237		
Allocation provision for pending law suits	1,259		
Allocation provision for environmental recovery costs	200		
Allocation provision for future costs	291		
Allocation provision for multi-year staff incentives	399		
Allocation for losses on multi-year contracts	713		
Other temporary differences	487		
Total	7,286		
Reversal of temporary differences from previous years			
Absorption of provision for pending lawsuits	(944)		
Uses Bad debt provision	(10)		
Uses provision for environmental recovery costs	(25)		
Uses provision for future costs	(1,040)		
Absorption of provision for multi-year contracts	(5,761)		
Other recovery of temporary differences	(408)		
Total	(8,188)		
Permanent differences			
Deduction cars	500		
Ace	(225)		
Excess depreciation	(4,781)		
Balance other permanent differences	3,259		
Total	(1,247)		
IRES taxable base	(24,419)		
Effective tax Charge/Gain		(5,861)	26.32%
Reimbursement by the parent company for tax consolidation			

Since the 2009 fiscal year, the Company has not continuously adhered to the National Consolidated Fiscal regime of the group leader Atlantia S.p.A., and has opted to do so again for 2018-2020.

In the 2018 financial year, the Company recorded advance taxes, dependently on the temporary differences prevalently concerning the amortizations deductible in future financial years, allocations made to the fund for future charges and the fund for multi-annual contract losses and the emoluments to be paid to the Chief Executive Officer and the Board of Directors. This item, which was recorded in observance of the taxation laws in force, was dealt with in respect of the principle of prudence. Therefore, the advance taxes have been recorded to the extent to which there is a reasonable certainty of the existence for these amounts of sufficient levels of taxable income in future fiscal years to enable their recovery.

The following tables illustrate the effects of these items and movements in them:

PREPAID TAX MOVEMENTS	
Balance 31.12.17	4,731
Releases	
Losses on multi-year contracts	(1,385)
Board of Directors fees	(82)
Provision for pending lawsuits	(227)
Provision for contractual costs	(250)
Provision for environmental recovery costs	(6)
Bad debt provision	(3)
Allocations	
Amortizations deductible in future years	888
Losses from exchange rates from evaluation	15
Provision for pending lawsuits	302
Board of Directors fees	102
Provision for environmental recovery costs	48
Provision for contractual costs	70
Losses on multi-year contracts	171
Provision for multi-year staff incentives	96
Bad debt provision	57
Effect on the Income Statement	(204)
Effect on the net equity (derivative instruments)	37
Balance 31/12/2018	4,564

DEFERRED TAX MOVEMENTS	
Balance 31.12.17	85
Releases	
Earnings from exchange rate transactions	
Write down cost	
Allocations	
Earnings from exchange rate transactions	
Effect on the Income Statement	
Balance 31/12/2018	85

Financial year result**€-16,205 thousand (15,794)**

As already described in detail, the 2018 financial year was characterised by a reduction in activities carried out. The reduction concerned all of the corporate activities towards other companies in the Group and third party contractors.

As a result of the margins estimated in 2018, the financial year closed with losses of €16,205 thousand.

STATEMENT OF CASH FLOWS INTRODUCTION

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

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

1. operating activities;
2. investing activities;
3. financing activities.

The financial flows from operating activities are determined using the indirect method.

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

The variation in the cash and cash equivalents amounts to €17,599 thousand.

The financial flow from operating activities is positive and amounts to €34,607 thousand. It represents the cash flow generated by the operating activities by effect of the change in operating capital and the non-monetary income elements (amortizations and depreciation), compensated by the financial profit (loss) for the year.

The financial flow from investing activities is negative and amounts to €4,804 thousand.

The financial flow from financing activities is negative and amounts to €12,204 thousand, as a result of the reimbursement of the loans granted by CACIB and UBI according to the respective amortization plans and the reduced recourse to short-term indebtedness.

