ANNUAL REPORT 2017

salini impregilo

ANNUAL REPORT
31 DECEMBER 2017

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CEO’S LETTER TO THE SHAREHOLDERS

Dear Shareholders,

2017 was a fundamental year to consolidate the Group's growth and stability. Five years after the creation of a global Group, we can state that our imagination has transformed what seemed to be just a dream into reality. Today, this dream provides work to nearly 40,000 families in 50 countries. We grow everywhere and wish to do so continuously, along a path that we have traced by reaching both commercial and financial targets.

During this year, besides confirming the growth trend of our revenue, which reached €6.5 billion, we also strengthened our financial position. We refinanced €1.1 billion of our corporate debt by issuing bonds with a nominal amount of €500 million. We have equity, after the impairment of the Group's assets in Venezuela, of nearly €1.1 billion, confirming our position as one of the industry's best financial structures.

From a commercial point of view, we acquired many new orders, improving our risk profile both by reducing the revenue share of our main ten projects by 47% and by confirming the US as our main market. This was part of our broader business strategy that sees us focusing on markets with a more favourable risk-profit ratio.

In 2017, the Group's strategy was very effective as shown not just by the numbers and the attained results, but also by the market's acknowledgement. For the fifth year in a row, we were awarded the global leadership in the water sector by ENR, and we are one of the Top 10 companies in the transport and sewer/waste sectors.

For the future, we have set ourselves some strategic guidelines, among which: to keep our leadership in the water and metro sectors, while consolidating our position in the United States, the Middle East and Italy; we also intend to increase our market share in the United States, and to reposition Lane for the building of large infrastructure projects; we aim to reduce direct costs, optimise corporate costs and increase cash flow generation, to support the Group's growth by strengthening its financial solidity.

Our 2017 overall results make us proud. They prove that the strategy we have set for ourselves works, as it ties our growth to global megatrends. It is a winning strategy, which guarantees both short term results and economic and financial sustainability in the long-term.

If we look at the global scenario, we see that infrastructure is a confirmed essential lever for sustainable development within a context of economic recovery. In a context where the global GDP growth was 3.0% in 2017[1], the construction market went

[1] Source: Global Economic Prospect, The World Bank Group, January 2018.

from USD2.9 trillion in 2016 to USD3.2 trillion in 2017. It is expected to reach USD3.5 trillion in 2018.

This construction market's growth meets the ongoing demanding needs linked to megatrends like urbanisation, water shortage and infrastructure ageing. Mass urbanisation is leading towards the growth of megacities. It is therefore increasing the demand for high-quality infrastructure connected to sustainable transport, like metros and railways. The global population's increase is causing the water shortage phenomena. It is linked to the ever-growing need to manage the lack of water resources through solutions like water treatment plants to manage and reuse water, desalination plants and purification plants, plants to guarantee existing water reserves and to generate electricity from renewable sources through hydroelectric plants. There is also the need to renew infrastructure that is now obsolete in most parts of the developed world, while also seizing the opportunities that present themselves in emerging countries that are ready to invest in new high quality infrastructure.

2017, in this scenario, was an important year for new orders. The main new projects won by the Group confirm our willingness to work in areas with a favourable profit and risk ratio, but also our will to continue to work in Italy. In fact, in 2017, we also won some important contracts in our country: the Naples-Bari High-Speed Railway section for €238 million, the Palermo-Catania railway section for €186 million and Milan's new ENI headquarters for €171 million, designed to apply for the LEED Gold certification.

The Persian Gulf continues to be a strategic geographical area. During the year, we won several new key projects for the development of the urban areas of some of its main cities.

Besides winning an important road connection project in Abu Dhabi (USD200 million), to connect Capital District to the Central Business District, the Group also won three projects for the area's residential and commercial development: the Meydan One Mall (USD435 million), which will be the heart of a massive urban development plan between Meydan and Al Khail Road (United Arab Emirates); the renovation project for the famous Al Faisaliah Mall commercial centre, which is worth €172 million, and also Riyadh's SANG Villas urbanisation project (USD1.3 billion). This integrated project is particularly challenging. It consists of the construction of a city with approximately 6,000 villas, in a 7 million square metres area east of Riyadh. It will also include building more than 160 km of main and secondary roads, with their relevant services, a water treatment plant, and various above-ground and underground water reservoirs.

We also managed to strengthen our presence in the area thanks to Fisia Italimpianti, a subsidiary that won two new contracts: the Shoaiba desalination plant worth USD255 million, and Oman's Salalah desalination plant worth USD100 million.

Through Lane, we also won a contract in the Gulf area to expand the Al Maktoum International Airport (USD125 million), with new terminal services, new taxiways, roads and tunnels in Dubai's airport (United Arab Emirates).

2017 was the year in which we strengthened our activity in the United States, through Lane, with which we reached a backlog that touches €3.0 billion, with €2.6 billion of new orders. These include projects in different sectors: roads, Lane's traditional business sector, where the company won a contract for USD336 million for the I-395 Express Lane; also, water treatment projects, like Washington's Northeast Boundary Tunnel, through which we are consolidating Lane's positioning within the large complex infrastructure sector as well.

Our US market outlook calls for ongoing investments through Lane, including through new businesses, like Lane Power and Energy.

The US market's expected demand for infrastructure by 2015 will reach USD4.6 trillion. At the start of the year, the government relaunched an infrastructure investment plan worth USD1.5 trillion. We are certain that we will be able to significantly contribute to this investment plan, for example, with regard to maintenance activities to be carried out on 15,500 high-risk dams, and for the 56,000 bridges that are currently in a poor structural condition.

Commercial results attained globally and our correct financial management showed in our 2017 economic and financial data. Revenue has grown by +5.8%, EBITDA saw an increase compared to 2016 of 1.2%. Our overall order backlog totals €34.4 billion. It shows the Group's continuity and excellent work and how it is continually consolidating its growth.

Our financial stability was acknowledged by the market during 2017: Dagong and Standard & Poor's Ratings Services awarded the Group a "BB+" rating on our long-term corporate credit. Fitch Ratings also confirmed the Group's market position, promoting it with a "BB+" rating, for its solid business profile, its proficient order backlog, its efficient risk management system, its improved financial profile and for its results that are perfectly aligned with its Business Plan.

All this, though, is not enough. I am confident that we can still improve, by also continuing to invest in our main asset: people.

We continually develop our personnel's skills, while also hiring new people. Our team is growing with the best young new talents on the market, to make sure that our know-how is passed on and to strengthen this incredible asset, which we already have.

We build extraordinary projects, and we must do so in the best possible way, both in engineering terms (which already sets us apart in the sector) and in worksite safety terms. This is another important area for growth for the Group, which renewed its commitment during 2017. We launched a new internal training and communication plan called Valyou. The plan aims at creating new Safety Leaders and a new Health&Safety corporate culture at work. We want it to become a key component of our new DNA.

In 2017, to promote work as a culture and the value of people, we prepared an event that will celebrate work and our people in our worksites during this year. This will take place through a photo exhibition at Milan's la Triennale. The exhibition continues our cultural marketing campaign aimed at improving the brand awareness surrounding our company brand and logo. This cultural marketing formula has already proved to be successful in 2017. It promoted our brand in the United States through a series of events dedicated to Maestro Arturo Toscanini at Milan's La Scala, at the Congress Library in Washington DC and at New York's Guggenheim Museum.

This growth and consolidation path that we are treading continues to be guided by a sustainable development policy and principles, both for how we build our works and for how we interact with our local communities, but also for how our works impact the environment. In all our activities, we aim to support our clients so that they can attain sustainable development goals with regard to energy, water, climate change, sustainable cities and resilient infrastructure.

Our construction activities follow circular economy principles and create shared value. They contribute to safeguarding the environment and to creating socio-economic development for the areas where our works are built. All this, by also respecting cultures and local diversity. Just to mention a few examples, in 2017, 70% of our personnel working in our projects were workers directly hired from local communities. 88% of our goods and services procurement needs were also met locally. We also continued to support the areas where we build our works through social initiatives, with approximately 200 projects worldwide.

During 2017, we received two recognitions attesting our sustainable approach: for Doha's Red Line North project, the Group received the Sustainability Award 2017 from the Qatar Green Building Council, as Best Green Building Contractor. The Anacostia River Tunnel Project in Washington, D.C. (USA) received the Sustainability Initiative of the Year award from the International Tunneling and Underground Space Association.

But our people are even more important than our dams, bridges, roads and airports, as they build Salini Impregilo's story every day. And a story is not merely a tale of how things must be done, but one that speaks: imagination becoming a building, projects that become real, values that build value.

But also, the capacity to transform the once unimaginable into something real. We give life to extraordinary things, every day. We ambitiously wish to look at the new year with the desire to keep improving: reaching new outstanding targets and exceeding the ones we set ourselves. And we intend to do so starting from where we are now, celebrating our work and making the most of our strengths: our skills and our people.

Pietro Salini

Company Officers

Board of directors (i)

Chairperson	**Alberto Giovannini**
Chief executive officer	**Pietro Salini**
Directors	**Marco Bolgiani**
	Marina Brogi
	Giuseppina Capaldo
	Mario Giuseppe Cattaneo
	Roberto Cera
	Nicola Greco
	Pietro Guindani
	Geert Linnebank
	Giacomo Marazzi
	Franco Passacantando
	Laudomia Pucci
	Alessandro Salini
	Grazia Volo

Risk and Control committee

Chairperson	**Mario Giuseppe Cattaneo**
	Marco Bolgiani
	Giuseppina Capaldo
	Pietro Guindani
	Franco Passacantando

Compensation and nominating committee

Chairperson	**Marina Brogi**
	Nicola Greco
	Geert Linnebank
	Laudomia Pucci

Committee for Related-Party Transactions

Chairperson	**Marco Bolgiani**
	Marina Brogi
	Giuseppina Capaldo
	Geert Linnebank

Board of statutory auditors (ii)

Chairperson	**Giacinto Gaetano Sarubbi**
Standing statutory auditors	**Alessandro Trotter**
	Teresa Cristiana Naddeo
Substitute statutory auditors	**Piero Nodaro**
	Roberto Cassader

Independent auditors (iii) **KPMG S.p.A.**

(i) Appointed by the shareholders on 30 April 2015; in office until approval of the financial statements as at and for the year ended 31 December 2017.
(ii) Appointed by the shareholders on 27 April 2017; in office until approval of the financial statements as at and for the year ending 31 December 2019.
(iii) Engaged by the shareholders on 30 April 2015; term of engagement from 2015 to 2023.

Our Vision and Global Presence

Profile

Salini Impregilo is an international industrial Group specializing in the construction of major complex infrastructure projects throughout the world. Inspired by the principles of sustainable development, the Group uses technological and organisational innovation combined with its extraordinary human and professional resources to develop construction solutions capable of enhancing the resources of communities and contributing to the economic and social improvement of nations.

Vision

We firmly believe that large infrastructure projects contribute to the creation of a better world for the current and future generations.

Global presence

Salini Impregilo Group has reinforced its international presence over the years thanks to the construction of projects that have become symbols of progress for entire countries and have improved the lives of millions of people across five continents and in more than 100 countries.

Dams and hydroelectric power plants, motorways, roads and bridges, railways and metros, airports, canals, civil and industrial engineering are the sectors in which the Group has worked for more than 110 years. Operating in over 50 countries, Salini Impregilo currently has more than 30 thousand employees from 100 different countries, earns turnover of more than €6 billion and has been the global leader in the water segment since 2013.

In 2017, it ranked among the top ten contractors on the US market, thanks to its local expansion strategy pursued through the acquisition of Lane Construction in 2016, focused on growth in areas offering the best development potential and lowest risks, in line with the Group's business plan goals.

Our worldwide presence can be viewed on our website:
www.salini-impregilo.com

Key Events of the Year

March 2017

Contract worth USD336 million awarded in Virginia (USA)

On 1 March 2017, Lane was awarded a new design-build contract worth USD336 million to extend the 395 Express Lanes in Virginia, USA, where Lane has already performed other works.

€397 million contract awarded for the first lot of the high speed Naples - Bari railway section

On 2 March 2017, the Salini Impregilo-Astaldi joint venture was awarded the contract worth €397 million to design and build the Naples - Cancello segment of the high speed Naples - Bari section.

The works will be performed by Salini Impregilo (lead contractor, 60% share) and Astaldi (40%).

The contract was commissioned by Italferr S.p.A. and covers the first segment of the Naples - Bari section. It is a fundamental part of the overall restructuring of the entire railway line.

Consorzio COCIV

On 3 March 2017, the Rome prefecture appointed a commissioner for the extraordinary and temporary administration of this consortium pursuant to article 32.1.b of Decree law no. 90 of 24 June 2014, converted with amendments by Law no. 114 of 11 August 2014 for a six-month period which has since been extended to 15 January 2019.

USD435 million contract awarded for an urban development project in Dubai

On 16 March 2017, Salini Impregilo signed a USD435 million contract with Meydan Group LLC to build the Meydan One Mall in Dubai, United Arab Emirates. The contract provides that Salini Impregilo will perform the structural works and oversee the excavations and building works.

The Mall is the first phase of this urban development project, which will include a water canal, a tourist port, walking and bike tracks and one of the tallest residential buildings in the world. Two metro lines will be built underneath it, one of which - the Green Line - will connect to Dubai Airport.

April 2017

Contract worth USD188 million awarded in Indiana (USA)

On 6 April 2017, Salini Impregilo and S.A. Healy Company, a subsidiary of Lane Construction Corporation (Salini Impregilo Group) won a design-bid-build contract worth USD188 million in Indiana (USA).

The project includes a deep rock tunnel, drop shafts and consolidation sewers to collect and convey combined sewer overflow (CSO) from eight locations along the St. Mary and Maumee Rivers.

Once completed, the CSO tunnel system will reduce 90% of combined sewage overflows into the rivers, which occur during large rain storms.

USD300 million contract in Saudi Arabia commissioned by Al Khozama
On 13 April 2017, Salini Impregilo was awarded a USD300 million contract to refurbish the Al Faisaliah Mall and demolish the adjacent Seyahiah and Al Khozama Centre buildings to extend the Mall and build a five star hotel.

The Al Faisaliah District Redevelopment project in Riyadh has been commissioned by Al Khozama Management Company, a leading developer and manager of commercial, luxury, hospitality and retail properties in Saudi Arabia.

Salini Impregilo (Fisia Italimpianti) won a USD255 million contract in Saudi Arabia as part of a joint venture
On 18 April 2017, through its subsidiary Fisia Italimpianti, Salini Impregilo was awarded the contract to design and build a desalination plant in Saudi Arabia worth USD255 million as part of a joint venture with a Spanish company. The client is ACWA Power.

Located in the Shoaiba area on the western coast of Saudi Arabia, the plant will use reverse osmosis technology to deliver 250,000 cubic metres of water per day, supplying potable water to more than one million residents in the cities of Mecca, Jeddah and Taif.

As part of a joint venture in which it holds 50%, Fisia Italimpianti has signed a Limited Notice To Proceed (LNTP) to start the preparatory work.

July 2017

USD580 million contract awarded for a tunnel in Washington D.C.
On 7 July 2017, Salini Impregilo and Lane Construction Corporation won a USD580 million contract to construct the Northeast Boundary Tunnel (NEBT) in Washington D.C. from the District of Columbia Water and Sewer Authority (DC Water). The NEBT is the biggest component of DC Water's Clean Rivers Project.

The project will also include the construction of ventilation control facilities, storm water inlets and green infrastructure. Once it is connected to the other Clean Rivers Project tunnels, the NEBT will help reduce combined sewer overflows to the Anacostia River by 98% and the chance of flooding in the areas it serves from about 50% to 7% in any given year.

USD232 million contract to replace the Unionport Bridge in Bronx County, New York
On 12 July 2017, in a joint venture with Schiavone Construction Company, Lane Construction Corporation won a contract worth USD232 million to replace the

Unionport Bridge in Bronx County in New York (USA). The contract, the first to be won by Lane in the New York City area, comprises the replacement of the moveable "bascule" bridge that allows the Bruckner Expressway to cross Westchester Creek. The new bridge will be constructed in 10 stages.

Sale of Impregilo Parking Glasgow Ltd and Impregilo Wolverhampton Ltd
On 14 July 2017, Impregilo International Infrastructures N.V. finalised its sale of Impregilo Parking Glasgow Ltd and Impregilo Wolverhampton Ltd to the English company Semperian (Glasgow) Limited for roughly €12 million. The transaction entailed the sale of shares and settlement of other items. It led to the recognition of a gain of roughly €6 million in the statement of profit or loss and an increase of about €23 million in the net financial position.

€171 million contract to build ENI's new offices in Milan
On 28 July 2017, Salini Impregilo was awarded a contract worth €171 million to build the new offices of the Italian energy group ENI in Milan. They will be located in the San Donato Milanese municipality, south-east of the city.

October 2017

Refinancing of the long-term corporate debt
The Group successfully negotiated the refinancing of its medium to long-term corporate debt for approximately €1.1 billion thus strengthening its financial structure and significantly cutting its borrowing costs. It concurrently extended the term of its borrowings with more than 80% now due after 2020. The transaction involved:

- the successful placement of unsecured senior bonds on 19 October 2017; these bonds have a nominal amount of €500 million, a fixed rate coupon of 1.75% and a seven-year maturity expiring in October 2024;
- two unsecured senior term loans of €380 million expiring in 2022 and a revolving credit facility of €200 million with the same expiry date

The bond issue was rated "BB+" by S&P Global Ratings and was oversubscribed by nearly seven times the originally envisaged amount.

Orders were received from a very diversified investor base with more than 80% coming from abroad. In addition, the 1.75% coupon is the best result achieved to date by the Group on the Eurobond market, confirming investors' keen interest in the Group thanks to its credit worthiness and growth strategy.

November 2017

Contract worth USD134.6 million to build a section of Suncoast Parkway 2, the new highway leading north of Tampa
On 16 November 2017, Lane Construction Corporation was awarded the USD134.6

million contract to build a section of Suncoast Parkway 2, the new highway leading north of Tampa, Florida.

This contract confirms the leadership position of Salini Impregilo and its subsidiary Lane in the US road and highway sector and especially in Florida, where the Group has been active for decades. It is currently involved in some of this state's most important contracts, including the I-4 Ultimate in Orlando worth USD2.3 billion.

The Suncoast Parkway 2 will help reduce commuting times and improve sustainability, by contributing to the reduction of emissions along the existing roadway network between Citrus County and the Tampa Bay Region.

€186 million contract for the Palermo - Catania railway section

On 30 November 2017, Salini Impregilo was awarded a €186 million contract with other partners to design and execute the doubling of a 38 km segment of the Bicocca - Catenanuova section of the Palermo - Catania line.

Rete Ferroviaria Italiana assigned the contract to the joint venture comprising Salini Impregilo, Astaldi, SIFEL and CLF. It is part of a larger project for the TEN-T European corridors system, designed to improve the competitiveness of rail transport and integrate the south-east railway network with the high speed/capacity system as well as increasing the percentage of freight transported by rail.

December 2017

Contracts worth USD490 million in the US, Oman and the United Arab Emirates

On 11 December 2017, the Group was awarded contracts worth a combined USD490 million in Oman, Abu Dhabi and the US, strengthening its global presence in the large complex infrastructure segment and its leadership in the water and transportation sectors.

Salini Impregilo has entered Oman with the group company, Fisia Italimpianti, winning a USD100 million contract to build a water desalination plant as part of a joint venture.

It was awarded a contract worth USD200 million in Abu Dhabi to design and build a section of a transit way across two islands to connect the Capital District with the Central Business District.

In the US, the group company Lane Construction won two road contracts in Virginia worth a combined total of USD190 million.

The first contract of USD105 million involves the construction of an interchange in Virginia Beach while the second contract worth USD85.6 million is for the construction of a through-lane along part of eastbound I-66 in Ballston.

USD1.3 billion contract in Saudi Arabia

In December, Salini Impregilo signed the preliminary agreements for a contract in Riyadh worth roughly USD1.3 billion with the Saudi Arabia National Guard (SANG).

The project includes housing and urban planning on a large scale with the construction of about 6,000 villas in an area of 7 million square metres to the east of Riyadh and more than 160 kilometres of main roads and secondary routes and related services, as well as a sewage treatment plant and several water tanks above and below ground.

The contract is expected to be completed in five years. It was finalised on 21 February 2018.

DIRECTORS' REPORT PART I

Financial highlights

The following tables show the Group's adjusted key financial indicators for 2017 compared to the previous year.

Adjustments are not provided for by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union. The Group deems that these adjusted figures and data provide information useful to management and investors to assess the Group's performance and compare it to other companies active in the same sector. They also provide an additional picture of the results excluding elements that are unusual or atypical.

As a result, at 31 December 2017, the Group has adjusted its IFRS accounting figures to reflect the inclusion of the results of joint ventures not controlled by Lane Group and to sterilise the effects of the impairment losses recognised on some assets related to the construction of infrastructure in Venezuela.

The subsequent section on "Initial considerations on the comparability of data" provides more information and details on the following reconciliation of the key adjusted figures.

The "Alternative performance indicators" paragraph gives a definition of the financial statements indicators used to present the Group's highlights.

ADJUSTED RECLASSIFIED STATEMENT OF PROFIT OF LOSS OF SALINI IMPREGILO GROUP

(In millions of Euros)	2016 Adjusted				2017 Adjusted			
	Salini Impregilo Group (*)	JV not controlled by Lane	Impairment Venezuela	Total Adjusted	Salini Impregilo Group (*)	JV not controlled by Lane	Impairment Venezuela	Total Adjusted
Revenue	5,883.8	240.7	-	6,124.5	6,107.2	240.6	-	6,347.8
Gross operating profit (EBITDA)	**552.8**	**24.4**	**-**	**577.2**	**580.1**	**4.2**	**-**	**584.3**
Gross operating profit margin (EBITDA) %	*9.4%*	*10.1%*		*9.4%*	*9.5%*	*1.7%*		*9.2%*
Operating profit (EBIT)	**275.5**	**24.4**	**13.6**	**313.5**	**25.2**	**4.2**	**292.5**	**321,9**
R.o.S. %	*4.7%*	*10.1%*		*5.1%*	*0.4%*	*1.7%*		*5.1%*
Net financing costs	(86.5)	-	-	(86.5)	(192.9)	-	-	(192.9)
Net gains (losses) on equity investments	9.1	(24.4)	-	(15.3)	100.1	(4.2)	-	95.9
Profit (loss) before tax (EBT)	**198.1**	**-**	**13.6**	**211.7**	**(67.6)**	**-**	**292.5**	**224.9**
Income tax expense	(78.0)	-	(3.3)	(81.3)	(14.5)	-	(68.2)	(82.7)
Profit (loss) from continuing operations	**120.1**	**-**	**10.3**	**130.4**	**(82.1)**	**-**	**224.3**	**142.2**
Loss from discontinued operations	(20.7)	-	-	(20.7)	(1.9)	-	-	(1.9)
Loss attributable to non-controlling interests	(39.6)	-	-	(39.6)	(22.9)	-	-	(22.9)
Profit (loss) attributable to the owners of the parent	**59.8**	**-**	**10.3**	**70,1**	**(106.9)**	**-**	**224.3**	**117.4**

(*) Reclassified IFRS statement of profit or loss of Salini Impregilo Group.

Adjusted revenue for the year is €6,347.8 million compared to €6,124.5 million for 2016. It includes revenue of the unconsolidated joint ventures of Lane of €240.6 million and €240.7 million, respectively. The main factors driving the growth in adjusted revenue are some large projects and, specifically, Lane's ongoing projects, the Rogun dam in Tajikistan, the Forrestfield Airport Link metro in Australia as well as the Meydan One Mall project in Dubai, United Arab Emirates.

Adjusted revenue for the year, restated using constant exchange rates, would have been approximately €6.5 billion, up around €358 million, up 5.8% on 2016[1].

The adjusted gross operating profit amounts to €584.3 million, up 1.2% on €577.2 million for 2016 while the adjusted operating profit of €321.9 million shows an improvement of about 2.7% on the previous year's figure of €313.5 million.

The adjusted gross operating profit is equal to 9.2% (9.4%) of revenue and the adjusted R.o.S. is 5.1% (5.1%).

Net financing costs approximate €192.9 million compared to €86.5 million for 2016. The item comprises financial expense of €134.9 million (€146.5 million) and net exchange losses of €122.8 million (net gains of €15.5 million) partly offset by financial income of €64.8 million (€44.5 million).

The €20.3 million increase in financial income is mainly due to the recognition of interest on receivables due to the Group from mainly foreign customers.

The reduction of €11.6 million in interest and other financial expense is a result of the debt refinancing transaction finalised in 2017, which

[1] The exchange effect on 2017 revenue was calculated by applying the average 2016 exchange rate to contract revenue accrued in 2017 in currencies other than the Euro. With respect to contracts with consideration agreed in more than one currency, the related contractually-provided for breakdown was used for simplicity purposes.

led to a decrease in bank loans and borrowings against the issue of bonds at more favourable interest rates to those previously applied. The decrease is partly offset by the recognition of interest after the settlement of a tax bill received by the Ethiopian branch during the year.

Net exchange losses of €122.8 million mainly arose on the performance of the US dollar and Ethiopian birr vis-à-vis the Euro.

Net gains on equity investments increased by €111.2 million to €95.9 million, due to the higher profits recognised by the equity-accounted investees for 2017, mainly the associate Autopista del Sol S.A. as a result of the compensation recognised as part of the renegotiation contract with the Argentine government.

The adjusted profit before tax amounts to €224.9 million, an improvement on the 2016 balance of €211.7 million.

The adjusted income tax expense amounts to €82.7 million (€81.3 million) and the tax rate is 36.8% (38.4%).

The loss from discontinued operations amounts to €1.9 million (€20.7 million) and relates to the costs of the USW Campania business unit. The balance for the previous year included the exchange losses of €13.9 million accumulated in the translation reserve related to the foreign operations of Todini Costruzioni Generali sold on 4 April 2016.

Non-controlling interests amount to €22.9 million (€39.6 million), mainly related to the group companies working in Saudi Arabia on the construction of the Riyadh Metro Line 3 (roughly €13.8 million) and some of Lane’s subsidiaries (€9.3 million).

ADJUSTED NET FINANCIAL INDEBTEDNESS OF SALINI IMPREGILO GROUP

(In millions of Euros)	31 December 2016	31 December 2017 Adjusted		
	Salini Impregilo Group (*)	Salini Impregilo Group (*)	Impairment Venezuela	Total Adjusted
Non-current financial assets	62.5	188.5	56.6	245.1
Current financial assets	323.4	94.3	-	94.3
Cash and cash equivalents	1,602.7	1,320.2	-	1,320.2
Total cash and cash equivalents and other financial assets	**1,988.6**	**1,603.0**	**56.6**	**1,659.6**
Bank and other loans and borrowings	(866.4)	(457.5)	-	(457.5)
Bonds	(868.1)	(1,084.4)	-	(1,084.4)
Finance lease liabilities	(119.7)	(81.3)	-	(81.3)
Total non-current indebtedness	**(1,854.2)**	**(1,623.2)**	**-**	**(1,623.2)**
Current portion of bank loans and borrowings and current account facilities	(398.6)	(311.0)	-	(311.0)
Current portion of bonds	(18.9)	(302.9)	-	(302.9)
Current portion of finance lease liabilities	(55,3)	(48.6)	-	(48.6)
Total current indebtedness	**(472.8)**	**(662.5)**	**-**	**(662.5)**
Derivative assets	0.1	0.2	-	0.2
Derivative liabilities	(7.2)	(1.5)	-	(1.5)
Net financial position with unconsolidated SPEs	(5.3)	(18.6)	-	(18.6)
Total other financial liabilities	**(12.4)**	**(19.9)**	**-**	**(19.9)**
Net financial indebtedness - continuing operations	**(350.8)**	**(702.6)**	**56.6**	**(646.0)**
Net financial indebtedness including discontinued operations	**(350.8)**	**(702.6)**	**56.6**	**(646.0)**

(*) Figures taken from the IFRS statement of financial position of Salini Impregilo Group.

Adjusted net financial indebtedness is €646.0 million compared to € 350.8 million at 31 December 2016.
The increase in this item is mainly a result of:
- a decrease of €329 million in cash and cash equivalents and financial assets;
- a €28 million reduction in total financial indebtedness.

The Group's net financial indebtedness at 31 December 2017 using constant exchange rates would have been €457 million compared to the adjusted €646 million (reduction of approximately €189 million).

Performance

This section presents the reclassified statement of profit or loss and statement of financial position of the Group and the parent and a breakdown of their financial position at 31 December 2017. It also provides an overview of the main changes in the Group's and the parent's financial position and results of operations compared to the previous year.

Unless indicated otherwise, figures are provided in millions of Euros and those shown in brackets relate to the previous year.

The "Alternative performance indicators" paragraph gives a definition of the financial statements indicators used to present the Group's financial position and results of operations for the year.

Initial considerations on the comparability of data

Management accounts presentation of the figures for 2017 and 2016 (adjusted)

The Group's statement of profit or loss figures for 2017 and 2016 and its net financial indebtedness at 31 December 2017 have been adjusted as explained below in detail.

Joint ventures not controlled by Lane

The Group monitors the key figures of Lane Group for management purposes adjusting the IFRS figures prepared for consolidation purposes to present the results of the joint ventures not controlled by Lane which are consolidated on a proportionate basis. These figures show the progress made on contracts managed directly by Lane or through its non-controlling investments in joint ventures.

Impairment - Venezuela

The Group calculated the recoverable amount of its total exposure to Venezuelan government agencies at 31 December 2017 to reflect the recent negative developments caused by the deterioration in the country's credit standing.

The tests performed with independent experts showed that the exposure's recoverable amount is approximately €314.2 million, therefore, the Group recognised an additional impairment loss of €273.4 million, which added to the impairment loss recognised in the first six months of 2017, gives a total loss of €292.5 million.

More information is available in the "Main risk factors and uncertainties" section of this report and section 4 "Impairment - Venezuela" in the notes to the consolidated financial statements.

Gross operating profit performance indicator EBITDA

Given the Group's optimisation of its geographical and commercial positioning, which led to its repositioning on the international market, and considering that other sector operators use a calculation method for gross operating profit different to that used previously by the Group, in order to facilitate a comparison with the figures of its key competitors, including on new markets, the Group decided to change the composition of this indicator to exclude provisions and impairment losses as, in some cases, they have a non-recurring nature. The Group deems that this new calculation method assists an understanding and the comparability of its performance indicators.

The new composition of the gross operating profit indicator required restatement of the figures for 2016. This led to an increase in the gross operating profit of roughly €16.5 million for the Group in 2017 and of approximately €15.2 million for the parent in the reclassified statements of profit or loss. Both these increases are mainly caused by the accruals to the allowance for impairment for the Venezuelan receivables made in 2016.

The "Alternative performance indicators" paragraph gives a definition of the financial statements indicators used to present the Group's highlights.

The effects of the restatement of the statement of profit or loss are shown in the following table ("Gross operating profit performance indicator EBITDA"):

RECLASSIFIED STATEMENT OF PROFIT OR LOSS OF THE GROUP

(In millions of Euros)	2016 Restated	2016 Published	Variation
Total revenue	**5,883.8**	**5,883.8**	**-**
Operating expenses	**(5,331.0)**	**(5,347.5)**	**16.5**
Gross operating profit (EBITDA)	**552.8**	**536.3**	**16.5**
Gross operating profit margin (EBITDA) %	*9.4%*	*9.1%*	
Amortisation, depreciation, provisions and impairment losses	(277.3)	(261)	(16.5)
Operating profit (EBIT)	**275.5**	**275.5**	**-**
Return on Sales	*4.7%*	*4.7%*	
Profit before tax	**198.1**	**198.1**	**-**
Profit for the year attributable to the owners of the parent	**59.9**	**59.9**	**-**

RECLASSIFIED STATEMENT OF PROFIT OR LOSS OF THE PARENT

(In millions of Euros)	2016 Restated	2016 Published	Variation
Total revenue	**3,076.7**	**3,076.7**	**-**
Operating expenses	**(2,691.8)**	**(2,707.0)**	**15.2**
Gross operating profit (EBITDA)	**384.9**	**369.7**	**15.2**
Gross operating profit margin (EBITDA) %	*12.5%*	*12.0%*	
Amortisation, depreciation, provisions and impairment losses	(140.1)	(124.9)	(15.2)
Operating profit (EBIT)	**244.8**	**244.8**	**-**
Return on Sales	*8.0%*	*8.0%*	
Profit before tax	**127.9**	**127.9**	**-**
Profit for the year	**64.6**	**64.6**	**-**

Group performance

The following table shows the Group's reclassified IFRS statement of profit or loss.

TABLE 1 - RECLASSIFIED STATEMENT OF PROFIT OR LOSS

(€'000)	Note (*)	2016 (§)	2017	Variation
Revenue		5,760,358	5,939,976	179,618
Other income		123,451	167,265	43,814
Total revenue	34	**5,883,809**	**6,107,241**	**223,432**
Operating expenses	35	(5,330,972)	(5,527,089)	(196,117)
Gross operating profit (EBITDA)		**552,837**	**580,152**	**27,315**
Gross operating profit margin (EBITDA) %		9.4%	9.5%	
Amortisation, depreciation, provisions and impairment losses	35,6	(277,324)	(554,972)	(277,648)
Operating profit (EBIT)		**275,513**	**25,180**	**(250,333)**
Return on Sales %		4.7%	0.4%	
Financing income (costs) and gains (losses) on equity investments				
Net financing costs	36	(86,506)	(192,902)	(106,396)
Net gains on equity investments	37	9,122	100,109	90,987
Net financing costs and net gains on equity investments		**(77,384)**	**(92,793)**	**(15,409)**
Profit (loss) before tax (EBT)		**198,129**	**(67,613)**	**(265,742)**
Income tax expense	38	(77,952)	(14,534)	63,418
Profit (loss) from continuing operations		**120,177**	**(82,147)**	**(202,324)**
Loss from discontinued operations	20	(20,662)	(1,908)	18,754
Profit (loss) before non-controlling interests		**99,515**	**(84,055)**	**(183,570)**
Non-controlling interests		(39,594)	(22,862)	16,732
Profit (loss) for the year attributable to the owners of the parent		**59,921**	**(106,917)**	**(166,838)**

(*) The note numbers refer to the notes to the consolidated financial statements where the items are analysed in detail.

(§) The reclassified statement of profit or loss for 2016 was restated to reflect the different method used to calculate gross operating profit (EBITDA) which excludes provisions and impairment losses.

Revenue

Total revenue for the year is €6,107.2 million (€5,883.8 million), including €5,607.1 million earned abroad (€5,344.2 million), of which €1,516.0 million in the US (€1,303.5 million) and €500.2 million (€539.6 million) in Italy. The 3.8% increase on 2016 is mostly due to the higher revenue earned in the US (approximately +€212.5 million).

"Other income" mostly refers to contract work in progress and industrial activities and related works not directly related to contracts with clients.

Operating profit (EBIT)

The gross operating profit for 2017 amounts to €580.2 million (€552.8 million), with the increase due to the higher contract profitability. The gross operating profit margin increased from 9.4% for 2016 to 9.5% for 2017.

The operating profit of €25.2 million decreased on the previous year due to the impairment of some assets related to the construction of infrastructure in Venezuela (see the "Main risk factors and uncertainties" section in this report and section 4 "Impairment - Venezuela" in the notes to the consolidated financial statements).

Financing income (costs) and gains (losses) on equity investments

The Group recorded net financing costs of €192.9 million (€86.5 million) while net gains on equity investments amount to €100.1 million (€9.1 million).

Net financing costs of €70.1 million (€102 million) include financial income of €64.8 million and financial expense of €134.9 million. The €32 million reduction in this item is mostly due to the following:

- a €20.3 million increase in financial income, mainly attributable to the recognition of interest on receivables from mostly foreign clients;

- a €11.7 million decrease in interest and other financial expense as a result of the debt refinancing transaction finalised during the year, which led to a reduction in bank loans and borrowings against the issue of bonds at more favourable interest rates to those previously applied. This decrease is partly offset by the recognition of interest after the settlement of a tax bill received by the Ethiopian branch during the year.

In addition, net financing costs include the financial expense arising on application of the amortised cost method of €18.8 million (€25.4 million), mostly related to the debt refinancing transaction carried out during the year.

Net exchange losses of €122.8 million (gains of €15.5 million) mainly arose on the performance of the US dollar and Ethiopian birr vis-à-vis the Euro.

Exchange differences, which mostly arise on the adjustment to closing rates, do not necessarily impact cash flows as the realisation of foreign currency assets is reinvested/spent in the countries or for the branches where the variation took place.

The €91 million increase in net gains on equity investments is due to the larger profits recognised by the equity-accounted investees for 2017, mainly the associate Autopista del Sol S.A. as a result of the compensation recognised as part of the renegotiation contract with the Argentine government.

Income tax expense

The income tax expense for the year is €14.5 million (€78.0 million).

The decrease is mainly due to the deferred taxes recognised in 2017 following the impairment of some assets related to the construction of infrastructure in Venezuela and the US government's tax reform.

Loss from discontinued operations

The loss from discontinued operations amounts to €1.9 million (€20.7 million) and relates to the costs of the USW Campania business unit. The balance for the previous year included the exchange losses of €13.9 million accumulated in the translation reserve related to the foreign operations of Todini Costruzioni Generali sold on 4 April 2016.

Non-controlling interests

Non-controlling interests amount to €22.9 million (€39.6 million), mainly related to the group companies working in Saudi Arabia on the construction of the Riyadh Metro Line 3 (roughly €13.8 million) and some of Lane's subsidiaries (€9.3 million).

The Group's financial position

The following table shows the Group's reclassified IFRS statement of financial position.

TABLE 2 - RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(€'000)	Note (*)	31 December 2016	31 December 2017	Variation
Non-current assets	7-8-10	1,173,270	1,120,308	(52,962)
Goodwill	9	175,188	155,179	(20,009)
Net non-current assets held for sale	20	6,032	5,683	(349)
Provisions for risks	27	(105,765)	(101,531)	4,234
Post-employment benefits and employee benefits	26	(91,930)	(85,724)	6,206
Net tax assets	12-17-30	118,342	260,674	142,332
- Inventories	13	270,579	240,976	(29,603)
- Contract work in progress	14	2,367,263	2,668,103	300,840
- Progress payments and advances on contract work in progress	28	(2,455,632)	(2,518,557)	(62,925)
- Loans and receivables (**)	15	2,357,251	1,901,334	(455,917)
- Liabilities (**)	29	(2,337,406)	(2,144,810)	192,596
- Other current assets	18	591,270	616,549	25,279
- Other current liabilities	31	(356,315)	(330,289)	26,027
Working capital		437,010	433,307	(3,704)
Net invested capital		**1,712,147**	**1,787,896**	**75,749**
Equity attributable to the owners of the parent		**1,205,005**	**951,386**	**(253,619)**
Non-controlling interests		156,326	133,898	(22,428)
Equity	21	**1,361,331**	**1,085,284**	**(276,047)**
Net financial indebtedness		**350,816**	**702,612**	**351,796**
Total financial resources		**1,712,147**	**1,787,896**	**75,749**

(*) The note numbers refer to the notes to the consolidated financial statements where the items are analysed in detail.

(**) This item shows liabilities of €18.6 million classified in net financial indebtedness and related to the Group's net amounts due to unconsolidated consortia and consortium companies (SPEs) operating under a cost recharging system. The balance reflects the Group's share of cash and cash equivalents or debt of the SPEs.
The 31 December 2016 balances included loans and receivables of €2.0 million and liabiltiies of €7.3 million.

Net invested capital

This item increased by €75.7 million on the previous year end to €1,787.9 million at 31 December 2017. The main changes are due to the factors listed below.

Non-current assets

Non-current assets increased by €53.0 million.
They may be analysed as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Property, plant and equipment	803,039	675,277	(127,762)
Intangible assets	168,763	127,668	(41,095)
Equity investments	201,468	317,363	115,895
Total non-current assets	**1,173,270**	**1,120,308**	**(52,962)**

Property, plant and equipment decreased by €127.8 million, mostly as a result of:

- depreciation of the year of €194.7 million;
- disposals of €58 million;
- exchange losses of €47.2 million, partly offset by
- investments of €170.4 million, mostly for the Milan - Genoa section of the high speed/capacity railway project in Italy and the Forrestfield Airport Link in Australia as well as investments made for Lane Group's contracts and the projects in Tajikistan.

Intangible assets show a net decrease of €41.1 million mainly due to:

- amortisation of the year of €23.9 million;
- the €16.6 million decrease for rights to infrastructure and concessions related to Impregilo Parking Glasgow, sold during the year.

The €115.9 million increase in equity investments is chiefly a result of the following factors:

- an increase in equity-accounted investments following recognition of the Group's share of the profit for the year of €94.8 million, mostly earned by the associate Autopista del Sol, whose results include the compensation received as part of the renegotiation contract with the Argentine government;
- the increase in the Grupo Unidos Por el Canal investment after injections of €53.4 million;

The effects are partly offset by:

- dividends from equity-accounted investees of €20.1 million;
- a €19.2 million variation in the translation reserve of the equity-accounted investees.

Goodwill

This item refers to the acquisition of Lane Group (€131.3 million) and assets from Asphalt Roads and Materials Company Inc. (€23.9 million). The variation on the previous year end is entirely due to the US dollar's depreciation vis-à-vis the Euro. The Group calculated these balances after completion of the purchase price allocation procedure as required by (revised) IFRS 3 in 2016.

Net non-current assets held for sale

Net non-current assets held for sale at 31 December 2017 amount to €5.7 million and solely comprise the net assets of the USW Campania projects.

Provisions for risks

These provisions of €101.5 million decreased by €4.2 million over 31 December 2016.

Post-employment benefits and employee benefits

This item amounts to €85.7 million and shows a €6.2 million decrease compared to 31 December 2016, mainly due to the actuarial valuations made at the reporting date.

Net tax assets

The following table provides a breakdown of this item:

(€'000)	31 December 2016	31 December 2017	Variation
Deferred tax assets	121,925	134,579	12,654
Deferred tax liabilities	(108,493)	(29,946)	78,547
Net deferred tax assets	**13,432**	**104,633**	**91,201**
Current tax assets	135,987	133,040	(2,947)
Current tax liabilities	(109,991)	(96,839)	13,152
Net current tax assets	**25,996**	**36,201**	**10,205**
Other current tax assets	146,503	164,651	18,148
Other current tax liabilities	(67,589)	(44,811)	22,778
Net other current tax assets	**78,914**	**119,840**	**40,926**
Net tax assets	**118,342**	**260,674**	**142,332**

The increase in this item is mainly due to the taxable profits of the various group companies, also considering the changes attributable to the foreign operations.

Working capital

Working capital decreased by €3.7 million from €437 million at 31 December 2016 to €433.3 million at the reporting date.
The main changes in the individual items making up net working capital are summarised below:

- Inventories decreased by €29.6 million to €241.0 million compared to the previous year end as a result of consumption of materials for the Group's main contracts.

- Contract work in progress amounts to €2,668.1 million (€2,367.3 million) and refers to Italian contracts (€526.9 million) and foreign contracts (€ 2,141.2 million of which Lane: €71.4 million).

  The increase of €300.8 million in this item reflects the production progress calculated using the most recent estimates of the ongoing projects' profitability and is due to:

  - the rise in contract work in progress abroad of €226.1 million, mostly related to the contracts in Tajikistan (€142.9 million) and Ethiopia (€26.8 million);
  - the €73.4 million increase in contract work in progress in Italy, mainly due to work on the high speed/capacity Milan - Genoa railway section.

- Progress payments and advances on contract work in progress include both contractual advances and "negative" work in progress (i.e., progress billings in excess of the cumulative value of the works built) and amount to €2,518.6 million, up €62.9 million on 31 December 2016. This increase is mainly the result of the rise in contractual advances of €220.0 million, due to the Rogun Hydropower project in Tajikstan and works in Ethiopia, and the €167.2 million decrease for works in Saudi Arabia.

- Receivables decreased by €455.9 million and include €1,767 million due from third parties (€2,203.6 million) and €134.3 million due from unconsolidated group companies and other related parties (€153.6 million). The decrease is mainly a result of:

  - a reduction of €436 million in receivables from third parties, mostly relating to the Ethiopian contracts and the high speed/capacity Milan - Genova railway section contract;
  - an increase of €133.5 million in the allowance for impairment, principally attributable to the impairment loss of approximately €132 million recognised on receivables from Venezuelan clients; the outstanding balance of these receivables is €153.8 million mostly in hard currencies (Euros and US dollars);
  - a reduction of €21.4 million in receivables from unconsolidated group companies and other related parties.

- Current liabilities decreased by €192.6 million and include liabilities with third parties of €2,046.3 million (€2,233.6 million) and unconsolidated group companies and other related parties of €98.5 million (€103.8 million).

  The decrease in this item is mainly due to the reduction in liabilities with third party suppliers (€187.3 million, including €143.2 million for the contracts in progress in Ethiopia).

- Other current assets increased by €25.3 million, mainly due to the higher advances to suppliers, mostly for the high speed/capacity Milan - Genoa railway section, the Polish road projects and the Al Bayt Stadium in Qatar.

- Other current liabilities decreased by €26 million compared to 31 December 2016, mainly due to the smaller liabilities with employees and other liabilities.

Net financial indebtedness

The following table shows the Group's net financial indebtedness at 31 December 2017 and 2016:

TABLE 3 - NET FINANCIAL INDEBTEDNESS OF SALINI IMPREGILO GROUP

(€'000)	Note (*)	31 December 2016	31 December 2017	Variation
Non-current financial assets	11	62,458	188,468	126,010
Current financial assets	16	323,393	94,308	(229,085)
Cash and cash equivalents	19	1,602,721	1,320,192	(282,529)
Total cash and cash equivalents and other financial assets		**1,988,572**	**1,602,968**	**(385,604)**
Bank and other loans and borrowings	22	(866,361)	(457,468)	408,893
Bonds	23	(868,115)	(1,084,426)	(216,311)
Finance lease liabilities	24	(119,742)	(81,310)	38,432
Total non-current indebtedness		**(1,854,218)**	**(1,623,204)**	**231,014**
Current portion of bank loans and borrowings and current account facilities	22	(398,589)	(311,002)	87,587
Current portion of bonds	23	(18,931)	(302,935)	(284,004)
Current portion of finance lease liabilities	24	(55,281)	(48,567)	6,714
Total current indebtedness		**(472,801)**	**(662,504)**	**(189,703)**
Derivative assets	11	156	226	70
Derivative liabilities	25	(7,180)	(1,480)	5,700
Net financial position with unconsolidated SPEs (**)		(5,345)	(18,618)	(13,273)
Total other financial liabilities		**(12,369)**	**(19,872)**	**(7,503)**
Net financial indebtedness - continuing operations		**(350,816)**	**(702,612)**	**(351,796)**
Net financial indebtedness including discontinued operations		**(350,816)**	**(702,612)**	**(351,796)**

(*) The note numbers refer to the notes to the consolidated financial statements where the items are analysed in detail.

(**) This item shows the Group's net amounts due from/to unconsolidated consortia and/or consortium companies (SPEs) operating under a cost recharging system. The balance reflects the Group's share of cash and cash equivalents or debt of the SPEs. The items making up these balances are presented under trade receivables and trade payables, respectively, in the consolidated financial statements.

At 31 December 2017, the Group has net financial indebtedness from continuing operations of €702.6 million (€350.8 million).

The increase is mainly due to the reduction in cash and cash equivalents due to the exchange difference effect on foreign currency items.

Gross indebtedness decreased by €28.0 million over 31 December 2016 to €2,304.3 million at the reporting date.

The debt/equity ratio (based on the net financial indebtedness from continuing operations) is 0.65 at group level at the reporting date.

Salini Impregilo has given guarantees of €262.4 million in favour of unconsolidated group companies securing bank loans.

Performance of the parent Salini Impregilo S.p.A.

TABLE 4 - RECLASSIFIED STATEMENT OF PROFIT OR LOSS

(€'000)	Note (*)	2016 (§)	2017	Variation
Revenue		2,974,148	2,782,127	(192,021)
Other income		102,512	104,811	2,299
Total revenue	**29**	**3,076,660**	**2,886,938**	**(189,722)**
Operating expenses	30	(2,691,791)	(2,530,779)	161,012
Gross operating profit (EBITDA)		**384,869**	**356,159**	**(28,710)**
Gross operating profit margin (EBITDA) % (**)		12.5%	12.3%	
Amortisation, depreciation, provisions and impairment losses	30	(140,019)	(384,929)	(244,910)
Operating profit (loss) (EBIT)		**244,850**	**(28,770)**	**(273,620)**
Return on Sales (**)		8.0%	-1.0%	
Financing income (costs) and gains (losses) on equity investments				
Net financing costs	31	(60,820)	(202,107)	(141,287)
Net gains (losses) on equity investments	32	(56,103)	139,796	195,899
Net financing costs and net gains (losses) on equity investments		**(116,923)**	**(62,311)**	**54,612**
Profit (loss) before tax (EBT)		**127,927**	**(91,081)**	**(219,008)**
Income tax expense	33	(63,323)	(108)	63,215
Profit (loss) for the year		**64,604**	**(91,189)**	**(155,793)**

(*) The note numbers refer to the notes to the separate financial statements where the items are analysed in detail.
(**) The "Other information" section gives a definition of these indicators.
(§) The reclassified statement of profit or loss for 2016 was restated to reflect the different method used to calculate gross operating profit which excludes provisions and impairment losses.

