



**Argentina, Hydraulic Tunnel in Rio Subterraneo a Lomas (AYSA)**

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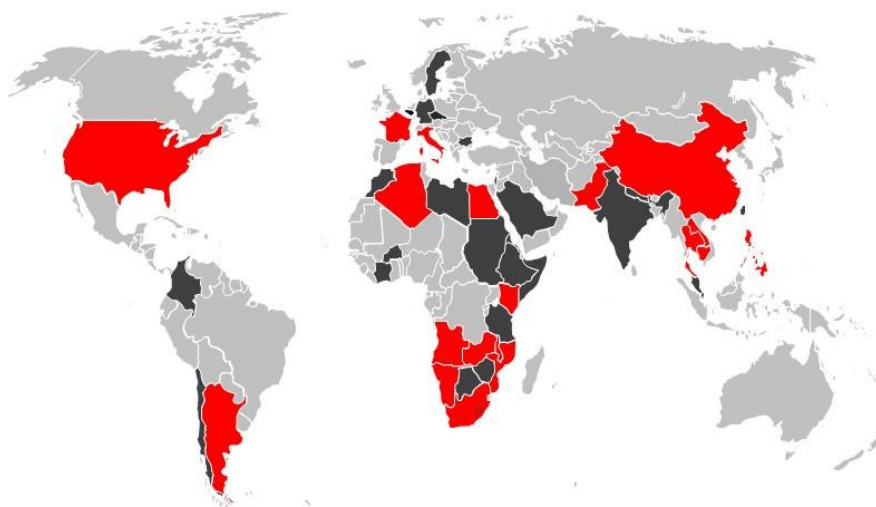
**FINANCIAL REPORT AS AT  
DECEMBER 31, 2019**

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**Cooperativa Muratori & Cementisti  
CMC di Ravenna**

Registered offices at Via Trieste 76, Ravenna  
Tax code and VAT no.: 00084280395  
Ravenna Companies Register no. 014-567  
Ravenna Chamber of Commerce no. 1660

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### In the past

Botswana	Lybia
Burkina Faso	Malaysia
Belgium	Morocco
Bulgaria	Nepal
Chile	Saudi Arabia
Colombia	Singapore
Czech Republic	Somalia
Eritrea	Sudan
Ethiopia	Swaziland
Germany	Sweden
India	Taiwan
Ivory Coast	Tanzania
Lebanon	Zimbabwe

### Today

Algeria	Pakistan
Angola	South Africa
Argentina	Thailand
China	The Philippines
Dominicana Rep.	USA
Egypt	Zambia
France	
Italy	
Kenya	
Laos	
Lesotho	
Malawi	
Mozambique	
Namibia	

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## BUSINESS AREAS

CMC Group has a proud record of delivering world-class infrastructural projects, with a focus on the following business areas:

### Transport

Roads, motorways  
Tunnels, bridges and viaducts  
Railways and underground  
Airports

### Water and irrigation works

Dams  
Hydroelectric plant  
Tunnels  
Aqueducts  
Irrigation channels

### Ecology and environment

Water treatment and sanitation services  
Sewage systems  
Treatment of toxic waste

### Building projects

Civil and public buildings (hospitals and clinics, schools, sport structures, correctional facilities)  
Executive and service buildings (hypermarkets, shopping malls, post offices)  
Hotels and resorts  
Industrial plants (power stations, silos)  
Maintenance and refurbishment

### Water control and marine works

Coastal protection, piers and jetties, dredging

### Integrated territorial development projects

## ORGANISATION CHART

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**Domestic operations**

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**Overseas operations**

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**CMC Immobiliare Spa (Real estate)**

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## CORPORATE GOVERNANCE

### **Board of Directors** <sup>1</sup>

#### **Chairman**

Alfredo Fioretti

#### **Deputy**

Valerio Giuliani

#### **Chief Executive Officer**

Davide Mereghetti

#### **Advisors:**

Grazia Benazzi

Marcello Cacucciolo

Mauro Calandrini

Sabina Cipollini

Fabio Monti

Andrea Sanulli

#### **Managing Director**

Paolo Porcelli

### **Statutory Auditors** <sup>1</sup>

#### **Chairman**

Gian Luca Bandini

#### **Auditors**

Maurizio Rivalta

Gian Marco Venturi

### **Independent Auditors** <sup>2</sup>

Deloitte & Touche S.p.A.

### **Audit Committee** <sup>1</sup>

#### **ex art. 6 Legislative Decree 231/2001**

#### **Chairman**

Desiree Fondaroli

#### **Members**

Riccardo Suprani

<sup>1</sup> In charge for the 2017-2020 period

<sup>2</sup> In charge until approval of the 2019 financial statements

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## INTRODUCTION

Cooperativa Muratori Cementisti - C.M.C. di Ravenna ("CMC" or "the Company" or the "Parent Company") is the Parent Company of the CMC Group, and carries out construction activities directly or indirectly in Italy and abroad.

As discussed in greater detail in the sections on "Subsequent events" and the "Outlook for operations", on 29 May 2020 the Court of Ravenna issued its approval of CMC's composition with creditors. This event was made possible by the favourable vote expressed in March and April 2020 by 78.15% of the Cooperative's creditors on the composition proposal and the underlying composition plan filed with the Court of Ravenna on 18 December 2019.

In this regard, it is worth recalling that under the composition with creditors proposal, CMC has taken the following commitments:

- a) regular payment of pre-deduction expenses and costs of the procedure, which the proposal estimated at Euro 57,877,566 and adjusted by the Judicial Commissioners to Euro 57,943,082;
- b) full payment, within one year of the decree approving the composition with creditors, to creditors with special and general privileges, estimated at Euro 91,346,634 and adjusted by the Judicial Commissioners to Euro 88,256,109; the plan provides for the downgrading to unsecured, within the capacity limits pursuant to art. 160.2 BL, of the VAT recourse credit and of tenants' receivables;
- c) full payment of strategic unsecured suppliers contained in Class 1 - meaning those creditors whose services are considered essential by the applicant in the interests of business continuity and the consequent generation of cash flows - estimated at Euro 34,351,941 and adjusted by the Judicial Commissioners to Euro 34,510,125, to be carried out within two years from the decree of approval of the composition with creditors;

As regards the indebtedness to unsecured creditors, it has been divided into classes as follows:

- Class 2) effective unsecured financial creditors, estimated at Euro 931,758,768;
- Class 3) effective unsecured non-financial creditors, estimated at Euro 474,854,389;
- Class 4) unsecured creditors guaranteed by CMC, estimated at Euro 153,789,095;
- Class 5) potential unsecured creditors - Provisions for risks estimated at Euro 289,127,728
- Class 6) to subordinated unsecured creditors estimated at Euro 9,142,427

As a result of the above mentioned authorisation, the following effects have occurred:

- full extinction (*datio in solutum*) of the payables in classes 2), 3), 4) and 5) through the assignment (envisaged in two distinct tranches equal to a nominal satisfaction of 20% of the initial credit) of participatory financial instruments convertible into bonds - denominated for brevity PFS - whose regulation provides for privileged access to the annual distribution of dividends and reserves equal to the minimum effective guaranteed amount of 10% of the amount of the receivables subject to conversion by 30 June 2031. In this regard, it should be remembered that the distributions envisaged in favour of the holders of PFSs will take place after the execution of the plan, thereby extinguishing the debt by assigning the participatory financial instruments
- on the assumption of subsequent conversion of the PFSs into bonds, a fixed repayment of 10% plus interest is envisaged, by virtue of the "Annual Mandatory Early Repayments" and the "Redemption at the due date" of 31 December 2026. In this regard, note that the conversion of the PFSs into bonds does not relate to the execution of the composition, as it is a right that can be exercised post approval on the part of the PFS holder, whose receivable has already been extinguished by the *datio in solutum* of the PFSs (at the ratio mentioned previously);
- full extinction of the receivables in Class 6) for which no satisfaction is expected

The financial statements at 31 December 2019 do not reflect the above effects, which led to coverage of the capital deficit reflected in these financial statements, as they will be accounted for in 2020. In the continuation of this Report and in the explanatory notes, extensive information will be given on their impact on the Cooperative's financial position.

This report shows the performance of the Cooperative during the 2019 financial year.



Unless stated otherwise, the figures are shown in millions of euro in order to facilitate their comprehension and clarity.

## KEY EVENTS

The principal events occurred during the year are reported below:

- ❑ On 31 January 2019, CMC filed an application for an extension of the deadline for filing the composition plan and with a decree on 6 February 2019, the Court of Ravenna accepted this request by extending it for another 60 days.
- ❑ In January, following a specific request pursuant to art. 169 bis BL, the Company requested and obtained the Court of Ravenna's authorization - granted by decree of 24 February 2019 - to cancel the contract with Cassa Depositi e Prestiti SpA for the refurbishment of a property complex located in Rome, given that it was impossible for CMC to complete the works and in order not to cause further damage.
- ❑ In January, the client KCM - Konkola Copper Mines Plc in Zambia sent CMC notification of termination of the Letter of Intent (LOI) dated 25 October 2017 pursuant to clauses 26.2 and 26.3. Clause 26.1 of the LOI provides for termination of the agreement in the event of the contractor's default and, among other things, if it goes into liquidation, both provisional and definitive, voluntary or mandatory, unless it remedies the situation within 14 days. On 25 January 2019, CMC responded to this notification by refusing it, as it was incorrect and unfounded, as discussed with the Company's Management. In particular, CMC rejected any accusation made by the client with regard to bankruptcies and violations, as nothing had been proven or demonstrated by KCM. In addition, CMC in turn notified its intention to terminate the contract by virtue of the fact that the client had not remedied non-payment of the amounts due, not fulfilling its contractual obligations. On 21 May 2019, the provisional liquidator of the client KCM was appointed, in the person of Mr. Milingo Lungu, appointed by the judge of the Court of Zambia, following the company's bankruptcy.
- ❑ In January, the union consultation procedure for the start of the CIGS was initiated at the Ministry of Labour and Social Policies in Rome, a procedure that ended successfully on 4 February 2019, with the signing of an Agreement. The CIGS was obtained starting from 18 February 2019 for the maximum period possible by law.
- ❑ In February, a communication was presented to the competent bodies for the start of the collective dismissal procedure for managers, in order to reduce their number, based on the efforts being made to improve efficiency. This decision was taken during the Board of Directors' meeting due to and as a consequence of the financial tension in which the Cooperative is at present, which requires a drastic containment of all costs, also through the downsizing of management staff in the absence of any social safety net for that category.
- ❑ The contract for the Greater Beirut Water Supply Project in Lebanon was interrupted in March, following termination by the client CDR - Council for Development and Reconstruction following the financial difficulties that beset CMC, which prevented it from doing the work even prior to the pre-composition with creditors. CMC has taken legal action to recover the amounts due.
- ❑ In mid-March Trafikverket, the Swedish Transport Agency which is responsible for the construction, management and maintenance of state roads and railways, cancelled contracts with Lovon Samverkan AB (LSAB), the Swedish company created by the joint venture between Vianini Lavori, of the Caltagirone group, and CMC for the construction of two road tunnels in Stockholm. The Swedes complained of alleged labour shortages dating back to 2018, but for the two Italian companies, these grounds are spurious. The issue is now in the hands of lawyers, but in the meantime il Messaggero, a newspaper published by Caltagirone, which talked about "environmental difficulties" in relation to this experience, highlights the flaws of the former Swedish model.
- ❑ On 8 April 2019, the Company deposited, upon dissolution of the reserve referred to in the original appeal of 4 December 2018 pursuant to ex art. 161, paragraph 6, BL, the application and the plan of the composition with creditors, together with the report drawn up pursuant to art. 161, paragraph 3, BL by

Claudio Trenti, chartered accountant and auditor in Modena, professional who meets the requirements of art. 67, paragraph 3, letter d), BL.

- ❑ With a subsequent decree of 7 May 2019, filed with the Bankruptcy Registry on 8 May 2019, the Court of Ravenna granted CMC a term pursuant to ex art. 162 BL of fifteen days - later extended until 29 May 2019 - so that it could make certain changes and additions to the composition proposal, also scheduling the hearing to discuss the appeal on 5 June 2019.
- ❑ On 29 May 2019, CMC then filed the integrated application according to the Court's requests for clarification and on 5 June 2019 the hearing was held for the discussion with a view to verifying the conditions for the Company's admission to the Composition with Creditors Procedure.  
The "Original" Composition Proposal (filed on 29 May 2019) provides, in addition to full payment of the "creditors in pre-deduction", of privileged creditors (within the limits set out in art. 160, second paragraph, BL, as regards the VAT and credit claims of the lessor), and of Strategic Suppliers (unsecured belonging to Class 1), partial and non-monetary satisfaction - through *datio in solutum* of Participating Financial Instruments (hereinafter PFI), extinguishing the related liabilities - of the other unsecured creditors, i.e. the "Effective" creditors, divided into two Classes, no. 2 and no. 3, depending on the financial or non-financial nature of the credit, as well as third-party creditors "Guaranteed" by CMC and "Potential" ones, entered respectively in Classes 4 and 5 (not effective on the Reference Date of 12/3/2018, but which could have become effective after the Reference Date). The *datio in solutum* presupposes prior "remission", by each unsecured creditor, of a portion equal to 80% of the principal and interest making up their receivable, as a consequence of approving the arrangement (i.e. a haircut of 80% of the amount due), and the fulfilment of the other 20% of the receivable by assigning PFIs, at a ratio of 1 PFI with a nominal value of Euro 1 for each Euro 1 of converted credit, without prejudice to the extinction of every amount due to the holder.  
No satisfaction is expected for the subordinated creditors included in Class 6.
- ❑ in addition to some amendments to the Articles of Association, in order to better regulate the PFIs envisaged by the Composition with Creditors Agreement, the Extraordinary Shareholders' Meeting of 16 May 2019
- ❑ approved the original PFI Regulation and resolved to issue participatory financial instruments - subject to the Court of Ravenna's approval of the Composition with Creditors; in execution of the same - having the characteristics and discipline referred to in the Regulation, setting the nominal amount up to a maximum of Euro 500,000,000 and the maximum time limit for issue at four years from the date of the meeting, and therefore no later than 16 May 2023, in two or more tranches, delegating to the Board of Directors any further decisions and activities that may be necessary, useful or otherwise functional or connected to the issue of PFIs. Following their hoped-for approval, the PFIs will then be issued by the Board of Directors, having been delegated specific powers to do this, without prejudice to the fact that the issue by the Shareholders' Meeting, which has already taken place, will become effective with the approval, to which will then automatically follow the *datio in solutum* of the PFIs to unsecured creditors who are effective on that date.
- ❑ The Court of Ravenna with a decree issued on 12 June 2019, filed on the same date in the Bankruptcy Chancery then declared the Composition with Creditors procedure open, appointing Alessandro Farolfi as Delegated Judge and confirming Andrea Ferri Antonio Gaiani and Luca Mandrioli as Judicial Commissioners, already named in the pre-composition phase.
- ❑ With the same decree of 12 June 2019, the Court of Ravenna also arranged for the creditors to be summoned before the Delegated Judge on 13 November 2019. In accordance with art. 177 BL, it should be noted that the composition must be approved with the favourable vote of the creditors who represent the majority of the claims admitted to voting.
- ❑ In August, a settlement agreement was signed with the Integra Consortium to reach a solution regarding the different relationships between the two companies (as well as with the two project companies Empedocle 2 Scpa and Bolognetta Scpa), also in relation to the Sicilian projects of the maxi-lot SS 640 Agrigento Caltanissetta (lot 2), highway SS 121 Palermo-Lercara Friddi and the Turin underground line 1 project (Lingotto-Benghazi section). The agreement reached brought mutual benefits to the parties by regulating the contractual relationships of the various works in question.

- ❑ On 13 September 2019, the Board of Directors decided to ask the Court of Ravenna to postpone the creditors' meeting; the reasons for this request for postponement are to be found in the Company's decision to modify the Original Composition Proposal and the underlying Plan, in order to acknowledge the effects of some events subsequent to their filing (such as, among others, the agreements entered into with Cooperare SpA and with INTEGRA Soc. Coop. Consortium, the filing of the composition proposals of the project companies EMPEDOCLE 2 Scpa and BOLOGNETTA Scpa, updates on the evolution of some orders envisaged in the plan), as well as improving the Original Composition Proposal, through the revision of the participatory financial instruments issued by the Extraordinary Shareholders' Meeting of 16 May 2019, as well as the request for new finance.
- ❑ On 27 September the Court of Ravenna set a new date for the creditors' meeting on 11 March 2020. The Court found that the postponement did not lead to additional costs for a complex procedure such as that of CMC, both in terms of absolute values and the creditors involved, therefore accepting the request for an extension and granting a more appropriate term for making changes to the plan and to all the related formalities.
- ❑ In October, a medium-term loan agreement was finalized with Cooperare SpA for an amount of Euro 25 million granted to the Cooperative in the same month of October. On the other hand, negotiations are underway for the concession of new finance to the Cooperative in execution of the composition with creditors.
- ❑ On 12 December 2019, the Ordinary and Extraordinary Shareholders' Meeting confirmed the PFI issue resolution of 16 May 2019 and then approved:
  - in extraordinary session, the amendments to the Articles of Association and the attached PFI Regulation to provide for the option of Converting the PFIs into bonds,
  - in ordinary session, authorizing the Board of Directors to issue the Bond Loan ("BL") to service conversion of the PFIs, on the basis of the essential characteristics provided by the Bond Loan Regulation, already approved for this purpose by the Board of Directors on 25 November 2019.

By incorporating these amendments into the modified Composition Proposal, soon to be filed, the Company's intention was to allow its unsecured creditors in Classes 2-3-4-5 - destined in any case to be satisfied by *datio in solutum* of the PFIs following approval of the Composition - to convert them into Bonds at a Conversion Ratio of 1 (one) Bond (with a nominal value of Euro 1) for every 2 (two) PFIs (with a nominal value of Euro 1 each). The attribution of this additional right has the objective of making the Composition Proposal more "attractive", especially for those creditors who, for various reasons, may not like PFIs and prefer Bonds, which they can acquire in this way, by exercising the conversion right of the PFIs attributed to them automatically on the hoped-for approval of the Composition.

- ❑ on the same date (12 December 2019), the Board of Directors approved - as they had been amended - the Company's equity, economic and financial situation at 3 December 2018 (the day prior to the date of publication of the pre-composition appeal in the Register of Companies), the new Economic-Financial Plan, the consequent Composition Plan and the amendments to the Composition Proposal, pursuant to art. 152 BL; the Composition's operations is expected, as before, to take effect within two years from the approval, assumed to be on 30/06/2020, so that the Composition Plan develops over this period of time (and therefore until 30/6/2022); the Economic-Financial Plan, on the other hand, lasts until 31/12/2024, so beyond the period of the Plan, in order to provide a series of forward-looking documents which, in going beyond the duration of the Composition Plan, allow the creditors better and more extensive information on the Company's financial and economic developments before and after execution of the Composition, also to demonstrate its economic "feasibility".
- ❑ on 16 December 2019, the Board of Directors co-opted a new Director, Davide Mereghetti, also appointing him Managing Director, granting him the related powers.
- ❑ On 18 December 2019 the updated Composition Plan was filed.
- ❑ On 24 December 2019 a settlement agreement between CMC, Empedocle and ANAS (client) was signed to close the dispute with ANAS, which recognized to Empedocle an amount equal to Euro 47 million payable from January 2020.

## UPDATE ON KEY RELEVANT MARKETS

Although the Covid-19 pandemic represents an event that occurred after the closing date, which means that these financial statements do not reflect the effects generated by this situation, it is not possible to give a full representation of the reference framework in which the Cooperative operates without taking into account what is actually happening at present.

In particular, when it was heading towards a phase of recovery of its activity after the difficulties encountered in the first part of 2019, the Cooperative had to face a new emergency situation in the opening months of 2020.

### The international cycle

The Group's activities in the construction sector in Italy and abroad are naturally influenced by trends in the economy and it is important to understand how the situation is likely to develop.

In the early months of 2020, the effects of the Covid-19 pandemic quickly impacted the global economy. A marked and progressive deterioration in the outlook for economic activity and global trade flows for the current year is accompanied by a strong accentuation of the risks of further decline. Larger countries' tax and monetary authorities have responded to these events by adopting very expansionary measures to support household and business incomes, provide credit to the economy and liquidity to the markets.

The epidemic, which began in China at the end of January, has spread globally in a few months, with particular intensity in Europe and the United States. The majority of countries affected have launched stringent containment measures (e.g. closing schools, suspending public events, putting restrictions on the movement of people, interrupting numerous production activities; see box: The impact of the Covid-19 pandemic on the world economy).

The available indicators show a generalized deterioration in economic activity in advanced economies, after a fourth quarter marked by various trends. In the manufacturing sector, the purchasing managers' index (PMI) already showed an initial decline in the United States and Japan in February and fell in all countries in March. The decline in the service sector was exceptionally pronounced.

In the United States, new applications for unemployment benefits quickly reached extraordinarily high levels: they exceeded 3 million requests in the penultimate week of March and 6.6 million in the following week, a figure about ten times higher than the previous peak recorded during the financial crisis of 2008-09. In that month, employment fell by 700,000 people, the largest drop since December 2008. This figure could also underestimate the real situation in the USA, as the statistical surveys were carried out in the first part of the month.

In China, the severe containment measures adopted led to the interruption of production in entire regions of the country, which are important for the national production system and for global supply chains. In February, the assessments of the purchasing managers of Chinese companies, both in the manufacturing and service sectors, recorded a larger drop than that seen at the beginning of the financial crisis in 2008-09. Industrial production and retail sales also dropped significantly, well beyond the expectations of the previous weeks. In March, with infections blocked, there was an initial return to normality.

The contraction in international trade already underway in the fourth quarter of 2019 (-0.2% on an annual basis) seems to have become more accentuated at the beginning of 2020, affected by the sharp drop in tourists and the reduction in trade with global supply chains affected by the partial shutdown of production in China.

In the main advanced economies, where consumer prices were already rising below central bank targets, long-term inflation expectations inferred from returns on financial markets have fallen even further; in the United States they fell to 0.9% (for the euro area).

The impact of the Covid-19 pandemic on world growth is extremely complex to quantify, but it will probably be very significant (see box: The impact of the Covid-19 pandemic on the world economy).

The forecasts of international institutions have been repeatedly revised downwards, even quite substantially. Those issued in April by the International Monetary Fund (IMF) envisage a 3.0% fall in world GDP this year (6.4 percentage points lower than previous assessments). The contraction is expected to be more

pronounced in advanced countries where, on average, measures to contain the epidemic have so far been more extensive and more stringent. The risks remain downward oriented.

The spread of the infection. - The Covid-19 epidemic spread within China at the beginning of the year and in a few months to the whole world: by mid-April, 5 countries had more than 100,000 confirmed infections and over 20 had more than 10.001. At 15 April, more than 2 million people worldwide had contracted the virus, while there were over 130,000 victims. Infections spread first to the countries neighbouring China (mainly South Korea and Japan); they subsequently affected Europe, the Middle East and the United States. Although characterised by a lower mortality rate compared with diseases with similar respiratory symptoms (such as SARS in 2002-03), Covid-19 is considerably more contagious and significant percentage of patients need intensive care. This jeopardizes the ability of the health systems in the countries involved to cope with the emergency and at the same time to continue providing assistance to the population affected by other diseases.

Containment measures. - The countries most affected so far have progressively adopted more severe containment measures. In China, they led to the isolation of large parts of the country and severe restrictions on mobility; To monitor and ensure compliance, the government resorted to the use of advanced technologies and a severe crackdown on violations. These measures, which were effective in stopping the spread of the epidemic, have been partially relaxed since March.

In neighbouring countries, controls and restrictions, initially limited to people arriving from China, were quickly expanded and tightened. The containment policies introduced at the beginning of February in South Korea, Hong Kong and Singapore were effective thanks both to their timeliness, severity and breadth, and to the aid of innovative technologies and the diligence of the population, already affected by the previous SARS epidemic in 2003, in observing the rules of social distancing.

The first country outside Asia to find itself with a high number of infections and to apply particularly severe containment policies was Italy. From 5 March, measures to restrict people's mobility, close schools and universities and suspend all non-essential economic activities were quickly applied to the entire country and their duration was gradually extended.

A week late compared with Italy, parallel to the spread of the epidemic, similar measures were also launched in France, Germany, Spain and in other major countries in western and central Europe. The Netherlands and the United Kingdom, which initially decided not to impose such measures, also revised their strategy in line with that of other European governments. In the United States, after the declaration of national emergency, the quarantine, social distancing and reduction of mobility measures, initially adopted by the cities where the infection had spread more rapidly, were tightened more and more. Public and private activities have been severely limited.

Uncertainty about the duration of the epidemic and the policies necessary to deal with it is high, also in consideration of the recommendation made by the WHO according to which the restrictions will have to be maintained at a later stage, even if to a lesser extent.

The impact on the global economy - Uncertainty about the extent and intensity of the Covid-19 pandemic and the timing of its containment make it extremely complex to quantify its impact on world growth. Asynchronous contagion cycles between countries could limit the ability to recover also in economies where the health emergency could come to an end earlier. There are various channels by which the economic effects of the pandemic can be transmitted: in the short term, the interruption of production in the sectors subject to greater restrictions, together with the stoppage of tourist flows and the fall in demand for goods and services at a global level is likely to raise the level of uncertainty, resulting in a further drop in consumption due to the loss of jobs and lower investment.

Unlike other shocks to the global economy, the current one is hitting the service sector more than industry, especially catering, entertainment and hospitality services. Compared with the consumption of goods - which may only be postponed - the reduction in the demand for these services will probably be very persistent due to restrictions on people's mobility. The distribution of the economic impact of the crisis among the various countries will also be affected by the heterogeneity with which these sectors contribute to GDP.

In the medium term, a rapid return to growth depends on several factors; firstly, on the possibility that economic policies can prevent the effects of the crisis from being amplified by corporate bankruptcies and the destruction of global value chains; secondly, on the ability of the economy to recover, which could be reduced by tensions on financial markets. There is also a risk that the deterioration of household confidence, the loss of income and jobs and possible disappearance of businesses from the market might lead to a weakening in the economy that could last for some time.



Economic policies. - In response to the worsening outlook and the sharp increase in market volatility, which surpassed the peaks of 2008, the authorities of many countries adopted particularly expansionary measures.

The Chinese Central Bank cut their reserve requirements (up to 200 basis points), the excess reserve rate (down to 0.35% for the first time since 2008), the seven-day reverse repo rate (30 basis points) and the medium-term refinancing rate, which is a point of reference for determining the corporate loan rate (30 basis points). The criteria for defining bad debts were also relaxed temporarily. The tax authorities made interventions in support of companies, such as exemptions from the payment of social security contributions, cutting port tariffs and a substantial increase in infrastructure investment, including the new 5G digital technology. Overall, the stimulus measures introduced in the first quarter were in line with the extraordinary ones launched during the global financial crisis in 2008-09, when the Chinese government set up a programme to support the economy by more than 12% of GDP. In South Korea, Japan, Indonesia, the Philippines, Thailand and Australia, monetary and fiscal policies also took on a highly expansionary tone.

The central banks of the other main countries have responded aggressively to the deteriorating economic situation. At meetings of the Governing Council on 12 and 18 March, the ECB announced a broad package of support measures, declaring itself ready to introduce further ones and to do all that is necessary, within its mandate, to support the euro area during this crisis.

Tax stimulus packages have been approved by the governments of Canada, the United Kingdom and the United States. Among the EU countries, interventions to support the income of individuals and businesses (in the order of 1-2 per cent of GDP) have already been adopted by the governments of France, Germany, Italy and Spain, among others; these measures have been followed by guarantee schemes for corporate loans for a total of more than 10% of GDP. On the proposal of the European Commission, the EU Council approved activation of the general escape clause of the Stability and Growth Pact; the clause allows EU Member States to deviate from the path towards the medium-term objectives of the Pact and to allocate the resources necessary to cope with the health and economic emergency and to support businesses and households. The US administration has launched an extraordinary package for approximately \$ 2.2 trillion (9.5 percent of GDP) which includes: the allocation of funds for the health system, local administrations and emergency management; direct transfers to households; an extension of unemployment insurance; loans and credit guarantees to non-financial companies of all sizes.

International financial institutions are progressively increasing their level of involvement in supporting economies in difficulty. The International Monetary Fund is strengthening the tools available to member countries to handle the costs involved in the health emergency and offer a debt moratorium; It is also considering an extraordinary allocation of \$ 500 billion in special drawing rights. Options are being studied to expand use of the Fund's precautionary instruments. The World Bank has approved a \$ 14 billion package for financial support to poor and developing countries in difficulty; the endowment could rise to a total of \$ 150 billion over the next twelve months.

The repercussions of the contagion on international trade could lead to a contraction in global trade in 2020 of around 10%, similar to what happened in 2009; a similar assessment has been expressed by the IMF.

The medium-term prospects can only depend on the ability of economic policies to act aggressively and promptly to prevent the impact of the pandemic from having persistent effects on confidence, investment and the soundness of financial systems.

Oil prices have fallen by more than 50% in the past three months, falling well below the minimum levels reached during the financial crisis of 2008-09;

the drop was mainly caused by fears of the slowdown in economic activity following the pandemic. At the beginning of March, it was also affected by the lack of agreement between the OPEC+1 countries for a renewal of production cuts, following differences of opinion between Russia and Saudi Arabia; In mid-April, the members of OPEC+1 found agreement on a drastic reduction in the supply of crude oil, also with the support of the G20 countries. The authorities of the main countries have adopted highly expansionary measures in response to the spread of the pandemic.

The impact of the Covid-19 pandemic on the world economy. In the first half of March, in a rapid succession of extraordinary meetings, the Federal Reserve reduced the target range of interest rates on federal funds by a total of 150 basis points, bringing it to 0.00-0.25%; it increased the liquidity available to intermediaries; it launched a new programme of purchases of public securities and mortgage-backed securities, without restrictions on their amount; it activated a series of tools to support credit to businesses, consumers and local administrations both indirectly, through the banking system, and directly, with the granting of loans and

purchases of private securities on the secondary market. To guarantee the availability of dollar liquidity in international markets, it also activated swap lines with the central banks of the main advanced and emerging countries.

In two extraordinary meetings, the Bank of England reduced its reference rate by 65 basis points, bringing it to 0.1%, the lowest level ever; it also announced the purchase of government bonds for an additional £ 200 billion and set up a fund to facilitate loans to small and medium-sized enterprises by commercial banks; it agreed with the Treasury the temporary increase of the funds that can be advanced through an overdraft on an account held at the central bank, with the commitment to repay it by the end of the year.

The Bank of Japan raised its threshold for exchange-traded fund (ETF) purchases; it kept the reference rate unchanged, at negative values, announcing that it was ready to reduce it in the future. The Central Bank of China lowered the medium-term refinancing rate and the reserve requirement of commercial banks; Central banks in other emerging countries (including Brazil, India and Russia) further reduced key interest rates over the past three months.