Commitments, guarantees and risks

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

Real guarantees granted	€6,013 thousand (6,013)
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Includes the sureties granted to third parties in the interest of the consortium company R.F.C.C. in liquidation (€1,364 thousand) and the pledge on the shares of Tangeziale Esterna granted by Pavimental to guarantee a loan contract (€4,649 thousand).

Sales commitments	€639.330 thousand (667,985)
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These represent the works and services still to be carried out for the contracts awarded, broken down as follows:

SALES COMMITMENTS

€ thousands

31.12.2018

31.12.2017

Autostrade per l'Italia:		
Road surfacing maintenance		16,707
Infrastructures	393,550	477,771
Other highway works	2,322	1,325
Soundproofing and roadside barriers	191	3,821
Other Companies in the Altantia Group :		
Airport works	227,885	168,334
Other works	52	27
Other Contractors:		
Other works	15,330	
Total sales commitments	639,330	667,985

Other guarantees

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

OTHER MEMORANDUM ACCOUNTS

€ thousands

31.12.2018

31.12.2017

Real and Personal Guarantees received	60,036	62,558
Third party liabilities Guarantees for company:		
Performance bond	170,122	202,425
Guarantee withholdings		112
Other	42,362	14,986
Total Other Guarantees	272,520	280,081

RELATIONS WITH RELATED PARTIES

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

Parent company

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

The following tables summarise the economic relations ongoing in 2018 and the equity relations ongoing as at 31 December 2017:

€ thousands

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

	Atlantia S.p.A.	Atlantia S.p.A.
	31 December 2018	31 December 2017
<u>Receivables</u>		
Advance payments	169	179
Tax Receivables	9,006	3,903
Total Receivables	9,175	4,082
<u>Payables</u>		
Trade payables	203	218
Tax payables	294	
Other payables	30	12
Financial payables	820	
Total Payables	1,347	230
<u>Memorandum accounts</u>		
Guarantees - Sureties	22	22
Income	2018	2017
Other income	5	
Total income	5	
<u>Costs</u>		
<i>Production costs:</i>		
Services	53	33
Use of third party assets	556	553
Other costs	7	
Total Costs	609	593

Companies in the Atlantia Group

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

awarded by ASPI represent approximately 79% of the entire production of the Company. The outgoings concerned the recharging of highway toll fares, fees for the directors, outsourcing, staff on secondment, work-related fines and sundry costs.

The financial relations with ASPI are constituted by a credit line (regulated at market rates) generating interest receivable and payable within the Group, through which, as of October 2018, only financing operations to cover the overdrawn bank accounts are managed in the framework of the Centralised Treasury. It can be evinced from the above that the relations generated refer to operations of an everyday nature.

There are "sales commitments" to ASPI which represent work still to be carried out as part of the works awarded and "sureties" concerning insurance and bank guarantees for the proper execution of works. As at 31 December 2018, the Company owns 15,563,773 shares, amounting to 20% of the share capital of Pavimental.

The following tables summarise the economic relations ongoing in 2018 and the equity relations ongoing as at 31 December 2018 with ASPI:

€ thousands

Relations with ASPI (Trade, financial and others)

	Autostrade per l'Italia	Autostrade per l'Italia
	31 December 2018	31 December 2017
<u>Receivables</u>		
Works in progress	125,396	182,340
Trade receivables	8,273	15,349
-Depreciation funds	(1,153)	(1,184)
Sundry Receivables		
Advance payments to suppliers	2,536	2,367
Other receivables		8
<i>Total Receivables</i>	135,052	198,880
Financial fixed assets	4	4
Tangible fixed assets		
<i>Total Fixed Assets</i>	4	4
<u>Payables</u>		
Trade payables	1,257	1,615
Advances on SAL/advance payments	14,877	14,877
Tax payables		
Other payables	376	326
Financial payables	127,356	115,146
Deferred liabilities		
<i>Total Payables</i>	143,866	131,964
<u>Memorandum accounts</u>		
Sales commitments	396,063	464,241
Guarantees - Sureties	116,404	166,008
	2018	2017
<u>Income</u>		
<i>Production value:</i>		
Works	223,452	324,911
Services-Sales		14
Other income	1,090	595
Financial income		
<i>Total income</i>	224,542	325,520
<u>Costs</u>		
<i>Production costs:</i>		
Services	1,403	1,371
Use of third party assets	55	55
Other costs	456	874
Financial costs	802	843
<i>Total Costs</i>	2,716	3,143

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

As at 31 December 2017, ADR owns 15,563,773 shares, amounting to 20% of the share capital of Pavimental.