Revenue

Total revenue for the year is €2,886.9 million (€3,076.7 million), including €347.6 million (€387.7 million) earned in Italy and €2,539.3 million (€2,688.9 million) abroad.

Other income mainly refers to assistance and coordination services provided by the parent to its investees for a fee.

Operating profit (EBIT)

The operating loss of €28.8 million is mainly due to the impairment of some assets related to the construction of infrastructure in Venezuela.

Financing income (costs) and gains (losses) on equity investments

The parent recorded net financing costs of €202.1 million (€60.8 million) while net gains on equity investments amount to €139.8 million (net losses of €56.1 million).

Net exchange losses of €153.8 million (gains of €15.3 million) mainly arose on the performance of the US dollar and Ethiopian birr against the Euro.

Exchange differences, which mostly arose on the adjustment to closing rates, do not necessarily impact cash flows as the realisation of foreign currency assets is reinvested/spent in the countries or for the branches where the variation took place.

Net gains on equity investments amount to €139.8 million (net losses of €56.1 million). The improvement is due to the larger dividends received from subsidiaries (€88.2 million), mainly Impregilo International Infrastructures which distributed €125 million (2016: €25 million). In 2016, the net losses reflected the fair value and impairment losses of €118.9 million on equity investments.

Income tax expense

The €63.2 million decrease in this item is mostly due to deferred taxes recognised in 2017 following the impairment of some assets related to the construction of infrastructure in Venezuela.

Financial position of the parent Salini Impregilo S.p.A.

TABLE 5 - RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(€'000)	Note (*)	31 December 2016	31 December 2017	Variation
Non-current assets	4-5-6	1,432,783	1,393,091	(39,692)
Provisions for risks	22	(72,076)	(58,902)	13,174
Post-employment benefits and employee benefits	21	(12,802)	(11,432)	1,370
Net tax assets	8-13-25	108,909	207,644	98,735
- Inventories	9	180,810	164,072	(16,738)
- Contract work in progress	10	1,010,192	1,125,829	115,637
- Progress payments and advances on contract work in progress	23	(1,246,547)	(1,444,481)	(197,934)
- Loans and receivables (**)	11	1,712,786	1,325,549	(387,237)
- Liabilities (**)	24	(1,408,433)	(1,198,976)	209,457
- Other current assets	14	265,593	252,428	(13,165)
- Other current liabilities	26	(132,067)	(103,881)	28,186
Working capital		382,334	120,540	(261,794)
Net invested capital		**1,839,148**	**1,650,941**	**(188,207)**
Equity	**16**	**1,007,428**	**878,945**	**(128,483)**
Net financial indebtedness		**831,720**	**771,996**	**(59,724)**
Total financial resources		**1,839,148**	**1,650,941**	**(188,207)**

(*) The note numbers refer to the notes to the separate financial statements where the items are analysed in detail.

(**) This item shows liabilities of €18.6 million classified in net financial indebtedness and related to the parent's net amounts due from/to consortia and consortium companies (SPEs) operating under a cost recharging system. The balance reflects the parent's share of cash and cash equivalents or debt of the SPEs.

The 31 December 2016 balances included loans and receivables of €2.0 million and liabilities of €7.3 million.

Net invested capital

This item increased by €188.2 million on the previous year end.

The main changes are due to the factors listed below.

Non-current assets

Non-current assets decreased by €39.7 million. They may be analysed as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Property, plant and equipment	223,394	185,557	(37,837)
Intangible assets	79,544	65,029	(14,515)
Equity investments	1,129,845	1,142,505	12,660
Total non-current assets	**1,432,783**	**1,393,091**	**(39,692)**

Property, plant and equipment decreased by approximately €37.8 million, mainly due to depreciation (€78.5 million), investments (€52.1 million), disposals (€10.8 million) and exchange losses (€3.4 million).

Intangible assets mostly comprise the cost incurred to acquire contracts and decreased by €14.5 million, mostly as a result of amortisation.

Equity investments increased by €12.7 million as a result of the following changes:

- capital transactions of €77.6 million, mainly related to the injections of €53.4 million for Grupo Unidos por el Canal (Panama) and coverage of the losses of €31.5 million of HCE; partly offset by
- exchange gains of €34.9 million, mostly referred to GUPC;
- reclassification of equity investments for €11.6 million;
- disinvestments and liquidations of €11.2 million following the winding up of some Italian consortia and the related reimbursement of the parent's share of their consortium funds.

Provisions for risks

This item of €58.9 million decreased from the 2016 year end balance by €13.1 million.

Post-employment benefits and employee benefits

This item decreased by €1.4 million to €11.4 million at the reporting date.

Net tax assets

At 31 December 2017, net tax assets amount to €207.6 million (€108.9 million) and may be analysed as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Deferred tax assets	38,892	125,723	86,831
Deferred tax liabilities	(24,152)	(19,298)	4,854
Net deferred tax assets	**14,740**	**106,425**	**91,685**
Current tax assets	107,788	114,338	6,550
Current tax liabilities	(72,172)	(72,837)	(665)
Net current tax assets	**35,616**	**41,501**	**5,885**
Other current tax assets	73,949	78,972	5,023
Other current tax liabilities	(15,396)	(19,255)	(3,859)
Net other current tax assets	**58,553**	**59,717**	**1,164**
Net tax assets	**108,909**	**207,643**	**98,734**

Working capital

Working capital decreased by €261.8 million to €120.5 million at the reporting date. The main changes in the individual items arose as a result of developments in the parent's operations and production on projects in Italy and abroad during the year.

Net financial indebtedness

The following table shows the parent's net financial indebtedness at 31 December 2017 and 2016:

TABLE 6 - NET FINANCIAL INDEBTEDNESS OF SALINI IMPREGILO S.P.A.

(€'000)	Note (*)	31 December 2016	31 December 2017	Variation
Non-current financial assets	7	19,800	80,490	60,690
Current financial assets	12	631,581	638,336	6,755
Cash and cash equivalents	15	852,552	660,899	(191,653)
Total cash and cash equivalents and other financial assets		**1,503,933**	**1,379,725**	**(124,208)**
Bank and other loans and borrowings	17	(756,981)	(381,855)	375,126
Bonds	18	(868,115)	(1,084,426)	(216,311)
Finance lease liabilities	19	(47,237)	(28,923)	18,314
Total non-current indebtedness		**(1,672,333)**	**(1,495,204)**	**177,129**
Current portion of bank loans and borrowings and current account facilities	17	(605,879)	(311,029)	294,850
Current portion of bonds	18	(18,931)	(302,935)	(284,004)
Current portion of finance lease liabilities	19	(30,414)	(22,454)	7,960
Total current indebtedness		**(655,224)**	**(636,418)**	**18,806**
Derivative liabilities	20	(2,751)	(1,481)	1,270
Net financial position with unconsolidated SPEs (**)		(5,345)	(18,618)	(13,273)
Total other financial assets		**(8,096)**	**(20,099)**	**(12,003)**
Net financial indebtedness including discontinued operations		**(831,720)**	**(771,996)**	**59,724**

(*) The note numbers refer to the notes to the separate financial statements where the items are analysed in detail.

(**) These items show the parent's net amounts due from/to consortia and/or consortium companies (SPEs) not controlled by any one entity and operating under a cost recharging system. The balance reflects the parent's share of cash and cash equivalents or debt of the SPEs. The items making up these balances are presented under trade receivables and trade payables, respectively, in the separate financial statements.

At 31 December 2017, the parent has net financial indebtedness of €772.0 million compared to €831.7 million at the end of the previous year.

DIRECTORS' REPORT PART II

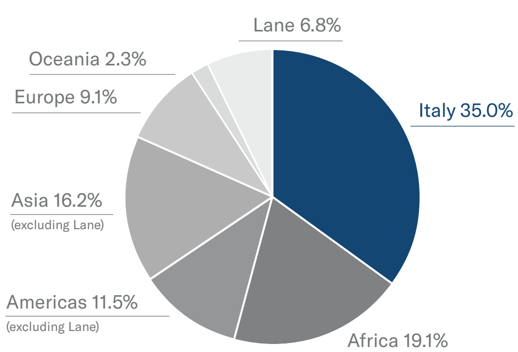
Order backlog

The order backlog for the construction and concessions segments is as follows at the reporting date:

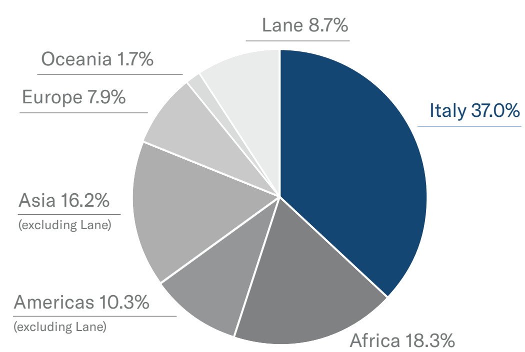
(Share in millions of Euros) AREA	Residual order backlog at 31 December 2016	Percentage of total	Residual order backlog at 31 December 2017	Percentage of total
Italy	**12,934.7**	**35.0%**	**12,718.0**	**37.0%**
Africa	7,047.5	19.1%	6,283.7	18.3%
Asia (excluding Lane)	5,967.0	16.2%	5,558.7	16.2%
America (excluding Lane)	4,255.9	11.5%	3,556.2	10.3%
Europe	3,359.7	9.1%	2,700.6	7.9%
Oceania	832.1	2.3%	582.7	1.7%
Abroad	**21,462.2**	**58.1%**	**18,681.9**	**54.4%**
Lane	2,513.4	6.8%	3,000.8	8.7%
Total	**36,910.3**	**100.0%**	**34,400.7**	**100.0%**

The following chart provides a breakdown of the order backlog by area:

Breakdown of the order backlog 31 December 2016



Breakdown of the order backlog 31 December 2017



Order backlog

The order backlog shows the amount of the long-term construction contracts awarded to the Group, net of revenue recognised at the reporting date. The Group records the current and outstanding contract outcome in its order backlog. Projects are included when the Group receives official notification that it has been awarded the project by the client, which may take place before the definitive, binding signing of the related contract.

The Group includes projects in its order backlog when it deems that the contract counterparties will comply with their obligations. Moreover, its contracts usually provide for the activation of specific procedures (usually arbitrations) to be followed in the case of either party's contractual default.

The order backlog includes the amount of the projects, including when they are suspended or deferred, pursuant to the contractual conditions, even if their resumption date is unknown. The value of the order backlog decreases:

- when a contract is cancelled or decreased as agreed with the client;
- in line with the recognition of contract revenue in profit or loss.

The Group updates the order backlog to reflect amendments to contracts and agreements signed with clients. In the case of contracts that do not have a fixed consideration, the related order backlog reflects any contractual variations agreed with the client or when the client requests an extension of the execution times or amendments to the project that had not been provided for in the contract, as long as these variations are agreed with the client and the related revenue is reasonably certain.

The measurement method used for the order backlog is not a measurement parameter provided for by the IFRS and is not calculated using financial information prepared in accordance with such standards. Therefore, the calculation method used by the Group may differ from that used by other sector operators. Accordingly, it cannot be considered as an alternative indicator to the revenue calculated under the IFRS or other IFRS measurements.

Moreover, although the Group's accounting systems update the related data on a consolidated basis once a month, the order backlog does not necessarily reflect the Group's future results, as the order backlog data may be subject to significant variations.

Performance by geographical segment

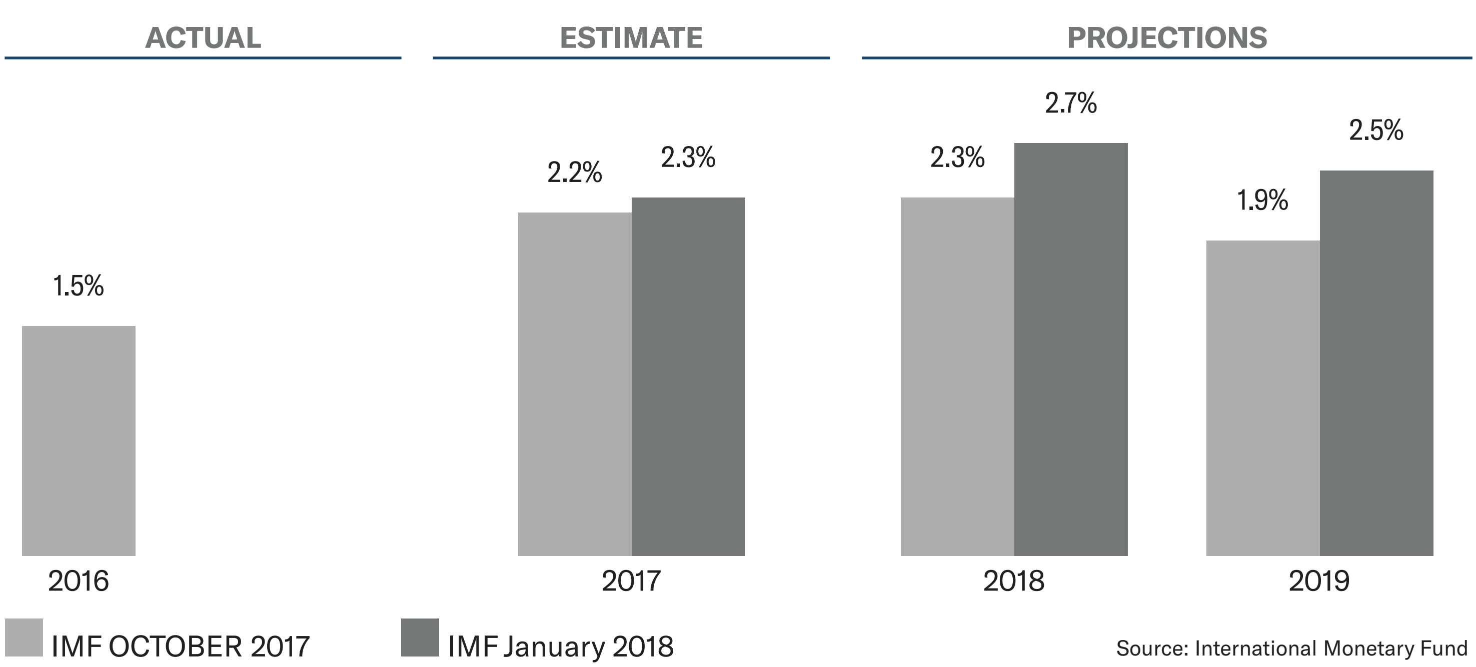
Lane operating segment

The Group is active in the US through the subsidiary Lane Industries Incorporated.

Macroeconomic scenario

GThe US economy continues to grow with positive development prospects. According to the IMF's January 2018 estimates, its growth is forecast at 2.3% and 2.7% in 2017 and 2018, respectively, which is better than the IMF's previous estimates published in October 2017. This upwards revision reflects the expected positive impact of the tax reform recently approved by Congress, which provides for a cut in the corporate tax rate and a temporary reduction in taxes for taxpayers. This review should stimulate business and, hence, trigger another boost in growth. This development is supported by internal consumption which benefits from a strongly growing labour market with almost full employment, an upturn in investments, better economic prospects for companies and the recovery of the energy sector. Overall, the development rate has been fairly stable since 2009, continuing one of the longest expansionary periods for the US economy to date.

GDP GROWTH ESTIMATES AND FORECASTS: UNITED STATES



Source: International Monetary Fund

The US dollar depreciated by about 13% against the Euro in 2017, a trend that was not expected at the start of the year when the FED's measures for a more restrictive monetary policy had already been announced and which were then implemented during the year. However, these measures did not significantly affect the exchange rate. Market expectations about the average 2017 EUR/USD rate was 1.04 in January (Bloomberg consensus estimates of January 2017) while the actual average was 1.13, differing from the forecasts by roughly 9%. The Euro again gained ground at the start of 2018 to exceed 1.20. Some operators' current expectations are for an about-turn and the medium-term strengthening of the US dollar while other operators forecast the Euro's continued growth as a result of the expected discontinuation of its accommodating monetary stance of the last few years by the ECB. Market forecasts for the short term are that the US dollar will continue to be weaker than the Euro.

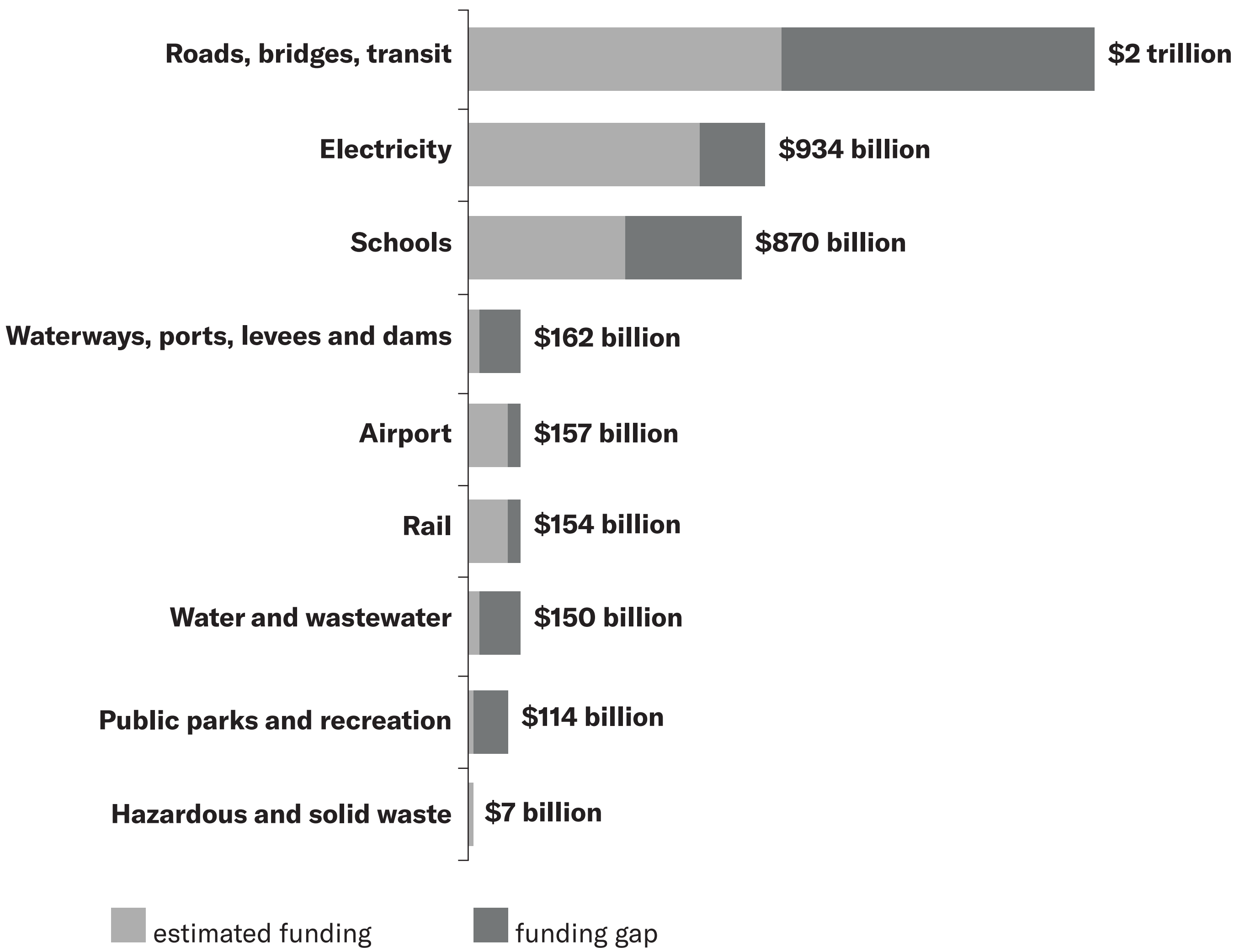
The construction and infrastructure sector has also benefitted from the economy's positive performance and growth outlook for new investments. This encouraging trend has been seen at both federal and individual state level. The recently approved six-year USD18.6 billion investment plan touted by the Virginia Department of Transportation represents a potential opportunity in the local US markets. A draft law, the Transportation Bill, was recently approved in California, providing for an increase of roughly 70% in the annual budget for transportation projects compared to the average for the last four years. Meanwhile, Governor Cuomo has proposed an infrastructure investment plan of USD100 billion for New York, to be funded in part by the federal government.

The likelihood that these far-reaching investment plans will actually happen is now greater thanks to the steady implementation of the Fast Act, the law approved by the Obama Administration at the end of 2015 to regulate public financing of infrastructure projects. There is also more funding available at federal, state and local level, which has led to greater funds earmarked for infrastructure investments in the transportation sector. Several large states are already reaping the benefits of these funds and are developing new investment plans.

Roughly 50% of the funds for the construction of roads and highways comes from federal funds provided for by the Fast Act, which match the funding put together by the states or local communities. At state and local level, investments in transportation infrastructure have grown considerably, especially in the last year, thanks to these measures.

The Trump Administration has prioritised the construction of infrastructure during its mandate and announced projects worth more than USD1,000 billion will be rolled out before 2027 (President Trump announced that this amount had been increased to €1,500 billion in his State of the Union address in January 2018) in the energy and transportation sectors flanked by the reform to simplify building permits to make the construction of roads, bridges and energy infrastructures easier and faster. If these projects go ahead, they will be accompanied by the structural investments included in the budgets already prepared by the individual states.

INFRASTRUCTURE NEEDS, FUNDED AND UNFUNDED, 2016-2025



Source: American Society of Civili Engineers 2017 Infrastructure report Card and Failure to Act series published 2011-2017

The following table shows the amounts involved in the contracts in place at the reporting date:

(Share in millions of Euros) PROJECT	Residual order backlog at 31 December 2016	Percentage of completion	Residual order backlog at 31 December 2017	Percentage of completion
Nebt	-	0.0%	468.1	3.4%
Purple Line	526.0	7.7%	422.0	17.1%
I-4 Ultimate	467.4	17.8%	285.5	45.3%
I-395 Express Lane	-	0.0%	241.9	14.8%
Other	1,520.0		1,583.3	
Total	**2,513.4**		**3,000.8**	

Purple Line - Maryland

In March 2016, Purple Line Transit Partners j.v., which includes Lane Construction, was selected as the best bidder for the design and construction of the Purple Line transit system worth USD2 billion.

The project includes the construction of 21 stations along a 16-mile alignment, mainly above ground between New Carrollton and Bethesda, north of Washington DC. Lane Construction is involved in the construction work with a 30% share.

I-4 Ultimate - Orlando - Florida

In September 2014, the I-4 Mobility Partners joint venture entered into a concession agreement with the Florida Department of Transportation (FDOT) to design, build, finance and operate the USD2.3 billion I-4 Ultimate project. Lane Construction's share of the construction part of the contract is 30%.

The project includes the reconstruction of 21 miles of I-4 from west of Kirkman Road in Orange Country to east of SR 434 in Seminole County, including the addition of four lanes and sections in central Orlando.

I-395 Express Lane - Virginia

On 1 March 2017, Lane won a new design-build contract worth USD336 million to extend the I-395 Express Lanes in Virginia by about eight miles between Fairfax and Arlington.

The project design stage is currently underway, the first subcontracts have been assigned and the preliminary works commenced.

North-East Boundart Tunnel (NEBT)
In July 2017, the SA Healy (Lane) and Salini Impregilo joint venture won the design & build contract for the mechanised excavation of an 8.2 km tunnel and related works in Washington D.C. worth USD580 million. The works are part of the clean rivers project for the Anacostia River. The client issued the notice to proceed in September 2017 and the design and procurement stages are now underway. Work will start in April 2018 to be completed at the beginning of 2022.

Outlook 2018
IThe Lane construction segment has become a core market for the Group, and is expected to contribute around 30% to its total revenue. This is shown by the orders acquired in 2017:

- I-395, in Virginia (100% Lane) worth USD336 million;
- Three Rivers, in Fort Wayne, Indiana (joint venture between Lane and Salini Impregilo) worth USD188 million;
- Unionport Bridge, in New York City, NY (JV comprising Schiavone (55%) and Lane (45%)) worth USD232 million;
- I-70, in Maryland, (100% Lane) worth USD118 million;
- Florida Turnpike, Florida (100% Lane) worth USD177 million;
- Building the new runway at the Al Maktoum Airport in the United Arab Emirates (100% Lane International) worth USD125 million;
- North East Boundary Tunnel, in Washington, D.C., 70% Lane and 30% Salini Impregilo, worth USD580 million;
- Florida Turnpike in the counties of Hernando and Citrus, Florida, for a combined value of USD135 million;
- Roadworks in Virginia on I-264 for USD105 million.

The Group's reference market in the US should offer a pipeline of possible calls to tender worth USD23 billion in the three years from 2018 to 2020 in the following sectors:

- Roughly 40% highways and bridges, mainly in the south-east, north-east and California;
- Roughly 20% in high speed railway projects in the south-west;
- Roughly 20% in tunnel works in the north-east and California;
- The remaining 20% in airports, the water and energy sectors and traditional railways.

The Group will also monitor developments for additional opportunities in the market worth another USD60 billion.

Abroad

The Group is active in the construction and concessions sectors abroad.

Macroeconomic scenario

The global economy has picked up steadily since the end of 2016. Based on the IMF's most recent estimates (January 2018), international growth should increase to 3.7% and 3.9% in 2017 and 2018 respectively. The upturn in trade and a better economic climate have positively affected business and stimulated consumption and investments.

According to the IMF, growth in the Eurozone was 2.4% in 2017 and is expected to be 2.2% in 2018. This trend has also been seen in the emerging economies, with an improvement from 4.4% in 2016 to 4.7% in 2017, and a forecast increase to 4.9% in 2018 thanks to China's strong performance, as a result of its very expansionary economic policies, and the more positive outlook for Brazil and Russia. The macroeconomic scenario is also satisfactory for South East Asia and North Africa although the Middle East's economy is somewhat weaker.

According to the IHS Markit report of October 2017, global infrastructure investments increased by 3.3% in 2016, boosted by the transportation sector which saw growth of 5%. The respective growth rates are forecast to be 4% and 5% for 2017 and 2018, after the roll-out of several projects that had been delayed in previous years. Over the next five years, infrastructure investments should increase by a compound average growth rate (CAGR) of 5%.

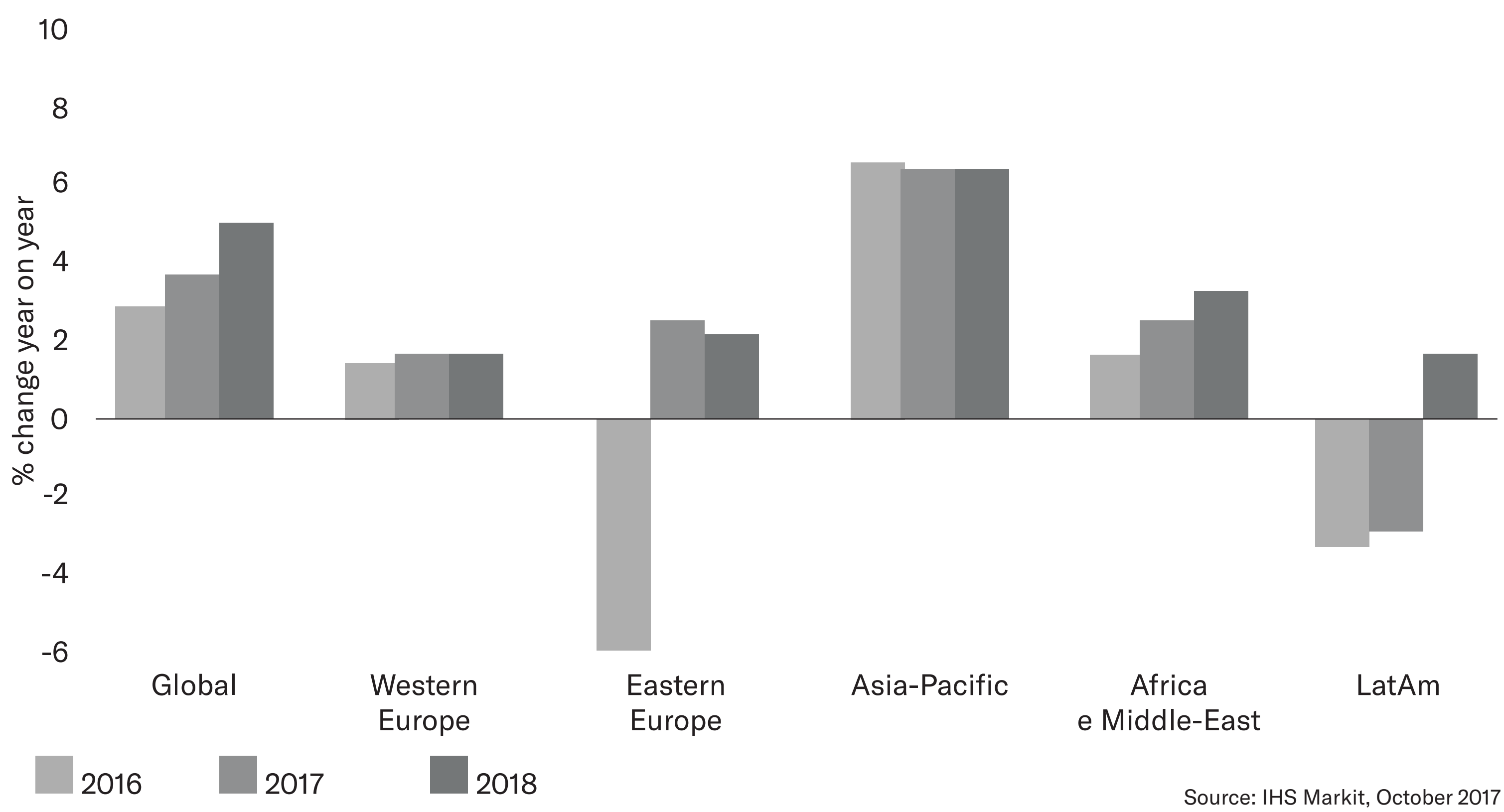
The IHS Markit forecasts the continued recovery of the construction sector in Western Europe bolstered by the tax measures encouraging investments in infrastructure. The expected annual growth rate is 2% for 2017 and 2018.

This rate is expected to be one of the highest for the next five years in the Asia Pacific area with a CAGR of 6%. The entire region will benefit from China's Belt & Road project which includes the construction of a network of high speed railways, motorways and sea ports to connect China with another 64 states.

Investments in infrastructure in Africa and the Middle East are forecast to increase by 4% in 2018, mainly in Egypt and Qatar where double-digit growth is expected over the next five years.

Finally, the HIS Markit reports a 4% drop in infrastructure spending in South America in 2017. Specifically, the decrease in investments in infrastructure has been estimated at 6% for Brazil, although growth is forecast for the next two years (3% and 5% for 2018 and 2019, respectively).

INVESTMENTS IN INFRASTRUCTURE: 2016-2018



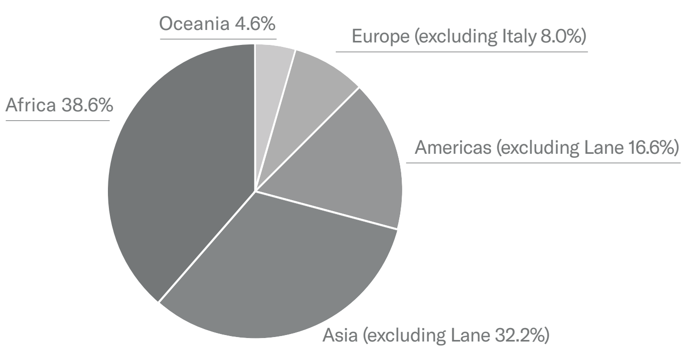
Source: IHS Markit, October 2017

The order backlog for the foreign construction segment is as follows:

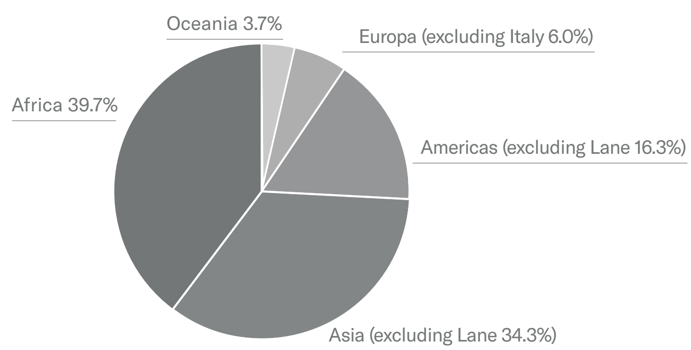
(Share in millions of Euros) **AREA**	Residual order backlog at 31 December 2016	Percentage of total	Residual order backlog at 31 December 2017	Percentage of total
Africa	7,047.5	38.6%	6,283.7	39.7%
Asia (excluding Lane)	5,883.2	32.2%	5,442.6	34.3%
Americas (excluding Lane)	3,032.0	16.6%	2,584.7	16.3%
Europe (excluding Italy)	1,465.1	8.0%	951.8	6.0%
Oceania	832.1	4.6%	582.8	3.7%
Total	**18,259.9**	**100.0%**	**15,845.6**	**100.0%**

The following chart provides a breakdown of the order backlog by area:

Breakdown of the order backlog 31 December 2016



Breakdown of the order backlog 31 December 2017



Australia

Market

The construction sector is a driving force of the Australian industry and contributes roughly 9% to the country's GDP.

The Australian Bureau of Statistics estimates that the population will go from the current 24 million residents to 42 million by 2061. The Australian economy has been driven and will continue to be driven by greater residential construction closely tied to the far-reaching public spending plan for infrastructure.

The Australian Industry Group expects that the annual growth in road projects in 2018 and 2019 will be approximately 21% while that of the railway projects will be around 19%.

The most recent federal budgets include public works spending of around AUD75 billion (roughly €50 billion) to be allocated for railways, roads and transportation in the ten-year period from 2018 to 2027.

The Group has been active in Australia since 2013 and currently operates through Salini Impregilo Australia Branch, the wholly-owned Salini Australia Pty Ltd, Impregilo Salini Joint Venture and Salini Impregilo - NRW Joint Venture.

In December 2013, Transport for New South Wales awarded Impregilo-Salini Joint Venture the contract, worth approximately AUD700 million (including the additional consideration), for the Sydney Metro Northwest Project - Design and Construction of Surface and Viaduct Civil Works. Most of the works were delivered in December 2017.

The project is the first stage of the Sydney Metro Project, the largest public transport infrastructure project in Australia, which consists of the construction of the new metro line to serve north-east Sydney.

Unforeseen costs have been incurred and the contractor has accordingly presented its request for additional consideration.

The costs are included in the measurement of work in progress for the part deemed highly probable to be recovered, based also on the opinions of the Group's legal advisors.

The following table shows the amounts involved in the contract in place at the reporting date:

(Share in millions of Euros) **PROJECT**	Residual backlog	Percentage of completion
Forrestfield Airport Link	582.8	27.2%
Total	**582.8**	

Forrestfield Airport Link

On 28 April 2016, the joint venture of Salini Impregilo (80%) and NRW Pty Ltd (20%) was awarded the contract to design, construct and maintain the Forrestfield Airport Link by the Public Transport Authority of Western Australia. The project includes construction of a new metro line to connect Forrestfield, and hence the airport, to the existing Perth network through an 8 km underground line. As well as the design and construction of the three new metro stations, the contract also includes 10 years of maintenance of the infrastructure. It is worth approximately AUD1.2 billion.

Outlook for 2018

The Group deems that the Australian market is fundamental for its growth strategy and will continue to pursue new business opportunities tied to the country's ongoing development in 2018.

Tajikistan

Market

This country's economy grew at a rate of 7.5% between 2011 and 2014 while GDP contracted in the three-year period from 2015 to 2017. The annual inflation rate for 2017 was 7% according to the country's central bank while the local currency depreciated by 12% against the US dollar and by 25% against the Euro.

Exports increased by 73% in 2017 compared to the previous year while imports decreased by 14%.

The project assigned to the group is of fundamental importance to boost the country's economic growth over the next few years with the export of electrical energy generated by the Rogun hydroelectric power plant. Accordingly, in September 2017, Tajikistan successfully placed bonds worth €500 million with foreign investors to increase the amount earmarked in the national budget for the Rogun dam.

The following table shows the amounts involved in the contract at the reporting date:

(Share in millions of Euros) **PROJECT**	Residual backlog	Percentage of completion
Rogun Hydropower Project	1,434.9	14.1%
Total	**1,434.9**	

Rogun Hydropower Project

On 1 July 2016, Salini Impregilo signed a framework agreement with the Tajikistani government worth approximately USD3.9 billion to build a hydroelectric power plant (split into four functional lots). The Group, with a 100% share, has been assigned the first executive lot (Lot 2) of roughly USD1.9 billion to build a 335 metre-high rockfill dam with a clay core, the tallest in the world, on the Vakhsh River in Pamir, one of Central Asia's main mountain ranges. The contract term is 11 years (plus two years warranty).

The contract for Lot 2 will be executed by the Group's local branch.

Work has continued on schedule and the early generation phase (when electrical energy will be provided although at a lower output than when the project has been completed) is expected to commence before the end of 2018.

When fully operational, the power plant will have total installed capacity of 3,600 MW generated by six turbines of 600 MW each.

Outlook for 2018

Achievement of the contractual milestones will require the recovery of a slight delay in the works which the Group continues to monitor closely with the client. It also requires that the client completes the financing of the project. To this end, the government has already approved the issue of bonds for €1 billion (an additional €500 million to those already placed). During 2018 and depending on the availability of the above-mentioned financing, other lots should be assigned to the Group in accordance with the signed framework agreement.

Saudi Arabia

Market

The Saudi market continues to be of great interest to Salini Impregilo.

The following table shows the amounts involved in the main contracts in place at the reporting date:

(Share in millions of Euros) **PROJECT**	Residual backlog	Percentage of completion
Riyadh Metro Line 3	1,155.0	59.4%
Riyadh National Guard Military	1,084.0	0.0%
Other	182.3	
Total	**2,421.3**	

Riyadh Metro Line 3

On 29 July 2013, Salini Impregilo, as leader of an international consortium, won a portion of the maxi contract awarded by ArRiyadh Development Authority to design and construct the new Riyadh metro line (line 3, 41.2 km), the longest line of the challenging project for the new metro system of Saudi Arabia's capital.

The lot assigned to ArRiyadh New Mobility Consortium is an important part of the larger construction contract for Riyadh's new metro system, worth approximately USD23.5 billion.

The value of the works to be carried out by the consortium, i.e., the design and construction of the entire Line 3, is roughly USD6.0 billion, including approximately USD4.9 billion for the civil works, of which Salini Impregilo will carry out 66%. It sold 14% of its share to Salini Saudi Arabia Company L.t.d. (51% owned by Salini Impregilo) in 2016.

Riyadh National Guard Military

In December 2017, Salini Impregilo signed the agreements for a contract in Riyadh worth roughly USD1.3 billion with the Saudi Arabia National Guard (SANG).

The project includes housing and urban planning on a large scale with the construction of about 6,000 villas in an area of 7 million square metres to the east of Riyadh and more than 160 kilometres of main roads and secondary routes and related services, as well as a sewage treatment plant and several water tanks above and below ground. The contract is expected to be completed in five years.

Outlook for 2018

The Group will continue to pursue any new business opportunities that arise in 2018 in this country.

Qatar

Market

Given current oil prices, the country has held back development of new infrastructure projects and has continued high priority projects (such as the Doha metro line) for the 2022 FIFA World Cup.

The following table shows the amounts involved in the main contracts in place at the reporting date:

(Share in millions of Euros) **PROJECT**	Residual backlog	Percentage of completion
Al Bayt Stadium	303.0	57.3%
Red Line North	57.6	95.6%
Total	**360.6**	

Al Bayt Stadium

In July 2015, the Group was awarded the contract to build the Al Bayt stadium in Al Khor, roughly 50 km north of the capital Doha. The Group's share of the contract, which entails the design and construction of one of the sports complexes where the 2022 FIFA World Cup matches will take place, is worth approximately €770 million. The contract was awarded by the Aspire Zone Foundation, which is responsible for the development of Qatar's sports infrastructure. The stadium will be able to accommodate 70,000 spectators with an area of 200 thousand square metres. The project is an example of an eco-sustainable work, thanks to modern construction techniques and the use of environmentally friendly and low energy impact state-of-the-art materials.

The Group's share of the contract is 40%.

Red Line North Underground, Doha

In 2013, Salini Impregilo, as leader of a joint venture with a 41.25% share, won the tender called by Qatar Railways Company (Qrail) for the design and construction of the Red Line North Underground in Doha. The project, along with three other metro lines, is part of a programme promoted by Qatar to build a new infrastructure mobility system included in the National Development Plan for 2030 ("Qatar National Vision 2030"), which provides for significant investments to ensure sustainable economic growth. The contract's value (for the Group's share) has decreased from the previous QAR8 billion (roughly €2 billion) to the current QAR5.6 billion (approximately €1.4 billion), due to the partial use of the contractually-provided for provisional sum.

Outlook for 2018

The Group will continue to pursue any new business opportunities that arise in 2018 in this country.

Kuwait

Market

The Kuwaiti market has attracted more foreign investment over the last few years thanks to the introduction of new financial laws stimulating investments and trade relations. The Kuwaiti parliament has approved a five-year 2016-2020 investment plan, which includes investments of more than USD100 billion in the country's infrastructure. They comprise the construction of thousands of new homes, a railway network and metro system, new oil refineries and industrial plants. In addition, there are no limits to the transfer of capital and the strong and stable dinar can easily be converted into other currencies and transferred. Finally, the high per capita GDP and long-term budget surplus encourage investment in the local market.

The following table shows the amounts involved in the main contracts in place at the reporting date:

(Share in millions of Euros) **PROJECT**	Residual backlog	Percentage of completion
South Mutlaa City	370.3	17.8%
Total	**370.3**	

South Mutlaa City

On 17 June 2016, Kuwait's Public Authority for Housing Welfare assigned the contract for the construction of primary urbanisation works to build a new residential area in a 12 thousand hectares site located 40 km northwest of Kuwait City as part of the South Al Mutlaa Housing Project. The project, which is worth approximately €890 million, will be carried out by a consortium led by Salini Impregilo with a 55% stake and includes, inter alia, the construction of 150 km of roads and related structures and numerous other works.

The consortium was awarded additional works in June 2017 for approximately €20 million to move high tension power lines out of the way.

Outlook for 2018

The Group will continue to pursue any new business opportunities that arise in 2018 in this country.

Ethiopia

Market

Ethiopia is one of the fastest growing economies in Africa. Its government aims to develop its natural resources and, specifically, its water resources, to encourage investments in renewable energies: the generation of electrical energy and its export to nearby nations will assist integration among African countries and generate valuable currency inflows.

The following table shows the amounts involved in the main contracts in place at the reporting date:

(Share in millions of Euros) **PROJECT**	Residual backlog	Percentage of completion
Koysha	2,033.6	14.8%
GERD	1,070.7	72.6%
Gibe III	2.5	99.9%
Total	**3,106.8**	

Koysha Hydroelectric Project

This project is on the Omo River, about 370 km south-west of the capital Addis Abeba. It was commissioned by Ethiopian Electric Power (EEP) and includes the construction of a dam with a 9 billion cubic metre capacity reservoir, annual energy generation of 6,460 Gwh and total installed capacity of 2,160 MW. The project also includes access roads, a new bridge over the river and a 400 KW transmission line from Koysha to Gibe III. The contract is worth approximately €2.5 billion and Salini Impregilo's share is 100%. Work is currently being carried out on the project.

This important new project, together with GIBE III and GERD (the Grand Ethiopian Renaissance Dam) on the Blue Nile, will enable Ethiopia to become Africa's leader in terms of energy production.

Gerd

The GERD project, located approximately 500 km north west of the capital Addis Abeba, consists of the construction of a hydroelectric power plant, Grand Ethiopian Renaissance Dam (GERD), and the largest dam in the African continent (1,800 metres long, 170 metres high). The project also includes the construction of two power stations on the banks of the Blue Nile, equipped with 16 turbines with total installed capacity of 6,350 MW. The contract is worth approximately €3.7 billion and Salini Impregilo's share is 100%. The project is at an advanced stage of completion.

Unforeseen costs have been incurred and the contractor has accordingly presented its request for additional consideration. The costs are included in the measurement of work in progress for the part deemed highly probable to be recovered, based also on the opinions of the Group's legal advisors.

Outlook for 2018

Development programmes for the next few years include installation of additional production capacity, including through the Gerd and Koysha projects (the latter was awarded to Salini Impreligo in 2016).

The Group has a strong operating and commercial base in the country and will continue to work on its projects. It will also leverage on its know-how and existing presence in the country to exploit all new business and industrial opportunities.

Denmark

Market

Denmark is experiencing a phase of moderate growth. The country's infrastructure development plan entails public and private investment. The Group operates through its subsidiary Copenhagen Metro Team I/S, a company incorporated under Danish law and involved in the construction of Copenhagen Cityringen, one of the world's most modern transport infrastructures.

The following table shows the amounts involved in the contracts in place at the reporting date:

(Share in millions of Euros) **PROJECT**	Residual backlog	Percentage of completion
Cityringen	145.5	93.7%
Total	**145.5**	

Copenhagen Cityringen

The project consists of the design and construction of the new metro loop in the centre of Copenhagen, which entails two tunnels of roughly 16 km each, 17 stations and five monitoring shafts. The contract is worth approximately €2,294 million, including additional consideration and price reviews. During the year, work went ahead according to schedule with continuation of the electromechanical works and architectural finishings. The Group's share of the project is 99.9%.

During this year and in 2016 and 2015, the Group incurred costs for activities not originally provided for in the contract; more information is available in the "Main risk factors and uncertainties" section.

Outlook for 2018

The Group is monitoring the local market, and the entire Scandinavian area in general, for new transportation, tunnelling and hospital construction projects through its Norwegian branch based in Oslo.

Other countries
and projects

Argentina

Riachuelo - Buenos Aires
The project has significant environmental and social value as it will clean up the Riachuelo River basin. The initiative is the first part of a larger programme, financed by the World Bank, for sustainable development of the Matanza-Riachuelo catchment basin, aimed at the environmental restoration of the Riachuelo River and the areas it passes through, considered to be among the most polluted in the region.

Following an addendum signed in the second half of 2016, the contract is now worth roughly €408 million (Salini Impregilo's share is 75%).

Argentina's estimated GDP growth rate is 3.5% for 2018 and the inflation rate is currently estimated to be around 19%, compared to the government's target of 15% (25% in 2017). The government has rolled out a big public works investment plan as announced at the end of 2016.

Given these premises, the Group has decided to set up a branch office in Buenos Aires to evaluate the many bids (some of which already presented in 2017) for calls for tender in 2018.

Slovakia

D1 Motorway - Lietavská Lúčka – Višňové – Dubná Skala Section
The "D1 Motorway - Lietavská Lúčka – Višňové – Dubná Skala section" project consists of the construction of roughly 13.4 km of the motorway, which includes a 7.5 km tunnel, an intersection, a rest area, nine bridges, a maintenance centre and sundry related works.

The contract, mostly funded by the EU, its worth approximately €409 million (Salini Impregilo's share is 75%).

At macroeconomic level, the year-on-year increase in GDP was 5.4%, after already being above 3.% in the previous two years.

The most recent estimates of the Slovakian central bank (NBS), confirmed by the Ministry of Finance, include a forecast growth rate of 4.0% in 2018.

The planned increase in public spending, including for large infrastructure projects, and the small tax burden (the corporate rate decreased from 22% to 21% this year) together with the inexistent currency risk make this market very attractive.

The Group will continue to pursue new business opportunities in 2018 in line with the country's continued growth.

United Arab Emirates

Meydan One Group 1° in Dubai – Umm Lafina Project in Abu Dhabi
This country is promoting numerous investments in infrastructure for Expo 2020 and this will encourage the development of new projects.

The Meydan One Group project in Dubai is part of an urban development project located between Meydan and Al Khail Road. It is set to become one of the main tourist attractions of the city and country during Expo. Salini Impregilo will perform the structural works and oversee the excavations and building works for AED1.6 billion, equal to roughly €364 million.