### The Italian economy

Available evidence indicates that in the first quarter of 2020 Italy's GDP fell by around five percentage points. The estimate of a sharp drop in some service sectors contributes to this assessment (see box: The effects of the pandemic on the Italian economy). Continuing the measures to limit the contagion would lead to a fall in GDP in the second quarter as well.

In the last three months of 2019, GDP decreased by 0.3% (Figs. 19 and 20 and Tab. 4), with the negative contribution of domestic demand and a sharp decrease in stocks, only partially offset by the positive contribution of foreign trade, mainly caused by the marked reduction in imports. Value added has fallen in all sectors, except for agriculture.

Since the end of February, the spread of the infection has had a strongly negative impact on economic activity, particularly in the service sector; the effect is visible through the traditional indicators, but its size can also be inferred from the information on the closure of activities in various sectors (see box: Economic activity in the first quarter of 2020).

The crisis hit the production system when there was already a slowdown in economic activity and at a time of high public debt. However, companies, whose financial leverage had declined significantly in recent years, and households, whose debt is very low compared with other countries, face this difficult economic phase with a much more balanced financial structure than they had on the eve of the sovereign debt crisis; the country's foreign debt position is substantially in equilibrium; banks start from stronger capital and liquidity conditions than in the past.

Italy was hit by the Covid-19 epidemic in late February; containment measures were tightened on several occasions, ending up covering the entire country. The measures initially adopted by the Government and local administrations, indispensable to limit the contagion, had immediate repercussions on businesses especially in hospitality and catering, travel and transportation, recreational, cultural and personal services and non-food retail trade sectors, which generates approximately 10% of national value added; production levels in these sectors were also affected by a contraction in demand.

From 22 March, these measures affected all sectors of the economy defined as "non-essential", which cover around 28% of value added (see box: The effects of the pandemic on the Italian economy).

In addition to the provisions that imply an explicit block of the activity, there are obstacles in the supply of intermediate goods and services on the internal and international markets, as well as the limitations imposed on companies in the use of labour and carrying on business, mainly due to restrictions on mobility.

The economic indicators normally used - electricity consumption, gas supply to the industrial sector, transport of goods by road and rail - for the period following the outbreak of the epidemic in Italy show signs of a marked decline in activity.

In the last week of March, gas consumption for industrial use decreased by 30% compared with the same period in 2019; electricity consumption also posted a hefty reduction, around 20%, after having started to drop already from the second week of March, when containment measures were extended to the entire country. Since the beginning of March, motorway traffic gradually waned until it was about 80% down in the first week of April compared with the same period last year.



The index of business confidence and the purchasing managers' index (PMI) recorded very significant declines in March in manufacturing and especially in the service sector, which were the first to be affected by the suspension measures. The companies interviewed by the Bank of Italy between 3 and 26 March reported a sharp deterioration in their activity both in the first quarter and in the subsequent quarter of an amount similar to that reported in the aftermath of the global financial crisis and the euro area sovereign debt crisis (see Survey of inflation and growth expectations, Bank of Italy, Statistics, 14 April 2020).

From the information collected through the Bank's branch network, it appears that the containment measures in the service sector practically wiped out the turnover of a large part of the non-food retail trade, of hotels, bars and restaurants and of companies operating in the tourist sector and in the construction industry. Similar signals can be assumed from the Confcommercio consumption indicator for spending on services, which decreased from February, following the sharp drop in demand in the hospitality and hotel sectors.

By integrating the results of forecasting models with the information on the closure of production plants collected by the Bank of Italy's branch network, it can be estimated that industrial production underwent a significant contraction in March of around 15%; taking into account the trends in January and February, the decline in industrial production in the quarter would be around six percentage points.

Based on this information, in the first quarter of 2020 the contraction in Italy's GDP could be estimated today at around five percentage points. This assessment complements the estimates coming from a wide range of forecasting models with quantification of the impact of the containment measures gradually imposed by national and local legislation, based on granular data of value added and employment at territorial and sector level.

Continuation of the measures to limit the Covid-19 pandemic will lead to a significant drop in GDP in our country also in the second quarter, which is likely to be followed by what could be quite a strong recovery. The timing and intensity of the recovery will depend not only on the duration and geographical extent of the contagion, on which there is still much uncertainty, but also on various internal and international factors, as well as the effectiveness of economic policies.

Internally, the provisions for containment of the epidemic have caused an almost complete stoppage of activity in important service sectors, including accommodation and catering, travel, recreation, cultural and personal services and the non-food retail trade. Since 28 March, the measures have also affected the industrial sector. On the other hand, the epidemic has led to increases in activity in certain sectors, including pharmaceuticals and e-commerce.

Accommodation and catering services, among the worst affected by the virus, generate almost 4% of value added and employ around 1.6 million people (6.5% of the total). Industry in the strictest sense represents just under 20% of value added and employs 4.2 million people (17% of the total). Overall, commercial and industrial activities not considered essential, and as such temporarily suspended by the Prime Minister's Decree of 22 March, contribute approximately 28% of total value added. According to a mechanical calculation that does not consider indirect effects, each week that economic activity of this magnitude is blocked leads to a reduction in annual GDP of about 0.5%.

The intensity of the subsequent recovery in internal activity will depend on a series of factors: the impact on people's trust and spending decisions and business investment decisions; the trend in households' propensity to save, considering the need to restore the levels of income and wealth affected by the crisis; the ability of companies to remain in the market despite the losses they have suffered during the lockdown.

For some sectors, such as manufacturing, it is possible that part of the production lost during the containment measures will be recovered, with a consequent attenuation of the overall effects on the year; this is a less plausible possibility for most services.

The overall impact of the pandemic will ultimately depend on the performance of the global economy. According to the estimates made by the IMF in mid-April, the contraction of world trade as a result of the necessary containment measures adopted by a large number of countries could amount to 11%- Based on the elasticity of GDP to foreign demand implicit in the econometric model of the Bank of Italy, each point of reduction in world trade would have a negative impact on our country's GDP equal to about one tenth of a percentage point in 2020.

It is also worth considering that Italy is one of the main beneficiaries of international tourist flows, which are likely to remain subdued for some time.

The recovery capacity will largely depend on the response of the economic, fiscal, monetary and prudential policies being activated in our country, at European and global level, and the extent to which these policies

are able to compensate for the fall in income and counter financial tensions and worsening uncertainty, while also supporting aggregate demand.

Immediate extraordinary interventions were defined to mitigate the health, economic and social impact of the global shock, in support of health infrastructures, household incomes and the liquidity of businesses affected by the crisis (see box: Measures to deal with the health emergency in Italy).

Monetary, as well as prudential and macro-prudential policies have so far decisively contrasted the tensions emerging on financial markets and the risk of a credit crunch (see box: The monetary policy measures adopted by the ECB in March 2020).

As the assessments of the main international institutions confirm, given the global nature of the health emergency and its consequences, the response of economic policies will be all the more effective the more coordinated it is at international level.

All scenarios on the trend of Italian GDP incorporate a strongly negative evolution in the first half of the year, followed by a probable recovery in the second half and a marked recovery in activity in 2021. For 2020, the range of analysts' current assessments is very broad: reductions of a few percentage points (several forecasters have published figures of around six percentage points) would be consistent with the hypothesis of a rapid return in the second half of the year to pre-existing levels of output; more significant contractions (the IMF has forecast a 9% decline) could occur in a scenario in which developments in the international economy worsened - also in light of the evolution in the United States - and in the hypothesis of more prolonged effects on consumer confidence and income and on business in the sectors of commerce, tourism and travel. Similar assessments apply to other euro area countries.

Industrial production, after an increase in January and a decrease in February, is estimated to have fallen sharply in March. Business valuations worsened in all sectors and components. However, companies face the crisis starting from a more solid financial structure than at the beginning of the previous recession.

After a rise in January, industrial production decreased in February, presumably suffering from the first effects of the epidemic, which were more precocious and intense in areas with the highest concentration of industrial enterprises.

In March, according to our estimates, manufacturing activity suffered a sharp contraction of around 15%; this may have resulted overall in a decrease of approximately six percentage points in the first quarter.

The surveys performed by the Bank of Italy show a marked deterioration in the opinions of companies (see box: The opinions of Italian companies in the quarterly survey on inflation and growth expectations). The Istat survey shows company expectations getting worse in March, to a particularly marked extent in services and their various components (orders, production and sales). In the same month, the PMI of service companies fell, registering the fastest contraction since the beginning of the survey, following a sharp reduction in new orders and employment; manufacturing PMI reached its lowest level since April 2009.

Surveys also signal a sharp downsizing in investment prospects: the companies interviewed in March as part of the Bank of Italy's survey are planning a significant reduction in investment in 2020 (see box: The views of Italian firms in the quarterly survey

on inflation and growth expectations). After a certain resilience in sales up to the end of last year, the real estate market was also affected by the Covid-19 epidemic. According to our processing of a large set of data on sale announcements for houses on the digital platform Immobiliare.it between 9 and 30 March, offers of houses entering and exiting the market, decreased sharply, as online searches by potential buyers did.

This information suggests a significant contraction in sales in the first half of the current year; there has still not been a significant effect on prices. In March, companies' assessments in the Istat survey on the climate of confidence in the construction sector deteriorated slightly, especially in the forward-looking part. (see box: Economic activity in the first quarter of 2020).

Companies are facing the crisis with a more solid and balanced financial structure than existed at the beginning of the previous recession. Total corporate debt as a percentage of GDP has decreased to 68.4% (fig. 23), a much lower figure than the average for the euro area (107.6%). Corporate debt is expected to increase this year, helped by the financial support measures associated with the epidemic. However, the combination of public interventions, low interest rates and companies's greater financial solidity will help support their financial conditions in the coming months.

## **The construction market**

### **The Italian market**

According to the Cresme Report, the construction market is in a state of general recovery, with all types of construction getting started again, albeit with low rates and deep polarisations, as well as territorial and typological differences; at the same time, all construction companies are having to cope with a period of profound change. As expected, among the signs of recovery, there are public works which in terms of the amount of work put out to tender in 2018 and 2019 have gone back to the levels last seen in the early 2000s.

But if it is true that the construction sector is slowly emerging from the greatest crisis in its history, we cannot fail to notice that the market has shrunk, while going through a profound transformation and suffering what appears to be an image crisis; construction is paying the price for losing its traditional role when thinking about development processes. Speculation and land consumption, corruption and "ugliness", "rent" and the tying up of resources, errors, delays, variations, have created a negative scenario that runs the risk of not understanding the strategic challenge that the "built environment" is called upon to play in the historical environmental and socio-economic phase that we are currently experiencing. We spend our time in buildings and infrastructures that are the historically layered product of the construction sector. A model of sustainable and resilient development cannot ignore a conscious new investment strategy that affects the quality of the built environment: the places where we live are a fundamental part of the quality of our life and one of the determining factors for the solution to environmental problems.

Undoubtedly, a "new" construction industry is needed. But in the context of the crisis that saw 100,000 businesses die, with 600,000 people directly employed and 200,000 indirectly employed leaving the sector, and in the current recovery phase that shows contrasting typological and territorial dynamics, it has to be said that in this political-economic context, people appear to be underestimating the role of the built environment in economic growth, competitive processes, wealth and quality of life. This underestimation was, and still is, particularly evident in our country, but it is also a scientific underestimation.

Contrary to the French proverb "*Quand le bâtiment va, tout va*", which is often translated into other languages, even the most refined international scientific literature when dealing with the construction industry does not reflect on the built environment as a whole; it segments it into the complex components of the supply chain that feeds it: on the one hand, production is considered (at most including related activities in the valuation); on the other, the world of real estate, the buying and selling of new and old buildings, owned and rented, considering the processes of value enhancement and intermediation; then again, the services involved are examined, from direct services like design to the wider set of the services involved in the built environment (the marketing and distribution of materials, systems and components necessary for production, credit provided to households and businesses by the banking sector, the activities related to management of the built product, the work of notaries and lawyers, cleaners and security guards; asset management, facility management, etc.). The business that looks at the built environment is not only construction and investment, it is of ordinary maintenance and related services and consumption; this is what needs to be measured.

### **The foreign market**

The latest phase of world expansion peaked in 2017 and has grown weaker since the second half of 2018; the slowdown in the world economic cycle continued in the first half of 2019 and will go on in 2020 according to the most recent forecasts, especially in industrialised countries and, among emerging nations, China.

The world economy is in fact in a widespread and synchronised period of slowdown and is proceeding at the lowest speed since the global financial crisis. This low rate of growth has been caused by rising trade barriers, by the considerable degree of uncertainty that characterises international trade and politics, by the difficult macro-economic conditions in which different emerging economies have found themselves and by structural factors such as low productivity growth and the ageing populations of many advanced economies.

Last October, the International Monetary Fund estimated that the world economy would grow at 3.0% in 2019 and expected to see a recovery of 3.4% in 2020, even if it was likely to be precarious and not widespread. This prospect is not reflected in the most recent OECD forecast, which sees global growth remain at 2.9% in

2020 as well; in fact, the OECD sees a greater deceleration in world economic growth and therefore remains more pessimistic, revising previous global forecasts downwards.

The rate of world trade expansion is also expected to drop sharply in 2019 and to recover, albeit only partially, in 2020. Trade tensions between the United States and China, the ability of central banks to cope with a further cyclical slowdown and fiscal policy intervention will be determining factors. In particular, the disorder in international trade, from escalation in the tariff war to the unknowns deriving from Brexit, aggravated if it takes place without an agreement, weighs heavily on the international economic scenario. Furthermore, political tensions in some emerging countries, the crisis in the car market and the repercussions on economies with a strong industrial vocation, also hamper the use of production capacity by companies and lead them to review investment programmes and reduce stocks.

The International Monetary Fund believes that the growth in world trade must have almost come to a standstill, dropping from +3.6% in 2018 to a modest +1.1% in 2019, linked to the slowdown in global manufacturing activity, which has reduced investments and trade in capital goods, but with the prospect of a recovery in 2020 (+3.2%).

The OECD also confirms the sharp slowdown in global trade growth in 2019, but does not expect a strong recovery in 2020 (+1.6%). Growth will slow down more in advanced economies in 2019 (+1.7%) and will not recover in 2020 (+1.6%). In emerging nations, a less extensive slowdown in 2019 (3.9%), will be followed by a prompt recovery in 2020 (+4.6%) according to the International Monetary Fund, while the OECD does not foresee any acceleration of growth (+4.0%).

The macroeconomic projections for the euro area made by the experts of the European Commission (September 2019) forecast a +1.1% annual GDP growth in real terms in 2019, after +1.9% in 2018 and +1.2% in 2020, before gradually reaching +1.4% in 2021.

Compared with the exercise carried out in June 2019 by the Euro-system experts, the prospects for real GDP expansion in the euro area have undergone downward revisions in 2019 and 2020 due to the deteriorating scenario in the short term, characterised by weakening confidence indicators and continuing uncertainties worldwide.

The slowdown in growth reflects above all the prevailing weakness of international trade, in a context of protracted global uncertainties which affect above all the manufacturing sector of the euro area.

The OECD forecasts show the same scenario with minimal growth in both 2019 (+1.2%) and 2020 (+1.1%). The trend diverges among the major countries of the area: in 2019 growth slowed significantly in Germany and Italy, given the high importance of exports on GDP, without a substantial recovery in 2020, while the slowdown in French growth is less ample, but equally it will not recover in 2020 and the reduction in economic trends in Spain will also be significant in 2020.

Our foreign operations have for decades been a key aspect of the CMC's leadership and positioning in the marketplace. The limited size of the company compared with the international giants has imposed a focus on geographical markets and technology specialisations where we can play to the competitive advantages that we have acquired.

The most important area for CMC in terms of work portfolio and turnover has for years been Southern Africa and 2019 confirms this. There has been a change in our purchasing strategy in Mozambique, through our local subsidiary CMC Africa Austral Lda, we are now oriented towards acquiring jobs only from foreign private entities, such as the Coca Cola Company and the American oil company Anadarko.

In South Africa, a local bankruptcy procedure (Business Rescue) was opened in order to pursue the same objectives that we intend to achieve in Italy, with the procedure pending at the Court of Ravenna. Following a discussion between the Italian and the South-African Commissioners, the same steps are being followed to achieve the best possible satisfaction of creditors' claims.

In Namibia we have acquired the first lot for the construction of a road and we are making considerable efforts to acquire a second lot, despite our composition with creditors situation which limits some operations.

Over the past two years, expectations of major acquisitions in Kenya, a new country for us, have materialized. Kenya has impressive infrastructure development projects, particularly the construction of dams. CMC has acquired a fairly important portfolio of projects in this country, giving birth to new prospects on the African

continent. The recent political and social vicissitudes of the country have made the situation critical and we are carefully evaluating which scenarios can be envisaged in the medium term.

To conclude this tour of Africa, we should remember our long-standing presence in Algeria with now just a single project in progress for road works, while the project in Egypt, together with other local and international companies, for the construction of two road tunnels under the Suez Canal is basically finished.

Another area where CMC has been present for a long time is the Asian market, where our presence in various historical countries such as China, the Philippines and Laos is confirmed. Also to be pointed out, are completion of the works in Singapore and our exit from the company with a local partner in the Mumbai project in India.

In South America, after the early conclusion of the works in Chile, together with the partner Hochtief, which led to the opening of an arbitration in the USA, an important project was launched in Argentina for the construction of sewage systems on the outskirts of Buenos Aires.

Moving on to the US market, this is a critical moment for our subsidiary LMH CC, a company based in Boston (100% CMC) which specializes in railway construction. There are no particular difficulties for Di Fazio Industries, which is based in New York and specializes in laying underground cables in that city. CMC holds 49% of its shares, after selling 18% of Di Fazio Industries in 2019, acknowledged by the bodies in charge of the procedure.

### **The Emilia Romagna market**

Even in 2019 was confirmed the construction industry's slow recovery in Emilia-Romagna after the years of major crisis between 2007 and 2015. In fact, in the year just ended there was an increase of 2.9% (the national average is +2.3%) in construction investments compared with 2018, confirming a positive trend that has been underway for the last three years. Production levels are expected to rise by 2% in real terms in 2020 (the national average is +1.7%).

Positive signs were seen also in the number of the sector workers, which grew by 3.2% in the first 9 months of 2019.

The purchase and sale of housing also continues to increase (+7.3% in the first 9 months of 2019 compared with the same period of 2018). Build permission granted for new homes and extensions also grew (+12.7% according to the latest survey, dating back to the end of 2018). Tenders for public works also rose (+6.1% in value on an annual basis, albeit a decrease of 11.6% in the overall number). Furthermore, a plus sign was recorded in the investment expenditure of Emilia-Romagna local authorities: in the first 10 months of 2019 the increase was 25% compared with the previous year. Loans from banks for investments in residential construction fell by 3.2%, while non-residential loans fell by as much as 46%. Mortgages granted to families for the purchase of houses also decreased (-2%).

These are the main data that emerge from the 2019 report on the construction industry in our region presented today by ANCE Emilia Romagna and prepared by the Economic Affairs and Study Centre of the National Construction Builders Association.

The photograph is of a sector that is trying to recover from a major crisis.

Today, the Emilia-Romagna construction sector represents 7.4% of the regional economy for investments, 15.8% of workers in industry and 5.1% of workers operating in all sectors of economic activity. In the last decade, construction has experienced a very heavy crisis that has only recently begun to ease - albeit with many elements of uncertainty - and which has led to a contraction in investments of almost 33%, with very significant consequences for businesses and employment. There are 44,320 companies operating in the sector (source: Istat's latest figures, which date back to the end of 2017), with an average of 2.5 employees per company and a clear prevalence of those that have individual nature. The great majority, equal to almost 40 thousand companies, have a turnover of not more than 500 thousand euro. In 2008, before the crisis, the construction sector's numbers were very different: there were about 60,000 businesses in the region and 163,000 employees, whereas today there are just over 100,000, 39% fewer. The self-employed were the most affected by the crisis (over 42,000 stopped working) compared with the 21,000 employees who lost their jobs. Companies with 10-49 employees also suffered a significant drop (-31.8%), while 26.2% of those with more than 50 employees disappeared.



Home buying and selling is growing, but low quality older houses are the most popular.

There were 39,162 sales of real estate units for residential use in Emilia-Romagna in the first 9 months of 2019 (+7.3% over the same period of 2018, +5.7% higher than the Italian average). The positive trend in the Emilia-Romagna residential real estate market has continued since 2014, both in the provincial and non-provincial municipalities, with an overall increase in this period of 50% of houses purchased and sold. In this ranking Bologna, with +8.7%, is second only to Milan (+9.3%) among the major Italian cities. 90% of real estate sales concern second-hand homes, whose prices stabilized during 2019 after losing 22% of the average value in 10 years. New homes, on the other hand, recorded +1.3% in prices in 2019 (+3% compared with 2010).

A credit market in further contraction, not homogeneous in the provinces of the region. Between 2007 and 2017, the loans granted for new construction investments decreased by around 70% in Italy, particularly in the residential sector. Only in 2018 there was a positive change (+6.6% compared with 2017 in the residential sector and +15.8% in the non-residential one). In 2019, however, they started to decrease again, also in Emilia-Romagna. If the contraction in loans for the non-residential sector (46% on average) affected all provinces except Piacenza (which posted +47%), residential loans (-3.2% on average) recorded very positive variations in Parma, Modena and Piacenza, around zero in Bologna and fairly negative in other provinces. To this we have to add the figure for gross bad debts in the construction sector. Out of 7.6 billion euro of gross bad loans in Emilia-Romagna, 5.6 billion belong to businesses and 2.2 are attributable to the construction sector, placing our region in third place in Italy (after Lombardy and Lazio). The severe difficulties in accessing credit translate into the impossibility of companies to start new development projects.

The disbursement of new mortgages was very difficult in 2019 also for families, with negative values in all provinces except for Bologna.

Public investment is rising, but pre-crisis levels are still a long way away.

In Emilia-Romagna the capital expenditure of municipalities in support of investments and public procurement showed a significant increase (+25%) in the first 10 months of 2019, on top of the +10.6% in 2018. A good restart after the 60% reduction that occurred between 2008 and 2017, but the production levels to be recovered are still far distant. In 2019, 1,400 tenders for public works were published in our region, for an amount of over 2 billion euro. A 6.1% increase in value but an 11.6% decrease in the number of publications.

Structural interventions for seismic improvement could be worth Euro 8.5 billion. In the 2019 report - making use of data from Istat, the Civil Protection and Oice (Association of architectural engineering and technical-economic consultancy organizations) - ANCE quantified the possible cost of structural interventions for seismic improvements to safeguard the residential assets of Emilia-Romagna. Almost all the regional territory (95% of the municipalities) falls in seismic risk areas in zones 2 and 3 which are inhabited by over 4 million people residing in almost 780 thousand properties (of which approximately 600 thousand built before the anti-seismic legislation for new buildings and that for energy efficiency). Only 3.5% of these properties were built after 2005. The estimate of the total cost for structural interventions for seismic improvement to secure the building stock of the families of Emilia-Romagna is around 8.5 billion euro.

We are the largest firm in the province of Ravenna and, as such, cannot avoid our responsibility to participate in its economic growth. Also because every firm is the offspring of its territory: overall economic and social development and the human resources that are available in the area have a direct impact on companies' entrepreneurial capacity.

In a world that is changing very rapidly, it is fairly obvious that if it wants to maintain the current level of employment and social development, Ravenna will have to place its bets not only on tourism, but on all activities that affect the port. For this reason we have always expressed our availability and our interest, within the limits of our capabilities and resources, in initiatives that concern the development and growth of the activities of the port of Ravenna.

## THE COOPERATIVE'S PERFORMANCE

The Cooperative's performance during 2019 was heavily influenced by the financial crisis which exploded in the last few months of 2018. In particular, as mentioned previously in the list of the main events of the year, in early 2019 the Cooperative saw a significant contraction in its operating activity on all construction sites because of difficult relationships with suppliers and subcontractors. To these difficulties have to be added those that have arisen (some of which existed already) in relation to certain contracting entities that led to termination of the contract in various cases, also for events not dependent on the Cooperative.

As mentioned subsequently, this situation resulted in a very low production value in 2019, even if it was recovering from that of 2018, which largely reflected the impact on work in progress of the financial crisis and of the events that took place in 2019, as the financial statements were approved in early 2020.

In addition, during 2019, the Cooperative was able to benefit from the use of social safety nets only from the end of February, while the structural cost containment actions envisaged by the plan drawn up by the directors were implemented only in the second half of the year.

That being said, the Cooperative continued primarily to operate in Italy through some selected orders already in portfolio and within the scope of business continuity indicated in the composition plan. At the same time, negotiations continued with some important contracting entities for the definition of requests for additional fees and/or expert appraisals submitted in previous years. The following agreements are of particular note:

- Empedocle - settlement agreement to close the dispute with ANAS (client) signed on 24.12.2019, which awarded Empedocle the sum of Euro 47 million which was paid from January 2020.
- Consorzio Integra - In August, a settlement agreement was signed with Consorzio Integra to reach a solution regarding the various relationships between the two companies (as well as with the two project companies Empedocle 2019 Scpa and Bolognetta Scpa), also in relation to the Sicilian projects of the maxi-lot SS 640 Agrigento Caltanissetta (lot 2), highway SS 121 Palermo-Lercara Friddi and the Turin underground line 1 project (Lingotto-Benghazi section). The agreement reached brought mutual benefits to the parties by regulating the contractual relationships of the various works in question.
- Molfetta - this is the continuation of the works related to the sand removal and expansion of the port of Molfetta, suspended a few years ago due to the judicial investigation on the tender procedure followed by the client of the Municipality of Molfetta. The amount of the new contract is approximately Euro 21.5 million executed in TBA with other companies that specialize in maritime works, with a CMC share of 38.5%.

Despite the difficulties generated by the financial crisis, CMC intends to continue to offer itself as a highly specialized company in some areas (tunnel excavations and harbour works in particular). The skills and professionalism of the CMC staff are the basis for continuing the activities on some key construction sites.



## REVIEW OF RESULTS AS AT DECEMBER 31, 2019

Please note that the following measures, including operating margin and EBITDA are alternative performance indicators not defined by Italian Accounting Standards or by IFRS, but used by management to monitor and evaluate the Company's operating performance; they should not, therefore, be considered a substitute measure for evaluating the trend in the Company's financial result. Furthermore, these measures may not be comparable with those used by other companies.

As previously mentioned, the results of the 2019 financial statements were hit by the following effects:

- cancellation of a number of contracts in 2019, partially already foreseen in the financial statements at 31 December 2018.
- impact of the limited operations of the Cooperative in the initial months of the year following the composition with creditors procedure.

The table below sets out the income statement items for the years ended 31 December 2019 and 2018 and the percentage change between the two periods:

	Twelve months ended December 31,		% of change
	2019	2018	
	(€ in million)		
Revenue <sup>(1)</sup> .....	203.3	513.6	(60.4)
Work in progress <sup>(2)</sup> .....	(24.5)	(445.3)	(94.5)
Other income and proceeds <sup>(3)</sup> .....	9.6	16.5	(41.8)
<b>Total turnover</b> .....	<b>188.4</b>	<b>84.8</b>	<b>122.2</b>
Raw materials, consumables and goods <sup>(4)</sup> .....	(14.7)	(111.1)	(86.8)
Services, lease and hire <sup>(5)</sup> .....	(117.4)	(506.4)	(76.8)
Personnel .....	(47.0)	(114.4)	(58.9)
Provisions for risk and charges <sup>(6)</sup> .....	(20.3)	(418.3)	(95.1)
Other operating costs .....	(8.3)	(31.2)	(73.4)
<b>EBITDA</b> .....	<b>(19.3)</b>	<b>(1,096.6)</b>	<b>(98.2)</b>
Depreciation, amortisation and write-offs of receivables .....	(8.9)	(298.9)	(97.0)
<b>Operating profit</b> .....	<b>(28.2)</b>	<b>(1,395.5)</b>	<b>(98.0)</b>
Net financial income and charges <sup>(7)</sup> .....	(0.2)	(252.0)	(99.9)
<b>Income before tax</b> .....	<b>(28.4)</b>	<b>(1,647.5)</b>	<b>(98.3)</b>
Income taxes .....	(3.0)	(26.9)	(88.8)
<b>Net income</b> .....	<b>(31.4)</b>	<b>(1,674.4)</b>	<b>(98.1)</b>

(1) It includes revenues from the sales and services.

(2) Includes (i) changes in work in progress, changes in semi-finished and finished products and, (ii) change in contract work in progress.

(3) Includes, among others, deferred charges, internal construction of fixed assets, gains on the disposal of fixed assets, use of provisions, recharge of expenses to subcontractors, proceeds from insurance claims and other income.

(4) Represents the sum of purchases of raw and ancillary materials, consumables and goods and changes in the related inventories, as reported in our financial statements.

(5) Includes (i) service costs and (ii) lease and rental costs.

(6) Includes provisions for risks.

(7) Includes (i) financial income and charges and (ii) adjustments to financial assets.

## Turnover

In 2019, the value of production increased by Euro 103.6 million, from Euro 84.8 million in 2018 to Euro 188.4 million, due to the first signs of recovery of the execution of the works after the severe financial crisis which gripped CMC during 2018. As mentioned previously, most of the effects of the reduction in profitability of the orders within the perimeter and the cancellation of certain contracts had already been reflected in the financial statements at 31 December 2018, causing a hefty negative change in work in progress.

The table below provides a breakdown of our turnover by category:

	Twelve months ended December 31,		% of change
	2019	2018	
	(€ in milioni)		
Revenue .....	203.3	513.6	(60.4)
<i>Construction revenue</i> .....	199.1	506.2	(60.7)
Revenue from other activities .....	4.2	7.4	(43.2)
Work in progress <sup>(2)</sup> .....	(24.5)	(445.3)	(94.5)
Other income and proceeds .....	9.6	16.5	(41.8)
Increases in fixed assets for internal work .....	0.1	0.5	(80.0)
<i>Other</i> .....	9.5	16.0	(40.6)
<b>Total turnover</b> .....	<b>188.4</b>	<b>84.8</b>	<b>122.2</b>

The change in the value of production in 2019 compared with 2018 is substantially attributable to construction revenues which, against invoiced revenues for Euro 199.1 million, registered a negative change in work in progress which went back to normal levels, after the sharp reduction recorded in 2018 due to the forced termination of certain projects in Italy and abroad.

With reference to the costs incurred during the period, we would point out the benefit deriving mainly from overhead costs, which improved compared with the forecast of the Composition Plan, thanks in particular to the CIGS (temporary layoffs) procedure obtained for 2019, to the company reorganisation and the cost optimisation policies launched by the Company.

## KEY BALANCE SHEET AND CASH FLOW ITEMS

### Net working capital

Net working capital is the sum of inventories, receivables, payables and other elements of working capital, as detailed in the following table, which summarises its composition at 31 December 2019 and 2018.

