

SOCIETÀ DI PROGETTO
BREBEMI SPA

Financial Statements
as at 31 December 2019

Shareholders	Number of shares	Share capital	% of share capital
Autostrade Lombarde S.p.A.	271,290,457	41,774,730	81.6850%
Impresa Pizzarotti & C. S.p.A.	24,620,000	3,791,117	7.4130%
Unieco Società Cooperativa	17,815,000	2,743,247	5.3641%
Itinera S.p.A.	100	15	0.0000%
CCC Società cooperativa	5,193,000	799,645	1.5636%
Società per Azioni Autostrade Centro Padane	3,745,000	576,675	1.1276%
Mattioda Autostrade S.p.A.	2,000,000	307,971	0.6022%
Mattioda Pierino & Figli S.p.A.	2,016,500	310,511	0.6072%
Autostrada Brescia Verona Vicenza Padova S.p.A.	1,800,000	277,173	0.5420%
CMB Soc. Coop. Muratori e Braccianti di Carpi	1,612,000	248,224	0.4854%
Milano Serravalle – Milano Tangenziali S.p.A.	1,300,000	200,181	0.3914%
Intesa Sanpaolo S.p.A.	180,001	27,718	0.0542%
SPEA Engineering S.p.A.	180,000	27,717	0.0542%
Pegaso Ingegneria S.r.l.	163,000	25,100	0.0491%
Milano Serravalle Engineering S.r.l.	71,500	11,010	0.0215%
Alpina S.p.A.	66,635	10,261	0.0201%
Aegis Srl Cantarelli & Partners	22,000	3,388	0.0066%
Cremonesi Workshop Srl	16,500	2,541	0.0050%
A.B.M. Azienda Bergamasca Multiservizi srl	13,000	2,002	0.0039%
Grandi Lavori Fincosit S.p.A	13,000	2,002	0.0039%
Total	332,117,693	51,141,227	100.000%

SOCIETA' DI PROGETTO AUTOSTRADA DIRETTA BRESCIA MILANO S.P.A.	Subject to the management and coordination of Autostrade Lombarde S.p.A.
SHORTENED FORM	Registered office: Via Somalia, 2/4 – 25126 BRESCIA Fully paid-in share capital 51,141,227 REA no. 455412
SOCIETA' DI PROGETTO BREBEMI S.P.A.	Registration in the Brescia Companies Register Tax Code and VAT No. 02508160989

BOARD OF DIRECTORS	<i>Chairman</i> Francesco Bettoni
	<i>Vice Chairman</i> Riccardo Marchioro
	<i>Directors</i> Fabio Santicioli Marco Tarantino Andrea Livio Rocco Corigliano Patrizia Mattioda Andrea Mascetti
	<i>General Manager</i> Duilio Allegrini

The Board of Directors was appointed by the Shareholders' Meeting of 29 March 2019 and will remain in office until approval of the 2021 financial statements.

BOARD OF STATUTORY AUDITORS	<i>Chairman</i> Quirino Cervellini (*)
	<i>Standing Auditors</i> Paolo Panteghini Riccardo Ranalli Pietro Paolo Rampino Sara Riva (**)
	<i>Alternate Auditors</i> Leonardo Cossu Flavio Gnechi

() appointed by the Ministry of Economy and Finance, (**) appointed by CAL S.p.A.
The Board of Statutory Auditors was appointed by the Shareholders' Meeting of 17 June 2019 and will remain in office until approval of the 2021 financial statements.*

INDEPENDENT AUDITORS	KPMG S.p.A.
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The appointment of the Independent Auditors was made by shareholders' meeting resolution of 29 March 2019 and will expire upon approval of the 2021 financial statements.

DIRECTORS' REPORT AS AT 31 DECEMBER 2019

INTRODUCTION

Dear Shareholders,

We submit to your approval the 2019 Financial Statements, which consist of the Balance Sheet, Income Statement, Cash Flow Statement and Explanatory Notes, as required by Article 2423 of the Italian Civil Code, and are also accompanied by the Directors' Report, drawn up pursuant to Article 2428 of the Italian Civil Code. These statements have been drawn up in compliance with the main national accounting standards (OIC 2016) prepared in order to assimilate Italian Legislative Decree 139/2015 published on OJ of 4 September 2015.

Revenues from motorway operations recorded a significant upward trend compared to 2018 (+13.7%) mainly due to the entry into service of the interconnection between the A35 and the A4 Motorway on 13 November 2017.

Although the main operational indicators (Gross operating margin EUR 59.8 million and Operating income EUR 48.7 million, both higher than the previous year) were significantly positive and in line with sector standards, the Company reported a negative pre-tax result affected by the recording of amortisation and depreciation totalling EUR 11.2 million and financial charges totalling EUR 111.1 million. The profit/loss for the year showed a loss of EUR 49.1 million.

Financial management posted a negative balance equal to EUR 111.1 million compared to the 88.4 million of the previous year. The increase in financial charges was strictly related to a number of accounting effects arising from the refinancing transaction finalised on 22 October 2019 with the release of a secured multi-tranche bond issue for a total principal amount of 1,679 million. Income from the transaction allowed the Company to refinance the entire indebtedness incurred in 2013, during the motorway construction phase and to terminate the associated derivative contracts. Although there has been a significant improvement in financial ratios and covenants compared to the previous indebtedness thanks to better market conditions, the income statement is burdened by financial charges which restrict financial outputs, totalling EUR 23.9 million, mainly determined by: (i) the release of the Cash Flow Hedge reserve following the early termination of old derivative contracts according to a specific amortisation schedule from 2019 to 2033; (ii) the negative fair value adjustment of the derivative contracts still in place and (iii) the interest accrued on tranche A3 of the bond issue (named Zero Coupon Bond) under which interest is repaid in a single instalment upon expiry through collection of the takeover value.

The financial statements as at 31 December 2019 were drawn up on a going concern basis, sustained by the Business Plan attached to the Third Supplementary Act to the Concession Agreement signed on 19 July 2016, approved by Italian Decree 309 of 19 September 2016 by the Ministry of Infrastructure and Transport and to the subsequent publication in the Official Gazette (*Gazzetta Ufficiale*).

As from 2016, application of the new national accounting standards, explained in greater detail in the explanatory notes, also gave rise to the obligation to record the fair value changes in hedging derivative financial instruments in shareholders' equity, while in previous financial statements only disclosure in the explanatory notes had been required. As a result of this accounting amendment, shareholders' equity as at 31 December 2019 was negative by EUR 304,975,009. In this regard it should be noted that under applicable legislation these reserves are not considered in the calculation of the shareholders' equity for the purposes set forth in Articles 2412, 2433, 2442, 2446 and 2447 of the Italian Civil Code and, if positive, are not available and cannot be used to cover losses.

The Extraordinary Shareholders' Meeting held on 11 October 2019 resolved to arrange for full coverage of the losses reported in the balance sheet and income statement as at 30 June 2019 drawn up by the Board of Directors pursuant to Article 2446 of the Italian Civil Code, recording a loss for the period of EUR 25,012,040 which, when added to the previous years' losses of EUR 37,183,065, brought the Company's total losses to EUR 62,195,105. The share capital was therefore reduced from EUR 113,336,332 to EUR 51,141,227, allocating a total of EUR 62,195,105 to fully cover these losses.

The same Shareholders' Meeting approved the transaction to strengthen the Company's capital structure, consisting in the multi-tranche issue, up to a maximum amount of EUR 350,000,000, of Participative Financial Instruments, pursuant to Article 2346(6) of the Italian Civil Code to offer for subscription to all shareholders, in accordance with the option right to which they are entitled, in return for cash contributions to be made through the use and voluntary setoff of receivables due from the Company. For this purpose, a resolution to amend the clauses of the articles of association and to adopt special regulations was passed.

In a meeting held on 9 December 2019, the Board of Directors resolved, consistently with the commitments made under the financial documentation, to issue 80,000,000 Participative Financial Instruments and also established that any EFIs that were not subscribed by shareholders would be released through setoff of receivables due from the Company to parties who undertook commitments in the respective Shareholders Loan Agreements. Subscription of the Participative Financial Instruments took place on 15 January 2020 through proportional conversion of the total receivables due to shareholders from the Company as at 30 November 2019. The Shareholders' Meeting, which met on 15 January 2020, also approved a capital increase, with exclusion of the option right pursuant to Article 2441(5) of the Italian Civil Code, for a nominal amount of EUR 1,000,000.00, in addition to a share premium of EUR 21,230,078.00 and therefore for a total of EUR 22,230,078.00. The capital increase, for which the subscription deadline is 30 June 2020, will be implemented on an indivisible basis through the issue of 22,230,078 new ordinary Brebemi shares, without nominal value, with regular dividends and the same characteristics as those outstanding at the issue date, at an issue price of EUR 1.00 per share, of which approximately EUR 0.045 for share capital and approximately EUR 0.955 for share premium.

A total of 20,230,078 of the new issue shares are reserved for subscription by the Shareholder Impresa Pizzarotti & C. S.p.A. and 2,000,000 by the Shareholder Consorzio Cooperative Costruzioni -- CCC Società Cooperativa, and they are all to be released through setoff by an equal amount of the receivables due to Impresa Pizzarotti & C. S.p.A. and to Consorzio Cooperative Costruzioni -- CCC Società Cooperativa from the Company respectively, pursuant to the agreements in place with the Company in relation to the repayment of the higher expropriation charges paid in advance by Consorzio BBM when carrying out the design and development works for the motorway link.

INCOME STATEMENT, BALANCE SHEET AND CASH FLOW DATA

The Company's Income Statement, Balance Sheet and Cash Flow Statement are provided below with explanatory comments.

The key figures of the Income Statement as at 31 December 2019 compared with the corresponding data of the previous year can be summarised as follows:

	31.12.2019		31.12.2018		Changes
Revenues from motorway operations (*)	88,753,950		78,217,270		10,536,680
Other revenues	3,226,395		2,987,970		238,425
Operating costs (*)	(32,146,199)		(30,133,555)		(2,012,644)
Gross operating margin (EBITDA)	59,834,146	65.1%	51,071,685	62.9%	8,762,461
Amortisation, depreciation, provisions and reserves used	(11,157,178)		(10,306,505)		(850,673)
Operating income (EBIT)	48,676,968	52.9%	40,765,180	50.2%	7,911,788
Financial income	424,396		386,794		37,602
Bank financial charges	(80,212,504)		(77,867,662)		(2,344,842)
Financial charges shareholders loans	(10,990,057)		(10,300,285)		(689,772)
Release CFH reserve	(8,543,869)		0		(8,543,869)
Other financial charges	(525,413)		(626,126)		100,713
Value adjustments deriv. instruments	(11,274,212)		0		(11,274,212)
Balance of financial management	(111,121,659)		(88,407,279)		(22,714,380)
Income before tax	(62,444,691)		(47,642,099)		(14,802,592)
Income taxes	13,311,503		10,459,032		2,852,471
Profit/(Loss) for the year	(49,133,188)		(37,183,067)		(11,950,121)

(*) Amounts less the Tariff surcharge payable to ANAS (EUR 3,850 thousand as at 31.12.2019, EUR 3,527 thousand as at 31.12.2018)

“Revenues from motorway operations” were equal to EUR 88.8 million (EUR 78.2 million in 2018) and consisted of:

	31.12.2019	31.12.2018	Change
Net toll revenues	95,294,455	83,926,191	11,368,264
Tariff surcharge payable to ANAS	(3,850,725)	(3,527,825)	(322,900)
Discounts and other adjustments	(2,689,780)	(2,181,096)	(508,684)
Total motorway sector revenues	88,753,950	78,217,270	10,536,680

The increase in “net toll revenues” less the Tariff surcharge payable to ANAS – equal to EUR 11.0 million (+13.7%) – is attributable by EUR 6.8 million (8.5%) to the rise in traffic volumes and by EUR 4.2 million (5.2%) to the tariff increase.

“Other revenues”, equal to EUR 3.2 million, refer to the recovery of collection charges, charges for exceptional transports and non-payments, to income received for the service agreement in place with the parent company Autostrade Lombarde and the Management Agreement concluded with Tangenziale Esterna S.p.A., as well as to the chargeback of costs made to the General Contractor and Argentea Gestioni.

“Operating costs”, equal to EUR 32.1 million, include EUR 25.8 million of costs for services, EUR 0.2 million for use of third party assets, EUR 2.9 million for other charges and EUR 3.2 million for personnel costs.

The amount of the costs for services is mainly attributable to the costs linked to the management and maintenance of the non-compensated revertible assets. More specifically, the fee paid for the year 2019 to the assignee of the management and maintenance agreement, the associate Argentea Gestioni S.c.p.a., totalled EUR 20.3 million.

The amount of the sundry operating costs includes EUR 2.2 million (EUR 1.9 million in 2018) for the concession and sub-concession fee to be paid to the Grantor pursuant to the Concession Agreement.

The item “Amortisation, depreciation, provisions and reserves used”, equal to EUR 11.2 million, refers entirely to the amortisation and depreciation of fixed assets”. As at 31 December 2019 amortisation and depreciation of non-compensated revertible assets totalled EUR 11.0 million (EUR 10.0 million in 2018) and reflects the provisions of the Business Plan attached to Supplementary Act 3 to the Concession Agreement and also takes the expected takeover value into account.

“Income taxes” equal to EUR 13.3 million include EUR 1.9 million of costs for current taxes and EUR 15.2 million for deferred taxes calculated on the tax loss and the ACE (Economic Growth Aid) benefit.

The key figures of the Balance Sheet and Cash Flow Statement as at 31 December 2019 compared with the corresponding data of the previous year can be summarised as follows:

	31.12.2019	31.12.2018	Changes
Intangible fixed assets	4,500	0	4,500
Tangible fixed assets	1,168,533	1,272,053	(103,520)
Non-compensated revertible fixed assets	1,627,662,823	1,633,549,926	(5,887,103)
Financial fixed assets	44,910,498	35,967,702	8,942,796
Working capital	338,466,187	264,876,053	73,590,134
Invested capital	2,012,212,541	1,935,665,734	76,546,807
Prov.s for risks and charges and emp. sev. indem.	836,712	809,024	27,688
Net invested capital	2,011,375,829	1,934,856,710	76,519,119
Share capital	51,141,227	113,336,332	(62,195,105)
Other reserves	25,012,040	0	25,012,040
Cash flow hedge reserve	(331,995,086)	(251,809,892)	(80,185,194)
Profit (loss) for the period	(49,133,190)	(37,183,065)	(11,950,125)
Shareholders' equity	(304,975,009)	(175,656,625)	(129,318,384)
Net financial indebtedness	2,316,350,838	2,110,513,335	205,837,503
Own capital and loan capital	2,011,375,829	1,934,856,710	76,519,119

“Non-compensated revertible fixed assets” include the costs for the design, authorisation and construction of the motorway section for a total of EUR 1,988 million (compared to EUR 1,980 million as at 31 December 2018) less accumulated amortisation/depreciation equal to EUR 56.3 million and the public capital grant of EUR 304.4 million. The grant, obtained in 2016 when Supplementary Act 3 to the Agreement was implemented and totalling EUR 320 million, was carried at amortised cost in order to take into account the time factor relating to collection of the long-term portion (2020-2029) in accordance with national accounting standards.

Financial fixed assets refer to:

- the amount paid to Consorzio BBM under the agreement defined on 30 July 2016 for recognition, by way of advance pending the Grantor’s decisions, of the total amount of EUR 26.4 million for appraisal variations and higher cost items recorded by the Concession Holder and already incurred by the General Contractor. The agreement also provides for the contextual waiver of the related reserves in respect of Brebemi;
- the amount of EUR 18 million paid to Consorzio BBM under the agreement dated 5 March 2018 governing, *inter alia*, the recognition of an additional instalment of reserves by way of financial advance.

If CAL does not ultimately recognise the higher charges in the process to rebalance the Business Plan, at the end of the regulatory period that commenced on 13 October 2016, the advance payment will have to be returned to Brebemi. The advances were secured by bank guarantees to cover the

risk of return of the amount paid as advance payment. The amount was carried at amortised cost in order to take into account the time factor relating to the recognition of the charges by the Grantor and their entry under non-compensated revertible fixed assets.

As required by Italian Legislative Decree 139/2015 equity reserves arising from the fair value valuation of derivatives used to hedge the expected cash flows from another financial instrument:

- are not considered in the calculation of the shareholders' equity for the purposes set forth in Articles 2412, 2433, 2442, 2446 and 2447 of the Italian Civil Code;
- if positive, are not available and cannot be used to cover losses.

“Net financial indebtedness” as at 31 December 2019 breaks down as follows:

	31.12.2019	31.12.2018	Changes
Cash and cash equivalents	130,121,885	114,725,647	15,396,238
Receivables from Connected Companies	24,119,046	24,509,840	(390,794)
Payables for current obligations	(10,274,367)	0	(10,274,367)
Current bank payables	(5,740,900)	(10,625,042)	4,884,142
Payables to Connected Companies	(701,303)	(1,224,350)	523,047
Other current payables	0	(33,496,615)	33,496,615
Net current available funds	137,524,361	93,889,480	43,634,881
Payables to banks	(295,319,411)	(1,557,827,123)	1,262,507,712
Payables to bondholders	(1,628,827,157)	0	(1,628,827,157)
Derivative financial instruments	(146,911,504)	(331,328,806)	184,417,302
Payables to banks - Bond	(56,580,184)	0	(56,580,184)
Payables to shareholders for loans	(325,402,122)	(314,488,402)	(10,913,720)
Payables to other lenders	(834,821)	(758,484)	(76,337)
Non-current financial indebtedness	(2,453,875,199)	(2,204,402,815)	(249,472,384)
Net financial indebtedness	(2,316,350,838)	(2,110,513,335)	(205,837,503)

The item “Cash and cash equivalents” as at 31 December 2019 includes

- the amounts deposited on the “Debt Service Reserve Account”, consisting of EUR 44.6 million and on the “Maintenance Reserve Account”, consisting of EUR 24.4 million. These amounts, deposited under the “Common Terms Agreement” of 15 October 2019, may only be used by the Company to meet its payment obligations for debt servicing or maintenance costs when the resources needed have not been generated by operational management;
- EUR 27.5 million the residual cash arising from enforcement of the Performance Bond to be allocated to payment of the amounts still to be disbursed for expropriation activities.

Information on the item “Payables to bondholders” can be found in the paragraph “Financial Management” which provides a comprehensive description of the refinancing transaction of 22 October 2019.

The “Derivative financial instrument liabilities” provision carries the negative fair value of derivative financial instruments outstanding at the reporting date.

The EUR 184,417,302 decrease in the provision compared to the previous reporting date is attributable to the effects generated by the early termination of the hedging derivatives associated with the old financing structure, as part of the corporate debt refinancing transaction. More specifically, on 22 October 2019, 70% of the fair value of these derivatives was subject to early termination (refinanced through an increase in the bond liability) and the EUR 321,450,718 positive change generated was partially offset by the negative effect, by EUR 137,033,416, attributable to the negative fair value of the new hedging derivatives.

On 24 June 2019 the Company signed an agreement with the banks issuing the Performance Bond enforced during 2018, Consorzio BBM and the shareholders Impresa Pizzarotti and CCC. The agreement governs relations between the parties in respect of the EUR 55.2 million payable due to Bond Banks following the enforcement of the Performance Bond in order to define the repayment conditions. The agreement provides that the total amount of EUR 55.2 million is to be repaid in cash, including the annual interest accrued at the fixed rate of 2.5% as at 31 December 2028.

However, the Company is entitled to extend the final repayment date to 30 June 2036 and subsequently to 31 December 2042, subordinating repayment to the availability of cash remaining after the commitments arising from the financial documents relating to the bond loans and the senior loan. Under the agreement the parties are entitled to agree that instead of being repaid the payable could be converted into share capital.

MOTORWAY OPERATIONS

The traffic trends in 2019 are stated below.

A35 Actual Transits	2019			2018			AVERAGE		
	Light Vehicles	Heavy Vehicles	Total Vehicles	Light Vehicles	Heavy Vehicles	Total Vehicles	Light Vehicles	Heavy Vehicles	Total Vehicles
I Trimester	3.209.115	1.314.207	4.523.322	2.879.519	1.130.023	4.009.542	11%	16%	13%
II Trimester	3.599.472	1.439.359	5.038.831	3.363.439	1.263.167	4.626.606	7%	14%	9%
III Trimester	3.336.335	1.376.637	4.712.972	3.164.232	1.205.855	4.370.087	5%	14%	8%
IV Trimester	3.616.462	1.505.061	5.121.523	3.403.670	1.348.774	4.752.444	6%	12%	8%
Total	13.761.384	5.635.264	19.396.648	12.810.860	4.947.819	17.758.679	7%	14%	9%

A35 Veh/Km Paid	2019			2018			AVERAGE		
	Light Vehicles	Heavy Vehicles	Total Vehicles	Light Vehicles	Heavy Vehicles	Total Vehicles	Light Vehicles	Heavy Vehicles	Total Vehicles
I Trimester	82.403.616	31.920.066	114.323.682	74.439.244	28.216.911	102.656.155	11%	13%	11%
II Trimester	93.666.939	35.274.525	128.941.464	87.312.955	31.497.567	118.810.522	7%	12%	9%
III Trimester	86.200.859	33.698.695	119.899.554	82.783.372	30.176.275	112.959.647	4%	12%	6%
IV Trimester	92.618.360	36.416.113	129.034.473	87.559.465	33.185.138	120.744.603	6%	10%	7%
Total	354.889.774	137.309.399	492.199.173	332.095.036	123.075.891	455.170.927	7%	12%	8%

As shown in the table above in 2019 an overall average increase in vehicle-km equal to 8% was recorded.