Salini Impregilo has also been awarded the €167 million contract to build a section of a transit way across two islands to connect the Capital District with the Central Business District, for which Abu Dhabi has set up a development plan to foster economic growth. The Group has a 60% share of this project.

Given the potential of this market, the Group will continue to pursue any new business opportunities that arise in 2018 in this country.

Fisia Italimpianti projects

The Atakoy project in Turkey is one of the cornerstones of the heavily populated city of Istanbul's urban waste water treatment programme. Its intention is to improve the environmental conditions of the Bosporus Strait and the Sea of Marmara. The contract worth roughly €84 million is being carried out by the group company Fisia Italimpianti as part of a 50:50 joint venture with the Turkish company Alkatas.

The contract includes the modernisation of an existing plant which has a treatment capacity of 360,000 cubic metres of waste water per day and the building of a new section for the plant to treat another 240,000 cubic metres for a total installed capacity of 600,000 cubic metres per day. The contract also includes another advanced biological treatment unit that uses a membrane system of 20,000 cubic metres per day and a system to dry the sludge generated by the biological purification process.

Works for the Shoaiba project in Saudi Arabia consist of the design, supply and construction of a reverse osmosis desalination plant of 250,000 cubic metres per day in the Shoaiba area. The plant will provide potable water to the cities of Jeddah, Medina and Taif.

The contract has been agreed using a project financing structure by a SPE owned by ACWA Power, a major Saudi developer of energy generation and sea water desalination projects.

The project is being carried out by Fisia Italimpianti as a 50:50 joint venture with the Spanish company Abengoa and the contract is worth approximately €215 million.

It is the first of its kind in terms of the technology used and size for the group company which has previously garnered market recognition for its construction of large plants using evaporation techniques. The contract is particularly interesting given Saudi Arabia's intention to invest heavily in desalination plants over the next five years.

Concessions

The Group's portfolio of foreign concessions comprises both investments in the operators, which are fully operational and, hence, provide services for a fee or at rates applied to the infrastructure's users, and operators that are still developing and constructing the related infrastructure and will only provide the related service in future years.

The current concessions are held in Latin America (Argentina, Colombia and Peru), the UK and Turkey. They refer to the transportation sector (motorways and metro systems), hospitals, renewable energy and water treatment sectors.

The two Argentine operators are currently in liquidation and their contracts have been terminated. The following tables show the main figures of the foreign concessions at the reporting date, broken down by business segment:

MOTORWAYS

Country	Operator	% of investment	Total km	Stage	Start date	End date
Argentina	Iglys S.A.	98.0		Holding		
	Autopistas Del Sol	19.8	120	Active	1993	2020
	Puentes del Litoral S.A.	26.0	59.6	In liquidation	1998	
	Mercovia S.A.	60.0	18	Active	1996	2021
Colombia	Yuma Concessionaria S.A. (Ruta del Sol)	48.3	465	Active	2011	2036

METROS

Country	Operator	% of investment	Total km	Stage	Start date	End date
Peru	Metro de Lima Linea 2 S.A.	18.3	35	Not yet active	2014	2049

ENERGY FROM RENEWABLE SOURCES

Country	Operator	% of investment	Installed voltage	Stage	Start date	End date
Argentina	Yacilec S.A.	18.7	T line	Active	1992	2091
	Enecor S.A.	30.0	T line	Active	1995	2094

INTEGRATED WATER CYCLE

Country	Operator	% of investment	Pop. Served	Stage	Start date	End date
Argentina	Aguas del G. Buenos Aires S.A.	42.6	210 k	In liquidation	2000	
Peru	Consorcio Agua Azul S.A.	25.5	740 k	Active	2000	2027

HOSPITALS

Country	Operator	% of investment	No. of beds	Stage	Start date	End date
GB	Ochre Solutions Ltd - Oxford Hospital	40.0	220	Active	2005	2038
	Impregilo New Cross Ltd.	100.0		Holding		
Turkey	Gaziantep Hospital	24.5	1875	Not yet active	2016	2044

Italy

The Group operates in the construction and concessions sectors in Italy.

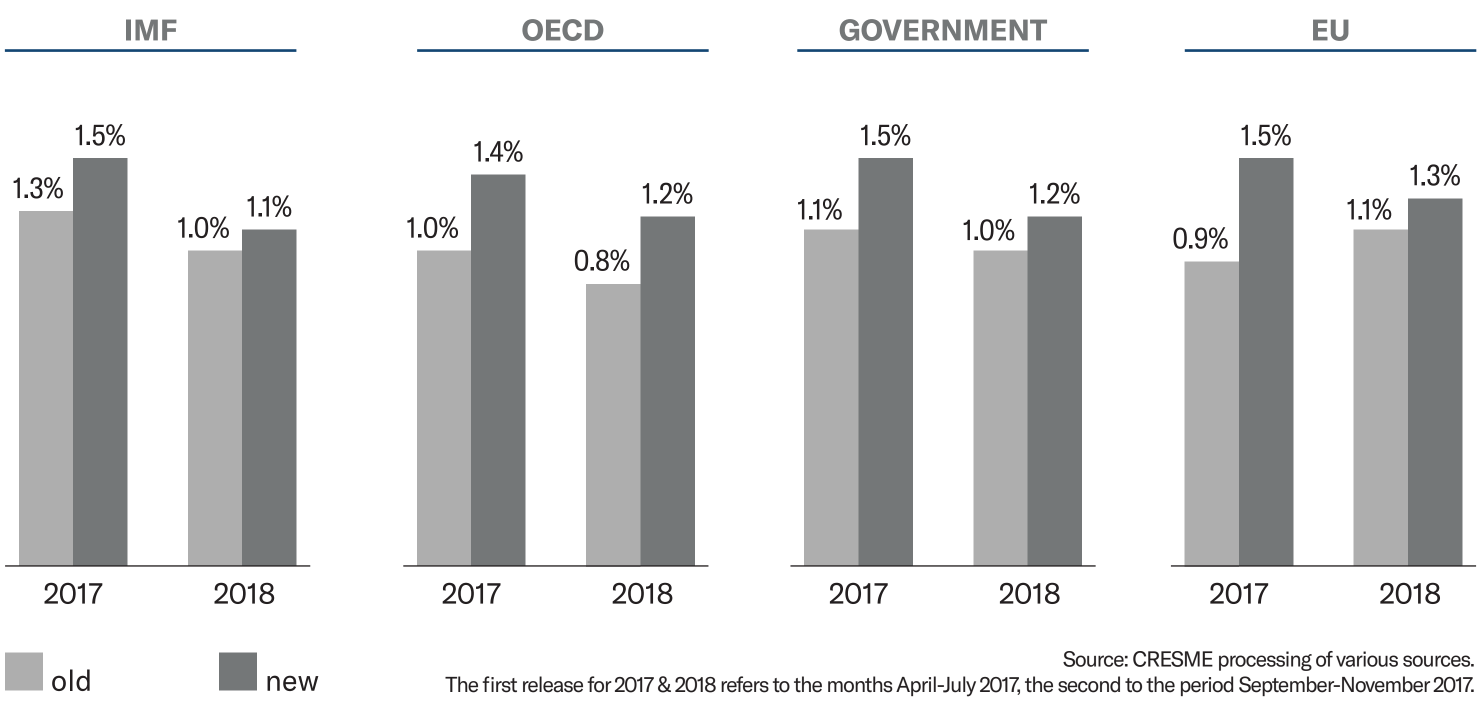
Macroeconomic scenario

The Italian economy performed better than expected in 2017. According to the IMF's estimates revised in January 2018, economic growth is now expected to be 1.6% for 2017 and 1.4% for 2018, an improvement on the organisation's previous forecasts of October 2017.

This generalised improvement was also confirmed by the better rating (BBB) given to Italy by Standard & Poor's, whose previous upgrading dates back to 1988.

The government's tax incentives facilitated an increase in investments during the year which is expected to continue during 2018. However, in order to consolidate this positive trend, the IMF's recommendations refer to the targets of a higher volume of state investments, an improved allocation of resources, a reduction in spending on pensions and finally a decrease in the tax impact on employee remuneration.

ITALY: 2017-2018 GDP GROWTH FORECAST

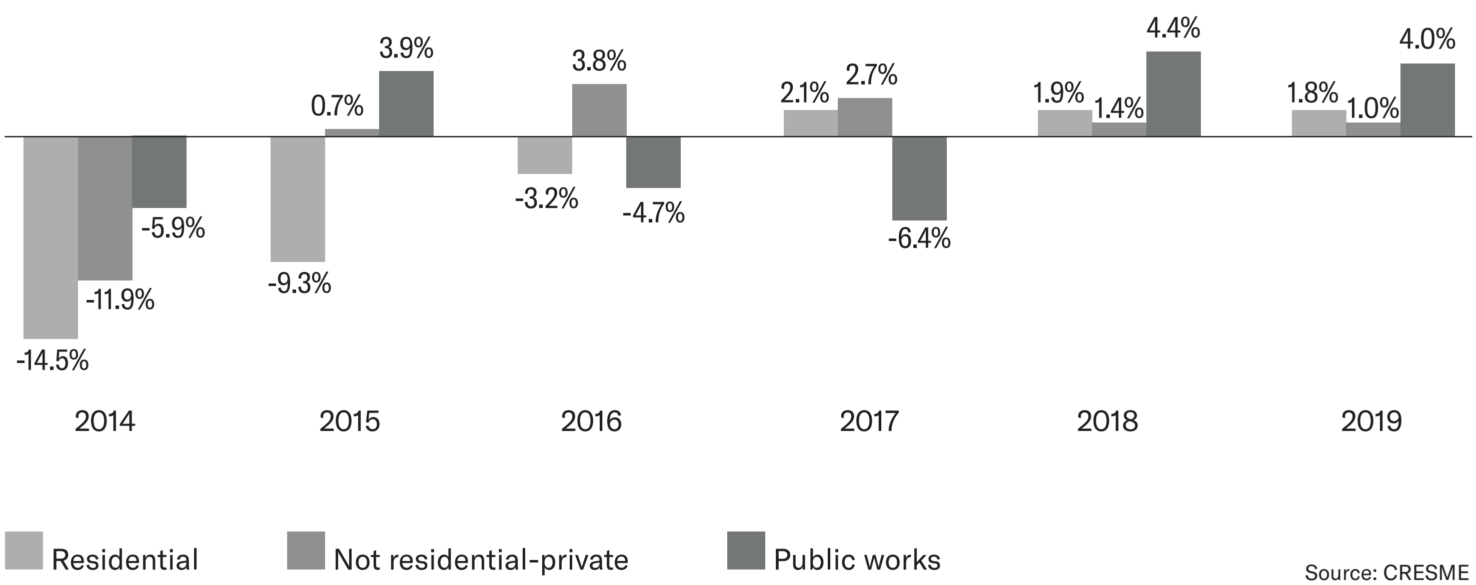


Source: CRESME processing of various sources.
The first release for 2017 & 2018 refers to the months April-July 2017, the second to the period September-November 2017.

With respect to infrastructure, the latest CRESME report states that the Italian construction sector has started to recover despite some persisting structural weaknesses. Although 2017 saw a reduction in investments in public works, the new forecasts include a reversal in this trend and a steady move towards more investment starting from 2018. The report shows that scheduled investments for the period from 2018 to 2033 approximate €150 billion.

Investments in public works decreased in 2016 and this trend continued into 2017, especially for new works (-5.6% in 2016 and -8.3% in 2017). This trend should reverse in 2018 with an upturn in investments for public utility works. The CIPE's (interministerial committee for economic planning) approval of the financing for some large infrastructure projects, such as the high speed Milan - Genoa railway project (COCIV) and the high speed Verona - Padua railway project (IRICAV DUE), appears to confirm this expected about-turn.

ITALY: INVESTMENTS IN NEW BUILDINGS - % CHANGE ON VALUES AT CONSTANT PRICES



Source: CRESME

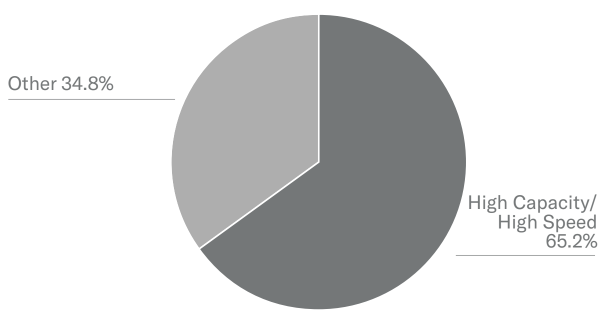
Construction

The order backlog for the Italian construction segment is as follows:

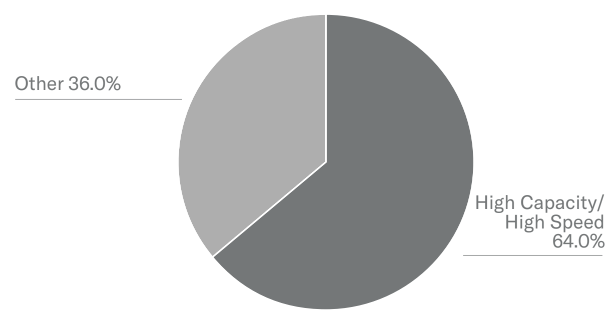
(Share in millions of Euros) PROJECT	Residual order backlog at 31 December 2016	Percentage of total	Residual order backlog at 31 December 2017	Percentage of total
High speed/capacity	5,652.8	65.2%	5,419.1	64.0%
Other projects	3,019.2	34.8%	3,044.8	36.0%
Total	**8,672.0**	**100.0%**	**8,463.9**	**100.0%**

The following chart provides a breakdown of the order backlog by type of business:

Breakdown of the order backlog 31 December 2016



Breakdown of the order backlog 31 December 2017



(Share in millions of Euros) PROJECT	Residual order backlog at 31 December 2016	Percentage of completion	Residual order backlog at 31 December 2017	Percentage of completion
COCIV Lot 1-6	3,552.3	21.7%	3,376.9	28.3%
Iricav 2	2,096.0	0.1%	1,690.3	0.2%
Other	4.5		351.9	
High speed/capacity	**5,652.8**		**5,419.1**	
Broni - Mortara	981.5	0.0%	981.5	0.0%
Metro B	898.5	0.1%	898.5	0.1%
Jonica state highway 106	336.9	2.8%	335.8	3.1%
Milan metro Line 4	373.3	26.4%	335.1	37.1%
Other	429.0		493.8	
Other work in Italy	**3,019.2**		**3,044.8**	
Total	**8,672.0**		**8,463.9**	

High-speed/capacity Milan - Genoa railway project

The project for the construction of the Giovi third railway crossing of the high speed/capacity Milan - Genoa railway line was assigned to the COCIV consortium as general contractor by RFI S.p.A. (Rete Ferroviaria Italia, formerly TAV S.p.A. - as Ferrovie dello Stato's operator) with the agreement of 16 March 1992 and subsequent rider of 11 November 2011.

Salini Impregilo is the consortium leader with a percentage of 68.25%.

The works began on 2 April 2012 and the contract is worth approximately €4.7 billion.

It is split into six non-functional construction lots for a total of roughly 120 months including the pre-operating/inspection phase.

During the year, RFI delivered the fourth construction lot roughly two months behind schedule, increasing the total value of the works and activities financed and under construction to €2.7 billion, €1.1 billion higher than the active lots (1, 2 and 3).

On 22 December 2017, the CIPE authorised the commencement of works for the fifth and sixth construction lots, allocating the related financial resources. RFI's effectiveness notices should be received on 2 May 2018 and 2 May 2019 for the fifth and sixth lots, respectively. The CIPE's authorisation at the start of the works for the last two construction lots covers the entire contract amount of €4.5 billion.

In line with the contract terms, five public calls to tender were made for roughly €1.3 billion during the year for the operating activities.

Information about the orders issued by the Rome and Genoa public prosecutors which, inter alia, involved certain parties related to the consortium is available in the "Main risk factors and uncertainties" section.

High-speed/capacity Verona - Padua railway project

The IRICAV DUE consortium is RFI's general contractor for the design and construction of the high speed/capacity Verona - Padua section as per the agreement of 15 October 1991. Its role was confirmed by the arbitration award of 23-26 May 2012, which has become definitive.

Salini Impregilo's current involvement in the consortium is 34.09%.

On 14 April 2017, the Superior Council of Public Works issued its positive opinion on the project, while the environmental compatibility opinion had been obtained on 25 November 2016.

During the year, RFI and the general contractor finalised their negotiations and adjustments to the definitive project for the first sub-section Verona - Vicenza junction.

On 22 December 2017, after the Ministry of Infrastructure and Transport completed its inspection, the CIPE approved the definitive project for the first functional lot, the Verona - Vicenza junction, of the high speed/capacity Verona - Padua railway section, worth approximately €2.2 billion. It authorised commencement of the first construction works for roughly €850 million.

The signing of the rider to the agreement and the related start-up of the site work is slated to take place during the first half of 2018.

The works are worth €5 billion.

Outlook for 2018

In line with the new direction taken in 2016, the 2017 Economic and Financial Document (DEF) divulges the strategies to define Italy's infrastructure requirements up until 2030, redefining all its priorities with a list of 119 projects split into six areas: railway, roads, ports and freight terminals, airports and "rail therapy" in 14 cities and bicycle paths.

Salini Impregilo is ready to take on the government's challenge, drawing on its expertise and strong local roots.

The aforementioned strategies include some of the Group's major ongoing projects such as the high speed/capacity Milan - Genoa railway section and that of Verona - Padua, as well as new contracts for the high speed/capacity Naples - Bari section, for which a joint venture led by Salini Impregilo (with a 60% share) was awarded the first Naples - Cancello section worth approximately €400 million. The related contract with RFI was signed on 18 December 2017 and development of the executive project has started, scheduled for completion within 180 days. Therefore, the works will start before 30 June 2018. In addition, on 2 November 2017, RFI informed Salini Impregilo, as leader of a consortium in which it has a 51.3% interest, that it had been awarded the Bicocca - Catena Nuova railway line section project as part of the contract to double the tracks for the Palermo - Catania railway line. The project is worth approximately €186 million.

The Group does not limit itself to infrastructure. It is also engaged in acquiring orders in the commercial building sector, thus availing of development opportunities mostly created by the growth of Italy's large metropolitan areas. In partnership with a leading group of investors and acting as contractor, Salini Impregilo signed a contract on 28 July 2017 for the building of ENI's new offices in San Donato Milanese. This construction contract is worth roughly €171 million (Salini Impregilo's share: 60%).

The Group has also continued the works to build Line 4 of the Milan metro. The consideration for the civil works is roughly €1 billion, including the additional consideration, of which 50% due to Salini Impregilo.

Concessions

The Group's portfolio of concession activities in Italy mainly consists of investments in the operators still involved in developing projects and constructing the related infrastructure.

These concessions principally relate to the transportation sector (motorways, metros and car parks).

The following tables show the key figures of the Italian concessions at the reporting date, broken down by business segment.

MOTORWAYS

Country	Operator	% of investment	Total	Stage	Start date	End date
Italy (Pavia)	SaBroM-Broni Mortara	60	50	Not yet active	2010	2057
Italy (Ancona)	Dorico-Porto Ancona bypass	47.0	11	Not yet active	2013	2049

METROS

Country	Operator	% of investment	Total	Stage	Start date	End date
Italy (Milan)	Milan Metro Line 4	9.7	15	Not yet active	2014	2045

CAR PARKS

Country	Operator	% of investment	Stage	Start date	End date
Italy (Terni)	Corso del Popolo S.p.A.	55.0	Not yet active	2016	2046

OTHER

Country	Operator	% of investment	Stage	Start date	End date
Italy (Terni)	Piscine dello Stadio S.r.l.	70.0	Active	2014	2041

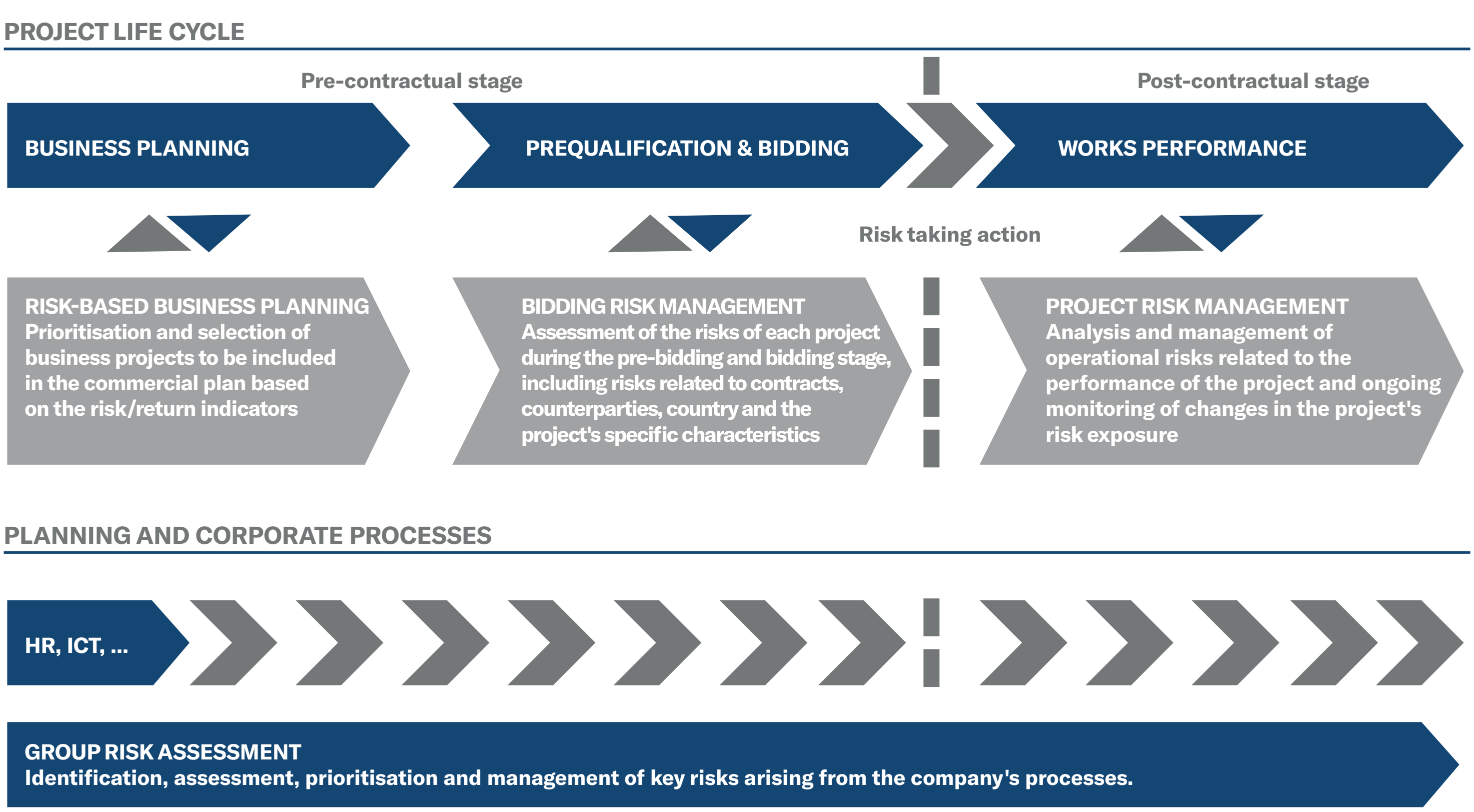
Risk management system

The context in which the Group currently operates, characterised by rapid macroeconomic changes, financial markets' instability and progressive developments of legal and regulatory compliance regulations, requires clear strategies and effective management processes aimed at preserving and maximising value.

As part of its internal controls and risk management system, the Group has a risk management framework, which it keeps up-to-date, is an integral part of internal procedures and is extended to all operating companies to identify, assess, manage and monitor risks in accordance with industry best practices.

Development, implementation and circulation of the risk management framework (presented in the following chart) is designed to assist senior management with strategic and commercial planning and operations through the comprehensive, in-depth analysis of relevant factors for the Group's business, the local contexts in which it operates and the particular operating requirements of its individual contracts, facilitating the identification and monitoring of related risks.

RISK MANAGEMENT FRAMEWORK



During the year, the Group focused on strengthening its methods and tools to analyse contract risk and to continuously include procedures for the efficient management of the most significant risks, such as country and counterparty risks (client, partner, subcontractor and significant suppliers).

In addition, as part of its risk management activities, the Group carried out risk identification and assessment procedures to check its risk exposure and ensure that it matched its strategic objectives and operating practices, thus increasing the Group's ability to create sustainable value for its stakeholders.

The risk assessment activities include monitoring the progress of mitigation actions defined in 2016 to assist senior management through the ongoing improvement of the effectiveness of decision-making processes and operations.

The 2017 risk assessment covered all risk categories and areas of potential significance to the Group, which are included in Salini Impregilo's risk universe (see following chart). The assessment showed changes in the Group's risk profile and identified management strategies to deal with the more material risks, which can be developed and introduced through specific measures.

«RISK UNIVERSE» OF SALINI IMPREGILO

BUSINESS CONTEXT

- Macro-economic context
- Socio-political context
- Sector trends
- Competition
- Regulatory development
- Technological innovation

STRATEGIC

- Business model
- Organisational structure and governance
- M&A/Disinvestments
- Portfolio management and business development
- Relationships with business partners (clients, partners, suppliers, subcontrators)
- Relationships with stakeholders and reputation

FINANCIAL

- Financial planning
- Availability/cost of capital
- Counterparty's financial reliability
- Exchange rate volatility
- Interest rate volatility
- Commodity price volatility
- Liquidity management
- Insurance management

LEGAL AND COMPLIANCE

- Legal and regulatory compliance
- Policy and procedure compliance
- Contract management
- Contractual obligations
- Internal/external fraud
- Taxation
- Claim management

OPERATIONAL

- Bids
- Engineering
- Authorisations
- Purchasing
- Logistics and warehouse
- Plant and machinery
- Site
- Natural events
- Operational reliability of the counterparty (clients, partners, suppliers, subcontrators)
- Job order planning
- Job order control
- Production management
- Human resources
- Information Technology
- Quality, health, safety and the environment
- Budget, planning and reporting

Business risks

External risks are those that may compromise the Group's achievement of its objectives, i.e. all events whose occurrence are not influenced by corporate decisions. This category includes all risks arising from a country's macroeconomic and socio-political dynamics, sector trends and competitive scenario, as well as from industry specific technological innovation and regulatory developments and the projects' long-term nature.

Because of the nature of such risks, the Group must rely on its forecasting and managing abilities. Specifically, Salini Impregilo integrates risk vision in its strategic and business planning processes through the definition of commercial and risk guidelines and the development of a process for the prioritisation and selection of initiatives to be pursued, also and above all based on the assessment of relevant risks linked to the country and/or sector in which operations are planned, rather than to the counterparty. Risk control is also ensured by monitoring the progress of strategic objectives, including in terms of composition and diversification of the portfolio and its development over time in terms of risk profile.

Strategic risks

These risks arise from strategic, business and organisational decisions that may adversely impact the Group's performance and ultimately result in the non-achievement of strategic objectives. They include risks resulting from the choice of business or organisational models through which the Group intends to operate, those arising from M&A transactions, or the ineffective management of the order portfolio or the relationships with key counterparties (clients, partners, suppliers, sub-contractors, etc.).

Salini Impregilo considers risk a key element for the preliminary assessment of decisions and strategic choices, so much so that it provided for integration of the strategy definition and development process with that for the identification, measurement and management of risks. The choices pertaining to the adoption of a business or organisational model, the assessment about the opportunity of proceeding with an extraordinary transaction or establishing a partnership are subject to preliminary analysis and evaluation of the related risks and opportunities, with the concurrent identification of risk management methods and strategies to be promptly activated should such risks arise.

Financial risks

Risks linked to the availability of group resources, depending on the management of receivables and cash and cash equivalents and/or the volatility of market variables such as interest and exchange rates are included in this category.

Specifically, liquidity management has the objective of ensuring the financial autonomy of contracts in progress, taking into account the structure of consortia and special purpose entities, which can tie the availability of financial resources to the execution of the relevant projects. Moreover, liquidity management takes into account restrictions to currency transfers imposed by the legislation of some countries.

Salini Impregilo also considers specific risk areas such as the counterparty's credit rating, raw materials price volatility and management of assurance issues, equipping itself with effective financial planning tools.

Legal and compliance risk

This risk class includes risks for the management of legal issues and/or risks related to compliance with laws and regulations (e.g. taxation, local legislation, etc.) required in order to operate in the sector and/or specific countries and the risks arising from the management of contracts with business partners. Salini Impregilo deems that monitoring contractual issues linked to contract management and, particularly, the relationship with relevant counterparties, is fundamental. This also includes any internal and external fraud risks, and, more generally, the compliance with procedures and policies established by the Group to govern its operations.

With respect to the aforementioned factors, Salini Impregilo implements a regulatory risk monitoring and management policy in order to minimise the impact of such risk, through a multi-level control system that entails collaborative and ongoing liaison with relevant counterparties and business units affected by regulatory developments and the comprehensive assessment of any potential impacts.

Operational risks

These are risks that could jeopardize value creation and are due to an inefficient and/or ineffective management of the Group's core business, particularly those linked to bid management and actual execution of contracts. The various risk areas that fall into this class include bid design and planning, effective supply chain, logistics and inventory management, as well as those linked to the management of IT systems, personnel and planning and reporting.

These risks arise during the bidding stage and/or performance of contracts, should group policies and procedures not be sufficiently adequate for the management of risk factors linked to the level of complexity of the project or unforeseeable events.
To this end, the Group intends to monitor such risks starting at the bidding stage of each contract with a risk/benefit analysis of the project in the event of its award and its impact on the portfolio structure, both in terms of risk

concentration and overall risk profile. At this time, Salini Impregilo, as part of a wider process, prepares a pre-bid risk assessment aimed at identifying potential risks and impacts linked to the project, as well as the necessary mitigation and/or contingency measures to counter them. The risk surveillance activity is then performed again at tender stage and monitored and updated during contract execution in order to promptly detect the risk exposure development and swiftly implement adequate remediation measures.

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As part of the aforementioned framework for the identification and classification of risks applicable to group operations, Salini Impregilo has adopted a cross-functional approach for the analysis of risk dimensions that are considered more relevant due to the specific features of its business. These dimensions include various risk areas identified and belonging to Salini Impregilo's risk universe.

Country risk

The Group pursues its objectives by operating almost everywhere in the world, leveraging business opportunities in different countries and hence exposing itself to the risks resulting from the characteristics and conditions dictated by them, such as the political, economic and social scenario, local regulations, taxation and operational complexity and, last but not least, safety conditions.

Being aware of and constantly monitoring country risk through specific indicators enables the Group first and foremost to define informed commercial strategies, as well as to gain an optimal understanding of the operating scenario and, therefore, adopt precautions and/or implement actions aimed at removing barriers and mitigate potential threats.

Counterparty risk

Management of counterparty risk requires identification of potential criticalities linked to relationships with the Group's clients, shareholders, subcontractors and suppliers, so as to create a comprehensive overview of the features of the partners with which Salini Impregilo may start or continue to collaborate. For each of the above counterparty types, risk factors linked to financial and operational reliability apply to a different extent, as does the potential strategic role of a partnership for a specific business initiative, as well as all legal and compliance aspects that safeguard the lawfulness of the relationship. The Group performs a counterparty analysis for each new project, involving all the competent departments and the Group Risk Officer, to obtain more precise identification of the critical issues that could arise during the contract's operational stages and more accurate planning of the possible mitigation actions.

Contract risk

The contract dimension is key for an effective analysis of all risks linked to the Group's core business, since it is considered to define tools capable of identifying and monitoring so-called contract risks starting from the bidding stage in a risk prevention perspective, as part of an in-depth analysis of the risks and opportunities linked to the pursuit of a specific activity. Another fundamental aspect is the ongoing tracking of risks once they have been consciously taken on by management, managing the resulting risk exposure in a proactive, dynamic way, as well as its ongoing development over time.

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The analysis of key risk dimensions and the related risk areas has the aim of providing management with a two-sided overview: a detailed one (i.e. at individual country, counterparty and contract level) and a portfolio one (for assessment of the overall exposure to such dimension), in order to assess the Group's risk profile as well as its compliance with the exposure limits imposed by its risk management capacity. Moreover, the portfolio overview enables the performance of systematic assessments about the potential development of the risk profile upon occurrence of certain events and/or specific choices that may result in any changes to it, through the use of dedicated risk management tools.

The risk management framework, as outlined above and subject to further and future developments, has been designed to support decision-making and operational processes at every stage of the management of projects, in order to reduce the possibility that certain events may compromise the Group's normal business operations or attainment of its defined strategic objectives: to this end, it is integrated in strategic and business planning processes, which, therefore, cannot be separated from the Group's risk profile, as well as from its choices in terms of risk appetite.

Main risk factors and uncertainties

Main risk factors and uncertainties

In addition to the areas outlined in the "Business risk management" section above, the following specific situations linked to major outstanding disputes, country risk exposure and situations characterised by risk and/or uncertainty profiles at 31 December 2017, should be added to the universe of risk events that may potentially impact on operations.

Litigation

USW Campania projects

The Group became involved in the urban solid waste disposal projects in the Province of Naples and other provinces in Campania at the end of the 1990's through its subsidiaries Fibe and Fibe Campania (the "companies").

The major issues that have characterised the Group's activities in service contracts since 1999-2000, which have been discussed in detail and reviewed in all of the reports published by the Group starting from that time, have evolved and became more complex over the years, giving rise to a large range of disputes, some of which are major and in part still ongoing. Even given the positive developments, the general situation in terms of pending disputes is still very complex. A brief overview is provided below, especially in relation to existing risk positions.

Since Fibe Campania S.p.A. was merged into Fibe S.p.A. in 2009, unless otherwise stated, reference is made exclusively to Fibe S.p.A. in the rest of this section, even with regard to positions and events that affected the merged company.

The USW Campania issue comprises various proceedings in different jurisdictions and pending at different court levels. The main aspects of the key proceedings are described below.

Administrative litigation

Recovery of the amounts owed to Fibe by local administrations for waste disposal fees up to the contracts' ope legis termination date (15 December 2005)

The special commissioner tasked by the Regional Administrative Court to collect receivables of former operators of the waste disposal service performed until 15 December 2005 submitted their report in November 2014, in which they stated that, despite an outstanding amount payable to FIBE as a fee for its service rendered until 15 December 2005, the administration had already collected directly €46,363,800, without forwarding it to FIBE, and that total outstanding receivables totalled €74,317,550.

The Regional Administrative Court held in its ruling no. 7323/2016 that the commissioner's activities would satisfy Fibe's requests only after their work was completed and, hence, excluding the possibility that amounts collected from the administration could be paid to it. Fibe has challenged this ruling with the Council of State.

Administrative procedures for the recording and recognition of the costs for activities carried out and the work ordered by the administration during the period after termination of the service contracts
As early as 2009, Fibe filed a complaint with the Lazio Regional Administrative Court about the administrative procedures for the recording and recognition of the costs incurred by the former service contractors for activities carried out pursuant to law and the work ordered by the administration and performed by the companies during the years from 2006 to 2008 after the contracts had been terminated.

As part of the aforementioned ruling, the Regional Administrative Court appointed an inspector who, on 31 March 2014, submitted a preliminary report and then their final report on 21 December 2017 finding that, in short, the amounts stated by Fibe in its appeal and the supporting documentation were substantially consistent.

Interest on payment of the RDF plants
With ruling no. 3886 of 5 May 2011, the Lazio Regional Administrative Court upheld Fibe's appeal and ordered the administration to pay the undepreciated costs at the termination date for the RDF plants to Fibe, for a total amount of €205 million, plus legal and default interest from 15 December 2005 until settlement.

Following the enforcement order filed by Fibe and opposed by the Office of the Prime Minister, Fibe obtained the allocation of €241 million as a final payment for the receivables for principal and legal interest and suspended the enforcement procedure for the further amount of default interest claimed. Both parties initiated proceedings about the merits of the case. Following the adjournment of proceedings with the order of 17 July 2015, the dispute was discussed during the hearing of 21 October 2015. The judge rejected the request for default interest submitted by Fibe in the ruling of 12 February 2016, which Fibe challenged. The related hearing for clarification of the conclusions has been set for 8 February 2019.

Environmental disputes

As part of the USW Campania projects, the Group had to deal with a large number of administrative measures regarding reclamation and the implementation of safety measures at some of the landfills, storage areas and RDF plants. The unsuccessfully resolved proceedings are on hold pending the merit hearings. For the proceedings regarding the characterisation and emergency safety measures at the Pontericcio site, the RDF plant in Giugliano and the temporary storage area at Cava Giuliani, the Lazio Regional Administrative Court rejected the appeals filed by Fibe with ruling no. 6033 of 2012. An appeal against this ruling, based also on contamination found at a site different to those subject of the proceedings, was filed with the Council of State. It denied Fibe's precautionary motion to stay the enforcement of the decision. A date for the merits hearing has not yet been set. With respect to the Cava Giuliani landfill, the Lazio Regional Administrative Court, with ruling no. 5831/2012, found that it lacked jurisdiction in favour of the Superior Court of Public Waters, before which the appeal was summed up. Meanwhile, Fibe is continuing with the characterisation operations for the above sites, but this does not constitute any admission of liability whatsoever.

The civil litigation

In May 2005, the government commissioner filed a motion requesting compensation from Fibe, Fibe Campania and Fisia Italimpianti for alleged damage of about €43 million. During the hearing, the commissioner increased its claims to over €700 million, further to the additional claim for damage to its reputation, calculated to be €1 billion.
The companies appeared before the court and, in addition to disputing the claims made by the government commissioner, filed a counterclaim requesting compensation for damage and sundry expenses for over €650 million, plus a further claim for reputation damage quantified at €1.5 billion.

In the same proceeding, the banks that issued Fibe and Fibe Campania's performance bonds to the government commissioner also requested the commissioner's claim be dismissed and, in any case, to be held harmless by Salini Impregilo (at the time, Impregilo), which appeared before the court and disputed the bank's requests.

On 30 November 2015, the Office of the Prime Minister received a new claim form served by both Fibe and other group companies involved in various ways in the activities performed in Campania for the waste disposal service, containing claims for the damage suffered as a result of termination of the agreements in 2005.

The total amount claimed is €2,429 million. Considering that some requests are already included in other proceedings, the net amount is €2,258 million. The Office of the Prime Minister filed a counterclaim for €845 million for reasons already included in other proceedings. The court appointed an expert for an appraisal which is ongoing.

Tax litigation

Fibe's dispute about the local property tax (ICI) on the Acerra waste-to-energy plant is worthy of note.

In January 2013, the subsidiary received tax assessment notices from the Acerra municipality with respect to the waste-to-energy plant, requesting payment of local property tax and the related penalties of approximately €14.3 million for the years from 2009 to 2011. The amount requested by the municipality and challenged by Fibe was confirmed as far as its applicability but reduced in terms of its amount and penalties by the Naples Regional Tax Commission.

Although it believes that it will be able to reverse the ruling through an appeal to the Supreme Court, in 2015, the subsidiary - comforted by its legal advisors - set aside a provision for an amount equal to just the tax plus any accrued interest as a precautionary measure.

Criminal litigation

In September 2006, the public prosecutor at the Naples Court served Impregilo S.p.A. (now Salini Impregilo), Impregilo International Infrastructures N.V., Fibe S.p.A., Fibe Campania S.p.A., Fisia Italimpiant

S.p.A. (now Fisia Ambiente S.p.A.) and Gestione Napoli S.p.A. in liquidation with a "Notice of the conclusion of the preliminary investigations about the administrative liability of companies" related to the alleged administrative crime pursuant to article 24 of Legislative decree no. 231/2001, as part of criminal proceedings against some former directors and employees of the above-mentioned companies, who were being investigated for the crimes covered by article 640.1/2.1, of the Criminal Code in connection with the contracts for management of the urban solid waste disposal cycle in Campania. Following the preliminary hearing of 29 February 2008, the Preliminary Hearing Judge at the Naples Court allowed the motions for indictment presented by the public prosecutor, rejecting all the civil parties' claims against the companies finding them to be unacceptable.

As part of these proceedings, in its ruling of 26 June 2007, the Preliminary Investigations Judge ordered the precautionary seizure of the profit from the alleged crime, estimated to approximate €750 million.

The precautionary proceedings continued for nearly five years and finally ended in May 2012, without any action taken against the Group. On 4 November 2013, the Naples Court handed down a decision finding all defendants not guilty on all charges. In March 2014, the public prosecutor of Naples challenged the decision and the appeal hearing is taking place at the date of this report.

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In 2008, as part of a new investigation into waste disposal in the Campania region carried out after the ope legis termination of the contracts (on 15 December 2005), the Preliminary Investigations Judge, upon a request by the public prosecutor, issued personal preventive seizure measures against some managers and employees of Fibe, Fibe Campania and Fisia Ambiente and managers of the commissioner's office. As part of this investigation, which in the record is described both as a continuation of an earlier investigation and as separate proceedings based on new charges, the former service providers and Fisia Ambiente are again charged with the administrative liability attributable to companies pursuant to Legislative decree no. 231/01.

In the hearing of 21 March 2013, the Preliminary Hearing Judge ordered that all the defendants and companies involved pursuant to Legislative decree no. 231/2001 be committed for trial for all charges, transferring the proceedings to the Rome Court as a result of an acting judge being listed by the Naples public prosecutor as being under investigation.

At the hearing of 1 April 2014, the Rome Court acquired the ruling delivered by the Fifth Criminal Chamber of the Naples Court in the aforementioned "parent" proceedings (RGNR 15940/03). On 16 June 2016, the Court accepted the public prosecutor's request and found all the individuals involved in the proceedings not guilty. The hearing will continue for the companies involved pursuant to Legislative decree no. 231/2001.

On 23 December 2011, as the party involved pursuant to Legislative decree no. 231/01, Fibe was notified of the completion of the preliminary investigations related to another investigation by the Naples public prosecutor. The allegation relates to the charging of article 24 of Legislative decree no. 231/01 relating to the committing of the crime covered and punished by article 81 and articles 110 and 640.I/II of the Criminal Code committed jointly and with the prior agreement of the defendants (individuals) and other parties to be identified with respect to management of the urban waste water purification service using purification systems.

Fibe is accused as it has allegedly presented documents reporting among the other items related to the elimination of USW the cost of transferring leachate, while not mentioning why the leachate had been transferred to plants that did not have the necessary legal authorisation, technical qualifications and residual purification capacity.

The public prosecutor filed a motion requesting that the Preliminary Hearing Judge of the Naples Court hear the case filed and the latter, upholding the objection presented by the defence of the public bodies, ruled that it lacked jurisdiction and ordered that the record of the proceedings be forwarded to the Rome public prosecutor.

On 13 April 2015, the Rome public prosecutor requested the closure of proceedings for all defendants (both individuals and companies) and all claims. On 17 January 2017, the Preliminary Investigations Judge ordered the closure for all the individuals while the claims about the administrative offences allegedly committed by the companies were transferred to the public prosecutor that sent them to the attorney general for filing on 27 March 2017.

As the legally-established six-month period has lapsed and the attorney general has not requested any additional investigations be performed, the proceedings can be taken to have been definitively closed.

The directors' considerations about the USW Campania projects at 31 December 2017

The general situation of Salini Impregilo Group with respect to the USW Campania projects at 31 December 2017 still continues to be extremely complex and uncertain (as can be seen from the complexity of the above information).

The decisions of the administrative courts regarding the claims made for the costs of the RDF plants that had not been depreciated when the service contracts were terminated (15 December 2005) and the developments of the numerous proceedings are positive and extremely important factors because they support the Group's arguments regarding the correctness of its conduct and the resulting assessments made to date.

Taking also into account the rulings handed down by the administrative judges regarding the aforementioned environmental issues (which are still pending with regard to merit) and for which the directors, with the support of the legal advisors assisting Fibe in the various disputes, deem the risk of an unfavourable outcome to be in the realm of mere possibility, at this time, an accurate timeframe for the end of the various pending proceedings cannot be reasonably determined.

Given the complexity and range of the different disputes disclosed in the previous sections, the Group cannot exclude that events may arise in the future that cannot currently be foreseen which might require changes to these assessments.

Panama Canal extension project

With regard to this project, certain critical issues arose during the first stage of full-scale production which, due to their specific characteristics and the materiality of the work to which they relate, made it necessary to significantly negatively revise the estimates on which the early phases of the project had been based. The most critical issues related, inter alia, to the geological characteristics of the excavation areas, specifically with respect to the raw materials required to produce concrete and the processing of such raw materials during normal production activities. Additional problems arose due to the adoption by the client of operational and management procedures substantially different from those contractually agreed, specifically with regard to the processes for the approval of technical and design solutions suggested by the contractor. These facts, which were the subject of specific disclosures in previous reports published by the Group, continued in 2013 and 2014. Faced with the client's persistent unwillingness to reasonably implement appropriate, contractually provided for measures to manage such disputes, the contractor - and thus the original contractor partners - was forced to acknowledge the resulting impossibility to continue the construction activities needed to complete the project at its full and exclusive risk by undertaking the relevant full financial burden without any guarantee of the commencement of objective negotiations with the counterparty. In this context, at the end of 2013, formal notice was sent to the client to inform it of the intention to immediately suspend work if the client refused once again to address this dispute in accordance with a contractual approach based on good faith and the willingness of all parties to reach a reasonable agreement.

Negotiations between the parties, supported by the respective consultants and legal/contract experts, were carried out through February 2014 and, on 13 March 2014, an agreement was signed. The essential elements of the agreement provided that the contractor would resume works and functionally complete them by 31 December 2015, while the client and contracting companies agreed to provide financial support for the works to be finished up to a maximum of about USD1.4 billion. The client met its obligation by granting a moratorium on the refunding of already disbursed contractual advances totalling about USD800 million and disbursing additional advances amounting to USD100 million. The group of contracting companies met their obligation by directly disbursing USD100 million and additional financial resources, through the conversion into cash of existing contractual guarantees totalling USD400 million.

A - The disputes before the Dispute Adjudication Board (DAB)

At the end of 2014, the DAB (Dispute Adjudication Board), established by the parties pursuant to the contract, granted GUPC an extension of time of 176 days and an amount of USD243 million for the extra costs, as per the claims presented as Referral 11, of which USD233 million was paid in early 2015 and a further USD10 million in the last quarter of that year. In December 2015 and January 2016, the DAB accepted the claims made by GUPC on three separate occasions (Referrals 13B, 13C and 13D) of USD6.2 million, USD24.7 million and USD11.2 million. In addition, on 20 June 2016, the DAB approved another USD2.7 million with the decision about the claim presented as Referral 14D. On 20 July 2016, the DAB issued two decisions in GUPC's favour: (i) that related to Referral 14B for the Testing and Laboratory Services subcontract in which it agreed with the contractor and awarded GUPC another USD6.4 million; (ii) that referred to Referral 14C - Dewatering of Excavations, where it found GUPC's claim to be grounded and that it had the right to receive USD0.2 million.

The DAB rejected GUPC's claim about the unforeseen faults and fissures in its decision of 26 July 2016 about Referral 13A by majority vote. This claim was based on similar assumptions to those of Referral 11 and the DAB's decision (passed by majority vote) is thus contradictory to that announced for Referral 11, as shown also by the dissenting opinion of one of its three members. GUPC expressed its dissatisfaction with this decision and its claim was subsequently included in those being heard as part of another pending hearing (see the second arbitration).

Finally, with respect to Referral 14A about the physical and geological conditions of the area around the sides of the reservoir and some storage areas, the DAB's decision of 26 January 2017 (passed by majority vote) (i) rejected most of the claim made by GUPC based on similar assumptions to those of Referrals 11 and 13A and (ii) found that GUPC was entitled to a fee of roughly USD4 million compared to the requested amount of USD114 million. One of the DAB members presented a dissenting opinion and GUPC filed its dissatisfaction and commenced the related arbitration proceedings (see the "fourth arbitration").

As the DAB has not communicated a decision about the other claims within the contractual timeframe, they will be subject to arbitration.

B - Pending arbitration

There are a number of separate arbitration hearings ongoing before the International Chamber of Commerce between GUPC (with its European partners Sacyr, Salini Impregilo and Jan De Nul) and the Panama Canal Authority.

The first relates to the Cofferdam dispute and has been completed. The award, published on 31 July 2017, rejected the claims made by GUPC and the shareholders by majority vote (two against one) and ordered them to pay the legal costs (including the costs incurred by ACP) of approximately USD22 million. The dissenting member of the arbitration tribunal filed its strong disapproval of the vote criticising the interpretation of the facts and law in the award and identifying substantial errors. Together with the other shareholders, Salini Impregilo challenged the award before the Southern District Court of Florida (where the arbitration was heard) asking it be annulled. At the date of this report, the hearing was at a preliminary stage.