€ thousands

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

	Aeroporti di Roma Group	Aeroporti di Roma Group
	31 December 2018	31 December 2017
<u>Receivables</u>		
Works in progress	18,164	10,627
Trade receivables	9,112	1,961
<i>Total Receivables</i>	<i>27,276</i>	<i>12,588</i>
<u>Payables</u>		
Trade payables	528	1,213
Advances on SAL/advance payments	25,927	29,703
Other payables	9	113
<i>Total Payables</i>	<i>26,464</i>	<i>31,029</i>
<u>Memorandum accounts</u>		
Sales commitments	227,885	168,334
Guarantees - Sureties	72,768	23,490
	2018	2017
<u>Income</u>		
<i>Production value:</i>		
Works	56,524	45,131
Other income	349	496
<i>Total income</i>	<i>56,873</i>	<i>45,627</i>
<u>Costs</u>		
<i>Production costs:</i>		
Service costs	652	763
Other costs	95	
<i>Total Costs</i>	<i>747</i>	<i>763</i>

- **Essediesse (SDS):** an associate; during 2018, SDS provided service activities for the management of general services; there were also relations for the recharging the cost of seconded staff;
- **Telepass:** an associate; there are relations of a trade nature ongoing with the company concerning highway usage by Company vehicles;
- **Società Autostrade Meridionali:** an associate; finalisations of productions recorded in previous years were recorded in the accounts in 2018. There are also relations ongoing with this company for recharging the cost of seconded staff;
- **Tangenziale di Napoli:** an associate; Pavimental has receivables from this company for invoices issued and ongoing works for activities carried out in previous years;
- **Spea:** an associate; there were relations ongoing with the company concerning the recharging of the cost of seconded staff;
- **Giove Clear:** an associate; there were relations ongoing with the company concerning the recharging of the cost of seconded staff;
- **Stalexport Autostrada Malopolska S.A.:** an associate, there were active relations of a trade nature concerning production carried out in Poland by the Pavimental branch in temporary association with the subsidiary Pavimental Polska.

€ thousands

Relations with Related Parties (Trade, financial and other)

31 December 2018										31 December 2017									
SAT	Essediesse	SAM	Stalexport Malopolska S.A.	Spea	Telepass	Tang. Napoli	Giove Clear	TOTAL	SAT	Essediesse	SAM	Stalexport Malopolska S.A.	Spea	Telepass	Tang. Napoli	TOTAL			

Receivables

Works in progress	215	161		105	481		948	160		105	1,213				
Trade and other receivables	80	35	1,597	320	464	34	2,530	666	55	1,479	1,500	566		464	4,730
Accrued income															
Total Receivables	80	250	1,758	320	569	34	3,011	666	55	2,427	1,660	566		569	5,943

Payables

Trade payables	1	53			54	1		1		8		10
Advance payments	1	53			54	1		1		8		10

Memorandum accounts

Sales commitments				52		52				27	27
Guarantees - Sureties							1,149			1,338	2,487

2018							2017						
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Revenues

<i>Production value:</i>																			
Works	(232)		1,306					1,074	216		(190)		3,619		24	3,669			
Services																			
Other/financial income	98	72		439			56	665		55	71		305			431			
Total Revenues	98	(160)	1,306	439			56	1,739	216	55	71		3,619	305		24	4,100		

Costs

<i>Production costs:</i>																			
Services and Use of third party Assets	87	2		56	11			156		108					12	120			
Other costs		1			1				2										
Financial costs																			
Total Costs	87	3		57	11			158		108					12	120			

OPERATIONS WITH THE OBLIGATION OF WITHDRAWAL ON TERMINATION

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

FINANCIAL LEASING OPERATIONS

The Company did not have any assets under financial leasing as at 31 December 2018.