A breakdown of the various toll collection methods used in 2019 is provided below:

Payment method	2019	2018
Telepass	81.9%	80.9%
Cash	9.7%	10.7%
Bank cards	7.2%	7.2%
Prepaid Viacard	0.4%	0.5%
Other	0.8%	0.7%
Total	100.0%	100.0%

The above data highlight the percentage decrease in cash payments and the constant development and use of automated and/or deferred payment systems and in particular of the drive through systems (Telepass).

Annexes 6 and 7 to these notes contain a description of the monthly paying traffic trends broken down by vehicle class.

Accidents

2019 recorded a global accident rate of 30.77 (25.16 in the previous year) and a mortality rate of 0.81 (0.22 in the previous year), calculated for each 100 million km travelled.

A summary is provided below of the road accidents recorded on the motorway section under concession in 2019.

	2019	2018
Total accidents	152	115
Accidents involving damage	109	78
Accidents involving injury	43	37
No. injured	54	52
Fatal accidents	4	1
No. deaths	4	1

MANAGEMENT AND MAINTENANCE OF THE MOTORWAY SECTION

On 25 March 2013 the Company, in the capacity of Principal, and Argentea Gestioni S.c.p.A., in the capacity of Contractor, signed the O&M Agreement, with a duration of 19.5 years, concerning the operation and maintenance of the motorway section and specifically: routine maintenance and major maintenance, construction of civil and/or plant engineering works, collection services, toll management, road safety, structure design and structure inspection services. The total fee, not including extraordinary maintenance, was determined as EUR 360,419,123 divided into annual fees for the entire duration (June 2014 – December 2033).

On 13 November 2017, following the entry into service of the new motorway section connecting the A35 and the A4, the activities covered by the O&M Agreement with Argentea Gestioni S.c.p.A. were reviewed and supplemented in order to adapt them to the new stretch of road under concession with specific regard to the activities relating to management of the new section, routine maintenance and the traffic police service.

On 5 March 2018 the parties signed the Supplementary Act 1 to the agreement which provides, for the period between 1 January 2018 and 31 December 2033, for an additional fee equal to EUR 28,976,014 to remunerate the additional activities for operation and management of the A35–A4 interconnection.

Maintenance

The most important routine maintenance mainly involved maintenance and operation of the plants servicing the motorway, mowing verges and embankments, repainting lane markings and repairing road surfaces damaged by accidents. A description is provided below of the main works divided into maintenance categories.

Road surfacing

This involves constant monitoring of the state of the road surface, conducting high through-put tests to assess the status indicators and localised repair works when necessary.

In 2019 resurfacing works on deteriorated sections were carried out on approximately 3 km of road, almost entirely along the slow lane.

Works of art

This involves quarterly and annual inspections of the works of art in accordance with current legislation and monitoring and maintenance of joints and supports.

Tunnels

This involves monitoring line and interchange tunnels and cleaning walls and carriageways.

Motorway network

This includes all the activities of maintenance of embankments, ancillary items for platforms, noise barriers, cleaning of roadsides, banks and lay-bys, and all that is required for the operation of systems for treating first flush waters.

In 2019 the first campaign to clean and empty the de-oiling plants positioned along the section was completed.

Safety

This includes repainting lane markings, repairing or replacing safety barriers damaged by accidents, monitoring and repairing the fencing and initial emergency works following exceptional events.

Toll collection

This includes all the activities of maintenance and operation of the collection systems, including emergency response.

Green areas and Cleaning

This includes the activities of mowing verges and embankments, cleaning station buildings and disposing of waste.

Winter operations

This includes all the actions required to keep the motorway in operation during the winter season, such as providing a weather forecast service for the section in question, preventive measures in the event of expected sub-zero temperatures, de-icing operations, hiring and availability of operating teams to deal with snow, maintenance of snow clearing blades and spreaders.

Buildings

This includes the activities for ordinary operation of the Fara Olivana maintenance centre, including plant overhaul and repair.

Sundry supplies

This includes the activities for maintenance and operation of the electromechanical and special systems servicing the motorway, the obligations arising from the Agreement with the Traffic Police, the cleaning and maintenance of the barracks, and the activities required to guarantee compliance with the Consolidated Law on Workplace Health and Safety (Italian Legislative Decree 81/2008 and subsequent amendments and supplements).

Under the aforesaid Agreement, a van was purchased to be used for public safety activities along the motorway.

In 2019, with regard to the maintenance of motorway equipment, more aluminium pipes were laid to replace the copper pipes in sections where thefts of material had occurred.

RELATIONS WITH THE GRANTING AUTHORITY

On 19 September 2016 Italian Decree 309 was issued by the Minister of Infrastructure and Transport in concert with the Minister of Economy and Finance which approved Supplementary Act 3 to the Concession Agreement concluded with the granting authority CAL SPA on 19 July 2016. The Decree, and consequently Supplementary Act 3, entered into full effect on 13 October 2016 after it was registered with the Court of Accounts and then published in the Official Gazette (*Gazzetta Ufficiale*).

The Plan assimilated measures to restore the economic-financial balance of the concessions and namely:

- recognition of the extension of the duration of the concession for a further 6 years with expiry on 22 January 2040 rather than in December 2033;
- recognition of a public grant for plant and equipment equal to a total of EUR 320 million, required to guarantee the Business Plan conditions of equilibrium and to be disbursed between 2016 and 2029.

The grant will consist of:

- a total amount of EUR 260 million, to be disbursed in annual payments of EUR 20 million from 2017 to 2031, under Article 1(299) of Italian Law 190 of 23 December 2014 (2015 Stability Law);
- a total amount of EUR 60 million, to be disbursed in the three years between 2015 and 2017.

As at today's date a total of EUR 99.4 million have been collected.

The equilibrium of the Business Plan is also dependent on the construction of the A35-A4 interconnection, as an amendment of the final project approved by CIPE (Interministerial Committee for Economic Planning), to guarantee an eastern link with the motorway network in service, to compensate for not constructing the Ospitaletto-Montichiari motorway link, covered by another concession.

The total amount of the investment, less the reduction, as provided under Supplementary Act 3, amounted to EUR 1,737,197,002 compared to the previous amount of EUR 1,611,300,247 provided under Supplementary Act 2.

On the matter of public grants for plant and equipment, it should be noted that in 2016 a first tranche, equal to EUR 40 million, of the grants referred to in Lombardy Regional Decree 12781 of 30 December 2014 was disbursed. In 2017 the last instalment of the regional public grant of EUR 20 million was disbursed, and also the first instalment of the public state grants established by the 2015 Stability Law by a total of EUR 19.5 million of the EUR 20 million due. After this the Company then regularly collected the annual instalments to which it was entitled up until 2019. In January 2020 the Company requested disbursement of the 2020 instalment equal to EUR 20 million.

TOLL TARIFFS

On 31 December 2018 an Interministerial decree was issued establishing that a 4.19% tariff increase was to be applied from 1 January 2019. As provided in the Business Plan attached to Supplementary Act 3 of the Concession Agreement, the tariff increase for the year 2019 was established using the following formula:

$$\Delta T = \Delta P - X + K = 1.2\% - (-2.990\%) + 0.000\% = 4.19\%$$

where

ΔT : is the annual percentage change in the tariff

ΔP : is the planned inflation rate

X = percentage factor of annual adjustment of the tariff determined at the beginning of each regulatory period and constant within it.

K = the annual percentage change in tariff determined each year to allow returns on investments made in the year before the year of application

In its communication dated 24 October 2019, the Company asked the Grantor CAL SpA to adjust the fee for 2020 by 3.79% determined according to the following reviewed formula:

$$\Delta T = \Delta P - X + K = 0.8\% - (-2.99\%) + 0.000\% = 3.79\%$$

On 31 December 2019 an Interministerial decree was issued establishing that a 3.79% tariff increase was to be applied from 1 January 2020.

SUBSIDISED RATES FOR USERS

In order to promote awareness and use of the infrastructure, the Company continued in the initiative to propose a commercial discount on tariffs of motorway sections by extending and reformulating for promotional purposes the benefits reserved to commuters by the Agreement signed between the Ministry of Infrastructure and Transport, AISCAT and the motorway operators, to all types of users with Telepass.

In 2016 the promotional operation entitled “Best Price” was conceived in association with the A58 Outer Ring and provided for a 15% discount on A35 Brebemi and A58 Outer Ring tolls, regardless of the entry/exit used, for Telepass Family or Business users who subscribed to the initiative.

Compared to the initiatives introduced for commuters by the Ministry of Infrastructures-AISCAT Protocol of Understanding, the discount applied to motorists by A35 Brebemi and A58 Outer Ring is more advantageous and is not associated with the numbers of trips made or the mileage limits that characterise the AISCAT – MIT Protocol of Understanding.

The “Best Price” sales promotion was extended to the end of 2020 and to mitigate the tariff increases, the toll discount was increased to 20% with effect from 1 February 2017.

Between 2016 and 2019 56,966 users signed up for the subsidised rates with a total number of 185,688 Telepass devices, recording an overall increase in 2019 of 12,180 users and 60,298 Telepass devices compared to 2018.

TECHNICAL ADMINISTRATIVE TESTING

Pursuant to Article 217 of Italian Presidential Decree 207/2010, the start of the final testing operations is subject to receipt of the following documentation, handled by the Director of Works:

- final account of works;
- report accompanying the final account;

- confidential report on the reservations put forward by the undertaking carrying out the works and not settled during the works (a similar confidential report must also be sent to the Commission by CAL's head of procedure).

After verifying that all the remaining activities to be carried out by the General Contractor had been definitively completed (less the remaining payments due to the expropriated or subjugated companies), the Director of Works drew up and sent to the Grantor:

- on 28 February 2019, the final account and accompanying report;
- on 7 March 2019, the confidential report on reservations.

The Grantor then asked the Concession Holder to provide its considerations on the report on the final account and on the reservations, sent by the Concession Holder on 27 May 2019.

The Director of Works has not finished drawing up the final account on the A35-A4 Interconnection Modification.

The testing activities currently in progress only concern the motorway link (that is, the works required under the Final Project approved by CIPE with resolution 42/2009).

The works for the subsequent A35-A4 Interconnection Modification, approved by CIPE by resolution 18/2016, may be subject to separate testing carried out by a special commission, constituting independent works with separate accounting and separate economic expenditure framework.

RELATIONS WITH THE GENERAL CONTRACTOR WITH REGARD TO EXPROPRIATION ACTIVITIES AND RESERVATIONS

On 7 November 2019 Società di Progetto Brebemi Spa, Consorzio BBM, Impresa Pizzarotti S.p.A. and CCC Consorzio Cooperative Costruzioni Società Cooperativa signed an agreement to settle the arbitration procedure commenced on 14 June 2018.

Payment of the debt accrued to Consorzio BBM, the Works General Contractor, equal to EUR 62,230,078, was conditional on this settlement.

Under the agreement, which established the value of the shares as EUR 1 per share (including the premium), Brebemi arranged for:

- cash payment of the debt for a total amount of EUR 40 million in November. The financial resources were made available as part of the refinancing transaction finalised on 22 October 2019 and described in the appropriate section of the explanatory notes;
- submitting to its shareholders' meeting, which met on 15 January 2020, a capital increase, with exclusion of the option right pursuant to Article 2441(5) of the Italian Civil Code, for a nominal amount of EUR 1,000,000.00, in addition to a share premium of EUR 21,230,078.00 and therefore for a total of EUR 22,230,078.00.

The capital increase approved by the shareholders' meeting, for which the subscription deadline is 30 June 2020, will be implemented on an indivisible basis through the issue of 22,230,078 new ordinary Brebemi shares, without nominal value, with regular dividends and the same characteristics as those outstanding at the issue date, at an issue price of EUR 1.00 per share, of which approximately EUR 0.045 for share capital and approximately EUR 0.955 for share premium.

A total of 20,230,078 of the new issue shares are reserved for subscription by the Shareholder Impresa Pizzarotti & C. S.p.A. and 2,000,000 by the Shareholder Consorzio Cooperative Costruzioni -- CCC Società Cooperativa, and they are all to be released through setoff by an equal amount of the receivables due to Impresa Pizzarotti & C. S.p.A. and to Consorzio Cooperative Costruzioni -- CCC Società Cooperativa from the Company respectively, pursuant to the agreements in place with the Company in relation to the repayment of the higher expropriation charges paid in advance by Consorzio BBM when carrying out the design and development works for the motorway link.

As at today's date the shareholders Impresa Pizzarotti & C S.p.A. and Consorzio Cooperative Costruzioni -- CCC Società Cooperativa have not yet subscribed the capital increase.

ENFORCEMENT OF PENALTY BY THE GRANTOR CAL

By note dated 16 December 2019 the Grantor CAL S.p.A. informed the Company of the enforcement of a penalty quantified as EUR 1 million for failure to comply with the contractual timeframes for completion of the works of the Motorway Link. If confirmed, this penalty will be taken into account

when updating the Business Plan and deducted from the eligible costs.

More specifically, the Grantor pointed out that the works on Lot 0B were completed on 20 September 2016 and therefore after the deadline of 29 December 2015 stated in the Agreement of 21 May 2014 and therefore deemed that the conditions for enforcement of a penalty pursuant to Article 26.4 of the Concession Agreement had been met.

On 31 January 2020 Brebemi sent its counter arguments to the Grantor, requesting annulment of the penalty by and no later than 28 February 2020, reserving the right to take any action to protect its interests if appropriate measures were not taken by that deadline.

More specifically, in its counter arguments Brebemi stated that the penalty communicated by CAL was unlawful in certain respects, pleading that the provisions of Article 26.4 of the Concession Agreement were not applicable and that the Grantor had unlawfully failed to issue a decision on the applications for extension sent by the Concession Holder.

EXPROPRIATION AND ACQUISITION OF LAND AND BUILDINGS

On 13 October 2016 Italian Decree 309, issued by the Ministry of Infrastructure and Transport in concert with the Ministry of Economy and Finance, entered into force, approving Supplementary Act 3 on the economic and financial rebalancing of the concession.

After the rebalancing procedure, the costs for direct acquisition of land or buildings were increased by EUR 117,411,565 in view of: (i) the effects of the Protocol of Understanding that had since been signed with the Lombardy Regional Government, Confagricoltura, Coldiretti, Cia, Unione Regionale Proprietà Fondiarie and of the increase in the Average Agricultural Values in the Provinces Concerned (approximately 21% from 2009 to 2014), (ii) the effects of the Constitutional Court judgment 181 of 7 June 2011, (iii) the agreement with RFI on expropriation of the interlying areas, (iv) the expropriation of the mitigation areas

The new maximum expenditure limits total EUR 357,411,565.

CIPE resolution 18/2016 of 1 May 2016 also ordered a two-year extension, up to 21 July 2018, of the declaration of public utility of the Works, in order to allow completion of the expropriation activities. The extension entered into force on 13 October 2016 after the resolution was registered in the Court of Accounts.

In compliance with the time limit of Public Utility stated above, Brebemi issued all the final measures for acquisition/subjugation of the areas required to construct the Motorway Link (approximately 1,600 expropriation and/or subjugation measures, concerning areas extending over more than 8.7 million square metres).

As at 31 December 2019 the total costs for indemnities, taxes and technical expenses paid to the parties affected by the expropriating procedure amounted to EUR 329.9 million.

LEGAL ACTIVITY AND LITIGATION

A total of fifty-five disputes are currently pending before various courts:

- three concerning the lawfulness of the expropriation procedures implemented against private individuals for acquisition of the land required for the Works;
- twenty-eight concerning the estimates of indemnities to be provided to the owner companies, twelve of which initiated by Brebemi and sixteen by the companies owning the expropriated properties (one of these refers to a claim submitted by a professional in relation to the fee for services provided as part of a three member technical committee set for definitive determination of the expropriation indemnity);
- ten concerning the tax settlement rate for the expropriation decrees (expropriation and /or subjugation of properties) applied by the Italian Revenue Agency.

In this regard, it is reported that no specific allocation was made to the risks provision for the obligations and responsibilities assumed by Consorzio BBM when signing the Contract of Award to General Contractor and subsequent agreements.

Another fourteen disputes which cannot be classified under a single legal basis are pending:

- claim for compensation for the heirs of a worker who died in an accident on the Brebemi construction site (joint and several summons with others). The Court rejected the preliminary motions and the case was referred to and investigated in criminal proceedings where the liability of Consorzio BBM and Brebemi was excluded. No provision has therefore been made;
- assessment of reservations of Consorzio CO.IN.E. (Sub-Contractor of the General Contractor). Brebemi, which was not a party to the contractual relationship between COINE and Consorzio BBM, was involved in these proceedings as it was held jointly and severally liable for Consorzio BBM's non-payment of sums claimed by COINE. Regardless of the outcome of the proceedings, Brebemi holds a specific indemnity issued by Consorzio BBM. No provision has therefore been made;
- two petitions filed to the TAR (Regional Administrative Court) by another Concession Holder: (i) the first relating to the request for annulment of the resolution of the Lombardy Regional Council and of the decisions concerning the final modification project for the A35/A4 interconnection; (ii) the second concerning the annulment of CIPE Resolutions 60/2015, 18/2016 and 19/2016. The relief sought by both petitions cannot be determined in economic terms and no provision has therefore been made;
- a petition filed by CODACONS concerning the lack of safety tutors and the absence of service areas which, according to the association, constitutes an unfair competitive advantage for Brebemi. The relief sought cannot be determined in economic terms and no provision has therefore been made. It is also pointed out that (i) no law imposes the use of the Safety Tutor system (not all Italian motorways have it), (ii) since December 2017 motorway service stations have been in operation;
- a petition filed by Legambiente by which the environmental association challenged the decisions approving the A35/A4 interconnection modification. The relief sought cannot be determined in economic terms and no provision has therefore been made;
- a petition filed to the TAR by the Municipality of Cassina de' Pecchi in relation to a request for declaration of nullity of the act of handover of road sections. The relief sought cannot be determined in economic terms and no provision has therefore been made. The dispute specifically concerns the recognition of extra maintenance costs for the future management of the road section in question, claimed by the Municipality from the Region;
- a dispute relating to compensation claims arising from a road accident. On the matter it is pointed out that (i) any economic consequence arising from road accidents is borne by Argentea Gestioni S.c.p.A, the company entrusted with motorway management and maintenance; (ii) insurance policies have been taken out to cover damage incurred following road accidents. No provision has therefore been made;
- a dispute relating to compensation of damage following flooding that occurred during construction works on the Motorway Link. Pursuant to Article 28 of the Contract of Award to General Contractor, Consorzio BBM must hold Brebemi harmless from third party claims relating to damage arising from motorway construction works. No provision has therefore been made;
- two petitions filed by Brebemi to the TAR for annulment of ART Resolution 139/2016 (measures and procedures for payment of the contribution due to the Transport Regulation Authority (ART) for 2017) and ART Resolution 145/2017 (measures and procedures for payment of the contribution due to said Authority for 2018). The petition was filed following the agreements reached at AISCAT level. No provision has been made as the dispute was initiated by Brebemi, which has however paid the contribution, reserving the right to be refunded. The first of the two petitions was dismissed by the TAR judgment published on 22 January;
- a petition filed to the Lazio TAR by which Brebemi challenged Italian Ministerial Decree 398 of 7 August 2017 of the Ministry of Infrastructure and Transport, in concert with the Ministry of Economy and Finance (determination of fees to be charged to operators, pursuant to Article 10(2) of Italian Legislative Decree 35 of 15 March 2011, implementing Directive 2008/96/EC on road infrastructure safety management). No provision has been made as the dispute was initiated by Brebemi;

- a petition filed by Brebemi to the Brescia TAR against the forced handover of some road sections constructed by Cepav Due (RFI's general contractor for construction of the HS/HC line) pursuant to Article 4(7) of the Highway Code. No provision has been made in view of the indeterminate nature of the relief sought, and in view of the extensive indemnity issued by Consorzio BBM to Brebemi;
- a dispute initiated by Brebemi before the Court of Bologna against the order for payment of the sums relating to the uncontrolled abandonment/disposal of waste (the relief sought can be determined as EUR 309.00).

The following cases were defined through settlement agreements:

- arbitration commenced on 14 June 2018 by Consorzio BBM, Impresa Pizzarotti & C and CCC Società Cooperativa, through the settlement agreement described in greater detail in the next paragraph;
- dispute relating to the opposition to an order for payment of the value of EUR 1,600,000, not immediately enforceable, obtained by Brebemi in performance of the obligations included in an Agreement with the Municipality of Castrezzato dated 21 June 2010. Under this agreement the Entity should have reimbursed Brebemi for the cost of EUR 1,521,000 incurred to purchase areas partially required to procure the aggregates required for the Motorway and partially to build a race track in the Municipality of Castrezzato. The procedure was concluded – along with another dispute that arose between the same Municipality and Autostrade Lombarde S.p.A. – with the signing, on 12 April 2019, of an out-of-court settlement agreement under which Brebemi obtained payment of the amount of EUR 1,580,000.00.