	December 31, 2019	December 31, 2018
	(€ in million)	
Inventories <sup>(1)</sup> .....	6.1	5.6
<i>Raw materials and consumables</i> .....	6.1	5.6
Contract work in progress .....	246.6	271.0
Receivables from clients .....	58.6	128.2
Receivables from non-consolidated affiliates <sup>(2)</sup> .....	702.5	633.8
Other current assets <sup>(3)</sup> .....	94.0	102.0
<b>Total current assets</b> .....	<b>1,107.8</b>	<b>1,140.6</b>
Contractual advances payments from clients .....	87.9	112.6
Advances .....	17.4	4.8
Trade payables to suppliers .....	321.8	378.2
Payables to non-consolidated affiliates .....	762.3	730.9
Other current liabilities <sup>(4)</sup> .....	178.5	154.4
Reserves for risks and charges .....	377.6	537.3
<b>Total current liabilities</b> .....	<b>1,745.5</b>	<b>1,918.1</b>
<b>Net Working Capital</b> .....	<b>(637.7)</b>	<b>(777.5)</b>

(1) Represents inventories excluding contract work in progress, which is disclosed separately, and advances, which have been included in other current assets.

(2) Includes receivables from subsidiary and associated companies shown under current assets and the amounts due from subsidiary and associated companies classified as financial fixed assets.

(3) Includes tax receivables, deferred tax assets, other current receivables recorded under current assets, accrued income and prepayments, advances and receivables due from others classified among non-current financial assets.

(4) Includes tax payables, social security payables, other payables, accrued expenses and deferred income.

Following approval by the Court of Ravenna on 29 May 2020, the Company expects positive scenarios and a slow recovery, without forgetting the obligations deriving from the approved composition procedure, in particular in terms of compliance with the obligations to satisfy pre-deduction, privileged and unsecured creditors. The latter will be satisfied through the issue of participatory financial instruments (PFIs) within 90 days of the approval decree.

Issuing the PFIs will make it possible to reflect the accounting impact of the debt relief at the end of the procedure, which will substantially impact the Cooperative's equity. In order to simulate the accounting effect of this debt relief, a "pro-forma" balance sheet at 31 December 2019 has been prepared, commented on in the Notes, to which reference is made.

Net working capital passed from a negative figure of Euro 777.5 million at 31 December 2018 to a negative figure of Euro 637.7 million at 31 December 2019 with an improvement of Euro 139.9 million.

Total current assets decreased by Euro 32.8 million compared with 2018, mainly due to the drop in contract work in progress and receivables from customers, partly offset by an increase in receivables from subsidiaries

and associates. For more details on the reasons for this decrease, please read the comments in the explanatory notes.

Total current liabilities decreased by Euro 172.6 million compared with 31 December 2018, mainly due to a decline in provisions to cover risks and costs by Euro 159.7 million, especially due to the enforcement of guarantees on terminated contracts.

### **Capital expenditure**

Our intangible and tangible capital expenditure requirements consist mainly of expenditure on plant and machinery required for construction activities, such as logistics infrastructure for construction sites as well as machinery and equipment. In the ordinary course of business, we are called upon to make investments in special purpose entities, which have been created to execute the projects in which we participate. These investments are recorded in the financial statements as financial fixed assets. In addition, in recent years we have made investments in concession companies for the construction and management of Milan's eastern external ring road (TEM) and the Livorno-Civitavecchia motorway (SAT—Società Autostrada Tirrenica) of 3.24% and 3.75% (through Holcoa Spa), respectively. Furthermore, selective investments have been made in construction companies in markets deemed to be strategic, such as LMH and Di Fazio in the United States. CMC intends to dispose of its other investment in road concessions (TEM) as soon as the conditions are favourable enough to do so.

The table below provides a summary of capital expenditure made in 2019 and 2018:

	December 31, 2019	December 31, 2018
	(€ in million)	
Capital expenditures in intangible fixed assets <sup>(1)</sup> .....	(0.2)	(0.5)
Capital expenditures in tangible fixed assets <sup>(2)</sup> .....	(6.3)	15.5
<b>Total capital expenditures</b> .....	<b>(6.5)</b>	<b>15.0</b>

(1) Represents total expenditure in the period on intangible assets net of disposals.

(2) Represents total expenditure in the period on tangible assets net of disposals. In the ordinary course of business, CMC makes sure its equipment is always efficient and in good working order in the various areas in which it operates and ensures there is a correct logistics management of the equipment, inclusive of the sale and purchase of machinery to have the maximum return from the current and future use thereof.

Total capital expenditure on intangible fixed assets amounted to Euro 0.2 million in 2019. The total for 2018 amounted to Euro 0.5 million.

In 2019 total capital expenditure on tangible fixed assets amounted to Euro 6.3 million. In 2018, the company disposed of tangible assets for Euro 15.5 million, because of the financial crisis that affected our company during that year.

### **Net financial position**

Net financial position consists of total financial debt, less cash and cash equivalents and other securities, while adjusted net financial position consists of net financial indebtedness plus shareholder loans.

It is worth pointing out that the financial measures indicated below, including the net adjusted financial indebtedness and net financial indebtedness represent alternative performance indicators not defined by Italian Accounting Standards or by IFRS, but used by management to monitor and evaluate the Company's operating performance; they should not, therefore, be considered a substitute measure for evaluating the trend in the Company's financial result. Furthermore, these measures may not be comparable with those used by other companies.

The table below sets out our net financial position at 31 December 2019 and 2018, as well as the adjustments necessary to arrive at adjusted net financial position.

	December 31, 2019	December 31, 2018
	(€ in million)	
Cash and cash equivalents <sup>(1)</sup> .....	(10.3)	(18.2)
Short-term financial assets <sup>(2)</sup> .....	(0.4)	(0.4)
<b>Liquid assets</b> .....	<b>(10.7)</b>	<b>(18.6)</b>
Short-term bank loans and borrowings .....	313.8	172.9
Revolving Credit Facility .....	165.0	165.0
Notes issued on July 2017 .....	255.9	255.9
Notes issued on November 2017 .....	335.7	335.7
Other short-term debt .....	14.0	1.3
<b>Current financial debt</b> .....	<b>1,084.4</b>	<b>930.8</b>
<b>Net current financial debt</b> .....	<b>1,073.7</b>	<b>912.2</b>
Other non-current loans .....	25.0	-
<b>Non-current financial debt</b> .....	<b>25.0</b>	<b>-</b>
<b>Total financial debt</b> .....	<b>1,109.4</b>	<b>930.8</b>
<b>Net financial position<sup>(3)</sup></b> .....	<b>1,098.7</b>	<b>912.2</b>
Shareholder loans .....	8.3	8.3
<b>Total adjustments</b> .....	<b>8.3</b>	<b>8.3</b>
<b>Adjusted net financial position</b> .....	<b>1,107.0</b>	<b>920.5</b>

(1) Cash and cash equivalents include cash and bank and post office deposits.

(2) Includes negotiable securities held by CMC.

(3) The reported total financial debt does not include shareholder loans, nor does it include performance or similar guarantees or other types of guarantees issued pro-rata on behalf of subsidiaries and other entities.

As already mentioned for Net Working Capital, a pro-forma balance sheet was prepared at 31 December 2019 to simulate the accounting effect of the debt relief, reported and commented on in the notes, to which reference is made.

Net financial position at 31 December 2019 amounted to Euro 1,098.7 million, Euro 186.5 million higher than the balance at 31 December 2018.

Adjusted net financial position at 31 December 2019 amounted to Euro 1,107.0 million, representing an increase of Euro 186.5 million compared with the balance at 31 December 2018 of Euro 920.5 million.

As regards the "amounts due to banks and short-term loans", the increase of Euro 140.9 million refers to the effect of the enforcement of guarantees made by customers following the termination of contracts or for the recovery of sums due, which took place in 2019, with the related charge on the banks that issued the guarantees.

We would mention the signing of a new unsecured medium-term loan agreement with Cooperare Spa in 2019. The amortisation plan concerns the years 2021 and 2022 by applying market interest rates.

## Cash flow statement

In accordance with Italian accounting principles and in order to provide greater clarity, we have prepared the cash flow statement relating to the financial statements at 31 December 2019.

The following table summarises the financial statements, with comparative figures for the same period of 2018:

	Twelve months ended December 31, 2019	Twelve months ended December 31, 2018
	(€ in milioni)	
<b>Cash and cash equivalents at start of the period .....</b>	<b>18,2</b>	<b>67,2</b>
Cash flow generated by operating activities .....	(10,7)	(194,6)
Cash flow generated by/(used in) investing activities .....	(18,3)	15,3
Cash flow generated by/(used in) financing activities .....	21,1	130,3
<b>Cash and cash equivalents at the end of the period .....</b>	<b>10,3</b>	<b>18,2</b>

Cash flow generated by operating activities amounted to Euro (10.7) million in 2019 compared to Euro (194.6) million in 2018. The change is substantially attributable to the improvement in the result for the year and to the change in net working capital.

Cash flow generated/(absorbed) by - investing activities amounted to Euro (18.3) million in 2019 compared with Euro 15.3 million in 2018. The decrease is mainly attributable to the divestment of tangible assets made in 2018 following the closure of some large sites, whereas investment volumes went back to normal in 2019.

Cash flow generated by/(used in) financing activities amounted to an outflow of Euro 21.1 million in 2019 compared with an inflow of Euro 130.3 million in 2018. During the year, CMC obtained a loan of 25 million from Cooperare spa, a company belonging to the cooperative movement.

## OFF-BALANCE SHEET ARRANGEMENTS

### ***Guarantees***

A characteristic feature of our construction activities is that we are generally required to provide performance guarantees to guarantee the full and due performance of the contract. We are also required to issue these same guarantees on behalf of our subsidiaries and associated companies as well as other guarantees relating to contractual advances, the release of retentions and price revisions. At 31 December 2019, the total amount of guarantees issued was Euro 582,563 thousand compared with Euro 953,431 thousand at the end of December 2018.

For more details on commitments and guarantees, reference should be made to the explanatory notes



## BACKLOG

Two groups of projects are identified in the Composition Plan:

- perimeter projects that include those contracts that the Group intends to pursue and conclude on a continuity (i.e. going-concern) basis;
- projects outside the perimeter which includes all those contracts that have already been terminated, suspended or interrupted, which only involve dismantling construction sites and closing administrative and contractual matters that are pending.

The backbone of the Composition Plan for the first years is therefore made up of the first group of projects, to which will be added further acquisitions in Italy and abroad as a result of participating in public tenders, compatibly with the company situation and the availability of endorsement credits, which are essential for companies operating in our sector.

Current and future orders in continuity will contribute to providing the financial flows to satisfy the creditors, both privileged and unsecured, as well as the "creditors in pre-deduction", obviously, as they have first claim.

It should be noted that the perimeter of the continuity projects includes the works of the SS640 Agrigento-Caltanissetta road (lot 2), the SS121 Palermo-Lercara Friddi road in Sicily following the request for a composition with creditors presented by the special purpose companies set up to do the Empedocle 2 Scpa and Bolognetta Scpa works. Subsequently, the composition plans of the two companies were presented to the Court of Ravenna representing a situation of business continuity, supported by frequent positive meetings with the client ANAS. At the end of 2019 the Court of Ravenna issued the decrees of admission to the bankruptcy proceedings, scheduling the creditors' meetings on 21 October 2020.

The main contracts awarded in the year are summarised below:

### Italy

- ❑ Molfetta - this is the continuation of the works related to the sand removal and expansion of the port of Molfetta, suspended a few years ago due to the judicial investigation of the tender procedure followed by the Municipality of Molfetta, the client. The amount of the new contract is approximately 21.5 million executed in TBA with other companies specializing in maritime works, with a CMC share of 38.5%.

### International

- ❑ Namibia - this is the second lot of the rehabilitation of the Windhoek - Okahandja road, in particular the construction of the 21 km section of the intersection road between the B1 and B6 roads of Okahandja for an amount of Euro 59 million.
- ❑ Santo Domingo - this is a contract in the Dominican Republic worth approximately Euro 50 million for the construction of the Guayubin dam. The work, which will be carried out in four years from the start of the works, was assigned by Egehid (Empresa de Generación Hidroeléctrica Dominicana) to the Joint Venture 50% owned by CMC and the other 50% by the Dominican company TJ Construtora.

### **Backlog by geographic area**

The table below provides a breakdown of the backlog by geographical area at 31 December 2019, related to the projects in continuity of the Composition Plan, compared with order book of the Company and some subsidiaries in 2018:

	December 31, 2019	December 31, 2018
	(€ in million)	
<b>Italy .....</b>	<b>578.0</b>	<b>467.8</b>
Southern Africa .....	106.4	124.3
Asia.....	45.4	187.8
Northern Africa.....	63.4	0.0
Eastern Africa .....	0.0	389.5
South America.....	138.2	125.9
North America.....	41.6	81.8
<b>Total International.....</b>	<b>395.0</b>	<b>909.3</b>
<b>Total backlog.....</b>	<b>973.0</b>	<b>1,377.1</b>

### **Backlog by business area**

The table below provides a breakdown of the backlog by business area as at 31 December 2019 and 2018 of the order book of the Company and some subsidiaries:

	December 31, 2019	December 31, 2018
	(€ in million)	
Transport Infrastructure.....	572.0	302.6
<i>Road and motorways</i> .....	316.4	6.7
<i>Railways and subways</i> .....	255.6	295.9
Water and Irrigation Works.....	213.2	744.4
Building Projects.....	166.5	318.3
Water Control and Marine Works.....	21.3	11.8
<b>Total backlog.....</b>	<b>973.0</b>	<b>1,377.1</b>

Our backlog, which is entirely attributable to our construction activities, amounted to Euro 973.0 million at 31 December 2019, compared with Euro 1,377.1 million at the 2018 year end, of which 41% consisted of international orders (66% at the end of 2018).

Compared with the previous year, the three orders for the dams in Kenya (Itare, Arror and Kimwarer) and the hydraulic contract in Laos were removed from the business continuity perimeter, whereas the AGA order in Algeria and the two jobs in Sicily for the SS640 Agrigento Caltanissetta road (lot 2) and the SS121 Palermo - Lercara Friddi road were included.

For some time now, the activities of the Tender Offices have resumed, both in Italy and abroad, to achieve the objective of acquiring new jobs in the second half of 2020. Production can be expected to start in 2021, as provided for in the Composition Plan, approved by the Court of Ravenna on 29 May 2020.

## KEY PROJECTS

CMC is currently involved in various projects both in Italy and abroad, also through subsidiaries. The following table illustrates the main projects at 12/31/2019 both in and out of the perimeter, divided by type of works and geographical area:

Country	Project	Contract Value <sup>(1)</sup>	Completion percentage <sup>(2)</sup>	Backlog <sup>(3)</sup>	CMC % of participation <sup>(4)</sup>	Expected completion year <sup>(5)</sup>
(€ in milioni, eccetto le percentuali)						
<b>Transport Infrastructure</b>						
<b>Roads and motorways</b>						
Italia	Motorway SS640 Agrigento/Caltanissetta (section 1).....	355.1	98.0%	7.1	80%	2020
Italy	Motorway SS640 Agrigento/Caltanissetta (section 2).....	669.1	83.0%	113.7	82%	2022
Italy	Motorway SS121 Palermo/Lercara Friddi.....	229.5	66.3%	77.3	80%	2022
Namibia	Windhoek - Okahandja rehabilitation of road	9.7	87%	1.3	100%	2020
Nambia	Windhoek - Okahandja construction of the 21 KM****	59.0	9%	53.7	100%	2022
Algeria	Autoroute AGA - Lot Est Installation et équipement d'exploitation de l'autoroute est-ouest	151.0	58%	63.4	54%	2022
<b>Railways and subways</b>						
Italy	Light Rail Transit System Seregno.....	120.5	7%	112.1	100%	2023
Italy	Light Rail Transit System Cosenza-Rende.....	90.8	5%	86.3	100%	2022
France	Tunnel for Maddalena di Chiomonte (Piedmont)- Part of the Turin-Lyon Railway Project.....	70.2	79%	14.8	16%	2021
Italy	Metro lotto Nesima -- Catania (Sicily).....	84.3	74%	21.7	100%	2020
Italy	Metro lotto Stesicoro -- Catania (Sicily).....	58.9	65%	20.8	100%	2021
<b>Water and Irrigation Works</b>						
China	Middle Shanxi River Diversion Project.....	44.6	88%	5.4	75%	2020
Philippines	Angat - Tunnel Water Transmission	63.7	88%	7.6	100%	2020
Argentina	Water Supply project a Lomas..... a Lomas	133.2	15%	113.2	100%	2021
Philippines	Novaliches-Balara Aqueduct NBQ4 Water Supply Project....	47.0	31%	32.4	50%	2021
Italy	Water Softener of Trento.....	23.6	34%	15.5	45%	2021
Italy	Water treatment Ausa basin.....	19.2	98.9%	0.2	78%	2020
Lesotho	Polihali Diversion Tunnel.....	13.8	0%	13.8	33%	2021
<b>Building Projects</b>						
Italy	Restructuring Milan University buildings .....	40.4	1%	39.9	100%	2023
Italy	Restructuring Rome University buildings .....	27.7	1%	27.5	100%	2022
Italy	New Hospital "Ospedale dei Castelli" in Ariccia.....	44.1	97%	1.4	50%	2020
Italy	US Navy Guardian Angel buildings....	13.6	9%	12.4	70%	2021
Mozambique	Resettlement camp.....	118.9	72%	33.3	100%	2020
Mozambique	Expansion camp.....	39.6	89%	4.4	100%	2020
<b>Water Control and Marine Works</b>						
Italy	Molfetta Commercial Port.....	21.3	0%	21.3	39%	2022

- 
- (1) Represents the Company's share of the value of the contract
  - (2) Represents the percentage of work completed over the project's contractual duration, calculated by applying the "cost to cost" method, which compares the value of the costs actually incurred with the value of the estimated costs to complete.
  - (3) Represents the portion pertaining to the Company relating to the contractual value still to be performed, obviously included in the order backlog.
  - (4) Represents the portion of share capital of the project companies pertaining to the Company
  - (5) Reflects the expected completion date of the work envisaged in the contract, taking into account any additional agreements or acts stipulated with the client.

## NON CORE ACTIVITIES

The following amounts determined in accordance with art. 2426.4 of the Italian Civil Code are those used for the preparation of the financial statements. They differ from those reported in the financial statements of the subsidiary in the accounting treatment of leasing contracts as finance leases. Following the emergency to combat the Covid-19 infection, many companies took advantage of the extension of the terms for the approval of the 2019 financial statements to 180 days. Because of this situation, the 2019 financial statements of the companies shown below are still being approved and are therefore not final and available.

<b>CMC IMMOBILIARE Spa</b> <b>€ million</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Revenue	2.7	2.8	2.9	2.7	2.5
Pre-tax net income	0.1	0.2	0.4	(4.5)	(5.3)
Shareholders funds	26.9	25.7	26.0	20.6	15.3

CMC Immobiliare Spa operates as a special purpose vehicle for the future development of Ravenna's "Darsena di Città" and to manage the Group's properties, after having acquired building land and the Ravenna headquarters from the Parent Company, as well as GED's factory in Cesena under a property lease. Following the bankruptcy of GED, the lease contract was terminated and the Cesena property is now included in the real estate disposal plan of CMC's composition procedure.

<b>SIC Spa (recovery plan)</b> <b>€ million</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Revenue	4.2	6.6	7.3	6.3	1.2
Pre-tax net income	(1.5)	(0.7)	(0.4)	(7.3)	(0.7)
Shareholders funds	1.5	1.0	0.9	(6.4)	(7.1)

2019 was a difficult year for a sector strongly affected by a collapse in demand, which led to ACR Srl in liquidation being admitted to a creditors' composition. The latter company is held equally by SIC and Acmar, which has also been admitted to a creditors' composition. As a consequence of this event, SIC has returned to the company branch leased to the ACR company in recent years.

Unfortunately, following the enormous difficulties facing the construction sector, SIC Spa was forced to apply to the Ravenna Court for admission to the creditors' composition procedure in February 2019, after which it presented its composition plan within the term required by law.

On 7 January 2020, the Court of Ravenna issued a decree to admit SIC to the bankruptcy procedure, already fixing the meeting with creditors on 22 July 2020.

## HUMAN RESOURCES

In January 2019, at the Ministry of Labour and Social Policies in Rome, the union consultation for the start of the CIGS procedure was initiated pursuant to art. 1 of Law 223/91. This ended on 4 February 2019 with a positive outcome and the signing of the Minutes of Agreement with the national trade unions of the sector, which provided for direct payment of the related wage integration by INPS. The CIGS was obtained from 18 February 2019, for a duration of twelve months, extended in addition to the headquarters staff, also to workers on a national scale to benefit a total of 746 employees.

In February 2019, a communication was presented to the competent bodies for the start of the collective dismissal procedure for managers, in order to reduce their number, based on the efforts being made to improve efficiency. This decision was taken during the Board of Directors' meeting due to and as a consequence of the financial tension in which the Cooperative is at present, which requires a drastic containment of all costs, also through the downsizing of management staff in the absence of any social safety net for that category. This procedure ended in 2019 with the termination of the employment relationships of

10 executives through court-approved settlement agreements. As these interventions were not considered sufficient, in view of the constant optimisation due to the new organisational structure, in February 2020, another two management positions considered redundant and not essential for business continuity were eliminated.

During 2019, the staff of the fixed structure decreased by 109 people, attributable to the flow of voluntary resignations caused by the precariousness of the corporate situation in addition to numerous cases of retirement. The number of local employees in Italy and abroad decreased by 4,608 people mainly due to the closure of numerous construction sites in Italy and abroad.

Therefore, the decrease in the workforce totalled 4,717 persons.

HUMAN RESOURCES	Workers		Employees/Managers		Total	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Fixed personnel	64	83	222	312	286	395
Local personnel (Italy and Overseas)	3,117	6,294	586	2,017	3,703	8,311
<b>Totale</b>	<b>3,181</b>	<b>6,377</b>	<b>808</b>	<b>2,329</b>	<b>3,989</b>	<b>8,706</b>

In February 2020, a new union consultation was activated to extend the CIGS for a further six months, which ended on 03/19/2020, with a successful outcome and the signing of the minutes by the Ministry of Labour and Social Policies.

In March 2020, following the global pandemic and the provisions of the law, in order to implement all the measures required by the Italian government for the management and fight against the Covid-19 emergency, the Company adopted a series of initiatives such as the closure of the headquarters offices and gradually of all construction sites, then so-called "smart working" from home was activated and the use of the CIGS already approved was increased. In April 2020, following a union agreement, recognition of the CIGS procedure linked to the effects of Covid-19 was obtained for an additional period of 9 weeks by suspending execution of the CIGS already recognized in February 2020.

In June 2020, recognition of an extension of the layoffs linked to the effects of Covid-19 for a further period of 5 weeks was obtained, always suspending the execution of the CIGS recognized in February 2020, so social safety nets will continue to be available until the end of 2020.

## RISK MANAGEMENT

The complex and detailed process of risk management is of strategic importance to the Parent Company, so that our objectives can be met in terms of maximising and safeguarding value for our members.

The diversification of the Parent Company's operations, both in core sectors and those held for disposal, poses varying challenges for management whose outcome, in many cases, is difficult to predict. Specific strategies have been devised for managing the various types of operations and for constantly monitoring the related risks that may arise, with a view to limiting as far as possible any fluctuations in the economic and financial flows deriving from changes in the situations found on a case-by-case basis.

In this regard, the analysis of performance by sector of activity discusses the current areas of risk, providing information to facilitate comparison with the financial statements for the prior year, together with details any new situations identified at the time of preparing these financial statements.

This list of specific risks is followed by further, more general considerations about the physiological risk associated with the complexity of the Company's activities. In this regard, the following principal types of risk are identified and monitored:

- (i) operational risk, associated with the performance of work and relations with the individual principals;
- (ii) financial risk, comprising:

- market risk deriving from exposure to fluctuations in interest rates, in the exchange rates between the euro and the other currencies in which the Parent Company and the Group operate and, with regard to plant engineering, the volatility of certain raw material prices;
- credit risk deriving from exposure to possible losses due to the failure of principals to meet their obligations;
- liquidity risk deriving from the financial resources available to the Company be insufficient to meet outstanding obligations on the agreed basis and due dates.
- risk of currency restrictions, could be encountered in transferring available liquid funds from foreign locations to the parent company.

## COVID-19 EMERGENCY

On 03/24/2020 the "Shared Protocol for the regulation of measures to contrast and contain the spread of the Covid-19 virus in the workplace of the construction sector" was signed by the Social Partners (employers' associations and trade unions). This document contains guidelines to assist companies in adopting anti-contagion safety protocols in order to counter and contain the spread of the Covid-19 virus in the workplace. Upstream of this document, the essential behavioural measures to be followed were contained in the document "Covid-19 CMC Ravenna Operating Instructions issued on 03/30/2020, without prejudice to what is already prescribed by the document integrating the company's risk valuation document (RVD) issued on 02/25/2020.

The document, to be considered an integral part of the company's RVD to which it is attached, has been distributed to all workers, and to anyone who enters the areas or premises that are part of the headquarters and to each operating unit (building sites), using the most suitable and effective methods (for example by delivering and/or posting visible signs at the entrance to the building site and in the places most frequented that indicate the correct way to behave).

However, the maximum use of "agile work" remains prevalent for all the activities that can be carried out from home or remotely.

Meetings (gatherings of staff) are not allowed. In the event that they are necessary and urgent, and a remote connection is impossible, the necessary participation must be minimized and, in any case, interpersonal distancing must be guaranteed as well as adequate cleaning/ventilation of the premises and the use of the PPE envisaged (FFP2/FFP3 masks).

It is also recommended that movements within the sites are limited as much as possible and access to common areas is limited.

Following the drop in infections observed during this first week of "phase 2" of the health emergency in Italy, after a careful and thorough evaluation by CMC's top management, we can now announce that operational activities gradually resumed at the Company's headquarters in Ravenna from Monday, 18 May 2020.

In addition to the staff to whom the CIGS has been extended, "smart working" is maintained by all the staff that the Company Departments indicated, in order to limit as far as possible the number of the first group of persons returning to the offices, again with the aim of protecting and safeguarding the health and safety of all members and employees.

For all personnel who have been called to go back to the offices, we recommended caution and compliance with the anti-contagion measures and all instructions that have been issued.



## INTERCOMPANY TRANSACTIONS

Relations between Group companies, both as part of vertically-integrated production and with regard to the provision of services, are settled at market terms. More specifically:

- sales and purchases at arm's-length terms;
- rentals at property market terms;
- interest at rates applied in banking practice.

These transactions primarily comprise:

- services supplied by central department:
  - operational services giving technical and organisational support;
  - financial services regarding the negotiation of loans and the granting of guarantees needed for the performance of works;
  - administrative, fiscal, corporate and insurance-related services.
- trade transactions consisting of the purchase of machines, spare parts, raw materials and other materials needed for the performance of contracts;
- contractual relations deriving from work allocated to GED and SIC, which specialise in the production of prefabricated items and the supply of construction materials.

Based on the information received from Group companies, there have not been any atypical or unusual transactions.

Please refer to the paragraph "Other activities" for a brief description of the activities carried out by these companies during 2019.

## RESEARCH & DEVELOPMENT

In compliance with the requirements of art. 2428 of the Italian Civil Code, please note that research and development activities were undertaken in 2017, the costs of which are reflected in the financial statements.

In particular, during 2018, the actions relating to the progress of the SICS project (Integrated Smart Shipyard System) continued. The general objective of the project is to introduce advanced ICT solutions applied to the management of construction sites in order to make the construction process more transparent towards the customer and the contracting entities, to implement the level of security documented on the construction site and to optimize and innovate the quality and control procedures of the building process.

Another project developed during the year is RIGERS, or 'Regeneration of cities: intelligent buildings and networks). It is a national project selected and admitted to the MIUR (Ministry of Education, University and Research) facilities.

The project proposes to create an integrated system to support the sustainable regeneration of cities, buildings and networks, in order to increase energy efficiency and at the same time to reduce emissions. A tool capable of managing data relating to the operation of buildings and city networks in real time and capable of communicating with other information systems already in use at the various PAs.

## HEDGING INSTRUMENTS

The Cooperative does not hold contracts to hedge exchange rate or interest rate risks at 12/31/2019.

## MEMBERSHIP POLICY

There have been some changes in the membership structure in the year to 12.31.2019: the mutualistic categories suffer the effects of terminations and retirements, while the category of sustaining/financing members has changed due to the exit of the sustaining member at the end of 2018 (under Law no. 59/1992), namely the Provincial Federation of Cooperatives of Ravenna.

Coopfond Spa is the only member remaining in the category of financing members.

### MEMBERSHIP (Number of members)

Category	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Cooperative employees	361	340	323	251
Retired employees	532	520	498	476
Supporting shareholders	1	1	-	-
Financing shareholders	1	1	1	1
<b>Total</b>	<b>895</b>	<b>862</b>	<b>822</b>	<b>728</b>

#### Admission of Cooperative members

At 12.31.2019, there were 251 cooperative members with a decrease of 72 compared with the previous year, partly retirements and partly resignations.

The average age was 51.6 at the end of 2019 versus 49.9 in 2018, representing a slight decrease.

On 12.21.2018, taking into account of the Company's admission to the Composition with Creditors Procedure "with reserve" pursuant to art. 161, sixth paragraph of Royal Decree no. 267/1942 (the Bankruptcy Law, or BL), the Board of Directors resolved not to issue any "notice" of admission of members for the year 2019 and therefore to suspend the activities referred to in art. 51 of the Articles of Association and the Internal Regulations of the Cooperating Members - Part One.

There are therefore no new admissions for the year 2019.

### COOPERATIVE MEMBERS (breakdown by role)

Role	12/31/2017		12/31/2018		12/31/2019	
	N.	%	N.	%	N.	%
Workers	82	24.1	72	22.3	54	21.5
Admin. employees	144	42.4	134	41.5	108	43.0
Middle management	79	23.2	86	26.6	70	27.9
Directors	35	10.3	31	9.6	19	7.6
<b>Total</b>	<b>340</b>	<b>100</b>	<b>323</b>	<b>100</b>	<b>251</b>	<b>100</b>

The breakdown by qualifications confirms the processes of outsourcing the cooperative's professional group, which inevitably reflects on the structure of the membership.

## Share capital

Subscribed share capital has gone from Euro 17.3 million at 12.31.2018 to Euro 14.8 million at 12.31.2019. The decrease of approximately Euro 2.5 million is mainly attributable to the withdrawal of the cooperating members.