The second hearing covers DAB's decisions about the claims about the inadequate quality of the basalt compared to the quality guaranteed by ACP and the lengthy delays caused by ACP to approve the design formula for the concrete mix. After the stage performed to confirm the arbitration tribunal's competence to rule which ended with the award that the tribunal was competent to rule on the damages incurred by the individual members of the consortium, the merits proceedings are in progress and the hearing is scheduled for the start of 2019.

The third hearing relates to the extra costs incurred by GUPC due to certain unjustified conditions imposed by ACP for the design of the lock gates and other claims about labour costs.

The fourth hearing involves sundry claims mentioned in the completion certification. Both of these hearings, commenced on 8 December 2016, are at an initial stage (only the original process has been filed). The arbitration tribunals have not yet been constituted and no information is available at present about the hearing dates.

In July 2017, GUPC and the shareholders filed another two requests for arbitration with respect to the third and fourth arbitrations covering the same claims already made in the third and fourth hearings, respectively. These requests were filed on a precautionary basis after the 84-day deadline given to the DAB to decide on the claims expired. As the DAB did not take a decision within the contractual deadline, any decision about these claims is now to be taken by the arbitration tribunal.

There is also another dispute about the contractual advances due to ACP for which a fifth arbitration hearing has commenced. The tribunal was constituted on 9 August 2017 and its competence to decide on the disputes about the returns of the contractual advances has been approved. As part of the same proceeding, GUPC and the shareholders requested as a precautionary measure the blocking of the return of the guarantees on the advances before the merits of the dispute are decided. Concurrently, ACP commenced legal proceedings in England about the return of the advances. These proceedings are not expected to be completed before the end of 2018.

Already in previous years, the Group applied a valuation approach to the project on the basis of which significant losses to complete the contract were recognised, offset in part by the corresponding recognition of the additional consideration claimed from the client and determined based on the expectation that recognition of such consideration could be reasonably deemed to be highly probable based on the opinions expressed by its technical and legal experts and in light of the damages awarded by the DAB.

In 2017, the estimate for the extra costs to complete the project was updated, as well as the additional consideration claimed from the client (again with the support of the company's technical and legal experts).

The work to extend the Panama Canal has been substantially completed to the client's satisfaction and ACP has issued the Taking Over Certificate. The Canal was re-opened on 26 June 2016.

The Group cannot exclude that currently unforeseeable events may arise in the future which could require changes to the assessments made to date.

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As a result of critical issues about this project related to its specific features and the significance of the works, the Group had to significantly revise the cost estimates for the early stages of this project. They mainly related to the construction of the concrete works, the electromechanical works and the architectural finishings.

The negotiations with the client, assisted by their consultants and technical/legal advisors, led to the signing of an interim agreement on 30 December 2016 (which allowed the Group to collect €145 million) and other agreements (claim settlement agreement no. 7 and the additional agreement) which enabled it to collect another €40 million (for a total of €185 million) with the settlement of some claims, while the remaining outstanding claims have been referred to the arbitration proceeding provided for in the contract.

The Group has recognised all the significant extra costs to complete the contract, partly offset by the additional consideration claimed from the client, to be decided upon by the arbitration tribunal, calculated on the basis that the Group deems it highly probable that its claims will be upheld, based on the opinions of its technical and legal advisors.

However, it cannot exclude that events may take place in the future that cannot currently be foreseen and that could make it necessary to change its valuations.

CAVTOMI Consortium (high speed/capacity Turin - Milan line)

With respect to the contract for the high speed/capacity Turin - Milan railway line - Novara - Milan sub-section, the general contractor Fiat (now FCA N.V.) is required to follow the registered claims of the general subcontractor CAVTOMI Consortium (the "consortium"), in which Salini Impregilo has a share of 74.69%, against the client Rete Ferroviaria Italiana ("RFI"). The consortium carried out all design and execution activities for the project.

Accordingly, on 18 April 2008, Fiat initiated contractual arbitration proceedings against RFI for the award, in particular, of damages suffered for delays in the works ascribable to the client, non-achievement of the early completion bonus also due to the client and higher consideration. On 9 July 2013, the arbitration tribunal handed down an award in favour of Fiat, ordering RFI to pay approximately €187 million (of which about €185 million pertaining to the consortium).

RFI appealed against the award before the Rome Appeal Court on 30 September 2013 and in October 2013 paid the amount due to Fiat, which in turn forwarded the relevant share to the consortium in December 2013.

The ruling of 23 September 2015 of the Rome Appeal Court cancelled a large part of the aforementioned arbitration award. FCA appealed to the Supreme Court and issued a claims form for the revision of the Appeal Court's ruling.

Since the Appeal Court's ruling is enforceable and following the notification by RFI to FCA of a writ of enforcement of approximately €175 million, FCA and RFI reached an agreement whereby FCA provided RFI with the following guarantees in order to prevent execution of the aforementioned ruling, without prejudice to the parties' substantive rights, which are subject to final judgement: (i) payment of an amount of approximately €66 million, and (ii) issue to RFI of a bank security of €100 million (€75 million by Salini Impregilo).

The consortium is confident that its arguments will be accepted at the end of the dispute supported by the opinion of its legal advisors.

However, the Group cannot exclude that currently unforeseeable events may arise in the future which could require changes to the assessments made to date.

On 12 October 2017, FAC informed RFI together with the consortium of another claim form presented to the Rome Court for claims made during the contract term and not covered by the previous award.

COCIV

With the claim form notified to the COCIV consortium on 18 September 2014, the client RFI S.p.A. challenged the validity of the inter partes arbitration award of 20-21 June 2013 and also requested the return of about €108 million (approximately €74 million for Salini Impregilo) collected by COCIV as a result of the award.

The COCIV consortium appeared in court and is confident that the arbitration award in its favour will be confirmed by the ruling.

The Group cannot exclude that currently unforeseeable events may arise in the future which could require changes to the assessments made to date.

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On 26 October 2016, some managers and employees of COCIV were arrested as were other persons (including the chairman of Reggio Calabria - Scilla S.C.p.A., who promptly resigned). The above two legal entities were informed that the Genoa and Rome public prosecutors are investigating alleged obstruction of public tender procedures, corruption and, in some cases, criminal organisation. Specifically, the proceeding before the Genoa Court (involving COCIV managers and employees) covers alleged obstruction of public tender procedures for supplies or works on individual lots (for which the public prosecutor also intends to investigate the parent's CEO) as well as two cases of corruption. The proceeding before the Rome Court relates to the alleged bribery of works management in order to encourage the works manager (also under investigation) to perform acts contrary to their official duties.

As a precautionary measure and to demonstrate its non-involvement in the crime, a clean break with the past and full collaboration with the authorities, COCIV has implemented the following measures and actions:

- replacement of the individuals involved in the proceedings and withdrawal of their proxies;
- dismissal or suspension of these employees;
- ban on their access to work premises or corporate e-email or any document archives;

- lapse of all the contracts that showed their reprehensible conduct as per the remand orders;
- cancellation of ongoing tenders and an awarded tender to call them again after a clear-cut break with the past;
- termination of the contract with the works management service provider and temporary appointment, with the consent of RFI S.p.A., of two experts to perform this service, while communicating its willingness to transfer this duty (currently carried out by the consortium as per the contract) to the client, as per its request;
- on 19 January 2017, appointment by RFI S.p.A., upon COCIV's request, of a person identified by it to participate in the tender boards for the work that COCIV should assign under EU procedures.

On 11 January 2017, as part of the proceedings commenced on 16 November 2016, ANAC sent the Genoa Prefecture a proposal for adoption of the extraordinary measures pursuant to article 32 of Decree law no. 90/14 against COCIV. On 3 March 2017, the Rome Prefecture appointed a special commissioner for the extraordinary and temporary administration of COCIV in accordance with article 32.1.b) of Decree law no. 90 of 24 June 2014, converted with amendments by Law no. 114 of 11 August 2014 for a six-month period, which has now been extended to 15 January 2019. While the criminal proceedings before the Genoa Court are still at the investigation stage, on 31 January 2017, the Rome public prosecutor notified the completion of the preliminary investigations of the individuals involved in the alleged crimes of criminal organisation and bribery, as well as COCIV and Reggio Calabria - Scilla S.C.p.A. for the administrative offence as per articles 5 and 25 of Legislative decree no. 231/01. After the preliminary hearing, the companies' positions were cleared or not committed for trial due to faults in the related notifications and they are now the subject of another preliminary hearing. All the individuals have been committed for trial at the hearing of 7 July 2017 before the Rome Court, where the pre-trial hearing of 27 March 2018 will take place.

The consortium deems that the crimes allegedly committed by its personnel (should they be found guilty by the court) were to its detriment and were essentially committed in their own interests (and, hence, not in the consortium's interest) by fraudulently circumventing the rules in place to control its activities. Moreover, these alleged offences would not have required RFI S.p.A. to pay a larger or undue amount or create economic benefits for the consortium but rather would have required it to pay higher costs. The consortium's new structure (senior management and operating personnel) is committed to ensuring that the works can continue while concurrently dealing with the social and employment issues arising from the discontinuity measures that the consortium has had to put in place vis-à-vis the third party companies involved in the legal proceedings. The consortium has carefully checked the quality of the materials works previously carried out although this is not an issue raised by the public prosecutors. Its results are wholly in line with the findings of the expert appointed by the Genoa court, which both found the full compliance of the materials used by the consortium with the quality levels specified in the contracts and relevant legislation.

At present, the Group does not have information that would allow it to assess whether any potential developments could require modifications to the assessments made to date or the probability or scope of such developments.

The directors deem that the effects of the above measure do not affect the considerations made since 1 January 2014 about the existence of control as established by IFRS 10, confirmed by the opinion of an external consultant.

Therefore, the consortium continues to qualify as a subsidiary and is consolidated on a line-by-line basis.

Strait of Messina bridge - Eurolink

In March 2006, as lead contractor of the joint venture created for this project (interest of 45%) (subsequently merged into the SPE Eurolink S.C.p.A.), Impregilo S.p.A. (now Salini Impregilo S.p.A.) signed a contract with Stretto di Messina S.p.A. for its engagement as general contractor for the final and executive designs and construction of the Strait of Messina Bridge and related roadway and railway connectors.

A bank syndicate also signed the financial documentation required in the General Specifications after the joint venture won the tender, for the concession of credit lines of €250 million earmarked for this project. The client was also given performance bonds of €239 million, as provided for in the contract. Reduction of the credit line to €20 million was approved in 2010.

Stretto di Messina S.p.A. and the general contractor Eurolink S.C.p.A. signed a rider in September 2009 which covered, inter alia, suspension of the project works carried out since the contract was signed and until that date. As provided for by the rider, the final designs were delivered to the client and its board of directors approved them on 29 July 2011.

Decree law no. 187 was issued on 2 November 2012 providing for "Urgent measures for the renegotiation of the contracts with Stretto di Messina S.p.A. (the client) and for local public transport". Following enactment of this decree and given the potential implications for its position as general contractor, Eurolink, led by Salini Impregilo, notified the client of its intention to withdraw from the contract under the contractual terms, also to protect the positions of all the Italian and foreign co-venturers. However, given the immense interest in constructing the works, the general contractor also communicated its willingness to review its position should the client demonstrate its real intention to carry out the project. To date, the ongoing negotiations have not been successful despite the efforts made. Eurolink has commenced various legal proceedings in Italy and the EU, arguing that the provisions of the above decree are contrary to the Constitution and EU laws and that they damage Eurolink's legally acquired rights under the contract. It has also requested that Stretto di Messina be ordered to pay the amounts requested by the general contractor due to the termination of the contract for reasons not attributable to it. With regard to the actions filed at EU level, in November 2013, the European Commission communicated its decision not to follow up the proceedings, as no treaties were violated, and confirmed this on 7 January 2014, with a communication dismissing the case. As regards the civil action in Italy, Salini Impregilo and all the members of Eurolink have jointly and severally asked that Stretto di Messina be ordered to pay the amounts claimed, for various reasons, due to the termination of the contract for reasons not attributable to them. After completion of the investigation phase, the Judge referred the case to the Rome Court for the first level ruling. In the meantime, before the investigation phase had been completed, Stretto di Messina brought an action before the Supreme Court under article 41 of the Italian Code of Civil Procedure for a prior ruling on the Rome Civil Court's lack of jurisdiction. After the case had been included in the register, in order that the parties can present their cases, the court suspended ruling RG no. 16617/2013 in its order published on 2 January 2018 until the united chambers of the Supreme Court hand down their ruling on the lack of jurisdiction claimed by Stretto di Messina. In December 2017, the substitute attorney general of the Supreme Court requested that the jurisdiction of the civil judge be confirmed since the action presented by Stretto di Messina was inadmissible, tardy and groundless.

Considering the complex nature of the various legal proceedings and although the legal advisors assisting Salini Impregilo and the general contractor are reasonably confident about the outcome of the proceedings and the recoverability of the remaining assets (mainly contract work in progress) recognised for this contract, it cannot be excluded that events not currently foreseeable may arise in the future which would require the current assessments to be revised.

Romania - Orastie - Sibiu highway

Salini Impregilo has been operating in Romania since July 2011 following the start of the works for the Orastie - Sibiu highway section contract (Lot 3).

In July 2013, it was awarded a second tender for the development of Lot 2 of another highway section between the cities of Lugoj and Deva.

The two contracts are part of a wider road project called Pan-European Corridor IV, which cuts through Romania from Nãdlac (on the border with Hungary) via Pitesti and reaches Constanta, on the Black Sea. Both contracts were entered into with the Romanian National Road & Highways Company (CNADNR) and 85% financed with EU structural funds and 15% by the Romanian government.

The Orastie-Sibiu contract provided for the construction of 22.1 km of two-lane highway (plus the relevant emergency lanes). In September 2015, Salini Impregilo presented an application for arbitration to the client for claims about the extension of the original contractual delivery times and payment of an additional consideration due to unforeseeable events and the client's negligent conduct.

On 13 January 2016, with works completion at 99.9%, following a number of disputes between the parties, the client terminated the contract and enforced the contractual guarantees of approximately €13 million, motivating such unilateral decision as being due to the alleged non-resolution of non-compliances notified by works management. The aforementioned contract termination, which the parent deemed fully unfounded, was formally contested as a result. The dispute between the parties is currently being heard by the International Court of Arbitration at the International Chamber of Commerce.

The directors (also based on the advice of their legal and technical experts), believe that the parent's operations were correct and that the amounts recognised as contract work in progress and financial assets at 31 December 2017, inclusive of requests for additional consideration also part of the claim, can be collected.

Considering the uncertainties linked to the dispute stage, the Group cannot exclude that currently unforeseeable events may arise in the future which could require changes to the assessments made to date.

Rome Metro

As part of the contract for the design and construction of the works for the B1 line of the Rome Metro, Salini Impregilo commenced three legal proceedings in its name and as lead contractor of the joint venture against Roma Metropolitane S.r.l. and Roma Capitale requesting they be ordered to pay the disputed claims recorded during works execution, for which a technical appraisal by a court-appointed expert was provided.

The Rome Court's ruling of 22 August 2016 settled the first level proceedings involving the claims made for the Bologna - Conca d'Oro section and partly accepted the joint venture's requests, ordering Roma Metropolitane S.r.l. to pay €10,607,683.91, plus VAT and related costs.

The joint venture commenced the necessary actions to collect the receivable based on this temporary enforceable ruling. It also presented an appeal for the award of a greater amount.

The second proceeding relates to the first set of claims for the Conca d'Oro - Jonio section and is currently at the decisional phase.

The third proceeding refers to the second and last set of claims for the Conca d'Oro - Jonio section, was commenced in September 2016 and is currently at the initial stages.

The directors (also supported by their legal and technical experts) deem that the amounts recognised in contract work in progress at 31 December 2017, inclusive of the additional consideration claimed from the client and calculated based on the expectation that recognition of such consideration is probable also on the basis of the aforementioned expert opinions, are collectible.

Considering the uncertainties linked to the dispute stage, the Group cannot exclude that currently unforeseeable events may arise in the future which could require changes to the assessments made to date.

CONSORZIO CON.FE.MI./FERROVIENORD S.p.A. (Imprepar)
In 2005, the Milan Court found the 1988 contract between the Confemi consortium (in which Imprepar S.p.A. had an 18.26% share) and Ferrovie Nord Milano S.p.A. (FNME) for the construction of the quadrupling of the Saronno-Malpensa railway section to be void due to corruption. The Court ordered that the consortium was to return the difference of approximately €44 million between the amounts received and the value of the works performed, as well as interest calculated on the payments made. In 2011, the Milan Appeal Court substantially confirmed these amounts. While awaiting the appeal ruling, Confemi and FNME signed an agreement in 2008 deferring enforcement of the ruling until it had been passed res judicata and establishing an amount of €6 million for

the party that will be found guilty, as well as Confemi's right to request return of approximately €3 million previously paid to FNME.

On 10 May 2017, the Supreme Court handed down its ruling no. 11446/17 which (i) rejected Confemi's main appeal and (ii) accepted the first and second part of FNME's counter appeal (damage to its reputation and return by Confemi of the amounts collected as part of the review of all the contractual prices - increase of 25% - allocated to Confemi by the judges who heard the merits case). The Supreme Court has therefore reversed the Milan Appeal Court's ruling for the accepted reasons and deferred judgement about payment of the amounts of point (ii) to the same Appeal Court.

In November 2017, Confemi appealed to the Supreme Court challenging the part of its ruling no. 11446/17 where it accepted the grounds for FNME's counter appeal about the 25% reduction in the amounts to be paid to it as a review, as described above, given that Confemi deemed that a final decision on this had already been handed down during the appeal.

The ruling by the Milan Appeal Court as the referring court has been resumed by FNME. Confemi has given its lawyers a mandate to represent it in court.

On 20 November 2017, the consortium was put into liquidation.

On 24 October 2014, FNME commenced a proceeding at the Milan Court for the alleged joint liability of the consortium members together with Confemi. The Group's interest in the consortium had been obtained as a result of the parent's acquisition of the business unit related to the contract from Lodigiani S.p.A. (which also included the voided contract). Impregilo transferred its interest in Confemi to Imprepar in 2001 as part of the contribution of a business unit. Both Salini Impregilo and Imprepar have been summonsed by FNME.

Colombia - Yuma

Yuma Concesionaria S.A. (in which the Group has a 48.3% investment) holds the concession for the construction and operation of sector 3 of the Ruta del Sol motorway in Colombia.

The Group also has a 55.27% stake (through the parent - 48.97% - and Impregilo International Infrastructures N.V. - 6.3%) in the investment fund Fondo di Capital Privado - Ruta del Sol (Comparto B) set up for project financing purposes. Its investment does not give it voting rights.

On 4 January 2018, the client ANI commenced a procedure to assess Yuma's serious breaches of the concession contract (delays in carrying out the works) and whether to terminate the contract.

Yuma, on the other hand, deems that the serious breaches have been committed by ANI (late payments) and, in any case, refer to events outside its control which have led to a significant imbalance in the mutual rights and obligations of the parties to the contract that the client is obliged to rectify.

The operator commenced procedures for a local arbitration for contract variations and an international one for claims related to the construction stage. It is also evaluating whether to take additional legal action to protect its rights.

Yuma has also entered into negotiations with the banks to extend the repayment date of the COP450,000 million bridge loan (equivalent to roughly €128 million) taken out to finance the project.

The present situation with the customer ANI led to the temporary suspension of the works to build the Ruta del Sol motorway in the second half of the year by the contractor Constructura Ariguani Sas, wholly owned by Salini Impregilo Group.

Considering the uncertainties linked to the dispute stage, the Group cannot exclude that currently unforeseeable events may arise in the future which could require changes to the assessments made to date.

Country risk

Libya

Salini Impregilo S.p.A. operates in Libya through a permanent establishment and a subsidiary, Impregilo Lidco Libya General Contracting Company (Impregilo Lidco), which has been active in Libya since 2009 and is 60% owned by Salini Impregilo with the other 40% held by a local partner.

The directors do not deem that significant risks exist with respect to the permanent establishment's contracts as work thereon has not started, except for the Koufra airport project. Moreover, the Group's exposure is not material. The Group is also involved in the Libyan Coastal Highway project which leads to the Egyptian border for the stretch through Cyrenaica, which had not yet been started at the reporting date.

Impregilo Lidco won important contracts for the construction of:

- infrastructural works in Tripoli and Misuratah;
- university campuses in Misuratah, Tarhunah and Zliten;
- a new Conference Hall in Tripoli.

Despite the dramatic political events in Libya from February 2011, Salini Impregilo has always acted in accordance with the contractual terms.

This political upheaval has not yet subsided, impeding the subsidiary from developing its business. At present, Salini Impregilo does not expect activities to be resumed in the near future as there are also serious security problems.

The subsidiary Impregilo Lidco continues to be present in Libya and to maintain contacts with its clients, complying promptly with legal and corporate requirements. It informed its clients immediately of the activation of the force majeure clause (provided for contractually) given the situation in Libya, but the projects covered by the contracts should continue to be a priority for the country.

The clients have acknowledged the contractual rights and the validity of the claims presented for the costs, losses and damages incurred as a result of the above-mentioned unrest. Once the local situation has normalised and the country's institutions are working again, these claims will be discussed with the clients.

The impairment losses on net assets and costs incurred starting from the 2012 financial statements until the reporting date are fully included in contract work in progress. The subsidiary has presented claims to the clients for these amounts, which it deems are fully recoverable as they are due to force majeure.

In addition, the investments made to date are covered by the contractual advances received from the clients.

The subsidiary's legal advisors agree with this approach as can be seen in their reports.

No significant risks are deemed to exist for the recovery of the net assets attributable to the subsidiary, thanks in part to actions and claims filed against the clients.

This country's situation continues to be complex and highly critical, which does not allow the Group to make reliable forecasts about whether operations can be resumed in the short term.

Salini Impregilo will continue to guarantee the subsidiary's business continuity. However, it cannot be excluded that events which cannot currently be foreseen may take place after the date of preparation of this report that could require changes to the assessments made to date.

Venezuela

Salini Impregilo Group has operated in Venezuela for over thirty years and has a stable presence there through its permanent organisation. It carries out important projects to develop the South American country directly or in partnerships with international partners.

The work in progress, mainly in the railway and hydroelectric sectors, relates to the following contracts:

- Railway sector:
  - i) Puerto Cabello - La Encrucijada section project;
  - ii) Guarico project, for the San Juan de Los Morros-San Fernando de Apure and Chaguaramas-Cabruta sections;
- Hydroelectric sector:
  - i) the Tocoma dam project.

The clients for the above projects are all government agencies (the Venezuelan goverment or related bodies).

At year end, the Group's total exposure for its ongoing contracts in Venezuela amounted to €628.3 million, comprising work in progress, trade receivables and loans inclusive of the allowance for impairment set up in previous years.

Although the Venezuelan government has recently reconfirmed its intention to complete the railway and hydroelectrical projects, deemed to be of strategic interest for the country's development, these contracts have seen payment delays, temporary suspensions and rescheduling of the work to complete them over the last few years.

Venezuela's creditworthiness drastically contracted in the second half of the year due to: (i) its failure to make approximately USD200 million in coupon payments, and (ii) critical current and prospective macroeconomic data for the South American country's future development. As a result, Standard & Poor's and Fitch both downgraded the country's credit rating twice to reflect its probable default state.

Given this economic and social context, the EU Foreign Minister adopted a measure approving sanctions against Venezuela.

The USA imposed financial sanctions on Venezuela, limiting transactions with US financial institutions by the South American country.

Considering the country's situation, the Group calculated the recoverable amount of the assets recognised in its consolidated financial statements at 31 December 2017.

As described earlier, the Group's exposure amounted to €628.3 million at year end, including €113.3 million of loans and approximately €515 million of receivables for consideration accrued on work performed (this latter figure comprises €307.5 million already invoiced and recognised as trade receivables and €207.5 million recognised as contract work in progress net of advances on contract work in progress).

The Group estimated total impairment losses on these assets of €314.2 million. As it had already set up an allowance for impairment of about €22 million at 31 December 2016, it recognised an impairment loss of approximately €292 million at the end of 2017.

However, in view of the delicate and complex uncertain situation that has developed at political level, the possibility that events not foreseeable at the reporting date may arise in the future that may require changes to the assessments made to date cannot be excluded.

Nigeria

The economic crisis caused by the drop in oil prices, the country's main revenue contributor, continues to limit Nigeria's ability from investing in infrastructure.

Nigeria's construction sector, like its other production sectors, is stagnant. The unemployment rate continues to rise, as do the widespread discontent and crime. The local currency prices of imported goods have increased significantly due to the central bank's official depreciation of the Naira in July 2016 with the resulting Naira/Euro exchange rate moving from 220 to 340.

There was a slight improvement in the year with visible interest in continuing the production activities for projects deemed essential by the federal government.

In view of the present critical political and economic situation, it cannot be excluded that events which cannot currently be foreseen may take place after the date of preparation of this report that require changes to the assessments made to date.

Turkey

Despite internal political tension and the serious public order situations in certain areas which culminated with the coup d'état foiled in July 2016, Turkey showed its considerable ability to deal with the critical external and internal issues during the period. With respect to the Cetin contract, for which a dispute with the client and its parent Statkraft had been commenced, leading to legal action being taken by the joint venture and the Group in Italy, France and Norway in the period from March 2016 to June 2017, a settlement agreement was signed in June 2017. This had already been enforced in part and entailed the joint termination of the contract as well as the parties' waiver of any claims for damage and payment of €33.5 million by the client to the joint venture. In addition, Salini Impregilo will receive reimbursement of the amounts it paid when the performance bond was enforced in March 2017. The work site is currently being dismantled.

With respect to the other contract, Gaziantep, also located in a "critical" area, the province and city of Gaziantep, which is an important busy industrial hub, are protected by a large Turkish security force assisted by NATO. There is a heightened risk of possible isolated terrorist actions, especially against government sites.

Ukraine

This country's political and economic situation is still extremely difficult. The continued instability has led to a serious economic recession and steady worsening in Ukraine's public finances.

Given the location of the Group's construction site for the Capital Repair M03 Kiyv-Kharkiv-Dovzhanskiy contract near Poltava, which is far away from the areas most affected by the ongoing armed conflict in the south east, the safety of contract activities has not been significantly affected. The Group is not exposed to currency depreciation risk since the contractual amounts are expressed in Euros and US dollars.

The burden of the conflict and the economic slowdown have negatively impacted the country's public debt. The unstable institutional and governmental situation affected the client's organisation (the Ukraine State Agency of Automobile Roads - Ukravtodor), which has seen the introduction of new senior managers. This made it more difficult for the Group to liaise with the client.

In addition, the parent's sale of Todini Costruzioni Generali (which had been awarded both contracts in this country) made intensive communication with the client necessary to clarify the Group's position and guarantee continuity in the Capital Repair M03 Kiyv-Kharkiv-Dovzhanskiy project. Moreover, Ukravtodor has not accepted the company's position and communicated its intention to terminate the contract in August 2016. The Group defended its position following the contractually-specified procedure. In December 2016, the dispute arbitration board, appointed to rule on the termination, confirmed its illegality. The Group took all necessary steps to reach an agreement with Ukravtodor to recommence the contract activities, although the client has rejected its overtures and has not acknowledged that ordered by the dispute arbitration board. It has refused to come to an agreement with the Group. On 7 March 2017, Salini Impregilo thus communicated the termination as contractually provided for and the dispute is currently before the Paris International Court of Arbitration.

All the subsequent applications to the dispute board were accepted and the Group has been awarded the equivalent of roughly €75 million. The dispute board decisions were sent to the Paris International Court of Arbitration.

The Group's position in Ukraine continues to be very unclear given the country's economic, political and social situation and the dispute about the Capital Repair M03 Kiyv-Kharkiv-Dovzhanskiy project.

In view of the present critical situation, it cannot be excluded that events which cannot currently be foreseen may take place after the date of preparation of this report that require changes to the assessments made to date.

Events after the reporting date

This section sets out the main events that have taken place since the reporting date and not commented on earlier in this report.

Condotte

Società Italiana per Condotte d'Acqua S.p.A., which has investments in group companies, filed a petition as per article 161.6 of the Bankruptcy Law to the Rome Court. It has also reserved the right to file a final deed of arrangement proposal (with the plan and documentation required by article 161.2/3 of the Bankruptcy Law) or an application for approval of debt restructuring agreements.

On 15 January 2018, the Rome Court granted a period of up to 18 May 2018 for presentation of the above proposal. It appointed special commissioners to monitor the company's activities until this date, requiring the company to comply with a number of measures, including disclosure obligations.

Condotte has investments in the following group companies:

- Alta Velocità Torino-Milano consortium - CAVTOMI
- COCIV consortium
- CONSAVIA consortium in liquidation
- EUROLINK S.C.P.A.
- IRICAV DUE consortium
- LIBYAN EXPRESSWAY CONTRACTORS – L.E.C.
- MELITO S.C.R.L. in liquidation
- PANTANO S.C.R.L. in liquidation
- RC-SCILLA S.C.P.A.
- SALERNO REGGIO CALABRIA S.C.P.A – SA-RC .
- SCILLA consortium in liquidation

These consortia/consortium companies are carefully monitoring developments in the situation.

Outlook

The ongoing growth trend continued during 2017 even though the Group's markets are affected by numerous macroeconomic and political uncertainties, as described earlier in this Report.

The Group has an excellent order backlog for 2018 in both quantitative and qualitative terms, which will allow it to strengthen its leadership position in the large complicated infrastructure sector, confirm its number one position in the water treatment segment and its exceptional track record in the transport sector, especially in the metro, railway and road segments.

The Group's large order backlog and the encouraging expectations about growth in the infrastructure market, especially in the US, where Salini Impregilo has strengthened its base through Lane, and the ongoing rationalisation of non-core assets, ensure continuation of the Group's development as defined in its 2016-2019 strategic plan.

Its objectives may be affected by external factors that cannot currently be foreseen or controlled by management.

Report on corporate governance and the ownership structure

The corporate governance model adopted by Salini Impregilo complies with the principles enshrined in the "Corporate Governance Code for Listed Companies" approved by the corporate governance committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

More information about the corporate governance system pursuant to article 123-bis of the Consolidated Finance Act (Legislative decree no. 58 of 24 February 1998, as subsequently amended) is available in the Report on corporate governance and the ownership structure, published on the parent's website in the governance section (**www.salini-impregilo.com**).

Alternative performance indicators

As required by Consob communication no. 0092543 of 3 December 2015, details of the performance indicators used in this Report and in the Group's institutional communications are given below.

Financial ratios

Debt/Equity ratio: this ratio shows net financial position (shown with a minus sign when negative, i.e., net financial indebtedness) as the numerator and equity as the denominator. The items making up the financial position are presented in a specific table in the notes to the consolidated financial statements. The equity items are those included in the relevant section of the statement of financial position. For consolidation purposes, equity used for this ratio also includes that attributable to non-controlling interests.

Debt indicators

Liquidity and other financial assets is the sum of the following items:

a. Current and non-current financial assets

b. Cash and cash equivalents

Medium to long-term debt is the sum of the following items:

a. Current account facilities and other loans

b. Bonds

c. Finance lease liabilities

Other financial assets and liabilities is the sum of the following items:

a. Derivatives

b. The Group's net amounts due from/to consortia and consortium companies operating under a cost recharging system and not included in the consolidation scope.

Performance indicators

1. **Gross operating profit:** this ratio shows the sum of the following items included in the statement of profit or loss:

   a. Total revenue

b. Total costs, less amortisation, depreciation, impairment losses and provisions

This can also be shown as the ratio of gross operating profit to total revenue.

2. **Operating profit:** the operating profit given in the statement of profit or loss, being the sum of total revenue and total costs.
3. **Return on sales or R.o.S.:** given as a percentage, shows the ratio of operating profit (as calculated above) to total revenue.

Given the Group's optimisation of its geographical and commercial positioning, which led to its repositioning on the international market, and considering that other sector operators use a calculation method for gross operating profit different to that used previously by the Group, in order to facilitate a comparison with the figures of its key competitors, including on new markets, the Group decided to change the composition of this indicator to exclude provisions and impairment losses as, in some cases, they have a non-recurring nature. The Group deems that this new calculation method assists an understanding and the comparability of its performance indicators.

Adjusted figures

The Group monitors the key figures of Lane Group for management purposes adjusting the IFRS figures prepared for consolidation purposes to present the results of the joint ventures not controlled by Lane which are consolidated on a proportionate basis. These figures ("JV not controlled by Lane") show the status of contracts managed directly by Lane or through non-controlling investments in joint ventures.

In addition, the 2017 IFRS figures have been adjusted to sterilise the effects of the impairment losses recognised on some assets related to the construction of infrastructure in Venezuela.

Other information

Compliance with the conditions of article 15 of the Stock Exchange Regulation

Salini Impregilo confirms that it complies with the conditions of article 15 of Consob regulation no. 20249 ("Regulation on markets"), based on the procedures adopted before article 15 was effective and the availability of the related information.

Research and development

Pursuant to article 2428 of the Italian Civil Code, we note that the Group did not undertake any research and development activities during the year.

Repurchase of treasury shares

The repurchase programme approved by the parent's shareholders in their ordinary meeting of 19 September 2014 started on 6 October 2014. At the reporting date, the parent had repurchased 3,104,377 treasury shares for €7,676,914.46.

Related parties

Reference should be made to note 39 to the consolidated financial statements and to note 34 to the separate financial statements at 31 December 2017 for a description of related party transactions.

Non-financial Statement

Salini Impregilo S.p.A. is exempt from preparation of the Non-financial Statement as per article 3 of Legislative decree no. 254/2016 as it prepares a Consolidated Non-financial Statement in accordance with article 4 of the same decree to which reference should be made.

On behalf of the board of directors
Chairman

(signed on the original)

2017 Consolidated Non-financial Statement

Prepared in accordance with Legislative decree no. 254/2016

After more than 110 years of operations, Salini Impregilo has developed a robust business model capable of creating economic value for its shareholders, investors and clients while generating social and environmental value for the areas in which it operates, adopting an approach designed to create shared value.

This Consolidated Non-financial Statement (the "Statement") refers to Salini Impregilo Group (the "Group"), which includes Salini Impregilo S.p.A. and the fully-consolidated companies. The terms "Salini Impregilo" or the "Company" are used to refer to just the parent, Salini Impregilo S.p.A.. More information about the Statement's scope is given in the section "Methodology for reporting non-financial information".

The policies, management systems and internal procedures described below refer to Salini Impregilo. The essential content of these documents are reviewed by the competent bodies of the subsidiaries, consortia, consortium companies, etc. in which Salini Impregilo has an investment with a view to their adoption. The subsidiary Lane (USA) has its own policies and operating methods for non-financial aspects, which are based on those of the Company.

Sustainability context

Infrastructure is the cornerstone of the economic and social activities of all communities and is essential for growth. It facilitates access to basic services, underpins local development and improves the communities' quality of life.

The main global megatrends (climate change and resource scarcity, accelerated urbanisation, demographic and social shifts, shifts in economic power and technological breakthroughs) influence the decisions of governments and economic operators, which have a direct impact on the infrastructure sector.

The international community has recently undertaken important initiatives to manage the changes underway, like the United Nations' Agenda 2030 for Sustainable Development and the Paris Climate Agreement.

[1] Source: PWC UK, Megatrends: 5 global shifts changing the way we live and do business, https://www.pwc.co.uk/issues/megatrends.html.

The Agenda 2030 is an action plan signed by the governments of the 193 member states of the UN that have committed to achieving the 17 goals (the Sustainable Development Goals or SDG) by 2030.

These goals attribute great importance to infrastructure, acknowledging the added value of greater access to basic services, protection from climate-related extreme events and the stimulus to economic growth and innovation.

They also make an important contribution to achieving the objectives of fighting climate change contained in the Paris Agreement, as they are tied to more than 60% of the worldwide emissions of greenhouse gases[2].

The following table sets out the drivers that influence investments in infrastructure in various markets according to the Global Commission on the Economy and Climate:

Type of economy	Drivers of demand for infrastructure
Global	• Rapid economic growth in emerging economies and developing countries • Government policies designed to meet the goals set in the Paris Agreement and the UN's SDG, which require investments for new infrastructure and the modernisation of existing infrastructure
Developing economies (low income)	• Need to increase the population's access to basic services: water, energy, mobility, housing, healthcare • Improve adaption and resilience to climate change and other social and environmental stresses • Improve connections between areas through physical and virtual infrastructures
Emerging economies (medium income)	• Rapidly growing urban population • Expansion of a middle class with rising incomes • Need to guarantee access to basic services for the new urban/middle class population • Need to eliminate the infrastructure gaps in urban areas and improve regional connections, focusing on resilient and low-carbon infrastructure
Advanced economies	• Need to modernise or replace obsolete infrastructure which no longer meets the population's needs • Rethink urban development models, rectifying previous trends that led to congested cities, reliant on private means of transport, consuming high levels of resources and with high atmospheric pollution

[2] Source: The Sustainable Infrastructure Imperative, New Climate Economy – The Global Commission on the Economy and Climate, 2016.

Salini Impregilo Group, a global leader in infrastructure for the water segment and a key player in the transportation and civil construction segment, helps meet the global challenges with its projects for public and private sector clients.

The infrastructure sector and Salini Impregilo's role

The infrastructure market is highly regulated and its numerous operators are involved in planning, assessing, approving, developing, building and operating infrastructure according to their roles and responsibilities assigned by the relevant regulations.

The following chart shows the main stages of an infrastructure project's life cycle:

Stage	Activity	Parties involved
1. Planning	• Government planning (infrastructure master plan, local plans, etc.) • Private sector investment plans	• Public decision-makers • Private investors
2. Development	• Site selection for projects and preliminary design of the layout • Social and environmental impact assessments and consultations with stakeholders, if provided for • Drawing up of plans to manage and mitigate social and environmental impacts • Acquisitions of the necessary permits and authorisations • Contractor selection procedure	• Project proponents • Public authorities
3. Engineering*	• Works design • Engineering of the construction processes	• Project proponents • Selected contractors (if provided for in the tender contract)
4. Procurement*	• Procurement of the production inputs needed to perform the contract activities: - Plant and machinery - Materials and services - Labour - Subcontracts	• Selected contractors
5. Construction*	• Performance of the construction works provided for in the contract	• Selected contractors • Subcontrators
6. Operations & Maintenance	• Works management • Maintenance and upgrading • Discontinuation and dismantling	• Project proponents • Contractor (if provided for in the tender contract) • Other parties engaged by the Project proponents

* Main stages of the infrastructure's life cycle in which Salini Impregilo Group is involved.

An infrastructure project is planned by a public administration or private sector body that, either directly or through other parties (e.g., the public administration usually operates through state-owned entities), is also involved in the subsequent stages of developing the infrastructure project as the Project proponent.

This stage involves a number of activities that include identifying the project locations, performing feasibility studies and, based on the type of work and applicable legislation, completing the social and environmental procedures (assessment of potential impacts, consultations with stakeholders, identification of mitigation measures and compensation).

The public authorities (usually ministries or state environmental protection agencies, assisted by local bodies of the area where the project is to take place) actively engage in these procedures assessing the adequacy of the social and environmental impact assessments, the consultation programmes and mitigation plans prepared by the Project proponent.

Upon completion of these procedures, the relevant authorities issue the appropriate authorisations, which include any social and environmental requirements the Project proponent has to abide by during the project.

Contractors such as Salini Impregilo enter the project development process only after the decision-making stage has been completed as this only involves the client and the public authorities. The Group takes part in selection procedures, organised by public and private clients to award the tenders, which may cover specific project activities (e.g., just construction) or the entire contract life cycle (engineering, procurement and construction).

Therefore, the contractor does not take part in any activities prior to the assigning of the contract or the prior assessment processes, including the assessment of the project's social and environmental impacts and consultation of stakeholders.

As described earlier, these assessments are the sole responsibility of the Project proponent and of the public authorities, as they are required to meet the relevant obligations under the applicable regulations. They also have the decision-making powers about the findings of the assessment process. It follows that the potential social and environmental impacts of the work itself (e.g., loss of biodiversity due to the infrastructure's presence, expropriation of land) are the sole responsibility of the Project proponent and of public authorities.

The contractor is obliged to comply with the social and environmental requirements of the applicable regulations, the contract and any provisions imposed by the competent authorities when they approve the impact assessments. The social and environmental impacts attributable to the contractor arise solely from the contract activities and are mainly of a temporary nature (e.g., disruptions caused by the work site, health and safety in the workplace).

Material non-financial topics

Given the reference context, the specific nature of the infrastructure sector, the Group's strategies and the inputs from its stakeholders, Salini Impregilo has drawn up and regularly revises a list of material topics on which it provides non-financial disclosures pursuant to Legislative decree no. 254/2016. The Company adopts the GRI Sustainability Reporting Standards in the preparation of this Statement (more information is available in the section "Methodology for reporting non-financial information").

The Statement is divided into sections on the following macro topics:

- Personnel;
- Human rights;
- Environment;
- Anti-corruption;
- Supply chain;
- Social aspects.

COMPANY ORGANISATION

Salini Impregilo's corporate governance model is based on the traditional management model and is in line with international best practices. At the end of 2017, the Company's Board of Directors had 15 members, including four women (26.6%) and ten who met the independence requirements (66.6%). The Board of Directors has three committees: the Control and Risk Committee, the Compensation and Nominating Committee and the Committee for Related-Party Transactions. The Control and Risk Committee, comprised of five independent directors, examines this Consolidated Non-financial Statement connected to the Company's activities and engagement with its stakeholders.

The Company has an organisational and management model based on a system of principles (Code of Ethics and Policies) and management and control tools (risk management, procedures and controls) designed to supervise significant non-financial topics in line with the regulations applicable in the countries where it operates, standard principles and international guidelines.

Salini Impregilo is a signatory of the UN's **Global Compact**, the largest global sustainability initiative that requires companies to align their operations and strategies with ten universally-recognised principles on human rights, labour practices, the environment and anti-corruption.

Code of Ethics

In 2017, the Company updated its Code of Ethics, which sets out its principles and rules of conduct that people who work for or with Salini Impregilo are required to adhere to during their everyday work.

The Code applies to the directors, statutory auditors, managers and employees of Salini Impregilo as well as all those parties that directly or indirectly, temporarily or on an ongoing basis, work with the Company, to the extent of their duties and responsibilities.

They are required to comply with the laws and regulations applicable in the various geographical areas in which the Company operates and to base their conduct on that set out in the Code.

The Code of Ethics has three sections:

Ethical principles: the reference principles to which Salini Impregilo employees are required to adhere: integrity, honesty, reliability and sustainability.

Rules of conduct: the practical implementation of the ethical principles incumbent on all parties required to comply with the Code; the rules of conduct set out in the Code cover all the non-financial aspects dealt with in this Statement.

Application and compliance: the internal procedures used to monitor application of the Code and the communication systems available to the parties required to comply with the Code.

Company policies

Salini Impregilo has issued a number of company policies that flank the Code of Ethics and represent the main points of reference for all people working for the Company. They are summarised below:

Sustainability policy: the principles that the Company is committed to complying with during its operations in order to contribute to economic progress, social well-being and the environmental protection of the countries where it operates.

Quality, environment, health and safety in the workplace policy: this sets out the principles that the Company is committed to complying with during its operations in order to meet and exceed client expectations and achieve the highest level of protection for the environment and employee health and safety.

Anti-corruption policy: this comprises the anti-corruption principles to be adhered to by all employees.

The Company strengthened its commitment to human rights and workers with the **International Framework Agreement** signed in 2014 with the Italian and international trade unions of the construction sector.

Some group companies active outside Italy have additional policies in place to regulate certain aspects (e.g. diversity and equal opportunities) when this is required by the local regulations or applicable best practices.

Management and control system

The Company has an internal control and risk management system incorporating rules, procedures and organisational structures to ensure healthy, ethical business practices that are consistent with its objectives through appropriate procedures to identify, measure, manage and monitor the main risks.

The system is based on standards which require that:

- business activities be based on applicable internal and external rules, can be mapped and documented;
- the allocation and exercise of powers as part of a decision-making process be commensurate with the positions of responsibility and/or the size and/or significance of the underlying transactions;
- those parties that take or implement decisions, that record transactions and those that are required to perform the controls over such transactions provided for by law and procedures envisaged by the internal controls be different parties;
- confidentiality and compliance with the privacy legislation be ensured.

Salini Impregilo has also voluntarily adopted an **integrated QEHS** (Quality, Environment, Health and Safety) **Management System** in compliance with the international standards ISO 9001, ISO 14001 and OHSAS 18001, as well an **Anti-Corruption Compliance System** pursuant to ISO 37001. An independent expert certifies these systems and more information is given about them in the subsequent sections.

Organisation, Management and Control Model

Salini Impregilo has introduced an Organisation, Management and Control model (the "231 Model") to:

- prevent the commission of the predicate crimes as per Legislative decree no. 231/01;
- define and implement an internal culture based on respect and transparency;
- increase awareness among employees and stakeholders.

The Model sets out specific controls implemented in internal procedures in order to monitor transactions exposed to the potential risk of crimes that would trigger the administrative liability of companies.

It includes measures to identify and reduce potential risks of non-compliance with the provisions of Legislative decree no. 231/01. With respect to the risk of bribery crimes, the Model's controls are aligned to the Anti-corruption Compliance System.

The Integrity Board, which is an independent control body, monitors the effective implementation of and compliance with the Model. The Company has informed its employees of an email and postal address for any communications to be made directly to the Integrity Board, guaranteeing their anonymity and protection from any form of reprisal. Notification of alleged violations of the Model can also be made using the whistleblowing system (see the Anti-corruption section) which forwards them to the Integrity Board.

This complies with Law no. 179/2017 and Confindustria's Explanatory Note dated January 2018.

Non-financial reporting system

Salini Impregilo has a non-financial reporting system that complies with the requirements of Legislative decree no. 254/2016 and the GRI Sustainability Reporting Standards. The Corporate Social Responsibility Department supervises this reporting system. This Statement is approved by the Company's Board of Directors after it has been examined by the Control and Risk Committee.

Main organisational changes

The Group strengthened its organisational model in 2017 by introducing solutions designed to optimise processes and respond to business requirements in an increasingly efficient and prompt manner.

Accordingly, it reorganised the corporate Technical Department, by strengthening the responsibility chains for the technical engineering and management services. This reorganisation aims to achieve an integrated process management model, which will provide a greater technical contribution starting from the selection of the commercial opportunities to be followed up, right through to the preparation of the bids and construction of the works.

Alignment of the other corporate departments with the new organisational model has been continued, with the roll out of reorganisation projects of staff structures and business lines, assisted by the hiring of new personnel on the market.

The Group also further honed its procedure system and tested and updated it to comply with the new organisation and changes in the reference legislation.

PERSONNEL

Internal policies

People, their skills and their dedication are fundamental to any organisation's competitive edge. This is even truer for Salini Impregilo given the special nature of its business, as it performs complex projects which diverge greatly one from another in different and often challenging cultures and contexts.

Salini Impregilo's policy for its personnel is designed to:

- Attract and cultivate talented people, especially university graduates and young professionals through employer branding programmes and contacts with the top schools and universities;
- Foster a work environment that enhances individual skills and encourages employees to develop their potential through development and training courses and the transfer of skills among employees, promoting a culture of shared learning experiences;
- Retain and motivate qualified professional resources with fair, balanced and incentive-based remuneration systems, in line with best market practices and based on merits and performance sustainability;
- Maintain the highest levels of protection for health and safety in the workplace for its employees, ensuring the necessary prevention and protection measures are in place to avoid or minimise occupational risks and instil a safety-based culture at all levels and proactive and ethical conduct.

Main risks and management methods

The Company's HR management policy complies with the principles set out in its Code of Ethics and the laws and regulations of the countries where the Group operates.

The risks and methods used to manage the key employee-related aspects are described below.

Workforce

At 31 December 2017, the Group's workforce was as follows:

DIRECT WORKFORCE BY CATEGORY	Unit	2016	2017
Managers	no.	362	351
White collars	no.	7,270	7,194
Blue collars	no.	26,808	23,592
Total	**no.**	**34,440**	**31,137**

DIRECT WORKFORCE BY GEOGRAPHICAL SEGMENT	Unit	2016	2017
Africa	no.	15,072	11,273
Central and South America	no.	3,080	2,318
North America	no.	4,626	4,659
Europe	no.	3,848	3,423
Middle East, Asia and Oceania	no.	7,814	9,464
Total	**no.**	**34,440**	**31,137**

At year end, technical and production resources made up 77% of the workforce with office employees accounting for the other 23%. The split between open-ended and fixed-term employment contracts is 93% and 7%, respectively.

The above figures related to the Group's employees at 31 December of each year may not properly reflect the actual workforce of the related years. A more accurate indicator for companies that work on a contract basis is the total sum of hours worked by their employees, which exceeded 102 million for Salini Impregilo in 2017, up 4% on 2016.