Lastly, the procedure initiated by the extraordinary petition filed by Consul System and Brebemi to the Italian President of the Republic has also been essentially defined. The appeal requested annulment of the note of the Ministry of Economic Development which rejected Consul System Spa's proposal concerning access to the white certificates mechanism. The petition was rejected by Opinion No. 919 dated 26 March 2019. The final decree of the Head of State has yet to be issued, but will certainly be in line with the aforesaid opinion.

FINANCIAL MANAGEMENT

Bond issues

Following the resolution approved by the Company's shareholders' meeting on 3 October 2019, on 22 October 2019 a secured multi-tranche bond issue for a total principal amount of EUR 1,679 million was released. The transaction was structured as a project bond and involves the following:

- a Class A1 senior secured variable rate tranche maturing in 2038, issued for a total of EUR 15 million;
- a Class A2 senior secured fixed rate tranche maturing in 2038, issued for a total of EUR 934 million;
- a Class A3 senior secured zero coupon tranche maturing in 2042, of a nominal amount of EUR 1,205 million and issued at an issue price equal to approximately 46.30% of the principal amount (for a value equal to approximately EUR 558 million);
- a subordinated secured variable rate tranche maturing in 2029 (extendible to 22 January 2042), of a nominal amount of EUR 172 million and issued at an issue price equal to 99% of the principal amount.

The Bonds were issued pursuant to and subject to the rules set out in Article 185 of Italian Legislative Decree 50/2016 (the Public Contracts Code) and were admitted to listing on the multilateral trading facility Euronext Dublin, organised and managed by the Irish Stock Exchange.

Furthermore, as part of the transaction the Company signed an amortising loan agreement for a maximum total amount of EUR 307 million maturing in 2033, disbursed by UniCredit S.p.A., Banco BPM S.p.A., Unione di Banche Italiane S.p.A., Monte dei Paschi di Siena S.p.A. and Banca IMI S.p.A.

In order to finalise the entire transaction, the following guarantees were granted to the holders of the bond issues and the new lenders:

- pledge on approximately 94% of the Company's share capital;
- assignment by way of security of the Company's receivables arising from the Concession Agreement;
- assignment by way of security of the Company's receivables arising from the Project Contracts (including the EPC Agreement with Consorzio B.B.M., the O&M Agreement with Argentea Gestioni S.C.p.A., the Project Insurance Policies and the agreements concluded with the service area operators);
- general lien on the Company's assets and receivables pursuant to Article 186 of the Public Contracts Code; and
- pledge on the Company's current accounts relating to the project.

The proceeds from the transaction allowed the Company to refinance the entire indebtedness incurred in 2013, during the motorway construction phase and to early terminate the associated derivative contracts.

The new financial structure enabled financial ratios and covenants to improve compared to the previous indebtedness thanks to better market conditions and to the presence of the zero coupon Class A3 tranche and the Subordinated Secured tranche ("Junior tranche"). This also allowed an investment grade rating on the senior tranches as detailed below:

Class A1 Senior Secured Notes	Fitch	BBB- (Outlook stable)
	Dbors	BBB Low (Outlook stable)
Class A2 Senior Secured Notes	Fitch	BBB- (Outlook stable)
	Dbors	BBB Low (Outlook stable)
Class A3 Senior Secured Notes	Fitch	BBB- (Outlook negative)
	Dbors	BBB Low (Outlook stable)

As part of the refinancing transaction described above, the Interest Rate Swap (IRS) contracts outstanding at the previous year's reporting date were early terminated. To hedge the exposure to the interest rate risk generated by the Company's new debt structure new derivatives were negotiated. The early termination of the previous derivatives was financed by 70% of the fair value with the new debt issued by the Company and the remainder through the negotiation of new hedging IRSs, of which the contractual conditions include an increase in the fixed contractual rate, attributable to reimbursement of the fair value share of the previous contracts terminated in advance.

According to the current provisions of the OIC Accounting Standards, as the hedging effects accrued on the IRSs terminated in advance during the year (on the whole negative by EUR 448,507,839 and equal to the effective component of previous hedging relationships, accrued up to the date of early termination of the contracts and subsequent termination of the hedging relationships) refer to the hedging of the interest rate risk relating to future flows of interest expense generated by Company's indebtedness, they must initially be recognised in shareholders' equity and then recycled in the Income Statement in the same years in which the cash flows originally hedged have an impact on the profit (loss) for the year.

After the bond was issued, in order to guarantee transparency to the market, Società di Progetto Brebemi adopted an Internal Dealing Procedure to govern the disclosure and behaviour obligations of insiders, that is, those who under the Market Abuse Regulation ("MAR") and implementing rules carry out administration, management and control functions in Brebemi or Brebemi executives who, even though they are not members of these bodies, have regular access to inside information and have the power to make management decisions that could affect Brebemi's future development and prospects, as well as persons closely associated with them, major shareholders and persons closely associated with them.

The Procedure also governs possible prohibitions and limits on carrying out transactions within certain timeframes.

The Procedure, which was drawn up in compliance with the provisions of the cited European Market Abuse Regulation in force from 3 July 2016 (and specifically of Regulation (EU) 596/2014 "MAR", delegated Regulation (EU) 2016/522 and implementing Regulation (EU) 2016/523), concerns transactions, as identified by the regulations, once they have reached a total of EUR 20,000 or more in the space of one calendar year. The EUR 20,000 threshold is calculated by summing without setoff all the transactions concluded during one calendar year. Once this threshold has been reached, all transactions (including those of a lower amount) must be disclosed.

The Company also adopted a specific Procedure on Inside Information which governs the process of identifying, managing and processing Significant Information and Inside Information, as well as the processes and practices to be observed in internal and external disclosure of Inside Information.

Shareholders' loans

With specific regard to the Capitalisation Agreement signed on 25 March 2013, the commitments undertaken by the Company and the lending shareholders with regard to the conversion of shareholders' loans into Brebemi capital, were maintained and supplemented in accordance with the new financial documentation signed, as part of the debt refinancing transaction concluded on 22 October 2019.

More specifically, in order to implement the "Security Trust and Intercreditor Deed" provisions, each lending shareholder signed an "Amended Shareholders' Loan Agreement" with the Company, undertaking to ensure that each loan disbursed and not yet repaid is converted in full or in part into share capital or Participative Financial Instruments of the Company, if its shareholding structure experiences a direct change of control and/or if significant losses are incurred pursuant to Articles 2446 and 2447 of the Italian Civil Code, and in order to ensure that the Company maintains a minimum shareholders' equity of no lower than EUR 100 million.

A breakdown of shareholders' loans outstanding as at 31 December 2019 is provided below:

Shareholders	Payable 31.12.2019	Interest 31.12.2019	Total 31.12.2019
Autostrade Lombarde S.p.A.	204,682,692	38,036,721	242,719,414
Impresa Pizzarotti & C. S.p.A.	13,650,380	3,346,851	16,997,231
CCC Soc. Coop.	10,399,938	2,772,248	13,172,186
Mattioda Pierino e Figli S.p.A.	1,067,801	39,649	1,107,450
Autostrada Brescia Verona Vicenza Padova S.p.A.	5,889,488	1,453,065	7,342,553
C.m.b. Cooperativa Braccianti e Muratori di Carpi	707,806	170,632	878,438
Mattioda Autostrade S.p.A.	5,898,389	219,018	6,117,407
Intesa Sanpaolo S.p.A.	29,767,321	7,300,123	37,067,444
Total	272,063,815	53,338,307	325,402,122

Other lenders	Payable 31.12.2019	Interest 31.12.2019	Total 31.12.2019
UBI Banca S.p.A.	583,036	143,007	726,043
Banco BPM S.p.A.	75,275	33,504	108,779
Total	658,311	176,510	834,821

As stated at the beginning of this report, in January 2020 part of the receivables due to shareholders totalling EUR 80 million were converted into Participative Financial Instruments in accordance with the provisions of the specific shareholders' meeting resolutions and the commitments undertaken by the shareholders.

OTHER SPECIFIC INFORMATION REQUIRED BY CURRENT LEGISLATION

The Company's administrative liability

On the matter of its administrative liability, the Company ensured that its organisational, management and control tools were constantly updated to comply with the provisions laid down by Italian Legislative Decree 231/01. The Organisational Model in use was approved by the Board of Directors in the meeting held on 9 December 2019.

Following changes in legislation which led to the introduction of new offences and the introduction of new procedures at company level, the Organisational Model was updated to identify activities where there was a risk of commission of the new types of offences, and to update the internal procedures for preventing unsuitable behaviour. The Supervisory Body arranged for and implemented the scheduled inspection and control activities, from which no findings emerged, and in the board meeting held on 9 December 2019 submitted its annual report without highlighting any significant problem areas

Personnel

With regard to the information to be disclosed on salaried employees, a breakdown is provided below of personnel in 2019 compared with the figure for the previous year and the average headcount:

Composition of personnel	31.12.2019	31.12.2018	Change	2019 Average
Executives	4	5	(1)	5
Managers	6	5	1	6
Office workers	20	18	2	20
Total	30	28	2	30

Two executives included in the headcount as at 31 December 2019 were seconded to other companies to an extent equal to approximately 30%.

Information on the environment and company certification

With regard to the information to be disclosed on the environment, the Company carries out its activity in full compliance with the provisions on the environment and hygiene at the workplace.

The risk assessment document (DVR), required under Italian Legislative Decree 81/2008, was drawn up pursuant to Article 17(1)(a) and Articles 28 and 29 of said Decree and updated (review 6) on 22 March 2019. The document, accompanied by specific hazard identification and risk assessment sheets, was duly signed by the Employer and, for acknowledgement, by the company Health and Safety Officer, the Occupational Health Specialist and the Workers' Safety Representative.

The Company also implemented a series of measures to limit the environmental impact of the infrastructure, the main ones being:

- transmission to the Ministry of the noise mapping, preparation of the Plan of Action in accordance with current European legislation on reduction of environmental noise;
- installation and maintenance of noise barriers;
- use of draining asphalt which contributes to reducing noise pollution;
- recycling of pavement milling materials and bitumen conglomerates in the building phase;
- management of waste produced by road accidents, using specialised companies in accordance with current legislation;
- treatment of road surface waters through de-oiling systems.

The Company has been quality certified since 10 February 2009 (compliance with the UNI EN ISO 9001:2000 standard), with issue of the first renewal on 27 May 2013 (compliance with the UNI EN ISO 9001:2008 standard) and subsequent renewals on 24 April 2017 and 21 May 2019, valid until 26 May 2022. The last surveillance audit was carried out by TÜV (Certification Body) on 8 May 2019 and compliance with UNI EN ISO 9001:2015 standard was confirmed. The subject of the current certificate is still "Design and management of the Brescia Milan Motorway Link under

concession”, after the review approved by the Certification Body in 2018 following completion of the construction works.

Internal Audit

The Company has implemented, through its parent company Autostrade Lombarde acting as service provider, an internal audit system conducted by an external consultant. Each year the consultant carries out the audit plan approved by the Board of Directors and implements the procedures envisaged in the plan, certifying proper application of procedures.

Research and development activities

No research and development costs were incurred in 2019.

Relations with subsidiary, associated and parent companies and companies subject to the parent companies’ control

The following is reported:

Counterparty	Type of transaction	Amount
<i>Services supplied by Società di Progetto Brebemi S.p.A. to Group companies</i>		
Autostrade Lombarde S.p.A.	Supply of services	255,000
Argentea Gestioni S.c.p.a.	Chargeback costs for services	456,251
Argentea Gestioni S.c.p.a.	Seconded personnel	40,298
<i>Services supplied by Group companies to Società di Progetto Brebemi S.p.A.</i>		
Autostrade Lombarde S.p.A.	Shareholders’ loan	242,719,414
Autostrade Lombarde S.p.A.	Financial charges	3,585,586
Autostrade Lombarde S.p.A.	Supply of services	19,258
Argentea Gestioni S.c.p.a.	O&M agreement fee	20,301,852
Argentea Gestioni S.c.p.a.	Costs for motorway management services	915,586

The costs equal to EUR 20,301,852 refer to the fee arising from the O&M Agreement concerning the maintenance and management of the motorway section and in particular: routine maintenance and major maintenance, construction of civil and/or plant engineering works, collection services, toll management, road safety, structure design and structure inspection services, signed on 25 March 2013 between the Company, in the capacity of Principal, and Argentea Gestioni S.c.p.A., in the capacity of Contractor.

Related party transactions

Related party transactions were implemented on the basis of rules ensuring their transparency and their substantial and procedural correctness. In this regard it is noted that the Company adopted a specific procedure for managing related party transactions and set up a Related Party Committee with the task of conducting prior analysis and assessment of the related party transactions and ensuring they are consistent with market transactions.

The main transactions in place with the Intesa Sanpaolo Group are listed below:

Counterparty	Type of transaction	Amount
Intesa Sanpaolo S.p.A.	Bank loans	13,456,909
Intesa Sanpaolo S.p.A.	Shareholders' loans	37,067,444
Intesa Sanpaolo S.p.A.	Hedging derivatives	61,382,528
Intesa Sanpaolo S.p.A.	Bank financial charges	3,360,484
Intesa Sanpaolo S.p.A.	Swap spreads	12,294,382
Intesa Sanpaolo S.p.A.	Financial charges shareholders' loan	3,624,709
Banca IMI	Bank loans	90,000,000
Banca IMI	Bond loan fees letter	20,177,573
Banca IMI	Bank financial charges	381,729

The EUR 20.2 million fees paid to Banca IMI are attributable to the mandate dated 7 August 2018 relating to the structuring of the refinancing transaction.

Own shares and shares or units of Parent Companies

The Company does not hold own shares or shares or units of Parent Companies, not even through trust companies or third parties.

Risk management

The Company has identified the risks linked to specific business factors and the financial risks. It has identified and defined the objectives and policies for managing the financial risks.

When carrying out its routine operating activities the Company is potentially exposed to the following financial risks:

- "interest rate risk" mainly arising from the exposure to interest rate fluctuations associated with the financial assets disbursed and financial liabilities incurred;
- "liquidity risk" arising from the possible lack of sufficient financial resources to cover operating activities and repay liabilities incurred;
- "credit risk" represented by the risk of non-performance of obligations undertaken by the counterparty and the risk associated with normal business relationships.

These risks are analysed in detail below.

Interest rate risk

The strategy pursued by the Company to limit the risks associated with interest rate fluctuations mainly consists in carefully monitoring interest rate trends, identifying the optimal combination of variable and fixed rates and entering into specific hedging contracts.

The Company's indebtedness as at 31 December 2019 is made up of bond issues and bank loans, for which interest rate hedges have been implemented, as described in greater detail in the explanatory notes.

Liquidity risk

The liquidity risk represents the risk that available financial resources may not be sufficient to cover maturing bonds. Despite the lower revenues temporarily recorded when the infrastructure entered into service compared to the original forecasts, the Company believes that the measures adopted in the new rebalancing plan, approved by Supplementary Act 3 to the Concession Agreement, together with the generation of cash flows and the refinancing of the debt position, guarantee that the scheduled financial requirements will be covered.

Credit risk

In order to minimise the credit risk the Company pursues a policy of prudent use of liquidity and at present there are no critical positions regarding individual counterparties. Trade receivables are constantly monitored by the Company, which writes down positions that will need to be partially or fully written-off.

With regard to the specific activity carried out by the Company, the following risks have also been identified.

Legislative and regulatory risk

The Company offers a public service and operates in a regulated sector subject to legislative measures that may affect the determination of the tariffs applied to users and the imposition of unforeseen obligations and charges. The tariffs are subject to control and application by the Grantor and the Ministry of Infrastructure and Transport and are updated each year, as provided under the current Agreement. The Company constantly monitors possible new legislative arrangements with the assistance of external and internal experts.

Price risk

With regard to the Company's main investment, the procurement and service agreements in place exclude price reviews, unless these are recognised by the Grantor, as the agreements are structured with back-to-back commitments and rights deriving from the relationship between the Grantor and the Concession Holder.

The above also applies to the higher construction and expropriation costs, which increased following the rebalancing of the Business Plan.

Market risk

Given the nature of the business conducted, the main market risk is attributable to the traffic risk, that is, the risk that the traffic estimates underlying the agreed business plan may be incorrect. This risk is hedged by contractual instruments that allow the Concession Holder to restore the economic and financial balance when updating or revising the Business Plan.

Risk of revocation of the concession in the public interest

With regard to the Genoa bridge collapse and the recent 'Milleproroghe' decree, if the concession agreement were to be terminated for reasons of public interest or due to default by the Grantor, appropriate safeguards have been envisaged for the Concession Holder.

More specifically, it has been established that the Concession Holder will be entitled to a refund equal to: (i) the value of the works carried out plus ancillary costs, less depreciation, (ii) the penalties and other costs incurred or to be incurred as a result of termination and (iii) an indemnity, as compensation for loss of earnings, equal to 10 percent of the value of the works still to be carried out or of the part of the service still to be managed valued on the basis of the business plan.

Emerging risks

Risk management also involves identifying, understanding and managing the so-called emerging risks (i.e. risks characterized by little-known or rapidly evolving components potentially relevant in the medium term with respect to the Company's financial position and business model) even though their effects cannot be easily assessed and cannot yet be fully integrated into the more consolidated risk management frameworks.

In this perspective, the perspective on global economic growth highlights significant vulnerabilities mainly related to uncertainty about the recovery of global trade and manufacturing and to the still high geopolitical tensions. In addition, the spread of the "Covid-19" disease, with its implications for public health, economic activity and trade, is an element likely to significantly influence downward global growth.

Alternative performance measures

In its periodic financial reporting Società di Progetto Brebemi SpA uses alternative performance measures which although very common are not defined or specified by the accounting standards to be applied when drawing up the annual financial statements or the periodic financial reports. In compliance with the ESMA/2015/1415 guidelines, a definition of these measures is provided below:

- “Revenues from motorway operations” represent toll revenues less the tariff / Tariff surcharge payable to ANAS and including discounts granted to users.
- “Gross operating margin” (EBITDA) is the synthetic measure of the profitability arising from operations, determined by deducting all recurrent operating costs, excepting amortisation, depreciation and provisions, from the “Total revenues” recorded in the financial statement. The Gross operating margin does not include the balance of non-recurring items and the balance of financial items and taxes;
- “Operating income” (EBIT) measures the profitability of all the capital invested in the company, calculated by deducting amortisation, depreciation, provisions and write-downs of tangible and intangible assets from the Gross operating margin;
- “Net invested capital” states the total amount of non-financial assets, less non-financial liabilities;
- “Net financial indebtedness” represents the measure of the share of net invested capital covered through net financial liabilities less current liquidity.

Internal Dealing Procedure and Inside Information

After the bond issue, Società di Progetto Brebemi became subject to the new European market abuse regulation – in force since 3 July 2016 and set out in Directive 2014/57/EU (Market Abuse Directive II - MAD II) and in Regulation EU 596/2014 (Market Abuse Regulation – MAR) – and related implementing provisions.

In order to follow up its transparency commitments towards the market, the Company adopted an Internal Dealing Procedure to govern the disclosure and behaviour obligations of ‘Insiders’, defined by the Procedure as those who carry out administration, management or control functions – that is, executives who have regular access to inside information concerning Brebemi and have the power to make management decisions that could affect its future development and prospects – as well as Persons Closely Associated with them, major shareholders and persons closely associated with them.

The Procedure specifically governs the disclosure obligations that Obligated Persons (Insiders and Persons Closely Associated) have towards the competent authority and the Company with regard to transactions they have implemented involving financial instruments issued by the Company, and derivative instruments and other financial instruments associated with them. It also governs possible prohibitions and limits on carrying out these transactions within certain timeframes, as well as the process for obtaining specific derogations.

The disclosure obligations cover all transactions implemented after a total amount of EUR 20,000 has been reached in one calendar year. This value is formed by all the transactions implemented in the period by an Insider, without setoff, also taking into account any transactions carried out by Persons Closely Associated with them, with the understanding that once this threshold has been exceeded, all the transactions carried out will be subject to disclosure.

Again in compliance with the new European market abuse regulation, the Company also adopted a Procedure on Inside Information to govern the process of identifying, managing and processing Significant Information and Inside Information, as well as the processes and practices to be observed in internal and external disclosure of Inside Information.

Tax aspects

Lastly it is reported that in 2019, under the agreement signed on 20 November 2017 for the 2017-2019 period, the Company continued to participate in the “Domestic Tax Consolidation” regime, referred to in Articles 117 to 129 of the Consolidated Law on Income Tax (TUIR), with the parent company Autostrade Lombarde S.p.A.