### **SUBSCRIBED SHARE CAPITAL** **(in millions of Euro)**

Category	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Cooperative employees	14.3	13.7	13.3	10.8
Retired employees	2.0	2.2	2.7	2.7
Supporting shareholders	8.0	8.0	-	-
Financing shareholders	1.3	1.3	1.3	1.3
<b>Total</b>	<b>25.6</b>	<b>25.2</b>	<b>17.3</b>	<b>14.8</b>

## Prevalent nature of the business as a mutual society.

Once again, the activities of the Cooperative during 2019 were focused on achieving the cooperative objectives set out in the articles of association and on strengthening the key role of cooperative members within the ownership structure, notwithstanding the fact that events in 2015 gave rise to the loss of CMC's prevalent status as a mutual company.

On 09.16.2016 the Shareholders' Meeting - have confirmed their desire to continue to maintain and respect the fundamental cooperative principles, even though the prevalence required by art. 2512 of the Italian Civil Code ceased to exist for objective reasons.

## Corporate events

On 2 December 2018 the Cooperative's Board of Directors resolved to request the Cooperative's admission to the composition with creditors procedure "with reserve" pursuant to art. 161, sixth paragraph of Royal Decree no. 267/1942 (the Bankruptcy Law, or "BL").

Subsequently, on 4 December 2018, the Company filed an application for a composition with creditors pursuant to art. 161, paragraph VI, BL with a view to continuing in business pursuant to art. 186 bis BL, which was accepted by decree of the Court of Ravenna on 7.12.2018.

During 2019, the activities related to the procedure continued.

On 04/08/2019 the Company filed the proposal for a composition plan, within the terms granted by the Court with a subsequent decree of 6/02/2019.

On 06.12.2019, the Court of Ravenna issued Decree as per Law 163 BL, and admitted the Company to the Composition with Creditors Procedure, confirming the appointment of the Judicial Commissioners, in the persons of Antonio Gaiani, Luca Mandrioli and Andrea Ferri; subsequently the Court with a decree pursuant to art. 163 BL of 06.12.2019 authorized the opening of the composition with creditors procedure, whose hearing for the creditors' meeting was scheduled for 03.11.2020, by a provision dated 09.27.2019.

In 2019, the Board of Directors formalized the resignation from the office of directors Marco Bulgarelli, Alessandro Cardellini and Sabina Cipollini.

During 2019 the Members' Meeting also approved some changes to the articles of association and to the Regulations on participatory financial instruments.

On 12.16.2019 the Board of Directors appointed Davide Mereghetti as Chief Executive Officer of the Company, granting him the necessary powers and proxies, this appointment was confirmed by the Members' Meeting of 24.1.2020.

#### Corporate communications

In recent years, the Cooperative has decided to focus more on the question of communication. The profound changes taking place in the economic and social system have led to an acknowledgement of the fact that communication is an essential tool to transmit externally a favourable image of the company, but also to encourage a sharing of goals and objectives within the company based on widespread knowledge and participation.

In line with this decision, the contract with the consulting and strategic communication company Comin & Partners of Rome was confirmed also in 2019.

## POST BALANCE SHEET EVENTS

- ❑ On 24 January 2020, CMC's Shareholders' Meeting approved the financial statements at 31 December 2018.
- ❑ On 25 January 2020, the Commissioners appointed by the Delegated Judge filed the Report pursuant to art. 172 BL for the benefit of creditors to the Court of Ravenna
- ❑ In January, the union consultation procedure for the start of the CIGS was initiated at the Ministry of Labour and Social Policies in Rome, a procedure that ended successfully in February 2019, with the signing of an Agreement. CIGS was obtained from February 2019 until August 2020.
- ❑ As known, starting from January 2020, the national and international scenario has been characterized by the spread of the virus called "COVID19" and by the consequent restrictive measures for its containment, put in place by the public authorities of the countries concerned. These circumstances, extraordinary in nature and extent, have had direct and indirect repercussions on economic activity, creating a situation of general uncertainty and difficulty.

Starting from March, work on Italian building sites was blocked or took place at a reduced rate in accordance with the provisions of the government's decrees and recourse was made to the CIGS for construction site personnel. As far as the central structure is concerned, smart work was used in addition to holidays and social safety nets also in consideration of the still limited operations of the company. Subsequently, activity gradually resumed with the reopening of the construction sites and the central structure.

As regards abroad, there were no particular repercussions on construction sites.

As already mentioned, the Company has put in place all actions aimed at managing the health risks due to the pandemic. All measures have been put in place to guarantee safety in the workplace in order to combat the possibility of contagion, such as making masks and gloves available to all staff, distributing disinfectant for cleaning hands and surfaces, the disclosure of rules of conduct, the distancing of workstations, shifts to avoid excessive concentration of personnel.

In economic and financial terms, the analyses of the economic and financial flows of orders have already taken into account the slowdowns in activities that occurred at the level of works management. At the level of overhead costs, on the other hand, government interventions have made it possible to extend the benefits deriving from the use of CIGS for the whole of 2020, improving the cost reduction forecasts formulated at the time. At the moment there are no elements to evaluate the possible impacts that a new wave of the epidemic might have if it happened after the summer. We also assessed the impact of the current situation on the figures recorded in fixed assets and on whether the company can continue as a going concern. (please read the comments in the notes to the relevant paragraphs).

- ❑ On 4 March, the Commissioners filed with the Court of Ravenna a supplement to their Report pursuant to art. 172 BL.
- ❑ On 6 March 2020, the CMC Bondholders' Meeting decided by a majority the vote to express at the creditors' meeting of the CMC composition procedure scheduled for 11 March 2020, delegating their Common Representative (The Law Debenture) for the voting procedure.
- ❑ In March, the redundancy procedure linked to the effects of Covid-19 was obtained for a period of 9 weeks by suspending the execution of the CIGS recognized in February 2020.
- ❑ On 11 March 2020, despite the restrictions to contain the contagion, a meeting of creditors was held at the Ravenna Court. At the end of the proceedings, the Delegated Judge extended the meeting until 25 March, to allow the vast audience of creditors to cast their vote.
- ❑ The meeting of creditors of the CMC composition ended on 25 March. In accordance with the law, the Delegated Judge granted creditors an additional 20 days, therefore until 14 April 2020 to cast their vote.
- ❑ On 22 April, the Court of Ravenna communicated the official result of the vote, which had a favourable outcome with 78.15% of the votes in favour and 1.75% of the votes against. The Court convened the hearing for the approval of the Composition of CMC for 20 May 2020.



- ❑ In view of this hearing, the Commissioners filed their final favourable opinion pursuant to art. 180 BL, not finding any reason why they should not approve the proposal. At the same time, certain objections were received by the Court of Ravenna (12 in total) and during the hearing they were discussed in cross-examination with the applicant and the Judicial Commissioners, as well as the other creditors who intervened. The Public Prosecutor gave a definitive opinion in favour of the approval and the outcome of the hearing, the Delegated Judge reserved the right to report to the entire Bench.
- ❑ After an in-depth analysis of the merits of the objections, the Court of Ravenna decided that the objections presented did not affect the contents of the plan and not even the votes of the different classes of merit, since as demonstrated in numerous judgements the objections will be decided in separate civil cases. As there were no further obstacles to pronounce the approval of the composition with creditors of CMC, on 29 May 2020 the Court of Ravenna issued its decree of approval of the composition with creditors presented by CMC. Debt relief will be effective in 2020. In order to simulate the accounting effects, pro-forma financial statements have been prepared at 31 December 2019, which are provided and commented on in the notes.
- ❑ In May, the CIGS layoff procedure linked to the effects of Covid-19 was obtained for a further period of 9 weeks, still suspending execution of the CIGS authorised in February 2020, which at this point will finish at the end of the year.

## CONCLUSIONS

Following the approval granted by the Court of Ravenna on 29 May 2020, positive but slow recovery scenarios are now in sight for the Company, without forgetting the obligations deriving from the approved bankruptcy procedure, particularly compliance with the obligations to satisfy pre-deduction, privileged and unsecured creditors.

The bankruptcy procedure involves the following obligations:

- a) regular payment of pre-deduction costs and the costs of the procedure, which the proposal estimated at a total of Euro 57,877,566 and the Judicial Commissioners adjusted to Euro 57,943,082;
- b) full payment, within one year of the decree approving the composition with creditors, to creditors with special and general privileges, estimated at Euro 91,346,634 and adjusted by the Judicial Commissioners to Euro 88,256,109; the plan provides for the downgrading to unsecured, within the capacity limits pursuant to art. 160.2 BL, of the VAT recourse credit and of tenants' receivables;
- c) full payment of strategic unsecured suppliers contained in Class 1 - meaning those creditors whose services are considered essential by the applicant in the interests of maintaining business continuity and the consequent generation of cash flows - estimated at Euro 34,351,941 and adjusted by the Judicial Commissioners to Euro 34,510,125, to be carried out within two years from the decree of approval of the composition with creditors;
- d) partial and non-monetary satisfaction of the remainder of the unsecured creditors divided into classes and detailed as follows:  
 Class 2) effective unsecured financial creditors, estimated at Euro 931,758,768; Class 3) effective unsecured non-financial creditors, estimated at Euro 474,854,389; Class 4) unsecured creditors guaranteed by CMC, estimated at Euro 153,789,095; Class 5) potential unsecured creditors - Provisions for risks, estimated at Euro 289,127,728 through the assignment (envisaged in two separate tranches equal to a nominal satisfaction of 20% of the initial credit) of participatory financial instruments convertible into bonds (PFSs) whose regulation provides for the "reimbursement" of the instruments assigned to unsecured creditors, through the annual distribution of dividends and reserves to the minimum effective guaranteed amount of 10% of the amount of the receivables subject to conversion by 30 June 2031. In the event that the subsequent conversion of the PFSs into bonds takes place, a fixed repayment of 10% plus interest is envisaged, by virtue of the "Annual Mandatory Early Redemptions" and the "Redemption at maturity date" of 31 December 2026. The proposal specifies that conversion of the PFSs into bonds does not relate to the execution of the composition, as it is a right that can be exercised post approval on the part of the PFS holder, whose receivable has already been extinguished by the *datio in solutum* of the PFSs (at the ratio mentioned previously); it is further specified that, for the same reason, the distributions and reimbursements envisaged in favour of the holders of PFSs and bondholders respectively are also considered as events subsequent to execution of the plan, extinguishing the debt by assigning the participatory financial instruments, as required by art. 160.1 BL, as foreseen by the plan: *"the restructuring of debts and the satisfaction of creditors through any form, including through the sale of assets, takeover or other extraordinary operations, including the attribution to the creditors, as well as to companies in which they participate, of shares, quotas, or bonds, also convertible into shares, or other financial instruments and debt securities"*.
- e) lastly, the proposal does not provide for any satisfaction of Class 6), the subordinated unsecured creditors, estimated at Euro 9,142,427.

The Plan foresees that CMC will take steps to a) *"continue the business in order to generate positive cash flows (including claims relating to contracts in progress) in excess of the financial needs of current operations such as to allow.... The full payment of the creditors in pre-deduction, privileged creditors and strategic suppliers, and to ensure ... the best possible satisfaction of creditors and, naturally, the continuation of employment and commercial relations"*; b) *"collect all receivables for claims under completed job contracts, as well as for commercial or other types of contracts"*; c) *"transfer to third parties ... certain assets not instrumental to the business (in particular, properties, both of CMC and CMC Immobiliare S.p.A., in part after their completion and enhancement)"*; d) *"issue in two tranches - the first immediately after the approval (within 90 days), the second in the period between the 12th and 18th month following the approval - participatory financial instruments (PFSs) convertible into bonds to be assigned to unsecured creditors in classes 2, 3, 4"*

*and 5, thus extinguishing the related liabilities; the positive results expected from business continuity will contribute to enhancing the PFSs intended to satisfy the aforementioned unsecured creditors, or, if converted, to repay the bonds".*

In particular, the sale of some real estate assets is foreseen by the plan as a side activity with respect to the other activities to continue the core business and to collect commercial receivables and claims, in order to better guarantee the execution of distributions in favour of the creditors both strategic (to which in any case all the net flows produced in the financial years up to the first half of 2021 are reserved as a priority, as for pre-deduction and privileged creditors) and holders of PFSs or - following conversion - of bonds (respectively, until 12/31/2030 in the first case and until 31/12/2026 in the second).

As explained in greater detail in the notes, in this context we must not forget the persistent situations of uncertainty relating mainly to:

- positive definition of a series of disputes on which depends the realization of claims needed to comply with the commitments foreseen in the composition proposal
- achievement of the objectives set in the management of job orders within the perimeter in terms of economic results and the generation of cash flows envisaged in the composition with creditors plan, also in consideration of the negative effects generated by the Coronavirus pandemic
- approval of the bankruptcy proposals defined by the subsidiaries Empedocle 2 and Bolognetta, whose terms for the meeting with creditors were deferred to October 2020 in order to incorporate some changes to the proposals made originally
- the possibility of obtaining new bank credit lines in order to present the guarantees needed to participate in new tenders and the Cooperative's ability to be awarded a sufficient amount of work to guarantee the objectives in terms of volumes in 2021 and 2022
- conclusion in favour of the Cooperative in the disputes initiated by some suppliers requesting recognition of the privileged status of their receivables and/or by contracting entities for the recognition of penalties to be charged to the Cooperative;
- positive evolution of the negotiations for the disposal of some corporate assets in line with the objectives set by the composition with creditors proposal.

# **FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019**

**BALANCE SHEET**

**INCOME STATEMENT**

**CASH FLOW STATEMENT**

ASSETS	2019	2018
<b>A) RECEIVABLE FROM SHAREHOLDERS FOR PAYMENTS DUE</b>		
I) Subscribed capital not paid up	8,800	21,625
<b>Total receivable from shareholders</b>	<b>8,800</b>	<b>21,625</b>
<b>B) FIXED ASSETS</b>		
I) Intangible fixed assets		
1) plant and expansion costs	-	-
2) development costs	-	-
3) industrial patent rights and intellectual property rights	1,684,773	1,903,711
4) concessions, licences, trade-marks and similar rights	-	-
5) goodwill	-	-
6) fixed assets in progress and advances	-	295,928
7) others	-	-
a) contracts' deferred charges	-	-
<b>Total intangible fixed assets</b>	<b>1,684,773</b>	<b>2,199,639</b>
II) Tangible fixed assets		
1) land and buildings	8,974,493	9,019,953
2) plant and machinery	29,842,027	24,589,665
3) industrial and commercial equipment	5,428,628	6,317,034
4) other assets	127,842	127,842
5) fixed assets in progress and advances	10,451,679	16,138,747
<b>Total tangible fixed assets</b>	<b>54,824,669</b>	<b>56,193,241</b>
III) Financial assets		
1) investments in	111,970,498	100,136,824
a) subsidiary companies	203,428,467	191,428,468
b) associated companies	24,523,118	22,951,238
c) parent companies	-	-
d) controlled by parent companies	-	-
d bis) other companies	40,559,837	40,710,037
- investments write off	(156,540,924)	(154,952,919)
2) receivables from	169,676,644	176,128,275
a) subsidiary companies	145,849,746	152,259,339
1) due within 12 months	145,849,746	152,259,339
b) associated companies	9,259,639	9,259,638
1) due within 12 months	9,259,639	9,259,638
c) parent companies	-	-
d) controlled by parent companies	-	-
1) due within 12 months	-	-
2) due after 12 months	-	-
d bis) others	14,567,259	14,609,298
1) due within 12 months	13,278,219	13,433,113
2) due after 12 months	1,289,040	1,176,185
3) other securities	-	-
4) derivatives financial instruments	-	-
<b>Total financial fixed assets</b>	<b>281,647,142</b>	<b>276,265,099</b>
<b>Total fixed assets</b>	<b>338,156,584</b>	<b>334,657,979</b>
<b>C) CURRENT ASSETS</b>		
I) Inventories		
1) raw materials and consumables	6,149,912	5,588,492
2) work in progress and semi-finished products	-	-
3) contracts in progress	246,564,615	271,018,346
4) finished products and goods	-	-
5) advances	12,988,749	13,669,514
<b>Total inventories</b>	<b>265,703,276</b>	<b>290,276,352</b>
II) Receivables from		
1) clients	58,583,372	128,240,110
a) due within 12 months	49,622,762	119,785,120
b) due after 12 months	8,960,610	8,454,990
2) subsidiary companies	516,783,097	443,391,503
a) due within 12 months	516,783,097	443,391,503
b) due after 12 months	-	-
3) associated companies	30,587,809	28,811,355
a) due within 12 months	30,587,809	28,811,355
b) due after 12 months	-	-
5 bis) taxes	22,311,373	26,956,543
a) due within 12 months	22,311,373	26,956,543
b) due after 12 months	-	-
5 ter) pre-paid taxes	-	-
a) due within 12 months	-	-
5 quater) others	40,778,355	40,701,054
a) due within 12 months	40,778,355	40,701,054
b) due after 12 months	-	-
<b>Total receivables</b>	<b>669,044,006</b>	<b>668,100,565</b>
III) Financial assets		
5) other securities	379,249	379,249
<b>Total financial assets</b>	<b>379,249</b>	<b>379,249</b>
IV) Cash and cash equivalents		
1) bank and postal accounts	10,223,353	18,022,403
2) cheques	-	-
3) cash on hand	78,763	220,419
<b>Total Cash and cash equivalents</b>	<b>10,302,116</b>	<b>18,242,822</b>
<b>Total Current Assets</b>	<b>945,428,647</b>	<b>976,998,988</b>
<b>D) ACCRUED INCOME AND PREPAYMENTS</b>	<b>3,295,548</b>	<b>5,967,710</b>
<b>TOTAL ASSETS</b>	<b>1,286,889,579</b>	<b>1,317,646,302</b>

LIABILITIES		2019		2018	
<b>A) SHAREHOLDERS' EQUITY</b>					
I) Capital			14,883,242		17,290,906
1) Shared capital	14,883,242			17,290,906	
II) Paid-in capital			-		-
III) Revaluation reserve			-		-
IV) Legal reserve			87,515,550		87,515,550
V) Statutory reserves			-		-
VI) Other reserves			16,493,029		16,917,603
1) extraordinary reserve	32,047,692			32,047,692	
2) conversion reserve	(22,713,285)			(22,288,711)	
3) reserve ex art. 2426 c.c.	7,158,622			7,158,622	
VII) Cash flow hedge reserve			-		-
VIII) Retained earnings			(1,674,424,792)		-
IX) Profit (loss) for the year			(31,450,869)		(1,674,424,792)
<b>Total Shareholders' Equity</b>			<b>(1,586,983,840)</b>		<b>(1,552,700,733)</b>
<b>B) RESERVES FOR RISKS AND CHARGES</b>					
1) for pension payment and similar obligation			-		-
2) for taxes			1,218,338		1,257,645
3) derivatives financial instruments			-		-
4) other			376,383,787		536,049,564
a) contractual risks	188,174,516			198,506,734	
b) overseas operations	140,305,122			178,601,278	
c) other risks and charges	47,904,149			158,941,552	
<b>Total funds for risks and charges</b>			<b>377,602,125</b>		<b>537,307,209</b>
<b>C) SEVERANCE INDEMNITY</b>			<b>10,597,134</b>		<b>13,064,306</b>
<b>D) PAYABLES</b>					
1) bond			591,561,439		591,561,439
a) due within 12 months	591,561,439			591,561,439	
b) due after 12 months	-			-	
2) convertible debentures			-		-
3) shareholders loan			8,266,407		8,270,727
a) due within 12 months	8,266,407			8,270,727	
b) due after 12 months	-			-	
4) banks			478,843,245		337,941,951
a) due within 12 months	478,843,245			337,941,951	
b) due after 12 months	-			-	
5) other loans			39,017,889		1,343,254
a) due within 12 months	39,017,889			1,343,254	
b) due after 12 months	-			-	
6) advances			17,431,862		4,768,910
a) due within 12 months	17,431,862			4,768,910	
b) due after 12 months	-			-	
7) suppliers			321,788,370		378,237,166
a) due within 12 months	321,788,370			378,237,166	
b) due after 12 months	-			-	
8) payables represented by credit instruments			-		-
9) payables to subsidiary companies			707,346,945		683,649,724
a) due within 12 months	707,346,945			683,649,724	
b) due after 12 months	-			-	
10) payables to associated companies			55,022,976		47,213,506
a) due within 12 months	55,022,976			47,213,506	
b) due after 12 months	-			-	
11 bis) controlled by parent companies			-		-
a) due within 12 months	-			-	
b) due after 12 months	-			-	
12) taxes			18,699,784		25,915,845
a) due within 12 months	18,699,784			25,915,845	
b) due after 12 months	-			-	
13) payables to social security and welfare institutions			11,171,333		10,647,068
a) due within 12 months	11,171,333			10,647,068	
b) due after 12 months	-			-	
14) other			144,534,451		115,876,522
a) due within 12 months	144,534,451			115,876,522	
b) due after 12 months	-			-	
15) advance payments from clients and customers			87,895,731		112,626,134
a) due within 12 months	87,895,731			112,626,134	
b) due after 12 months	-			-	
<b>Total payables</b>			<b>2,481,580,432</b>		<b>2,318,052,246</b>
<b>E) ACCRUED LIABILITIES AND DEFERRED INCOME</b>			<b>4,093,728</b>		<b>1,923,274</b>
<b>TOTAL LIABILITIES</b>			<b>1,286,889,579</b>		<b>1,317,646,302</b>



INCOME STATEMENT		2019	2018
<b>A) VALUE OF PRODUCTION</b>			
1)	revenues from sales and services	203,274,043	513,604,102
2)	variations in inventories of work in progress, semi-finished and finished products	-	(122,000)
3)	variations in contracts in progress	(24,453,731)	(445,193,696)
4)	increases in fixed assets for internal work	41,542	498,553
5)	other income and proceeds	9,549,808	16,041,824
a)	capitalisation of deferred charges	174,757	343,157
b)	use of reserves	521,508	119,470
c)	other income	8,853,543	15,579,197
<b>Total value of production</b>		<b>188,411,662</b>	<b>84,828,783</b>
<b>B) PRODUCTION COSTS</b>			
6)	raw materials, consumables and goods	(15,447,906)	(97,217,455)
7)	services	(95,126,278)	(467,065,006)
8)	lease and hire	(22,267,451)	(39,257,598)
9)	personnel	(47,034,641)	(114,445,213)
a)	wages and salaries	(35,583,034)	(86,130,325)
b)	social security contributions	(8,949,373)	(20,245,622)
c)	severance indemnity	(2,367,050)	(4,058,121)
d)	pension payments and similar obligations	-	-
e)	other costs	(135,184)	(4,011,145)
10)	depreciation, amortization and writedown of receivables	(8,896,566)	(298,884,754)
a)	intangible fixed assets	(738,582)	(798,635)
b)	tangible fixed assets	(7,648,198)	(22,755,965)
c)	other fixed asset writeoffs	-	(748,879)
d)	writedowns of receivables included in current assets	(509,786)	(274,581,275)
11)	variations in inventories of raw materials, consumables and goods	801,746	(13,872,987)
12)	provisions for risks	(20,326,944)	(418,322,768)
13)	other provisions	-	-
14)	other operating costs	(8,351,584)	(31,222,633)
<b>Total production costs</b>		<b>(216,649,624)</b>	<b>(1,480,288,414)</b>
<b>Difference between value and cost of production (A-B)</b>		<b>(28,237,962)</b>	<b>(1,395,459,631)</b>
<b>C) FINANCIAL INCOME AND CHARGES</b>			
15)	income from investments	59,655	2,915,274
a)	in subsidiary companies	-	2,901,261
b)	in associated companies	-	-
c)	in parent companies	-	-
d)	in controlled by parent companies	-	-
e)	in other companies	59,655	14,013
16)	other financial income	4,053,278	5,603,011
a)	from receivables entered in the fixed assets	-	-
b)	from securities entered in the fixed assets that do not constitute investments	-	-
c)	from securities entered in the current assets that do not constitute investments	-	-
d)	other income	4,053,278	5,603,011
1)	from subsidiary companies	3,866,784	3,858,486
2)	from associated companies	3,282	3,305
7)	from others	183,212	1,741,220
17)	interest and other financial charges	(6,338,772)	(93,772,097)
a)	from subsidiary companies	(2,651,738)	(2,703,088)
b)	from associated companies	(2,754)	(25,949)
d)	from others	(3,684,280)	(91,043,060)
17 bis)	exchange profits and losses	2,183,380	(4,885,749)
a)	exchange profits	33,387,705	37,601,025
b)	exchange losses	(31,204,325)	(42,486,774)
<b>Total Financial Income and Charges (15+16-17+17bis)</b>		<b>(42,459)</b>	<b>(90,139,561)</b>
<b>D) ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS AND LIABILITIES</b>			
18)	revaluation	-	-
a)	of investments	-	-
19)	devaluation	(176,271)	(161,888,965)
a)	of investments	(176,271)	(161,506,965)
c)	of securities entered in the current assets that do not constitute investments	-	(382,000)
<b>Total Adjustments to Value of Financial Assets (18-19)</b>		<b>(176,271)</b>	<b>(161,888,965)</b>
<b>Income before tax (A-B+C+D+E)</b>		<b>(28,456,692)</b>	<b>(1,647,488,157)</b>
20)	income tax	(2,994,177)	(26,936,635)
a)	current	(2,265,584)	(6,400,798)
b)	previous periods	(728,593)	(612,896)
c)	advance/deferred	-	(19,922,941)
<b>21)</b>	<b>Net income (loss)</b>	<b>(31,450,869)</b>	<b>(1,674,424,792)</b>

<b>Cash Flow (indirect method)</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>A. Cash flows from operating activities</b>		
Profit (loss) for the year	(31,451)	(1,674,425)
Income tax	2,994	26,937
Financial (Income)/Charges/Rate exchange	2,285	88,169
(Dividend collected)	(60)	(2,915)
<b>1. Income before tax, interests, dividends</b>	<b>(26,231)</b>	<b>(1,562,234)</b>
<b>Other adjustments</b>		
Net change funds for risks and charges	20,301	525,985
Net change severance indemnity	2,367	426
Technical assets depreciation	7,648	23,505
Intangible assets depreciation	739	799
Write-down of receivables	-	274,581
Devaluation of financial assets	-	161,889
(Revaluation of financial assets)	-	-
	<b>31,055</b>	<b>987,185</b>
<b>2. Cash Flow before NWC changes</b>	<b>4,824</b>	<b>(575,049)</b>
Decrease/(increase) inventories	24,573	492,873
Decrease/(increase) clients	69,698	(197,420)
Decrease/(increase) receivables from group companies	(68,758)	6,415
Decrease/(increase) receivables from others	4,568	8,096
Decrease/(increase) accruals&deferred	2,672	12,127
Increase/(decrease) advances	8,619	1,843
Increase/(decrease) payables to suppliers	(56,449)	100,535
Increase/(decrease) payables to group companies	31,555	50,978
Increase/(decrease) accrued liabilities and deferred income	2,171	223
Increase/(decrease) payables to others	29,173	4,860
	<b>47,822</b>	<b>480,530</b>
<b>3. Cash Flow after NWC changes</b>	<b>52,646</b>	<b>(94,519)</b>
<b>Other adjustments</b>		
Financial Income/(Charges)/Rate exchange	(2,285)	(100,923)
Income tax paid	(10,250)	(2,099)
Dividend collected	60	2,915
Decrease in reserve for risks	(50,905)	-
	<b>(63,380)</b>	<b>(100,107)</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>(10,735)</b>	<b>(194,626)</b>
<b>B. CASH FLOWS FROM INVESTMENTS</b>		
Tangible fixed assets net (investments)/disinvestments	(6,280)	15,540
Intangible fixed assets net (investments)/disinvestments	(224)	(512)
Financial assets net (investments)/disinvestments	(11,834)	(95)
Other securities net (investments)/disinvestments	-	382
<b>CASH FLOW FROM INVESTMENTS (B)</b>	<b>(18,337)</b>	<b>15,315</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<u>Third party financing</u>		
Increase/(Decrease) payables to banks	-	103,454
Increase/(Decrease) bonds payables	-	43,539
Increase/(Decrease) payables to other loans	23,954	(3,692)
<u>Equity financing</u>		
Decrease/(increase)receivables from shareholders for payments	13	(4)
Increase/(Decrease) shared capital	(2,408)	(7,913)
Increase/(Decrease) payables in shareholders loan	(4)	(2,434)
Other Increase/(Decrease) in shareholders equity	(425)	(2,511)
(Dividend paid)	-	(53)
<b>CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>21,131</b>	<b>130,385</b>
<b>Increase/(Decrease) Cash and Cash Equivalents</b>	<b>(7,941)</b>	<b>(48,926)</b>
<b>Cash and Cash Equivalents as of January, 1st</b>	<b>18,243</b>	<b>67,168</b>
<b>CASH AND CASH EQUIVALENTS AS END OF THE PERIOD</b>	<b>10,302</b>	<b>18,243</b>

## NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

(in thousands of Euro)

### **GROUP ACTIVITIES**

Cooperativa Muratori Cementisti - C.M.C. di Ravenna (also CMC or "the Company" or the "Parent Company") is the Parent Company of the CMC Group, and carries out directly construction activities in Italy and abroad.

Pursuant to and for the purposes of articles 163 and 171, paragraph 2, BL, and in accordance with article 54 of Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015, relating to insolvency proceedings, it is recalled that the Court of Ravenna with a decree issued on 29 May 2020, filed on the same date in the Bankruptcy Registry - to close the procedure started on 4 December 2018 with presentation of the appeal pursuant to ex art. 161, paragraph 6, BL. - declared the approval of the Composition with Creditors Procedure of CMC DI RAVENNA SOC. COOP., with registered office in Via Trieste 76, Ravenna, registered in the Ravenna Company Register under no. 00084280395.

### **FORMAT AND CONTENT OF THE FINANCIAL STATEMENTS**

The financial statements as at 31 December 2019, and these notes have been prepared pursuant to the Italian Civil Code on financial statements as revised by Decree Law 139/15 in application of the European Directive 2013/34.

The law has been integrated and interpreted, where necessary, on the basis of the accounting principles set out by the Italian Accounting Body (OIC) and, where missing, by those of the International Accounting Standards Board (IASB), to the extent that they are compatible with Italian law.

The purpose of the explanatory notes is to provide, analyse, explain and, in some cases, supplement the information reported on the face of the financial statements. They contain the disclosures required by art. 2427 of the Italian Civil Code which are consistent with the amendments introduced by Decree Law 139/15 and with other standards recommended by the Italian Accounting Profession.

Consistent with the requirements of the Italian Civil Code and the approach adopted in the prior year, new captions have been added to the financial statements if their content is not covered by any of the captions specified in arts. 2424 and 2425. The preparation of these financial statements has taken account of any contingencies or losses relating to the year, even if they became known after year end.

### **Going-concern assumption subject to significant uncertainties**

This section aims, on the one hand, to identify uncertainties also in light of the economic and financial situation of the Cooperative and the Group and, on the other, to identify the measures that have been found and shared by the Directors to remedy them, as well as the stage of completion and the probability that these measures will be adopted and will be implemented within the times scheduled. In light of this, considerations regarding the going-concern assumption used to draw up these financial statements will be developed. The events that took place in 2019 and the initial part of 2020 support the path started in recent months which, according to the Directors, appears reasonably suitable to allow the Cooperative and the Group to overcome the current crisis and respect their commitments to creditors.