If the indirect resources (employees of subcontractors, temporary work agencies and other service providers involved in the Group's projects) are included, the total workforce deployed by the Group in 2017 numbered 63,606 units, up 7% on 2016.

TOTAL WORKFORCE BY GEOGRAPHICAL SEGMENT	Unit	2016	2017
Africa	no.	18,022	14,619
Central and South America	no.	10,405	6,565
North America*	no.	4,626	4,659
Europe	no.	11,896	9,367
Middle East, Asia and Oceania	no.	14,670	28,396
Total	**no.**	**59,619**	**63,606**

* Figure for indirect resources unavailable.

New hires in 2017 equalled 22% while departures accounted for 56%. The latter percentage includes personnel movements due to the transfer of resources and skills among group contracts depending on their construction phase. The highest employee movements were seen in the Middle East and Africa due to the start-up of new projects and the delivery/completion of design stages of existing projects.

Recruitment and employer branding

At corporate and local unit level, the HR planning, selection and recruitment process is regulated by a defined, standardised procedure which includes definition of workforce plans followed by the subsequent structured recruitment stage (internally or on the market), selection, negotiations of the employment contract and entry of the suitable identified candidates.

The local units manage this process at operating level in accordance with local regulations and legislation (e.g., obligation to hire a certain percentage of employees belonging to specific categories or from specific areas). Reference should be made to the "Social aspects" section for information on the employment opportunities created by the Group in the countries where it operates.

Salini Impregilo introduced a dedicated recruitment application (SAP Success Factors) to better map the process and ensure its transparency. During the year, the Company set up a Group Recruiting Unit within the Group HR, Organisation and QHSE Department, which coordinates the teams that perform recruitment activities at head office, geographical or contract level.

Recruitment activities, carried out using the above principles and practices, allow the Company to mitigate the risks to which it is exposed, such as the risk of not being able to fill positions due to the lack of qualified people on the market or a time lap between when the project is assigned and when work on it actually starts.

Salini Impregilo also identified tests assessing candidates' attitude to safety to be used in the recruitment of workers for work sites during the year. This is in line with its greater focus on the health and safety of its employees so as to be able to include these aspects right from the recruitment phase.

Employee Branding activities continued during the year to scout and attract talented young people. The Company took part in many university career fairs and provided professional counselling and tutoring about construction sector career opportunities. This involves strategic agreements with universities, engagement initiatives such as career days, recruiting days, themed workshops in university faculties, presentations and visits to construction sites, with a focus on communications via digital and social media, university websites and the main on-line job boards, as these allow direct and ongoing contact with potential candidates.

Specifically, the Company participated in the #MELOMERITO programme, designed to assist talented youngsters by reinventing how they interact with the Company and using language readily understood by the Millennial generation. The top competitors were invited to a special Recruiting Day and included in the selection process.

For the third consecutive year, Salini Impregilo confirmed its "Best Employer of Choice" ranking at fifth place in the 2018 general classification. This continued inclusion in the category bolsters the Group's reputation on the labour market and its appeal as an employer of choice, assisted by the ongoing communication of its job vacancies and intense recruitment activities at the main universities.

Training

The Company defines and carries out an annual corporate training programme based on an analysis of training requirements which identifies any gaps and the most appropriate training to resolve these issues. The training courses include final tests and certification when possible and/or provided for.

Introduced in 2015 to promote a new training model that would strengthen the existing skills and expertise and transmit these throughout the organisation, the Company's Learning Academy continued its activities in 2017. The main training programmes provided in the year covered induction courses on internal policies and procedures for new employees, courses on companies' administrative liability (Legislative decree no. 231/2001) and anti-corruption, health and safety, languages, the digitalisation of systems and processes, technical expertise and economic-financial issues.

The Company also strengthened its E-learning Academy, the Group's international training hub launched in 2016 as a platform to share technical and specialist know-how through e-learning courses. During 2017, the "In aula con i nostri esperti" e-learning programme was revised to include webinars and video testimonials of the main experts of the materials presented during the course.

Salini Impregilo rolled out the second edition of the master degree course "International Construction Management" (levels I and II) at the Milan Polytechnic, a leading university partner. The Master course, held entirely in English, combines classroom lessons, mostly provided by Salini Impregilo professionals, with a six-month internship in Italy and abroad under the guidance of company tutors. The 2017/2018 course includes international students (33%) and female students (30%).

Salini Impregilo also invests in the professional development of its employees around the world in order to ensure their performance meets with the Group's technical, qualitative, environmental and health and safety standards and so that it has qualified personnel for its ongoing and future projects.

Accordingly, projects include professional training courses for the local workforce, defined using parameters that identify the training requirements and needs for each position. Employees must attend the specific training course identified for their roles and requirements (both classroom and on-the-job).

These courses avoid the risk that employees' technical, professional and managerial skills become obsolete as this could affect the productivity, efficiency and safety of their jobs.

Training hours provided in 2017 amounted to 771,910, inclusive of both classroom and on-site training and information.

AVERAGE PER CAPITA TRAINING HOURS	Unit	2016	2017
Managers and white collars	hours	27	16
Blue collars	hours	33	28
Total	**hours**	**32**	**25**

In addition to training given to group personnel, the staff of its subcontractors attended courses on QHSE subjects totalling 914,800 hours in 2017.

Remuneration

The Company has operating procedures and practices designed to ensure that its remuneration policies comply with the regulations applicable in all the countries where the Group operates and especially the minimum wage requirements, where these exist. At both corporate and operating level, the Company regularly meets with the trade union representations (when appointed) to discuss remuneration.

A well-thought out remuneration policy is essential to retain key resources, mitigating the risks Salini Impregilo is exposed to, which are mainly the possible more aggressive remuneration and career policies of competitors. To this end, Salini Impregilo's remuneration policy has the following objectives: retain and motivate qualified professional resources to pursue the Company's and Group's objectives; encourage these resources to stay with the Company and the Group; align, as far as possible, management's interests with the medium to long-term interests of shareholders and stakeholders; ensure financial balance and the sustainability of its policies over time.

In 2017, the Company continued its performance management programme for a small group of key resources. This programme's aim is to strengthen the result-oriented culture and has three categories of objectives (company performance, department/unit performance and organisational conduct) in line with those of senior management. It provides for the definition of objectives and assessment of the results/ performance. Each department is asked to meet specific objectives, which include non-financial objectives such as safety targets.

Health and safety in the workplace

Focus on health and safety in the workplace is one of Salini Impregilo's fundamental values. It has a BH OHSAS 18001 certified health and safety in the workplace management system, which defines the main processes, roles and specific responsibilities to achieve its objectives and implement its safety policies.

During 2017, the overhaul of the Corporate Quality, Health, Safety and the Environment (QHSE) Unit led to its organisational restructuring to better meet management's following objectives:

- Ensuring coordination of the HSE Management System activities to be of use to HSE teams at work sites;
- Encouraging a change in the HSE culture through a competence centre to develop policies;
- Setting up a technical safety unit to further integrate health and safety aspects within engineering processes;
- Set up a corporate health unit to monitor contracts;
- Ensuring continued health and safety operating support to the contract work sites.

The main risk the Group is exposed to in this respect is partial non-compliance with the relevant regulations with the resulting potential impact on its workers, in terms of professional illnesses and injuries, and on itself in terms of potential sanctions. Changes in regulations and external factors tied to the operating context (e.g., climate, social, cultural factors) are the main sources of risk for the Company.

Specifically, workers are exposed to various types of risks that could affect their health and safety based on the geographical location of each operating unit and their specific activities. Each office and work site has the following measures to manage these risks:

- Identification and assessment of the exposure to the risk;
- Identification of the persons at risk;
- Identification of control measures to reduce the risk;
- Monitoring work areas to check that control measures are in place and effective;
- Making employees aware of these risks through information, training and communications.

These measures are regulated by internal guidelines and procedures, which include, inter alia, the documentation each operating unit is required to have, comprising the risk assessment document, operating safety plans, emergency and evacuation plans, fire prevention and control plans and first aid plans.

The Employer and downstream (in line with the proxy system) the managers, officers and workers shall ensure that health and safety management measures are in place. Specialist teams ensure their management in each operating unit. Specific attention is given to training employees about specific duties and the operating controls over work processes, performed either directly by Group's employees or subcontractors' staff.

Employees may also use the whistleblowing system described in the section on "Anti-corruption" to make notifications about health and safety issues or they may use the other available channels at group level (e.g., reporting to their superior) or work site level (e.g., the workers' representatives, post boxes, grievance mechanisms).

The Corporate QHSE Unit regularly performs specific audits of the safety measures in place at the Group's work sites and assesses application of the internal health and safety in the workplace regulations. As described in the section on “Remuneration”, the Company has a system to assess performance in terms of health and safety for its managers which rewards dedication and the results obtained by the relevant units and units over which they have influence.

The Company continued the Safety Builders programme in 2017 to encourage a strong corporate safety culture, based on strengthening leadership abilities at all management levels.

This programme, developed as part of a more wide-reaching safety communication strategy, Valyou - Our Health and Safety Way, was launched in December 2017 by the CEO and the Group’s senior management team. Their objective is to encourage strong commitment from the top which will be transmitted throughout all organisational levels.

Salini Impregilo has designed and developed the programme to identify the most appropriate tools to understand and alter behaviour by encouraging prudence and dissuading conduct deemed dangerous to safety. It specifically created the programme to develop the safety leaders within the Company as they are the interface between health and safety leadership and an effective safety culture throughout the organisation. The programme includes interrelated actions that develop gradually in three stages using a top-down approach.

The Company’s main workplaces celebrated the World Day for Safety and Health at Work during the year involving more than 200 employees in the Rome and Milan offices in Italy and over 3,700 people at roughly 25 group work sites which carried out programmes designed to meet the specific requirements of the operating units.

The “Monthly Best Site HSE Award” continued for the project to build Line 3 of the Riyadh metro (Saudi Arabia) during the year. Every month, the project team (including the subcontractors) that achieves the best HSE results is rewarded. This project has also received external recognition, such as three “Health and Safety Awards” from RMTC (the client’s engineering consultant) and a “Best HSE Performance” award which is assigned monthly by the client to the best performing consortium of those involved in building the metro projects in Riyadh.

Other projects in the Middle East, like the Red Line North Underground in Doha (Qatar) and the airport projects in Dubai (Al Maktoum) and Abu Dhabi also clocked up significant results in terms of the hours worked without injuries during the year.

The injury rates are set out below covering both the Group's employees and those of its subcontractors.

FREQUENCY RATE (FR)	Unit	2016	2017
Africa	FR	12.28	6.59
Central and South America	FR	12.56	9.96
North America	FR	1.47	0.83
Europe	FR	13.27	15.75
Middle East, Asia and Oceania	FR	1.10	1.03
Global	**FR**	**7.34**	**4.76**

Note: Reference should be made to the section "Methodology for reporting non-financial information" for details of how the rate is calculated.

LOST DAY RATE (LDR)	Unit	2016	2017
Africa	LDR	0.13	0.03
Central and South America	LDR	0.12	0.10
North America	LDR	0.06	-
Europe	LDR	0.33	0.41
Middle East, Asia and Oceania	LDR	0.02	0.02
Global	**LDR**	**0.10**	**0.06**

Note: Reference should be made to the section "Methodology for reporting non-financial information" for details of how the rate is calculated.

During the year, the Company's commitment to this issue allowed it to achieve significant results with decreases in both rates: 35% for the frequency rate and 38% for the lost day rate.

Salini Impregilo guarantees protection of its workers' health in the workplace with a special internal healthcare unit, which schedules preventive procedures, health checks and healthcare monitoring programmes. It also performs regular checks of the work sites and makes sure they are provided with the relevant information to ensure that safety conditions are in line with the applicable legislative requirements.

When adequate local healthcare units are not available, the Company sets up work site medical clinics which offer 24-hour healthcare assistance and outpatient services to direct and indirect employees as well as their family members residing in the work site accommodation. The Group ensures that the local populations are also provided with healthcare assistance for all acute or serious problems in remote areas not served by public healthcare units (reference should be made to the section "Social aspects" for more information).

HUMAN RIGHTS

Internal policies

Salini Impregilo is committed to ensuring respect for the rights enshrined in the International Charter of Human Rights and the fundamental conventions of the International Labour Organisation in line with the principles established in its Code of Ethics and Sustainability Policy.

The Company protects the integrity of its employees, ensuring work conditions that respect the dignity of individuals, safeguarding workers from physical or psychological violence or mobbing and opposing any discriminatory or damaging behaviour to an individual, their convictions and inclinations.

Salini Impregilo does not accept any form of illegal, child labour or forced or compulsory labour.

It offers, without discrimination, equal opportunities based on the individual's professional qualifications and performance capacity. It recognises and values the diversity of its employees as an essential element for its growth. It adopts appropriate measures to avoid favouritism, nepotism or patronage during the recruitment process and throughout the employment relationship.

Salini Impregilo guarantees its employees their right to freedom of association and collective bargaining in accordance with the legislation applicable in the country where they work. It adopts a positive approach to labour organisations and an open attitude to trade unions and their activities.

The Company also respects the rights and culture of the communities affected by its work and ensures an ongoing open dialogue with them.

Main risks and management methods

As part of its measures and practices to protect human rights, in 2014, the Company signed a framework agreement with the national trade unions (Feneal-UIL, Filca-CISL and Fillea-CGIL) and the international trade union for the construction sector (BWI - Building and Wood Workers' International) to jointly affirm and encourage respect for compliance with the basic principles and rights in employment relationships, encourage social justice and sustainable development by both itself and the consortia of which it is a member and vis-à-vis its contractors, subcontractors and suppliers.

The framework agreement covers child labour, forced or compulsory labour, the freedom of association and collective bargaining, non-discrimination, work hours, economic treatment, work conditions, specialised training, the environment, welfare and employment relationships. The Company agreed to authorise access to its work sites by trade union representatives after local agreement with the project and to adopt the most efficient process should a BWI member request a trade union be recognised. The agreement also provides for monitoring and assessment tools to be used by the Company and the trade unions, which meet at least once a year to discuss them.

With respect to child labour, the potential risk of hiring people under the minimum working age established by the applicable local regulations is minimal while there is a higher probability that workers who are above the legal minimum but are less than 18 years old may be hired, especially in countries where false identity documents are widespread. In order to mitigate this risk and irrespective of the local regulations, the Group only agrees employment contracts with people who are 18 years old. In African countries, where the presence of false identity documents is rife, the Group has special procedures in place to check the authenticity of the documents, especially driving licences, assisted by the local authorities.

The main risks with respect to forced or compulsory labour are tied to the hiring of migrant workers, mainly in the Arab countries (Saudi Arabia, Qatar and the United Arab Emirates) where the local labour force is insufficient and/or inadequate for the Group's needs. Specifically, there are two risk factors:

- Use of recruitment agencies that oblige the workers to pay recruitment fees (when hired), employment fees (throughout their employment) and cash deposits which are forms of debt (debt bondage);

- Labour conditions that limit the migrant workers' freedom of movement which are allowed or facilitated by local regulations, such as the ban on leaving their accommodation outside work hours, limitations on holiday arrangements, resignations and changes of employer.

The Group ensures that candidates in these countries are provided with exhaustive information about the contractual terms and work conditions in their own language before they leave their country of origin. In addition, the Group fully bears the costs of recruitment, travel, visa, medical visits, etc.. Migrant workers are guaranteed the possibility to change jobs and to leave their destination country. No workers are deprived of their identity documents unless this has been authorised by them and solely for their safekeeping. The Group requires the recruitment agencies to comply with these principles through specific contractual clauses and non-compliance entails termination of the contracts. It checks that the principles are complied with by providing the migrant workers with a questionnaire when they arrive in their country of destination.

With respect to the freedom of association and collective bargaining, the Group ensures its employees have access to "alternative systems" for dialogue in the Arab countries (Saudi Arabia, Qatar and the United Arab Emirates) where the right to the freedom of association is restricted by law. These systems include worker committees, committees set up in the camps and complaint management procedures (grievance mechanisms). The Company ensures open communications with the workers and management's availability to discuss any issues that may arise with individual employees. The workers may also avail of the whistleblowing system described in the section on "Anti-corruption" to communicate issues related to their work and human rights.

The Group enters into employment contracts with its employees that comply with the applicable local regulations, the principles of the framework agreement signed with BWI and those in any agreements signed with the local trade unions with respect to work conditions, work hours, economic treatment and employment relationships. The Group's intention is to ensure scrupulous compliance with the applicable regulations in each country to mitigate the risk of non-compliance.

When possible, the Group provides its workers with conditions that are better than the standards envisaged by local regulations. For example, to facilitate the reconciliation of employees' personal requirements with organisational and production requirements, it signed an agreement with the trade union representatives of the Rome and Milan offices providing for the use of parental leave on an hourly basis starting from 1 December 2017. In addition, Isarco S.C.a.R.L. signed an agreement with its trade unions to amend and integrate a trade union agreement about work hours to allow workers to return home more frequently.

As part of the integration process of the Milan and Rome offices, commenced in September 2015 and still ongoing, the Company extended the voluntary redundancy procedure introduced in previous years until 30 November 2018, with the relevant trade unions' agreement, and offered it to those employees who meet the legal requirements for retirement in the period from 1 July 2017 to 30 June 2018.
The Company has not received any reports, either directly or through the trade unions, alleging grounded violations of minimum working conditions.

The Group may potentially be exposed to the risk that discrimination against an individual employee or specific categories of employees may take place in the workplace. In this respect, the Company's HR management procedures do not allow the different treatment of employees based on their gender, origin, religion, age, political beliefs, sexual orientation, disability or other characteristics protected by the regulations ruling in the countries where the Group operates during the entire HR management procedure (recruitment, training, assessments and termination of employment). Specifically, the Company is committed through the framework agreement with BWI to guaranteeing its employees equal remuneration for the same positions and equal conditions for migrant workers and employees on secondment compared to the local workforce. Its employees may use the tools described previously to notify any violations of these principles.

The Group's work sites have employees from more than 100 countries. The following table shows a breakdown of its employees useful to highlight further diversity aspects:

EMPLOYEES BY AGE	Unit	2016	2017
< 30 years	%	32%	28%
30-50 years	%	54%	57%
> 50 years	%	14%	15%

EMPLOYEES BY GENDER	Unit	2016	2017
Men	%	91%	91%
Women	%	9%	9%

The women's employment rate is affected by the construction sector's characteristics, as it is traditionally a male domain. At group level, women make up 7% of the management team, 20% of white collars and 6% of the blue collars, while at functional level, they represent 4% of the technical and production staff and 28% of the office employees. The presence of female employees is higher at the central Milan and Rome offices, where they make up 35% of the total workforce. The number of women managers increased by 27% from 2015 to 2016 at these central offices and grew again by 7% in the two years from 2016 to 2017. The average remuneration received by women compared to that received by men in 2017 was 72% for the managers and 87% for the office female employees. This percentage is affected by the fact that the male employees have greater seniority to the female employees.

The issue of diversity is subject to strict regulations in some areas like the Anglo-Saxon and Northern European countries. Accordingly, the group companies active in these areas have specific management policies. For example, Lane has a management programme that complies with US regulations with a special unit set up at its head office and adoption of two specific policies, one on equal opportunities and one on harassment in the workplace. They require management, supervisors and all workers at the work sites, plants and offices to comply with strict requirements.

The Group also has an action plan including information activities and training, the involvement of organisations representing women and minorities for vacant positions, as well as the involvement of subcontractors that have to contractually commit to developing their own action plans to encourage equal opportunities.

In addition, the Group has a procedure to monitor the workforce at its facilities, to check progress and achievement of diversity targets, and a system allowing everyone (candidates, employees and subcontractors) to notify cases of non-compliance with policies. The system has an inspection plan of visits performed by a central unit to the facilities to check the degree of compliance and achievement of the goals set in the annual plan.

Lane received recognition as "Employer of the Year" during the year as part of the PIECE - Partnership for Inclusive Employment and Career Excellence project.

The main risks to which the Company is exposed arise from the potential violation of the above-mentioned human rights by subcontractors and suppliers. The Company mitigates these risks through special contractual clauses. It asks its suppliers and subcontractors to accept the principles in its Code of Ethics and to commit to working in a loyal and transparent manner with the Group to monitor and check the correct application of the code.

With respect to security, the Company carries out specific risk analyses during calls to tender and/or the start-up of contract work in accordance with specific internal guidelines. When local requirements require specific monitoring, the work site is given a security unit that develops tailored action plans and hires the personnel needed to ensure the safety of the Company's employees and assets, as well as the continuity of operations and information. Specifically, security personnel may be employees or personnel provided by third parties, who are usually unarmed, or by personnel supplied by the army or local police departments.

The security personnel at the operating units receive initial training and periodic refresher courses from the local managers based on training programmes that reflect the applicable standards and regulations and include information on respect for the individual and the Code of Ethics. The training of personnel supplied by public safety forces complies with local regulations and standards. When personnel of private companies are used, the related contract includes service clauses for specific training about respect for human rights and the Code of Ethics.

Depending on the nature of the project, the security unit and local management define the best way of involving the local stakeholders, mostly through formal meetings, informal meetings and discussions, training and official events. No significant issues related to security management were raised by the stakeholders in 2017.

The Corporate Security Department coordinates the local security units, defines internal standards and guidelines, prepares reports on significant events and carries out regular audits of the operating units.

The Corporate Social Responsibility Department provides specialist assistance with human rights issues at centralised level. As required by the UN's Guiding Principles on Business & Human Rights, the Company mapped the impacts on human rights that could potentially derive from its activities in 2016. This procedure was continued in 2017 with a risk assessment of the group employees' human rights, which covered all the geographical areas where the Group operates and the findings of which are described herein.

ENVIRONMENT

Internal policies

Protection of the environment is a priority for the Group which formalised a specific Environmental Policy in 2002, one of the first European companies to do so. In 2007, it introduced an Environmental Management System which is ISO 14001 certified. During 2017, the certification was upgraded to the 2015 version, which puts greater emphasis on the life cycle perspective, the sustainable supply chain and environmental performance.

Salini Impregilo's environmental policy is designed to ensure:

- compliance with applicable legal requirements and any other agreed-to requirements;
- identification and assessment of environmental aspects tied to the Company's operations and evaluation of the related significant impacts;
- development, implementation and ongoing improvement of the environmental management system;
- identification of all the technical and organisational measures designed for the rational use of natural resources (e.g., raw materials, energy and water) and the mitigation of pollution, greenhouse gas (GHG) emissions, waste generation and inconvenience to the local communities as well as the effective restoration of work sites upon completion of projects;
- involvement and participation of all employees or people who work for the Company through actions to make them aware of the issue, the dissemination of information and training courses.

During the realization of the awarded projects, the Group ensures compliance with the above-mentioned principles in accordance with the commitments taken on with its customers. More information about Salini Impregilo's role and responsibilities during the infrastructure project development stage is available in the section entitled "The infrastructure sector and Salini Impregilo's role".

Main risks and management methods

The main environmental risks arising from the Company's activities relate to non-compliance with applicable environmental legislation, compromising one or more environmental components (e.g., the soil, water or air) due to a mistaken assessment of the risk or ineffective management/mitigation activities, inefficient use of natural resources and the failure to obtain/maintain environmental certifications and ratings.

The main environmental risks facing the Company (generated by external factors) arise from changes in the applicable environmental legislation, the inconsistent interpretation of applicable legislation by the competent local authorities, incomplete and/or insufficient environmental impact assessments for projects (which should be performed by the client) or adverse environmental or geological conditions (e.g., extreme weather events, actual conditions differing from those anticipated during the tender procedure).

To monitor these risks, Salini Impregilo has an environmental management system, which complies with the ISO 14001 standard and has been certified by an independent certification body. To ensure that the significant environmental impacts are properly identified, managed and mitigated, the system incorporates a number of environmental management procedures that have to be implemented by the Group's production companies, after being revised to comply with the applicable regulations or contracts.

When contractually provided for, the Group's contracts may include additional environmental management standards that require special certifications or ratings. They may be:

- system standards, which involve reaching specific environmental performance targets during construction activities (e.g., lower emissions, waste recycling);
- product standards, which require the completed works to meet specific environmental performance targets (e.g., use of low impact construction materials, energy-efficient buildings).

In 2017, projects affected by these standards accounted for 17% of the total and the more important ones included the Red Line North Underground in Doha, Qatar, which uses the GSAS (Global Sustainability Assessment System)

system, two stations of Line 3 of the Riyadh metro in Saudi Arabia which use the LEED (Leadership in Energy and Environmental Design) standard, the Maydan One Mall, Dubai project which uses the Green Buildings Regulations and Specifications standard, the Northwest metro in Sydney, Australia which uses the IS (Infrastructure Sustainability) system and which received the IS Leading rating for sustainable design resilient to climate change in 2015. In 2017, Salini Impregilo was awarded the Sustainability Award 2017 by the Qatar Green Building Council in the Best Green Building Contractor category for the Red Line North project in Doha. The joint venture involved in building the metro line also received the Certificate of Sustainability Excellence. The Anacostia River Tunnel Project in Washington, D.C. (USA) was given the Sustainability Initiative of the Year award by the International Tunneling and Underground Space Association (ITA), also in 2017.

During the start-up of a new contract and based on the planned work, an environmental risk assessment is performed to identify significant environmental aspects, i.e., those aspects that could have a significant impact on the environment. Their identification and assessment of the significance of their impact as well as the subsequent definition of impact management and mitigation measures take place in line with specific procedures. The significance of environmental impacts is assessed using a method based on an analysis of specific critical factors, such as the existence of special regulatory or contractual requirements, assessment of the related risk, management of the impact and the area's sensitivity to the specific environmental aspect.

The assessment considers various scenarios: standard operating conditions, irregular conditions (e.g., plant start-up), emergencies (e.g., fire, spills). Once the significant environmental aspects have been identified, the main effects of the contract work and other activities on the different environmental components are analysed:

- Natural resources, energy and GHG emissions;
- Soil, subsoil and water environment;
- Waste and use of hazardous substances/preparations;
- Atmosphere;
- Noise and vibrations;
- Biodiversity, cultural heritage and environmental restoration.

After the environmental risk assessment, analysis of the contractual obligations and related environmental regulations, the following is prepared for each contract:

- environmental plans/procedures setting out guidelines for the management/protection of each specific environmental component;
- environmental monitoring plans defining the specific management and monitoring activities for the environmental components identified;
- specific instructions for the different method statements applied.

To ensure the correct implementation of the environmental plans, the work sites plan and provide for information/training to be given to all the employees involved in contracts with potential impacts on the environment, including the subcontractors' employees. It regularly runs campaigns to raise employees' awareness of specific issues (e.g., energy savings, waste, spills, use of hazardous substances/preparations, etc.).

The work site environmental departments carry out the monitoring procedures provided for in the environmental plan with regular checks and audits of the activities performed directly and indirectly by subcontractors. If any instances of non-compliance are identified, special remedial actions are defined as well as plans to improve the processes and/or performance.

Contract management regularly reviews environmental performances and the management system's strengths and weaknesses. It sets objectives for the subsequent period to ensure consistently better performance.

To guarantee senior management's effective involvement, the Company set up a QHSE Committee comprising the HR, Engineering, Operation and QHSE managers. This Committee sets the policies, objectives and strategic communications to disseminate the QHSE culture and the operating guidelines.

The QHSE Unit is also in charge of the environmental management system at corporate level and provides technical assistance about environmental matters.

During 2017, the Unit's reorganisation led to the setup of a Corporate Environment Unit which directs the contracts.

Communications about environmental aspects are made on a hierarchical basis within the Company through the QHSE coordinators (who liaise with the Corporate and contract managers), the QHSE community (comprising all the QHSE professionals in the Group), the company intranet, the website and this Statement. Other internal communication channels (e.g., employees, subcontractors) and external channels (e.g., local communities) are set up at individual production unit level in line with the ruling legislation, contractual requirements and any recommendations in the social and environmental impact assessments approved by the authorities.

Employees may use the whistleblowing system described in the section on "Anti-corruption" for environmental notifications. In addition, some work sites have additional notification systems (grievance mechanisms), which can also be used by third parties (e.g., local communities). Typical communications received locally relate to inconveniences caused by the work site equipment (traffic, dust) and construction activities (noise, vibrations) or damage to private property.

Reference should be made to the section on "Main risk factors and uncertainties - Litigation - Environmental disputes" of the Directors' report for ongoing environment-related disputes.

The methods to manage the main environmental components are described below. The environmental data are heavily affected by the number and type of works under construction, the client's design decisions and the stage of completion of the individual projects. Accordingly, a comparison with previous periods may not always be significant.

Natural resources, energy and GHG emissions

Construction of motorways, bridges, dams and railway lines requires the use of large quantities of water, aggregates, iron, cement and backfill: all raw materials which are mostly not renewable.

The environmental assessments made at the start of a new contract consider these aspects and the related mitigation measures are designed to ensure the efficient management of these resources and, when possible, the use of alternative materials without reducing the quality, performance, security and functioning of the asset.

The main raw materials used are shown in the following table:

MATERIALS USED	Unit	2016	2017
Aggregates	t	18,414,529	23,018,778
Bitumen	t	320,777	245,468
Cement	t	1,144,950	558,395
Concrete-reinforcing bars	t	2,788,974	506,843
Ready-mixed and pre-cast concrete	t	3,938,005	5,500,060
Ready-mixed asphalt	t	393,524	1,083,235
Total non-renewable materials	**t**	**27,000,759**	**30,912,780**

WATER USE	Unit	2016	2017
Wells	m^3	1,793,658	2,399,423
Rivers	m^3	9,713,951	10,640,606
Lakes	m^3	184,384	383,197
Sea	m^3	-	5,014
Aqueducts	m^3	1,610,059	2,864,234
Total	**m^3**	**13,302,052**	**16,292,474**

Where possible, the Group has adopted policies to recycle waste materials as part of the same project or use systems that allow the re-use of waste water for other specific activities such as, for example, washing vehicles and dust suppression. In 2017, the Group used recycled asphalt (1.3 million tonnes), fly ash (110.5 thousand tonnes) and water recycled and re-used in production processes (3.3 million cubic metres).

Energy consumption, both in the form of fossil fuels and electric energy, has a strong impact during construction of infrastructure. Reduction of energy consumption allows a decrease in GHG emissions and mitigation of the effects of climate change.

The Group's main energy rationalisation systems include the use of highly efficient vehicles and equipment, connecting its building site plants to electricity networks rather than diesel generators, carrying out regular maintenance programmes for its vehicles and informing its employees about the importance of energy saving. The following tables show energy consumption and the related GHG emissions:

ENERGY CONSUMPTION	Unit	2016	2017
Non-renewable energy sources			
Diesel	GJ	5,413,144	5,959,115
Petrol	GJ	376,215	646,560
Kerosene	GJ	2,560	42,945
Natural gas	GJ	1,889,982	2,033,091
Electricity	GJ	454,429	375,059
Total consumption from non-renewable energy sources	**GJ**	**8,136,330**	**9,056,769**
Renewable energy sources			
Electricity from renewable sources	GJ	322,438	254,958
Total internal energy consumption	**GJ**	**8,458,768**	**9,311,728**
Energy consumption - subcontractors	GJ	1,708,122	1,964,079
Total	**GJ**	**10,166,890**	**11,275,807**
Energy intensity	**GJ/€m**	**1,728**	**1,846**

DIRECT AND INDIRECT GHG EMISSIONS	Unit	2016	2017
Direct emissions (Scope 1)	$tCO2_e$	534,974	566,952
Indirect emissions (Scope 2)	$tCO2_e$	40,858	43,388
Other indirect emissions (Scope 3)	$tCO2_e$	129,080	137,577
Total	**$tCO2_e$**	**704,912**	**747,917**
Intensity of GHG emissions	**$tCO2_e$/€m**	**120**	**122**

Lane has a policy to increase the environmental efficiency of its asphalt production plants by using recycled asphalt in the production cycle and increasing the percentage of asphalt produced using the WMA (Warm Mix Asphalt) method, with a lower than normal temperature that generates energy consumption savings and less emissions.

In addition to consumption and direct emissions, the Group is also committed to decreasing where possible the indirect emissions of its related activities, such as transportation and travel of its employees. When the goods are not available on the local market, the Group prefers to ship materials and machinery by sea as this is the means of transport with the lowest carbon footprint.

Over the last few years, the Group has equipped its offices and work sites with video conference systems that have reduced the number of business trips to those essential for operating reasons. Its travel policy favours travelling by train rather than by plane and the use of public transport rather than taxis.

When possible, contracts have personnel mobility management programmes designed to optimise transfers between work areas, the canteens and employee accommodation. They include the use of collective transport methods (buses) for blue collars and car-pooling for white collars at the work site offices.

Soil, subsoil and water environment

The Group's construction activities may affect the soil and water environment at different levels depending on the works in question and the surrounding environment (e.g., urban or rural environment).

Contracts are managed to avoid damaging these environmental components. Specifically, containment tanks, wastewater conveying networks and waterproofing systems for risky logistic areas (e.g., workshops, fuel and chemical depots) are built during the construction site start-up stage to prevent contamination of the soil, subsoil and surrounding water bodies.

Industrial waste water is channelled and collected in sedimentation tanks and treatment plants designed to comply with the applicable legal and contractual provisions as well as the waste water's specific characteristics.

Construction work also involves movement of large earth quantities to construct embankments, cuttings, tunnels or certain types of dams. The excavated earth and rocks are classified and stored on the sites for possible re-use within them, where possible and in compliance with the regulations, or transferred to third parties to be re-used externally. In 2017, re-used excavated materials amounted to 21.3 million cubic metres.

In order to mitigate the risk of soil erosion due to excavations and aggravated by weather events (rain, wind), the Group takes specific soil protection measures consisting of systems to consolidate excavation fronts and to channel rainwater, as well as covering more exposed areas (e.g., escarpments) and planting trees that mitigate erosion. The mitigation measures are defined considering the natural elements, the environment and features of the local area. In 2017, areas where measures to protect against erosion have been implemented covered 10.9 million square metres.

Waste

Waste generated during construction of large-scale infrastructure can be grouped into two separate categories: urban or similar waste and special waste. Urban or similar waste is generated by logistics sites where the support activities for the industrial production are carried out such as offices, accommodation for non-resident workers and canteens. Special waste is generated by the actual industrial activities, such as construction, plant operation and the workshops.

Waste materials are collected and sorted, and stored in specific enclosed areas, from which they are then taken to be reused or to be sold to third parties authorised to recycle/dispose of the waste.

Hazardous waste is a marginal part of the waste generated in the Group's contracts. Normally it involves paint, additives and solvents, used oil and oil filters from vehicle maintenance, batteries, rechargeable batteries and, in some cases, earth, sludge and other materials containing hazardous substances. Salini Impregilo transfers its hazardous waste to authorised third parties.

Waste produced by activity, type and destination is shown in the following table:

TOTAL WASTE BY ACTIVITY	Unit	2016	2017
Construction and demolition waste	t	210,486	593,188
Excavation waste	t	3,309,229	7,004,018
Waste from support activities	t	80,210	172,499
Total non-hazardous and hazardous waste	**t**	**3,599,925**	**7,769,705**

TOTAL WASTE BY TYPE AND DESTINATION	Unit	2016	2017
Non-hazardous waste			
Recovery, re-use and recycling	t	935,373	2,565,843
Incineration	t	3,478	4,275
Landfill	t	2,631,689	5,188,936
Total non-hazardous waste	**t**	**3,570,540**	**7,759,054**
Hazardous waste			
Recovery, re-use and recycling	t	10,091	4,057
Incineration	t	2,428	679
Landfill	t	16,866	5,914
Total hazardous waste	**t**	**29,385**	**10,650**
Total non-hazardous and hazardous waste	**t**	**3,599,925**	**7,769,705**

Almost all the waste produced is from excavations, which varies depending on the projects' characteristics which the Group cannot influence as they are decided by the client.

The increase in waste in 2017 is mainly due to the inclusion of the Group's Rogun contract in Takijistan and that of the Fisia Alkatas consortium in Turkey in this Statement's scope as well as the excavation activities for the Riyadh metro in Saudi Arabia and completion of the NorthWest Rail Link in Australia (IS Joint Venture), with the related dismantlement of the work site.

Atmosphere

Unlike other industrial sectors, the construction sector does not generate significant atmospheric pollution. The main sources of atmospheric emissions are linked to dust created by the construction activities: excavations, earthwork, movement of heavy vehicles on unpaved roads, crushing excavated rocks and demolition.

Other sources of air pollution are the unloading of site equipment and plant.

The methods adopted by the Group to mitigate these impacts are described below:

- Regular dampening of unpaved roads accessing work sites, aggregates wetting systems at the crushing plants, the use of filters on the cement storage silos and asphalt production plants, covering lorries transporting powdery materials and tyre washing systems at site entrance points;
- Regular maintenance schedules for site plant and vehicles, ongoing replacement of the fleet with more efficient models.

Noise and vibrations

The aspects relating to noise and vibration are of double significance for the Group: internally, in terms of the health of workers, and externally, in terms of impacts on the environment and local communities.

The Group's management system includes specific procedures to assess and monitor these aspects, adopting the most appropriate measures to ensure protection of the health and safety of workers (use of personal protection equipment, soundproofing, etc.) and of the surrounding environment.

With regard to the effects on the environment surrounding the sites, the areas most affected by noise interference are protected by noise barriers, which can be artificial dunes made of backfill material, support structures and absorption panels made of various materials. The noise barriers can also be one or more rows of trees or shrubs which both absorb the noise and reduce the visual impact.

Vibration is also a feature of work on civil engineering sites. The effects of pressure waves that propagate in the soil can cause damage to buildings or other structures located in the vicinity of the works. During the works, periodic monitoring of both noise and vibration is carried out.

Biodiversity, cultural heritage and environmental restorations

The performance of infrastructure projects requires the implementation of special protection measures when the sites are adjacent to or within sites of special natural, cultural or archaeological interest, so that construction activities interfere as little as possible with the existing ecosystem and heritage.

The protection measures, which are usually implemented in accordance with local authorities' provisions, are designed to protect and preserve the ecosystem, biodiversity and cultural heritage of the areas around the sites. With respect to the biodiversity issue, only 6% of the areas managed by the Group was located in protected areas and 8% in areas adjacent to protected areas in 2017.

Contracts performed in areas of special natural or cultural interest require specific procedures to manage the protected species (flora and fauna) and any archaeological finds. The Group is assisted by external experts and involves the local authorities.

Once construction has been completed, the areas affected by the work, access roads, plants, installations, quarries and deposits are restored to return the areas to their original conditions in line with the contractual terms and current regulations. These restoration activities facilitate natural revegetation, prevent soil erosion and improve soil stability.

Any land reclamation activities, if provided for in the contract and necessary due to previous contamination, are agreed with the clients and performed in line with the competent authorities' instructions.

Environmental restoration activities may include reforestation and

PROTECTION AND RESTORATION ACTIVITIES	Unit	2016	2017
Reforested area	m^2	491,990	293,281
Trees planted	no.	32,802	95,985
Areas where the topsoil was restored	m^2	579,787	3,304,357

indigenous species are usually used. The main restoration activities performed by the Group are shown below:

In 2017, the Group carried out reforestation activities mainly for the Ethiopian Gibe III and, to a lesser extent, Koysha contracts, the Danish Cityringen project, Lane's projects in the US and the North West Rail

Link project in Australia. Topsoil was replaced in the Gerd (Ethiopia) and Ruta del Sol (Colombia) projects as well as at the other above-mentioned projects.

ANTI-CORRUPTION

Internal policies

Salini Impregilo has a zero tolerance policy for all types of corruption and is committed to complying with the anti-corruption laws ruling in all the countries where it operates. It requires all its stakeholders to act with honesty and integrity at all times. The Company never accepts behaviour intended to improperly influence the decisions taken by representatives of public or private bodies.

The Company is committed to adopting preventive protocols to minimise the risk of corruption and to ensure compliance with the principles introduced by anti-corruption laws and international best practices.

These principles are enshrined in its Code of Ethics and reiterated in its Anti-corruption Policy, adopted voluntarily and in compliance with international best practices.

Main risks and management methods

Salini Impregilo has an Anti-corruption Compliance System which meets the ISO 37001 requirements and is certified by an independent certification body. In addition to its Anti-corruption policy described earlier, the system has the following additional elements:

- Preparation, updating and application of the Anti-corruption Model approved by the Board of Directors on 16 June 2014;
- Issue of Guidelines and internal procedures and integration of existing ones to define the roles and responsibilities of the parties involved and the operating methods for the processes and controls defined in the above documents.

As part of its zero tolerance policy, the Company seeks to align its strategy with the Anti-corruption System, instilling a compliance culture and mitigating the potential risks of non-compliance.

The Compliance Unit monitors the Anti-corruption System. It draws up an annual Compliance Plan, which sets out the Company's goals to ensure achievement of the general objectives and ISO 37110 recertification. The Control and Risk Committee, the Board of Statutory Auditors and the Director in charge of the Internal Control System all check the Compliance Plan as does the Integrity Board for the aspects related to Legislative decree no. 231/2001.

The Anti-corruption System is designed to cover the risks to which the Company could be exposed. With respect to active corruption, the main risks identified relate to interaction with representatives of the Public Administration as part of specific activities, such as, for example, those to comply with defined obligations vis-à-vis the Public Administration or the obtaining of authorisations from it (licences and permits, payment authorisations from works management or approval of design extensions/variations). Other risks may arise from participation in calls to tender by public bodies, inspections and/or checks or disputes.

With respect to active corruption in the private sector, this risk is less material and mostly relates to the Group's participation in tenders called by private bodies or management of partnerships.

The main risks facing the Company arise from procurement and subcontracting activities. During the assignment stage, potential suppliers/subcontractors could attempt to corrupt a Company's employee to obtain the contract (passive corruption). In addition, once the contract has been signed, the suppliers/subcontractors could act unlawfully to obtain approval and, hence, payment for activities they did not actually perform or the non-reporting of non-compliance of their services.

The Compliance Unit performs an anti-corruption risk assessment by specific process for the Company as part of the risk assessments necessary to regularly update the 231 Model. The assessment is performed for the other Group's companies (subsidiaries, consortia, joint ventures, etc.) using a scope defined on the basis of the CPI (corruption perception index) assigned to the country where the Group's companies operate and how long their compliance system has been in place. Roughly 86% of the legal entities making up Salini Impregilo Group were included in the Anti-corruption risk assessment scope in 2017.

The procedures specifically designed to monitor the above risks include the Guidelines for the Assessment of Relevant Third Parties and the Management of Benefits to third parties, which define valuation procedures applicable to potential counterparties before a contract is signed. Specifically, with respect to gifts given to third parties, the Company has set price limits while it has an authorisation process in place for sponsorships and donations to monitor these initiatives and ensure their compliance with the Code of Ethics.

Contracts agreed by the Company with Third Parties must include specific measures to ensure their compliance with Anti-corruption laws, the Company's Code of Ethics and Anti-corruption Model.

Salini Impregilo also has a whistleblowing system that can be accessed through an external web portal. This allows employees to make anonymous or confidential (at their own description) notifications about potential violations while being protected against any form of reprisal, discrimination or unfair treatment. The Anti-corruption Model provides that employees are obliged to report any violations of the Model and/or internal or external regulations, the ethical principles and all anti-corruption laws by the Company, a colleague, a consultant or third party. As of 2018, third parties (e.g., suppliers, subcontractors) can also use the whistleblowing system. Alternatively, notifications can be made by post or email.

Violations of the Anti-corruption Model's principles and measures are a serious breach of their contracts by employees and consultants. Salini Impregilo takes all the steps provided for by the existing laws and contracts in the case of these violations, including conservative disciplinary measures, dismissal, termination of the contractual relationship, claims for compensation, etc.

In 2017, just one notification was received notifying the Company of an attempted act of passive corruption related to officials of an external consortium. The Group commenced an internal investigation to check the circumstances in which this attempted violation took place, after which it took the necessary steps involving the HR Department. As a result of these measures, it was found that the alleged act of corruption did not take place.

The Company requires that all new employees receive the mandatory Anti-corruption training as part of a wider programme about Compliance. During the year, Company's employees attended a vast range of courses for more than 3,800 hours on Anti-corruption and the 231 Model.

The Compliance Unit also prepares internal reports for the Board of Directors (every six months), which it addresses to the Control and Risk Committee, as well as ad hoc communications and reports to management, either together with or through the Internal Audit and Compliance manager, on any critical issues it identifies during its work.

Reference should be made to the "Main risk factors and uncertainties" section of the Directors' report for ongoing disputes about corruption.

SUPPLY CHAIN

Internal policies

Each year, Salini Impregilo works with thousands of suppliers both for its contracts and internal requirements. As defined in its Code of Ethics, its conduct is hinged on principles of correctness and transparency, and it is committed to not exploiting any conditions of dependence or weakness of its suppliers.

The Company selects its suppliers using proper and transparent standards and selection criteria which involve checking their quality, technical/professional qualifications, compliance with standards about human rights, labour regulations, including equal opportunities, health, safety and the environment as well as prices.

Suppliers are required to formally accept the Code of Ethics and the Anti-corruption Model, which are integral parts of the contract. Salini Impregilo encourages its suppliers to apply the same criteria when selecting their subcontractors in order to encourage and promote compliance with its principles along the entire supply chain.

The Company is committed to protecting the confidentiality of the corporate information and professional know-how and asks its counterparties to apply the same standards.

When Salini Impregilo manages contracts directly or as the project leader, or there are specific agreements in place, the suppliers are required, to the extent of their involvement, to comply with/adopt the Company's quality, environment, health and safety management systems.

Main risks and management methods

In 2017, the Group agreed contracts with more than 6000 suppliers from roughly 59 countries. The main supply categories related to subcontracts, materials, machinery and equipment and services.

An inadequate functioning of the qualification process and/or assessment of the suppliers' performance or the possible abuse of a strong position vis-à-vis smaller suppliers could possibly expose the Group to various risks as part of its procurement process, such as compliance, reputation and commercial.

The main risks arising from external factors include potential risks of non-compliance related to regulation updates that make it necessary to adopt new measures with suppliers, commercial and reputation risks due to possible issues with suppliers (e.g., inadequate performance in technical, qualitative, safety, environmental areas, etc.) after the contract has been signed.

The Company has established a number of procedures to manage the procurement of goods and services and monitor these risks. They include definition of the roles, responsibilities and checks to be performed to ensure that the operating activities are performed in accordance with the applicable laws and regulations, the Company's Code of Ethics, the 231 Model and the Anti-corruption Model.

The supplier qualification procedure is an important part of the procurement process. Its aim is to assess whether the potential supplier meets the Company's criteria so that it can be included in the Vendor List. This qualification procedure also ensures that the Group's requirements are met for all goods categories and in all relevant geographical areas.

The Procurement Department manages the supplier qualification process, which involves a number of preliminary checks of the potential supplier's reputation, its expertise and that it is not already included in the Reference Lists.

Potential suppliers are required to fill in a questionnaire on areas such as: business and production category, organisation and shareholder structure, financial reporting, registration and certifications, quality, the environment and safety, social responsibility (including human rights), specific information about their goods categories (when available).

Based on these questionnaires, the Procurement Department may proceed with specific analyses and detailed checks, which can include assessment visits to the supplier's production units and offices. Other

Company departments, such as the Technical and QHSE Departments, may also participate in the visits which are designed to assess the supplier's technical and operating capabilities with special regard to the products and services of interest to the Group. They also investigate those aspects that could affect the potential partner's ability to comply with its contractual commitments.

Additional risk analyses are performed for certain suppliers that fall into the counterparty risk category using the methods and tools defined by the Risk Management Unit.

Upon completion of the checks, suppliers found to be suitable for qualification are included in the suppliers' register and the reference Vendor List.

Certain contracts require adoption of a specific additional qualification system depending on the applicable regulatory and contractual requirements. For example, suppliers working on projects subject to LEED environmental certification are subjected to additional checks to verify their compliance with specific environmental parameters, while other specific requirements, such as social criteria, are checked for projects acquired in some countries. These may include checking potential suppliers whose workforce mainly consists of employees from special categories (e.g., ethnic minorities).

In 2017, the Corporate Procurement Department checked 5,200 suppliers to verify their integrity, classification of their know-how and reference lists. At global level, analyses of social and environmental parameters were performed for 1,570 suppliers.

Contracts with suppliers include provisions requiring them to comply with the applicable regulations, the Code of Ethics, the 231 Model and the Anti-corruption Model as well as quality, health and safety and environment requirements. The contracts have specific termination clauses if the suppliers do not comply therewith.

Once the contract has been signed and is effective, the Company monitors the performance of its key suppliers using a special assessment process, involving the head office's Procurement Department and the contract managers. It assesses suppliers once a year. In 2017, these assessments involved 71% of the Company's ongoing contracts, covering 83% of the procurement expenditure.