In April 2019 the Company submitted an ordinary application for ruling referring to the correct application of Article 96(8) to (11), of Italian Presidential Decree 917 of 22 December 1986 (TUIR), as amended by Article 1 of Italian Legislative Decree 142 of 29 November 2018, implementing Italian Law 163/2017 (European Delegation Law). Article 1 of Italian Legislative Decree 142 of 29 November 2018 amended, with effect from the tax period after the one underway as at 31 December 2018, Article 96 of Italian Presidential Decree 917/1986 (TUIR) regarding the conditions for full deductibility of interest expense by operators of public infrastructure projects.

The application for ruling was submitted to the Italian Revenue Agency in order to request confirmation that the regime of full deductibility of interest still applies when the project involves guarantees represented by assignments by way of security of receivables arising from certain shareholders’ loans and from the capitalisation agreement.

On 3 September 2019, the Italian Revenue Agency replied confirming that interest is fully deductible to the extent that the securities are represented only by assets strictly associated with the project. Hence, the full interest deductibility would apply to a loan secured by a pledge on the Company's shares held by its shareholders, but not to a loan secured by assignment by way of security of receivables of shareholders due from the Company.

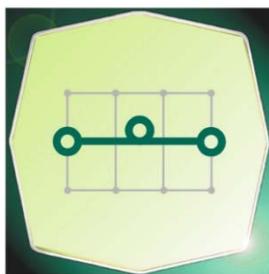
The application for ruling was then superseded by the issue of Italian Legislative Decree 124/2019, published on the Official Gazette (*Gazzetta Ufficiale*) in October 2019, which amended Article 96 of the TUIR which also made interest expense on the Company's financial structure deductible.

MANAGEMENT OUTLOOK

The traffic growth trend is expected to be confirmed over the next year.

Brescia, 24 February 2020

for the Board of Directors
The Chairman
Francesco Bettoni



SOCIETÀ DI PROGETTO
BREBEMI SPA

Financial Statements
as at 31 December 2019

Balance Sheet
Income Statement
Cash Flow Statement

Balance Sheet - ASSETS

Amounts in EURO	31.12.2019	31.12.2018
B Non-current assets		
I Intangible fixed assets		
4) Concessions, licenses, trademarks and similar rights	4.500	0
Total Intangible fixed assets	4.500	0
II Property, plant and equipment		
1) Land and buildings	927.517	1.015.335
2) Plant and machinery	0	5.273
4) Other tangible assets	241.016	251.445
6) Assets under constructions and advance payments	0	1.550.731
7) Assets deriving from concessions right	1.627.662.823	1.631.999.195
Total Property, plant and equipment	1.628.831.356	1.634.821.979
III Investments		
2) d - bis) receivables		
'from others:		
- within one year	43.674.673	35.967.702
4) Derivatives assets	1.235.825	0
Total investments	44.910.498	35.967.702
Total Non-current assets	1.673.746.354	1.670.789.681
C Current Assets		
II Account receivables		
1) Trade receivables		
- within one year	537.403	572.061
4) Receivables from the Parent		
- within one year	146.400	1.243.241
- after one year	2.044.415	2.044.415
5) Receivables from companies under the control of the Parent		
- within one year	544.532	1.013.627
5-bis) Tax receivables		
- within one year	623.934	8.446.409
5-ter) Deferred Tax		
- after one year	201.199.538	160.621.019
5 - quater) Other receivables		
- within one year	20.669.872	22.029.014
- after one year	164.364.195	181.183.581
6) Receivable from interconnected companies	24.119.046	24.509.840
Total Account receivables	414.249.335	401.663.207
IV Cash and Banks		
1) Banks account	129.016.888	113.668.091
3) Cash on hand	1.104.997	1.057.556
Total Cash and Banks	130.121.885	114.725.647
Total current assets	544.371.220	516.388.854
D Accrued expenses and deferred income		
b) Prepaid expenses	3.167.412	2.569.652
Total Prepayments and accrued income	3.167.412	2.569.652
TOTAL ASSETS	2.221.284.986	2.189.748.187

LIABILITIES

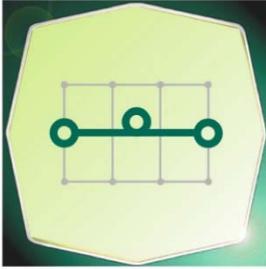
Amounts in Euro	31.12.2019	31.12.2018
A Shareholders' Equity		
I Share Capital	51.141.227	113.336.332
VI Other reserves, indicated separately	25.012.040	0
VII Cash flow hedge reserve	(331.995.086)	(251.809.892)
VIII Retained earnings (losses)	0	0
IX Net income (loss) for the period	(49.133.190)	(37.183.065)
Total Shareholders' Equity	(304.975.009)	(175.656.625)
B Provisions for risk and charges		
3) Derivatives liabilities	146.911.504	331.328.806
Total Provisions for risk and charges	146.911.504	331.328.806
C Employees termination indemnity	836.712	809.024
D Liabilities		
1) Bond		
- within one year	10.274.367	0
- after one year	1.628.827.157	0
3) Financial payables to shareholders		
- after one year	325.402.122	314.488.402
4) Financial payable to banks		
- within one year	5.740.900	10.625.042
- after one year	351.899.595	1.557.827.123
5) Financial payable to other lenders		
- after one year	834.821	758.484
7) Trade payables		
- within one year	24.208.606	3.910.720
- after one year	0	84.011.011
11) Payables to Parent		
- within one year	3.290	11.033
11 - bis) Payables to companies under control of the Parent		
- within one year	7.123.991	4.038.428
- after one year	8.664.695	10.227.251
12) Tax Payable		
- within one year	3.133.406	627.393
13) Payables to Social Securities Institutions		
- within one year	191.911	138.131
14) Other Payables		
- within one year	6.137.101	40.006.953
- after one year	5.368.514	5.368.514
15) Payables to interconnected companies	701.303	1.224.350
Total Liabilities	2.378.511.779	2.033.262.835
E Accrued expenses and deferred income		
a) Accrued expenses	0	4.147
b) Deferred income	0	0
Totale Accrued expenses and deferred income	0	4.147
TOTAL LIABILITIES	2.221.284.986	2.189.748.187

INCOME STATEMENT

Amounts in Euro	31.12.2019	31.12.2018
A Value of Production		
1) Revenues from sales of goods and services	92.604.675	81.745.095
5) Other revenues and income	3.226.395	2.987.970
Total Value of Production	95.831.070	84.733.065
B Costs of Production		
6) Cost of raw materials, consumables and goods for resale	(62.108)	(49.870)
7) Cost of services	(25.844.509)	(24.371.539)
8) Costs for the use of third parties assets	(228.807)	(249.235)
9) Costs of personnel		
a) Salaries and wages	(2.316.117)	(2.067.885)
b) Social security contributions	(684.537)	(622.540)
c) Provisions for termination indemnity	(154.550)	(152.861)
e) Other personnel costs	(16.620)	(16.972)
Total costs of personnel	(3.171.824)	(2.860.258)
10) Amortization, depreciation and write-downs		
a) Amortization of intangible assets	(2.249)	(3.371)
b) Amortization of property, plant and equipment		
- amortization of technical equipment	(163.188)	(274.122)
- amortization of assets deriving from concession rights	(10.991.741)	(10.029.012)
Total Amortization, depreciation and write-downs	(11.157.178)	(10.306.505)
14) Other operating expenses	(6.689.676)	(6.130.478)
Total Costs of production	(47.154.102)	(43.967.885)
Difference between value and costs of production	48.676.968	40.765.180
C Financial income and expenses		
16) Other financial income		
d) Other	424.396	386.794
Total Other financial income	424.396	386.794
17) Interest and Other financial expenses		
c) To controlling companies	(3.585.586)	(3.289.359)
e) Other	(96.685.905)	(85.504.714)
Total Interest and Other financial income	(100.271.491)	(88.794.073)
17-bis) Earning (losses) on exchanges	(354)	0
Total financial income and expenses	(99.847.449)	(88.407.279)
D Adjustments to financial asset values		
18) Revaluations		
d) Derivatives	4.144.427	0
19) Depreciation		
d) Derivatives	(15.418.639)	0
Total Adjustments to financial asset values	(11.274.212)	0
Income (loss) before income taxes	(62.444.693)	(47.642.099)
20) Income taxes		
a) Current income taxes	(1.945.377)	(1.204.058)
b) Deferred income taxes	15.256.880	11.663.090
Total Income taxes	13.311.503	10.459.032
21) Net earning (loss) for the period	(49.133.190)	(37.183.067)

CASH FLOW STATEMENT

Amounts in Euro	31.12.2019	31.12.2018
A. Cash flows from operating activities		
Net earning (loss) for the period	(49.133.190)	(37.183.065)
<i>Adjustments for non-monetary items that did not affect net working capital</i>		
Amortization and depreciation:		
- intangibles fixed assets	2.249	3.371
- tangible fixed assets	163.188	274.122
- freely transferable assets	10.991.741	10.029.012
Net changes in termination indemnity	103.516	55.682
Provisions for other contingencies and charges	(301.198.348)	0
Depreciation of financial assets	11.274.566	
1. Cash flows before changes in working capital	(327.796.278)	(26.820.878)
Changes in Net working capital	12.027.606	(6.245.095)
2. Cash flows after changes in working capital	(315.768.672)	(33.065.973)
<i>Other adjustments</i>		
Net changes in deferred tax assets and liabilities	(15.256.880)	(11.663.090)
Cash flows generated from operating activities (A)	(331.025.551)	(44.729.063)
B. Cash flows from investing activities		
Purchases of intangible assets	(6.749)	0
Purchases of tangibles assets	(59.538)	(43.406)
Investments in freely transferable assets	(8.285.252)	(23.878.964)
Increase in non-current financial assets	(8.942.796)	(10.479.676)
Receipts of government grants	20.000.000	20.567.472
Increase/Decrease of trade payables due to investments	(40.305.963)	4.667.796
Cash flows used in investing activities (B)	(37.600.298)	(9.166.778)
C. Cash flows from financing activities		
<i>Third-party funds</i>		
Increase (decrease) in short-term bank loans and overdrafts	5.390.225	(722.126)
Increase (decrease) in medium/long-term loans	367.718.142	45.581.965
Increase (decrease) in short-term bonds		
Increase (decrease) in medium/long-term bonds		
Repayments to/from shareholders	10.913.720	24.830.344
Other changes in financial debt		33.496.615
Cash flows from financing activities (C)	384.022.087	103.186.798
Increase (decrease) in cash and banks (A±B±C)	15.396.238	49.290.957
Opening cash and banks	114.725.647	65.434.690
Bank deposits	113.668.091	64.593.326
Cash	1.057.556	841.364
Closing cash and banks	130.121.885	114.725.647
Bank deposits	129.016.888	113.668.091
Cash	1.104.997	1.057.556
Added information	31.12.2019	31.12.2018
Payed/received interests for the period	(74.084.343)	(84.878.656)
Income taxes for the period	(1.540.612)	(678.029)
Received dividends for the period	0	0



**SOCIETÀ DI PROGETTO
BREBEMI SPA**

**Financial Statements
as at 31 December 2019**

Explanatory notes

INTRODUCTION

The Financial Statements for the year ending 31 December 2019 were drawn up in compliance with the provisions of the Italian Civil Code, as amended to assimilate Italian Legislative Decree 139/2015, interpreted and supplemented by the Accounting Standards issued by the Italian Accounting Board (OIC), and are made up of the Balance Sheet, Income Statement, Cash Flow Statement and Explanatory Notes.

The 2019 financial statements are consistent with the results of the accounting records and were drawn up in compliance with Articles 2423, 2423-*ter*, 2424, 2424-*bis*, 2425, 2425-*bis*, 2425-*ter* of the Italian Civil Code, in accordance with the basis of preparation laid down by Article 2423-*bis*(1) of the Italian Civil Code, and the valuation criteria laid down by Article 2426 of the Italian Civil Code. With regard to the standards used to draw up these financial statements, it is specified that individual items were valued by taking the “substance of the transaction or the contract” into account, as required by Article 2423-*bis* of the Italian Civil Code.

The Balance Sheet and Income Statement items, preceded by Arabic numerals, were drawn up pursuant to paragraphs 2, 3 and 4 of Article 2423-*ter* of the Italian Civil Code, in relation to the nature of the business conducted.

The Cash Flow Statement was drawn up in compliance with the provisions of Article 2425-*ter* of the Italian Civil Code.

Pursuant to Article 16(7) and (8) of Italian Legislative Decree 213/1998 and Article 2423(6) of the Italian Civil Code, the Financial Statements were drawn up in units of Euro, without decimal figures.

These notes consist of five parts. The first part illustrates the valuation criteria adopted in drawing up the financial statements. The second and third, including the information required under Articles 2427 and 2427-*bis* of the Italian Civil Code, describe and comment on the main changes in the items of the Balance Sheet, Income Statement and Cash Flow Statement compared to the previous year. The fourth provides other information required by the Italian Civil Code, while the fifth reports on the activity of management and coordination of the company as required by Article 2497-*bis* of the Italian Civil Code.

GOING CONCERN PRINCIPLE

The Financial Statements as at 31 December 2019 were prepared on a going concern basis, sustained by the Business Plan attached to the Third Supplementary Act to the Concession Agreement signed on 19 July 2016, approved by Italian Decree 309 of 19 September 2016 by the Ministry of Infrastructure and Transport and to the subsequent publication in the Official Gazette (*Gazzetta Ufficiale*).

For the purpose of this analysis, account was also taken of the flow of revenues arising from collection of the motorway tolls envisaged in the current financial plan and by the regulatory framework of the concession agreement which provides for the right to update and rebalance the business plan at the end of each five-year regulatory period.

Application of the new reference accounting standards, as described in greater detail in these explanatory notes, gave rise to the obligation to record the fair value changes in hedging derivative financial instruments in a positive or negative temporary equity reserve. As a result of this change the shareholders' equity as at 31 December 2019 was negative by EUR 304,975,009. It should be noted that these temporary reserves are not considered in the calculation of the shareholders' equity for the purposes set forth in Articles 2412, 2433, 2442, 2446 and 2447 of the Italian Civil Code and, if positive, are not available and cannot be used to cover losses.

For these reasons the Directors deemed that the conditions ensuring the company will remain a going concern in 2020 have been fully met.

VALUATION CRITERIA

The accounting standards and valuation criteria applied in preparing the Financial Statements as at 31 December 2019 are the same as those used to prepare the financial statements as at 31 December 2018.

Intangible fixed assets

Intangible fixed assets are entered at purchase or production cost. The purchase cost also includes the ancillary costs. The production cost includes all the costs directly attributable to the product. The amounts are net of amortisation, calculated in relation to the residual useful life.

User licenses are amortised over three years.

Fixed assets which, at the reporting date, have become impaired and whose value is lower than the one determined as above must be carried at the lower value.

The lower value cannot be maintained in subsequent financial statements if the reasons for the adjustment have ceased to apply. This provision does not however apply to value adjustments relating to goodwill.

Tangible fixed assets

Tangible fixed assets are entered at purchase or production cost. The purchase cost also includes the ancillary costs. The production cost includes all the costs directly attributable to the product.

Tangible fixed assets are divided into non-revertible assets and non-compensated revertible assets. Non-revertible assets are made up of plant, furniture, office machines, vehicles, equipment, land and buildings, and are entered at acquisition cost inclusive of directly attributable ancillary charges and are adjusted by respective accumulated depreciation.

Non-revertible assets are systematically depreciated each year, on a straight line basis at the depreciation rates determined in relation to the residual useful life of the assets to which they refer. For the increases in the year rates were reduced by 50%, as this was considered a fair approximation of the average possession.

The following depreciation rates, broken down by category, were applied:

- Buildings 4%
- Plant and machinery 10%
- Office equipment 15%
- Office furniture and fittings 12%
- Electronic office machines 20%

The depreciation rates are the same as the previous year.

The item “Non-compensated revertible assets” includes all the design and construction costs for the motorway under concession. The book value includes all the ancillary charges attributable to the fixed assets in the construction period, including the financial charges relating to the loans specifically taken out.

Any “contract reserves” agreed during the year, that is, higher prices recognised to the General Contractor following economic-technical assessment, are carried as an increase in the book value of the motorway works only to the extent that they are considered to increase their value.

Depreciation of “Non-compensated revertible assets” is recorded in the balance sheet at different rates calculated on the overall investments and is consistent with the provisions of the business plan attached to the current Agreement. Taking into account the specific nature of the Company’s business, as this depreciation determination method is directly dependant on the results of the Agreement’s business plan, it is considered compatible with the principle of a true and fair view established by Article 2423(2) of the Italian Civil Code.

In this specific case the reasons why it was decided to adopt a depreciation criterion based on different increasing rates can be summarised as follows:

- based on expected traffic estimates, the asset subject to depreciation foresees an increasing trend in vehicle transits that will justify increased depreciation over the years;
- the asset subject to depreciation is a non-compensated revertible asset under concession and depreciation has been authorised by specific provisions of the Italian Revenue Agency pursuant to Article 104(4) of the TUIR approved by Italian Presidential Decree 917 of 22 December 1986;

- this method is adopted by all sector operators that are comparable in terms of size and kilometres of infrastructure managed.

Fixed assets which, at the reporting date, have become impaired and whose value is lower than the one determined as above must be carried at the lower value.

The lower value cannot be maintained in subsequent financial statements if the reasons for the adjustment have ceased to apply.

Assessing recoverability of tangible and intangible fixed assets

According to OIC 9 “Write-downs for impairment losses of tangible and intangible fixed assets”, at each reporting date the Company assesses the presence of impairment indicators and if such indicators are found, it estimates the asset’s recoverable value and records a write-down if the asset has become impaired and its value is lower than the net book value.

If there are no indicators of potential impairment losses the recoverable value is not determined.

The recoverable value of an asset or of a cash-generating unit is defined as the higher of its value in use and its fair value, less sale costs.

The value in use is determined on the basis of the current value of future cash flows expected to be generated by the asset throughout its useful life. Calculation of the value in use involves the following stages:

- estimating the future incoming and outgoing cash flows that will be generated by continuous use of the asset and its final disposal;
- applying the appropriate discounting rate to those future cash flows.

In order to assess any impairment losses, the recoverable value of Brebemi’s assets was determined on the basis of the value in use, determined by applying the discounted cash flow (DCF) method.

The Business Plan used for the Discounted Cash Flow analysis is based on the most recent plan adopted as part of the refinancing transaction adjusted to reflect the changes that occurred after the date the business plan was drawn up (traffic, tariffs, completion of the investment programme, etc.). The plan also considers its rebalancing at the end of the current regulatory period (2022) with equivalent measures to allow a rate of return on the concession in line with the provisions of CIPE Resolution 39 on tariff regulation as confirmed by a specific legal opinion filed in the Company’s records.

Taking into account the assumptions underlying the 2019-2039 business plan, the value in use arising from the impairment test conducted did not highlight the need to reduce the value of the tested assets.

To organise the impairment test, which was conducted for the purposes and according to the provisions of OIC 9, the Company was assisted by an independent external expert.

Grants for plant and equipment

These grants are recorded when there is reasonable certainty that they will be received and that all the conditions for their disbursement will be met. Grants for plant and equipment are entered in the balance sheet as an adjustment of the book value of the asset to which they refer, as required under current legislation.

Derivative financial instruments

Derivative financial instruments, including those embedded in other financial instruments, are recognized at fair value. Fair value adjustments are carried in the income statement or directly to a positive or negative equity reserve, if the instrument hedges the risk of changes in the cash flows expected from another financial instrument or a scheduled transaction. This reserve is carried in the income statement to the same extent and within the same timeframe as the generation or modification of the cash flows of the hedged instrument or implementation of the hedged transaction. The items hedged against the risk of changes in interest rates or exchange rates or market prices or against the credit risk are valued symmetrically with the hedging derivative. Hedging is considered to exist when, from the onset, there has been a close documented correlation between the characteristics of the hedged instrument or transaction and those of the hedge. Profits arising from the fair value valuation of derivative financial instruments not used or not required for hedging cannot be distributed. Equity reserves arising from the fair value valuation of derivatives used to hedge cash flows expected from another financial instrument or a scheduled transaction are not considered in the calculation of the shareholders’ equity for the purposes set forth in Articles 2412, 2433, 2442, 2446 and 2447 of the Italian Civil Code and, if positive, are not available and cannot be used to cover losses.

The fair value is determined by referring to:

- a) the market value, for financial instruments for which an active market can be easily identified;

b) if the market value cannot be easily identified for an instrument, but can be identified for its components or for a similar instrument, the market value can be derived from the components or from the similar instrument;

c) the value arising from generally accepted valuation models and techniques, for instruments for which an active market cannot be easily identified; these valuation models and techniques must guarantee reasonable approximation of the market value.

The fair value is not determined if the application of these criteria does not produce a reliable result.

Receivables

Receivables, classified under financial fixed assets or working capital depending on their nature, are recorded in the balance sheet according to the amortised cost method, taking the time factor and the estimated realisable value into account.

Provisions for risks and charges

These provisions carry the amounts allocated to cover losses or payables, of certain or probable existence, but of which the actual existence or amount could not be determined at the reporting date, while no account is taken of remote risks.

The “Deferred tax provision” carries the allocation made for taxes which, although accrued in the year, will be collectible in future years.

Employee severance indemnity

This is set aside on the basis of the seniority accrued by individual employees, in compliance with the law and labour agreements. This liability is subject to annual revaluation conducted by applying specific indices established by current legislation.