As mentioned previously in the report on operations, the Company and a number of Group companies had to face a situation of serious financial strain in the last few months of 2018 which led to the presentation of a request for a composition with creditors "with reserve" pursuant to art. 161, sixth paragraph of RD 267/1942.

The liquidity crisis mentioned above had serious consequences on the operations of the Cooperative and of the Group, resulting in:

- a substantial blockage (or at best a significant slowdown) of the activities on construction sites opened in Italy and abroad in the last part of 2018 and in the first few months of 2019 with a significant impact on the estimate of final costs and on the order margins;
- the need to resort to extraordinary layoffs (CIGS) for CMC employees which, however, on the basis of the agreements between the Ministries of Labour and Economic Development and the Region, Company and Trade Union, only started on 18 February, involving 746 direct workers in Italy, of whom 381 at the Ravenna office. Another 184 employees working on construction sites in Sicily have to be added to the list;
- the need to approve a staff reduction plan;
- the cancellation of several contracts acquired in previous years;

- the revocation of certain contracts by the Integra Consortium.

The events described above led to a significant loss reflected in the income statement at 31 December 2018 and, therefore, to the equity deficit of Euro 1,552.7 million reflected in the balance sheet at the same date. These events and circumstances have been amply commented on the notes to the 2018 financial statements.

On 29 May 2020, the Court of Ravenna issued the CMC composition with creditors approval decree accepting the favourable opinion of the Judicial Commissioners and the favourable vote by 78.15% of the Cooperative's creditors to the composition proposal and the underlying composition plan deposited with the Court of Ravenna on 18 December 2019.

In this regard, it is recalled that on the basis of the composition with creditors proposal, CMC has undertaken to:

- regular payment of pre-deduction costs and the costs of the procedure, which the proposal estimated at a total of Euro 57,877,566 and the Judicial Commissioners adjusted to Euro 57,943,082;
- full payment, within one year of the decree approving the composition with creditors, to creditors with special and general privileges, estimated at Euro 91,346,634 and adjusted by the Judicial Commissioners to Euro 88,256,109
- full payment of strategic unsecured suppliers contained in Class 1 - meaning those creditors whose services are considered essential in the interests of business continuity and the consequent generation of cash flows - estimated at Euro 34,351,941 and adjusted by the Judicial Commissioners to Euro 34.510.125, to be carried out within two years from the decree of approval of the composition with creditors;

As regards indebtedness to unsecured creditors, it has been divided into classes as follows:

- Class 2) effective unsecured financial creditors, estimated at Euro 931,758,768;
- Class 3) effective unsecured non-financial creditors, estimated at Euro 474,854,389;
- Class 4) unsecured creditors guaranteed by CMC, estimated at Euro 153,789,095;
- Class 5) potential unsecured creditors - Provisions for risks estimated at Euro 289,127,728
- Class 6) to subordinated unsecured creditors estimated at Euro 9,142,427

As a result of the above mentioned authorisation, the following effects have occurred:

- full extinction (*datio in solutum*) of the payables in classes 2), 3), 4) and 5) through the assignment (envisaged in two distinct tranches equal to a nominal assignment of 20% of the initial credit) of participatory financial instruments convertible into bonds (PFSs) whose regulation provides for privileged access to the annual distribution of dividends and reserves equal to the minimum effective guaranteed amount of 10% of the amount of the receivables subject to conversion by 30 June 2031. In this regard, it should be remembered that the distributions envisaged in favour of the holders of PFSs will take place after the execution of the plan, thereby extinguishing the debt by assigning the participatory financial instruments
- on the assumption of subsequent conversion of the PFSs into bonds, a fixed repayment of 10% plus interest is envisaged, by virtue of the "Annual Mandatory Early Repayments" and the "Redemption at the due date" of 31 December 2026. In this regard, note that the conversion of the PFSs into bonds does not relate to the execution of the composition, as it is a right that can be exercised post approval on the part of the PFS holder, whose receivable has already been extinguished by the *datio in solutum* of the PFSs (at the ratio mentioned previously);
- full extinction of the receivables entered in Class 6) for which no satisfaction is expected

The financial statements at 31 December 2019 do not reflect these effects as they will be accounted for in 2020. The following table summarizes the effects generated by approval of the composition with creditors proposal based on the balance sheet figures at 31 December 2019. In addition to repayment of the debts previously registered towards unsecured creditors, they also include the clearing of receivable and payable positions mainly with Group companies in accordance with the approved composition plan.

	December 31, 2019	Balance forecast		December 31, 2019	Balance forecast
ASSETS			LIABILITIES AND EQUITY		
Subscribed capital not paid up	8,800	8,800	SHAREHOLDERS' EQUITY	(1,586,983,467)	262,546,513
FIXED ASSETS			RESERVES FOR RISKS AND CHARGES	377,602,125	116,708,726
Intangible fixed assets	1,684,773	1,684,773	SEVERANCE INDEMNITY	10,597,134	10,597,134
Tangible fixed assets	54,824,669	54,824,669	PAYABLES		
Financial assets			Bond	591,561,439	-
Investments	111,970,498	111,970,498	Shareholders loan	8,266,407	331,588
Receivables	169,676,644	135,676,644	Banks	478,843,245	6,495
Total financial fixed assets	281,647,142	247,647,142	Other loans	39,017,889	26,039,702
Total fixed assets	338,156,584	304,156,584	Advances	17,431,862	16,374,637
			Suppliers	321,788,370	74,187,021
CURRENT ASSETS			Subsidiary companies	707,346,945	218,184,205
Inventories	265,703,276	265,703,276	Associated companies	55,022,976	14,674,669
Receivables	669,044,379	328,044,379	Taxes	18,699,784	18,699,784
Financial assets	379,249	379,249	Social security and welfare institution	11,171,333	11,069,251
Cash and cash equivalents	10,302,116	10,302,116	Others	144,534,451	106,623,257
			advance payments from clients and customers	87,895,731	31,770,494
Total Current Assets	945,429,020	604,429,020	Total payables	2,481,580,432	517,961,103
ACCRUED INCOME AND PREPAYMENTS	3,295,548	3,295,548	ACCRUED LIABILITIES AND DEFERRED INCOME	4,093,728	4,076,476
TOTAL ASSETS	1,286,889,952	911,889,952	TOTAL LIABILITIES	1,286,889,952	911,889,952

As can be seen from the above table, approval of the composition with creditors proposal represented an extremely important step in the Cooperative and Group's path to overcoming the crisis. As a result of the "*datio in solutum*", the capital deficit generated by the losses incurred by the Cooperative in 2018 and 2019 is fully covered by restoring an equity that is deemed consistent with the Company's new size and level of debt. Moreover, even in the event of full conversion of the PFSs into bonds, the Cooperative would maintain an equity of approximately Euro 77 million against debt represented almost exclusively by the above mentioned bonds that would be recognized for Euro 184.9 million.

The composition with creditors proposal approved by the creditors and recently approved by the Court provides that compliance with the commitments undertaken by the Cooperative takes place through business continuity and the consequent generation of positive cash flows (including those relating to job contracts in progress) in excess of the financial needs of the current management, ensuring the best possible satisfaction of creditors, as well as continuation of employment and commercial relations. In addition to the cash flows of contracts in progress and to be acquired, the proposal as submitted envisages the collection and realization of other assets such as:

- claims to customers following contractual variations or higher non-contractual charges incurred by CMC
- receivables from Italian and foreign clients, not included in the perimeter of contract continuity
- other receivables, such as those of a fiscal nature
- receivables from investee companies, net of legal compensation
- buildings held directly or indirectly
- plant, machinery and equipment not used in ongoing contracts

The complex situation of the Group described above required Management of the Cooperative to carry out particularly careful assessments regarding the going-concern assumption. In particular, on approval of the draft financial statements at 31 December 2019, the Board of Directors proceeded to carry out all the necessary assessments regarding the continued existence of the going-concern assumption, taking into account, for this purpose, all the information available relating to foreseeable future events and, in particular, in the relative future at least - but not limited to - twelve months after the balance sheet date for the financial year ended 31 December 2019.

Although the approval of the composition with creditors proposal (hereinafter the Composition Proposal) represents an essential step on the path for the Cooperative to overcome the crisis, the Directors have described the significant uncertainties and risk profiles that still exist in relation to the Cooperative's ability to generate sufficient cash flows, not only to guarantee operations over a twelve-month period from the date of approval of the financial statements, but also for the purpose of satisfying privileged creditors, strategic suppliers and pre-deduction payables according to the methods foreseen in the Composition Proposal.

In particular, these analyses have shown that, even in the presence of an extremely significant event such as approval of the Composition Proposal, maintenance of the going-concern assumption is subject to significant uncertainties regarding the Cooperative's ability to generate sufficient cash flows both to ensure operations within twelve months from the date of approval of the financial statements and to satisfy privileged creditors, strategic suppliers and pre-deduction payables according to the procedures laid down in the Composition Proposal. In this regard, we would recall that the Composition Plan was drafted starting from the order forms elaborated by the project managers of the sites managed directly by CMC in Italy and abroad, while providing for a significant reduction in the Company's revenue volumes compared with past years, assumes that break-even will be achievable again from 2021. Achieving the objectives set out in the Plan presupposes:

- the achievement of the objectives set in the management of the orders within the perimeter in terms of economic results and cash flow generation, despite the effects generated by the Coronavirus pandemic;
- the approval and possible homologation of the bankruptcy proposals defined by the subsidiaries Empedocle 2 and Bolognetta, whose terms were deferred to October 2020 in order to incorporate some changes to the original proposals, which will allow the Cooperative not to suffer additional losses and negative cash flows in the coming years, while avoiding the risk of the guarantees being enforced.
- the Company's ability to reacquire credibility on the market within a reasonably short time, already confirmed by the approval of the Court of Ravenna of 29 May 2020 and by invitations to participate in tenders with other partners both nationally and internationally, a necessary condition to acquire the works needed to guarantee the production levels expected in 2022 and 2023;
- the possibility of achieving the objectives in terms of definition and collection of claims;
- the Company's ability to operate in the coming years with limited recourse to bank loans and to obtain a cash line of Euro 30-40 million in 2020 in addition to the endorsement lines of credit needed to acquire new contracts.
- the positive conclusion for the Cooperative of the disputes initiated by some suppliers requesting recognition of the privileged status of their claims and/or by contracting entities for the recognition of penalties to be charged to the Cooperative.

In light of the above, the Board of Directors has requested and obtained the information needed to assess the reasonableness of all the above circumstances, considering appropriate the use of the going-concern assumption in preparing these financial statements. In particular, the Board of Directors based its conclusions on the basis of the following considerations, with reference to each of the elements of uncertainty set out above:

- The financial statements at 31 December 2019 closed with a result both in economic and financial terms in line with the provisions of the Composition Plan
- The figures relating to the trend in the first four months of 2020 of cash and cash equivalents and payments of debts to privileged and pre-deduction creditors remained substantially in line with the Plan's forecast for 2020,



despite the effects caused by the Coronavirus pandemic. This has made it possible to keep open the sites that fall within the perimeter of continuity identified in the Plan, without generating excessive slowdowns in carrying out the works. It has been possible to maintain a certain regularity in payments of suppliers in pre-deduction and of wages and salaries, followed by regular payment of social security contributions that allowed the Cooperative to always have a regular DURC and therefore be able to collect receivables from clients.

- During 2019 and in the first months of 2020, claims were defined and collected both in Italy and abroad which generated significant positive cash flows for a total of Euro 42.3 million, the main one obtained thanks to the intervention of the MIT through the technical discussion table between CMC and Anas which made it possible to settle the dispute relating to the first lot of the SS Caltanissetta-Agrigento road.
- Furthermore, in the same period, new orders were acquired in Italy (continuation of works at the port of Molfetta) and abroad (Namibia and Santo Domingo).
- On the financial side, considering that the collection of certain claims has allowed the normal course of day-to-day operations, the Company is continuing negotiations to obtain loans in execution of the creditors' arrangement envisaged in the Composition Plan post-approval for Euro 30-40 million. During 2019 the Cooperative has also already obtained a medium-term loan with Cooperare spa for Euro 25 million, which was paid out in November 2019. The plan also provides for lines of credit and endorsement lines of credit for which negotiations are underway in relation to the specific needs of the individual job orders.

In the light of these considerations, the Directors have adopted the going-concern assumption in preparing the financial statements for the year ended 31 December 2019, as they consider it reasonable that the exit path from the crisis is proceeding according to plan.

In summary, they believe that, even in a context characterized by significant uncertainties, it is reasonable to expect that:

- The assumptions and objectives reflected in the composition plan are reasonably achievable (also taking into account the results of the sensitivity analysis), in particular those relating to the acquisition of new contracts, the level of realization of claims, the disposal of non-strategic assets and the reduction in overheads, allowing compliance with the commitments undertaken towards the creditors involved in the Composition;
- The assumptions and objectives relating to the cash plan included in the composition plan (especially with reference to the period of twelve months from the date of approval of these draft financial statements) are reasonably achievable in particular with reference to obtaining the cash and endorsement lines of credit and the timing of realization of the claims that are expected to be collected.

It should be noted that failure to meet the commitments undertaken through the Composition Plan within 2 years of approval would inevitably entail revocation of the Plan and the start of a different bankruptcy procedure, with the consequent loss of the status as a going concern and recognition of significant adjustments to the assets and further liabilities not reflected in the financial statements at 31 December 2019.

It should also be acknowledged that the existence and overcoming of the situations of uncertainty mentioned above depends only partially on internal variables and factors that can be controlled by Management, whereas in other respects it depends on external factors that have been assessed according to the reasonableness criteria explained above.

## **ACCOUNTING POLICIES**

The principal accounting policies adopted for the preparation of the financial statements are described below:

### **Intangible fixed assets**

Intangible fixed assets are recorded at purchase cost including directly-related charges, at their contributed value or at the cost directly incurred to create them; they are amortised over their expected useful lives.

Incorporation and expansion costs, goodwill (recorded with the consent from the Board of Statutory Auditors), patents and intellectual property rights, concessions, licences and trademarks are amortized on a straight-line basis over five years, as required by Italian Civil Code.

Deferred charges related to contracts, such as start-up costs, construction site costs, studies and designs, and the costs for contractual guarantees are valued and classified under contract work in progress.

The costs for participating in tenders still awaiting an outcome are valued and classified under contract work in progress.

Research and development costs are charged to income in the year they are incurred.

If an asset is found to be impaired after its initial recognition at purchase or production cost, it is written down accordingly; if the reasons for writedowns cease to apply in subsequent years, the original value is reinstated, net of amortisation, with the exception of goodwill and deferred charges for which the reversal of an impairment loss is prohibited.

### **Tangible fixed assets**

Tangible fixed assets are recorded at purchase cost, including related charges, or at their construction cost, comprising the direct costs incurred plus a reasonable allocation of indirect costs, adjusted in accordance with specific monetary revaluation laws. Amounts are stated net of the related accumulated depreciation.

If an asset is found to be impaired after its initial recognition at purchase or production cost, it is written down accordingly; if the reasons for writedowns cease to apply in subsequent years, the original value are reinstated net of the related depreciation charges.

Repairs and maintenance costs are charged to income in the year they are incurred; the cost of upgrades and improvements that extend the useful life of an asset are capitalised and depreciated at the rate applicable to the asset in question.

Additions relating to fixed assets produced in-house are measured in accordance with the actual usage of materials, internal labour and general expenses.

Related costs, such as transport, freight, insurance and customs charges pertaining to the transfer of machinery are capitalised as "ordinary deferred charges" and are amortised based on the stage of completion of the related contract. Operating assets with a unit cost of less than Euro 500 are subject to considerable wear and tear and are depreciated in full in the year of purchase.

Repairs and maintenance costs are charged to income in the year they are incurred; the cost of upgrades and improvements that extend the useful life of an asset are capitalised and depreciated at the rate applicable to the asset in question.

Depreciation is calculated on a systematic basis using rates deemed representative of the residual useful lives of the assets concerned.

The rates applied by asset category are set out below:

<b>Land and buildings</b>		<b>Industrial and commercial equipment</b>	
- Industrial buildings	3.0%	- Excavators and loaders	20.0%
<b>Plant and machinery</b>		- Transport vehicles	20.0%
- Temporary construction	12.5%	- Motor cars, motor vehicles and similar	25.0%
- General plant	10.0%	- Ordinary office furniture and machines	12.0%
- Specific plant and machinery	15.0%	- Electronic office machines	20.0%
- Formwork and metal sheet piles	25.0%	- Hardware	20.0%
- Sundry equipment	40.0%		

When an asset enters into service, depreciation is charged in proportion to the number of days it is used in the entire year.

Finance leases are accounted by charging the fees to the income statement on an accrual basis, and recording the asset at the redemption value at the end of the lease itself.

Regardless of the depreciation recorded, if an asset is found to be impaired subsequent to its initial recognition at purchase or production cost, it is written down accordingly; if the reasons for writedowns cease to apply in subsequent years, the original value are reinstated net of the related depreciation charges.

## **Finance leases**

Finance leases are accounted for according to the balance sheet method, recording the fees paid in the income statement in accordance with the accrual principle. A specific section of the notes provides the additional information required by law relating to the representation of finance leases according to the financial method, where significant.

## **Financial fixed assets**

Equity investments are valued using the cost method, with the exception of the more significant subsidiaries and associates, for which the equity method is used.

For equity investments valued using the cost method, the book value in the financial statements is determined on the basis of the purchase or subscription price or the value attributed to the assets transferred. Cost is written down in the case of impairment, when the investments have incurred losses that are unlikely to be recovered from profits earned in the immediate future. The original value is reinstated in subsequent years if the reasons for the write-down made cease to apply.

In the cases of application of the equity method, the investments in subsidiaries and associates are entered in the balance sheet for an amount equal to the corresponding fraction of equity resulting from the last balance sheet drawn up in compliance with arts. 2423 and 2423 bis of the Italian Civil Code, after deducting dividends and making the adjustments required by the accounting policies applied in drawing up the financial statements. The profit is recognized among the "Adjustments to financial assets: revaluations of equity investments", therefore in item D.18.a., with as the contra-entry an increase in "Financial fixed assets: equity investments" in the balance sheet. Conversely, the loss is recognized among the "Adjustments to financial assets: provision for equity investments" (item D.19.a) and leads to a reduction in the "Financial fixed assets: equity investments" indicated above.

The other financial fixed assets comprising receivables are stated at their estimated realisable value.

## **Inventories**

Inventories of raw and ancillary materials are stated at the lower of weighted-average purchase or production cost (including related charges and direct cost allocations) or their corresponding market value.

Inventories related to direct property initiatives, classified as "Work in progress", are measured with reference to the costs incurred, represented by the purchase cost of the land and related charges, plus construction costs, adjusted, if necessary, to bring them into line with their estimated realisable value.

Long-term contract work in progress, classified as "Contract work in progress", is essentially measured on a stage-of-completion basis that recognises the total agreed revenues using the cost-to-cost method.

Progress reports approved by principals are recognised as revenue in the period and are deducted from the value of inventories. Closing inventories, measured on the basis described above, represent the production carried out since the last approved progress report.

Contract work in progress with a duration of less than one year is recognised on a "completed contract basis". Revenue is recognised solely on completion of the contract. Previously, closing inventories were measured with reference to the costs actually incurred.

As previously explained in the paragraph on "Intangible fixed assets", deferred charges attributable to contracts, such as start-up costs, site preparation, studies and design work and contract warranties and which, up until the financial statements for the year ended 31 December 2015, were capitalised in the year when incurred and amortised on a stage-of-completion basis with reference to the individual projects concerned, have been reclassified to and recognised as contract work in progress.

Similarly, the costs of participation in tenders, where the outcome is unknown and which, up until the financial statements for the year ended 31 December 2015, were capitalised as assets in process of formation in the year when incurred, as long as they were specifically incurred for contracts considered winnable with reasonable certainty, have been reclassified to and recognised as contract work in progress.

Claims for additional revenue are recognised on a prudent basis. Accordingly, the reimbursement of extra costs incurred for the completion of works or the extra revenues requested are only recognised as the deferral of costs or the recognition of revenues if the timing and extent of collection is reasonably certain. In this regard, reasonable certainty is usually deemed to exist if the claim is collected prior to the approval of the financial statements and/or if the claim is subject to a dispute where the counterparty has, nevertheless, recognised the right to additional payment and only the amount needs to be settled, or if the opinions of authoritative third parties (lawyers, consultants etc.) suggest to the directors that outstanding disputes will have a favourable outcome.

## **Receivables**

Receivables are measured at amortised cost as long as the impact of the application of this measurement criterion does not significantly differ from nominal value, taking into account the time factor and the estimated net realisable value. In particular, receivables are initially measured at face value, net of allowances, discounts and rebates and inclusive of any costs directly attributable to the transaction that gave rise to the receivable. Transaction costs, any commission receivable or payable and any difference between the initially recognised amount and the face value at the due date are included in the computation of amortised cost using the effective interest method.

An allowance for doubtful accounts has been set up to cover the risk of non-collection of receivables, the adequacy of which is verified periodically and, in any event, every year end, taking into account any existing uncollected amounts or balances unlikely to be collected, as well as the general economic conditions of the sector and of the country concerned.

Receivables sold without recourse are derecognised from the balance sheet.

## **Cash and cash equivalents**

Cash and cash equivalents are booked at their nominal amount.

## **Accruals and deferrals**

These items comprise costs and revenues relating to more than one year, which are recognized in accordance with the accrual basis over time principle.

## **Provisions for risks and charges**

The provisions for risks and charges are recovered to cover known or likely losses and liabilities, the timing and extent of which cannot be determined at year end. The provisions reflect the best possible estimate based on the information available.

Contingencies that only might give rise to a liability are described in the explanatory notes, without recording any related provisions.

Provisions are also recorded to cover contract risks arising in relation to still incomplete work in progress for third parties in Italy and abroad.

## **Employee termination indemnities**

Employee termination indemnities are recorded by the Group's Italian companies to cover the entire liability to employees accrued in accordance with current legislation and collective and in-house payroll agreements. Law 296 dated 27 December 2006 (2007 Finance Law) introduced new rules for the termination indemnities accruing from 1 January 2007. Pursuant to the reform of supplementary pensions:

- the termination indemnities accumulated up to 31 December 2006 are retained by the business;
- the amounts accruing from 1 January 2007 are, depending on the explicit or tacit choices made by each employee:
  - a) paid to a supplementary pension fund;
  - b) retained by the business, which pays them into the INPS treasury fund.

The amounts accruing from 1 January 2007 are charged, as before, to the "Employee termination " caption of the income statement. In the balance sheet, the "Employee termination indemnities" caption represents the residual balance of the provision outstanding at 31 December 2006, as appropriately revalued using official indices. The "payables to social security and welfare institutions" caption includes the accrued termination indemnities not yet paid over to the pension funds and other welfare institutions.

## **Payables**

Payables are measured at amortised cost as long as the impact of the application of this measurement criterion does not significantly differ from nominal value, taking into account the time factor and the estimated net realisable value. In particular, receivables are initially measured at face value, net of transaction costs and allowances, discounts and rebates directly attributable to the transaction that gave rise to the payable. Transaction costs, any commission receivable or payable and any difference between the initially recognised amount and the face value at the due date are included in the computation of amortised cost using the effective interest method.

## **Derivative contracts**

Financial derivatives are booked at fair value. Changes in fair value measurement are recognised in the income statement, or, if the instrument is used to hedge changes in future cash flows from another financial instrument or another

planned transaction, they are recognised directly in equity as a positive or negative equity reserve; this reserve is transferred to the income statement to the extent of and in the period corresponding to the occurrence of or the change in cash flows from the hedged instrument or on the occurrence of the hedged transaction. If the fair value at the reference date is positive, it is recognised as a financial derivative asset in financial fixed assets or in current financial assets. If the amount is negative, it is recognised as a financial derivative liability in provisions for risks and charges.

### **Foreign currency translation methods**

Receivables and payables originally denominated in foreign currencies are recorded using the exchange rates ruling on the transaction dates. The exchange differences realised on the collection of receivables and the settlement of payables denominated in foreign currencies are recognised in the income statement. At the balance sheet date, foreign currency receivables and payables and foreign currency monetary amounts are reported using the closing rate. Profits and losses deriving from the translation using year-end rates of current receivables and payables, including the current portion of long-term receivables and payables, and of liquid funds held in foreign currencies, are respectively credited and debited to the income statement as components of financial income (caption C.17 bis). Any net profit deriving from the alignment of foreign currency balances using the year-end exchange rates is initially recognised as part of income for the year. On approval of the financial statements and the related allocation of results, any such profits not absorbed by losses are credited to a non-distributable reserve until they have been realised, pursuant to paragraph. 8-bis of Art. 2426 of the Italian Civil Code.

With regard to forward contracts used to hedge the exchange rate risk on a specific long term contract, the work in progress is translated to Euro using the exchange rate at the date of execution of the forward contract used as a hedge, without exceeding the hedged amount. The exchange rate fluctuation relating to forward contracts between the date of execution of the forward contract and the forward exchange rate provided for by the contract is recognised in the income statement on an accrual basis over the length of the forward contract, in accordance with Accounting standard 26.

### **Costs and revenues**

These are recognised in accordance with prudence and matching principles. In particular, revenue from long term contracts is recognised in accordance with the criteria previously described in relation to the measurement of contract work in progress inventory. Revenue from short term contracts and from other services is recognised when the service is rendered; revenues from sales of goods are recognised upon transfer of ownership, which generally coincides with the delivery or shipment of the goods; Revenue from and the cost of services are recognised when the service is rendered; lastly, financial revenues are recognised on an accrual basis over time.

### **Dividends**

Dividends received, with the exception of companies valued using the equity method, are accounted for when the right to collection by the participating company arises as a consequence of the resolution passed by the Shareholders' Meeting of the investee company to distribute the profit or reserves.

### **Income taxes**

These are based on the taxable income estimated with reference to current regulations, taking account of applicable exemptions and available tax credits. Deferred tax assets and liabilities are also recognised on the temporary differences arising between the carrying amounts for assets and liabilities and their values for fiscal purposes. In particular, deferred tax assets are recognised when they are likely to be recoverable against future taxable income.

### **Commitments and risks**

Risks relating to the provision of secured and unsecured guarantees on behalf of third parties are stated at the amount of the guarantee provided.

### **Presentation of the figures**

For the sake of clarity and understandability, all the amounts reported in the notes and in the attachments are stated in thousands of Euro.

### **Preparation of the consolidated financial statements**

The Company holds controlling interests and will prepare the Group's consolidated financial statements, which represent an addition to the financial statements for the purpose of providing adequate disclosure on the equity, financial and economic situation of the Company and the Group. These financial statements, together with the report on operations and report of the control bodies, will be available to the public in accordance with the law.

**Exemptions pursuant to paragraph four of Art. 2423 of the Civil Code.**

Confirmation is hereby given that, with respect to the attached financial statements, no exemptions were availed of, pursuant to paragraph four of Art. 2423 of the Civil Code.

**Significant subsequent events**

For this information, please read the report on operations.



## COMMENTS ON THE MAIN COMPONENTS OF THE FINANCIAL STATEMENTS

### ASSETS

#### **Due from members**

The balance relates to amounts due from members for shares subscribed but not yet paid.

#### **Fixed assets**

The legally-required information about intangible and tangible fixed assets is presented in schedules attached to these explanatory notes.

#### **Intangible fixed assets**

"Industrial patents and intellectual property rights" comprise the cost of acquiring the rights to use applications software. The related changes are reported in the attached schedule.

The item "Assets in process of formation and advance payments" mainly includes the costs and advances incurred for the acquisition of intangible assets that have not yet entered into operation. In particular, this item includes the capitalisation of software that is being implemented.

Deferred charges related to contracts, such as start-up costs, construction site costs, studies and designs, and the costs for contractual guarantees are valued and classified under contract work in progress..

#### **Tangible fixed assets**

Land and buildings mainly refer to two plots of land located in Ravenna (one in Porto Fuori and one in via dell'Idrovora) of Euro 8 million and two commercial-industrial complexes located in San Martino and Sant'Arcangelo of Euro 0.6 million. The carrying value of the land located in Ravenna was not subject to any write-down as it is considered recoverable, also on the basis of the results of an appraisal prepared by an independent professional which justifies its value.

The decreases in "assets in process of formation and advance payments" of approximately Euro 5.7 million, mainly attributable to the conclusion of the set-up of machinery for the construction of new projects in the Argentina area.

The Directors have had higher value assets subjected to an expert appraisal. These appraisals were prepared by independent professionals who estimated the selling value of the assets concerned or their expected market value at the end of the contract.

As regards the net book value of the assets not covered by an appraisal, the recoverability of the value and any further necessary write-downs were considered when estimating the final costs of the contracts where these assets are used and in the related valuation of work in progress or, alternatively, internal appraisals on the recoverability of the value have been considered.

Much of the carrying value of "equipment, plant and machinery" relates to assets located in foreign countries and used for specific contracts. Their carrying amount is deemed to be recoverable from contract revenue and/or, in certain cases, from compensation payable by the principal in the event of the work being suspended. The increase of Euro 5.3 million is mainly due to the set-up of machinery purchased for the construction of the Argentina area project.

Pursuant to Art. 10 of Law 72/83, disclosure is hereby made of assets that have been revalued.

<b>Revaluations</b>	<b>Law 576/75</b>	<b>Law 72/83</b>	<b>Law 413/91</b>	<b>Total</b>
<i>Building at Via Faunia – Roma</i>	-	-	242	<b>242</b>
<i>Factory complex at S. Arcangelo (RN)</i>	1	111	151	<b>263</b>
<b>Total</b>	<b>1</b>	<b>111</b>	<b>393</b>	<b>505</b>

At 31 December 2019 the depreciation accumulated, in relation to these revaluations, amounts to about Euro 0.4 million. With respect to the disclosures required by paragraph 22, Art. 2427 of the Civil Code for lease transactions, reference should be made to the attachments to the explanatory notes.

It should also be noted that the Cooperative's properties are not being used as collateral.

### **Financial fixed assets**

#### **Equity investments**

The provision for equity investments at 31 December 2018 amounting to Euro 155 million, has been adjusted at 31 December 2019. The breakdown between subsidiaries, associates and others is shown in the following table.

<b>Investments</b>	<b>Subsidiaries</b>	<b>Associates</b>	<b>Others</b>	<b>December 31, 2019</b>
<i>Book value</i>	203,428	24,523	40,560	<b>268,511</b>
<i>Investment write-off</i>	(131,727)	(22,857)	(1,956)	<b>(156,540)</b>
<b>Net book value</b>	<b>71,701</b>	<b>1,666</b>	<b>38,604</b>	<b>111,971</b>

#### *a) Subsidiary companies*

The following table provides a comparison between the carrying value and the corresponding portion of equity, as derived from the latest approved financial statements of subsidiary companies and adjusted in accordance with paragraph 4 of Art. 2426 of the Civil Code concerning the preparation of consolidated financial statements.