The assessment process is flanked by the on-site monitoring of projects by the local QHSE departments, which mainly cover subcontractors and is designed to check that their activities comply with the Company's quality standards and applicable requirements for the environment, health and safety. Specifically, the local QHSE departments regularly audit the subcontractors. Any non-compliance is managed in accordance with the management system procedures and include the agreement of improvement plans and follow-up checks to ensure that they are implemented.

Involvement of the subcontractors in these issues also takes the form of regular coordination meetings and the participation of their employees in the classroom and on-site QHSE training courses (914,800 hours in 2017).

In addition to involving and monitoring suppliers at the work sites, the Company also interacted with them at central level during the year.

This includes the annual supplier meeting attended by the Group's Italian and international employees and suppliers when the main procurement practices are presented. The Company presented, inter alia, the process to assess suppliers' performances during the 2017 meeting to inform them about the increasing attention paid by the Company to developing long-term relationships that allow the suppliers to grow and ensure their constant improvement.

The Company continued its innovation days in 2017, which are appointments with individual suppliers attended by head office employees. They are an opportunity for the supplier and the Company to discuss their experiences about new technologies, products, innovative processes and other matters of mutual interest.

SOCIAL ASPECTS

Internal policies

It is a well-known fact that the direct relationship between investments in infrastructure and greater domestic demand leverages economic growth. Construction companies engaged in building infrastructure may contribute to this factor by adopting suitable internal policies.

Salini Impregilo is committed to contributing to the social and economic development of the areas where it works in line with its Code of Ethics and Sustainability Policy, through:

- employment of workers from the area in which the projects are taking place, when available in the numbers required and that have the necessary skills;
- professional training of local personnel;
- procurement strategies designed to meet requirements using local supplies as far as possible, depending on the availability of the required goods and services;
- initiatives to assist the local communities, after checking the integrity and respectability of the recipients and the projects' consistency with the Code of Ethics.

The Company is also committed to respecting the rights and culture of the local communities which it does by also using appropriate communication channels in line with the relevant regulatory and contractual provisions.

Main risks and management methods

The Group identifies the risks and defines methods to manage the social aspects described in this section (hiring of local labour and procurement, relations with the local stakeholders) during the start-up stage of its projects.

The project start-up process complies with the Project Management principles (ISO 21500) and entails the proactive involvement of the project team and the head office departments to ensure the integrated management of internal and external factors.

Specifically, all the regulatory and contractual elements applicable to the project are analysed during this process and the Company defines the Mobilisation programme which includes the main activities needed to start the project. They include, in particular, definition of the work schedule, which comprises, inter alia:

- the requirement plan for machinery, plant, subcontractors, third parties, materials and services;
- the mobilisation plan for managers, staff and blue collars.

The manner in which interaction takes place with the local stakeholders is defined in the contracts and the Group is obliged to scrupulously abide by their provisions.

Employment created by the Group's projects

The creation of jobs by the Group in the countries where it operates is important as it enables local personnel to improve their skills and expertise, especially those in developing and emerging nations, and to generate additional wealth for the economy. This approach also creates the opportunity for the Group to create a pool of qualified workers who can be used for future projects.

Some projects have special local personnel recruitment plans as provided for contractually, which may include employment targets.

In 2017, 70% of the 31,137 direct employees were hired locally.

DIRECT EMPLOYEES HIRED LOCALLY	Unit	2016	2017
Africa	%	95%	95%
Central and South America	%	93%	90%
North America	%	99%	100%
Europe	%	78%	86%
Middle East, Asia and Oceania	%	13%	14%
Average	**%**	**75%**	**70%**

The Middle East, Asia and Oceania area has the smallest percentage of local workers. This is affected by the projects in Saudi Arabia, Qatar and the United Arab Emirates, where insufficient resources are available to perform the contracts making it necessary to bring in labour from other countries. Reference should be made to the section on "Human rights" for information about the management of migrant workers.

In 2017, local managers made up 69% of the total, reaching 100% in North America and 87% in Europe. In addition to the direct workforce, the involvement of indirect personnel contributes significantly to the employment generated locally. Indirect workers involved in group projects numbered 32,469 in 2017.

Local procurement

Purchases from suppliers resident in the countries where the Group operates are a main trigger to developing ancillary industries (which is a direct contributor to GDP, public revenue and disposable income).

In 2017, the Group maintained a strong relationship with its local supplier chain, with roughly 88% of its expenditure made with local suppliers.

LOCAL PROCUREMENT	Unit	2016	2017
Africa	%	41%	40%
Central and South America	%	88%	82%
North America	%	100%	100%
Europe	%	79%	90%
Middle East, Asia and Oceania	%	93%	86%
Average	**%**	**85%**	**88%**

Reference should be made to the section on the "Statement of profit or loss" of the Consolidated Financial Statements for figures related to procurement (operating costs).

Initiatives to assist local areas

The Group contributes to developing the areas in which it works through initiatives to assist the local communities, which may include sponsorships, social and philanthropic initiatives. Sponsorships and donations are managed in line with the specific guidelines and internal procedures that are part of the Anti-corruption System, which is ISO 37001 certified. This ensures that any assistance is in line with the approved budgets and is only given after the positive outcome of checks of the potential counterparties.

The Group Guidelines require that assistance is given locally in five strategic macro-sectors: social, art and culture, education and research, environment, sport and entertainment.

The main initiatives carried out can be classified as follows:

- direct assistance to design and build infrastructure benefitting the local community such as, for example, schools, healthcare facilities, roads, etc.;
- assistance with social programmes, carried out directly or through other organisations in the above macro-sectors;
- free access to certain work site facilities such as, clinics, water and electricity supply networks, for local communities living in rural areas not connected to basic services.

The Group carried out 198 initiatives in 2017 for €1.1 million (2016: roughly €1.6 million).

INITIATIVES TO ASSIST LOCAL AREAS	Unit	2016	2017
Investments in infrastructure	no.	18	25
Social programmes	no.	154	173
Total	**no.**	**172**	**198**

Most of the initiatives were carried out in the US for social and education purposes. Other initiatives included free healthcare provided to local communities by work site clinics in rural areas in Ethiopia, Georgia, Tajikistan and Colombia. In 2017, 9,060 medical check-ups were given and 13,610 health interventions (roughly 13,200 in 2016).

In Italy, the Group donated a new school to the Valfornace community, one of the towns in central Italy hit by the 2016 earthquake. The roughly 500 square metre facility houses the pre-school, elementary school and secondary school for 120 students and has a canteen, a refectory, a multi-functional room and garden. As part of the GERD project in Ethiopia, the Group built an elementary school for the nearby Bamza community and organised various sports programmes for the local workers and local communities.

Salini Impregilo is one of the founding members of the E4Impact Foundation, involved in training new entrepreneurs in developing nations through the MBA in Impact Entrepreneurship and assisting the internationalisation of local and international SMEs in Sub-Saharian Africa. The Foundation is currently active in Kenya, Ghana, Sierra Leone, Uganda, Ivory Coast, Senegal and Ethiopia, where it has provided training to more than 500 new entrepreneurs.

Pursuant to the principles of its Code of Ethics, the Company does not make contributions to political and trade organisations of any kind (parties, movements, committees, etc.) nor their representatives.

Stakeholder engagement

Given that it mainly operates as a contractor on behalf of public and private clients, the Group is required to scrupulously adhere to the contractual provisions about engagement with local stakeholders. These provisions establish the roles and responsibilities each party is obliged to comply with.

In line with these provisions, the Group defines procedures to handle engagement with local stakeholders (such as, for example, the grievance mechanisms) and the communication channels to be used at work sites either physical (e.g., public relations offices) or technological (special phone numbers, websites, email addresses, etc).

The clients are responsible for engagement with the local communities in most of the ongoing contracts while the Group provides technical and operating assistance to manage any issues that arise. Matters discussed by contract personnel and the local communities mostly relate to:

- employment and any inconveniences caused by the work site's presence;
- the characteristics of the work under construction and its possible social and environmental implications.

As described in detail in the section "The infrastructure sector and Salini Impregilo's role", the Group's clients are responsible for planning and developing projects. When required by the applicable regulations, this includes an assessment of the social and environmental impacts, the prior consultation of the stakeholders, definition of the mitigation and compensation actions and receipt of the authorisations. Therefore, the clients have sole responsibility for handling relations with the stakeholders for the second category of topics mentioned earlier, while the Group provides assistance with management of the relationships covering the first category of topics. This is a potential source of risks for the Group as, if the client does not properly and efficiently manage its responsibilities, the local community could oppose the project leading to delays in the works, an increase in costs and damage to the Group's reputation as well.

In these cases, the Group may receive requests for information or other communications from mainly non-local stakeholders, such as international non-profit organisations and SRI analysts. The Group provides the requested information to guarantee transparency about its work as a contractor engaged to build the works provided for by the relevant contract, with a clear-cut distinction between its role and responsibilities and those of its client.

In 2017, the complaint filed by the non-profit organisation Survival International in 2016 to the Italian NCP of the OECD was settled. It related to the alleged non-compliance with the OECD Guidelines for multinational enterprises of the construction of the Gibe III hydroelectric project in Ethiopia.

The OECD Guidelines are recommendations for multinational enterprises of the OECD countries containing voluntary principles and standards for responsible business conduct consistent with international law and laws applicable in the countries where the multinationals work.

Survival's complaint alleged the violation of the rights of some communities residing approximately between 300 km and 500 km downstream from the Gibe III dam, whose natural resources would be decreased when the plant operates. The OECD Guidelines specify that human rights obligations of enterprises depend on the type of business and their role. As contractor for the building of the hydroelectric power plant (opened in December 2016) and although it strongly rejects the allegations, Salini Impregilo agreed to participate in the procedure convinced that it had acted in full compliance with the OECD Guidelines. Accordingly, it made itself fully available to the Italian NCP.

In June 2017, the NCP issued the final statement closing the complaint (available on its website), stating that the Company had not violated the OECD Guidelines.

METHODOLOGY FOR REPORTING NON-FINANCIAL INFORMATION

Salini Impregilo was the first Italian construction company to prepare and publish an Environmental Report in 2002 and similarly it was the first to publish a sustainability report drawn up in accordance with the Global Reporting Initiative (GRI) Guidelines in 2009.

Standards applied

This 2017 Consolidated Non-financial Statement has been prepared in accordance with Legislative decree no. 254/2016. The Company has used the GRI Sustainability Reporting Standards (core option), published by the GRI in 2016. This statement also constitutes the Communication on Progress (COP) to Global Compact.

Materiality analysis

The Company performed a materiality analysis as set out in the GRI Sustainability Reporting Standards to define the individual topics to be disclosed in the Non-financial Statement pursuant to Legislative decree no. 254/2016. The main steps comprising this analysis are set out below:

- internal identification of the possible non-financial topics relevant to the construction sector, by analysing peers, reports published by analysts and ESG (Environmental, Social, Governance) rating agencies, sector studies and the media;
- internal prioritisation of the identified topics, by involving the main departments that participate in the non-financial reporting process;
- external prioritisation of the identified topics, by analysing engagement with the Group's main stakeholders over the reporting period, for example, questions most frequently asked by clients during the pre-qualification and tender stages, questions most frequently asked by analysts and SRI investors in questionnaires and specific applications and questions raised by the trade unions.

During 2017, the Group performed a survey of the list of the individual topics involving internal (employees) and external (suppliers, sustainability experts, non-profit organisations, analysts, etc.) stakeholders;

- approval of the relevant aspects by management involved in non-financial reporting.

The material aspects identified by the materiality analysis, grouped into the macro categories provided for by Legislative decree no. 254/2016 are listed below:

Topics as per Leg. decree no. 254/2016	GRI related material aspects	Materiality within the Group	Materiality outside the Group
Environment	Materials, Energy, Water, Biodiversity, Emissions, Waste and Environmental compliance	Direct activities performed at the offices and work sites	Activities performed by subcontractors and service providers
Personnel	Employment, Industrial relations, Health and safety, Training, Diversity and equal opportunities* and Non-discrimination	Direct activities performed at the offices and work sites	Activities performed by subcontractors and service providers
Human rights	Freedom of association and collective bargaining, Child labour, Forced or compulsory labour, Security practices and Indigenous rights	Direct activities performed at the work sites	Activities performed by subcontractors and service providers
Anti-corruption	Anti-corruption	Direct activities performed at the offices and work sites	Activities performed by the third parties defined in the Anti-corruption Model
Supply chain	Supplier environmental assessment, Supplier assessment for impacts on society	Direct activities performed at the offices and work sites	Activities performed by subcontractors and service providers
Social	Market presence, Procurement practices, Local communities and Indirect economic impacts	Direct activities performed at the offices and work sites	Activities performed by clients and subcontractors

* The equal opportunities topic is only material for the corporate offices as it is of little significance at the work sites given the characteristics of the construction sector, which is a predominantly male domain.

Relevant stakeholders

The Company regularly maps its stakeholders based on engagement with the main stakeholders in the areas where it operates.
The following chart lists the stakeholders relevant to the Company, the areas of interest and the key characteristics of the engagement with the Group.

STAKEHOLDER / INTEREST	Level of engagement		Area of interest					Relationship length			
	International	Local	Anti-corruption	Environment	Labour practices and human rights	Supply chain	Social	Long term	Medium term	Project life	Ad-hoc
Employees & Trade unions	⊘	⊘	⊘		⊘		⊘	⊘		⊘	⊘
Shareholders & Investors	⊘		⊘	⊘	⊘	⊘	⊘	⊘	⊘		⊘
Clients & Potential clients	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘
Suppliers, contractors, subcontractors & partners	⊘	⊘	⊘	⊘	⊘	⊘		⊘	⊘	⊘	⊘
Local communities & NGO	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘		⊘	⊘
Governments & public administrations		⊘	⊘	⊘	⊘		⊘	⊘		⊘	
Sector associations & media	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘		⊘	⊘

The Group adopts diversified and flexible dialogue and involvement practices depending on the stakeholders' characteristics and needs.

At corporate level, key stakeholders include investors, clients, current and potential employees, national and international trade unions, partners, public administrations, the media and the general public. Dialogue with them mainly relates to development objectives and strategies, results, the acquisition of new contracts, the shareholder structure, career paths and professional development.

At operating level, the main involvement activities depend on the individual project's characteristics. The key stakeholders are partners, employees, local communities, suppliers, contractors and subcontractors, clients, local authorities and organisations like local trade unions and non-governmental organisations.

Scope of the Statement

As established by article 4 of Legislative decree no. 254/2016, this Consolidated Non-financial Statement includes the figures of the parent (Salini Impregilo S.p.A.) and its fully-consolidated subsidiaries. The parent comprises its head offices in Italy (corporate), the directly run work sites, branches and joint operations of which it is leader. The Company has an internal procedure in place to define and regularly review the scope of the Statement based on its consolidation scope for financial reporting purposes. Specifically, it performs a materiality analysis on the list of entities making up the parent and fully-comprised subsidiaries considering the level of operations of the individual entities, which are classified as:

- operational (e.g., ongoing contracts);
- limited operations (e.g., contracts being completed);
- non-operational (e.g., entity in liquidation).

This Statement's scope includes entities classified as "operational" and "limited operations". A list of the entities included in the 2017 Statement's scope for which a non-financial reporting system was implemented is given below:

Name	Country	Name	Country
Salini Impregilo S.p.A.*	Italy	Impregilo-Sk E&C-Galfar Al Misnad JV*	Qatar
Brennero Galleriacque S.c.r.l.	Italy	Imprepar S.p.A.	Italy
Cigla Construtora Impregilo y Associados S.a.	Brazil	IS Joint Venture*	Australia
Consorcio Construtor Salini Impregilo - Cigla	Brazil	Lane Industries Incorporated*	USA
COCIV consortium*	Italy	Mercovia S.a.	Argentina
Constructora Ariguani Sas*	Colombia	Reggio Calabria - Scilla S.c.p.a.*	Italy
Copenhagen Metro Team I/S*	Denmark	Salerno-Reggio Calabria Società Consortile Per Azioni*	Italy
CSC Impresa Costruzioni S.a.	Switzerland	Salini - Impregilo Joint Venture for Mukorsi*	Zimbabwe
Fisia - Alkatas Joint Venture	Turkey	Salini Australia PTY L.t.d.	Australia
Fisia Italimpianti S.p.A.	Italy	Salini Impregilo - NRW Joint Venture	Australia
Galfar - Salini-Impregilo - Cimolai JV*	Qatar	Salini Impregilo S.p.A. - S.A. Healy Company Jose J. Chediack S.a. UTE*	Argentina
HCE Costruzioni S.p.A.*	Italy	Salini Malaysia Sdn.Bhd*	Malesia
Iglys Sociedad Anonima	Argentina	Salini Namibia Proprietary L.t.d.*	Namibia
Impregilo - Terna Snfcc Joint Venture*	Greece	Salini Nigeria L.t.d.	Nigeria
Impregilo International Infrastructures N.v.	Netherlands	Salini Polska L.t.d. Liability Co*	Poland
Impregilo New Cross Limited	UK	Salini Saudi Arabia Company L.t.d.	Saudi Arabia

The entities marked with an asterisk in the above table were also included in the reporting scope of the 2016 Sustainability Report. The other entities have been included in the reporting scope of this Statement for the first time.

More information on the in-scope entities is available in the section on the "List of companies included in the consolidation scope" in the Notes to the Consolidated Financial Statements.

The information in this Statement refer to the above scope, except for the figures about the direct workforce which relate to the consolidation scope for financial reporting purposes. The data for the joint operations led by the Group are shown at 100%. The environmental data does not include the offices as they are not material. The data in the "Supply chain" section does not include Lane. Any specific limitations to the scope are specified in the text or in the GRI Content Index.

The 2016 corresponding information relates to the scope of the Group's 2016 Sustainability Report, to which reference should be made. The figures about water consumption, energy consumption, the injury rate, waste, training hours, GHG Scope 3 emissions and intensity of GHG emissions for 2016 were restated compared to the figures given in the 2016 Sustainability Report due to adoption of a more accurate calculation method (for water consumption), the restatement of the data (energy consumption, injury rate and intensity of GHG emissions), calculation adjustments (waste and training) and the standardisation with energy consumption (GHG emissions Scope 3).

Calculation method

The data and information in this Statement are taken from the Group's information systems and a special non-financial reporting system introduced to meet the requirements of Legislative decree no. 254/2016 and the GRI Sustainability Reporting Standards. The data was processed using accurate calculations and, if specified, estimates. The methods used to calculate the main indicators are set out below.

Injury rates

The injury rates are calculated using the methods established by standard UNI 7249:2007 “Statistics on occupational injuries”. They show the number of injuries (FR) and the related number of days lost (LDR) for every million hours worked.

Specifically, the FR is calculated as the ratio of total number of injuries leading to absence from work in the period (including death) and the total number of hours worked, multiplied by 1,000,000. The LDR is calculated as the ratio of total days lost (calculated using calendar days) to total hours worked, multiplied by 1,000. Any commuting injuries during the period are not considered.

Energy consumption and GHG emissions

The calculation of direct energy consumption is based on the conversion factors provided by the UK Department for Business, Energy & Industrial Strategy – BEIS (2016 Government GHG Conversion Factors for Company Reporting). Internal energy consumption refers to the in-scope entities’ direct activities. Indirect energy consumption, like Scope 3 emissions, refer to activities performed by subcontractors. The Group monitors its emissions data using an operating control approach.

Calculations of the Group’s GHG emissions are based on:

- the emission factors defined by the standard parameters of the UK Department for Business, Energy & Industrial Strategy – BEIS (2016 Government GHG Conversion Factors for Company Reporting) for fuel consumption – the calculation includes CO_2, CH_4 and N_2O gases;
- the emission factors provided by the International Energy Agency (CO_2 Emissions from Fuel Combustion, 2013 edition, 2011 data) for electric energy consumption;
- the emission factors provided by the IPCC (Fourth Assessment Report AR4 100yr) to convert CH_4 and N_2O into CO_2 equivalent.

The energy intensity rates and the GHG emission rates are calculated by comparing the total data (energy consumption and GHG emissions) to revenue for the period. Specifically, the intensity rate for GHG emissions includes the sum of Scope 1, Scope 2 and Scope 3 emissions.

Water use
Data about water not taken from aqueducts, not obtained from other sources (e.g., water tanks) and not measured using meters are calculated considering the withdrawal systems' capacity (pump capacity in the average number of working hours) or production activity performed in the period.

Waste
The data refers to waste generated by the in-scope contracts in line with the locally-applicable regulations. When the data is expressed as a volume, the related weight is calculated using specific conversion factors. Information about the disposal methods for EU projects (i.e., how the waste is treated) is based on the legal classification of each waste category. The methods used for non-EU projects reflect the conditions of the contracts agreed with third party waste management companies.

GRI CONTENT INDEX

Disclosure	Page number, reference to other sections of the Report or other documents (The page numbers refer to the paragraph that includes the information)
GRI 102	**General Disclosures**
102-1	Salini Impregilo S.p.A.
102-2	p. 14
102-3	Milan, Italy
102-4	p. 58
102-5	Salini Impregilo S.p.A is listed on the Milan stock exchange and is managed and coordinated by Salini Costruttori S.p.A..
102-6	p. 58
102-7	p. 24 p. 58, p. 150
102-8	p. 149. Open-ended contracts account for 93% of the total in Africa, 91% in Central and South America, 97% in North America, 81% in Europe and 97% in the Middle East, Asia and Oceania. 99.9% of the employees have full-time contracts.
102-9	p. 183
102-10	No significant changes in the supply chain compared to the previous period
102-11	p. 167
102-12	p. 144
102-13	Salini Impregilo is a member of the following associations: Assonime, Fondazione Global Compact Network Italia, Assolombarda, Associazione Assafrica e Mediterraneo, ITCOLD - Comitato Nazionale Italiano per le Grandi Dighe, SIG - Società Italiana Gallerie, ISPI – Istituto per gli Studi di Politica Internazionale, Comitato Leonardo, Associazione AIAS, Associazione Italiana Internal Auditors, UNI – Ente Italiano di Normazione, AIGI – Associazione Italiana Giuristi d'Impresa, AICQ CN – Associazione Italiana Cultura Qualità Centro-Nord.
102-14	p. 4
102-16	p. 144
102-18	p. 144
102-40	p. 195
102-41	The Group agrees employment contracts with its employees in line with the local applicable legislation, the principles of the framework agreement with the BWI and any other agreements signed with the local trade unions. In 2017, this covered 8,718 employees, equal to 28% of the total.
102-42	p. 195
102-43	p. 160, p. 168, p. 183, p. 194, p. 195
102-44	p. 191
102-45	p. 196
102-46	p. 196
102-47	p. 194
102-48	p. 196

Disclosure	Page number, reference to other sections of the Report or other documents (The page numbers refer to the paragraph that includes the information)
102-49	No significant changes in the material topics. Moreover, the scope of the material topics is the same as that for the previous period.
102-50	Calendar Year 2017
102-51	This Statement represents the first-time application of Legislative decree no. 254/2016 on non-financial information. Up until 2016, the Company prepared an annual sustainability report on a voluntary basis. The 2016 Sustainability Report was published in May 2017.
102-52	Annual
102-53	sustainability@salini-impregilo.com
102-54	p. 194
102-55	p. 202
102-56	p. 206
GRI 200	**Economic**
202-1	The direct economic value generated by the Group in 2017 amounted to €6,149 million, including €5,749 million which was distributed and €400 million which was retained. Specifically, €4,448 was distributed to suppliers (operating costs), €996 million to employees (remuneration and benefits), €201 million to the lenders and € 104 million to the public administration (taxes). Reference should be made to the information about the ordinary shareholders' meeting to be held on 30 April 2018 in the Directors' report for information about the dividend distribution.
202-2	p. 188. The term manager refers to persons who hold management positions as part of the contract and head a department/unit. In the case of EU resources, it refers to the contractual definition of a manager. Local employees are those who are hired in the same country as that in which they reside.
203-1	p. 190. The total value of initiatives to assist local areas includes monetary donations (40%), sponsorships (30%) and contributions in kind (30%) (e.g., labour, materials, machinery).
204-1	p. 189. Local suppliers are those with a registered office in the same country in which the Group's projects are taking place.
205-1	p. 179. 125 companies were included in the assessment scope.
GRI 300	**Environmental**
301-1	p. 171. The Group does not use significant renewable materials for its core activities while it can use recycled or recovered materials, as described in the relevant section.
302-1	p. 171, p. 199
302-2	p. 171, p. 199. Significant external energy consumption refers to the Group's subcontractors.
302-3	p. 171, p. 199
303-1	p. 171, p. 200
304-1	p. 177. Specifically, in 2017, 33 work sites (the equivalent of 11.4 sq km) were located in protected areas (mostly in the US, followed by Namibia, Denmark and Italy) and 122 (the equivalent of 16.3 sq km) in areas adjacent to protected areas (mostly in the US, followed by Australia, Slovakia and Italy). Of these sites, 128 are in areas protected by local regulations, 17 in areas protected by national regulations, 5 in "Natura 2000" areas and 5 in wetlands included in the Ramsar List. There are 84 work sites located in ecosystems that contain water (e.g., lakes, rivers, swamps, etc.), 23 in urban ecosystems, 21 in agricultural ecosystems, 11 in wood ecosystems, 10 in mountain ecosystems, 5 in desert ecosystems and 1 in a costal ecosystem. The main activity carried out in these areas is construction and plant operation.

Disclosure	Page number, reference to other sections of the Report or other documents (The page numbers refer to the paragraph that includes the information)
305-1	p. 171, p. 199
305-2	p. 171, p. 199
305-3	p. 171, p. 199
305-4	p. 171, p. 199
306-2	p. 175, p. 200
307-1	p. 168
308-1	p. 183. Specifically, in 2017, 7% of the new suppliers were screened using environmental criteria.
GRI 400	**Social**
401-1	p. 152. Specifically, in 2017, 6,949 people joined the Group, including 2,835 under 30 years of age (41%), 3,578 between 30 and 50 (51%) and 536 over 50 (8%). During the year, 17,410 people left the Group, including 5,606 under 30 (32%), 9,614 between 30 and 50 (55%) and 2,190 over 50 (13%).
402-1	The minimum notice period to communicate significant operating changes for Salini Impregilo is a fixed period defined by the collective employment contracts and relevant local laws. It varies from 1 to 32 weeks for managers, 1 to 12 weeks for office staff and 1 to 8 weeks for blue collars.
403-2	p. 155. Despite the stringent assessments of risks and operating controls, 12 fatal injuries took place in 2017 (including six employees of subcontractors). The 2017 Frequency Rate (FR) for the Group's employees was 6.21 while that of its subcontractors was 2.77. The Lost Day Rate (LDR) for the Group's employees was 0.08 and that of its subcontractors 0.04 for the year. The main types of injury were wounds, bruises and fractures. The absenteeism rate was 2%. The occupational illness rate was 0.
404-1	p. 152. In 2017, technical and production employees received an average of 28 hours of training per capita, while office employees received 13 hours. During the year, the per capita training hours provided to corporate employees amounted to 60 for men and 38 for women. This figure did not differ significantly for the operating units given the strong predominance of male resources.
405-1	p. 160
406-1	p. 160. The Group received seven notifications of alleged discrimination from Lane's employees during the year. These notifications were handled in accordance with Lane's internal procedures. At year end, four cases had been settled, one analysed and two were pending analysis. In addition, a disciplinary proceeding commenced by Salini Namibia involving a group of workers who participated in an illegal strike in 2016 at the Neckartal Dam project was settled with an agreement.
407-1	p. 160
408-1	p. 160
409-1	p. 160
410-1	p. 160
411-1	p. 160. No instances (e.g., legal action) for the violation of indigenous rights took place in the year.
412-1	p. 160

Disclosure	Page number, reference to other sections of the Report or other documents (The page numbers refer to the paragraph that includes the information)
413-1	Given the type of works, their location and reference regulatory frameworks, the Group's projects are subject to different laws and standards for social and environmental aspects. Accordingly, a social and/or environmental impact assessment prepared by the clients exists for 61% of its in-scope projects. The clients consulted the local communities for 44% of the projects. A management system is in place to handle complaints from local communities for 39% of the projects (the grievance mechanisms). Development projects assisting the local communities exist for 17% of the projects while worker committees exist for 31% of the projects.
414-1	p. 183. Specifically, in 2017, 7% of the new suppliers were screened using social criteria.
415-1	p. 190

Report of the indipendent auditors

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

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of Consob Regulation no. 20267

To the board of directors of
Salini Impregilo S.p.A.

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of Consob (the Italian Commission for listed companies and the stock exchange) Regulation no. 20267, we have been engaged to perform a limited assurance engagement on the 2017 consolidated non-financial statement of the Salini Impregilo Group (the "Group") prepared in accordance with article 4 of the decree, presented in the specific section of the directors' report and approved by the board of directors on 15 March 2018 (the "NFS").

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Salini Impregilo S.p.A. (the "Company") for the NFS

The directors of Salini Impregilo S.p.A. are responsible for the preparation of a NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued in 2016 by GRI - Global Reporting Initiative (the "GRI Standards").

The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the Group's business and characteristics, to the extent necessary to enable an understanding of the Group's business, performance, results and the impacts it generates.

The directors' responsibility also includes the design of an internal model for the management and organisation of the Group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the Group's policies for the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. KPMG S.p.A. applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the Salini Impregilo S.p.A.'s personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1 Analysing the material aspects based on the Group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.

2 Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.

3 Comparing the financial disclosures presented in the NFS with those included in the Group's consolidated financial statements.

4 Gaining an understanding of the following:

- the Group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
- the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
- the main risks generated or borne in connection with the aspects set out in article 3 of the Decree.

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).

5 Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

To this end, we held interviews and discussions with the Salini Impregilo S.p.A.'s management personnel and personnel of Lane Industries Inc.. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

Furthermore, with respect to significant information, considering the Group's business and characteristics:

- at Company and subsidiaries level:

  a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence;

  b) we carried out analytical and selected procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;

  we visited Lane Industries Inc. and the Grand Ethiopian Renaissance Dam site (Ethiopia), which we have selected on the basis of their business, contribution to the key performance indicators at consolidated level and location, to meet their management and obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.

Conclusions

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2017 consolidated non-financial statement of the Salini Impregilo Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued in 2016 by GRI - Global Reporting Initiative (the "GRI Standards").

Other matters

The Group prepared a 2016 sustainability report and has presented the data included therein for comparative purposes in its NFS. That sustainability report was reviewed by other auditors in compliance with ISAE 3000 revised, not pursuant to any legal requirements, who expressed an unqualified conclusion thereon on 12 April 2017.

Milan, 5 April 2018

KPMG S.p.A.

(signed on the original)

Paola Maiorana
Director of Audit

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION

(€'000) **ASSETS**	Note	31 December 2016	of which: related parties	31 December 2017	of which: related parties
Non-current assets					
Property, plant and equipment	7	803,039		675,277	
Intangible assets	8	168,763		127,668	
Goodwill	9	175,188		155,179	
Equity investments	10	201,468		317,363	
Derivatives and non-current financial assets	11	62,614	19,005	188,694	84,928
Deferred tax assets	12	121,925		134,579	
Total non-current assets		**1,532,997**		**1,598,760**	
Current assets					
Inventories	13	270,579		240,976	
Contract work in progress	14	2,367,263		2,668,103	
Trade receivables	15	2,359,273	155,629	1,901,338	134,264
Derivatives and other current financial assets	16	323,393	178,392	94,308	32,593
Current tax assets	17	135,987		133,040	
Other current tax assets	17	146,503		164,651	
Other current assets	18	591,271	35,623	616,549	39,288
Cash and cash equivalents	19	1,602,721		1,320,192	
Total current assets		**7,796,990**		**7,139,157**	
Non-current assets held for sale and discontinued operations	20	6,032		5,683	
Total assets		**9,336,019**		**8,743,600**	

EQUITY AND LIABILITIES

(€'000)	Note	31 December 2016	of which: related parties	31 December 2017	of which: related parties
Equity					
Share capital		544,740		544,740	
Share premium reserve		120,798		120,798	
Other reserves		96,052		101,385	
Other comprehensive income (expense)		47,088		(75,549)	
Retained earnings		336,406		366,930	
Profit (loss) for the year		59,921		(106,918)	
Equity attributable to the owners of the parent		**1,205,005**		**951,386**	
Non-controlling interests		156,326		133,898	
Total equity	**21**	**1,361,331**		**1,085,284**	
Non-current liabilities					
Bank and other loans and borrowings	22	866,362		457,468	
Bonds	23	868,115		1,084,426	
Finance lease liabilities	24	119,742		81,310	
Non-current derivatives	25	4,429		-	
Post-employment benefits and employee benefits	26	91,930		85,723	
Deferred tax liabilities	12	108,493		29,946	
Provisions for risks	27	105,765		101,531	
Total non-current liabilities		**2,164,836**		**1,840,404**	
Current liabilities					
Current portion of bank loans and borrowings and current account facilities	22	398,589	13,707	311,002	13,949
Current portion of bonds	23	18,931		302,935	
Current portion of finance lease liabilities	24	55,281		48,567	
Derivatives and other current financial liabilities	25	2,751		1,480	
Progress payments and advances on contract work in progress	28	2,455,632		2,518,557	
Trade payables	29	2,344,773	111,162	2,163,432	117,140
Current tax liabilities	30	109,991		96,839	
Other current tax liabilities	30	67,589		44,811	
Other current liabilities	31	356,315	13,747	330,289	13,956
Total current liabilities		**5,809,852**		**5,817,912**	
Liabilities directly associated with non-current assets held for sale					
Total equity and liabilities		**9,336,019**		**8,743,600**	

STATEMENT OF PROFIT OR LOSS

(€'000)	Note	2016	of which: related parties	2017	of which: related parties
Revenue					
Revenue	34	5,760,358	210,096	5,939,976	196,824
Other income	34	123,451	12,529	167,265	13,545
Total revenue		**5,883,809**		**6,107,241**	
Operating expenses					
Purchases	35.1	(1,161,046)	(116)	(1,117,594)	-
Subcontracts	35.2	(1,505,428)		(1,715,581)	(860)
Services	35.3	(1,555,996)	(220,024)	(1,523,130)	(231,137)
Personnel expenses	35.4	(886,237)		(996,154)	
Other operating expenses	35.5	(222,265)	(744)	(174,630)	(1,192)
Amortisation, depreciation, provisions and impairment losses	35.6	(277,324)	(433)	(554,972)	(59,355)
Total operating expenses		**(5,608,296)**		**(6,082,061)**	
Operating profit		**275,513**		**25,180**	
Financing income (costs) and gains (losses) on equity investments					
Financial income	36.1	44,499	9,625	64,822	10,706
Financial expense	36.2	(146,542)	(361)	(134,886)	(727)
Net exchange gains (losses)	36.3	15,537		(122,838)	
Net financing costs		(86,506)		(192,902)	
Net gains on equity investments	37	9,122		100,109	
Net financing costs and net gains on equity investments		**(77,384)**		**(92,793)**	
Profit (loss) before tax		**198,129**		**(67,613)**	
Income tax expense	38	(77,952)		(14,534)	
Profit (loss) from continuing operations		**120,177**		**(82,147)**	
Loss from discontinued operations	20	(20,662)		(1,908)	
Profit (loss) for the year		**99,515**		**(84,055)**	
Profit (loss) for the year attributable to:					
Owners of the parent		59,921		(106,918)	
Non-controlling interests		39,594		22,863	

STATEMENT OF COMPREHENSIVE INCOME

(€'000)	Note	2016	2017
Profit for the year (a)		**99,515**	**(84,055)**
Items that may be subsequently reclassified to profit or loss, net of the tax effect:			
Exchange gains (losses) on the translation of foreign companies' financial statements	21	61,742	(114,400)
Net gains (losses) on cash flow hedges, net of the tax effect	21	7,581	(676)
Other comprehensive income (expense) related to equity-accounted investees	21	1,483	(14,936)
Items that may not be subsequently reclassified to profit or loss, net of the tax effect:			
Net actuarial gains (losses) on defined benefit plans	21	4,364	(4,323)
Other comprehensive income (expense) (b)		**75,170**	**(134,335)**
Comprehensive income (expense) (a) + (b)		**174,685**	**(218,390)**

Comprehensive income (expense) attributable to:			
Owners of the parent		131,561	(229,555)
Non-controlling interests		43,124	11,165

Earnings (loss) per share			
From continuing and discontinued operations	*40*		
Basic		0.12	(0.22)
Diluted		0.12	(0.22)
From continuing operations	*40*		
Basic		0.16	(0.22)
Diluted		0.16	(0.21)

STATEMENT OF CASH FLOWS

(€'000)	Note	2016 (*)	2017
Cash and cash equivalents	19	1,410,774	1,602,721
Current account facilities	22	(115,615)	(51,297)
Total opening cash and cash equivalents		**1,295,159**	**1,551,424**
Operating activities			
Profit (loss) from continuing operations		120,177	(82,148)
Amortisation of intangible assets	35	34,009	23,905
Depreciation of property, plant and equipment	35	226,812	194,707
Net impairment losses and provisions	35	16,503	336,361
Accrual for post-employment benefits and employee benefits	26	13,878	18,742
Net (gains) losses on the sale of assets		1,877	(2,260)
Deferred taxes	38	(5,761)	(89,665)
Share of loss of equity-accounted investees	37	(5,104)	(96,831)
Income taxes	38	83,713	104,200
Exchange gains (losses)	36	(15,537)	122,838
Net financing costs	36	102,043	70,063
Other non-monetary items		10,849	(12,825)
Cash flows generated by operating activities		**583,459**	**587,087**
Increase in inventories and contract work in progress		(557,589)	(374,997)
Decrease (increase) in trade receivables		(647,036)	293,418
Increase in progress payments and advances on contract work in progress	28	512,312	62,925
(Decrease) increase in trade payables		608,671	(201,599)
Increase in other assets/liabilities		(49,241)	(110,606)
Total changes in working capital		**(132,883)**	**(330,859)**
Increase in other items not included in working capital		(57,865)	(83,146)
Financial income collected		4,298	11,103
Interest expense paid		(76,140)	(91,270)
Income taxes paid		(64,742)	(92,741)
Cash flows generated by (used in) operating activities		**256,127**	**174**

(*) The 2016 figures have been restated for consistency and comparative reasons.

STATEMENT OF CASH FLOWS

(€'000)	Note	2016 (*)	2017
Investing activities			
Net investments in intangible assets	8	(2,422)	(899)
Investments in property, plant and equipment	7	(257,632)	(170,391)
Proceeds from the sale or reimbursement value of property, plant and equipment		61,287	62,151
Investments in non-current financial assets and capital transactions	10	(51,159)	(63,386)
Dividends and capital repayments from equity-accounted investees	10	27,270	20,164
Proceeds from the sale or reimbursement value of non-current financial assets		4,399	1,362
Acquisitions and/or sales of subsidiaries and business units net of cash and cash equivalents		(376,420)	11,276
Cash flows used in investing activities		**(594,677)**	**(139,723)**
Financing activities			
Dividends distributed	21	(43,655)	(59,579)
Allocation of stock options			
Capital injection by non-controlling interests in subsidiaries		(73)	970
Increase in bank and other loans	22	3,094,337	1,860,123
Decrease in bank and other loans	22	(2,547,252)	(1,835,487)
Change in other financial assets/liabilities		58,498	25,870
Cash flows generated by financing activities		**561,855**	**(8,103)**
Net cash flows from discontinued operations	**20**	**(1,180)**	**(1,908)**
Net exchange gains (losses) on cash and cash equivalents		**34,140**	**(118,700)**
Increase (decrease) in cash and cash equivalents		**256,265**	**(268,260)**
Cash and cash equivalents	19	1,602,721	1,320,192
Current account facilities	22	(51,297)	(37,028)
Total closing cash and cash equivalents		**1,551,424**	**1,283,164**

(*) The 2016 figures have been restated for consistency and comparative reasons.

STATEMENT OF CHANGES IN EQUITY

				Other reserves				
(€'000)	Note	Share capital	Share premium reserve	Legal reserve	Share capital increase related charges	Extraordinary and other reserves	Reserve for treasury shares	LTI reserve
As at January 2016	**21**	**544,740**	**120,798**	**101,535**	**(3,970)**	**136**	**(7,677)**	**139**
Allocation of profit and reserves	21			1,786				
Dividend distribution	21							
Change in consolidation scope	21							
Repurchase of treasury shares	21							4,103
Stock option	21							
Other changes and reclassifications	21							
Dividend distribution to non-controlling interests	21							
Profit for the year	*21*							
Other comprehensive income	*21*							
Comprehensive income	*21*	-	-	-	-	-	-	-
31 December 2016	**21**	**544,740**	**120,798**	**103,321**	**(3,970)**	**136**	**(7,677)**	**4,242**
As at 1 January 2017	**21**	**544,740**	**120,798**	**103,321**	**(3,970)**	**136**	**(7,677)**	**4,242**
Allocation of profit and reserves	21			3,230				
Dividend distribution	21							
Change in consolidation scope	21							
Stock option	21							2,103
Capital increase	21							
Dividend distribution to non-controlling interests	21							
Loss for the year	*21*							
Other comprehensive expense	*21*							
Comprehensive expense	*21*	-	-	-	-	-	-	-
31 December 2017	**21**	**544,740**	**120,798**	**106,551**	**(3,970)**	**136**	**(7,677)**	**6,345**

	Other comprehensive income (expense)								
Total other reserves	**Translation reserve**	**Hedging reserve**	**Actuarial reserve**	**Total other comprehensive income (expense)**	**Retained earnings**	**Profit (loss) for the year**	**Equity attributable to the owners of the parent**	**Non-controlling interests**	**Total**
90,163	**(11,194)**	**(8,085)**	**(5,273)**	**(24,552)**	**324,259**	**60,592**	**1,116,000**	**100,860**	**1,216,860**
1,786				-	58,806	(60,592)	-		-
-				-	(19,983)		(19,983)		(19,983)
-				-	(26,676)		(26,676)	35,562	8,886
4,103				-			4,103		4,103
-				-			-	(73)	(73)
-				-			-	525	525
-				-			-	(23,672)	(23,672)
-				-		*59,921*	*59,921*	*39,594*	*99,515*
-	*59,723*	*7,553*	*4,364*	*71,640*			*71,640*	*3,530*	*75,170*
-	*59,723*	*7,553*	*4,364*	*71,640*	-	*59,921*	*131,561*	*43,124*	*174,685*
96,052	**48,529**	**(532)**	**(909)**	**47,088**	**336,406**	**59,921**	**1,205,005**	**156,326**	**1,361,331**
96,052	**48,529**	**(532)**	**(909)**	**47,088**	**336,406**	**59,921**	**1,205,005**	**156,326**	**1,361,331**
3,230				-	56,691	(59,921)	-		-
-				-	(26,341)		(26,341)		(26,341)
-				-	174		174	(1,326)	(1,152)
2,103				-			2,103		2,103
-				-			-	970	970
-				-			-	(33,238)	(33,238)
-		*(2,865)*		*(2,865)*		*(106,918)*	*(109,783)*	*22,862*	*(86,921)*
-	*(118,984)*	*3,535*	*(4,323)*	*(119,772)*			*(119,772)*	*(11,696)*	*(131,468)*
-	*(118,984)*	*670*	*(4,323)*	*(122,637)*	-	*(106,918)*	*(229,555)*	*11,166*	*(218,389)*
101,385	**(70,455)**	**138**	**(5,232)**	**(75,549)**	**366,930**	**(106,918)**	**951,386**	**133,898**	**1,085,284**

Notes to the consolidated financial statements

1. Basis of preparation

Salini Impregilo S.p.A. (the “parent” or “Salini Impregilo”) has its registered office in Italy. These consolidated financial statements at 31 December 2017 include the financial statements of the parent and its subsidiaries (the “Group”). The Group, created by the reverse merger of the Salini and Impregilo Groups, is a global player in the large-scale infrastructure sector.

Salini Impregilo Group has prepared its consolidated financial statements at 31 December 2017 on a going concern basis. As required by Regulation 1606/2002 issued by the European Parliament and Council, implemented in Italy by Legislative decree no. 38/2005, these consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

The format and content of these consolidated financial statements comply with the disclosure requirements of article 154-ter of the Consolidated Finance Act.

The accounting policies adopted to draw up these consolidated financial statements at 31 December 2017 are consistent with those used to prepare the 2016 annual consolidated financial statements, to which reference should be made, except for the changes summarised in note 2.

2. Changes in standards

The following amendments became applicable for annual periods beginning on or after 1 January 2017:

- Amendments to IAS 12 - Income taxes – Recognition of deferred tax assets for unrealised losses;
- Amendments to IAS 7 - Statement of cash flows – Disclosure initiative;
- Amendments to IFRS 12 - Disclosure of interests in other entities.

Adoption of the above amendments did not significantly affect the Group’s consolidated financial statements.

This section lists the standards, amendments and interpretations published by the IFRS and endorsed by the European Union but which became applicable after 31 December 2017.

Standard/Interpretation	IASB application date
Amendments to IFRS 4 - Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts	1 January 2018
IFRS 15 - Revenue from contracts with customers (and Clarification to IFRS 15 - Revenue from contracts with customers)	1 January 2018
IFRS 9 - Financial instruments	1 January 2018
Amendments to IFRS 2 - Share-based payment - Classification and measurement of share-based payment transactions	1 January 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle	1 January 2018
Amendments to IAS 40 - Transfers of investment property	1 January 2018
IFRS 16 - Leases	1 January 2018

The Group has not adopted the above standards in advance.

The standards, amendments and interpretations published by the IASB and the International Financial Reporting Standards Interpretations Committee (IFRS-IC) but not yet endorsed by the competent EU bodies at the reporting date are set out below:

Standard/Interpretation	IASB application date
IFRS 17 - Insurance contracts	1 January 2021
IFRIC 22 - Foreign currency transactions and advance consideration	1 January 2018
IFRIC 23 - Uncertainty over income tax treatment	1 January 2019
Amendments to IFRS 9 - Prepayment features with negative compensation	1 January 2019
Amendments to IAS 28 - Long-term interests in associates and joint ventures	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 cycle (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	1 January 2019

Adoption of the above standards will not significantly affect the Group's consolidated financial statements. The Group has commenced a specific adoption project for IFRS 9, IFRS 15 and IFRS 16. Information thereon is provided below.

IFRS 9 - Financial instruments

The IASB published the final version of IFRS 9 - Financial instruments in July 2014. The standard is applicable to annual reporting periods beginning on or after 1 January 2018. Early adoption is allowed.

IFRS 9 introduces new rules for the classification and measurement of financial instruments, especially financial assets, based on the business model under which they are held and their cash flow characteristics. The standard classifies financial assets into three main categories based on the measurement method: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The categories envisaged by IAS 39, i.e., held-to-maturity, loans and receivables and available-for-sale have been eliminated.

The standard introduces the measurement of impairment losses using the expected credit loss model rather than the incurred loss model provided for under IAS 39. The new model entails development of judgement about the impact of changes in economic factors on the expected credit losses, which are weighted by probability.

IFRS 9 also introduces a new hedge accounting model aligned to the entity's risk management policies. The exemption from application of the fair value measurement to unlisted equity investments has been eliminated. The standard also requires new and more detailed disclosures about hedge accounting, credit risk and expected credit losses.

The standard is applicable to annual reporting periods beginning on or after 1 January 2018 and shall be applied retrospectively, with the possibility to use some simplifications.

Given the characteristics of its business sector, the introduction of new methods to estimate impairment losses on financial assets should not significantly affect the Group's current measurement methods. This is based on the fact that the indicators used to quantify credit risk currently used under IAS 39, such as client risk, country risk and the assessment of relevant macroeconomic information already reflects a valuation method based on expected risk.

IFRS 15 - Revenue from contracts with customers
The IASB issued the new standard in May 2014 to unify in one standard the rules for revenue recognition previously included in several standards and interpretations (including IAS 18 - Revenue, IAS 11 - Construction contracts and IFRIC 13 - Customer loyalty programmes).

IFRS 15 provides that revenue is to be recognised using a five-step model as set out below:

1. Identify the contract with a customer;
2. Identify the performance obligations (distinct elements that are part of a single contract but are separated for accounting purposes) in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract;
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also covers contract costs, contract modifications and financial statements disclosures.

The Group has decided to apply IFRS 15 retroactively, recognising the cumulative effects on opening equity at the first application date (1 January 2017 as this is the opening date of the comparative figures). It has opted to use certain simplifications provided for in the new standard to recalculate the opening balances.

As part of the ongoing IFRS 15 project, the Group has performed a preliminary estimate of the effects of applying IFRS 15 for the first time on its consolidated financial statements as required by IAS 8.