Payables

Payables are recorded in the balance sheet according to the amortised cost method, taking into account the time factor.

Accruals and deferrals

These are determined on a matching principle and accrual basis in the appropriate year.

Revenues from sales

Revenues from motorway operations are recorded gross of the Tariff surcharge payable to ANAS which, as it is a concession fee, is classified under “Sundry operating costs”.

Current and deferred/prepaid taxes

Current taxes are entered on the basis of the estimated taxable income for the period in compliance with current regulations.

Prepaid and deferred taxes are entered on the basis of current legislation, taking into account the criteria established by accounting standard OIC 25, drawn up by the Italian Accounting Board on “Income tax accounting”.

Prepaid tax receivables and deferred tax payables may be offset, if setoff is legally permitted.

COMMENTS ON THE MAIN ASSET ITEMS

FIXED ASSETS

For tangible and intangible fixed assets special statements have been drawn up and attached to these explanatory notes, stating the opening balance, changes during the year and closing balance at year end for each item.

Intangible fixed assets

This item refers entirely to user licences.

A detailed view of the changes during the year can be found in the statement contained in Annex 1.

Tangible fixed assets

The total amount of this item, equal to EUR 1,628,831,356 (EUR 1,634,821,979 as at 31 December 2018), includes EUR 1,627,662,823 (EUR 1,633,549,926 as at 31 December 2018) in fixed assets relating to non-compensated revertible assets and is net of the accumulated depreciation equal to EUR 59,000,546 (EUR 47,883,973 as at 31 December 2018) and the public capital grant.

The item “Land and buildings” equal to EUR 2,195,448, net of the accumulated depreciation equal to EUR 1,267,931, refers to the property used as the Company’s registered office.

The item “Other assets” mainly refers to technical equipment for the motorway toll collection service, such as safes and cash counters.

A more detailed view of the changes during the year, with regard to all categories of tangible fixed assets, can be found in the statement contained in Annex 2.

When structuring the financing transaction, the Company created a special first lien, pursuant to Article 46 of the TUB (Consolidated Banking Law), on unrecorded properties included in the assets at the signing date, or that will later be purchased to replace previous ones, and on present and future receivables that may arise as a result of disposal of these assets. The building owned by the Company is not covered by the special lien.

Non-compensated revertible fixed assets

This item is made up of the costs incurred by the Company for the design and construction of the motorway. It includes all the preliminary design and ancillary costs and, from 2009 onwards, the amounts relating to works, expropriations and inferences arising from performance of the activities envisaged by the contract of award to the general contractor.

A breakdown of the costs incurred and the changes compared to the previous year is provided below:

B II 6) Work in progress and payments on account (Non-compensated revertible fixed assets)	31.12.2019	31.12.2018
Payments on account	0	1,550,731
Work in progress and payments on account	0	1,550,731
B II 7) Non-compensated revertible fixed assets	31.12.2019	31.12.2018
Motorway	1,034,195,098	1,034,195,099
Financial charges	247,459,891	247,459,891
Resolution of interferences	111,391,902	108,746,914
Acquisition of expropriated areas or properties and temporary occupation	331,399,975	325,322,430
Sums made available to the General Contractor	85,291,932	85,070,304
General expenses and other sums made available	91,882,748	91,382,561
Other capitalised costs	33,257,040	33,257,040
A35 - A4 interconnection	53,194,679	52,803,043
Other non-compensation revertible assets	291,429	291,429
Public capital grant	(304,364,195)	(301,183,581)
Financial depreciation/amortisation	(56,337,676)	(45,345,935)
Non-compensated revertible fixed assets	1,627,662,823	1,631,999,195

Further details on the state of progress of the expropriation activities can be found in the description provided in the appropriate section of the directors' report.

The public capital grant obtained, totalling EUR 320 million, was recorded during 2016 when Supplementary Act 3 to the Agreement entered into force. At 31 December 2019 it was entered at amortised cost for a total of EUR 304,364,195 in order to take into account the time factor relating to collection of the long-term portion (2020-2029). The effect of the discounting of the long-term portion totalling EUR 15,635,805 was carried as a decrease of the item receivables for grants to be collected.

The item "Accumulated depreciation/amortisation" equal to EUR 56,337,676 carried the allocation of different depreciation/amortisation rates in accordance with the provisions of the Business Plan attached to the Agreement, as explained in greater detail in the section on valuation criteria contained in these notes.

General expenses and other sums made available include the cost item "Agreement with local entities" which includes the costs incurred and disbursed in relation to the compensatory and mitigatory measures imposed on the Company in the Economic Expenditure Framework of the final project approved by CIPE Resolution 42/09 and also included in the Business Plan.

The amount as at 31 December 2019 refers to the grants paid to the following parties:

Beneficiary	Description of agreement	Amount agreed	Amount paid
Agreement between Province of Brescia – CAL S.p.A. – RFI S.p.A. – Società di Progetto Brebemi S.p.A. - Consorzio B.B.M.	Agreed design solution to maintain the east-west link in view of disposal of the former SS11	1,231,841	1,231,841
Consorzio di gestione del Parco Regionale del Serio	Environmental compensation work to be carried out by the Park	1,430,000	927,250
Parco Adda Nord	Environmental compensation work to be carried out by the Park	1,495,000	498,250
Parco Oglio Nord	Environmental compensation work to be carried out by the Park	1,495,000	1,495,000
Municipality of Cassano d'Adda	Design and construction of road access	1,821,000	1,821,000
Municipality of Chiari	Design and construction of the link between the former SS11 and the SP17 (Northern Ring Road Chiari)	4,000,000	4,000,000
Other		1,465,430	1,134,400
Total		12,938,271	11,107,741

The remaining amount to be paid to the Local Entities, equal to EUR 1,830,530, is stated in the section on the commitments undertaken by the Company as at 31 December 2019.

Financial fixed assets

Payables to others

Financial fixed assets refer to:

- the amount paid to Consorzio BBM under the agreement defined on 30 July 2016 for recognition, by way of advance pending the Grantor's decisions, of the total amount of EUR 26.4 million for modification surveys and higher cost items recorded by the Concession Holder and already incurred by the General Contractor. The agreement also provides for the contextual waiver of the related reserves in respect of Brebemi;
- the amount of EUR 18 million paid to Consorzio BBM under the agreement dated 5 March 2018 governing, *inter alia*, the recognition of an additional instalment of reserves by way of financial advance. Of the total amount equal to EUR 18 million, EUR 7.5 million were disbursed in January 2019.

If CAL does not ultimately recognise the higher charges in the process to rebalance the Business Plan, at the end of the regulatory period that commenced on 13 October 2016, the advance payment will have to be returned to Brebemi. The advance was secured by a bank guarantee issued by BNP Paribas to cover the risk of return of the amount paid as advance payment. The amount was carried at amortised cost in order to take into account the time factor relating to the recognition of the charges by the Grantor and their entry under non-compensated revertible fixed assets.

Derivative financial instrument assets

Description	31.12.2019	31.12.2018
Derivative financial instrument assets	1,235,825	0
Total	1,235,825	0

This amount carries the positive fair value of the derivative financial instruments outstanding at the reporting date. More specifically, this value is attributable to a number of new hedging Interest Rate Swap contracts entered into during the year as part of the transaction to refinance company debt. The increase compared to 22 October 2019, the date the contracts were signed, was generated by the positive effect caused by a slight increase in the market interest rates in the period.

CURRENT ASSETS**Receivables**

Pursuant to Article 2427(6) of the Italian Civil Code, it should be noted that given the nature of the business conducted by the Company, receivables are entirely attributable to activities carried out on national territory.

Receivables from parent companies

Description	31.12.2019	31.12.2018
Receivable for service agreement	146,400	1,243,241
Receivable for participation in tax consolidation	2,044,415	2,044,415
Total	2,190,815	3,287,656

The amount of EUR 2,044,415 refers to the transfer of the tax benefit to the parent company, equal to the corporate income tax (IRES) accrued by it in the years 2012 and 2013, in accordance with the rules set forth in the consolidation agreements entered into between Autostrade Lombarde S.p.A. and Società di Progetto Brebemi S.p.A. regarding the “domestic tax consolidation” under Articles 117 et seq. TUIR, to which the two companies subscribed.

Receivables from companies subject to control by the parent companies

The amount of EUR 544,532 (EUR 1,013,627 as at 31 December 2018) refers entirely to the receivable due from Argentea Gestioni S.c.p.A.

Tax receivables

This item breaks down as follows:

Description	31.12.2019	31.12.2018
VAT receivable	50,414	7,301,782
IRES receivable	2,027	1,642
IRAP receivable	571,494	1,142,985
Total	623,934	8,446,409

The VAT receivable existing as at 31 December 2018 is represented by the investments made in 2017 for which refund was requested in the tax return submitted on 13 February 2018. The total amount of 7,000,000 was collected in full during the year.

The IRAP receivable refers to the transformation of the surplus ACE benefit into a tax receivable to be used to offset IRAP payments

Prepaid taxes

This item breaks down as follows:

Description	31.12.2019	31.12.2018
Previous years' tax losses	76,427,474	65,050,205
Tax losses in the year	14,948,526	11,356,177
ACE	4,844,016	4,565,753
Other temporary differences	138,969	129,971
Fair value derivative instruments	104,840,553	79,518,913
Total	201,199,538	160,621,019

Information on the change in the temporary differences which led to entry of the prepaid tax receivable is provided in Annex 8.

This tax benefit was entered as there is reasonable certainty of obtaining future taxable income that will absorb the losses reported. On the basis of the flows of the Business Plan attached to the Agreement, approved by CIPE Resolution no. 60 of 6 August 2015 and registered on 29 January 2016 in the Official Gazette (*Gazzetta Ufficiale*), the prepaid taxes are expected to be recovered from the year 2023 onwards. On the basis of current traffic estimates the operating activity will be able to ensure full recovery of this asset.

Receivables from others

This item breaks down as follows:

Description	31.12.2019	31.12.2018
Due in less than 1 year	20,669,872	22,029,014
Security deposits	13,891	9,900
Public grant to be paid	20,000,000	20,000,000
Municipality of Castrezzato	0	1,521,099
Other receivables due in less than 12 months	655,981	498,015
Due in more than 1 year	164,364,195	181,183,581
Public grant to be paid	164,364,195	181,183,581
Total	185,034,067	203,212,595

The public grant to be collected refers to the provisions of Supplementary Act 3 to the Agreement concerning the grant totalling EUR 260 million divided into 20 annual payments of EUR 20 million from 2017 to 2029. It breaks down as follows.

The short-term share equal to EUR 20,000,000 refers to the 2020 annual payment to be collected.

The long-term share equal to EUR 164,364,195 refers to the annual payments to be made between 2021 and 2029 totalling EUR 180,000,000. The receivable was entered at amortised cost in order to take into account the time factor relating to collection of the long-term portion (2020-2029). The effect of the discounting of the long-term portion as at 31 December 2019 was equal to EUR 15,635,805.

The item “Other receivables” also includes the receivables arising from payments made by users with credit/debit cards and collected during January 2020 as well as receivables due from users for non-payments.

Receivables from Interconnected Companies

The item, equal to EUR 24,119,046 (EUR 24,509,840 as at 31 December 2018), represents the credit relations arising from amounts collected for tolls by connected companies on behalf of Brebemi and to be attributed to 31 December 2019.

Cash and cash equivalents

As at 31 December 2019 this group breaks down as follows:

Description	31.12.2019	31.12.2018
Ordinary current accounts	129,016,888	113,668,091
Cash	1,104,997	1,057,556
Total	130,121,885	114,725,647

The item “Cash and cash equivalents” as at 31 December 2019 includes:

- the amounts deposited on the “Debt Service Provision” account, consisting of EUR 44.6 million and on the “Maintenance Provision” account, consisting of EUR 24.4 million. These amounts, deposited under the terms of the financial documentation, may only be used by the Company to meet its payment obligations for debt servicing or maintenance costs when it does not have the appropriate resources;
- EUR 27.5 million the residual cash arising from enforcement of the Performance Bond to be allocated to payment of the amounts still to be disbursed for expropriation activities.

When structuring the financing transaction, the Company signed a deed of pledge on current accounts in favour of lenders in respect of the credit balances existing from time to time in the accounts and all the future additional amounts.

ACCRUALS AND DEFERRALS

As at 31 December 2019 this group breaks down as follows:

Description	31.12.2019	31.12.2018
Fees for guarantees	67,991	102,286
Insurance	12,408	4,892
Sundry	18,031	13,926
Prepayment service areas grant	980,694	1,036,703
Prepayment costs incurred for refinancing transaction	2,088,288	1,411,845
Total	3,167,412	2,569,652

The item “Prepayment service areas grant” refers to the suspended portion of the grant paid in 2018 to the sub-concession holders managing the Adda Nord and Adda Sud service areas. The amount paid will be released each year in relation to the duration of the agreements in place until their expiry in 2027. The portion referring to 2020 is equal to EUR 56,009, while the portion referring to subsequent years is equal to EUR 924,539.

The prepayment of the costs incurred during the year for the refinancing transaction refers to:

- the fee paid to SACE totalling EUR 1,265,937 in relation to the guarantees in place with European Investment Bank to cover the risk of clawback on the project loan paid off for the period between 22 October 2019 and 22 October 2021;
- the insurance entitled Public Offering of Securities Insurance (POSI) signed with a pool of insurers in relation to the bond issue.

COMMENTS ON THE MAIN LIABILITY ITEMS

SHAREHOLDERS' EQUITY

Information on the overall changes in the items making up the shareholders' equity is provided in Annex 3. Furthermore, as specifically required under point 7-bis of Article 2427 of the Italian Civil Code, an additional statement has been included in Annex 4 stating the nature, possibility of use and distribution, and use made in the previous three years of shareholders' equity items. In compliance with the specific requirements of point 1b)- *quater* of Article 2427-bis of the Italian Civil Code, an additional statement (Annex 5) has also been included stating the changes in the fair value reserve in the year.

Share capital

The share capital as at 31 December 2019 is made up of 332,117,693 ordinary shares and totals EUR 51,141,227.

The Extraordinary Shareholders' Meeting held on 11 October 2019 resolved to arrange for full coverage of the losses reported in the balance sheet and income statement as at 30 June 2019 drawn up by the Board of Directors pursuant to Article 2446 of the Italian Civil Code, recording a loss for the period of EUR 25,012,040 which, when added to the previous years' losses of EUR 37,183,065, brought the Company's total losses to EUR 62,195,105. The share capital was therefore reduced from EUR 113,336,332 to EUR 51,141,227, allocating a total of EUR 62,195,105 to fully cover these losses.

The same Shareholders' Meeting approved the transaction to strengthen the Company's capital structure, consisting in the multi-tranche issue, up to a maximum amount of EUR 350,000,000, of participative financial instruments, pursuant to Article 2346(6) of the Italian Civil Code to offer for subscription to all shareholders, in accordance with the option right to which they are entitled, in return for cash contributions to be made through the use and voluntary setoff of receivables due from the Company. For this purpose, a resolution to amend the clauses of the articles of association and to adopt special regulations was passed.

Cash flow hedge reserve

This item is negative by EUR 331,995,086 (EUR 251,809,892 as at 31 December 2018) and carries the fair value changes in the effective component of the cash flow hedging derivatives and in particular in the Interest Rate Swap (IRS) contracts entered into by the Company to hedge the interest rate risk generated by its variable rate indebtedness. The Reserve was entered net of the deferred tax effects (prepaid tax receivables) which total EUR 104,840,554 (EUR 79,518,913 as at 31 December 2018). As part of the transaction to refinance the Company's debt implemented during the year, the IRSs outstanding at the previous year's reporting date were subject to early termination on 22 October 2019 and at the same time new derivatives were negotiated to hedge the exposure to the interest rate risk generated by the Company's new debt structure. The early termination of the previous derivatives was financed by 70% of the fair value through an increase in the new debt issued by the Company and the remainder through the negotiation of new hedging IRSs, of which the contractual conditions include additional payment flows, attributable to reimbursement of the fair value share of the previous contracts early terminated.

According to the current provisions of the OIC Accounting Standards, as the hedging effects accrued on the IRSs terminated in advance during the year (on the whole negative by EUR 448,507,839 and equal to the effective component of previous hedging relationships, accrued up to the date of early termination of the contracts and subsequent termination of the hedging relationships) refer to the hedging of the interest rate risk relating to future flows of interest expense generated by the Company's indebtedness, they must be initially recognised in shareholders' equity and then recycled in the Income Statement in the same years in which the cash flows originally hedged have an impact on the profit (loss) for the year.

Accordingly, the negative balance of the Reserve existing at year end, gross of the related tax effects, stands at EUR 436,835,640 (EUR 331,328,806 as at 31 December 2018) and, unlike the previous year's reporting date, is not entirely attributable to the fair value of the derivatives outstanding at year end. This Reserve is in fact determined by the residual negative balance (i.e. the amount not yet recycled to the Income Statement during the year) of the hedging effects generated by the IRSs early terminated,

equal to EUR 439,963,970, partially offset by the positive effective component, equal to EUR 3,128,330, accrued on the new hedging IRSs outstanding at the reporting date.

The table below provides a summary of the changes in the Reserve during the year and during the previous year.

Cash flow hedge reserve	31.12.2019	31.12.2018
Opening balance	(331,328,806)	(331,537,005)
Increase (Decrease) for fair value changes	(143,226,194)	(37,751,308)
Increase (Decrease) for release to Income Statement of interest differentials accrued in the year	29,175,491	37,959,508
Increase (Decrease) for release to Income Statement of effectiveness accrued on terminated hedging relationships	8,543,869	0
Gross closing balance	(436,835,640)	(331,328,806)
Tax effect	104,840,554	79,518,914
Net closing balance	(331,995,086)	(251,809,892)

Pursuant to Article 2426(1-*bis*) of the Italian Civil Code, the balance of this Reserve, which is of a temporary nature, is not included in the calculation of Shareholders' Equity for the purposes set forth in Articles 2412, 2433, 2442, 2446 and 2447 and, if positive, is not available and cannot be used to cover losses.

PROVISIONS FOR RISKS AND CHARGES

As at 31 December 2019 this group breaks down as follows:

Description	31.12.2019	31.12.2018
Derivative financial instrument liabilities	146,911,504	331,328,806
Total	146,911,504	331,328,806

The "Derivative financial instrument liabilities" provision carries the negative fair value of derivative financial instruments outstanding at the reporting date.

The EUR 184,417,302 decrease in the provision compared to the previous reporting date is attributable to the effects generated by the early termination of the hedging derivatives associated with the old financing structure, as part of the corporate debt refinancing transaction. More specifically, on 22 October 2019, 70% of the fair value of these derivatives was subject to early termination (refinanced through an increase in the bond liability) and the EUR 321,450,718 positive change generated was partially offset by the negative effect, by EUR 137,033,416, attributable to the negative fair value of the new hedging derivatives.

EMPLOYEE SEVERANCE INDEMNITY (TFR)

As at 31 December 2019 this item totalled EUR 836,712 (EUR 809,024 as at 31 December 2018).

The following change occurred during the year:

Balance as at 31 December 2018	809,024
Allocation for the year	105,984
Advance payments	0
Utilisation for personnel in the year	(75,828)
11% withholding tax on TFR revaluation	(2,468)
Balance as at 31 December 2019	836,712

PAYABLES

Pursuant to Article 2426(6) of the Italian Civil Code, it should be noted that given the nature of the business conducted by the Company, payables are entirely attributable to activities carried out on national territory.

Bond issues

This item totals EUR 1,639,101,524 and breaks down as follows:

Line	Nominal amount at issue	Interest rate	Fixed rate / Spread	Disbursement date	Maturity	Outstanding debt 31/12/2019
A1 - Senior Amortizing	15,000,000	Euribor 6m	3.188%	22-Oct-19	31-Dec-38	14,389,336
A2 - Senior Amortizing	934,000,000	Fixed	3.375%	22- Oct-19	31-Dec-38	912,928,541
A3 - Senior Secured - Zero Coupon	557,965,333	Fixed	3.875%	22- Oct-19	22-Jan-42	549,535,973
Subordinated Extendable to 2042 - Junior	172,000,000	MAX [Euribor 6m; 0%]	6.500%	22- Oct-19	31-Jan-29	162,247,674
Total	1,678,965,333					1,639,101,524

The Bonds were issued pursuant to, and are subject to, the rules set out in Article 185 of Italian Legislative Decree 50/2016 (Public Contracts Code) and were admitted to listing on the multilateral trading facility Euronext Dublin, organised and managed by the Irish Stock Exchange.

The transaction was structured as a project bond and involves the following:

- a Class A1 senior secured variable rate tranche maturing in 2038, issued for a total of EUR 15 million;
- a Class A2 senior secured fixed rate tranche maturing in 2038, issued for a total of EUR 934 million;
- a Class A3 senior secured zero coupon tranche maturing in 2042, of a nominal amount of EUR 1,205 million and issued at an issue price equal to approximately 46.30% of the principal amount (for a value equal to approximately EUR 558 million);
- a subordinated secured variable rate tranche maturing in 2029 (extendible to 22 January 2042), of a nominal amount of EUR 172 million and issued at an issue price equal to 99% of the principal amount.