<b>Subsidiaries</b>	<b>Equity</b>	<b>CMC stake %</b>	<b>Equity Quota</b>	<b>Net Book Value</b>	<b>Diff.</b>	<b>Net Book Value</b>
			<b>(a)</b>	<b>December 31, 2019</b>	<b>(a-b)</b>	<b>December 31, 2018</b>
				<b>(b)</b>		<b>(c)</b>
Acquapura Srl	20	60	12	-	12	-
Alvisi Srl	(89)	90	(80)	-	(80)	-
Ancona Newport Srl	100	53	53	-	53	-
Ausa	10	52	5	5	-	5
BE Infrastrutture Srl (in liquidazione)	(104)	70	(73)	-	(73)	-
Bolognetta Scpa (*)	(12,354)	80	(9,883)	-	(9,883)	-
Novabala J.V. Corporation	1,806	50	903	293	610	293
CMC G.T.R.E.K. Groupement	-	-	-	1	(1)	1
CMC Africa Austral Lda (Mozambico)	9,950	100	9,950	7,839	2,111	7,839
CMC Bomar JV	236	100	236	-	236	-
CMC Bothjeng JV	(5,937)	100	(5,937)	-	(5,937)	-
CMC di Ravenna Eurl (Algeria)	(499)	100	(499)	-	(499)	-
CMC di Ravenna Sarl (Francia)	4,469	100	4,469	3,500	969	3,500

CMC di Ravenna USA Inc. (Stati Uniti)	30	100	30	-	30	-
CMC di Ravenna - Pg Mavundla J.V.	49,546	51	25,268	1	25,267	1
CMC Engoa Groupment	-	-	-	1	(1)	1
Cmc Embassy (in liquidazione)	(807)	100	(807)	-	(807)	-
CMC Holding Overseas S.p.A.	11,994	100	11,994	17,000	(5,006)	5,000
CMC Immobiliare S.p.A.	15,346	96	14,732	16,000	(1,268)	16,000
CMC Itinera Kenya J.V.	100	51	51	-	51	0
CMC Ltd Song da J.V.	9,556	40	3,822	-	3,822	-
CMC Mota-Engil J.V. (Malawi)	-	100	-	-	0	-
Cmc Otesa	69	100	69	-	69	-
CMC Railway J.V. Ltd (Swaziland)	-	100	-	-	0	-
CMC Sdn Bhd (Malesia)	-	100	-	-	0	-
Colfiorito Srl	10	52	5	-	5	-
Concrete Finance Srl (in liquidazione)	(7)	100	(7)	-	(7)	-
Conero	20	71	14	-	14	-
Empedocle Soc. cons. p.a.	30,000	80	24,000	24,000	-	24,000
Empedocle 2 Soc. cons.p.a. (*)	(41,278)	82	(33,848)	-	(33,848)	-
Fontana Nuova (in liquidazione)	20	51	10	-	10	-
GED Srl (in fallimento)	-	80	-	-	-	-
Gruppo Immobiliare (in liquidazione)	(2,801)	100	(2,801)	-	(2,801)	-
Ipertre	20	70	14	-	14	-
Iniziative Immobiliari Siciliane Srl	3,186	100	3,186	3,000	186	3,000
JV CMC/CCC	20	66	13	-	13	-
Letimbro Srl (in liquidazione)	(15,226)	51	(7,765)	-	(7,765)	-
Norte scrll	10	54	5	5	0	5
Ospedale dei Castelli Srl	50	50	25	25	-	25
Montefiore Srl (in fallimento)	-	-	-	-	-	-
Ravenna Tunnel Srl (in liquidazione)	120	99	119	-	119	-
Side Investments Ltd (Sud Africa)	(1,937)	100	(1,937)	-	(1,937)	-
Soc.Adriatica Impianti e Cave S.p.A. (*)	(7,071)	86	(6,081)	-	(6,081)	-
Solarmaas Srl (in liquidazione)	42	51	21	-	21	-
Villamarina Srl (in liquidazione)	100	51	51	-	51	-
Mazara Hospital Srl	10	60	6	6	-	6
Italia 61 Srl (in fallimento)	-	100	-	-	-	-
Padiglioni Expo Srl (in liquidazione)	50	51	26	25	1	25
LMH CC JV04 MBTA	(11,331)	49	(5,552)	-	(5,552)	-
<b>Total</b>				<b>71,701</b>		<b>59,701</b>

(\*) in composition with creditors/liquidation arrangement

The increase compared with the previous year derives exclusively from the purchase of the shares in CMC Holding Overseas spa. Details of the most significant equity investments are shown below:

**Empedocle 2 S.c.p.A. - Equity investment valued at cost with financial statements at 12.31.19 not yet approved by the shareholders' meeting.** It should be noted that the investee has submitted an application for a composition with creditors pursuant to art. 161 c.6 of the BL on 02.04.2019 at the Court of Ravenna. On 12/24/2019 it obtained the admission decree and the meeting with creditors was scheduled on 10/21/2019.

Note that this investment is part of an agreement between CMC, the Integra Consortium and the Company, as commented on more fully under "Trade receivables".

**CMC Immobiliare S.p.A. - Equity investment valued at equity with financial statements at 12.31.19 not yet approved by the shareholders' meeting.** The investment was valued on the basis of the presumed post-sale realizable value of the assets held by the subsidiary, determined on the basis of an appraisal prepared by an independent expert. Negotiations are currently underway both for the disposal of the main areas held by the company and for the restructuring of the financial lease contracts entered into by the subsidiary in previous years, one of which has already been renegotiated. No indicators emerged from the progress of the aforementioned negotiations suggesting that there were greater losses.

**Bolognetta S.c.p.A. - Equity investment valued at cost with financial statements at 12.31.19 not yet approved by the shareholders' meeting.** It should be noted that the investee has submitted an application for a composition with creditors pursuant to art. 161 c.6 of the BL on 02/04/2019 at the Court of Ravenna. The application was accepted on 02/06/2019. On 12/24/2019 it obtained the decree of admission and the meeting of creditors was scheduled on 10/21/2019. The valuation of the equity investment took into account the effects deriving from the creditors' approval of the investee's composition plan.

Note that this investment is part of an agreement between CMC, the Integra Consortium and the Company, as commented on more fully under "Trade receivables".

**C.M.C. HOLDING OVERSEAS SPA - Equity investment valued at equity with financial statements at 12.31.19 not yet approved by the shareholders' meeting.**

It is a holding company which holds CMC's investments in Sulbrita, LMH and CMC NY. In October 2019 CMC entered into an agreement with Cooperare SpA for the purchase of its shares equal to 45.19% of the share capital of CMC Holding Overseas SpA for Euro 12 million.

In 2019, in concert with the parent company CMC, CMC Holding Overseas worked to find a solution to the serious crisis situation of LMH CC by entering into a series of negotiations with the main creditors of the company, in particular Zurich NA, Unicredit NY, Mc Court Legal Advisor.

In this context, it was essential to receive a formal offer to purchase all of the shares of LMH CC, which made it less costly than to seek a general agreement with the various counterparties.

The expectations of a positive outcome of this situation are currently quite strong, taking into account the willingness shown by the various parties involved and it is confident that a conclusion can be reached for CMC Holding Overseas in 2020. It should be noted that CMC Holding Overseas, together with the parent company CMC, are guarantors in the so-called General Indemnity Agreement signed by the two companies with Zurich, to guarantee various US Entities, including LMH CC.

With reference to CMC NY, it should be noted that in order to maintain the value of the asset and ensure its full operational capacity and business continuity, in 2019 17% of the share capital of Di Fazio was sold to Di Fazio Holding Industries llc (former a minority shareholder). After this sale, the stake currently held by CMC Construction NY fell to 49% of Di Fazio Industries llc, which closed 2019 with a profit of approximately USD 4.1 million.

Lastly, as regards the situation of the Mozambican subsidiary Sulbrita Lda, it should be noted that the supply of concrete and materials for road substrates continues, with good prospects for development in the Oil & Gas sector in northern Mozambique.

The carrying value of the investment substantially reflects the realizable value of the investments, particularly Di Fazio Industries, in addition to Sulbrita's growth prospects.

**Empedocle 2 S.c.p.A. Equity investment valued at cost with financial statements at 12.31.19 not yet approved by the shareholders' meeting.** The investment is carried at Euro 24 million (in line with the previous year). This valuation is based on the assumption that, given the substantial completion of the work and the definition of reserves with the client, the subscribed and unpaid capital of Euro 18 million will not be called up. The net value of Euro 6 million is deemed by the Directors to be recoverable against a tombstone agreement to end a dispute with ANAS (the client), due to be signed by 12.24.2019, which should pay Empedocle Euro 47 million.

**Letimbro** - In view of the pro-quota capital deficit of the subsidiary, equal to approximately Euro 8 million, the investment was written down 100% and a specific provision for risks was set up to cover the guarantees issued to the investee. Following the termination of the contract with Anas, the company was put into liquidation on 5/21/2019.

**CMC Africa Austral** - The financial statements at 31 December 2019 include the value of the equity investment in this subsidiary and the credit and debit balances towards this company. The figures in the above financial statement items relating to the subsidiary CMC Africa Austral are shown below:

<b>CMC Africa Austral Lda</b>	<b>December 31, 2019</b>
Financial receivables	72,923,221
Receivables	81,257,533
Payables	103,842,227
<b>Total</b>	<b>50,338,527</b>
<b>Net Book Value</b>	<b>7,839,967</b>

*b) Associated companies*

The following table provides a comparison between the carrying value and the corresponding portion of equity, as derived from the latest approved financial statements of associated companies and adjusted in accordance with paragraph 4 of Art. 2426 of the Italian Civil Code:

Associated companies	Equity	CMC stake %	Equity quota	Net Book Value	Diff.	Net Book Value
			(a)	December 31, 2019 (b)	(a-b)	December 31, 2018 (c)
Antares Scrl	3,202	28	897	840	57	840
Autostrade Romagna 1 Soc. cons. p.a.	1,000	35	350	350	-	350
Baglio La Camperia S.p.a.	500	20	100	-	100	-
Consorzio JV CB	20	50	10	-	10	-
Constructora Nuevo Maipo SA (Cile)	-	30	0	-	0	-
Elaion Soc.Cons. A.r.l.	10	40.5	4	-	4	-
FDA Srl (in liquidazione) (*)	1,163	20	233	205	28	205
Granarolo Immobiliare S.p.a.	251	30	75	-	75	-
Holcoop Spa	55	15	8	-	8	-
Itaca Soc. cons. r.l. (in liquidazione)	10	34.6	3	-	3	-
Lodigiani - CMC Sdn (Malesia)	-	50	0	-	-	-
Mirandola Scrl	20	45.1	9	-	9	-
Molfetta Newport Scrl	50	38.5	19	19	0	19
Opera 2 Soc. cons. r.l. (in liquidazione)	-	0	0	-	-	-
Opera 3 Soc. cons. r.l. (in liquidazione)	30	34.67	10	-	10	-
Paco Srl	17	49	8	8	0	24
Piombone Soc. cons. r.l. (in liquidazione)	100	49	49	-	49	-
Sistema 2 Soc. cons. r.l. (in liquidazione)	30	37	11	-	11	-
Sistema 3 Soc. cons. r.l. (in liquidazione)	(547)	41	(224)	-	(224)	-
Trento Tre	20	45	9	9	-	9
Under Water Anchors Srl	79	33.33	26	-	26	-
Val di Chienti Soc. cons. p. a.	70,000	30.43	21,301	-	21,301	-
Venaus Soc. cons. r.l.	100	47.82	48	235	(187)	235
<b>Total</b>				<b>1,666</b>		<b>1,681</b>

(\*) Figures as per the financial statements at 30/6/2019

VAL DI CHIANTI S.c.p.a – In previous years, the investee started a lawsuit against the client for the recognition of reserves on the work carried out. Although the company had won in the first two proceedings, the claim was denied by a subsequent ruling by the Court of Cassation. The equity investment was therefore written down in full in the previous year, while receivables from the investee for Euro 16.3 million and payables to the investee of Euro 35.7 million were recorded in the financial statements.

In 2019 following the bankruptcy of COCI, the holding was divided pro-quota among the shareholders and CMC increased its holding from 28% to 30.43%. The increase was prudently written down in line with the rest of the investment.

### c) Other companies

Details are provided below of equity investments in other companies:

Other companies	Sector	CMC stake %	Net Book Value	Net Book Value
			December 31, 2019	December 31, 2018
Aeroporto della Romagna S.p.A.	Società concessionaria aeroportuale	5.39	-	97
Azienda Libico Italiana	Coord. Comm.le	0.33	-	-
CFI Cooperazione Finanza Impresa S.c.p.a.	Finanziario	0.7	6	6
Cons. C.A.V.E.T. (Consorzio Alta Velocità' Emilia-Toscana)	Edile	11.27	611	611
Cons. CO.RI.RE.	Coord. Scientifico	14	-	-
Cons. Coop. di Costruzioni (CCC - BO)	Associaz. Categ.	1.82	1,011	1,011
Cons. Coop. di Produzione e Lavoro (CONSCOOP - FO)	Associaz. Categ.	2.86	50	103
Cons. Costruttori TEEM	Edile	11.61	-	-
Cons. Integra	Associaz. Categ.	2.86	1,200	1,200
Cons. Lec Libyan an Express	Coord. Edile	11	-	-
Cons. Mantov. Coop. di Produz. e Lav. "Virgilio"	Associaz. Categ.	0.15	-	-
Cons. Prometeo (in liquidazione)	Edile	0.01	-	-
Cons. Toscano Costruzioni - C.T.C.	Immobiliare	6.91	-	-
Coop. Culturale "Luigi Luzzati" Soc. coop. r.l.	Culturale-Ricreativo	31.32	-	-
Coop. Servizi Cultura Soc. coop. r.l.	Culturale-Ricreativo	95.56	-	-
Coop. Terremerse Soc. coop. r.l.	Servizi	1.33	3	3
Cooperare S.p.a.	Associaz. Categ.	0.01	-	-
Kostruttiva (ex Co.Ve.Co.) Soc.conSrl	Associaz. Categ.	3.84	-	-
CNS – Consorzio Nazionale Servizi	Associaz. Categ.	12	12	12
Eurolink S.c.p.a.	Edile	13	19,500	19,500
Federazione delle Coop. della Prov. di Ravenna	Associaz. Categ.	12.3	-	-
Federcoop "Nullo Baldini" Soc. Coop. r.l.	Finanziario e servizi	3.84	64	64
Fincooper Soc.coop.r.l.	Finanziario	0.93	-	-
I.GE.I. (Inps Gestione Immobiliare) S.p.A. (in liquidazione)	Immobiliare	9.6	-	-
Immobiliare Riminese Malatesta Srl	Immobiliare	0.44	-	-
Istituto Coop. ICIE	Ricerca e Studi	3.41	-	-
ISI Service Romagna Srl	Servizi	12	-	-
Nomisma – Società' di Studi Economici - S.p.A.	Ricerca e Studi	0.21	11	11
Passante di Mestre S.c.p.a.	Edile	12	667	667
Porto Intermodale Ravenna S.p.a.	Edile	0.21	354	354
Qua.S.Co. Soc. cons. r.l.	Ricerca e Studi	0.23	1	1
SAT Lavori Soc. cons. r.l.	Edile	12.99	-	-
S.C.S. Consulting S.p.A.	Ricerca e Studi	0.44	11	11
Soped S.p.A.	Editoriale	1.63	-	-
Tangenziale Esterna S.p.A.	Concessionaria	3.235	15,041	15,041



Other			63	63
<b>Total</b>			<b>38,604</b>	<b>38,755</b>

**Eurolink S.c.p.a.** - Consortium company created to carry out the contract for the construction of the Bridge over the Straits of Messina: this work was never carried out due to termination of the contract decided unilaterally by the public sector client and the subsequent liquidation of the client company Stretto di Messina S.p.A.

The carrying value of the equity investment, net of the unpaid subscribed capital due, amounts to approximately Euro 4.9 million and was not written down, taking into account:

- the probability of collecting the related claim.
- Given that the law imposed that the project does not go forward (to date the company is only managing the dispute), the Directors believe that the unpaid share capital of Euro 14.6 million will not be requested.

**TE** - The carrying value has not been written down, as it is not expected that impairment losses will emerge from the imminent sale of the investment. Negotiations are underway for disposal of the investment.

**Consorzio Integra** - The equity investment was not written down, there are no elements to suggest that there are impairment losses. In August, a settlement agreement was signed with the Integra Consortium to reach a solution regarding the different relationships between the two companies (as well as with the two project companies Empedocle 2 Scpa and Bolognetta Scpa), also in relation to the Sicilian projects of the maxi-lot SS 640 Agrigento Caltanissetta (lot 2), highway SS 121 Palermo-Lercara Friddi and the Turin underground line 1 project (Lingotto-Benghazi section). The agreement reached brought mutual benefits to the parties by regulating the contractual relationships of the various works in question.

#### Financial receivables

<b>Financial receivables</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Subsidiaries	145,850	152,259
Associated companies	9,260	9,260
Other	14,567	14,609
<b>Total</b>	<b>169,677</b>	<b>176,128</b>

The amounts of receivables due to/from subsidiaries and associates are analysed in an attachment and commented in the paragraph on relationships with Group companies.

Financial receivables - from subsidiaries and associates have been written down by around Euro 48 million. Given that this write-down also takes into account the adjustments made to trade receivables from subsidiaries and associates, the provision was recorded in full to reduce the carrying value of trade receivables (see the section on trade receivables).

The decrease in financial receivables from subsidiary companies, amounting to Euro 6.5 million, is mainly attributable to CMC NY as a partial reimbursement of loans previously granted to CMC and CMC Razel JV, due to closure of the company.

It should be noted that following the approval, the Company will offset the receivables and payables from/to subsidiaries and associates during 2020.

Other financial receivables consist of the following:

<b>Other financial receivables</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Guarantee deposits	1,050	1,041
Loans to other companies	6,083	5,657
Contributions to associations and/or entities	24	23
Other	7,410	7,887
<b>Total</b>	<b>14,567</b>	<b>14,609</b>

## **CURRENT ASSETS**

### ***Closing inventories***

These consist of the following:

<b><i>Inventories</i></b>	<b><i>December 31, 2019</i></b>	<b><i>December 31, 2018</i></b>
<i>Raw materials and consumables</i>	6,150	5,588
<i>Contract work in progress</i>	246,565	271,018
<i>Advances</i>	12,988	13,669
<b><i>Total</i></b>	<b><i>265,703</i></b>	<b><i>290,275</i></b>

#### ***a) Raw, ancillary and consumable materials***

These mainly consist of raw materials used at construction sites for the fulfilment of a contract. The most significant amounts are attributable to contracts in Italy, Argentina, China and Philippines. At 31 December 2019, the amount of 6,150 thousand euro is net of a write-down provision of 7,658 thousand euro (7,802 thousand euro at 31 December 2018).

#### ***b) Contract work in progress inventories***

The decrease in work in progress is mainly attributable to the Empedocle 1 contract which accounted for revenues following the transaction signed with Anas for the recognition of Euro 47 million, as previously explained.

Contract work in progress for Euro 247 million are representative of the production carried out by the Company and not yet invoiced to customers. In some cases they also include requests from customers for variations and additional fees, which historically arise during the execution of the works.

During the year and in previous years, the company has recognized requests for additional fees not yet approved by the client, but recorded under "Contract work in progress" for Euro 178 million. As a precaution, 13.3 million euro were set aside in the specific risk provision which reduces the amount of work in progress to 234 million euro and the related claims to 164.4 million euro.

Despite the uncertainty linked to the outcome of the disputes initiated to obtain recognition of these amounts, Management of the Cooperative believes that their realization is reasonably certain after an examination of the documentation relating to these proceedings. This recovery estimate is also reflected in an analysis prepared by a leading consultancy firm.

In addition to the already mentioned claim relating to the Empedocle order, the following additional claims were defined and collected during the year:

- Douaouda
- El Kala
- Shanxi
- E.S.A. Basso Verdura

The comparison table with the figures as of 31 December 2018 is shown below:

<b><i>Principal</i></b>	<b><i>Description</i></b>	<b><i>December 31, 2019</i></b>	<b><i>December 31, 2018</i></b>	<b><i>Var.</i></b>
ANAS SPA	SS 640 AGRIGENTO CALTANISSETTA LOTTO 2	37,611	37,006	605
ANAS SPA	SS 640 AGRIGENTO CALTANISSETTA	0	32,426	(32,426)
RIFT WALLEY WATER SERVICES BOARD ( RVWSB )	PROGETTO IDRICO-DIGA ITARE (KENYA)	30,970	30,970	0
CIRCUMETNEA	STAZIONE MONTE PO/STESICORO	31,088	30,756	332
A.G.A. (AG. GESTION AUTOROUTES)	COSTRUZIONE SERVIZI PER AUTOSTRADA LOTTO EST ( ALGERIA )	24,519	21,117	3,402
ANAS SPA	LAVORI A SAVONA	17,414	17,414	0

SHANXI MIDDLE YELLOW RIVER WATER RESOURCE DEVELOPMENT CO. LTD.	SCAVO PER TRASFERIMENTO ACQUE FIUME SHANXI (CINA)	9,366	9,354	12
ISTITUTO NAC. ESTRADA DE ANGOLA	AUTOSTRADA LUANDA SOYO (ANGOLA)	8,608	8,446	162
MINISTERO DELLE INFRASTRUTTURE	METROTRANVIA MILANO	7,811	8,211	(400)
ANP-AGENCE NATIONAL DES PORTS - MAROCCO	MAROCCO-PORTO MOHAMMEDIA	4,426	4,426	0
REGIONE CALABRIA	METROTRANVIA COSENZA-RENDE	4,604	3,669	935
NHPC LIMITED	INDIA-PARBATI TUNNEL IDROELETTRICO	3,454	3,454	0
ANAS SPA	SS 121 - PALERMO LERCARA FRIDDI	8,120	5,643	2,477
PROVINCIA AUTONOMA TRENTO	IMPIANTO DI DEPURAZIONE	1,283	0	1,283
HERA SpA	VASCHE BACINO AUSA	3,078	2,443	635
ALTO MAIPO S.p.A.	TUNNEL IDRAULICO PER IMPIANTO IDROELETTRICO (CILE)	13,902	13,876	26
KVDA - CMC-ITINERA JV	REALIZZAZIONE DIGA ARROR E KIMWARER	5,315	0	5,315
OTHER		34,996	41,807	(6,811)
<b>TOTAL</b>		<b>246,565</b>	<b>271,018</b>	<b>(24,453)</b>

c) Advances

"Advances" remain substantially unchanged compared with the previous year.

**Receivables**

These consist of the following:

<b>Receivables</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<i>From cutomers:</i>		
- for works and supplies	204,040	277,651
- less allowance for doubtful accounts	(145,457)	(149,411)
- for interests on overdue payments	1,370	1,370
- less allowance for interest on overdue payments	(1,370)	(1,370)
<b>Total from customers</b>	<b>58,583</b>	<b>128,240</b>
<i>Due from subsidiaries</i>	516,783	443,392
<i>Due from associated companies</i>	30,587	28,811
<i>Receivables from tax authorities</i>	22,311	26,957
<i>Deferred tax assets</i>	-	-
<i>Other</i>	40,778	40,701
<b>Total receivables</b>	<b>669,044</b>	<b>668,101</b>

Due from customers

The decrease in "Due from customers" of Euro 70 million is essentially due to the agreement signed by CMC with Consorzio Integra and to the collection of receivables on continuing contracts.

In 2018 the allowance for doubtful accounts was increased to Euro 149,411 thousand to reflect, in a prudential way, the risks of not being able to collect certain claims from third parties subject to disputes or cases in which the counterparty had financial difficulties.

During the year, this allowance was used to write off receivables from foreign clients.

There are the following situations of uncertainty relating to receivables outstanding at 31 December 2018:

**Mercati Agro-Alimentari Sicilia S.c.p.A.** - This is a receivable relating to the contract for the construction of the new Agri-Food Market in Catania (CT) for which the client is Mercati Agro-Alimentari di Sicilia S.c.p.A. (hereinafter MAAS), a public controlled company. The works have been completed and testing was successful. The total receivable for CMC at 31/12/2019, unchanged compared with 31/12/2018, amounts to Euro 11.29 million and refers to certificates issued for Euro 11.10 million and amounts withheld as collateral for Euro 195 thousand. The client has not yet paid these balances as it is experiencing financial difficulties.

In March 2020 a settlement agreement was concluded with the contracting entity accepted by CMC.

**M.A. KHARAFI (MALAWI BRANCH)** - This is a receivable relating to a contract for the construction of a highway that was completed several years ago. The receivable of Euro 3.3 million at 31 December 2019 (unchanged on the figure at 31 December 2018) was written down during the previous year by Euro 2.231 million as collection terms were uncertain. The part of the receivable not written down corresponds to the payable that the Company has towards a subcontractor (Herbo) for approximately Euro 1 million. In any case, legal action is underway to collect all of this receivable, even the part that has been written down.

**Melamchi Water Supply Development Board - MWSDB (NEPAL BRANCH)** - This is a receivable relating to a contract for the excavation of approximately 20.5 km of tunnels to divert water from the Melamchi River. This project has been terminated. The receivable of Euro 6.2 million at 31 December 2019 (unchanged at 31 December 2018) was partially written down during the previous year by Euro 3.9 million.

**Grandi Lavori Fincosit S.p.A.** - The balance at 31 December 2019 of Euro 26.6 million refers almost entirely to the costs passed on to Grandi Lavori Fincosit SpA (GLF) based on an agreement between CMC and GLF of 2010 under which CMC passes to GLF part of the costs in the Val di Chienti budget that were up to CMC. GLF is in a composition with creditors. CMC also has a payable balance with GLF of a similar amount. The Company's Management believes that the receivable is fully collectable, so no provision was made at 31 December 2019.

#### Due from subsidiary companies

At 31 December 2019, receivables from subsidiaries amounted to Euro 517 million, an increase compared with the previous year of approximately Euro 74 million.

This increase is due for Euro 37.6 million to the recognition of the receivable from Empedocle for the portion of CMC of the agreement signed with ANAS at the end of 2019.

The residual increase is essentially linked to the invoicing of works including Bolognetta for Euro 9.5 million, Empedocle 2 for Euro 6.9 million and CMC Africa Austral for Euro 5.1 million.

It should be noted that following the approval, the Company will offset the receivables and payables from/to subsidiaries and associates during 2020.

#### Due from tax authorities

These consist of the following:

<i>Receivables form tax authorities</i>	<i>December 31, 2019</i>	<i>December 31, 2018</i>
<b>Income tax</b>		
- Italy	625	625
- Overseas	4,984	5,124
<b>VAT</b>		
- Italy	14,167	18,166
- Overseas	2,187	2,659
<b>Withholding tax (IRPEF)</b>		
- Italy	265	216
- Overseas	11	38
<b>Other taxes</b>		
- Italy	52	52
- Overseas	19	75
<b>Total</b>	<b>22,311</b>	<b>26,957</b>

Following numerous meetings with the Regional Tax Revenue Agency of Bologna, in August 2019 a final proposal was made to the Agency, given CMC's insolvency, to compensate part of the VAT credit accrued with the tax declaration for 2018 with tax payables for Ires in 2017, staff withholdings for 2018 and the amount due under the agreed assessment in 2016. The amount of the compensation is Euro 10,647 thousand. The Italian VAT credit accrued following application of the split payment system under art. 1 paragraph 629 of Law 2014/190 has been requested as a rebate from the Tax Authorities. During 2019 repayment times expanded and thanks to the composition with creditors and with the approval of May 2020, repayment times are expected to return to normal.

#### Deferred tax liabilities and deferred tax assets

Due to CMC's crisis situation, starting from 2018, deferred tax assets in Italy and abroad were eliminated, net of deferred tax liabilities, with the net effect on the income statement. The same prudential criterion continued also in 2019.

#### Due from others

Amounts "due from others" mainly include receivables from subsidiaries, partners in joint ventures, employees and social security institutions.

Receivables are analysed by geographical area below, as required by art. 2427 of the Italian Civil Code: <b>Receivables</b>	<b>ITALY</b>	<b>AFRICA</b>	<b>ASIA</b>	<b>EUROPE</b>	<b>SOUTH AMERICA</b>	<b>TOTAL</b>
<i>From customers</i>	94,436	51,644	46,205	188	12,937	<b>205,410</b>
<i>From Subsidiaries</i>	422,185	92,352	2,246	-	-	<b>516,783</b>
<i>Form Associated</i>	30,588	-	-	-	-	<b>30,588</b>
<i>Taxes</i>	15,110	2,705	3,287	3	1,206	<b>22,311</b>
<i>Deferred tax assets</i>	-	-	-	-	-	<b>-</b>
<i>Others</i>	35,433	2,384	2,816	19	126	<b>40,778</b>
<b>Total</b>	<b>597,752</b>	<b>149,085</b>	<b>54,554</b>	<b>210</b>	<b>14,270</b>	<b>815,871</b>
<i>Allowance for doubtful accounts</i>	(95,613)	(34,788)	(16,426)	-	-	<b>(146,827)</b>
<b>Total</b>	<b>502,138</b>	<b>114,298</b>	<b>38,128</b>	<b>210</b>	<b>14,270</b>	<b>669,044</b>

The balance of receivables from subsidiaries and associates is shown gross of the offsets that will be made during 2020,

### **Cash and cash equivalents**

“Cash and cash equivalents” include the cash balances and equivalents held by the head office and at the various construction sites.

This item (cash and cash equivalents translated into Euro and referred to the current account of Branches and Parent Company) is made up as follows:

Details of cash and cash equivalents	December 31, 2019	December 31, 2018
- Euro	6,489	12,655
- Dinari (Algeria)	526	405
- Peso (Argentina)	1,436	17
- Kwanza (Angola)	7	12
- Dollars (USA)	510	3,491
- Dinaro (Kuwait)	30	29
- Peso (Philippines)	529	248
- Renminbi (China)	29	33
- Dollas (Singapore)	11	70
- Rand (South Africa)	600	643
- Rupie (Nepal)	2	58
- Lev (Bulgaria)	3	2
- Kes (Kenya)	12	33
- Other currencies	118	547
<b>Total</b>	<b>10,302</b>	<b>18,243</b>

The change in this caption with respect to the previous year is analysed in the statement of cash flows.

### **Accrued income and prepayments**

The composition of the item is as follows:

Accrued income and prepayments	December 31, 2019	December 31, 2018
<b>Accrued income</b>		
- interest	-	-
- others	-	20
<b>Deferred costs</b>		
- insurance	1,880	2,331
- guarantee	125	412
- interest	-	-
- rental fees	273	478
- leasing fee	57	915
- others	961	1,811
<b>Total</b>	<b>3,296</b>	<b>5,967</b>

## **LIABILITIES AND EQUITY**

### ***Equity***

The statement of changes in equity during the year is attached.