It has estimated the effects on equity at 1 January and 31 December 2017 considering the valuations made to date and summarised below. The actual effects of adoption of IFRS 15 at 1 January and 31 December 2017 may be different as, inter alia:

- the procedure to implement IFRS 15 is ongoing; specifically, the

Group is finalising implementation of the necessary changes in the contract revenue and cost estimation process to comply with the standard. Group revenue is directly affected by this process as it measures contract work in progress using the percentage of completion method. Therefore, it cannot be excluded that additional effects on equity may be identified upon completion of this implementation project compared to those set out below;

- the Group has not yet completed the testing and assessment of its controls over the new contract revenue and cost estimation systems;
- the new measurement criteria may undergo interpretation changes up until presentation of the first set of consolidated financial statements after the application date of IFRS 15;
- the Group's initial estimate of the impact of IFRS 15 on its equity at 1 January and 31 December 2017 is based on the current structure and nature of its ongoing contracts and the economic and political situations of the countries where it operates on first-time adoption. Therefore, it cannot be excluded that events may take place after the date of publication of this report that would have different effects on equity compared to those set out below.

The ongoing implementation project has led to identification of the following key differences compared to the provisions of IAS 11 and IAS 18 currently applied by the Group, based on the five-step model set out above:

1. **Identify the contract with a customer.** The contract is usually easily identifiable as being the tender contract. In addition to the guidance for identifying the contract, IFRS 15 establishes rules for the combination of two or more contracts agreed concurrently or nearly concurrently with the same customer (or related parties of the customer). Some related services mostly concerning relationships with partners of SPEs set up to carry out contracts are being assessed in detail and, at present, the Group does not expect them to have a significant effect on equity at 1 January and 31 December 2017.

   The initially estimated effect on equity at 1 January and

31 December 2017 due to the different method of combining contracts is a decrease of €2,682 thousand and €1,189 thousand, respectively.

2. **Identify the performance obligations (distinct elements that are part of a single contract but are separated for accounting purposes) in the contract**. The performance obligation is usually the entire project, as provided for in the contract, given that the different services are strongly inter-dependent and integrated and are aimed at transferring the project as a whole. However, some transactions with customers include additional services that are directly or indirectly related to the contract.

   The main performance obligations considered by the Group as distinct and that led to a change in the revenue recognition criteria are:

   a) maintenance services provided after the work has been completed;

   b) additional or different contract warranties compared to those provided for by law or normal sector practices.

   The initially estimated effect on equity at 1 January and 31 December 2017 due to the identification of distinct performance obligations is a decrease of €297 thousand and €286 thousand, respectively.

3. **Determine the transaction price**. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the infrastructure to the customer. To determine this amount, the Group considers various factors including:

   - variable consideration;
   - significant financing components;
   - consideration payable to a customer; and
   - non-cash consideration.

The Group specifically analysed the variable consideration which, together with that provided for by IFRS 15 about contract modifications, includes the issue of additional consideration. Under IAS 11, the Group currently recognises additional consideration if it has been substantially approved by the customer or, if not yet approved, when supported by valuations made by external consultants and/or documentation presented by contractual bodies.

IFRS 15 provides that revenue recognition is tied to enforceable rights and that it must be highly probable that the revenue shall not be reversed in the future.

The main variable consideration elements that generate impacts on opening equity are:

a) claims;

b) consideration for optional works and provisional sums.

The Group has performed a preliminary estimate of the effect on equity at 1 January and 31 December 2017 of the different measurement of contract modifications and variable consideration, which is a decrease of €95,405 thousand and €92,518 thousand, respectively, including claims of €91,248 thousand and €91,856 thousand, respectively, that the Group does not deem highly probable will be agreed.

4. **Allocate the transaction price to the performance obligations**. Further to that set out in point 2, this will not give rise to particularly significant issues.

5. **Recognise revenue when (or as) the entity satisfies a performance obligation**. In the Group's case, revenue shall be recognised over time as it satisfies the performance obligations given that:

- the customer controls the contract work as it is being built; and

- the construction work creates an asset (infrastructure) for which an alternative use to that for which it is being constructed does not exist and the Group has the right to collect the consideration for the services over the contract term.

The Group currently recognises revenue in accordance with IAS 11 using the percentage of completion approach and the cost-to-cost method. It does not believe this method needs to be changed following introduction of IFRS 15 as it is one of the input-based methods envisaged by the new standard. The Group currently deems that this is the most appropriate method as it best reflects the transfer of control of the work under construction to the customer. However, it has revised the cost-to-cost calculation method to better align the costs considered (input) with the transfer of control of the work under construction to the customer, as required by IFRS 15.

The initially estimated effect on equity at 1 January and 31 December 2017 due to the review of the input data calculation method is a decrease of €10,382 thousand and €11,331 thousand, respectively.

Furthermore, IFRS 15 has introduced new guidance for the recognition of contract costs, distinguishing between the cost to obtain the contract and the cost to fulfil the contract.

The new standard requires a different accounting treatment of some contract cost categories with the capitalisation of incremental costs of obtaining a contract and the costs incurred to fulfil the contract that generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future ("pre-operating costs").

The Group has performed a preliminary estimate of the effect on equity at 1 January and 31 December 2017 of the different accounting treatment of contract costs, which is a decrease of €25,878 thousand and €26,058 thousand, respectively.

The following table shows the Group's estimate of the possible effect on opening equity at 1 January 2017 of application of IFRS 15, net of the tax effect:

(€'000)	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total
Equity at 31 December 2016	1,205,005	156,326	1,361,331
Estimate of IFRS 15 effect	(134,644)	(6,135)	(140,779)
Equity at 1 January 2017	1,070,361	150,191	1,220,552

The following table shows the Group's preliminary estimate of equity at 31 December 2017, net of the tax effect:

(€'000)	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total
Equity at 31 December 2017	951,386	133,898	1,085,284
Estimate of IFRS 15 effect	(131,382)	(2,111)	(133,493)
Equity at 1 January 2018	820,004	131,787	951,791

IFRS 16 - Leases

The IASB issued this standard in January 2016. It introduces a single method to account for leases in the financial statements of the lessee, eliminating the distinction between operating and finance leases, so that the lessee recognises an asset for the right to use an underlying asset and a lease liability. The standard includes exemptions when the lease term is 12 months or less or the underlying asset has a low value.

IFRS 16 replaces the current standards on leases, including IAS 17 - Leases, IFRIC 4 - Determining whether an arrangement contains a lease, SIC 15 - Operating leases - Incentives and SIC 27 - Evaluating the substance of transactions in the legal form of a lease.

IFRS 16 is applicable to annual periods beginning on or after 1 January 2019. Early application is permitted if IFRS 15 has also been applied, but the Group does not currently plan to avail of this option.

3. Non-current assets held for sale and discontinued operations

USW Campania
At 31 December 2017 and as already noted in previous years, the Group decided that the conditions for application of IFRS 5 - Non-current assets held for sale and discontinued operations continued to exist for the USW Campania projects. Therefore, it has recognised the USW Campania project net assets and operations separately in the statement of financial position and statement of profit or loss.

Due to reasons outside the Group's control, the period for completion of the sale has extended beyond the year allowed by IFRS 5. Despite this, the Group's commitment to finalising the sale remains unchanged. Therefore, the directors have not deemed it necessary to change the accounting treatment of the assets in question as provided for in IFRS 5.9.

Reference should be made to the "Main risk factors and uncertainties" section in the Directors' report for more information.

4. Basis of presentation

The Group's consolidated financial statements include the financial statements of the parent, Salini Impregilo, and the Italian and foreign operating companies controlled directly or indirectly by Salini Impregilo.

The financial statements at 31 December 2017 approved by the internal bodies of the consolidated companies, where applicable, have been used for consolidation purposes.

The financial statements are prepared by adopting the parent's accounting policies. Where necessary, consolidation adjustments are made to make the items affected by different accounting policies consistent.

A list of the companies and other Salini Impregilo Group entities included in the consolidation scope is set out in the annexes with the schedules showing changes therein during the year.

Consolidated financial statements

The Group opted to present its consolidated financial statements at 31 December 2017 in line with previous years as follows:

- Current and non-current assets and current and non-current liabilities are presented separately in the statement of financial position. Current assets and liabilities are those expected to be realised, sold, used or settled in the Group's normal operating cycle, which usually exceeds 12 months. Non-current assets and liabilities include non-current assets, deferred tax assets, employee benefits, deferred tax liabilities and other balances expected to be realised, sold, used or settled after the Group's normal operating cycle, i.e., more than twelve months after the reporting date.
- The statement of profit or loss gives a classification of costs by nature and shows the profit or loss before "Financing income (costs) and gains (losses) on equity investments" and income taxes. The profit or loss from continuing operations, the profit or loss from discontinued operations and the profit or loss attributable to non-controlling interests and that attributable to the owners of the parent are also presented.
- The statement of comprehensive income shows all non-owner changes in equity.
- The statement of cash flows presents the cash flows from operating, investing and financing activities separately. The indirect method is used.

Basis of consolidation

The consolidated financial statements have been prepared by consolidating the financial statements at 31 December 2017 of Salini Impregilo, the parent, and the Italian and foreign companies which the parent directly or indirectly controls.

Control exists when the Group has the power to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities. Generally speaking, control is presumed to exist when the Group holds more than half of the voting rights either directly or indirectly.

Entities or companies over which Salini Impregilo has joint control, by virtue of an investment therein or specific contractual arrangements, are consolidated as follows pursuant to IFRS 11:

- on a line-by-line basis according to the investment percentage, if they are joint operations;
- at equity, if they are joint ventures.

Investments in associates are measured using the equity method.

The financial statements used for consolidation are modified (made consistent) and reclassified to comply with the Group's accounting policies in line with the currently applicable IFRS.

The financial statements used are expressed in the functional currency, being the local currency or another currency in which most of the economic transactions and assets and liabilities are denominated.

Financial statements expressed in currencies other than the Euro are translated into Euros by applying the closing rates to the statement of financial position items and the average annual rates to the statement of profit or loss items, as these approximate the spot rates.

Differences arising from the translation of the opening equity using the closing rates and from the translation of assets and liabilities at the spot rate and the statement of profit or loss items at the average annual rate are taken to the translation reserve.

The exchange rates used to translate the foreign currency financial statements into Euros are as follows:

Currency	Closing rate 31 December 2016	2016 average rate	Closing rate 31 December 2017	2017 average rate
ZAR South Africa Rand	14.457	16.264484	14.8054	15.049
BRL Brazilian Real	3.4305	3.856143	3.9729	3.6054
COP Colombian Peso	3,169.492188	3,376.933171	3,580.19	3,336.1675
PEN Nuevo Sol	3.540195	3.735626	3.8854	3.68329
AED United Arab Emirates Dirham	3.869601	4.063441	4.4044	4.14753
ARS Argentine Peso	16.748806	16.342012	22.931	18.7408
AUD Australian Dollar	1.4596	1.488282	1.5346	1.4732
BGN Bulgarian New Lev	1.9558	1.9558	1.9558	1.9558
DZD Algerian Dinar	116.378965	121.09718	137.8343	125.3194
INR Indian Rupee	71.5935	74.371691	76.6055	73.5324
LYD Libyan Dinar	1.515532	1.530435	1.6313	1.57368
MYR Malaysian Ringgit	4.7287	4.583548	4.8536	4.8527
NGN Nigerian Naira	332.305025	285.446874	367.0458	350.9375
PES Chilean Peso	704.945187	748.476663	737.29	732.607
PLN Polish Zloty	4.4103	4.363207	4.177	4.257
RUB Russian Ruble	64.3	74.144565	69.392	65.9383
SAR Saudi Riyal	3.954456	4.151666	4.4974	4.23664
SGD Singapore Dollar	1.5234	1.527539	1.6024	1.5588
TRY Turkish Lira (new)	3.7072	3.343253	4.5464	4.1206
USD US Dollar	1.0541	1.106903	1.1993	1.1297
NAM Namibian Dollar	14.457	16.264484	14.8054	15.049
CHF Swiss Franc	1.0739	1.090155	1.1702	1.1117
GBP British Pound	0.85618	0.819483	0.88723	0.87667
DOP Dominican Peso	49.185993	50.897019	57.7931	53.6286
PKR Pakistani Rupee	110.46968	115.915499	132.7211	118.9911
QAR Qatari Riyal	3.836924	4.029127	4.3655	4.11204
DICOM Venezuela	709.605822	709.605822	4,014	4,014

When an investment in a consolidated entity is sold, the accumulated gain or loss recognised in equity is released to profit or loss.

The consolidation criteria used to prepare these consolidated financial statements may be summarised as follows:

- subsidiaries are consolidated on a line-by-line basis, whereby:
    - assets and liabilities, costs and revenue shown in the subsidiaries' financial statements are fully recognised, regardless of the size of the investment therein;
    - the carrying amount of the investment is eliminated against the Group's share of its equity;
    - the main transactions between consolidated entities, including dividends distributed among group companies, are eliminated;
    - non-controlling interests are shown separately under equity and their share of the profit or loss for the year is similarly shown separately in the statement of profit or loss;
- Investments in associates and joint ventures are measured using the equity method whereby the carrying amount of the investment is adjusted to consider:
    - standardisation to comply with with the group accounting policies, where necessary;
    - the parent's share of the profits or losses of the investee realised after the acquisition date;
    - modifications arising from changes in equity of the investee that are not taken to profit or loss as per the relevant IFRS;
    - dividends distributed by the investees;
    - any greater value paid at acquisition (measured using the same criteria set out in the section on "Business combinations") and managed pursuant to the relevant standard;
    - the share of the profit or loss deriving from application of the equity method, which is taken to profit or loss;

- Interests in joint ventures that qualify as joint operations are recognised by the investor to the extent of its share of the rights and obligations held.

Dividends, reversals of impairment losses and impairment losses on investments in consolidated companies, gains and losses on the intragroup exchange of investments in consolidated entities and the related tax effects are eliminated.

Gains and losses arising from transactions between consolidated companies, which are not realised directly or indirectly through transactions with third parties, are eliminated. Unrealised intragroup losses are recognised when the transaction shows an impairment of the transferred asset.

Business combinations

Business combinations are recognised using the acquisition method set out in IFRS 3 (revised in 2008). Accordingly, the consideration for a business combination is measured at fair value, being the sum of the fair value of the assets acquired and liabilities assumed or incurred by the Group at the acquisition date and the equity instruments issued in exchange for control of the acquired entity. Transaction costs are recognised in profit or loss when incurred.

The contingent consideration, included as part of the transfer price, is measured at acquisition-date fair value. Any subsequent changes in fair value are recognised in profit or loss.

The identifiable assets acquired and the liabilities assumed are recognised at their acquisition-date fair value.

Goodwill is measured as the difference between the aggregate of the consideration transferred, the amount of any non-controlling interests (NCI) and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree and the net fair value of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the difference is negative, the resulting gain is recognised as a bargain purchase in profit or loss.

NCI can be measured at fair value or at its proportionate share of the fair value of the net assets of the acquiree at the acquisition date. The measurement method is decided on a transaction by transaction basis.

Business combination achieved in stages (step acquisition)

In the case of step acquisitions, the Group's existing investment in the acquiree is measured at fair value on the date that control is obtained. Any resulting adjustments to previously recognised assets and liabilities are recognised in profit or loss. Therefore, the previously held investment is treated as if it had been sold and reacquired on the date that control is obtained.

Transactions involving NCI

Changes to the investment percentage of a subsidiary that does not entail loss of control are treated as equity transactions. Therefore, any differences between the acquisition price and the related share of equity in subsequent acquisitions of investments in entities already controlled by the Group are recognised directly in equity. With respect to partial disposals of an investment in a subsidiary while control is retained, any gain or loss is recognised in equity.

Basis of preparation

The accounting policies adopted to draw up the Group's consolidated financial statements at 31 December 2017 comply with the IFRS and are consistent with those used to prepare the 2016 consolidated financial statements, except for the amendments enacted after 1 January 2017, summarised in the section on the "Changes in standards".

Property, plant and equipment

Accounting policies

Salini Impregilo Group has opted to recognise property, plant and equipment at purchase or production cost net of accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis using rates determined based on the assets' residual possible use. The annual rates are as follows:

Category	Depreciation rate
Land	-
Buildings	3%
Plant and machinery	from 10% to 20%
Industrial and commercial equipment	from 25% to 40%
Other assets	from 12% to 25%

Land and buildings, plant and machinery with a carrying amount to be recovered mainly through their sale (rather than the asset's continuing use) are measured at the lower of their carrying amount and fair value less costs to sell. Assets held for sale shall be available for immediate sale and their sale shall be highly probable (i.e., the related commitments already exist). Their price shall be reasonable compared to their fair value.

Assets acquired as a result of business combinations are recognised at fair value at the acquisition date and remeasured within a year. Such amount reflects their purchase cost.

After their initial recognition, they are measured at cost, depreciated over their estimated useful lives and shown net of any impairment losses.

When an asset consists of different significant components with different useful lives, the significant components are recognised and subsequently measured separately.

The carrying amount of property, plant and equipment is tested for impairment whenever events or changes in circumstances take place indicating that the carrying amount may not be recovered. Reference should be made to the section on "Impairment of non-financial assets" for details on impairment testing.

Borrowing costs directly related to the acquisition or construction of an asset are capitalised as part of the cost of the asset, to the extent of its recoverable amount. As established by IAS 23 - Borrowing costs, the Group has applied this method to all qualifying assets.

Borrowing costs are capitalised when the costs of the acquisition of the asset and borrowing costs are incurred, and the activities necessary to bring the asset to a condition for its use have been started.

The costs provided for but not yet paid related to qualifying assets are excluded from the amount to be capitalised.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

Moreover, capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Subsequent expenditure is only capitalised if it increases the future economic benefits of the related asset. All other expenditure is expensed when incurred.

Ordinary maintenance costs are fully expensed when incurred. Costs that increase the carrying amount of assets are allocated thereto and depreciated over their residual economic lives.

Dismantlement and restoration costs of assets used for contract work in progress are added to the cost of the related asset and depreciated in line with the depreciation pattern of the asset to which they refer when they are foreseeable and objectively determinable.

Leasehold improvements are classified in the different items of property, plant and equipment on the basis of their nature. They are depreciated over the shorter of the estimated useful life of the relevant asset and the residual term of the lease.

Leased property, plant and equipment

Assets held under finance leases whereby all the risks and rewards of ownership are substantially transferred to the Group are recognised as group assets and classified as property, plant and equipment. The related liability to the lessor is shown under financial liabilities. The lease payment is split into the interest expense, taken to the statement of profit or loss, and the principal repayment, offset against the financial liability. The carrying amount of the leased asset is determined considering its fair value or, if lower, the present value of the minimum future lease payments.

The depreciation method and subsequent measurement are consistent with those applied to non-leased assets.

Leases where the lessor retains all the risks and rewards of ownership are treated as operating leases. The initial negotiation costs incurred for this type of lease increase the value of the related lease and are recognised over the lease term in order to match the revenue generated by the leased asset. Operating lease payments are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

Rights to infrastructure under concession

These rights are covered by IFRIC 12 - Service concession arrangements, issued by the International Financial Reporting Interpretations Committee (IFRIC), which regulates the recognition and measurement of concession arrangements between public sector entities and private sector operators. It was endorsed by the European Commission with EC regulation 254/2009 dated 25 March 2009 and its application is mandatory for financial statements drawn up under IFRS beginning from the year after which it was endorsed. Therefore, the Group has applied IFRIC 12 since 2010.

The criteria adopted by the Group to apply the interpretation to its concessions are set out below.

Scope and measurement

Scope: IFRIC 12 is applicable to service concession arrangements when the grantor is a public body and the operator is a private entity, when the following conditions are met:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- the grantor controls – through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement.

<u>Measurement of the revenue arising from the concession arrangement:</u> the operator acts as the service provider (construction and management of the work) and recognises the revenue for the construction and upgrade services in accordance with IAS 11 - Construction contracts and the revenue from management of the infrastructure in line with IAS 18 - Revenue.

The grantor pays the operator a consideration for the construction/upgrade services, to be recognised at fair value, which may consist of rights to:

- a financial asset (financial asset model);
- an intangible asset (intangible asset model);
- both ("mixed" model).

The first model is applicable when the operator has an unconditional contractual right to receive a specified or determinable amount of cash. The second is applicable when the operator acquires the right to charge for use of a public sector asset that it constructs or upgrades. The amounts are contingent on the extent to which the public uses the service (demand risk). Finally, the third model is applicable when both of the above situations are present. In this case, the intangible asset is determined as the difference between the fair value of the investment made and the present value of the financial asset obtained by discounting the cash flows from the minimum specified amount.

The Group's concession arrangements (via the operators consolidated on a line-by-line or proportionate basis) fall under the intangible asset model except for two immaterial concessions held by the subsidiaries of HCE Costruzioni Generali S.p.A., wholly owned by the parent, which fall under the "mixed model". The financial asset model is applicable to certain equity-accounted associates.

Recognition of the intangible asset: the intangible asset is recognised during construction of the infrastructure. The main identified cases are as follows:

- *Arrangements that cover the construction of a new infrastructure*: the operator recognises the intangible asset in line with the stage of completion of the construction project. During construction, the operator recognises revenue and costs in line with IAS 11 - Construction contracts.
- *Arrangements that cover management of an existing infrastructure and its extension or upgrading against which the operator acquires specific additional financial benefits*: the operator recognises an increase in the intangible asset as the construction services are provided for these construction and/or upgrade services to be recognised under IAS 11 - Construction contracts.
- *Arrangements that cover management of an existing infrastructure and specific obligations to extend or upgrade it against which the operator does not acquire additional specific financial benefits*: at initial recognition, the operator recognises a liability equal to the present value of the forecast outlay for the construction services to be provided in the future with, as a balancing item, an additional component of the intangible asset for the contract consideration, which begins to be amortised.

Contractual obligations for the infrastructure's efficiency levels: given that the operator does not meet the requirements for recognition of the infrastructure as "Property, plant and equipment", the accounting treatment differs depending on the nature of the work carried out and can be spit into two categories: (i) work related to normal maintenance of the infrastructure; (ii) replacement and scheduled maintenance at a future date.

The first category relates to normal ordinary maintenance of the infrastructure, the cost of which is recognised in profit or loss when incurred, also under IFRIC 12. Given that the interpretation does not provide for the recognition of the physical asset but of a right, the second category is recognised in line with IAS 37 - Provisions, contingent liabilities and contingent assets, which requires: (i) recognition of an accrual to a provision in profit or loss; and (ii) recognition of a provision for charges in the statement of financial position.

Amortisation of the intangible asset: amortisation of the intangible asset recognised for the rights acquired under the concession arrangement is calculated in line with paragraph 97 of IAS 38 - Intangible assets: "The amortisation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method shall be used".

Goodwill and intangible assets with indefinite lives

Goodwill and other intangible assets with indefinite lives are recognised at cost net of impairment losses.

Goodwill acquired as part of a business combination is measured as the difference between the aggregate of the acquisition-date fair value of the consideration considered, the amount of any NCI and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree, and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill deriving from acquisitions is not amortised. It is tested annually for impairment or whenever conditions arise that presume impairment as per IAS 36 - Impairment of assets.

For impairment testing purposes, goodwill acquired as part of a business combination is allocated at the acquisition date to each of the cash-generating units (or groups of cash-generating units - CGU) that will benefit from the acquisition. The carrying amount of goodwill is monitored at cash-generating unit level for internal management purposes.

Impairment is determined by defining the recoverable amount of the cash-generating unit (or group of units) to which the goodwill is allocated. When the recoverable amount of the CGU (or group of CGUs) is lower than the carrying amount, an impairment loss is recognised. When goodwill is allocated to a CGU (or group of CGUs), the asset of which has been partly disposed of, the goodwill allocated to the disposed of asset is considered to determine any gain or loss deriving from the transaction. In this case, the transferred goodwill is measured using the amounts related to the disposed of asset compared to the asset still held by the unit.

Other intangible assets

Other intangible assets acquired or generated internally are recognised under assets in accordance with IAS 38 - Intangible assets when it is probable that the use of the asset will generate future economic benefits and the cost of the asset can be measured reliably. Those assets with finite useful lives are measured at acquisition or development cost and amortised on a straight-line basis over their estimated useful lives. Recoverability of their carrying amount is checked by using the criteria set out in the section on “Impairment of non-financial assets”.

Other non-current assets (recognised in Other assets)

Other non-current assets mainly consist of loans and receivables and claims related to completed or nearly completed contracts and companies in liquidation when their liquidation plan provides for the realisation of the assets after twelve months from the reporting date.

These assets are measured at their estimated realisable value, by recognising allowances to adjust their carrying amount accordingly. Claims are only recognised for the amounts matured and that part which is held to be reasonably recoverable. The estimated realisable value is discounted if the time value of money is material depending on when settlement is expected to take place.

Impairment of non-financial assets

If there is any indication that an intangible asset or an item of property, plant and equipment is impaired, the recoverable amount of the asset is estimated to determine the amount of the impairment loss. Goodwill is tested at least annually for impairment.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

If a binding sales agreement does not exist, fair value is estimated using the observable prices of an active market, recent transactions or the best information available to reflect the amount the entity could obtain by disposing of the asset.

Value in use is determined by discounting the estimated future cash flows expected to arise from the continuing use of an asset, net of taxes, and, if reasonably determinable, from its disposal at the end of its useful life. Discounting is applied by using a post-tax discount rate which reflects the current market assessments of the time value of money and the risks specific to the asset.

The assessment is made for individual assets or the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets from its continuing use (cash-generating unit). An impairment loss is recognised when the recoverable amount is lower than the carrying amount. If the reasons for the impairment loss are no longer valid, the impairment loss (except in the case of goodwill) is reversed and the adjustment is taken to profit or loss as a reversal of impairment losses. A reversal of impairment losses is recognised to the extent of the lower of the recoverable amount and original carrying amount less depreciation/amortisation that would have been recognised had the impairment loss not been recognised.

Inventories of goods

Inventories of goods are measured at the lower of average purchase cost and net realisable value.

Cost includes the directly related costs and estimated realisable value is determined using the replacement cost of the asset or similar assets.

Any write-downs are eliminated in subsequent years when the reasons therefor are no longer valid.

Contract work in progress and revenue from construction contracts

Contract work in progress consists of work performed net of progress billings issued to customers. When final payment of the consideration is made, the related progress billings and advances are recognised under “Operating revenue” in the statement of profit or loss, with the related variation in inventories. The provision for contractual risks directly offsets inventories and is set up to cover possible charges and losses on contracts performed either directly by the Group or as part of a joint venture.

Contract work in progress is measured considering the consideration agreed with the customer and the stage of completion of the work.

Revenue related to contract work in progress is recognised using the stage of completion method.

The stage of completion is determined using the cost to cost method whereby the percentage of completion (the ratio between costs incurred and total estimated costs) is applied to the total estimated revenue.

Given the engineering and operating complexity, size and length of time involved in completing contracts, the additional considerations are measured before an agreement is reached with the customer. The measurement of contract work in progress is based on estimates about contract revenue and costs. These estimates include claims for additional considerations if they have been substantially approved by the customer, or, if not yet approved by the customer, are supported by appraisals made by third party consultants and/or documentation prepared by contractual bodies (arbitration tribunals, dispute review boards, dispute adjudication boards, etc.).

In the case of events that take place after the reporting date but before the consolidated financial statements are approved, which provide additional information about expected profits or losses on the contract, this additional information is considered when determining the contract revenue or costs to be incurred to complete the contract and for the recognition of any profits or losses.

When total contract costs exceed total contract revenue, the loss to complete the contract is recognised as an expense immediately.

The contract costs, included in the cost to cost calculation, may be classified as:

- pre-operating costs, which include costs incurred during the start-up stage of the contract, before construction starts, such as the costs of design and specific studies carried out for the contract; organisation and production start-up costs and building site start-up costs. These pre-operating costs are included in the stage of completion calculation and in the cost to cost calculation once they have been incurred. During the initial stage of the contract, they are included in the carrying amount of contract work in progress, if recoverable, without recognising any contract output when the contract profit or loss cannot be reliably estimated;

- contract operating costs, which include those directly attributable to the contract (e.g., materials, subcontracting, labour, amortisation and depreciation, compulsory purchases, any directly attributable borrowing costs, etc.). They are recognised on an accruals basis and included in the calculation of the stage of completion;
- post-operating costs, which include site dismantlement costs generally incurred after the contract has been closed to remove the installations (or entire sites) and to return the machinery or plant to the Group's premises or transfer them to another site. This category also includes losses on abandoned materials and the cost of transporting unused materials. They are included in the contract estimate and, therefore, if incurred during the contract term, they are comprised in the calculation of the progress billings. Therefore, no specific accruals are made to the statement of profit or loss;
- costs for services to be rendered after completion of the contract, which mainly relate to services rendered after the contract has been completed. They may include assistance and supervision provided in the early stages of use of the plant or scheduled maintenance. If the contract does not include specific additional considerations for these services and the contract may be "closed" for accounting purposes (contracts are usually closed once work is completed and the customer has accepted the end result), the costs to be incurred to render these services when the contract is closed in the accounting records should be estimated and provided for in the specific items. These costs are included in the calculation to determine the contract revenue.

Real estate projects

Closing inventories of real estate projects are those real estate areas developed with a view to selling them. They are measured at the lower of cost and estimated realisable value. Costs incurred consist of the consideration paid for purchasing the areas and related charges, construction costs and borrowing costs related to the project up to and not exceeding its completion.

Financial assets and liabilities

Measurement and presentation of financial instruments are covered by IAS 39 and IAS 32, respectively, while the disclosure is presented in accordance with IFRS 7.

The financial instruments used by the Group are classified as follows: financial assets or financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

Financial assets or financial liabilities at fair value through profit or loss

This category includes derivatives that do not meet hedge accounting requirements.

Fair value gains or losses on derivatives in this category are recognised as "Financing income (costs)" in profit or loss when they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are measured at amortised cost, as detailed further on, and any gains or losses arising therefrom are recognised as "Financing income (costs)" in profit or loss.

This category includes the following items:

- **Trade receivables and payables and other assets and liabilities**

Trade receivables and other assets are recognised at amortised cost, net of impairment losses determined on the basis of their estimated recoverable amount calculated by analysing each position and the total non-collection risk, considering counterparty risk and the risk profile of some countries.

If the collection date is postponed and exceeds normal collection times for the sector, these receivables are discounted.

All factored receivables that do not meet the requirements for derecognition under IAS 39 continue to be recognised in the Group's consolidated financial statements even when they have been legally transferred. They are thus included as assets and a financial liability of the same amount is recognised.

Trade payables and other liabilities are recognised at amortised cost, allocating interest to the statement of profit or loss based on the effective interest rate, being the rate that exactly discounts estimated future cash payments through to the carrying amount of the related asset.

- **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term, highly liquid investments with a term of less than three months. This item is shown in the statement of cash flows net of bank borrowings at the reporting date.

- **Loans and borrowings and bonds**

Loans and borrowings and bonds are initially recognised at cost, being the fair value of the consideration received less transaction costs.

After initial recognition, loans are measured at amortised cost, whereby repayments are determined using the effective interest method with a rate which matches, at initial recognition, the expected cash flows with the initial carrying amount.

Loan transaction costs are classified under liabilities decreasing the loan; amortised cost is calculated considering these costs and any discounts or premiums expected at settlement.

The effects arising from the recognition at amortised cost are taken to “Financing income (costs)”.

- **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. They are recognised at amortised cost and interest accrued thereon is taken to profit or loss under “Financial income” using the effective interest method.

- **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial instruments that are not classified in the other categories. They include the following items:

- **Equity investments**

Investments in entities other than subsidiaries, associates, joint operations and joint ventures (reference for which should be made to the section on "Consolidation scope") are classified as "Equity investments" at the time of their acquisition and are included in the available-for-sale financial assets category required by IAS 39.

Since they mainly relate to consortia and consortium companies of which the Group holds less than 20%, in accordance with IAS 39, such investments are stated as non-current assets measured at cost, adjusted for impairment, since their fair value cannot be determined.

Investments in listed companies belonging to this category are measured at fair value and the related fair value gains or losses are recognised in equity. Material or prolonged decreases in their fair value that are evidence of impairment are, therefore, transferred from equity to profit or loss and offset against the relevant reserve.

Dividend income from such financial instruments is recognised in profit or loss under financial income when the group companies holding the investments are given the right to such dividend.

Fair value of financial instruments

The fair value of financial instruments has been estimated as follows:

- The fair value of financial instruments traded on an active market is based on the market price at the reporting date. This method has been applied especially to listed financial instruments classified as "Available-for-sale financial assets" and financial instruments classified as "Held-to-maturity investments".
- The fair value of the derivatives classified as "Hedging derivatives" and "Financial assets and financial liabilities at fair value through profit or loss" is measured using the Discounted Cash Flow Model. With respect to interest rate swaps, future cash flows are estimated using the implicit forward rate of the market Euro curve at 31 December 2017 and 2016, while the forward exchange rate market prices at the relevant reporting date are used for currency forward transactions.

- The fair value of loans and receivables is determined, for disclosure purposes in the notes, on the basis of the present value of their future cash flows discounted at a rate equal to the current interest rates applicable in the relevant markets and the average spread agreed by the Group. The fair value measurement of loans takes account of the Group's credit risk and uses the rate curves in the different currencies with reference to the reporting date.

Derecognition of financial assets and liabilities

(a) Financial assets

A financial asset (or, where applicable, part of a financial asset or parts of a group of similar financial assets) is derecognised when:

- the contractual rights to the cash flows from the financial asset expire;
- the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in full and immediately;
- the Group transfers the contractual rights to receive the cash flows of the asset and has transferred substantially all the risks and rewards of ownership of the financial asset and the related control.

When the Group has transferred the contractual rights to receive the cash flows of the financial asset and has neither transferred nor retained substantially all the risks and rewards or has retained control, it continues to recognise the asset to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of guaranteeing the transferred asset is measured at the lower of the initial carrying amount of the asset and the maximum amount of the consideration that the Group could be required to pay.

(b) Financial liabilities

Financial liabilities are derecognised when the underlying obligation is extinguished, cancelled or settled.

When an existing financial liability is exchanged with another by the same lender at substantially different terms, or the terms of an existing liability are substantially modified, this exchange or modification is treated as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amounts is recognised in profit or loss.

Impairment of financial assets

If there is any indication that a financial asset is impaired, the recoverable amount of the asset is estimated to determine the amount of the impairment loss.

Derivatives and hedging transactions

Salini Impregilo Group has derivatives recognised at fair value when the related agreement is signed and for subsequent fair value changes. The treatment of the related fair value gains or losses changes depending on whether the conditions for hedge accounting are met, as described below.

Salini Impregilo Group has derivatives to hedge currency and financial risks. At the inception of the transaction, it documents the hedging relationship, its risk management and strategy objectives in entering into the transaction, the hedging instrument and hedged item or transaction and the nature of the hedged risk. Moreover, at the inception of the transaction and thereafter on an ongoing basis, the Group documents whether or not the hedge meets the effectiveness requirements to offset its exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk.

Based on the above-mentioned documentation, derivatives used for specific hedging purposes are classified and recognised as follows:

(a) Fair value hedge - If a derivative is designated as a hedge of exposure to changes in the fair value of an asset or liability due to a specific risk that may affect profit or loss, the gain or loss deriving from the subsequent measurement of the fair value of the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item, related to the hedged risk, changes the carrying amount of this item and is recognised in profit or loss.

(b) Cash flow hedge - If a derivative is designated as a hedge of exposure to changes in cash flows of an asset or liability or a highly probable transaction that could affect profit or loss, the effective part of the gains or losses on the financial instrument is recognised in equity. The cumulative gain or loss is reclassified from equity to profit or loss in the same period in which the hedged transaction is recognised. The gain or loss related to a hedge or part of a hedge which has become ineffective is taken to profit or loss immediately. If a hedging instrument or a hedging relationship is closed, but the hedged transaction has not yet taken place, the cumulative gains and losses, recognised in equity up to then, are reclassified to profit or loss when the transaction takes place. If it is unlikely the hedged transaction will take place, the unrealised gains and losses recognised in equity are immediately reclassified to profit or loss.

"Hedging purposes" are assessed in strategic terms. When they do not meet the requirements of IAS 39 for hedge accounting, the derivatives are classified as "Financial assets or financial liabilities at fair value through profit or loss".

Employee benefits

- *Defined benefit plans and defined contribution plans*

The Group has pension plans for its employees that are classified either as defined benefit plans or defined contribution plans depending on their characteristics. Defined benefit plans include the benefits the employees will receive when they retire and which are usually dependent on one or more factors such as age, years of service and remuneration. The Group recognises a liability for these defined benefits equal to the present value of its obligation at year end, including any adjustments for unrecognised costs related to past service less the fair value of the plan assets. The Group calculates its liability once a year using the projected unit credit method. Present value is calculated by discounting the future outlays using the interest rate applied to high quality corporate bonds with a currency and term consistent with the currency and estimated term of the post-employment benefit obligations. Actuarial gains and losses on defined benefit plans arising from changes in the underlying assumptions or in the plan conditions are recognised in other comprehensive income in the period in which they arise. Past service cost is expensed immediately. The Group pays benefits to public and private pension funds on a mandatory, contractual or voluntary basis for the defined contribution plans. The contributions are recognised as personnel expense.

The Group contributes to multi-employer pension plans via its US subsidiaries. These plans pool the assets contributed by the various entities to provide benefits to the employees of more than one entity determining the contribution and benefit levels without regard to the identity of the entity that employs the employees concerned. The Group recognises these plans as defined contribution plans.

- *Short-term and long-term benefits*

Short-term employee benefits, that is, payable within twelve months of the end of the year in which the employees rendered the service, are recognised as a cost and as a liability for the undiscounted amount of benefits expected to be paid in exchange for that service. Long-term benefits, such as remuneration to be paid after twelve months of the end of the year in which the employees rendered the service, are recognised as liabilities for an amount equal to the present value of the benefits at the reporting date.

- *Post-employment benefits*

Post-employment benefits are recognised at the present value of the Group's liability determined in line with ruling legislation and national and in-house labour agreements. The valuation, based on demographic, financial and turnover assumptions, is carried out by independent actuaries. The gains and losses resulting from the actuarial calculation are recognised in profit or loss if related to service costs and interest expense or in comprehensive income if relating to assets and liabilities.

The 2007 Finance Act and related implementing decrees introduced significant changes to legislation governing Italian post-employment benefits, effective as from 1 January 2007. These include the option given to employees, to be exercised before 30 June 2007, of where to allocate their future benefits. Specifically, employees can opt to allocate them to selected pension funds or maintain them with the company, in which case, the latter shall pay the contributions to the treasury fund of INPS (the Italian social security institution).

Following these changes, the Italian post-employment benefits accruing after the date of the employees' decision and, in any case, after 30 June 2007, are considered part of a defined contribution plan and treated like all other social security contributions.

- *Share-based payments*

Share-based payments are measured at fair value of the option at the grant date. This amount is recognised in the statement of profit or loss on a straight-line basis over the vesting period. This treatment is based on an assessment of the stock options that will effectively vest in favour of the qualifying employees. Fair value is determined using the share price at the grant date.

Income taxes

Current taxes are provided for using the enacted tax rates and laws ruling in Italy and other countries in which the Group operates, based on the best estimate of the taxable profit for the year.

Group companies net tax assets and liabilities when this is legally allowed.

The parent set up the national tax consolidation system pursuant to article 117 and subsequent articles of Presidential decree no. 917/86 on 1 January 2004. In 2017, Salini Impregilo and 12 of its Italian subsidiaries joined the system, which is regulated by the specific consolidation mechanisms.

Deferred tax assets and liabilities are calculated on the basis of the temporary differences between the tax base of an asset or liability and its carrying amount. Deferred tax assets are recognised when the Group holds their recovery to be probable.

The carrying amount of deferred tax assets is reviewed at each reporting date and, to the extent necessary, is decreased when it is no longer probable that sufficient taxable profits will be available in the future to use all or part of the related benefit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively, and are netted at company level if related to taxes that may be offset. If the balance is positive, it is recognised as "Deferred tax assets", if not, as "Deferred tax liabilities".

Taxes that could arise from the transfer of undistributed profits by subsidiaries are only calculated when the subsidiary has the positive intention to transfer such profits.

In the case of transactions recognised directly in equity, the related deferred tax asset or liability also affects equity.

Provisions for risks and charges

In accordance with IAS 37, the Group makes accruals to provisions for risks and charges when the following conditions exist:

- the Group or a group company has a present obligation (legal or constructive) at the reporting date as a result of a past event where an outflow of resources embodying economic benefits will be required to settle the obligation;
- it is probable that the obligation (through an outflow of resources) will have to be settled;
- a reliable estimate can be made of the amount of the obligation.

When the time value is material and the obligation payment dates can be estimated reliably, the amount recognised as the provision equals the pre-tax future cash flows (i.e., forecast outflows) discounted at a rate that reflects the present market value and risks specific to the liability.

The increase in the provision due to discounting is recognised as a financial expense.

When the expected cash flows are included in an estimate range with the same probability of occurrence, the median value is discounted to measure the liability.

Provision for restructuring costs is recognised when the parent or relevant group company has approved a detailed formal plan that has been implemented and communicated to the third parties involved.

Translation criteria for foreign currency items and translation of financial statements of consolidated companies or companies measured using the equity method expressed in currencies other than the Euro

The translation criteria for foreign currency items adopted by the Group are as follows:

- foreign currency monetary assets and liabilities are translated at the closing spot rate with any exchange rate gains or losses taken to the statement of profit or loss;
- non-monetary assets and liabilities are recognised at historical cost denominated in the foreign currency and translated using the historical exchange rate;
- revenue and costs related to foreign currency transactions are recognised in profit or loss at the exchange rate ruling on the date of the transaction;
- any material effects deriving from changes in exchange rates after the reporting date are disclosed in the notes.

With respect to the translation of financial statements of consolidated companies or companies measured using the equity method and expressed in currencies other than the presentation currency (functional currency), reference should be made to the section on the "Basis of consolidation".

The Group has applied IAS 29 - Financial reporting in hyperinflationary economies for its subsidiaries and associates that prepare their financial statements in a functional currency of a hyperinflationary economy. This standard requires that the financial statements of an entity, whose functional currency is that of a hyperinflationary economy, be translated at the closing spot rate. The statement of financial position items not yet translated into Euros at the reporting date are redetermined using a general price index. All the statement of profit or loss items are translated into Euros at the exchange rate ruling on the date the revenue and costs were initially recognised.

Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

Assets held for sale are recognised as such when the following events take place:

- signing of a binding sales agreement;
- approval and communication of a formal sales plan by directors.

In order to be correctly measured, the assets shall be:

- available for immediate sale in their present condition;
- subject only to terms that are usual and customary for sales of such assets, and
- the sale must be highly probable and expected to take place within twelve months.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of an entity that either has been disposed of or classified as held for sale and that meets any of the following criteria: i) it represents a separate major line of business or geographical area of operations; ii) it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or iii) it is a subsidiary acquired exclusively with a plan to resell.

The profit or loss from discontinued operations is disclosed separately in the statement of profit or loss. As required by paragraph 34 of IFRS 5 - Non-current assets held for sale and discontinued operations, the corresponding prior year figures are reclassified accordingly.

Revenue recognition

- Operating and other revenue

Revenue is measured to the extent it is probable that the economic benefits will flow to the Group and the related amount can be determined reliably.

Revenue from the sale of goods is recognised when the Group has shipped the goods and has transferred all the material risks and rewards of ownership to the buyer. Revenue from construction contracts is recognised as provided for in the related Standard, described below.

When the outcome of a construction contract can be estimated reliably, contract revenue is recognised by reference to the stage of completion of the contract activity at the reporting date based on the ratio of the costs incurred up to the reporting date to the total estimated contract costs, unless this is held to not represent the stage of completion of the contract.

Changes in the contract and price revisions are recognised to the extent that they are reasonably certain.

Revenue is recognised only to the extent of contract costs incurred that it is probable will be recovered. Contract costs are recognised as an expense in the year in which they are incurred.

- Interest income

Interest income is recognised on an accruals basis, considering the principal and applicable effective interest rate, i.e., the rate that discounts the estimated future inflows over the expected life of the financial asset to return it to its carrying amount.

- Dividends

Dividends are recognised when the investors' right to receive payment arises in line with local ruling legislation.

Earnings per share

Basic earnings per share are calculated as the ratio of the profit or loss for the year attributable to the holders of the ordinary shares of the parent to the weighted number of ordinary shares outstanding during the year. Diluted earnings per share are calculated considering the potential diluting effect of exercise of their rights by the holders of rights that potentially have a diluting effect on shares when calculating the number of outstanding shares.

Operating segments

The operating segments comply with the reporting system provided to group management which is in charge of allocating the resources and assessing the results obtained by the segments. The Group's management and organisational structure presents the segments according to a geographic breakdown in macro-areas, on the basis of the Italian, foreign and Lane Group segments.

The intrasegment transfer prices related to the exchange of goods and services are agreed at normal market conditions.

Significant accounting estimates

Preparation of financial statements and the related notes in accordance with the IFRS requires the directors to make judgements and estimates that affect the carrying amount of assets and liabilities and financial statements disclosures. The estimates are used to:

- recognise goodwill (see section 5 "Business combinations");
- determine amortisation and depreciation (see the "Property, plant and machinery", "Leased property, plant and equipment", "Rights to infrastructure under concession" and "Other intangible assets" paragraphs of the "Accounting policies" section);
- recognise impairment losses (see the "Impairment of non-financial assets" paragraph of the "Accounting policies" section);
- recognise employee benefits (see the "Employee benefits" paragraph of the "Accounting policies" section);
- recognise taxes (see the "Income taxes" paragraph of the "Accounting policies" section);

- recognise provisions for risks and charges (see the "Provisions for risks and charges" paragraph of the "Accounting policies" section);
- determine contract revenue, including claims for additional consideration, total contract costs and the related stage of completion (see the "Contract work in progress and revenue from construction contracts" paragraph of the "Accounting policies" section). A significant part of the Group's activities is typically performed on the basis of contracts which provide that a specific consideration is agreed when the contract is awarded. This implies that the profits on these contracts may undergo change compared to the original estimates depending on the recoverability of greater expenses and/or costs the Group may incur during performance of such contracts. Recognition of additional consideration by associates may entail adjustment of their equity due to standardisation with the Group's accounting policies.

The actual results may differ from those estimated due to uncertainties underlying the assumptions and the conditions on which the estimates are based.

Fundamental assumptions about the future and other reasons for uncertainty when making the estimates at the reporting date that may lead to material adjustments to the carrying amount of the assets and liabilities are described in the specific section of the Directors' report on the main risk factors and uncertainties.

Impairment - Venezuela

The Group estimated the impairment losses on the Venezuelan assets in line with the guidance given in IAS 39 - Financial assets: recognition and measurement. Independent experts assisted management to prepare a discounted cash flow model based on the following inputs:

a) expected reduction in the assets' nominal amount;

b) expected duration of the restructuring process;

c) expected repayment period after completion of the restructuring process;

d) expected reimbursement method.

Management estimated the above inputs, including the expected reduction in the assets' nominal amount, using information obtained from public sources, whose validity is confirmed by their use in many academic papers and international organisations' studies. Specifically, it used the analyses of Professor Trebesch's analysis (June 201), "Sovereign Default and Crisis Resolution" for the expected reduction in the assets' nominal amount. The sample used is based on 180 cases of sovereign default from 1970 to 2010.

With respect to the expected duration of the restructuring process, the assumptions are based on empirical data in Professor Trebesch's analysis, which considers a sample of 90 cases from 1980 to 2007 and divides the timing into stages (start, negotiation and implementation, where the last stage consists of either announcement of an agreement with the creditors or the renegotiation of bonds on the regulated market).

Assumptions about the expected repayment period after the crisis has been resolved were based on Moody's recent study "Sovereign Default and Recovery Rates, 1983-2016" as well as that of M. Tomz and M. L. J. Wright (2012), "Empirical Research on Sovereign Debt and Default".

With respect to the fourth input, the expected reimbursement method, the model assumes that repayment will either take place (i) in equal instalments or (ii) in increasing instalments.

Management used the assumptions to prepare a cash flow discount model based on the original effective rate of return of 9.7%.

Given the high level of uncertainty implicit in this type of valuation, the Group engaged a second independent expert to assess the reasonableness of the results obtained from the use of the above model and its reasonableness was confirmed.

5. Business combinations

The PPA procedure for the acquisitions of Lane Industries Incorporated and Asphalt Roads and Material Company Inc. (Virginia Beach) was completed in 2017.

Reference should be made to the 2016 Annual Report for detailed information about this procedure.

Other changes in the consolidation scope

No significant changes in the consolidation scope took place during the year.

6. Segment reporting

Segment reporting is presented according to macro geographical regions, based on the management review approach adopted by senior management, for the '"Italy", "Abroad" and "Lane Group" geographical segments.