The amounts were entered at amortised cost, in accordance with the reference accounting standards, recording the nominal amount net of the charges incurred for their issue. A breakdown of the changes during the year is provided below:

Line	Nominal amount at issue	Initial Transaction Costs	Redemptions	Accrued liability	Transaction Costs in the period	Outstanding debt 31/12/2019
A1 - Senior Amortizing - FRN	15,000,000	(617,541)		0	6,877	14,389,336
A2 - Senior Amortizing - Fixed	934,000,000	(21,328,887)		0	257,428	912,928,541
A3 - Senior Secured - Zero Coupon	557,965,333	(12,597,991)		4,141,614	27,018	549,535,973
Subordinated Extendable - Junior	172,000,000	(5,227,484)	(4,712,520)	0	187,678	162,247,674
Total	1,678,965,333	(39,771,904)	(4,712,520)	4,141,614	479,001	1,639,101,524

The total as at 31 December 2019 equal to EUR 1,639,101,524 is also divided into the portion to be paid in less than one year and the portion to be paid in more than one year, as stated below:

Line	Outstanding debt 31/12/2019	Short term (In less than 12 Months)	Long term (In more than 12 Months)
A1 - Senior Amortizing - FRN	14,389,336	127,344	14,261,992
A2 - Senior Amortizing - Fixed	912,928,541	7,929,292	904,999,249
A3 - Senior Secured - Zero Coupon	549,535,973	0	549,535,973
Subordinated Extendable - Junior	162,247,674	2,217,732	160,029,942
Total	1,639,101,524	10,274,367	1,628,827,156

Payables to shareholders for loans

As at 31 December 2019 this group refers to payables due in more than one year and breaks down as follows:

Description	Payable		Interest			Total	
	Amount 31/12/18	Changes 2019	Amount 31/12/19	Amount 31/12/18	Changes 2019		Amount 31/12/19
Autostrade Lombarde S.p.A.	202,280,140	2,402,552	204,682,692	34,136,618	3,900,103	38,036,721	242,719,413
Impresa Pizzarotti & C. S.p.A.	13,650,380		13,650,380	1,684,670	1,662,180	3,346,850	16,997,230
Itinera S.p.A.	2,402,552	(2,402,552)	0	296,884	(296,884)	0	0
CCC Soc. Coop.	10,399,938		10,399,938	1,505,867	1,266,380	2,772,247	13,172,185
Mattioda Pierino & Figli S.p.A.	1,067,801		1,067,801	28,823	10,826	39,649	1,107,450
Autostrada Brescia Verona Vicenza Padova S.p.A.	5,889,488		5,889,488	852,651	600,414	1,453,065	7,342,553
C.m.b. Cooperativa Braccianti e Muratori di Carpi	707,806		707,806	84,444	86,188	170,632	878,438
Mattioda Autostrade spa	5,898,389		5,898,389	159,215	59,803	219,018	6,117,407
Intesa Sanpaolo S.p.A.	29,767,321		29,767,321	3,675,414	3,624,709	7,300,123	37,067,444
Total	272,063,815	0	272,063,815	42,424,586	10,913,720	53,338,306	325,402,123

With specific regard to the Capitalisation Agreement signed on 25 March 2013, the commitments undertaken by the Company and the lending shareholders, with regard to the conversion of shareholders' loans into Brebemi capital, were maintained and supplemented in accordance with the new financial documentation signed as part of the debt refinancing transaction concluded on 22 October 2019.

More specifically, in order to implement the "Security Trust and Intercreditor Deed" provisions, each lending shareholder signed an "Amended Shareholders' Loan Agreement" with the Company, undertaking to ensure that each loan disbursed and not yet repaid will be converted in full or in part into share capital or participative financial instruments of the Company, if its shareholding structure experiences a direct change of control and/or if significant losses are incurred pursuant to Articles 2446 and 2447 of the Italian Civil Code, and in order to ensure that the Company maintains a minimum shareholders' equity of no lower than EUR 100 million.

As described in the introduction to this report, in January 2020 a portion of the receivables due to shareholders totalling EUR 80,000,000 were converted into Participative Financial Instruments, in accordance with the provisions of the specific shareholders' meeting resolutions and of the commitments undertaken by the shareholders. The Participative Financial Instruments were subscribed on 15 January 2020 through proportional conversion of the total receivables due to shareholders from the Company as at 30 November 2019.

As already described in the financial statements as at 31 December 2018, on 22 January 2019 Autostrade Lombarde S.p.A. took over the shareholders' loan granted by Itinera S.p.A. totalling EUR 2,717,070 of which EUR 2,402,552 in principal and the remaining amount for interest accrued at the closing date.

Payables to banks

This item stands at EUR 357,640,495 and breaks down as follows:

Payables to banks	Nominal amount at issue	Initial Transaction Costs	Redemptions	Accrued liability	Transaction Costs in the period	Outstanding debt 31/12/2019
Senior Amortizing - Loan	307,000,000	(6,048,536)	0	0	108,847	301,060,311
Payable to Bond Banks	55,181,487	0	0	1,398,697	0	56,580,184
Total	362,181,487	(6,048,536)	0	1,398,697	108,847	357,640,495

As part of the overall refinancing transaction, the Company also signed an amortising loan agreement for a total amount of EUR 307 million maturing in 2033, disbursed by UniCredit S.p.A., Banco BPM S.p.A., Unione di Banche Italiane S.p.A., Monte dei Paschi di Siena S.p.A. and Intesa Sanpaolo S.p.A.

On 24 June 2019 the Company signed an agreement with the banks issuing the Performance Bond enforced during 2018, Consorzio BBM and the shareholders Impresa Pizzarotti and CCC. The agreement governs relations between the parties in respect of the EUR 55.2 million payable due to Bond Banks following the enforcement of the Performance Bond in order to define the repayment conditions. The agreement provides that the total amount of EUR 55.2 million is to be repaid in cash, including the annual interest accrued at the fixed rate of 2.5% as at 31 December 2028. However, the Company is entitled to extend the final repayment date to 30 June 2036 and subsequently to 31 December 2042, subordinating repayment to the availability of cash remaining after the commitments arising from the financial documents relating to the bond loans and the senior loan. Under the agreement the parties are entitled to agree that instead of being repaid the payable could be converted into share capital.

Payables to other lenders

The payable to other lenders equal to EUR 834,821 (EUR 758,484 as at 31 December 2018) breaks down as follows:

Description	31.12.2019	31.12.2018
UBI Banca S.p.A.	726,043	655,047
Banco BPM S.p.A.	108,779	103,436
Total	834,821	758,484

The payable, like the item “Payable to shareholders for loans”, refers to the sums disbursed by the Parent Company’s Bank Shareholders as Subordinated Shareholders’ Loan. These amounts may be repaid by Brebemi exclusively through the permitted distributions, as set out in the reference financial documentation.

Trade payables

The total amount of trade payables breaks down as follows:

Description	31.12.2019	31.12.2018
- Due in less than 1 year	24,208,606	3,910,720
- Due in more than 1 year	0	84,011,011
Total	24,208,606	87,921,731

The amount due in less than one year includes EUR 2.0 million for trade payables relating to routine business and EUR 22.2 million payable to the general contractor for expropriation activities.

On 7 November 2019 Società di Progetto Brebemi Spa, Consorzio BBM, Impresa Pizzarotti S.p.A. and CCC Consorzio Cooperative Costruzioni Società Cooperativa signed an agreement to settle the arbitration procedure commenced on 14 June 2018.

Payment of the receivable accrued by Consorzio BBM, the Works General Contractor, equal to EUR 62,230,078 and included in the trade payable as at 31 December 2018, was conditional on this settlement.

Under the agreement, which established the value of the shares as EUR 1 per share (including the premium), Brebemi arranged for:

- cash payment of the receivable accrued for a total amount of EUR 40 million in November 2019. The financial resources were made available as part of the refinancing transaction finalised on 22 October 2019 and described in the appropriate section of the explanatory notes;
- submitting to its shareholders' meeting, which met on 15 January 2020, a capital increase, with exclusion of the option right pursuant to Article 2441(5) of the Italian Civil Code, for a nominal amount of EUR 1,000,000.00, in addition to a share premium of EUR 21,230,078.00 and therefore for a total of EUR 22,230,078.00.

The capital increase approved by the shareholders' meeting, for which the subscription deadline is 30 June 2020, will be implemented on an indivisible basis through the issue of 22,230,078 new ordinary Brebemi shares, without nominal value, with regular dividends and the same characteristics as those outstanding at the issue date, at an issue price of EUR 1.00 per share, of which approximately EUR 0.045 for share capital and approximately EUR 0.955 for share premium.

A total of 20,230,078 of the new issue shares are reserved for subscription by the Shareholder Impresa Pizzarotti & C. S.p.A. and 2,000,000 by the Shareholder Consorzio Cooperative Costruzioni -- CCC Società Cooperativa, and they are all to be released through setoff by an equal amount of the receivables due to Impresa Pizzarotti & C. S.p.A. and to Consorzio Cooperative Costruzioni -- CCC Società Cooperativa from the Company respectively, pursuant to the agreements in place with the Company in relation to the repayment of the higher expropriation charges paid in advance by Consorzio BBM when carrying out the design and development works for the motorway link.

As at today's date the shareholders Impresa Pizzarotti & C S.p.A. and Consorzio Cooperative Costruzioni -- CCC Società Cooperativa have not yet subscribed the capital increase.

Payables to parent companies

The item "Payables to parent companies" as at 31 December 2019 amounts to EUR 3,290 (EUR 11,033 as at 31 December 2018) and concerns the payables relating to services supplied by Autostrade Lombarde S.p.A.

Payables to companies subject to control by the parent companies

The item refers to the payables to Argentea Gestioni S.c.p.a.:

Description	31.12.2019	31.12.2018
Due in less than 1 year	7,123,992	4,038,428
O&M fee due in less than 12 months	6,877,792	3,754,407
Other payables to Argentea	246,200	284,021
Due in more than 1 year	8,664,695	10,227,251
O&M fee due in more than 12 months	8,664,695	10,227,251
Total	15,788,687	14,265,679

The amount due in less than 12 months totalling EUR 6,877,792 (EUR 3,254,407 as at 31 December 2018) mainly refers to the fees accrued for the O&M agreement that have not yet been paid.

The amount due in more than 12 months totalling EUR 8,664,695 (EUR 10,727,251 as at 31 December 2018) refers to the deferral envisaged in the O&M agreement of a portion of the fees for the years 2015 to 2018 which will be paid on a deferred basis between 2019 and 2024. The payable as at 31 December 2019 of EUR 9,500,000 was valued according to the amortised cost method, taking the time factor into account and entered as EUR 8,664,695 less the amount of the discounting effect equal to EUR 835,305. As at 31 December 2019 EUR 1,775,000 were classified under the portion due in less than 12 months as recovery of the deferred fee pertaining to 2020.

Tax payables

Tax payables total EUR 3,133,406 (EUR 627,393 as at 31 December 2018) and break down as follows:

Description	31.12.2019	31.12.2018
Withholding tax payables	589,110	157,133
Current tax payables	303,533	470,260
VAT payables	2,240,763	0
Total	3,133,406	627,393

Payables to pension and social security institutions

This item, equal to EUR 191,911 (EUR 138,131 as at 31 December 2018) refers to the payables to these institutions for the contributions to be paid by the company as at 31 December 2019.

Other payables

The item breaks down as follows:

Description	31.12.2019	31.12.2018
Due in less than 1 year	6,137,101	40,006,953
Payables to directors and statutory auditors	7,321	19,055
Payables to employees	293,656	352,825
Payables to concession fees and Tariff surcharge	2,466,496	2,213,939
Payables for retentions general contractor	2,028,210	2,028,210
Payables payment area between Motorway and Railroad	1,108,611	1,626,697
Payables to expropriated parties	0	33,496,615
Other payables	232,806	269,612
Due in one than 1 year	5,368,514	5,368,514
Payables for retentions general contractor	5,368,514	5,368,514
Total	11,505,615	45,375,467

Payables for advance payments of areas between Motorway and Railroad refer to sums received from RFI and Consorzio BBM pursuant to the agreement of 22 July 2014 concerning management of payments to expropriated parties and acquisition of interlying areas between the HV/HC line and weenBrebemi A35. Under this agreement Brebemi undertook to physically implement the expropriation procedures and to open a bank account to which RFI and Consorzio BBM can pay in the sums required for payment of the aforesaid expropriations and from which the financial outlays for the expropriated parties are managed.

Payables to expropriated parties refer to the amounts still to be paid to expropriated parties pending formalisation of the procedures involved. During the year, after assignment of the receivable from Consorzio BBM and the shareholders Impresa Pizzarotti and CCC, the amount was formally included in the agreement signed with the Banks issuing the Performance Bond, as described in the paragraph on "Payables to banks".

Payables to employees mainly include payables for wages and salaries, holidays accrued and not taken, thirteenth monthly payments and other incentives.

Payables for retentions due to suppliers in less than 12 months refer to invoices to be received from the general contractor relating to the 5% retentions made under the agreement. These retentions may be released at the end of the agreement or before, upon submission of a guarantee.

Payables for retentions due to suppliers in more than 12 months refer to invoices to be received from the general contractor relating to the 0.5% retentions made to guarantee workers' health and safety obligations. These retentions may be released at the end of the agreement.

Payables to Interconnected Companies

This item, equal to EUR 701,303 (EUR 1,224,350 as at 31 December 2018), represents the debt relations with connected companies arising from amounts collected for tolls on their behalf and to be attributed at the reporting date.

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS

PRODUCTION VALUE

Revenues from sales and services

Revenues from sales and services are equal to EUR 92,604,675 and break down as follows:

Description	31.12.2019	31.12.2018
Net toll revenues	91,443,729	80,398,366
Tariff surcharge payable to ANAS	3,850,725	3,527,825
Toll discounts	(2,783,449)	(2,306,556)
Other toll revenues	136,166	118,608
Other adjustments	(42,495)	6,853
Total	92,604,675	81,745,095

The increase in “net toll revenues” less the amount of the Tariff surcharge payable to ANAS – equal to EUR 11.0 million (+13.7%) – is attributable by EUR 6.8 million (8.5%) to the growth in traffic volumes and by EUR 4.2 million (5.2%) to the tariff increase.

Other revenues and income

This item breaks down as follows:

Description	31.12.2019	31.12.2018
Service agreement with Autostrade Lombarde S.p.A.	255,000	180,000
Seconded personnel	112,298	95,975
Management Agreement Tangenziale Esterna S.p.A.	272,917	255,500
Recovery of costs Argentea Gestioni S.c.p.a.	455,699	536,785
Recovery of charges exceptional transport procedure and non-payment of tolls	269,633	252,935
Recovery of collection charges	1,088,367	947,716
Service area royalties	357,850	236,701
Sundry income	414,631	482,358
Total	3,226,395	2,987,970

The item “Sundry income” mainly includes routine maintenance costs strictly related to construction of the motorway which were charged to the general contractor under the works contract and costs for managing the “Punto blu” service charged to Tangenziale Esterna S.p.A. for its share of these costs.

PRODUCTION COSTS**Costs for purchases**

As at 31 December 2019 this item stands at EUR 62,108 (EUR 49,870 as at 31 December 2018) and includes the costs for fuel, stationery and consumables.

Costs for services

This item breaks down as follows:

Description	31.12.2019	31.12.2018
Costs for services for non-compensated revertible assets (A)	21,834,159	20,491,241
O&M agreement Argentea Gestioni S.c.p.a.	20,301,852	19,026,797
Other maintenance	75,783	0
Insurance	417,888	314,944
Utilities	771,418	747,228
Other operating costs	267,217	402,272
Other costs for services (B)	4,010,350	3,880,298
Directors' fees	434,898	536,417
Statutory auditors' fees	93,719	94,235
Other fees	6,800	10,400
Independent auditors' fees	22,838	29,738
Communication, advertising and events	554,717	802,061
Utilities	58,356	50,553
Travel, subsistence and entertainment costs	92,027	65,388
IT services	114,888	112,885
Other operating costs	240,029	167,215
Other personnel costs	109,832	117,656
Consultancy costs	1,588,751	1,260,210
Bank costs and guarantee fees	693,494	633,541
Total (A) + (B)	25,844,509	24,371,539

Costs for services for non-compensated revertible assets include the fees arising from the O&M agreement concerning the maintenance and management of the motorway section and in particular: routine maintenance and major maintenance, construction of civil and/or plant engineering works, collection services, toll management, road safety, structure design and structure inspection services, signed on 25 March 2013 between the Company, in the capacity of Principal, and Argentea Gestioni S.c.p.A., in the capacity of Contractor.

The item "Communication, advertising and events" includes the costs associated with the advertising campaign developed during the year to encourage use of the infrastructure and the new A35-A4 interconnection.

The item "Consultancy costs" includes advice provided on legal, technical and transport issues linked to management of the project loan, advice on technical and legal issues associated with management of the infrastructure and advice associated with management activities.

The item "bank costs and guarantee fees" includes the fees for the construction and management guarantee and credit/debit card fees.

Costs for use of third party assets

This item totals EUR 228,807 (EUR 249,235 as at 31 December 2018) and breaks down as follows:

Description	31.12.2019	31.12.2018
Vehicle leasing	101,852	104,225
Photocopier leasing	23,091	21,593
Property leasing	103,864	123,417
Total	228,807	249,235

It includes the costs for operational leasing of the cars assigned to employees and used for business purposes and the costs for leasing the property next the Company owned property located in Via Somalia 6 and used as the head office.

Personnel costs

This cost item breaks down as follows:

Description	31.12.2019	31.12.2018
Wages and salaries	2,316,117	2,067,885
Social security contributions	684,537	622,540
Employee severance indemnity	154,550	152,861
Other costs	16,620	16,972
Total	3,171,824	2,860,258

The item, which stands at EUR 3,171,824, includes the entire cost for salaried employees, including merit salary increases, promotions, cost of living increases, cost of untaken leave and provisions to be made pursuant to law and collective agreements. The national collective agreement applied is the agreement for employees of Motorway and Tunnel Concession Holder Companies and Consortia.

The increase compared with the previous year is mainly attributable to the increase in the average headcount as shown in the table below, to the recognition of lump sums associated with company collective bargaining and to bonuses issued in relation to the financial closing in the second half of 2019.

A breakdown of salaried employees by category is provided below:

	31.12.2019	31.12.2018	Change	Media 2019
Executives	4	5	(1)	5
Managers	6	5	1	6
Office workers	20	18	2	20
Total	30	28	2	30

Amortisation/depreciation and write-downs

“Amortisation/depreciation” totals EUR 11,157,178 (EUR 10,306,506 as at 31 December 2018) and refers to the following categories:

Description	31.12.2019	31.12.2018
Intangible fixed assets (A)	2,249	3,371
Concessions, licences, trademarks and similar rights	2,249	3,371
Tangible fixed assets (B)	163,188	274,123
Land and buildings	87,818	87,818
Plant and equipment	5,273	10,546
Industrial and commercial equipment	0	79,350
Temporary service areas	0	28,363
Sundry	70,097	68,046
Amortisation/depreciation of non-compensated revertible assets (C)	10,991,741	10,029,012
Total (A+B+C)	11,157,178	10,306,506

“Amortisation/depreciation of non-compensated revertible assets” equal to EUR 10,991,741 was recorded at different amortisation/depreciation rates in accordance with the provisions of the Business

Plan attached to the Agreement, as explained in greater detail in the section on valuation criteria contained in these notes.

Sundry operating costs

This item breaks down as follows:

Description	31.12.2019	31.12.2018
Fees (A)	6,197,841	5,562,264
Concession fee under Article 1(1020) of Italian Law 296/06	2,194,650	1,933,025
Sub-concession fee	152,466	101,414
Fee under Article 19(9-bis) Italian Decree Law 78/09	3,850,725	3,527,825
Other charges (B)	491,835	568,214
Various taxes and duties	67,426	70,583
Membership and other fees	179,049	260,051
Agreement fees payable	71,696	115,182
Losses for non-payment of tolls	115,600	94,728
Other costs	35,335	13,258
Donations, gifts and offers	22,729	14,412
Total (A+B)	6,689,676	6,130,478

The item “Concession fee under Article 1(1020) of Italian Law 296/06” is calculated as 2.4% of net toll revenues.

The “Sub-concession fee” consists of the Granting Entity’s share (as defined in the agreement) of the proceeds from agreement fees receivable.

The “Fee under Article 19(9-bis) Italian Decree Law 78/09” is calculated on the basis of the kilometres travelled (0.0060 EUR/vehicle-Km for light vehicles and 0.0180 EUR/vehicle-Km for heavy vehicles).

FINANCIAL INCOME AND CHARGES

Other financial income

Other financial income breaks down as follows:

Description	31.12.2019	31.12.2018
Other interest income	55,701	65,347
Interest income bank deposits	1,478	863
Interest income amortised cost	367,217	320,583
Total	424,396	386,793

The item “Other interest income” mainly refers to the interest on VAT refunds collected.