### **Share capital**

The share capital consists of 297,273 shares with a par value of Euro 50 each, in addition to some Euro 20 thousand of fractional shares due to revaluation.

### **Legal reserve**

It includes the allocation of the results for the period as envisaged by the Company's Articles of Association.

### **Extraordinary reserve**

It includes the allocation of the results for the period as established by the shareholders' resolutions.

### **Cumulative translation adjustment**

It includes the net effect deriving from the conversion into Euro of the balances relating to permanent organizations abroad which have a high management autonomy and which adopt multi-currency accounting.

### **Reserve art. 2426, paragraph 1.4) of the Italian Civil Code**

It includes the effects of the valuation with the equity method of some categories of investments in subsidiaries and associates.

### **Valuation reserve for foreign currency assets and liabilities**

In accordance with Art. 2426, paragraph 1.8- bis) of the Italian Civil Code, this reserve includes the net gain arising from adoption of the previous year-end exchange rates for the translation of assets and liabilities in foreign currencies.

Changes in the membership base in 2019 are as follows:

	<b>Active shareholders</b>	<b>Pensioner shareholders</b>	<b>Financing shareholders</b>	<b>Total</b>
<b>Year beginning</b>	<b>323</b>	<b>498</b>	<b>1</b>	<b>822</b>
New members	-	-	-	-
Leavers	(71)	(3)	-	(74)
Retirements	(1)	1	-	-
<b>As of December 31, 2019</b>	<b>251</b>	<b>476</b>	<b>1</b>	<b>728</b>

Regarding the information required by art. 2427 of the Italian Civil Code art. 4 and 7-bis relating to the equity items, please refer to the "Attachments" to these notes, which also provide information on the possibility of using the reserves, the unrestricted portion and the uses made in the three previous years.

It should be remembered that in the event of negative equity, determined by large losses, art. 182-sexies BL establishes that from the date of submission of the application - be it admission to a composition with creditors or approval of the restructuring agreement or an injunction related to a pre-agreement pursuant to the sixth paragraph of art. 182-bis BL - and until court authorization has been given, the rules established by the Italian Civil Code regarding losses in excess of one third of the share capital do not apply and the cause of dissolution of the company due to reduction or loss of the share capital pursuant to articles 2484, no. 4 and 2545-duodecies of the Italian Civil Code is not operative.



As mentioned previously, approval of the composition with creditors will result in restoration of capital equilibrium by means of debt relief and consequent resolution of articles 2446 and 2447 of the Italian Civil Code.

### **Provisions for risks and charges**

<b>Provisions for risks and charges</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<i>Contract risks</i>	188,175	198,507
<i>Overseas/foreign operations</i>	140,305	178,601
<i>Other risks and charges</i>	47,904	158,941
<i>Taxes</i>	1,218	1,258
<b>Total</b>	<b>377,602</b>	<b>537,307</b>

The provisions are considered adequate by the directors of the Cooperative, assisted by their legal and fiscal consultants, to cover any charges that may arise from the settlement of the disputes and potential liabilities.

The financial statements at 31 December 2018 include the main provisions relate to the risk associated with the potential enforcement of bank and insurance guarantees given in favour of clients in Italy and abroad for good execution and guarantee retentions. Against these events, there are provisions at 31 December 2019 for Euro 230 million (Euro 364 million at 31 December 2018) accounted for under item "Provision for contract risks" for Euro 83 million (unchanged compared with 31 December 2018), "Provision for foreign operations" for Euro 131 million (Euro 173 million at 31 December 2018) and "Other provision for risks and charges" for Euro 16 million (Euro 108 million at 31 December 2018). This amount was determined by the Directors of the Company following detailed analysis of the contracts, of the banking and insurance documentation available to it.

During 2019, these provisions were used to cover the enforcement of guarantees for Euro 134 million. It should also be noted that there are a further 33 million euro, relating to enforcements that took place during the year, which were already reflected in payables at 31 December 2018 (to banks, advances and subsidiaries). So payables to banks increased by Euro 167 million at 31 December 2019 compared with the previous year against the enforcement of these guarantees. During 2020, at the date of approval of these financial statements, a further Euro 17 million was enforced, against which a specific provision for risks had been made the previous year.

It should be noted that these provisions fall within class 5) of the composition with creditors proposal presented by the Cooperative. Therefore, to the extent that the clients proceed with enforcement of the guarantees, they will involve the assignment of PFSs to those subject to enforcement.

In addition to Euro 83 million relating to the potential risk of enforcement, the "Provision for contract risks" of Euro 188 million (Euro 199 million at 31 December 2018) also comprises:

- Euro 26 million (Euro 30 million at 31 December 2018) for the estimated costs involved in managing the composition with creditors procedure. These costs mainly refer to the costs of the procedure and to the various professionals involved in various capacities. The Company deemed it appropriate to proceed with the allocation in 2018 of these provisions in continuity with the approach adopted when drafting the Accounting Situation as at 3 December 2018 placed at the basis of the request for composition with creditors. During the year, this provision was used for Euro 4 million to make payments;
- Euro 11 million (the same amount in the previous year) relating to interest on late payments that the Cooperative has prudently allocated to deal with any requests from suppliers.
- Euro 49 million (Euro 71 million at 31 December 2018) for risks related to legal disputes that could end negatively for the Company. Although in the context of uncertainty based on the analyses carried out and the related probability of losing, in light of the information available at the date of these financial statements, the Directors believe that the provision allocated to the financial statements represents the best estimate of the potential risk that could emerge on the conclusion of these proceedings. The use of the provision for Euro 22 million during the year is mainly attributable to the recognition of penalties to foreign clients of some projects as better described in the item "Other payables".
- Euro 20 million, of which 4 million, as for the previous year, related to requests for additional payments from suppliers that at present have not been recognized by the Cooperative's Management as they are either considered not due and/or as losses at the end of projects currently in progress. The provision of Euro 16 million made during the year is attributable exclusively to the Empedocle order and to the order of the Argentina Branch of the Cooperative.

In the "Provision for foreign operations" of Euro 140 million (Euro 179 million at 31 December 2018), in addition to Euro 131 million relating to the potential risk of enforcement, previously described, there is an additional Euro 9 million (Euro 6 million at 31 December 2018) relating to so-called final costs or costs for the dismantling of foreign plants and construction sites; an additional Euro 4 million was set aside for such cases during the year.

The "Other provisions for risks and charges" of Euro 48 million (Euro 159 million at 31 December 2018), in addition to Euro 16 million relating to the potential risk of enforcement, previously described, there are additional Euro 32 million relating to final costs, costs of dismantling foreign construction sites, requests for additional compensation from suppliers or risks related to litigation.

Although in the context of uncertainty based on the analyses carried out and the related probability of losing, in light of the information available at the date of these financial statements, the Directors believe that the provision allocated to the financial statements represents the best estimate of the potential risk that could emerge on the conclusion of these proceedings.

The provision for current and deferred taxes is equal to Euro 1.2 million and mainly refers to an estimate of the current taxes of some foreign branches.

At the date of preparation of the financial statements, the list of enforcements is shown below:

<b>Enforcements</b>	<b>Provision</b>	<b>Income statement</b>	<b>Payables</b>	<b>Total</b>
<i>Nepal</i>	17,822	(32)	7,001	24,791
<i>Kuwait</i>	67,728	420		68,148
<i>South Africa</i>			4,000	4,000
<i>Lebanon</i>	17,803		12,253	30,056
<i>Singapore</i>	10,301			10,301
<i>Kenya</i>			6,800	6,800
<i>Zambia</i>	4,132			4,132
<i>India</i>	5,164			5,164
<i>Bulgaria</i>			492	492
<i>Sweden</i>	10,975			10,975
<b>Overseas</b>	<b>133,925</b>	<b>388</b>	<b>30,546</b>	<b>164,859</b>
<i>GED Srl</i>			249	249
<i>Montefiore Scarl</i>			2,057	2,057
<i>Isopensione</i>			26	26
<b>Italy</b>	<b>0</b>	<b>0</b>	<b>2,332</b>	<b>2,332</b>
<b>Total</b>	<b>133,925</b>	<b>388</b>	<b>32,878</b>	<b>167,191</b>

The Cooperative is party to a number of disputes arising in the ordinary course of business. In particular, we would mention that:

- in relation to the Headrace Tunnel of Hydroelectric Plant project in Alto Maipo (Chile), carried out in collaboration with Hochtief Solutions AG, through the vehicle company Constructora Nuevo Maipo SA (of which we hold a 30% stake), on 7 June 2017, the client and owner of the land, Alto Maipo S.p.A., a Chilean company, delivered a notification of complaint concerning the violation of various contractual obligations by Constructora Nuevo Maipo SA, simultaneously filing an arbitration request before the International Chamber of Commerce, claiming alleged damage. Consequently, Alto Maipo S.p.A. activated the guarantees on the performance obligations granted in relation to this project, for a total of Euro 79.5 million, 30% of which was counter-guaranteed by UniCredit S.p.A. which should have had recourse against us. Execution was initially suspended (Constructora Nuevo Maipo SA

received an injunction from the local Chilean court), but in the end the suspension order was revoked on 10 July 2017. Consequently, we agreed to waive the suspension order that we had obtained on 13 June 2017 from the Civil Court of Ravenna, following our petition for an urgent precautionary injunction on 12 June 2017 against UniCredit S.p.A., and in the end we paid the Italian counter-guarantor an amount of Euro 19.5 million. Constructora Nuevo Maipo SA has filed a counterclaim for damages against Alto Maipo S.p.A. with the ICC (International Chamber of Commerce) for unlawful termination of the Alto Maipo contract, also requesting reimbursement of the amounts taken by Alto Maipo from the existing bank guarantees. The exchange of the pleadings between the parties began on 3 August 2018. Work on the pleadings and questions then continued during 2018 and the oral hearing before the ICC's court of arbitration was held in from 21 to 30 May 2019 in Santiago. The arbitration award is expected in the third quarter of 2021. We intend to continue supporting Constructora Nuevo Maipo SA in its dispute with Alto Maipo and AES Gener.

- with a summons issued in February 2017, the Public Prosecutor of Ravenna ordered the referral to trial of Massimo Matteucci, former chairman of CMC's Board of Directors, Dario Foschini, CMC's former Managing Director, Guido Leoni, CMC's former deputy chairman, Maurizio Fucchi, CMC's former deputy chairman and Alfredo Fioretti, at the time of the facts CMC's deputy chairman, accused, together with others, of the crimes referred to in arts. 256 paragraph 1 letter a), paragraphs 2 and 4, and paragraph 3 of Legislative Decree 152/06. The allegations concerned the handling of materials from dredging works contracted by the Port Authority of Ravenna to CMC. The first instance ended with the acquittal of Matteucci, Leoni and Fioretti, and the conviction of Fucchi and Foschini. The lawyers have appealed against the sentence handed down against Fucchi and Foschini, while the Prosecutor's Office appealed against the acquittal of Fioretti. Appeal proceedings are still pending.

The Company believes that it operated correctly and that there is a chance of a decision in its favour;

- In October 2013, the public prosecutor's office of the Court of Trani commenced a criminal investigation into the award of the contract for work relating to the construction of the new Molfetta port. The contract was awarded in 2006 to a consortium headed by the Company. The accusation against the Company is that it knowingly participated in a project organised fraudulently by Molfetta Municipality. The investigation includes, among others, the previous Chairman of our Board of Directors (now deceased) and our former Managing Director as the legal representatives of CMC and Molfetta Newport S.c.a.r.l. The precautionary measures requested by the public prosecutor against the Company and its employees (inclusive of the request for interdiction prohibiting the continuation of its operations pursuant to Decree 231/2001) were rejected and revoked by the competent Court. With the sentence of 12.20.2019 filed in April 2020, the Company was acquitted along with all of the employees involved;
- With regard to the criminal proceedings brought against the C.A.V.E.T. Consortium and certain individuals, including some former managers of the Consortium, the appellate proceedings ended with a decision handed down on June 27, 2011, which reversed in full the lower court's decision, thus reversing the convictions handed down by the lower court and finding both the Consortium and the indicted individuals not guilty of any of the charges. The Public Prosecutor of the Court of Florence appealed this decision to the Court of Cassation, which, on March 18, 2013, set aside in part the decision of the Florence Court of Appeals ordering that the case be returned to the Court of Appeals. The reinstated proceedings before the Florence Court of Appeals got under way on January 30, 2014 and, on March 21, 2014, the Court of Appeals handed down a decision by which it rejected most of the charges levied by the Public Prosecutor, but upheld them in some important cases. The ruling of the Courts of Appeal of Florence was challenged by all the defendants and by C.A.V.E.T., as a party liable under civil law and, in September 2014, the related appeals were filed for Cassation.

On 21 April 2016, Criminal Chamber IV of the Court of Cassation handed down a decision by which it annulled without reinstatement the decision handed down on 21 March 2014 by the Florence Court of Appeals with respect to all criminal charges and most of the civil aspects, allowing, only for some of the latter, recourse to the competent civil court of appeal.

The Ministry of the Environment has in fact brought proceedings before the Florence Civil Court of Appeals, seeking a ruling on the existence of environmental damage and thus to order CAVET and certain individuals already charged in the criminal proceedings to adopt necessary remedial measures that have still to be determined;

- In June 2012, the public prosecutor's office of the Court of Latina commenced a criminal investigation against, among others, the Chairman of the Company's Board of Directors and the Managing Director, with reference to an alleged violation of art. 256 of Decree 152/2006 relating to the handling and transport of non-hazardous materials. A judgement was issued against the Chairman not to proceed following the death, while the proceedings against the pro-tempore Managing Director (Dario Foschini) continued. The proceedings are still pending.

The Directors believe that this proceeding will not lead to any liabilities arising for the Company;

- In July 2011, following the death of one of the Cooperative's workers in December 2010, the public prosecutor's office of the Court of Perugia initiated criminal proceedings against one of the Cooperative's managers for an

alleged violation of art. 2010 of Decree 81/2008 and of art. 589 of the Italian Penal Code. The proceedings are still pending.

The Directors believe that this proceeding will not lead to any liabilities arising for the Cooperative.

- In July 2019 the Public Prosecutor of Nairobi requested the start of criminal proceedings against, among others, the Joint Venture CMC - Itinera s.c.p.a., a company set up by CMC and Itinera S.p.A. for the execution of construction works for the Aror and Kimwarer dams in Kenya entrusted by the Kerio Valley Development Authority (a government agency) and its chairman Paolo Porcelli, who holds the position of General Manager of the Cooperative. The charges brought against Porcelli and the JV, later extended to the Cooperative and its administrative body in office in 2014, allege "conspiracy to defraud" and "fraudulent acquisition of public property" against the State of Kenya. At present, no elements or evidence have emerged to support these accusations and the Cooperative has made every effort to demonstrate its extraneousness to the crimes that its representatives are alleged to have committed.
- On 6 May 2019, an employee of the Cooperative was given notice of conclusion of the preliminary investigations relating to the public contract for the construction of the Cosenza light metro. The alleged offence was auction disturbance pursuant to art. 353 of the Italian Penal Code. The company has made every effort to demonstrate its extraneousness to the disputed facts and believes that it is extraneous to the accusations raised.

Despite the uncertainty arising from the fact that certain of the proceedings are at a preliminary stage, based on the information available at the reporting date and taking into account the laws in force, the Directors believe that the provisions recorded in the financial statements represent a best possible estimate of the potential risk that could arise from the closure of these proceedings.

### **Employee termination indemnities**

The changes in the period can be summarized as follows:

<i>T.F.R.</i>	<i>December 31, 2019</i>	<i>December 31, 2018</i>
<b>Year beginning</b>	<b>13,064</b>	<b>12,638</b>
Accrual	2,367	4,058
<i>Paid over</i>	(4,834)	(3,632)
<b>As of December 31, 2019</b>	<b>10,597</b>	<b>13,064</b>

### **Payables**

#### Due to members for loans

	<i>December 31, 2019</i>	<i>December 31, 2018</i>
<b>Shareholders' loan account</b>	<b>8,266</b>	<b>8,271</b>

In 2019, the cooperative movement, through its financial structures, intervened to support the situation of CMC's financial crisis with the aim of acquiring and liquidating part of the receivables that the members claimed from CMC.

#### Bonds

<b>Balance as of December 31, 2018</b>	<b>591,561</b>
<i>Variation</i>	-
<b>Balance as of December 31, 2019</b>	<b>591,561</b>

The item includes payables for bond loans, in principal and interest accrued as of 3 December 2018.

#### Due to banks

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Payables due to banks</b>	<b>478,843</b>	<b>337,942</b>

The change in this caption with respect to the previous year is analysed in the statement of cash flows. The increase is mainly due to the enforcement of foreign guarantees.

#### Due to other providers of finance

Details of these payables are as follows:

<b>Due to other financiers</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<i>Cooperare</i>	25,000	-
<i>AMCO-Ex Carige</i>	12,675	-
<i>Coop Servizi Cultura</i>	1,220	1,220
<i>Factoring</i>	123	123
<b>Total</b>	<b>39,018</b>	<b>1,343</b>

The increase compared with the previous year is attributable to the new loan disbursed by Cooperare of Euro 25 million, and the transfer of the CARIGE credit to AMCO for approximately Euro 13 million.

These loans bear interest at market rates and do not include any amounts due beyond five years.

#### Advances from customers and principals

For the comment on this item, refer to what is indicated in "Accounting policies" and to the comment on "Inventories".

#### Advances from customers and principals

Advances from customers consist of the following:

<b>Advance from customers and principals</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
ITARE DAM ( KENYA)	36,130	36,130
ALGERIA -AGA AUTOSTRADA EST	17,617	18,299
LIBANO -GRATER WATER	-	12,192
ANGOLA – GABINETO TECNICO DE INVESTIMENTOS PUBLICOS	5,672	5,565
NEPAL – SAHAS URJA Ltd - SOLU KHOLA (DUDH KOSHI) IMPIANTO IDROELETTRICO	7,223	7,223
ARGENTINA - RIO SUBTERANEO A LOMAS	3,305	6,420
ZAMBIA-MILLENNIUM CHALLENGE DRAINAGE PROJECT	5,786	5,564
CINA – SHANXI	4,054	5,364
MWSS-AWTIP CONTRACTAL ADVANCE ( FILIPPINE )	-	4,529
CINA – QINGHAI XINING	2,896	2,870
REGIONE SICILIA E.S.A.	2,442	2,586
COMMERCianti INDIPENDENTI ASS.	236	2,294
NEPAL – MELAMCHI WATER SUPPLY DEVELOPMENT BOARD	837	837
PROVINCIA AUTONOMA DI TRENTO	826	940
MALAWI - MINISTRY IF AGRICULTURE IRRIGATION AND WATER DEVELOPMENT	-	392
LTF TORINO – LIONE	166	166
OTHERS	706	1,255
<b>TOTAL</b>	<b>87,896</b>	<b>112,626</b>

This caption mainly comprises advances received for work still to be performed and does not include any amounts due beyond five years.

#### Trade payables

These consist of the following:

	<i>December 31, 2019</i>	<i>December 31, 2018</i>
<b><i>Payables to suppliers</i></b>	<b>321,788</b>	<b>378,237</b>

The most significant change is linked to the agreement with Consorzio Integra as indicated in the "Receivables" shown under assets in the balance sheet.

#### Due to subsidiaries and associates

Details of this item are provided in the table attached to the notes. These payables mainly refer to commercial transactions relating to the "cost transfers" received from consortium companies and consortia in which the Cooperative participates for the construction of works, as well as amounts due to them in relation to the commitments undertaken to cover losses made by them. The portion falling due after twelve months refers to payables to companies in liquidation, which partially offset receivables from the same companies, which will only be settled at the end of the liquidations.

#### Due to tax authorities

This item consists of the following:

<i>Due to tax authorities</i>	<i>December 31, 2019</i>	<i>December 31, 2018</i>
<b>VAT</b>		
- Italy	30	30
- Overseas	3,481	3,142
<b>Income tax</b>		
- Italy	1,489	6,349
- Overseas	7,028	8,621
<b>Withholding tax (IRPEF)</b>		
- Italy	4,695	5,280
- Overseas	651	938
<b>Other taxes</b>		
- Italy	909	1,142
- Overseas	416	414
<b>Total</b>	<b>18,700</b>	<b>25,916</b>

See the comment on "Due from tax authorities".

Accordingly, all tax years are closed up till the year ended 31 December 2015 both for direct taxes (Art. 43 DPR 600/73) and for VAT (Art. 57 DPR 633/72).

#### Other payables

Other payables are summarized below:

<b><i>Other payables</i></b>	<b><i>December 31, 2019</i></b>	<b><i>December 31, 2018</i></b>
<i>Subscribed capital to be paid</i>	14,925	14,925
<i>Sundry amounts due to partners in JV</i>	53,970	46,938
<i>Employees for unpaid payroll</i>	17,562	15,272
<i>Ristorni</i>	493	493
<i>Others</i>	57,584	38,249
<b>Total</b>	<b>144,534</b>	<b>115,877</b>

The "Sundry amounts due to partners in JV" refer to commercial transactions with the members of the main consortia that are active and with Group companies.

"Other" increased by approximately Euro 19 million, mainly due to recognition of the Zurich payable due to enforcement of the guarantee for Euro 3.1 million and Euro 21 million relating to settlement of the dispute with LTA, the customer, both relating to the Singapore Metro order. The provision for risks accrued in the previous year was used for the transaction for the dispute with LTA for Euro 21 million.

## Accrued liabilities and deferred income

The composition of the item is as follows:

<b>Accrued liabilities and deferred income</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Accrued expenses:</b>		
- interest charge	385	380
- insurance expensive	1,112	962
- guarantee charges	1,949	581
- other	-	-
<b>Deferred income:</b>		
- leasing	-	-
- interest	648	-
<b>Total</b>	<b>4,094</b>	<b>1,923</b>

The increase in "Accrued expenses and deferred income" relates to insurance and guarantee costs.

## Commitments and guarantees

Commitments for guarantees are summarized below:

<b>Guarantees</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Bank loans	45,202	95,512
Advances	102,575	248,111
Bid bond	16,412	26,937
Performance bond	333,804	467,016
Duties	13,498	18,393
Payments	12,441	23,900
Leasing JV	2,845	2,845
VAT	15,403	15,403
Ritenute Garanzia	25,732	31,055
Others	14,652	24,259
<b>Total</b>	<b>582,563</b>	<b>953,431</b>

Commitments for guarantees provided by third parties on behalf of the Group to subsidiaries, associates and third parties almost entirely relate to performance guarantees, advances, the release of amounts withheld in guarantee and price revisions. The most significant guarantees were provided construction work in progress in Sicily, being the SS640 Agrigento – Caltanissetta stretch (lots 1 and 2) and the SS121 Palermo – Lercara Friddi and Catania stretch (Circumetnea), as well as abroad for the projects in Algeria, Argentina, Mozambique, Kenya, Laos and the Philippines.. Total guarantees given by third parties at 31 December 2019 amounted to Euro 582,563,457

The secured guarantees in favour of third parties relate to pledges over the shares of Val di Chienti Scpa and Tangenziale Esterna Spa, they amount to Euro 34,641 thousand.



At the date of preparation of the financial statements, we show below a list of the guarantee enforcements suffered from 3 December 2018 by CMC or by subsidiaries and associates in favour of which CMC had given bank and insurance guarantees.

	Bank guarantee	Insurance guarantee	Total
<i>Nepal</i>	46,837		46,837
<i>Kuwait</i>	68,148		68,148
<i>South Africa</i>	4,000	114	4,114
<i>Lebanon</i>	30,056		30,056
<i>Singapore</i>	7,782	3,161	10,943
<i>Kenya</i>	6,800	60,005	66,805
<i>Zambia</i>	4,132	2,679	6,811
<i>India</i>	5,164		5,164
<i>USA</i>	7,143	15,032	22,175
<i>Bulgaria</i>	492		492
<i>Sweden</i>	10,975	8,687	19,662
<b>Overseas</b>	<b>191,529</b>	<b>89,678</b>	<b>281,207</b>
<i>GED Srl</i>	249		249
<i>Montefiore</i>	2,057		2,057
<i>Isopensione</i>	26		26
<i>CDP</i>		4,615	4,615
<i>Letimbro</i>	9,087		9,087
<i>Empedocle 1</i>	481		481
<i>Empedocle 2</i>	1,000		1,000
<b>Italia</b>	<b>12,900</b>	<b>4,615</b>	<b>17,515</b>
<b>Totale ESCUSSIONI</b>	<b>204,429</b>	<b>94,293</b>	<b>298,722</b>

**During 2020**

	Bank guarantee	Insurance guarantee	Total
<i>USA</i>		7,243	7,243
<i>Lebanon</i>	1,116		1,116
<i>Zambia-Konkola</i>	5,735		5,735
<b>Overseas</b>	<b>6,851</b>	<b>7,243</b>	<b>14,094</b>
<i>VDC</i>	3,256		3,256
<b>Italy</b>	<b>3,256</b>	<b>-</b>	<b>3,256</b>
<b>Total Enforcments</b>	<b>10,107</b>	<b>7,243</b>	<b>17,350</b>
			<b>316,072</b>

## Income Statement

Revenue from sales and services consists of the following:

<b>Revenue from sales and services</b>	<b>Italy</b>	<b>Overseas</b>	<b>2019 (Annual)</b>	<b>2018 (Annual)</b>
<i>Contract revenues</i>	98,526	55,783	154,309	466,058
<i>Sundry services</i>	42,763	6,139	48,902	46,459
<i>Sales of materials</i>	57	6	63	1,087
<b>Total</b>	<b>141,346</b>	<b>61,928</b>	<b>203,274</b>	<b>513,604</b>

As regards the fees for contracts, reference should be made to the section on "Accounting policies". It should be noted that this item includes the revenues deriving from the agreement with Consorzio Integra previously described.

The item "Sundry income", totalling Euro 8.8 thousand, mainly consists of capital gains on the disposal of goods, damage reimbursements and the remaining part mainly of charges to Group companies and sale of materials.

The total amount of "Cost of services" comprises:

<b>Cost of services</b>	<b>2019 (Annual)</b>	<b>2018 (Annual)</b>
<i>Sub-contracts</i>	16,435	123,201
<i>Services for works in JV</i>	45,248	179,453
<i>Transport, lease and hire</i>	1,430	35,184
<i>Travel costs and canteen</i>	2,187	11,649
<i>Consultancy, lawyers and notaries</i>	10,929	20,331
<i>Utilities</i>	3,284	4,517
<i>Studies and design</i>	954	2,508
<i>Other services</i>	14,659	90,222
<b>Total</b>	<b>95,126</b>	<b>467,065</b>

The breakdown of personnel costs is already provided in the income statement.

It should be noted that the total average number of employees, both members and non-members, employed in the Cooperative, is 2,644.

"Other operating expenses" are made up as follows:

<b>Other operating expenses</b>	<b>Italy</b>	<b>Overseas</b>	<b>2019 (Annual)</b>	<b>2018 (Annual)</b>
<i>Insurance and custom duties</i>	2,231	1,407	3,638	10,432
<i>Social activities</i>	172	71	243	1,080
<i>Taxes</i>	195	233	428	503
<i>Performance bond</i>	1,758	180	1,938	4,943
<i>Indemnity</i>	509	147	656	275
<i>Other</i>	809	640	1,449	13,990
<b>Total</b>	<b>5,672</b>	<b>2,679</b>	<b>8,352</b>	<b>31,223</b>

"Other operating costs" mainly include the expenses involved in the stipulation of contracts, both relating to works acquired and to other types of contracts (financial, insurance, consultancy, etc.), and the costs incurred for participation in Italian and international tenders.

"Other financial income" is made up as follows:

<b>Financial income</b>	<b>2019 (Annual)</b>	<b>2018 (Annual)</b>
<i>Interest income – customes</i>	-	383
<i>Interest income – banks</i>	67	489
<i>Other income</i>	116	869
<b>Total</b>	<b>183</b>	<b>1,741</b>

"Other financial charges" are made up as follows:

<b>Other financial charges</b>	<b>2019 (Annual)</b>	<b>2018 (Annual)</b>
<i>Interest expenses – banks</i>	572	14,656
<i>Interest expenses – bond</i>	-	33,846
<i>Bond charges</i>	-	26,977
<i>Guarantee charges</i>	2,422	5,137
<i>Other financial cost</i>	262	9,872
<i>Interest expense on members' loan</i>	-	113
<i>Interest expense – other providers of finance</i>	428	442
<b>Total</b>	<b>3,684</b>	<b>91,043</b>

The balance of other financial charges decreased by Euro 87.3 million, as a result of the composition with creditors, which cancelled all interest expense.

Details of the "Adjustments to financial assets and liabilities" are given in the following table:

<b>Adjustment to financial assets and liabilities</b>	<b>2019 (Annual)</b>	<b>2018 (Annual)</b>
<b><u>Write-down financial assets</u></b>		
EMPEDOCLE 2 S.C.P.A.		(28,650)
CMC IMMOBILIARE S.P.A.		(19,717)
VAL DI CHIENTI S.C.P.A.		(19,600)
CMC AFRICA AUSTRAL LDA		(25,602)
BOLOGNETTA S.C.P.A.		(19,000)
CMC HOLDING OVERSEAS SPA		(12,100)
CMC ITD SONG DA JV - LAOS		(9,401)
CMC OTESA JV - NAMIBIA		(7,844)
CMC BOMAR - ZAMBIA		(4,519)
INIZIATIVE IMMOBILIARI SICILIANE SRL		(3,414)
ALVISI S.R.L.		(2,292)
CMC EMBASSY S.R.L.		(1,663)
G.E.D. S.R.L.		(1,278)
CMC DI RAVENNA FRANCE SARL		(1,245)

S.I.C.-SOC.ADRIATICA IMPIANTI E CAVE SPA		(782)
IGEI S.P.A. IN LIQUIDAZIONE		(744)
FDA S.R.L. IN LIQUIDAZIONE		(652)
GRANAROLO IMMOBILIARE S.P.A.		(605)
COOPERATIVA SERVIZI CULTURA		(574)
LMH CMC JV 04 MBTA (USA)		(520)
OTHERS	(176)	(1,687)
<b>TOTAL</b>	<b>(176)</b>	<b>(161,889)</b>

### **Income taxes**

"Current and deferred income taxes" of Euro 3 million, include Euro 2.3 million of current taxes, Euro 0.7 million of taxes relating to previous years.

Considering the negative result recorded in the 2019 financial statements, which determines a loss also from a tax point of view, no provision for Italian taxes (IRAP and IRES) has been made, whereas provisions have been made for the various foreign branches, based on their local financial statements.

### **Remuneration of directors, board of statutory auditors and independent auditors**

For 2019, the Cooperative's Board of Statutory Auditors received a total amount of remuneration of Euro 69 thousand, duly recognised in the income statement.