SIGNIFICANT EVENTS AFTER THE CLOSURE OF THE FINANCIAL YEAR

There were no significant events after the closure of the financial year.

€ thousands

SUMMARY OF KEY FIGURES OF THE LATEST FINANCIAL STATEMENTS OF THE COMPANY EXERCISING MANAGEMENT AND COORDINATION PURSUANT TO ART. 2497 BIS CC	
ATLANTIA S.P.A. KEY FIGURES FROM 2017 FINANCIAL STATEMENTS	
EQUITY-FINANCIAL SITUATION	
Non-current assets	10,355,336
Current assets	4,234,279
Total Assets	14,589,615
Net Equity	11,502,862
<i>of which share capital</i>	825,784
Non-current liabilities	1,751,665
Current liabilities	1,335,088
Total Net Equity and Liabilities	14,589,615
INCOME STATEMENT	
Operating revenues	2,876
Operating costs	-55,038
Operating result	-52,162
Financial year result	2,722,310

PROPOSALS TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

the draft Financial Statements that we are submitting for approval show net financial year losses of 16,205,071 Euros.

We would therefore ask that you approve the text we have submitted as the Financial Statements for the 2018 financial year, and this Report on Management, proposing that:

- the financial year losses, amounting to 16,205,071 Euros, be retained.

The term of office of the Board of Auditors ends with today's Shareholders' Meeting. We would therefore ask that you appoint the new Board of Auditors pursuant to the law and the Statutes, and also determine the number of members and establish their remuneration in advance.

Rome, 14 February 2019

Report by the

Board of Auditors

**Report by the Board of Auditors to the Financial Statements as at
31 December 2018
of PAVIMENTAL S.p.A.**

**Company under the management and coordination of Atlantia S.p.A.
pursuant to article 2429, second paragraph of the Civil Code**

Dear Shareholders,

Preliminarily, it must be acknowledged that after the resignation of the Chairman of the Board of Auditors Mr. Alessandro Trotter, on 23 October 2018, this position of standing auditor was taken by Mr. Mario Anaclerio, while Mr. Francesco Mariano Bonifacio took over Chairman of the Board of Auditors.

The Board would point out that during the course of the financial year closed on 31 December 2018, we performed the supervisory activities required of the Board of Auditors pursuant to art. 2403 of the Civil Code and – as applicable – art. 149 of Legislative Decree 28/98 and subsequent amendments or integrations.

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

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

With regard to the activities carried out during the course of the 2018 financial year, we would bring the following to your attention:

- we attended the Shareholders' Meetings and the meetings of the Board of Directors, supervising over the respect of the regulations in the company statutes and the laws and regulations in force disciplining the functioning of the company and we are able to attest that no significant resolutions were passed that were in potential conflict of interest or such as to compromise the integrity of the corporate equity without giving prior and suitable notification to the Directors and the Auditors;

- attending the meetings of the Board of Directors and also the meetings held with the directors and top management of the company – on at least a quarterly basis – has enabled us to obtain information on the activities carried out in overall terms by the company and on its transactions deemed to be of the most significance in economic, financial and equity terms, thereby ascertaining that the action deliberated and undertaken was in compliance with the laws and Company Statutes in force and were not blatantly imprudent or risky, in potential conflict of interest or in contrast with the resolutions passed by the corporate bodies or such as to compromise the integrity of the corporate equity;
- we conducted the analysis, for the matters of our competence, concerning the adequacy of the organizational structure of the company, by obtaining information and also examining the documentation that was sent to us by the managers of the corporate departments and by the representatives of the independent auditing firm during the meetings scheduled for the reciprocal exchange of data and information;
- we supervised over the adequacy of the internal auditing system which is structured at a Group level and is constantly updated by both the parent company and the subsidiary companies;
- we acquired knowledge and supervised over the adequacy of the administration and accounting system and on its reliability in terms of properly representing the management events, by obtaining information from the managers of the corporate departments, examining the documents and obtaining information from the independent auditing firm and through meetings with the Supervisory Board;
- we verified the punctuality with which both the data required for the preparation of the Financial Statements and the interim reports and the news of which in arts. 114, 115 and 150 of Legislative Decree 58/98 and subsequent amendments or integrations was given to the to the parent company.