Interest and other financial charges

The item breaks down as follows:

Description	31.12.2019	31.12.2018
Due to parent companies		
Interest expense shareholders' loan	3,585,586	3,289,359
Due to credit institutions		
Loan fees	897,202	1,000,000
Interest expense loans	49,551,962	38,908,154
Interest rate swap differentials	29,175,491	37,959,508
Due to others		
Release CFH reserve	8,543,869	0
Interest expense shareholders' loans	7,328,134	6,944,372
Interest expense amortised cost	1,112,909	626,059
Sundry	76,338	66,621
Total	100,271,491	88,794,073

The item “Interest and other financial charges” records an increase of EUR 11.5 million compared to the previous year. Although the refinancing transaction finalised on 22 October 2019 through the issue of a multi-tranche secured bond issue for a total principal amount of 1,679 million guarantees improvement in financial ratios and covenants compared to the previous indebtedness thanks to better market conditions, the income statement is burdened by the accounting component of financial charges mainly associated with the early termination of the old derivative contracts and related to the release of the Cash Flow Hedge reserve which will be recycled in full to the Income Statement over the years 2019 to 2033 in accordance with a specific amortisation schedule.

The beneficial effect of the conditions applied to the financial indebtedness for the year 2019 is only recorded for the last 90 days of the year. Furthermore, the structure of the new indebtedness is characterised by the presence of two tranches (a Class A3 senior secured zero coupon tranche and a subordinated secured variable rate tranche) which allow capitalisation of the interest accrued providing for redemption only when specific conditions are met.

This item therefore includes the effects of the restatement from Equity to Income Statement of the hedging effects accrued on the Interest Rate Swap (IRS) contracts outstanding at the previous year's reporting date and which were early terminated during the year, with consequent termination of the related hedging relationships. This amount (on the whole negative by EUR 448,507,839 and equal to the effective component of previous hedging relationships, accrued up to the date of early termination of such derivative instruments), continues to be recorded within Equity and will be gradually recycled in the Income Statement in accordance with the original hedging timeframe (up to 30 June 2033), that is, in the same years in which the interest cash flows originally hedged have an impact on the profit (loss) for the year. The effect recycled in the Income Statement as adjustment of the interest expense accrued in the year, commencing from the date of termination of the hedging relationships, is negative by EUR 8,543,869 and supplements the effects generated by the interest rate differentials accrued on the IRSs outstanding during the year, on the whole negative by EUR 29,410,240 (EUR 28,910,987 accrued on the previous derivatives between the previous year's reporting date and the date of early termination and EUR 499,253 accrued on the new derivatives concluded as part of the debt restructuring transaction up to the current year's reporting date).

VALUE ADJUSTMENTS TO FINANCIAL ASSETS

Revaluation of derivative financial instruments

This item stands at EUR 4,144,427 (zero balance as at 31 December 2018) and carries the positive fair value changes in the non-effective component of the cash flow hedging derivatives.

More specifically, a number of the new Interest Rate Swap (IRS) contracts entered into during the year as part of the corporate debt refinancing include the periodic additional payment flows, referring to the repayment of the portion of the fair value of the previous derivatives early terminated (equal to 30% of the fair value of these contracts at the termination date) which was not refinanced by increasing the debt, but by entering into new hedging derivatives. The fair value changes generated by market interest rate trends with regard to these additional payment flows represent a source of ineffectiveness of the new hedging relationships, as they are not offset by the fair value changes generated by the hedged future interest flows and therefore are recognized directly the Income Statement.

Depreciation of derivative financial instruments

This item stands at EUR 15,418,639 (zero balance as at 31 December 2018) and carries the negative fair value changes in the non-effective component of the cash flow hedging derivatives.

As explained for the corresponding item under revaluations, this amount is attributable to the ineffectiveness generated by the additional payment flows contractualised within a number of the new IRSs entered into during the year as part of the corporate debt refinancing. The amount recognized during the year is mainly attributable (EUR 15,183,843) to the financial charge implicit in the repayment structure of the portion of the fair value of the previous derivatives early terminated financed by entering into new hedging derivatives, of which the value emerges almost entirely at the date of negotiation of the contracts as a result of their fair value valuation and is therefore to be considered as a non-recurring effect. The remaining amount, equal to EUR 234,796 is instead attributable to these additional payment flows settled during the year.

INCOME TAXES FOR THE YEAR

This item stands at EUR 13,311,503 (EUR 10,459,032 as at 31 December 2018) and the tax burden breaks down as follows:

- Current taxes IRAP EUR 1,945,37 (EUR 1,640,915 as at 31 December 2018).
- Prepaid taxes EUR 15,256,880 (EUR 11,663,090 as at 31 December 2018).

A statement is attached to these Explanatory Notes providing a breakdown of the temporary differences that led to entry of the aforesaid prepaid taxes (Annex 7).

This tax benefit was entered as there is reasonable certainty of obtaining future taxable income that will absorb the losses reported based on the flows forecast in the Concession Business Plan attached to the Supplementary Act 3 to the Concession Agreement. On the basis of current traffic estimates the operating activity will be able to ensure full recovery of this asset.

OTHER INFORMATION REQUIRED BY THE ITALIAN CIVIL CODE**Fees due to the Company's Directors and Statutory Auditors**

The cumulative amount, inclusive of contributions, is stated below:

Description	31.12.2019	31.12.2018
Fees to Directors	434,898	536,417
Fees to Statutory Auditors	93,719	94,235

The Company did not release advance payments and loans to the directors and statutory auditors.

Fees paid to the Independent Auditors

A breakdown is provided below of the fees paid in the year to the Independent Auditors for the services supplied.

Description	31.12.2019	31.12.2018
Audit of the financial statements and verification of proper bookkeeping	20,000	20,000
Other services	0	9,060
Total	20,000	29,060

Commitments undertaken by the Company

“Bank guarantees to third parties” total EUR 52,115,910. The amount refers to the construction guarantee issued on 13 June 2013 by Intesa Sanpaolo S.p.A., Unicredit S.p.A., Unione di Banche Italiane S.c.p.a. and MPS Capital Services Banca per le Imprese S.p.A., to the Grantor to secure precise fulfilment of the obligations undertaken through the Agreement commencing from its signing and excluding the obligations relating to the management phase.

“Insurance policies guaranteeing payment to third parties” total EUR 10,736,046 and refer:

- by EUR 7,486,767 to the guarantee issued to secure the VAT receivable claimed back in 2017;
- by EUR 3,249,279 to the guarantee issued by Reale Mutua Assicurazioni to the Grantor to secure all the obligations relating to the motorway management phase (including proper maintenance). The amount is determined in accordance with the provisions of point 8 of the Report Accompanying the Business Plan attached to the Agreement which envisages “during the management phase of the Motorway Connection, the issue of a guarantee for an amount equal to 10% of the annual operating cost to be provided from the service operation start date”.

As at 31 December 2019 other commitments totalling EUR 1,830,530 have been made and refer to the remaining amount to be paid for agreements signed with Local Entities as stated in the paragraph on tangible fixed assets.

Agreements not stated in the Balance Sheet

The Company has not entered into agreements that are not stated in the Balance Sheet that could have a significant impact on the Company's assets and liabilities, financial position and profit and loss.

Information on the fair value of financial instruments

In order to prevent the risk arising from changes in interest rates and consequently in the cash flows arising from interest expense paid on the outstanding indebtedness, during the year the Company entered into new fixed rate paying Interest Rate Swap contracts that convert the cost of the underlying loan from variable to fixed.

Information is provided below on the derivative financial instruments entered into by the Company and their fair values in place at the reporting date.

Contract type	Counterparty	Trade Date	Maturity	Notional amount	Receive Leg	Pay Leg	MtM
IRS	Intesa San Paolo	10/10/19	31/12/38	75,517,915	EURIBOR 6M	0.123%	(61,382,528)
IRS	Unicredit	10/10/19	31/12/38	50,345,277	EURIBOR 6M	0.157%	(61,805,099)
IRS	UBI	10/10/19	31/12/38	53,282,085	EURIBOR 6M	0.103%	(23,723,876)
IRS	MPS	10/10/19	31/12/38	51,184,365	EURIBOR 6M	0.072%	806,260
IRS	Banco BPM	10/10/19	31/12/38	27,270,358	EURIBOR 6M	0.072%	429,565
257,600,000							(145,675,678)

The contracts recording a negative fair value at the reporting date incorporate the effects of the portion of derivatives early terminated during the year which was financed through the contractualisation of additional payment flows to the market interest rate conditions observable at the contract trade date (22 October 2019). These additional payment flows therefore represent the periodic repayment of the fair value portion of the previous derivatives early terminated (equal to 30% of the fair value at the termination date), throughout the contractual duration of the new hedging derivatives.

The fair value of these financial instruments is recorded under Financial Fixed Assets for the contracts with a positive value, and within the Provisions for Risks and Charges for the contracts with a negative value, in accordance with the reference Accounting Standards.

In line with the accounting treatment applied in previous years, the hedging relationships recorded in the accounts with regard to the derivatives early terminated during the year were considered perfectly effective, as the relevant contractual terms (i.e. notional value, underlying variable rate and interest frequency) of the derivatives were closely correlated to the parameters used to calculate the interest expense on the previously hedged project loan. These hedging relationships were terminated at the same date as the hedging instruments were early terminated and the effective component accrued up to the termination date is held in Equity and gradually recycled to the Income Statement in accordance with the original hedging timeframe (up to 30 June 2033), that is, in the same years in which the hedged interest cash flows have an impact on the profit (loss) for the year.

Instead, the new hedging relationships recorded during the year with regard to the IRSs entered into in October 2019 are not perfectly effective. More specifically, only two of the new contracts negotiated with new banking counterparties are perfectly effective, considering the close correlation between the relevant contractual terms (i.e. notional value, underlying variable rate and interest frequency) of the hedging derivatives and the parameters used to calculate the interest expense on the new variable rate indebtedness subject to hedging. The fair value changes generated by these contracts are therefore recognized entirely as a balancing entry to the specific Equity Reserve, less the interest rate differentials accrued during the year that are carried to the Income Statement as direct adjustment of the hedged interest expense.

The remaining contracts which were entered into with the same banking counterparties as before, at the same time as the ordinary IRSs were early terminated, are instead partially effective, as the additional payment flows established contractually to repay the portion of the fair value of the terminated derivatives, financed through these contracts, generate fair value changes that are not offset by the fair value changes in the hedged future interest flows. The fair value changes generated by these contracts are therefore recognized in Equity only for the effective portion (represented by the fair value changes offset by the expected changes in the hedged future interest flows), while the non-effective component (represented by the fair value changes in the additional payment flows described) is carried directly to the Income Statement.

Related party transactions

The “related party” transactions described in the appropriate section of the directors’ report were carried out at normal market conditions and implemented on the basis of rules ensuring their transparency and their substantial and procedural correctness.

Information on relations with parent, subsidiary and associated companies can be found in the appropriate paragraph of the directors’ report.

Events after the reporting period

As already described above, on 15 January 2020 subscription of the Participative Financial Instruments was finalised through proportional conversion of the total receivables due to Shareholders from the Company as at 30 November 2019.

The Shareholders' Meeting, which met on 15 January 2020, also approved a capital increase, with exclusion of the option right pursuant to Article 2441(5) of the Italian Civil Code, for a nominal amount of EUR 1,000,000.00, in addition to a share premium of EUR 21,230,078.00 and therefore for a total of EUR 22,230,078.00. A total of 20,230,078 of the new issue shares are reserved for subscription by the Shareholder Impresa Pizzarotti & C. S.p.A. and 2,000,000 by the Shareholder Consorzio Cooperative Costruzioni -- CCC Società Cooperativa, and they are all to be released through setoff by an equal amount of the receivables due to Impresa Pizzarotti & C. S.p.A. and to Consorzio Cooperative Costruzioni -- CCC Società Cooperativa from the Company respectively, pursuant to the agreements in place with the Company in relation to the repayment of the higher expropriation charges paid in advance by Consorzio BBM when carrying out the design and development works for the motorway link.

Proposal to cover losses for the year

The financial statements submitted to the approval of the Shareholders' Meeting closed with a loss of EUR 49,133,190. It is proposed to use the temporary provision for losses of EUR 25,012,040 to partially cover the loss for the period and to carry forward the remaining loss for the year totalling EUR 24,121,150, as the Company is not in the situation referred to in Articles 2446 and 2447 of the Italian Civil Code.

Information on management and coordination

The parent company Autostrade Lombarde S.p.A. exercises management and coordination over the Company pursuant to Article 2497 of the Italian Civil Code.

The table below summarises the key figures of the parent company's last approved financial statements (al 31 December 2018).

AUTOSTRADE LOMBARDE S.P.A.	31.12.2018
BALANCE SHEET	
Intangible fixed assets	5,305
Tangible fixed assets	1,529,437
Financial fixed assets	510,721,021
Current assets	46,658,454
Accruals and deferrals	35,533
TOTAL ASSETS	558,949,750
Share capital	467,726,626
Share premium reserve	3,080,103
Legal reserve	1,403,087
Retained Profit (Loss)	21,255,592
Profit (Loss) for the year	1,386,574
Shareholders' Equity	494,851,982
Payables	64,087,132
Accruals and deferrals	10,636
TOTAL LIABILITIES	558,949,750
INCOME STATEMENT	
Production value	11,334,078
Production costs	(10,657,771)
Financial income and charges	262,466
Value adjustments to financial assets	0
Income taxes for the year	447,801
Profit (Loss) for the year	1,386,574

It is reminded that as from 31 December 2018 Intesa Sanpaolo S.p.A. acquired de jure control of Autostrade Lombarde S.p.A., pursuant to Articles 2359 et seq. of the Italian Civil Code, as its interest in the share capital of the direct subsidiary rose from 42.5% to 55.8%.

In view of the fact that its business is radically different from the Group's business, Intesa Sanpaolo S.p.A. announced that it will not exercise management and coordination over Autostrade Lombarde S.p.A., which is in any case a subsidiary under IFRS 10, and accordingly the consolidated financial

statements including the subsidiaries Brebemi and Argentea were fully consolidated on a line by line basis with first time consolidation on 31 December 2018.

Autostrade Lombarde is not therefore required to draw up consolidated financial statements as at 31 December 2018 in accordance with the provisions of Italian Legislative Decree 127/1991, as amended by Italian Legislative Decree 139/2015, as it is controlled by an enterprise that draws up consolidated financial statements.

ANNEXES

The annexes contain additional information to the contents of the Explanatory Notes, of which they form an integral part:

1. Statement of the changes in “Intangible fixed assets”.
2. Statement of the changes in “Tangible fixed assets”.
3. Statement of the changes in Shareholders’ Equity.
4. Statement on the nature, possibility of use and distribution of “Shareholders’ equity” items as at 31 December 2018.
5. Statement of monthly data on paying traffic.
6. Statement of monthly data on paying traffic by vehicle class.
7. Statement of determination of prepaid taxes as at 31 December 2018.

Brescia, 24 February 2020

for the Board of Directors
The Chairman
Francesco Bettoni

Attachment I

Società di Progetto Brebemi S.p.A.*Statement for changes in account "Intangible Assets"*

Description	Opening		Movements in the period						Closing			
	Historical cost	(Amortization Funds)	Opening Balance	Increases	Other changes		Reclassifications	(Decreases)	(Amortizations)	Historical cost	(Amortization Funds)	Closing Balance
					H. Costs	Amort. Funds						
Start-up and expansion costs	51.975	(51.975)	-	-	-	-	-	-	-	51.975	(51.975)	-
Concessions, licenses trademarks and similar rights	113.284	(113.284)	-	6.749	-	-	-	-	(2.249)	120.033	(115.533)	4.500
Other	421.712	(421.712)	-	-	-	-	-	-	-	421.712	(421.712)	-
Total	586.971	(586.971)	-	6.749	-	-	-	-	(2.249)	593.720	(589.220)	4.500

Attachment 2

Società di Progetto Brebemi S.p.A.											
<i>Statement for changes in account "tangible assets"</i>											
Description	Opening			Movements in the period					Closing		
	Historical Cost	(Amortization Funds)	Opening Balance	Increases (amort. Funds)	Reclassification (Funds)	(Decreases)	Fund adjustments	(Amortization)	Historical cost	(Amortization Funds)	Closing Balance
Land and buildings											
Buildings	2.195.448	(1.180.113)	1.015.335	-	-	-	-	(87.818)	2.195.448	(1.267.931)	927.517
Subtotal	2.195.448	(1.180.113)	1.015.335	-	-	-	-	(87.818)	2.195.448	(1.267.931)	927.517
Plants and Machinery											
Plant	52.728	(47.455)	5.273	-	-	-	-	(5.273)	52.728	(52.728)	-
Subtotal	52.728	(47.455)	5.273	-	-	-	-	(5.273)	52.728	(52.728)	-
Other											
Office equipment	22.747	(18.353)	4.394	2.335	-	(3.141)	3.115	(1.730)	21.941	(16.968)	4.973
Furniture	206.675	(165.229)	41.446	-	-	-	-	(11.426)	206.675	(176.655)	30.020
Electroaccounting Machinery	194.619	(172.540)	22.079	57.355	-	(35.237)	35.111	(16.848)	216.737	(154.277)	62.460
Temporary ADS	170.041	(170.042)	-	-	-	-	-	(39.964)	170.041	(210.005)	(39.964)
Technical equipments	333.035	(149.508)	183.527	-	-	-	-	-	333.035	(149.508)	183.527
Subtotal	927.117	(675.671)	251.445	59.690	-	(38.378)	38.226	(69.968)	948.429	(707.412)	241.016
Current assets and advanced payments											
Highway connections	-	-	-	-	-	-	-	-	-	-	-
Advanced payments	1.550.731	-	1.550.731	-	-	(1.550.731)	-	-	-	-	-
Subtotal	1.550.731	-	1.550.731	-	-	(1.550.731)	-	-	-	-	-
Freely reversible assets											
Higway connections	1.978.237.281	(45.345.934)	1.932.891.347	8.285.252	1.550.731	-	-	(10.991.741)	1.988.073.263	(56.337.675)	1.931.735.589
Public capital grant	(301.183.581)	-	(301.183.581)	-	-	(3.180.614)	-	-	(304.364.195)	0	(304.364.195)
Other freely reversible assets	291.429	-	291.429	-	-	-	-	-	291.429	0	291.429
Subtotal	1.677.345.128	(45.345.934)	1.631.999.195	8.285.252	1.550.731	(3.180.614)	0	(10.991.741)	1.684.000.497	(56.337.675)	1.627.662.822
Total	1.682.705.952	(47.883.973)	1.634.821.979	8.344.942	1.550.731	(4.769.723)	38.226	(11.154.800)	1.687.831.902	(59.000.546)	1.628.831.355

Società di Progetto Brebemi S.p.A.							
<i>Statement of changes in account "equity"</i>							
Description	REGISTERED CAPITAL	SHARES PREMIUM RESERVE	OTHER RESERVES	CASH FLOW HEDGE	RETAINED	NET INCOME	TOTAL
	I	II	VI	VII	VIII	IX	
Balance at december 31, 2015	332.117.693	45.000	-	(250.863.786)	(61.585.240)	(68.931.109)	(49.217.442)
Net Income 2015 allocation	-	-	-	-	(68.931.109)	68.931.109	-
Share capital changes	(157.028.014)	(45.000)	26.556.665	-	130.516.349	-	-
Reserves changes	-	-	-	(41.684.428)	-	-	(41.684.428)
Net income 2016	-	-	-	-	-	(49.111.943)	(49.111.943)
Balance at december 31, 2016	175.089.679	-	26.556.665	(292.548.214)	-	(49.111.943)	(140.013.813)
Net Income 2016 allocation	-	-	-	-	(22.555.276)	49.111.943	26.556.667
Share capital changes	-	-	-	-	-	-	-
Reserves changes	-	-	(26.556.665)	40.580.090	-	-	14.023.425
Net income 2017	-	-	-	-	-	(39.198.071)	(39.198.071)
Balance at december 31, 2017	175.089.679	-	-	(251.968.124)	(22.555.276)	(39.198.071)	(138.631.792)
Net Income 2017 allocation	-	-	-	-	(39.198.071)	39.198.071	-
Share capital changes	(61.753.347)	-	-	-	61.753.347	-	-
Reserves changes	-	-	-	158.232	-	-	158.232
Net income 2018	-	-	-	-	-	(37.183.065)	(37.183.065)
Balance at december 31, 2018	113.336.332	-	-	(251.809.892)	-	(37.183.065)	(175.656.625)
Net Income 2018 allocation	-	-	-	-	(37.183.065)	37.183.065	-
Share capital changes	(62.195.105)	-	25.012.040	-	37.183.065	-	-
Reserves changes	-	-	-	(80.185.194)	-	-	(80.185.194)
Net income 2018	-	-	-	-	-	(49.133.190)	(49.133.190)
Balance at december 31, 2019	51.141.227	-	25.012.040	(331.995.086)	-	(49.133.190)	(304.975.009)

Attachment 4

Società di Progetto Brebemi S.p.A.							
<i>Nature, possibility of use and distributability of equity items and their use</i>							
Nature and Description of Equity items	Amounts at 31.12.2019	Possibility of use	Available amount	Summary - Uses made in the three previous years			
				Losses coverage	Increasing share capital	Distribution	Other reasons
Share capital	51.141.227		-	123.948.452			
Capital reserves							
Shares premium reserve	-	A,B,C	-				
Provision for temporary loss	25.012.040	B	25.012.040				
Earnings reserve							
Retained earnings/losses	-		-				
Net income of the year	(49.133.190)		-				
Cash flow hedge reserve (*)	(331.995.086)		-				
Total	(304.975.009)		25.012.040	123.948.452			

Legend:**A:** for capital increase**B:** for losses coverage**C:** for shareholders distribution

(*) Pursuant to Article 2426(1-bis) of the Italian Civil Code, the balance of this Reserve, which is of a temporary nature, is not included in the calculation of Shareholders' Equity for the purposes set forth in Articles 2412, 2433, 2442, 2446 and 2447 and, if positive, is not available and cannot be used to cover losses.