The independent auditors received fees in 2019 of Euro 95 thousand for the audit of the statutory and consolidated financial statements of the Cooperative and a fee of Euro 20 thousand for the accounting control.

## **ATTACHMENTS**

- STATEMENTS OF CHANGES IN INTANGIBLE FIXED ASSETS
- STATEMENT OF CHANGES IN TANGIBLE FIXED ASSETS
- STATEMENT OF CHANGES IN FINANCIAL FIXED ASSETS
- INFORMATION PURSUANT TO EX ART. 2427 N. 22 C.C. (ITALIAN CIVIL CODE)
- RECEIVABLES AND PAYABLES DUE FROM/TO SUBSIDIARY AND ASSOCIATED COMPANIES
- INFORMATION EX ART. 2427 Italian CC N. 5 (EQUITY INVESTMENTS)
- STATEMENT OF CHANGES IN EQUITY
- INFORMATION EX ART. 2427 CC N. 7 BIS (RESERVES)
- CERTIFICATE OF PREVALENCE

## STATEMENT OF CHANGES IN INTANGIBLE FIXED ASSETS

<i>Industrial patents</i>	<i>Concessions licenses and trademarks</i>	<i>Asset in process of formation and advance payments</i>	<i>Contracts' deferred charges</i>	<i>Total</i>
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### December 31, 2018

Cost		12,763	13	303	1,650	14,729
Acc. Amortization		(10,859)	(20)	-	(1,650)	(12,529)
<b>Net Book Value</b>		<b>1,904</b>	<b>(7)</b>	<b>303</b>	<b>-</b>	<b>2,200</b>

### Movements 2019

<i>Increases</i>	Cost	527	-	-	-	527
	Cost	-	(13)	-	-	(13)
<i>Decreases</i>	To dare amortization	(7)	20	(303)	-	(290)
<i>Amortization</i>		(739)	-	-	-	(739)
<i>Exchange and Recl. difference</i>		-	-	-	-	-

### December 31, 2019

Cost		13,290	-	303	1,650	15,243
Acc. Amortization		(11,605)	-	(303)	(1,650)	(13,558)
<b>Net Book Value</b>		<b>1,685</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,685</b>

## STATEMENT OF CHANGES IN TANGIBLE FIXED ASSETS

<i>Land and buildings</i>	<i>Plant and machinery</i>	<i>Industrial and Commercial equipment</i>	<i>Other assets</i>	<i>Construction in progress and advances</i>	<i>Total</i>
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### December 31, 2018

Cost	9,822	128,214	53,328	128	31,844	223,336
Acc. write-down	(18)	(13,830)	(11,100)		(15,706)	(40,654)
Acc. Depreciation	(784)	(89,794)	(35,911)	-	-	(126,489)
<b>Net Book Value</b>	<b>9,020</b>	<b>24,590</b>	<b>6,317</b>	<b>128</b>	<b>16,138</b>	<b>56,193</b>

### Movments 2019

<i>Increases</i>	-	11,959	138	-	130	12,227
<i>Decrease</i>	Cost-	(26)	(29)	-	(5,817)	(5,872)
Write-down	-	-	(75)	-	-	(75)
<i>Depreciation</i>	(45)	(6,681)	(922)	-	-	(7,648)

### December 31, 2019

Cost	9,822	140,147	53,437	128	26,157	229,691
Acc. write--down	(18)	(13,830)	(11,175)	-	(15,706)	(40,729)
Acc. Depreciation	(829)	(96,475)	(36,833)	-	-	(134,137)
<b>Net Book Value</b>	<b>8,975</b>	<b>29,842</b>	<b>5,429</b>	<b>128</b>	<b>10,451</b>	<b>54,825</b>



## STATEMENT OF CHANGES IN FINANCIAL FIXED ASSETS

	<i>December 31, 2019</i>	<i>Revaluation / (Devaluation)</i>	<i>Other</i>	<i>December 31, 2018</i>
Investments in:				
- subsidiaries	203,428	(161)	12,161	191,428
- associated	24,523	(15)	1,587	22,951
- other	40,560	-	(150)	40,710
Investment writ-off	(156,540)	-	(1,588)	(154,952)
	<b>111,971</b>	<b>(176)</b>	<b>12,010</b>	<b>100,137</b>
Financial credit	169,676	-	(6,452)	176,128
<b>Total</b>	<b>281,647</b>	<b>(176)</b>	<b>5,558</b>	<b>276,265</b>

## INFORMATION PURSUANT TO EX ART. 2427 N. 22 C.C. (ITALIAN CIVIL CODE)

	2019 Amount in Euro/000
<b>a) Assets</b>	
Current contracts	
Goods on financial lease at the end of the previous financial year, net of overall depreciation.	25,047
+ Goods purchased on financial lease during the year	-
- Goods on financial lease redeemed during the year	-
- Depreciation of the year	(10,516)
+/- Value adjustment/recovery for goods on financial lease	-
Goods on financial lease at the end of the year, net of overall depreciation	<b>14,531</b>
<b>b) Liabilities</b>	
Debts incurred for financial leasing operations at the end of the previous financial year	12,690
+ debts incurred during the year	-
- Repayment of capital shares and redemptions during the year	-
Debts incurred for financial leasing operations at the end of the year	<b>12,690</b>
c) Overall gross effect at the end of the year (a-b)	1,841
d) Fiscal effect	-
e) Effect on net financial standing at the end of the year (c-d)	1,841
<b>The effect on the Profit and Loss Account can be represented as follows</b>	
Rent offset for financial leasing operations	10,229
Financial expenses entries for financial leasing operations	(383)
Entries for:	
- Depreciation rates:	
- on current contracts	(10,516)
- on redeemed goods	-
- Value adjustment/recovery for goods on financial lease	-
Effect on pre-tax result	<b>(670)</b>
Fiscal effect entry	-
Effect on year-end result of the entries for leasing operations calculated according to the financial method	<b>(670)</b>

## RECEIVABLES AND PAYABLES FROM/TO SUBSIDIARY COMPANIES

<b>Receivable/Payables – Subsidiary companies</b>	<b>Financial Receivables</b>	<b>Trade Receivables</b>	<b>Financial Payables</b>	<b>Trade Payables</b>	<b>Total 2019</b>	<b>Total 2018</b>
Acquapura Srl	1,309	1,307	-	(3,069)	(453)	<b>(453)</b>
Alvisi Srl	157	753	(80)	(12)	818	<b>442</b>
Ancona Newport Srl	-	103	-	(190)	(87)	<b>(83)</b>
Ausa Srl	-	2,183	-	(3,724)	(1,541)	<b>(2,019)</b>
BE Infrastrutture Srl	-	1,028	-	(890)	138	<b>(39)</b>
Bolognetta Scpa	-	24,531	-	(50,057)	(25,526)	<b>(24,314)</b>
C.F.C. JV	-	803	-	-	803	<b>125</b>
Cedir Srl (in liquidazione)	39	251	-	-	290	<b>290</b>
CMC Africa Austral Lda	72,923	81,258	-	(103,842)	50,339	<b>47,368</b>
CMC Algerie Eurl	3,248	676	-	(3,546)	378	<b>423</b>
CMC Bomar JV	485	54	-	(2,441)	(1,903)	<b>(1,918)</b>
CMC Botjheng JV	38,755	5	(19,747)	(12,878)	6.135	<b>4,832</b>
CMC di Ravenna - Impregilo - PG Mavundla JV	-	33,645	-	(33,796)	(151)	<b>(413)</b>
CMC di Ravenna France Srl	96	-	-	(251)	(156)	<b>(211)</b>
CMC di Ravenna Mota-Engil JV (Liwonde-Naminga)	-	-	(837)	-	(837)	<b>(821)</b>
CMC Embassy Srl	1,595	244	-	-	1,839	<b>1.950</b>
CMC Engoa Groupement	-	-	-	(1)	(1)	<b>24</b>
CMC GRC JV	-	1,330	-	(92)	1,238	<b>1,723</b>
CMC Holding Overseas Spa	67	89	-	(23)	133	<b>123</b>
CMC Immobiliare Spa	-	2,121	-	(6,301)	(4,181)	<b>(3,978)</b>
CMC Itd Song Da JV	-	1,354	-	(180)	1,174	<b>375</b>
CMC Itinera Kenya JV	-	537	-	(17,468)	(16,932)	<b>(18,307)</b>
CMC Malaysia Sdn Bhd	746	75	-	(693)	129	<b>115</b>
CMC Mavundla Eastern Basin JV	-	4,607	-	(4,594)	14	<b>(97)</b>
CMC NY Construction Llc	2,191	32	-	(13)	2,211	<b>7,003</b>
CMC OTESA JV	-	6,283	-	(242)	6,041	<b>3,599</b>
CMC Razel JV	-	-	-	(65)	(65)	<b>3,261</b>
CMC Swaziland (Pty) by pass	-	15	-	(68)	(54)	<b>(55)</b>
CMC Tecrover	-	2,326	-	(359)	1,967	<b>2,350</b>
CMC USA Inc.	-	-	-	(1)	(1)	<b>(1)</b>
CMC Wbho JV	-	-	-	(2)	(2)	<b>(2)</b>
Colfiorito Srl	-	734	-	(10,902)	(10,167)	<b>(10,167)</b>
Conero Srl	-	2,070	-	(585)	1,484	<b>(2,006)</b>
Consorzio Nazionale Servizi	-	60	-	-	60	<b>366</b>
Cooncrete Finance Srl	-	135	-	(373)	(238)	<b>(248)</b>
Empedocle 2 Scpa	-	141,771	-	(202,344)	(60,573)	<b>(56,705)</b>
Empedocle Scpa	-	131,560	-	(115,838)	15,722	<b>(20,957)</b>
Fontana Nuova Srl	-	95	-	(52)	43	<b>42</b>

G.T.R.E.K. Groupement CMC di Ravenna	-	2,225	-	-	2,225	<b>199</b>
Ged Srl	-	1,168	(44)	(11,954)	(10,831)	<b>(11,340)</b>
Ghilina Srl (in liquidazione)	-	1	-	-	1	<b>1</b>
Groupement G.R.I.E.A.	-	3,948	-	-	3,948	<b>3,043</b>
Gruppo Immobiliare Srl	936	1,887	-	-	2,823	<b>2,823</b>
Iniziative Imm.ri Siciliane Srl	-	1,511	(694)	(3,164)	(2,347)	<b>(2,508)</b>
Iper Tre Ravenna Srl	-	562	-	(593)	(31)	<b>(31)</b>
Italia 61 Srl	8,825	25,725	-	(46,997)	(12,447)	<b>(12,444)</b>
JV CMC/CCC	-	20,462	-	(15,191)	5,271	<b>5,412</b>
La Quercia 2 Srl	-	94	-	-	94	<b>94</b>
Letimbro Srl	-	6,220	-	(23,445)	(17,225)	<b>(17,493)</b>
LM Heavy Civil Construction Llc	1,916	-	(445)	(81)	1,390	<b>1,100</b>
LMH CMC USA JV	-	186	-	-	186	<b>186</b>
Mazara Hospital Srl	-	397	-	(288)	109	<b>115</b>
Montefiore Srl	-	461	-	(1,457)	(995)	<b>(1,009)</b>
Norte Srl	521	1,408	-	-	1,929	<b>2,015</b>
Ospedale dei Castelli Srl	-	1,490	-	(468)	1,023	<b>(1,720)</b>
Padiglioni Expo Srl	-	32	-	(31)	1	<b>1</b>
Polis Trento Srl (in liquidazione)	-	1	-	-	1	<b>1</b>
Ravenna Tunnel Scpa	-	263	-	(387)	(124)	<b>(119)</b>
Side Investment Pty Ltd	4,319	1,602	(335)	(2,589)	2,997	<b>3,000</b>
Sidebar Manufacturing Pty Ltd	3,184	-	-	-	3,184	<b>3,153</b>
Società Adriatica Impianti e Cave Spa	3,144	3,605	-	(1,722)	5,027	<b>4,915</b>
Solarmaas Srl	-	7	-	-	7	<b>7</b>
Sulbrita Lda	1,394	1,149	(221)	(984)	1,337	<b>1,337</b>
Villamarina Srl	-	345	-	(700)	(355)	<b>(355)</b>
<b>TOTAL</b>	<b>145,850</b>	<b>516,783</b>	<b>(22,403)</b>	<b>(684,944)</b>	<b>(44,714)</b>	<b>(87,999)</b>

## RECEIVABLES AND PAYABLES FROM/TO ASSOCIATED COMPANIES

<i>Receivables/Payables – Associated companies</i>	<i>Financial Receivables</i>	<i>Trade Receivables</i>	<i>Financial Payables</i>	<i>Trade Payables</i>	<i>Total 2019</i>	<i>Total 2018</i>
ACR s.r.l.	-	645	-	-	645	645
Antares Scrl	-	384	-	-	384	446
Arabia Saudita JV	1,201	-	-	-	1,201	1,201
Autostrade Romagna 1 Scpa	-	-	-	(351)	(351)	(350)
Baglio la Camperia Spa	70	-	-	-	70	70
CMC Ltd Song Da JV	-	269	-	-	269	284
Colispa Scrl (in liquidazione)	-	-	-	(21)	(21)	(21)
Consorzio C.G.L. (in liquidazione)	-	1	-	-	1	1
Consorzio JV CB	65	128	-	(15)	178	194
Consorzio Lybian Expressway Contractors	-	-	-	(7)	(7)	(7)
Constructora Nuevo Maipo SA	-	135	-	(1,903)	(1,769)	21
Elaion Scrl	30	652	-	(336)	346	346
Eurolink Scpa	-	-	-	(109)	(109)	-
Fda Srl	-	-	-	(143)	(143)	(141)
Granarolo Immobiliare Spa	100	6	-	-	106	106
Habatur	-	-	-	-	-	-
Holcoop Spa	-	-	-	(57)	(57)	(57)
Itaca Scrl	-	143	-	(96)	47	41
ITARE Srl	-	2	-	-	2	2
LMH CMC JV04	-	-	-	(183)	(183)	(183)
Lodigiani-CMC Malaysia Sdn Bhd	792	33	-	-	825	825
Lovon Samverkan AB	1,870	569	-	-	2,439	2,147
Mirandola Scrl	-	150	-	(128)	23	26
Molfetta New Port Scrl	-	3,638	-	(2,319)	1,319	1,319
Opera 2 Scrl	-	-	-	-	-	-
Opera 3 Scrl	-	31	-	(22)	9	9
PACO Srl	-	-	(8)	-	(8)	(8)
Piombone Scrl	-	-	-	(70)	(70)	(69)
Pizzarotti-CMC Ra Sep	-	-	-	(16)	(16)	(16)
Rodano Scrl	-	-	-	-	-	(13)
S.C.S. Consulting Spa	-	-	-	(5)	(5)	(5)
Sistema 2 Scrl	-	57	-	(8)	49	49
Sistema 3 Scrl	-	2,499	-	(3,502)	(1,003)	(1,073)
Trento Tre Scrl	81	2,094	-	(3,166)	(991)	(1,154)
Under Water Anchors Srl	96	3	-	-	99	99
Val di Chienti Scpa	-	16,271	-	(35,662)	(19,391)	(15,515)
Venaus Scrl	4,954	2,878	(479)	(6,417)	936	1,639
<b>TOTALE</b>	<b>9,260</b>	<b>30,587</b>	<b>(487)</b>	<b>(54,536)</b>	<b>(15,176)</b>	<b>(9,143)</b>

## STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	LEGAL RESERVE	OTHER RESERVES	NET PROFIT	EQUITY
<b>YEAR END 2017</b>	<b>25,203</b>	<b>86,985</b>	<b>18,243</b>	<b>1,770</b>	<b>132,201</b>
<b>Share capital</b>					
- new subscriptions	37	-	-	-	37
- additional subscriptions	-	-	-	-	0
- ristorni	467	-	-	-	467
- paid off	(8,698)	-	-	-	(8,698)
<b>Allocation of net income:</b>					
- revaluation of share capital	282	-	-	(282)	0
- legal reserve	-	531	-	(531)	0
- extraordinary reserve	-	-	904	(904)	0
- conversion reserve	-	-	(2,229)	-	(2,229)
- dividends	-	-	-	-	0
- mutual fund	-	-	-	(53)	(53)
ex. Art. 2426 C.C. co.1, n.4	-	-	-	-	0
Net profit of the period	-	-	-	(1,674,425)	(1,674,425)
<b>December 31, 2018</b>	<b>17,291</b>	<b>87,516</b>	<b>16,918</b>	<b>(1,674,425)</b>	<b>(1,552,700)</b>

	SHARE CAPITAL	LEGAL RESERVE	OTHER RESERVES	RETEINED EARNINGS (LOSSES)	NET PROFIT	EQUITY
<b>YEAR END 2018</b>	<b>17,291</b>	<b>87,516</b>	<b>16,918</b>	<b>0</b>	<b>(1,674,425)</b>	<b>(1,552,700)</b>
<b>Share capital</b>						
- new subscription	-	-	-	-	-	-
- additional subscription	-	-	-	-	-	-
- "ristorni"	-	-	-	-	-	-
- paid off	(2,408)	-	-	-	-	(2,408)
	-	-	-	-	-	-
<b>Allocation of net income:</b>						

- revaluation of share capital	-	-	-		-	-
- legal reserve	-	-	-		-	-
- extraordinary reserve	-	-	-		-	-
- conversion reserve	-	-	(425)		-	(425)
- dividends	-	-	-		-	-
- mutual fund	-	-	-		-	-
- Retained earnings (losses)	-	-	-	(1,674,425)	1,674,425	-
ex. Art. 2426 C.C. co.1, n.4	-	-	-		-	-
Net profit of the period	-	-	-		(31,450)	(31,450)
<b>December 31, 2019</b>	<b>14,883</b>	<b>87,516</b>	<b>16,493</b>	<b>(1,674,425)</b>	<b>(31,450)</b>	<b>(1,586,983)</b>



## INFORMATION EX ART.2427 Italian CC N. 7 BIS

Description	Balance as at December 31, 2019	Distributable	Distributable Quota	Application in the last 3 years	
				to cover losses	other
Share capital					
- Share capital	14,883	-	-	-	-
Reserves					
- Legal reserve	87,516	B	-	-	-
- Extraordinary reserve	32,048	B	-	-	-
- Conversion reserve	(22,713)	-	-	-	-
- Reserve ex art. 2426 c.c. co. 1, n. 4	7,158	A, B	-	-	-
- Valuation reserve for foreign currency assets and liabilities	-	B	-	-	-
<b>Total</b>	<b>118,892</b>	-	-	-	-

Legend:

A: for increase in capital

B: to cover losses

C: for distribution to the members

Pursuant to art. 56 of the current Articles of association, the "Legal reserve" is not distributable and cannot be divided among the members during the life of the Cooperative or upon winding up.

The "Extraordinary reserve" includes the portion of profits of the Cooperative subject to taxation, as required by the tax reform introduced by the new Consolidated Act currently in force.

The "Conversion reserve" reflects the net effect of the conversion on the basis of current exchange rates at the end of the year of the balance sheet and income statement figures relating to the permanent organizations abroad that adopt multi-currency accounting.

The "Reserve, Art. 2426 Italian Civil Code paragraph 1.4" comprises the impact of accounting for investee companies under the equity method, as previously indicated.

The "Valuation reserve for foreign currency assets and liabilities" incorporates the difference between the positive and negative exchange rate adjustments relating to the previous year, of a non-distributable nature as it consists of gains that have not yet been realized, but can be used to hedge losses.

## CERTIFICATE OF PREVALENCE PURSUANT TO ARTICLES 2512 AND 2513 OF THE ITALIAN CIVIL CODE

In 2019 the Cooperative respected all the subjective requirements, but not the objective prevalence conditions referred to in art. 2513 of the Italian Civil Code, with a percentage of activity carried on with members equal to 54,34% of the overall activity. The technical peculiarities of the prevalence condition for 2019 are analysed below.

To verify the status of a "Cooperative with prevailing mutuality", reference has to be made to three types of requirements:

- the existence - already from 2004 - of the subjective conditions referred to in article 2514 of the Italian Civil Code, adaptation of the articles of association by the 31 March 2005 deadline, as required by article 223-duodecies of the implementation provisions of the Italian Civil Code;
- registration (by 31 March 2005) in the Register of Cooperative Companies, held at the Ministry of Productive Activities, in the appropriate section of cooperatives with prevailing mutuality;
- the existence of the objective mutual exchange conditions prevailing with the cooperative members (article 2513 of the Italian Civil Code) as measured by the income statement for the year.

With reference to the first requirement, the Cooperative, at the Extraordinary Meeting of Members on 27 November 2004, amended its Articles of Association in compliance with the new regulations implemented by legislative decree No. 6/2003 comprising those set out in article 2514 of the Civil Code.

With regard to the second requirement, our Cooperative is registered in the Register of Cooperative Companies in the section of cooperatives with prevailing mutuality, under number A108053, category of Production and Work Cooperatives, as prescribed by article 2512 last paragraph of the Italian Civil Code.

For the purpose of calculating the prevalence indicated in the third and final point, and of the specific preparatory need for the division of the cost of labour relating to the work of the members with respect to that recorded for third parties, in accordance with the requirements of article 2513, paragraph 1 letter b) of the Italian Civil Code, the following comparisons were made:

- as regards subordinate employment relationships, to the comparison of the cost attributable to members accounted for separately using payrolls and any other document required by current legislation relating to employee members, as noted in item B9) Personnel costs of members, referred to in letters a), b), c), d) and e), with respect to the total of item B9 of the income statement;
- as regards self-employment relationships and services for collaborators, no comparison was made as the articles of association of our Cooperative expressly provide in article 11 paragraph 1.d) "Individuals who at the time of submission of the application for admission are to all intents and purposes hired at the Company's registered office in Ravenna with an open-ended employment relationship".
- as regards the cost of workers who are non-members, we separated those of foreign nationality employed in local foreign businesses. Decree of the Ministry of Productive Activities of 30 December 2005, in fact, specifies, in derogation from the criteria for defining the prevalence referred to in art. 2513 of the Italian Civil Code, that "in work cooperatives - for the sole purpose of calculating the prevalence - the personnel cost (B9) is not calculated for the labour costs of non-member workers of foreign nationality employed in activities carried on by the cooperative outside the borders of the Italian Republic".

Therefore, the prevalence condition is documented, with reference to the provisions of article 2513 of the Italian Civil Code, paragraph 1.b), from the relationship between the following accounting figures:

		2019 (Annual)	2018 (Annual)
B9) – Personnel	Euro	47,034,641	114,445,214
B13) – Other costs	Euro	0	0
Less overseas personnel	Euro	(9,783,105)	(36,199,877)
<b>Net labour cost</b>	<b>Euro</b>	<b>37,251,536</b>	<b>78,245,337</b>

<b>Members cost</b>	<b>Euro</b>	<b>20,243,040</b>	<b>25,979,008</b>
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<b>Result</b>		<b>54.34%</b>	<b>33.20%</b>
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With the approval of the financial statements as at 31 December 2015, the Cooperative had lost the status of cooperative with prevalent mutuality since neither in 2014 nor in 2015 did it reach the objective prevalence parameters envisaged in art. 2513 of the Italian Civil Code.

Having issued financial instruments, the Cooperative was therefore required to draw up the extraordinary financial statements referred to in paragraph 2 of art. 2545 octies of the Italian Civil Code.

The financial statements have been prepared with reference date 31 December 2015 as indicated in the circular of the Ministry of Productive Activities no. 648 of 13 January 2006 and approved by the shareholders' meeting of 16 September 2016.

In 2019, the cost of the members is therefore less than 54% of the total labour cost referred to in art. 2425 of the Italian Civil Code, determining, after the fourth consecutive year, a failure to achieve the "objective" prevalence conditions, the company has again the status of cooperative with prevailing mutuality

**INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14  
OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010  
AND TO ARTICLE 15 OF THE LAW No. 59 OF JANUARY 31, 1992**

**To the Shareholders of  
Cooperativa Muratori & Cementisti – C.M.C. di Ravenna Società Cooperativa**  
Via Trieste, 76  
48122 Ravenna

and to **Lega Nazionale Cooperative e Mutue  
Ufficio Certificazioni**

## **Qualified opinion**

We have audited the financial statements of Cooperativa Muratori & Cementisti - C.M.C. di Ravenna Società Cooperativa (the Company), which comprise the balance sheet as at December 31, 2019, the statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, except for the effects and possible effects of the matters described in the *Reasons for the qualified opinion* section of this report, the financial statements provide a true and fair view of the financial position of the Company as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles in Italy.

## **Reasons for the qualified opinion**

- The financial statements as at December 31, 2019 reflect a provision for risks and charges of around Euro 24 million (Euro 30 million as at December 31, 2018) which was accrued against the estimated costs to be incurred for the management of the bankruptcy procedure. Since no actual obligation was in place at that date, no provision should have been reflected in the financial statements as at December 31, 2019. Therefore, the loss for the year and the net deficit as at December 31, 2019 are, respectively, understated by Euro 6 million and overstated by around Euro 24 million before the tax effect, which is difficult to quantify at present.
- The financial statements as at December 31, 2019 reflect the value of the investment in the subsidiary CMC Africa Austral and the payables and receivables toward that company. The audit of the financial statements has been postponed by the local audit firm because of organisational problems of the local entity. Consequently, as we have been unable to perform alternative procedures, we are unable to conclude on the correctness of the amounts included under the above captions in connection with the subsidiary CMC Africa Austral.

We have performed our audit in compliance with international standards on auditing (ISA Italia). Our responsibility under those standards is described in more details in the *Auditors' Responsibility for the Audit of the Financial Statements* section of this report. We are independent of the Company in accordance with regulations and standards on ethics and independence applicable under Italian requirements for the audit of financial statements. We believe we have obtained sufficient, appropriate audit evidence on which to base our qualified opinion.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Palermo Parma Roma Torino Treviso Udine Verona

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### **Emphasis of matter regarding significant uncertainty over the going concern assumption**

Attention is drawn to the "Going-concern assumption subject to significant uncertainties" paragraph of the Notes to the Financial Statements where it is stated that, starting from the last months of 2018, the Company had to face severe financial distress, that led to file a request for the admission to a bankruptcy procedure called "*concordato preventivo con riserva*" under Article 161(6) of R.D. 267/1942 ("Bankruptcy Law"). This liquidity crisis had also serious consequences on the Cooperative's operations which, in the last two years, reported significant losses, generating a net deficit of around Euro 1,587 million, reflected in the balance sheet as at December 31, 2019.

On May 29, 2020 the Court of Ravenna issued a decree approving the CMC request and this led to the full extinguishment of liabilities totalling around Euro 1,850 million towards unsecured creditors, who will receive financial equity instruments convertible into bonds. The financial statements as at December 31, 2019 do not reflect the aforementioned effect, which will be accounted for in 2020. However, the Directors have highlighted that the extinguishment of debt will lead to the full coverage of the net deficit and to the restoration of a net equity, which they consider to be consistent with the new size of the business and the level of indebtedness.

Notwithstanding the Court's approval of CMC request (hereinafter, the "Composition proposal") represents a key step in the Cooperative's path out of the crisis situation, the Directors have described the significant uncertainties and risks, that still remain with regard to the Cooperative's ability to generate sufficient cash flows not only to guarantee its operations for a period of twelve months from the date of approval of the financial statements but, also, to satisfy privileged creditors, strategic suppliers and preferential creditors in the manner envisaged in the Composition Proposal.

Specifically, the Directors underline the fact that these significant uncertainties regard the effective possibility to achieve the assumptions and the results forecasted in the Economic-Financial Plan ("EFP"), disclosed in the Composition Proposal (hereinafter, the "Composition Plan") in terms of economic results and generation of cash flows from contract work in progress, also taking into account the negative effects caused by the coronavirus pandemic on the macroeconomic environment, the settlement and collection of claims and the Cooperative's ability to obtain the credit lines envisaged in the Composition Plan.

The Directors believe that these situations indicate the existence of significant uncertainties, that could give rise to significant doubts over the Cooperative's ability to continue to operate as a going concern in the foreseeable future. However, they have described the reasons why, after assessing these uncertainties, they decided to prepare the financial statements as at December 31, 2019 on a going concern basis. Specifically, in making their assessment, the Directors considered that (i) the results reported in the financial statements as at December 31, 2019, in terms of both operations and cash flows, are broadly in line with those forecasted in the Composition Plan and the figures for the first four months of 2020 related to cash and payments of debt towards privileged and preferential creditors are broadly in line with the expectations of the Composition Plan for 2020, notwithstanding the business slowdown caused by the coronavirus pandemic, (ii) in 2019 and in the first months of 2020, claims were settled and collected in Italy and abroad and generated significant cash flows and (iii) there are ongoing negotiations aimed at obtaining the credit facilities envisaged in the Composition Plan.

The Directors have also highlighted the failure to meet the commitments made through the Composition Proposal would lead to the revocation of the arrangement with creditors and, inevitably, to a different bankruptcy procedure, which would lead the Company to cease to operate as a going concern, and require significant adjustments to the carrying value of assets and the incurring of additional liabilities not reflected in the financial statements as at December 31, 2019.

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

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

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

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

## **Auditor's Responsibility for the Audit of the Financial Statements**

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

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

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

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

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Qualified opinion pursuant to Art. 14 par.2 (e) of Legislative Decree 39/10**

The Directors of Cooperativa Muratori & Cementisti - C.M.C. di Ravenna Società Cooperativa are responsible for the preparation of the report on operations of Cooperativa Muratori & Cementisti - C.M.C. di Ravenna Società Cooperativa as at December 31, 2019, including its consistency with the related financial statements and its compliance with the law.

We have been carried out the procedures set forth in Auditing Standard (SA Italia) no. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Cooperativa Muratori & Cementisti - C.M.C. di Ravenna Società Cooperativa as at December 31, 2019 and on its compliance with the law, as well as to make a statement about any material misstatements.

In our opinion, except for the effects and possible effects of the matters described in the *Reasons for the qualified opinion* section of this report, the directors' report is consistent with the financial statements of Cooperativa Muratori & Cementisti - C.M.C. di Ravenna Società Cooperativa as at December 31, 2019 and has been prepared in accordance with statutory reporting requirements.

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

### **Compliance with legal requirements and the articles of association on the matter of cooperation**

The Directors are responsible for compliance with legal requirements and the articles of association on the matter of cooperation and, specifically, with the requirements contained in Articles 4, 5, 7, 8, 9 and 11 of Law no. 59 of January 31, 1992, where applicable, as well as with statements made in terms of Article 2513 of the Italian Civil Code.

As required by the Decree of the Ministry of Economic Development dated November 16, 2006, we have verified the Company's compliance with the abovementioned requirements for the year ended December 31, 2019.

DELOITTE & TOUCHE S.p.A.

*Signed by*  
**Alberto Guerzoni**  
Partner

Bologna, Italy  
June 26, 2020

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