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

- the Company did not carry out any atypical or unusual operations, including those within the group and with related parties. As regards the operations within the Group and with related parties of an ordinary nature, the Board of Directors has provided detailed information in its own report. In this regard, we believe that such operations as carried out were congruous with and responding to the interests of the Company;
- no reports ex art. 2408 of the Civil Code were received and we received no claims from third parties;
- during the course of the activities carried out, no omissions, irregularities or censurable facts, or in any case significant events, emerged such as to require reporting to the corporate bodies or mention in this report;
- there were no cases during the financial year in which it was necessary to obtain the opinion of the Board of Auditors pursuant to the law;
- the company is subject to the management and coordination of the parent company Atlantia S.p.A., and all of the advertising obligations provided by art. 2497 bis of the Civil Code were fulfilled;
- the company has subscribed to the national consolidated fiscal system, pursuant to art. 117 and following of the T.U.I.R., with Atlantia S.p.A. as the consolidating company.

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

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

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

In particular, the Board of Auditors would point out to the Shareholders that, as described in detail by the Directors in their Report on Management, the 2018 financial year was characterised by a reduction in the volumes of activities compared to the previous financial year, concerning the corporate activities carried out for other companies in the Group and third party contractors. Activities also reduced in the maintenance sector and, following the failure to extend the road surfacing maintenance contract with Autostrade per l'Italia S.p.A., the Company was forced to begin the procedure of “Extraordinary Voluntary Redundancy” – CIGS – in June 2018, for a duration of 12 months, which involved workers in the maintenance sector and the sectors related to it.

Taking into account of the report issued without findings, pursuant to art. 14 of Legislative Decree 39 of 27.01.2010, today by the independent auditing firm Deloitte and Touche S.p.A., the Board sees no reason why the annual financial statements closed

on 31 December 2018 should not be approved, as prepared by the Directors, together with the proposal for the allocation of the financial year losses.

Lastly, it should be noted that the three-year mandate of this Board expires with the approval of these financial statements. The Shareholders' Meeting is therefore asked to deliberate on the renewal of the Board of Auditors.

Rome, 1 March 2019

THE BOARD OF AUDITORS

Chairman: Francesco Mariano Bonifacio (Signed)

Standing auditor: Mario Anaclerio (Signed)

Standing auditor: Pier Giorgio Cempella (Signed)

Independents Auditors

Report

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Pavimental S.p.A. (the Company), which comprise the balance sheet as at December 31, 2018, the statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Italian law governing financial statements.

Basis for Opinion

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

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian law governing financial statements, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Antonio Barri, Eugenio Falanga, Barbara Capello, Pierluigi Gherardi, Gianni Di Stefano, Fabrizio Parma, Renzo Tassan, Paolo Vassalli
Sociai Capo Ufficio Contabilità, Consulenti di Capitale Sociale e di Valutazione, Consulenti di Controllo Interno, Consulenti di Finanziamento, Consulenti di
Codice Fiscale, Rapporto della Impresa Milano n. 03042700100 - via Della Montagna, 170000 | Requisito ISAE 34/2012/2012/163

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The Directors of Pavimental S.p.A. are responsible for the preparation of the report on operations of Pavimental S.p.A. as at December 31, 2018, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Pavimental S.p.A. as at December 31, 2018 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the financial statements of Pavimental S.p.A. as at December 31, 2018 and is prepared in accordance with the law.

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

DELOITTE & TOUCHE S.p.A.

Signed by
Francesco Legrottaglie
Partner

Rome, Italy
March 1, 2019

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