Società di Progetto Brebemi S.p.A.

Attachment 5

MONTHLY DATA OF PAYING TRAFFIC

LIGHT TRAFFIC (km covered)

MONTH	31.12.2019	31.12.2018	31.12.2017
January	25.738.789	23.602.799	18.998.467
February	26.205.577	24.083.084	19.710.885
March	30.459.250	26.753.361	23.278.527
April	29.876.538	28.061.055	23.185.170
May	30.960.452	29.829.395	23.830.375
June	32.829.950	29.422.505	24.123.890
July	33.567.014	31.314.329	25.378.813
August	22.032.732	21.994.549	16.871.301
September	30.601.112	29.474.494	23.958.298
October	33.136.375	30.871.200	25.227.899
November	30.489.701	28.487.735	24.518.272
December	28.992.285	28.200.530	25.254.036
TOTAL	354.889.775	332.095.036	274.335.933

HEAVY TRAFFIC (km covered)

MONTH	31.12.2019	31.12.2018	31.12.2017
January	10.189.991	8.770.868	6.671.866
February	10.326.246	9.010.930	7.301.718
March	11.403.829	10.435.113	8.798.504
April	11.042.920	9.524.879	7.625.181
May	12.367.740	11.280.284	9.194.521
June	11.863.864	10.692.404	8.969.001
July	13.293.343	11.363.451	9.277.002
August	8.435.449	8.320.108	6.650.626
September	11.969.905	10.492.716	9.293.867
October	13.506.192	12.072.931	9.815.631
November	12.115.160	11.237.737	9.754.757
December	10.794.760	9.874.470	8.711.270
TOTAL	137.309.399	123.075.891	102.063.944

TOTAL TRAFFIC (km covered)

MONTH	31.12.2019	31.12.2018	31.12.2017
January	35.928.780	32.373.667	25.670.333
February	36.531.823	33.094.014	27.012.603
March	41.863.079	37.188.474	32.077.031
April	40.919.458	37.585.934	30.810.351
May	43.328.192	41.109.679	33.024.896
June	44.693.814	40.114.909	33.092.891
July	46.860.357	42.677.780	34.655.815
August	30.468.181	30.314.657	23.521.927
September	42.571.017	39.967.210	33.252.165
October	46.642.567	42.944.131	35.043.530
November	42.604.861	39.725.472	34.273.029
December	39.787.045	38.075.000	33.965.306
TOTALE	492.199.174	455.170.927	376.399.877

Società di Progetto Brebemi S.p.A.

Attachment 6

MONTHLY DATA OF PAYING TRAFFIC**Km covered for class of vehicle**

Month	A		B		3		4		5		Total	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
January	25.738.789	23.602.799	4.515.387	3.927.670	701.269	624.608	439.755	365.584	4.533.580	3.853.006	35.928.780	32.373.667
February	26.205.577	24.083.084	4.613.565	4.095.919	706.183	654.182	460.025	387.149	4.546.473	3.873.680	36.531.823	33.094.014
March	30.459.250	26.753.361	5.204.153	4.720.298	784.161	751.136	494.493	441.488	4.921.022	4.522.191	41.863.079	37.188.474
April	29.876.538	28.061.055	5.103.652	4.480.497	760.346	679.364	471.218	393.569	4.707.704	3.971.449	40.919.458	37.585.934
May	30.960.452	29.829.395	5.714.067	5.301.451	851.453	825.941	546.354	450.989	5.255.866	4.701.903	43.328.192	41.109.679
June	32.829.950	29.422.505	5.560.509	5.025.291	835.683	782.026	506.945	415.682	4.960.727	4.469.405	44.693.814	40.114.909
July	33.567.014	31.314.329	6.075.336	5.321.387	942.903	836.331	593.386	446.199	5.681.718	4.759.534	46.860.357	42.677.780
August	22.032.732	21.994.549	3.744.890	3.697.236	576.145	597.883	366.984	328.473	3.747.430	3.696.516	30.468.181	30.314.657
September	30.601.112	29.474.494	5.432.211	4.903.095	837.332	752.238	546.617	407.678	5.153.745	4.429.705	42.571.017	39.967.210
October	33.136.375	30.871.200	6.193.916	5.573.079	923.467	859.362	623.720	493.225	5.765.089	5.147.265	46.642.567	42.944.131
November	30.489.701	28.487.735	5.479.402	5.147.653	810.220	792.840	575.022	472.914	5.250.516	4.824.330	42.604.861	39.725.472
December	28.992.285	28.200.530	4.905.559	4.515.913	716.995	687.570	500.442	428.922	4.671.764	4.242.065	39.787.045	38.075.000
Total	354.889.775	332.095.036	62.542.647	56.709.489	9.446.157	8.843.481	6.124.961	5.031.872	59.195.634	52.491.049	492.199.174	455.170.927

Independent auditor's report pursuant to art. 14 of Legislative Decree 27 January 2010, n. 39

*To the Shareholders of
Società di Progetto Brebemi S.p.A.*

Report on the audit of the financial statement

Opinion

We carried out the audit of the financial statement of Società di Progetto Brebemi S.p.A. (hereinafter also referred to only as "Company"), comprising the balance sheet as at 31 December 2019, the income statement and cash flow statement for the financial year ended on said date and the additional note.

In our opinion, the financial statement provides a truthful and accurate representation of the balance sheet and financial situation of Società di Progetto Brebemi S.p.A. as at 31 December 2019, the financial result and the cash flow for the financial year ended on said date in compliance with the Italian laws governing the criteria for the drafting of financial statements.

Basis for the opinion

We carried out the audit in compliance with the international auditing principles (ISA Italy). In accordance with said principles, our responsibilities are described in more detail in the paragraph "*Responsibilities of the auditing firm for the auditing of the financial statement*" of this report. We are independent of Società di Progetto Brebemi S.p.A. in compliance with the regulations and principles relating to ethics and independence that are applicable to the auditing of financial statements under Italian law. We believe we acquired sufficient and appropriate documentary evidence upon which to base our opinion.

Comparative information

The financial statement of Società di Progetto Brebemi S.p.A. for the financial year ended on 31 December 2019 was audited by another auditor that expressed an unqualified opinion on the financial statement on 11 March 2019.

Other aspects - Management and coordination

As required by the law, the Directors provided in the additional note the essential data from the last financial statement of the company exercising management and coordination activities over Società di Progetto Brebemi S.p.A.. The opinion on the financial statement of Società di Progetto Brebemi S.p.A. does not cover this data.

Responsibilities of the Directors and Board of Statutory Auditors of Società di Progetto Brebemi S.p.A. for the financial statement

The Directors are responsible for drafting a financial statement that provides a truthful and accurate representation in compliance with the Italian laws governing the criteria for the drafting of financial statements and, to the extent that is required by the law, for the part of the internal control system deemed necessary by them to enable the drafting of a financial statement that does not contain significant errors due to fraud or unintentional conduct or events.

The Directors are responsible for the assessment of the Company's ability to continue operating as a going concern and in the drafting of the financial statement, the assessment of the appropriateness of the use of the presumption of the business continuing as a going concern, and are responsible for providing suitable disclosure in this regard. The Directors use the presumption of business continuing as a going concern when drafting the financial statement unless they consider there to be conditions for the liquidation of the Company or the interruption of the business or they do not have realistic alternatives to these choices.

The Board of Statutory Auditors is responsible for supervision - in accordance with the provisions set forth by the law - over the process with which the Company prepares its financial disclosures.

Responsibilities of the auditing firm for the auditing of the financial statement

Our objectives involve acquiring reasonable confidence that the financial statement as a whole does not contain significant errors, due to fraud or unintentional conduct or events, and issuing an audit report containing our opinion. Reasonable confidence is understood to be a high level of confidence without, however, providing a guarantee that an audit conducted in compliance with international auditing principles (ISA Italy) always identifies a significant error, should there be any. Errors may be the result of fraud or unintentional conduct or events and are considered significant if can reasonably be expected that, when considered individually or as a whole, these errors could influence the financial decisions of users that are made on the basis of the financial statement.

Within the scope of our audit conducted in compliance with international auditing principles (ISA Italia), we exercised our professional judgement and maintained professional scepticism for the entire duration of the audit. Moreover:

- we identified and assessed the risks of significant errors in the financial statement, due to fraud or unintentional conduct or events; we defined and carried out a review procedure in response to these risks; we acquired sufficient and appropriate documentary evidence upon which to base our opinion. The risk of not identifying a significant error due to fraud is higher than the risk of not identifying a significant error deriving from unintentional conduct or events, since fraud may involve the existence of collusion, falsification, intentional omission, misleading representations or the circumvention of the internal control system;

- we acquired an understanding of the relevant internal control system for the purposes of the audit with the aim of defining appropriate review procedures for the circumstances rather than for expressing an opinion on the effectiveness of the Company's internal control system;
- we assessed the appropriateness of the accounting principles that were used and the reasonableness of the accounting estimates made by the Directors, including the respective disclosures;
- we reached a conclusion on the appropriateness of the Directors' use of the presumption of the business continuing as a going concern and, on the basis of the documentary evidence we acquired, on the existence of any significant uncertainty in relation to events or circumstances which could result in significant doubts being raised about the Company's ability to continue operating as a going concern. In the event of a significant uncertainty, we are required to highlight the respective accounting disclosure in our audit report or, if this disclosure is inadequate, we are required to reflect this when we express our opinion. Our conclusions are based on the documentary evidence we acquired up to the date of this report. Nevertheless, subsequent events or circumstances may result in the Company no longer operating as a going concern;
- we assessed the presentation, structure and content of the financial statement as a whole, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner which provides an accurate representation thereof.

Amongst other things, we notified the parties responsible for governance activities - who were identified at an appropriate level as required by ISA Italy - of the scope and scheduled timeframes for the audit and of any significant shortcomings we identified in the internal control system during the audit.

Report on other legislative or regulatory provisions

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

The Directors of Società di Progetto Brebemi S.p.A. are responsible for drafting the report on operations of Società di Progetto Brebemi S.p.A. as at 31 December 2019, including its consistency with the respective financial statement and its compliance with legal provisions.

We carried out the procedures set forth in auditing principle (SA Italy) 720B in order to express an opinion on the consistency of the report on operations with the financial statement of Società di Progetto Brebemi S.p.A. as at 31 December 2019 and on the compliance of this to legal provisions, and issue a statement on any significant errors.

In our opinion, the report on operations is consistent with the financial statement of Società di Progetto Brebemi S.p.A. as at 31 December 2019 and is drafted in compliance with legal provisions.

With regard to the statement described in art. 14, paragraph 2, letter e), of legislative decree 39/10, issued on the basis of the knowledge and understanding of the company and the respective operating context which we acquired during the course of the auditing activities, we have nothing to report.

Milan, 18 March 2020

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING
PURSUANT TO ART. 2429, PARAGRAPH 2, OF THE CIVIL CODE**

To the Shareholders' Meeting
of
SOCIETÀ DI PROGETTO BREBEMI S.P.A.

Dear Shareholders,

the draft Financial Statements for the year ended December 31st, 2019, submitted to your examination for the consequent resolutions, was sent to us by the Directors together with the Directors' Report and consist of the Balance Sheet, the Income Statement, the Explanatory Notes and the Cash Flow Statement, drawn up taking into account the changes introduced by D. Lgs. n. 139 of 2015.

This report has been prepared by the Board of Statutory Auditors pursuant to art. 2429, paragraph 2 of the Civil Code. With regard to the matters within our competence, we certify that during the financial year 2019 we have:

- monitored compliance with the law and Company's Bylaws and the respect of the principles of sound administration using, within our mandate, our professional experience and generally adopted practices;
- participated in no. 8 Shareholders' Meetings and no. 18 Board of Directors' meetings, held in compliance with the statutory, legislative and regulatory provisions governing Company's operation and for which we can reasonably ensure that the deliberate actions have been in compliance with the law and the Company's Bylaws and have not been manifestly imprudent, hazardous, in conflict of interest or such as to compromise the integrity of the corporate assets;
- obtained from the administrative body during the meetings held and also on a half-yearly basis, information on the general operating performance and on its foreseeable evolution as well as on the most significant operations, due to their size or characteristics, carried out by the Company and we can reasonably ensure that the actions put in place comply with the law and the Company's Bylaws and are not manifestly imprudent, hazardous, in potential conflict of interest or in conflict with the resolutions passed by the shareholders' meeting or such as to compromise the integrity of the corporate assets. The information required by art. 2381, paragraph 5, of the Civil Code have been provided with intervals even higher than the minimum of six months;
- acquired knowledge and supervised, with regard to the matters within our competence, on the adequacy of the organizational structure of the Company which is adequate to the operational needs and capable of ensuring adequate risk management;
- exchanged information with the Related Parties Committee, which has the task of evaluating the operations with Related Parties in order to provide its preventive opinion;
- supervised on compliance with the provisions of art. 2391 paragraphs 1 and 2 of the Civil Code;
- carried out the periodic meetings required by law;
- met with KPMG S.P.A., the company in charge of the statutory audit of the accounts, and no relevant data and information has emerged that should be highlighted in this report. The independent auditing company issued its report on the Financial Statements on 18 March 2020 containing a favorable opinion without any remarks.
- interacted with the Supervisory Body, established pursuant to Legislative Decree 8 June 2001, n. 231, in order to acquire information regarding the functioning of the organization, management and control model and we have not received any particular comments to report;
- acquired information about the internal audit activity through the meeting with the external person appointed by the Company and acknowledged the controls carried out;
- assessed and supervised, with regard to the matters within our competence, on the adequacy of the administrative and accounting system as well as, on the basis of the information provided by the company in charge of the statutory audit of the accounts, on the reliability of the same to correctly represent the management events and in this regard, we have no particular comments to report.

The Board also certifies that during the year and on the date of this report:

- issued, pursuant to art. 2441, fifth paragraph of the Civil Code, an opinion on the fairness of the issue price of the shares in the event of an increase in the share capital with the exclusion or limitation of the option right;
- no complaints were received pursuant to art. 2408 of the Civil Code.

During supervisory activities, as described above, no further significant events emerged such as to be worthy of mention in this report.

The Board of Statutory Auditors acknowledges that it received the draft Financial Statements for the year ended December 31st, 2019 from the Board of Directors on 24 February 2020, accompanied by the Directors' Report. The draft Financial Statements for the year ended December 31st, 2019 made available to us presents the following summary data:

Balance Sheet

Assets

Intangible Fixed Assets	€	4.500
Property, Plant and Equipment	€	1.628.831.356
Investments	€	44.910.498
Account Receivables	€	414.249.335
Cash and Banks	€	130.121.885
Accrued Expenses and Deferred Income	€	3.167.412
Total Assets	€	2.221.284.986

Liabilities

Share Capital	€	51.141.227
Other Reserves indicated separately	€	25.012.040
Cash Flow Hedge Reserve	€	(331.995.086)
Net Income (loss) for the period	€	(49.133.190)
Total Shareholders' Equity	€	(304.975.009)
Provisions for risk and charges	€	146.911.504
Employees Termination Indemnity	€	836.712
Liabilities	€	2.378.511.779
Total Liabilities	€	2.221.284.986

Income Statements

Value of Production	€	95.831.070
Cost of Production	€	(47.154.102)
Financial Income and Expenses	€	(99.847.449)
Income Taxes	€	13.311.503
Net Loss for the Period	€	(49.133.190)

With regard to the Financial Statements for the year ended December 31st, 2019, we report the following:

- Since we were not charged with the audit of the Financial Statements, we have supervised the general approach of the aforementioned document, its substantial compliance with the regulatory provisions in relation to its preparation and structure and on the compliance of the same with the facts and information of which we have acquired knowledge, and, in this regard, we have no particular comments to report.
- The independent auditors have expressed their opinion on the compliance of the Directors' report and in this regard, we have no further comments to report.
- As far as we are aware, the administrative body, in drafting the Financial Statements, has not derogated from the legal provisions pursuant to art. 2423, paragraph 4, of the Civil Code.
- We have monitored, within the terms established by the law, the process of preparing the Company's financial reporting.
- We have verified the compliance of the Financial Statements with the facts and information of which we have acquired knowledge following the performance of our duties and we have no comments in this regard.

- We have nothing to report pursuant to art. 2497-ter of the Italian Civil Code: it should be noted that, during the year, the Company had some economic relationships with the parent company Autostrade Lombarde Spa and with Argentea Gestioni Sepa, a company subject to control by the parent company, for the detailed explanation of which see content of the Directors' Report at December 31st, 2019.

- With reference to the dispute with the BBM Consortium in relation to expropriation activities and relationships with shareholders, please refer to what is fully illustrated in the specific paragraph of the Directors' report.

The Board of Statutory Auditors acknowledges that in the Directors' Report at December 31st, 2019 the administrative body has given extensive disclosure in relation to the issue of the guaranteed multi-tranche bond for a total principal amount of € 1,679 million, the proceeds of which have refinanced the indebtedness contracted in 2013, during the construction phase of the highway, and they allowed to early terminate the derivative contracts associated with it. The same Report acknowledges that the Extraordinary Shareholders' Meeting of 11 October 2019 resolved to proceed with the full coverage of losses at 30 June 2019, including previous losses through the reduction of the share capital from 113.336.332 Euro to 51.141.227 Euro.

The same Shareholders' Meeting also approved the issue, in several tranches, up to a maximum amount of Euro 350,000,000, of Equity Financial Instruments, pursuant to article 2346, sixth paragraph, of the Civil Code to be offered for subscription to all shareholders, in compliance with their right of option, against cash contributions to be made also through the use and voluntary compensation of credits owed by the Company.

Furthermore, given that at the date of this Report extraordinary measures have been taken by the Government to manage the Coronavirus COVID-19 emergency, the Board of Statutory Auditors, in accordance with a due forward-looking perspective for the year 2020, has taken note of the measures adopted by the Company as set out by the Administrative Body in the Board of Directors held on 3 April 2020 during which a detailed analysis was provided on the possible and probable consequences deriving from the current emergency situation as well as on the persistence of the requirements of business continuity for the year 2020, determined by taking into consideration future cash flows and current cash and cash equivalents. The Board also acknowledges the willingness of the Administrative Body to confirm the above during the Shareholders' Meeting which will have to resolve on the approval of the Financial Statements at December 31st, 2019.

Considering therefore also the results of the activity carried out by the company in charge of the statutory audit of the accounts, contained in the accompanying report of the Financial Statements, we propose to the shareholders' meeting to approve the Financial Statements for the year ended December 31, 2019 as prepared by the administrative body, not identifying reasons impeding the approval of the resolution proposals articulated by the Board of Directors.

Brescia, 6 April 2020

Quirino Cervellini, President of the Board of Statutory Auditors

Paolo Panteghini, Statutory Auditor

Pietro Paolo Rampino, Statutory Auditor

Riccardo Ranalli, Statutory Auditor

Sara Riva, Statutory Auditor



Società di Progetto
Brebemi SpA

Brescia, April 21, 2020

The undersigned FRANCESCO BETTONI born in VISANO on August 23, 1948 and resident in CASTELVETRO PIACENTINO (PC), via STATALE n. 8, Italian Tax Code BTTFNC48M23M070V, acting as LEGAL REPRESENTATIVE of SOCIETA' DI PROGETTO BREBEMI S.P.A., (the "Company"), with registered office in BRESCIA, VIA SOMALIA 2/4, Fiscal Code, VAT number and registration number at the Companies Register (*Registro delle Imprese*) of BRESCIA 02508160989, with Economic and Administrative Repertory (EAR) number 455412, certifies that the financial statements for the year ended December 31, 2019, provide a true and fair view of the Company's financial position and operations as at December 31, 2019.

Società di Progetto Brebemi S.p.A.

Legal Representative

Francesco Bettoni



Soggetta alla direzione e coordinamento di Autostrade Lombarde SpA
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PEC: sdpbrebemi@legalmail.it – EMAIL: info@brebemi.it
Cap. Soc. EURO 51.141.227,00 i.v. – REA n. 455412 – Iscr. Registro Imprese di Brescia
Cod. Fisc e P.IVA 02508160989



This document contains a translation in English of the report in Italian “Bilancio d’esercizio al 31 dicembre 2019” that the Company believes is true and accurate. However, for information about Società di Progetto Brebemi S.p.A. reference should be made exclusively to the original report in Italian. The Italian version should prevail upon the English version