Costs relating to activities which are carried out by the parent, Salini Impregilo, called "Corporate" costs, are attributed to the Italy segment and relate to:

- planning of human and financial resources;
- coordination and assistance with the group companies' administrative, tax, legal/corporate and institutional and business communications requirements.

These costs amounted to €155.4 million in 2017 compared to €158.4 million for the previous year.

Management measures the segments' results by considering their operating profit.

It measures their equity structure using their net invested capital.

Disclosures on the Group's performance by business segment are set out in the Directors' report. The consolidated financial statements figures are summarised below by business segment.

STATEMENT OF PROFIT OR LOSS BY BUSINESS SEGMENT - 2016

(€'000)	Italy (*)	Abroad	Lane Group	Total
Revenue	455,685	4,007,094	1,297,579	5,760,358
Other income	83,895	33,624	5,932	123,451
Total revenue	**539,580**	**4,040,718**	**1,303,511**	**5,883,809**
Operating expenses				
Production costs	(385,963)	(2,939,307)	(897,200)	(4,222,470)
Personnel expenses	(187,147)	(352,469)	(346,621)	(886,237)
Other operating expenses	(61,996)	(150,545)	(9,724)	(222,265)
Total operating expenses	**(635,106)**	**(3,442,321)**	**(1,253,545)**	**(5,330,972)**
Gross operating profit (loss)	**(95,526)**	**598,397**	**49,966**	**552,837**
Gross operating profit margin %	*-17.7%*	*14.8%*	*3.8%*	*9.4%*
Amortisation, depreciation, provisions and impairment losses	(64,891)	(176,609)	(35,824)	(277,324)
Operating profit (loss)	**(160,418)**	**421,788**	**14,143**	**275,513**
Return on Sales				*4.7%*
Financing income (costs) and gains (losses) on equity investments				(77,384)
Profit before tax				**198,129**
Income tax expense				(77,952)
Profit from continuing operations				**120,177**
Loss from discontinued operations				(20,662)
Profit for the year				**99,514**

(*) The operating profit includes the costs of the central units and other general costs of €158.4 million.

STATEMENT OF PROFIT OR LOSS BY BUSINESS SEGMENT - 2017

(€'000)	Italy (*)	Abroad	Lane Group	Total
Revenue	457,252	3,974,012	1,508,711	5,939,976
Other income	42,899	117,029	7,337	167,265
Total revenue	**500,152**	**4,091,041**	**1,516,048**	**6,107,241**
Operating expenses				
Production costs	(330,477)	(2,975,125)	(1,050,702)	(4,356,305)
Personnel expenses	(178,597)	(405,322)	(412,235)	(996,154)
Other operating expenses	(48,323)	(104,818)	(21,489)	(174,630)
Total operating expenses	**(557,398)**	**(3,485,265)**	**(1,484,427)**	**(5,527,089)**
Gross operating profit (loss)	**(57,246)**	**605,776**	**31,621**	**580,152**
Gross operating profit margin %	*-11.4%*	*14.8%*	*2.1%*	*9.5%*
Amortisation, depreciation, provisions and impairment losses	(64,604)	(457,972)	(32,394)	(554,972)
Operating profit (loss)	**(121,850)**	**147,804**	**(773)**	**25,180**
Return on Sales				*0.4%*
Financing income (costs) and gains (losses) on equity investments				(92,793)
Loss before tax				**(67,613)**
Income tax expense				(14,534)
Loss from continuing operations				**(82,147)**
Loss from discontinued operations				(1,908)
Loss for the year				**(84,055)**

(*) The operating profit includes the costs of the central units and other general costs of €155.4 million.

The figures for Lane Group in the above tables are its IFRS-compliant figures. They do not include the non-controlling investments in joint ventures included under "JV not controlled by Lane" as presented in the Directors' report.

The Group monitors the key figures of Lane Group for management purposes adjusting the IFRS figures prepared for consolidation purposes to present the results of the non-subsidiary joint ventures consolidated on a proportionate basis. These figures show the status of contracts managed directly by Lane or through non-controlling investments in joint ventures. Reference should be made to the section on "Initial considerations on the comparability of data" of the Directors' report for more information.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 BY BUSINESS SEGMENT

(€'000)	Italy	Abroad	Lane Group	Total
Non-current assets	431,911	447,928	468,619	1,348,457
Assets held for sale, net	6,032	-	-	6,032
Provisions for risks	(83,663)	(16,297)	(5,805)	(105,765)
Post-employment benefits and employee benefits	(14,444)	(12,762)	(64,724)	(91,930)
Net tax assets (liabilities)	219,177	(73,073)	(27,762)	118,342
Working capital	**190,898**	**200,351**	**45,761**	**437,010**
Net invested capital	**749,911**	**546,147**	**416,089**	**1,712,147**
Equity				1,361,331
Net financial position (indebtedness)				350,816
Total financial resources				**1,712,147**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 BY BUSINESS SEGMENT

(€'000)	Italy	Abroad	Lane Group	Total
Non-current assets	381,399	495,650	398,438	1,275,487
Assets held for sale, net	5,683	-	-	5,683
Provisions for risks	(103,543)	9,177	(7,165)	(101,531)
Post-employment benefits and employee benefits	(14,962)	(12,213)	(58,548)	(85,724)
Net tax assets (liabilities)	316,327	(46,823)	(8,830)	260,674
Working capital	**590,029**	**(194,943)**	**38,220**	**433,307**
Net invested capital	**1,174,933**	**250,849**	**362,114**	**1,787,896**
Equity				1,085,284
Net financial position (indebtedness)				702,612
Total financial resources				**1,787,896**

STATEMENT OF FINANCIAL POSITION

7. Property, plant and equipment

Property, plant and equipment amount to €675.3 million, down from the 31 December 2016 figure by €127.8 million. The historical cost and carrying amount are given in the following table:

(€'000)	31 December 2016			31 December 2017		
	Cost	Acc. depreciation	Carrying amount	Cost	Acc. depreciation	Carrying amount
Land	60,107	-	60,107	53,249	-	53,249
Buildings	145,914	(62,920)	82,994	149,300	(67,945)	81,355
Plant and machinery	1,287,576	(733,247)	554,329	1,185,790	(739,995)	445,795
Industrial and commercial equipment	114,007	(98,026)	15,981	118,389	(99,314)	19,075
Other assets	103,439	(47,918)	55,521	97,657	(50,705)	46,952
Assets under const. and payments on account	34,107	-	34,107	30,351	(1,500)	28,851
Total	**1,745,150**	**(942,111)**	**803,039**	**1,634,736**	**(959,459)**	**675,277**

Prior year changes are summarised below:

(€'000)	31 December 2015	Increases	Depreciation	(Imp. losses)/ Reversals of imp. losses	Reclass.	Disposals	Net exchange gains (losses) and other changes	Change in cons. scope	31 December 2016
Land	5,354	376	-	-	-	(793)	1,407	53,763	60,107
Buildings	78,670	21,518	(20,581)	-	(22,173)	(3,970)	1,200	28,330	82,994
Plant and machinery	450,378	210,763	(188,974)	-	25,199	(54,805)	2,962	108,806	554,329
Industrial and commercial equipment	18,802	9,832	(11,429)	-	252	(1,146)	(82)	(248)	15,981
Other assets	12,959	3,941	(5,828)	-	191	(546)	1,190	43,614	55,521
Assets under const. and payments on account	28,202	11,204	-	-	(3,469)	(1,903)	249	(176)	34,107
Total	**594,365**	**257,634**	**(226,812)**	**-**	**-**	**(63,163)**	**6,926**	**234,089**	**803,039**

Changes during the year are summarised below:

(€'000)	31 December 2016	Increases	Depreciation	Reversals of imp. losses/ (Imp. losses)/ Reval.	Reclass.	Disposals	Net exchange gains (losses) and other changes	Change in cons. scope	31 December 2017
Land	60,107	255	-	-	-	(311)	(6,801)	-	53,249
Buildings	82,994	17,225	(14,757)	1,822	531	(1,104)	(5,136)	(220)	81,355
Plant and machinery	554,329	127,612	(164,328)	-	159	(44,459)	(27,392)	(126)	445,795
Industrial and commercial equipment	15,981	14,088	(9,417)	-	110	(825)	(862)	-	19,075
Other assets	55,521	3,467	(6,205)	-	(481)	(101)	(5,596)	346	46,952
Assets under const. and payments on account	34,107	7,742	-	-	(319)	(11,220)	(1,459)	-	28,851
Total	**803,039**	**170,389**	**(194,707)**	**1,822**	**-**	**(58,020)**	**(47,246)**	**-**	**675,277**

The most significant changes include:

- increases of €170.4 million, mainly related to investments for foreign contracts including the Forrestfield - Airport Link - Perth (Australia) (€47.9 million), Lane Group (€24.0 million), the Collegamenti Integrati Veloci consortium (CO.C.I.V.) (€16.0 million) and the Tajikistani project (€14.0 million);
- depreciation for the year of €194.7 million;
- disposals of €58.0 million, principally related to plant and machinery. These disposals mostly refer to contracts nearing completion.

The closing balance at 31 December 2017 includes leased assets of €145.8 million recognised under "Buildings" (€0.4 million), "Plant and machinery" (€145.0 million), "Industrial and commercial equipment" (€0.3 million) and "Other assets" (€0.10 million).

8. Intangible assets

Intangible assets amount to €127.7 million, down from the 31 December 2016 figure by €41.1 million. The historical cost and carrying amount are given in the following table:

(€'000)	31 December 2016			31 December 2017		
	Cost	Acc. amortisation	Carrying amount	Cost	Acc. amortisation	Carrying amount
Rights to infrastructure under concession	72,718	(9,469)	63,249	47,766	(2,621)	45,145
Contract acquisition costs	200,154	(97,511)	102,643	199,565	(118,584)	80,981
Other	8,526	(5,655)	2,871	8,084	(6,542)	1,542
Total	**281,398**	**(112,635)**	**168,763**	**255,415**	**(127,747)**	**127,668**

The rights to infrastructure under concession of €45.1 million decreased compared to the previous year-end balance.

Prior year changes are as follows:

(€'000)	31 December 2015	Increases	Amortisation	Net exchange losses	31 December 2016
SA.BRO.M.	43,491	738	-	-	44,229
Parking Glasgow	19,452	-	(962)	(1,276)	17,214
Mercovia	1,943	543	(382)	(298)	1,806
Total	**64,886**	**1,281**	**(1,344)**	**(1,574)**	**63,249**

Changes of the year are detailed in the following table:

(€'000)	31 December 2016	Increases	Amortisation	Impairment losses	Net exchange losses	Disposals	31 December 2017
SA.BRO.M.	44,229	158	-	(578)	-	-	43,809
Parking Glasgow	17,214	-	(471)	-	(197)	(16,546)	-
Mercovia	1,806	362	(420)	-	(412)	-	1,336
Total	**63,249**	**520**	**(891)**	**(578)**	**(609)**	**(16,546)**	**45,145**

The main contributor to this item is SA.BRO.M.. The Group expects to recover its carrying amount based on the outcome of the contract. The item is not amortised as the concession is currently inoperative.

Disposals relate to the sale of the investment in Parking Glasgow finalised on 14 July 2017.

No indications of impairment were identified during the year and, therefore, the Group did not perform the impairment test.

Contract acquisition costs include considerations paid to purchase stakes in projects/contracts representing intangible assets with a finite useful life, which are amortised in line with the stage of completion of the related contracts.

At 31 December 2017, contract acquisition costs amounted to €81.0 million.

Prior year changes are as follows:

(€'000)	31 December 2015	Increases	Amortisation	Disposals	Change in consolidation scope	31 December 2016
Cociv (Milan - Genoa railway section)	44,366	-	(3,791)	-	-	40,575
Riyadh Metro - Saudi Arabia	56,551	-	(17,719)	-	-	38,832
Iricav Due (Verona - Padua railway section)	12,510	-	-	-	-	12,510
Other	14,287	-	(9,611)	19	6,031	10,726
Total	**127,714**	**-**	**(31,121)**	**19**	**6,031**	**102,643**

The item and changes of the year are analysed in the following table:

(€'000)	31 December 2016	Increases	Amortisation	Net exchange losses	31 December 2017
Cociv (Milan - Genoa railway section)	40,575	-	(3,299)	-	37,276
Riyadh Metro - Saudi Arabia	38,832	-	(10,997)	-	27,835
Iricav Due (Verona - Padua railway section)	12,510	-	-	-	12,510
Other	10,726	-	(7,252)	(114)	3,360
Total	**102,643**	**-**	**(21,548)**	**(114)**	**80,981**

With respect to Iricav Due (Verona - Padua section), amortisation of the acquisition cost will commence when work starts.

There are no indicators of impairment for the contracts to which the acquisition costs refer.

Other intangible assets amount to €1.5 million, down €1.3 million from the 31 December 2016 figure. The historical cost and carrying amount are given in the following table:

(€'000)	31 December 2016			31 December 2017		
	Cost	Acc. amortisation	Carrying amount	Cost	Acc. amortisation	Carrying amount
Industrial patents	74	(60)	14	154	(77)	77
Concessions	64	(64)	-	64	(64)	-
Software	7,292	(4,699)	2,593	6,961	(5,584)	1,377
Other	1,095	(831)	264	905	(817)	88
Total	**8,525**	**(5,654)**	**2,871**	**8,084**	**(6,542)**	**1,542**

Prior year changes are as follows:

(€'000)	31 December 2015	Increases	Amortisation	Reclass.	Disposals	Net exchange gains (losses)	Change in cons. scope	31 December 2016
Industrial patents	13	21	(20)	-	-	-	-	14
Concessions	2	-	(18)	-	-	16	-	-
Software	960	929	(1,333)	-	-	(3)	2,040	2,593
Other	246	191	(174)	-	-	(17)	18	264
Total	**1,221**	**1,141**	**(1,545)**	**-**	**-**	**(4)**	**2,058**	**2,871**

Changes during the year are set out below:

(€'000)	31 December 2016	Increases	Amortisation	Other changes	Disposals	Net exchange losses	Change in cons. scope	31 December 2017
Industrial patents	14	80	(17)	-	-	-	-	77
Software	2,593	299	(1,367)	-	-	(148)	-	1,377
Other	264	-	(82)	-	(84)	(10)	-	88
Total	**2,871**	**379**	**(1,466)**	**-**	**(84)**	**(158)**	**-**	**1,542**

9. Goodwill

Goodwill of €155.2 million at the reporting date entirely relates to the acquisition of Lane Group finalised in 2016. Note 5 - Business combinations in the 2016 Annual Report describes how goodwill is recognised.

For comparative purposes, prior year changes are as follows:

(€'000)	31 December 2015	4 January 2016, Lane acquisition	4 April 2016, Virginia Beach acquisition	Net exchange gains	31 December 2016
Lane (04/01/16)	-	144,065	-	3,953	148,018
Asphalt Roads and Materials Co. assets (04/04/16)	-	-	25,167	2,003	27,170
Total	**-**	**144,065**	**25,167**	**5,956**	**175,188**

Changes during the year are set out below:

(€'000)	31 December 2016	Increases	Impairment losses	Net exchange gains	31 December 2017
Lane (04/01/16)	148,018	-	-	(16,720)	131,298
Asphalt Roads and Materials Co. assets (04/04/16)	27,170	-	-	(3,289)	23,881
Total	**175,188**	**-**	**-**	**(20,009)**	**155,179**

The recoverability of the carrying amounts was checked by comparing the net invested capital of Lane Group, which is a separate CGU, with the related recoverable amounts, which are the estimated future cash flows arising from the assets' continuing use discounted to their net present value ("value in use").

The main assumptions adopted to calculate value in use are as follows:

- long-term growth rate: 1.9%;
- post-tax discount rate: 7.9%.

The Group has adopted the discount rate calculated based on the market cost of money and the asset sector's specific risk (Weighted Average Cost of Capital, WACC). Specifically, the Group considered the return rate on long-term government bonds and the average capital structure of a basket of comparable companies.

The CGU's recoverable amount has been calculated using the cash flow projections set out in the 2018-2021 four-year plan prepared and approved by management. The terminal value is based on a sustainable profit assumption, from which stable long-term operating cash flows have been estimated, on a going concern basis.

The Group also performed sensitivity analyses of the recoverable amount (a +/-0.5% increase/decrease in the growth and discount rates), considering the possible effect of changes in the reference parameters of the discount rate and terminal value.

The Group tested goodwill for impairment at the reporting date, which showed that the CGU's recoverable amount exceeds its carrying amount (net invested capital).

10. Equity investments

Equity investments increased by €115.9 million to €317.4 million.

(€'000)	31 December 2016	31 December 2017	Variation
Investments in subsidiaries	47	47	-
Investments in equity-accounted investees	183,509	295,886	112,377
Other investments	17,912	21,430	3,518
Total	**201,468**	**317,363**	**115,895**

The main changes that led to differences in the carrying amounts of the equity investments are summarised below:

(€'000)	31 December 2016	31 December 2017
Change in consolidation scope	42,087	1,839
Capital transactions	51,159	58,813
Acquisitions, capital injections and disinvestments	(4,855)	(4,035)
Share of profit of equity-accounted investees	5,545	94,772
Dividends from equity-accounted investees	(26,855)	(20,091)
Other changes including change in the translation reserve	3,133	(15,403)
Total	**70,214**	**115,895**

"Capital transactions" mainly relate to the recapitalisation of €53.4 million of the SPE Grupo Unidos por el Canal (Panama) and the capital injection of €5.2 million to the SPE M4.

The Group's share of profit of equity-accounted investees totals €94.8 million and mainly relates to the Argentine operator Autopistas del Sol (€90.1 million). The balance principally comprises the gain on equity invesments for the compensation of approximately €83 million provided for in the renegotiation contract agreed by the operator with the Argentine government. Reference should be made to the section on "Autopistas del

Sol" for further details. The overall effect on profit or loss is analysed in note 37 and includes the changes in the provision for risks on equity investments set out in note 27.

Dividends from equity-accounted investees mainly refer to the non-consolidated joint ventures of Lane Group.

The item "Change in consolidation scope" relates to the Group's investment in the Turkish operator Gaziantemp Hastane Saglik.

The carrying amount of the investment in Ochre Solutions Holdings Ltd was tested for impairment using the English operator's 2018-2039 business plan. Its cash flows were discounted using a rate of 5.3% (2016: 5.3%) to calculate the investment's recoverable amount. The Group also performed sensitivity analyses considering the potential effect of a change in the reference parameters. The resulting recoverable amount was higher than the investment's carrying amount and, therefore, it was not necessary to recognise an impairment loss. The Group also performed a specific impairment test for Consorcio Agua Azul S.A. based on the Peruvian operator's 2018-2028 business plan. Its cash flows were discounted using a rate of 6.9% (2016: 8.4%) in order to determine its recoverable amount. The Group again also performed sensitivity analyses considering the potential effect of a change in the reference parameters. The resulting recoverable amount was higher than the investment's carrying amount, showing that it was not impaired.

Investments in equity-accounted investees and other companies

Investments in equity-accounted investees and other companies increased to €317.3 million by €115.9 million compared to 31 December 2016.

(€'000)	31 December 2016	31 December 2017	Variation
Investments in associates	112,017	180,054	68,037
Investments in jointly controlled entities	86,643	134,856	48,213
Investments in other companies	2,761	2,406	(355)
Total	**201,421**	**317,316**	**115,895**

The increase is principally due to capital injections to the jointly controlled entity Grupo Unido por el Canal and changes in the Lane Group joint ventures.

Investments in associates, jointly controlled entities and other companies with a negative carrying amount, which are recognised in the provision for risks on equity investments (see note 27), increased to €4.1 million by €1.6 million compared to 31 December 2016.

(€'000)	31 December 2016	31 December 2017	Variation
Investments in associates	(1,744)	(1,511)	233
Investments in jointly controlled entities	(415)	(2,477)	(2,062)
Investments in other companies	(367)	(134)	233
Total	**(2,526)**	**(4,122)**	**(1,596)**

The amount recognised in profit or loss is as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Investments in associates	646	85,327	84,681
Investments in jointly controlled entities	5,964	11,405	5,441
Investments in other companies	(1,201)	47	1,248
Total	**5,409**	**96,779**	**91,370**

The classification of Salini Impregilo Group companies in line with the IFRS referred to earlier was based on the following guidelines:

(i) Paragraphs 5 and 6 of IFRS 10 were adhered to for assessing the existence of control. Group entities were only classified as subsidiaries when the Group has substantial rights over the investee's relevant activities, in exchange for the Group's exposure to variable returns from its involvement with the investee and the Group can use its power over the investee to affect the amount of the variable returns. These requirements are met when the Group holds sufficient voting rights to obtain the majority required in decisions for the governance bodies of the group entities in question.

(ii) Reference was made to paragraphs 4 and 5 of IFRS 11 to assess the existence of joint control. Joint control exists if the majorities required for decision-taking by the governance bodies of the group entities in question require the unanimous vote or qualified majorities that can only be reached with the consent of a specific group of investors.

(iii) With reference to the type of joint arrangements, in view of the fact that all joint arrangements in which the Group participates are structured through separate vehicles, reference was made to paragraph B15 of IFRS 11, analysing in particular the legal form of the separate vehicle and the terms of the contractual agreement. With reference to the situation at 31 December 2017 and 2016, only those entities not incorporated into legal entities and structured as separate vehicles that guarantee transparency of the rights and obligations of the parties are classified as joint operations.

Salini Impregilo Group's activities involve its participation in numerous SPEs that, especially in Italy, use the consortium structure, which works using a cost recharging system. Under IFRS 10 and IFRS 11, these entities have been classified as subsidiaries, associates and joint ventures, according to the guidelines set out above.

Although the investments in the associated consortium entities and entities subject to joint control are measured using the equity method, their revenues are nonetheless presented in the consolidated financial statements as the parent recognises the contract work in progress while the costs incurred by the entities are recharged to the parent and shown in a single cost item (classified among service costs). Therefore, in view of the fact that the relevant effects concerning consortium entities are already shown in the tables below, the details are not provided here.

Financial highlights of the significant associates

The group associates at 31 December 2017 that management considers significant for the Group are presented below. Their share capital consists solely of ordinary shares, which the Group holds directly. These companies primarily conduct their business in the country of their incorporation or registration.

Company	Head office	Registered office (if different to the head office)	Investment %	Nature of the relationship	Measurement method
Metro de Lima 2 S.A.	Peru	n/a	18.25%	(1)	Equity
Autopista del Sol S.A.	Argentina	n/a	19.82%	(2)	Equity

The activities of the above companies are key to the Group's activities. A description of the nature of Salini Impregilo Group's relationship with the above companies is provided below:

(1) the company is held directly by the parent and has a concession contract for the "Metro de Lima 2" project (Peru) for the concession, construction and operation of the infrastructure during the 35-year concession expiring in 2049. The governance system requires majority resolutions and Salini Impregilo's investment percentage means it can be classified as an associate.

(2) the company is held by the sub holding company Impregilo International Infrastructures N.V. and has a 30-year concession contract for the operation of the Buenos Aires Norte access infrastructure expiring in 2020.

The financial information relating to individually significant associates accounted for using the equity method is shown below. In addition, the financial information of the associates is reconciled with the carrying amount of the related investments.

The information shown reflects the carrying amounts in the associates' financial statements, adjusted to comply with group accounting policies.

(€'000)

METRO DE LIMA 2 S.A. (PERU)	31/12/2016	31/12/2017
Non-current assets		
Property, plant and equipment and intangible assets	291	149
Total non-current assets	**291**	**149**
Current assets		
Cash and cash equivalents and other financial assets	80,304	27,529
Other current assets	198,987	288,873
Total current assets	**279,291**	**316,402**
Total assets	**279,582**	**316,551**
Equity	**126,470**	**116,378**
Non-current liabilities		
Other non-current liabilities	3,023	5,405
Total non-current liabilities	**3,023**	**5,405**
Current liabilities		
Current financial liabilities	-	52,053
Other current liabilities	150,089	142,715
Total current liabilities	**150,089**	**194,768**
Total liabilities	**279,582**	**316,551**

(€'000 Group share)

METRO DE LIMA 2 S.A. (PERU)	31/12/2016	31/12/2017
Opening equity	**21,547**	**23,081**
Comprehensive income (expense) attributable to the owners of the parent	1,534	(1,842)
Closing equity	**23,081**	**21,239**
Carrying amount	**23,081**	**21,239**

(€'000)

METRO DE LIMA 2 S.A. (PERU)	2016	2017
Revenue	349,448	414,080
Operating expenses	(344,596)	(408,070)
Operating profit	**4,852**	**6,010**
Net financing income	1,739	1,743
Profit before tax	**6,591**	**7,753**
Income tax expense	(2,277)	(2,211)
Profit from continuing operations	**4,314**	**5,542**
Other comprehensive income (expense)	4,091	(15,633)
Profit (loss) for the year	**8,405**	**(10,091)**

(€'000) **AUTOPISTA DEL SOL S.A.**	31/12/2016	31/12/2017
Non-current assets		
Property, plant and equipment and intangible assets	198	11,311
Non-current financial assets	32	416,115
Total non-current assets	**230**	**427,426**
Current assets		
Cash and cash equivalents and other financial assets	32,789	22,835
Other current assets	7,059	9,287
Total current assets	**39,848**	**32,122**
Total assets	**40,078**	**459,548**
Equity	**-**	**421,552**
Non-current liabilities		
Non-current financial liabilities	4,062	3,647
Other non-current liabilities	**8,744**	**9,074**
Total non-current liabilities	**12,806**	**12,721**
Current liabilities	-	-
Other current liabilities	27,272	25,275
Total current liabilities	**27,272**	**25,275**
Total liabilities	**40,078**	**459,548**

(€'000 Group share) **AUTOPISTA DEL SOL S.A.**	31/12/2016	31/12/2017
Opening equity	**-**	**-**
Comprehensive income attributable to the owners of the parent	-	90,192
Dividends distributed	-	(6,641)
Closing equity	**-**	**83,551**
Carrying amount	**-**	**83,551**

(€'000) **AUTOPISTA DEL SOL S.A.**	2016	2017
Revenue	114,589	560,169
Operating expenses	(101,863)	(94,831)
Operating profit	**12,726**	**465,338**
Net financing income (costs)	(1,793)	1,888
Profit before tax	**10,933**	**467,226**
Income tax expense	(10,933)	(12,723)
Profit from continuing operations	**-**	**454,503**
Profit from discontinued operations	-	-
Other comprehensive income	-	556
Profit for the year	**-**	**455,059**

Autopistas del Sol S.A.

Autopistas del Sol S.A. ("Ausol") is an Argentine company in which Salini Impregilo S.p.A. has voting rights of 24% and the right to appoint a director. It holds this investment through its Dutch subsidiary Impregilo International Infrastructures N.V., which holds a stake of 19.818%. Given these rights, Ausol is classified as an associate for consolidation purposes. It was incorporated to construct and operate a motorway section in Argentina, based on a government concession agreement signed in 1994. The concession's original term was until 31 December 2020.

In 2002, following the economic crisis that hit Argentina, its government promulgated Law no. 25,561 (the "law") which nullified the provisions of the agreement with Ausol that established the value of the motorway fees in US dollars with a regular update based on the US consumer price index. Specifically, the US fees were converted into Argentine pesos at a 1:1 exchange rate. This law provision caused a significant imbalance in the financial plan provided for by the agreement originally prepared on the basis of USD fees.

Under the same law, the Argentine government commenced a public contract renegotiation process, which included the Ausol concession. Therefore, in 2004, the company signed a letter of intent with the Argentine government, followed by the renegotiation agreement signed on 16 December 2005, whereby the concession terms were to be amended in order to restore the original financial balance provided for in the 1994 agreement.

However, the Argentine government has never met its obligations to amend the concession taken on with the 2005 agreement. Therefore, in 2015, Ausol filed a formal claim requesting that the Argentine government meet its obligation to restore the financial balance provided for in the 1994 original concession.

Further to the formal claim filed in 2015, in February 2016, the Argentine government issued a decree containing the instructions for the relevant ministries for reaching an agreement with Ausol.

Ausol and the Argentinian government subsequently agreed on the motorway concession renegotiation agreement wording, which, inter alia, provides for:

- Ausol’s consent to limit its claims for the recovery of its investments to USD499,000,000 plus interest accrued from the effective date of the new concession up to the actual payment;
- an investment plan to improve and expand the current motorway infrastructure;
- the concession’s extension up to 2030, with an early termination option exercisable should the Argentine government repay USD499,000,000 plus interest accrued up to the payment date;
- the concession’s fee mechanism whereby the inflows from the motorway operation shall be used to: i) cover the operating expenses for the motorway section operation, ii) pay the USD499,000,000 compensation in half yearly instalments and iii) use any remaining amount to make new investments.

Supported by the opinions of legal and accounting experts, Salini Impregilo Group believes, inter alia, that:

- the renegotiation agreement puts an end to the revision of the concession’s financial terms, on the basis of the obligations to restore the original financial balance taken on by the Argentine government in 2005;
- the USD499,000,000 compensation granted by the Argentine government covers the damage incurred by Ausol following the enactment of Law no. 25,561 of 2002. It is in no way affected by the quality of the motorway operation service that Ausol will provide up to the end of the concession term (extended);
- the USD499,000,000 payment has a compensation nature and it is not to be considered as the consideration for the motorway’s operation up to the end of the new concession term and, as such, it is compensation for damage;
- based on information available at the reporting date, the Argentine government is clearly willing to proceed with the definitive approval of the new concession;

- the substance of the renegotiation agreement process had been completed at the reporting date and the acts still to be completed for the definitive approval of the new concession are mostly formal. Accordingly, the execution of the agreement with the Argentine government is almost certain;
- in December 2017, the Argentine government obtained a favourable opinion on the execution of the renegotiation agreement with Ausol from the Federal Executive Branch;
- in February 2018, the Argentine government stated that the agreement reached with Ausol was a goal attained by the current government;
- the agreement is expected to be signed by the Argentine state in 2018.

Therefore, the agreement reached with the Argentine government and executed through the renegotiation agreement provides for the payment of USD499,000,000 to Ausol to compensate for the damage incurred by the latter due to the enforcement of the law. The payment has a compensation nature and, hence, it is not the consideration for the motorway's operation up to the end of the new concession term. It is, therefore, compensation of damage.

Based on the above, attesting to the positive outcome of the negotiation, and considering that the compensation refers to damage incurred and not to future concession services, the Group believes that the portion pertaining to the year (€83 million) of the compensation can be recognised in profit or loss.

Significant restrictions

At the date of preparation of this Report, there were no restrictions on the associates' ability to transfer dividends, repay loans or make advances to the parent.

Contingent liabilities

At the date of preparation of this Report, there were no significant contingent liabilities related to the Group's investments in associates.

Any related risk areas are described in the “Main risk factors and uncertainties” section of the Directors’ report.

Interests in joint ventures

The most significant joint ventures are listed below:

Company	Head office	Registered office (if different to the head office)	Investment %	Nature of the relationship	Measurement method
AGL Jv	United States	n/a	20%	(1)	Equity
Flour Lane South Carolina	United States	n/a	45%	(1)	Equity
Unionport Bridge	United States	n/a	45%	(1)	Equity
Purple Line Transit Constructors LLC	United States	n/a	30%	(1)	Equity
Skanska Granite Lane	United States	n/a	30%	(1)	Equity
I4 Leasing LLC	United States	n/a	30%	(1)	Equity
Grupo Unidos Por El Canal S.A.	Panama	n/a	48%	(2)	Equity

(1) The joint ventures are held by the sub-holding company Lane and are active in the construction segment. Reference should be made to the Directors’ report for information on the Lane segment.

(2) The company is held directly by Salini Impregilo. Reference should be made to the “Main risks and uncertainties” section of the Directors’ report for further information. The governance system requires qualified majority resolutions passed with the favourable vote of two members, including Salini Impregilo.

Financial highlights of the joint ventures

The financial information related to the joint ventures measured using the equity method is set out below with a reconciliation of such information with the carrying amount of the Group’s interest in the joint ventures as per the shareholder agreements.

The information shown reflects the carrying amounts in the joint venture’s financial statements, adjusted to comply with group accounting policies.

(€'000) **FLUOR LANE SOUTH CAROLINE**	31/12/2016	31/12/2017
Non-current assets		
Property, plant and equipment and intangible assets	-	-
Total non-current assets	**-**	**-**
Current assets		
Cash and cash equivalents and other financial assets	10,198	12,727
Other current assets	7,097	3,651
Total current assets	**17,295**	**16,378**
Total assets	**17,295**	**16,378**
Equity	**1,106**	**2,883**
Non-current liabilities		
Current liabilities		
Other current liabilities	16,189	13,495
Total current liabilities	**16,189**	**13,495**
Total liabilities	**17,295**	**16,378**

(€'000 Group share) **FLUOR LANE SOUTH CAROLINE**	31/12/2016	31/12/2017
Opening equity	**-**	**498**
Comprehensive income attributable to the owners of the parent	498	1,278
Dividends distributed		(478)
Capital increases and other variations	-	-
Closing equity	**498**	**1,298**
Carrying amount	**498**	**1,298**

(€'000) **FLUOR LANE SOUTH CAROLINE**	2016	2017
Revenue	14,691	41,247
Operating expenses	(13,633)	(38,273)
Operating profit	**1,058**	**2,974**
Net financing income (costs)	(6)	117
Profit before tax	**1,052**	**3,091**
Profit from continuing operations	1,052	3,091
Profit for the year	**1,052**	**3,091**
Other comprehensive income (expense)	53	(252)
Profit for the year	**1,105**	**2,839**

(€'000) UNIONPORT BRIDGE	31/12/2016	31/12/2017
Non-current assets		
Property, plant and equipment and intangible assets	n.a.	379
Total non-current assets	**-**	**379**
Current assets		
Cash and cash equivalents and other financial assets	n.a.	9,173
Other current assets	n.a.	126
Total current assets	**-**	**9,299**
Total assets	**-**	**9,678**
Equity	**-**	**5,206**
Non-current liabilities		
Current liabilities		
Other current liabilities	n.a.	4,472
Total current liabilities	**-**	**4,472**
Total liabilities	**-**	**9,678**

(€'000 Group share) UNIONPORT BRIDGE	31/12/2016	31/12/2017
Opening equity	**n.a.**	**-**
Net income for the year	-	113
Dividends distributed		-
Capital increases and other variations	n.a.	2,231
Closing equity	**n.a.**	**2,344**
Carrying amount	**-**	**2,344**

(€'000) UNIONPORT BRIDGE	2016	2017
Revenue	n.a.	5,648
Operating expenses	n.a.	(5,078)
Operating profit	**-**	**570**
Net financing income (costs)	n.a.	-
Profit before tax	**-**	**570**
Profit from continuing operations	**-**	**570**
Profit for the year	**-**	**570**
Other comprehensive expense	n.a.	(321)
Profit for the year	**-**	**249**

(€'000) PURPLE LINE TR. CONSTR. (LANE)	31/12/2016	31/12/2017
Non-current assets		
Property, plant and equipment and intangible assets	-	4,980
Non-current financial assets	-	18
Total non-current assets	**-**	**4,998**
Current assets		
Cash and cash equivalents and other financial assets	53,510	120,710
Other current assets	9,067	13,637
Total current assets	**62,577**	**134,347**
Total assets	**62,577**	**139,345**
Equity	**16,400**	**30,066**
Non-current liabilities		
Non-current financial liabilities	289	1,027
Total non-current liabilities	**289**	**1,027**
Current liabilities		
Other current liabilities	45,888	108,252
Total current liabilities	**45,888**	**108,252**
Total liabilities	**62,577**	**139,345**

(€'000 Group share) PURPLE LINE TR. CONSTR. (LANE)	31/12/2016	31/12/2017
Opening equity	**-**	**4,920**
Comprehensive income attributable to the owners of the parent	4,920	4,100
Dividends distributed	-	-
Capital increases and other variations	-	-
Closing equity	**4,920**	**9,020**
Carrying amount	**4,920**	**9,020**

(€'000) PURPLE LINE TR. CONSTR. (LANE)	2016	2017
Revenue	146,196	144,214
Operating expenses	(130,573)	(128,816)
Operating profit	**15,623**	**15,398**
Net financing income	(4)	1,217
Profit before tax	**15,619**	**16,615**
Profit from continuing operations	15,619	16,615
Profit for the year	**15,619**	**16,615**
Other comprehensive income (expense)	782	(2,950)
Profit for the year	**16,401**	**13,665**

(€'000) **SKANSKA GRANITE LANE**	31/12/2016	31/12/2017
Non-current assets		
Property, plant and equipment and intangible assets	51	18
Non-current financial assets	-	-
Total non-current assets	**51**	**18**
Current assets		
Cash and cash equivalents and other financial assets	138,987	22,595
Other current assets	74,321	67,890
Total current assets	**213,308**	**90,485**
Total assets	**213,359**	**90,503**
Equity (deficit)	**24,021**	**(7,957)**
Non-current liabilities		
Non-current financial liabilities	-	-
Total non-current liabilities	**-**	**-**
Current liabilities		
Other current liabilities	189,338	98,460
Total current liabilities	**189,338**	**98,460**
Total liabilities	**213,359**	**90,503**

(€'000 Group share) **SKANSKA GRANITE LANE**	31/12/2016	31/12/2017
Opening equity	**2,811**	**7,206**
Comprehensive income attributable to the owners of the parent	9,816	1,364
Dividends distributed	(5,421)	(10,622)
Capital increases and other variations	n.a.	(335)
Closing equity (deficit)	**7,206**	**(2,387)**
Carrying amount	**7,206**	**(2,387)**

(€'000) **SKANSKA GRANITE LANE**	2016	2017
Revenue	336,274	450,860
Operating expenses	(305,727)	(447,100)
Operating profit	**30,547**	**3,760**
Net financing income	1,173	787
Profit before tax	**31,720**	**4,547**
Profit from continuing operations	31,720	4,547
Profit for the year	**31,720**	**4,547**
Other comprehensive income	1,001	
Profit for the year	**32,721**	**4,547**

(€'000) **I4 LEASING (LANE)**	31/12/2016	31/12/2017
Non-current assets		
Property, plant and equipment and intangible assets	50,155	46,591
Non-current financial assets	-	9,432
Total non-current assets	**50,155**	**56,023**
Current assets		
Cash and cash equivalents and other financial assets	12,972	376
Other current assets	1,362	-
Total current assets	**14,334**	**376**
Total assets	**64,489**	**56,399**
Equity	**62,810**	**55,921**
Non-current liabilities		
Current liabilities		
Current financial liabilities	-	-
Other current liabilities	1,679	478
Total current liabilities	**1,679**	**478**
Total liabilities	**64,489**	**56,399**

(€'000 Group share) **I4 LEASING (LANE)**	31/12/2016	31/12/2017
Opening equity	**17,969**	**18,842**
Comprehensive income (expense) attributable to the owners of the parent	873	(2,066)
Dividends distributed	-	-
Capital increases and other variations	-	-
Closing equity	**18,842**	**16,776**
Carrying amount	**18,842**	**16,776**

(€'000) **I4 LEASING (LANE)**	2016	2017
Revenue	6,810	7,666
Operating expenses	(6,028)	(7,016)
Operating profit	**782**	**650**
Net financing income	59	110
Profit before tax	**841**	**760**
Profit from continuing operations	**841**	**760**
Other comprehensive income (expense)	2,071	(7,649)
Profit (loss) for the year	**2,912**	**(6,889)**

(€'000)

AGL CONSTRUCTORS JV (LANE)	31/12/2016	31/12/2017
Non-current assets		
Property, plant and equipment and intangible assets	26,238	10,135
Non-current financial assets	-	-
Total non-current assets	**26,238**	**10,135**
Current assets		
Cash and cash equivalents and other financial assets	23,950	13,772
Other current assets	50,136	31,902
Total current assets	**74,086**	**45,674**
Total assets	**100,324**	**55,809**
Equity	**26,474**	**25,263**
Non-current liabilities		
Current liabilities		
Current financial liabilities	76	-
Other current liabilities	73,774	30,546
Total current liabilities	**73,850**	**30,546**
Total liabilities	**100,324**	**55,809**

(€'000 Group share)

AGL CONSTRUCTORS JV (LANE)	31/12/2016	31/12/2017
Opening equity	**7,012**	**5,296**
Comprehensive expense attributable to the owners of the parent	(19)	(5,588)
Dividends distributed	(1,807)	-
Capital increases and other variations	110	5,345
Closing equity	**5,296**	**5,053**
Carrying amount	**5,296**	**5,053**

(€'000)

AGL CONSTRUCTORS JV (LANE)	2016	2017
Revenue	286,238	189,796
Operating expenses	(285,811)	(214,376)
Operating profit (loss)	**427**	**(24,580)**
Net financing costs	(525)	(29)
Loss before tax	**(98)**	**(24,609)**
Loss from continuing operations	**(98)**	**(24,609)**
Other comprehensive expense	-	(3,328)
Loss for the year	**(98)**	**(27,937)**

(€'000) **GUPC (PANAMA)**	31/12/2016	31/12/2017
Non-current assets		
Property, plant and equipment and intangible assets	48,301	6,665
Total non-current assets	**48,301**	**6,665**
Current assets		
Cash and cash equivalents and other financial assets	14,428	5,116
Other current assets	1,420,801	1,333,821
Total current assets	**1,435,229**	**1,338,937**
Total assets	**1,483,530**	**1,345,602**
Deficit	**(559,114)**	**(473,710)**
Non-current liabilities		
Other non-current liabilities	421	212
Total non-current liabilities	**421**	**212**
Current liabilities		
Current financial liabilities	508,241	493,585
Other current liabilities	1,533,982	1,325,515
Total current liabilities	**2,042,223**	**1,819,100**
Total liabilities	**1,483,530**	**1,345,602**

(€'000 Group share) **GUPC (PANAMA)**	31/12/2016	31/12/2017
Opening deficit	**(189,127)**	**(214,700)**
Comprehensive income attributable to the owners of the parent	(25,573)	32,795
Closing deficit	**(214,700)**	**(181,905)**
Loan asset	263,721	282,169
Carrying amount	**49,021**	**100,264**

(€'000) **GUPC (PANAMA)**	2016	2017
Revenue	305,380	182,537
Operating expenses	(329,809)	(125,978)
Operating profit (loss)	**(24,429)**	**56,559**
Net financing costs	(23,490)	(37,726)
Profit (loss) before tax	**(47,919)**	**18,833**
Income tax expense	(104)	(29)
Profit (loss) from continuing operations	**(48,023)**	**18,804**
Other comprehensive income (expense)	(18,572)	66,601
Profit (loss) for the year	**(66,595)**	**85,405**

The carrying amount of this investment is the balance of the parent's receivable due from the joint venture and the provisions for risks on equity investments set up to reflect the assessment of the losses to complete the contract.

Contingent liabilities

At the date of preparation of this Report, there were no significant contingent liabilities related to the Group's interests in joint ventures and associates. Any related risk areas are described in the "Main risk factors and uncertainties" section of the Directors' report.

Risks associated with the Group's investments in associates and joint ventures

Commitments

The Group has the following commitments vis-à-vis its associates and joint ventures:

(€'000)	31 December 2016	31 December 2017	Variation
Commitments	1,727,707	1,913,886	186,179

The increase is mainly due to guarantees issued on behalf of the non-consolidated joint ventures of Lane Group (€219.4 million) and of the Iricav 2 consortium, which is constructing the high speed/capacity Verona - Padua railway section, and Isarco, which is constructing the Brenner tunnel (total of €21.3 million), partially offset by the decrease in the guarantees issued on behalf Grupo Unido por el Canal (€105.9 million).

Joint operations

The Group is involved in the following main joint operations: Civil Work Group (Saudi Arabia), South Al Mutlaa (Kuwait), and Arge Tulfes Pfons (Austria).

The Group is involved in the following main joint operations: Civil Work Group (Saudi Arabia), South Al Mutlaa (Kuwait), and Arge Tulfes Pfons (Austria).

Salini Impregilo has a direct 52% interest in Civil Work Group (Saudi Arabia) and an indirect 14% interest through Salini Saudi Arabia (the Group's investment in the latter is 51%). Civil Work Group is engaged in the civil works for the Riyadh metro.

South Al Mutlaa (Kuwait) is 55% held directly by Salini Impregilo. It is constructing primary urbanisation works to build a new residential area in a 12 thousand hectares site in Kuwait as part of the South Al Mutlaa Housing Project.

Arge Tulfes Pfons (Austria) is 49% held directly by Salini Impregilo and is engaged in the construction of the last section of the Brenner-Innsbruck tunnel.

The above operations are governed by joint control arrangements as resolutions of the governing bodies require a unanimous vote. They are structured as separate vehicles, guaranteeing transparency of their rights and obligations with respect to Salini Impregilo.

11. Derivatives and non-current financial assets

Derivatives and non-current financial assets of €188.7 million are analysed in the following table:

(€'000)	31 December 2016	31 December 2017	Variation
Other financial assets	17,877	14,553	(3,324)
Loans and receivables - unconsolidated group companies and other related parties	19,005	84,928	65,923
Loans and receivables - third parties	25,576	88,987	63,411
Derivatives	156	226	70
Total	**62,614**	**188,694**	**126,080**

The other financial assets include unlisted guaranteed-return securities which mature after one year. They amount to €14.6 million at year end (31 December 2016: €17.9 million) and mainly comprise units in the fund financing Yuma. Reference should be made to the "Main risk factors and uncertainties" section of the Directors' report for more information.

Loans and receivables - unconsolidated group companies and other related parties of €84.9 million (31 December 2016: €19.0 million) mainly relate to loans granted to the UK associate Ochre Holding (€11.8 million), the SPV Linea M4 S.p.A. (€10.5 million) and OIV Tocoma (€56.6 million, net of impairment). More information about the assessments of some assets related to the construction of infrastructure in Venezuela is available in the "Main risk factors and uncertainties" section of the Directors' report and section 4 "Impairment - Venezuela" of these notes. Loans and receivables - third parties of €89.0 million increased by €63.4 million on 31 December 2016 and mainly include:

- €67.9 million related to the CAV.TO.MI. consortium paid as a result of the Appeal Court ruling of 23 September 2015. This receivable was reclassified from current to non-current given the different timing involved in the settlement of the dispute. Reference should be made to the "Main risk factors and uncertainties" section of the Directors' report for more information;
- €20.5 million related to the concessions of the indirect subsidiaries Corso del Popolo S.p.A. and Piscine dello Stadio S.r.l..

"Derivatives" include the reporting-date fair value of interest rate hedges.

This item is analysed below:

(€'000)	31 December 2016	31 December 2017
Interest rate swaps - Cash flow hedges	156	226
Total non-current derivatives shown in the net financial indebtedness	**156**	**226**

Interest rate hedging derivatives with positive fair value and fair value gains or losses recognised in the hedging reserve

Company	Agreement date	Expiry date	Currency	Notional amount	Fair value (€/000)
Lane Industries	07/10/2016	08/04/2021	USD	30,000	226
Total					**226**

12. Deferred tax assets and liabilities

Deferred tax assets and liabilities amount to €134.6 million and €29.9 million at 31 December 2017, respectively. Changes of the year, shown in the following table, reflect adjustments made on the basis of the information available at the reporting date. They mainly relate to deferred taxes recognised during the year as a result of the impairment losses recognised on some assets related to the construction of infrastructure in Venezuela and the US government's tax reform:

(€'000)	31 December 2016	31 December 2017	Variation
Deferred tax assets	121,925	134,579	12,654
Deferred tax liabilities	(108,493)	(29,946)	78,547

Changes in 2016 were as follows:

(€'000)	31 December 2015	Increases	Decreases	Net exchange gains (losses)	Change in cons. scope	Change in tax rate	Reclass.	Other changes	31 December 2016
Deferred tax assets	227,841	28,808	(20,092)	(374)	33,508	-	-	21,739	291,430
Offsetting	(163,778)	-	-	-	-	-	-	(5,727)	(169,505)
Net deferred tax assets (a)	**64,063**	**28,808**	**(20,092)**	**(374)**	**33,508**	**-**	**-**	**16,012**	**121,925**
Deferred tax liabilities	(219,635)	(17,745)	14,791	5,169	(35,409)	-	-	(25,169)	(277,998)
Offsetting	163,778	-	-	-	-	-	-	5,727	169,505
Net deferred tax liabilities (b)	**(55,857)**	**(17,745)**	**14,791**	**5,169**	**(35,409)**	**-**	**-**	**(19,442)**	**(108,493)**

Changes in deferred tax assets and liabilities are set out below:

(€'000)	31 December 2016	Increases	Decreases	Net exchange gains (losses)	Change in cons. scope	Change in tax rate	Reclass.	Other changes	31 December 2017
Deferred tax assets	291,430	129,644	(29,743)	(148,277)	-	-	-	(82,277)	160,777
Offsetting	(169,505)	-	-	-	-	-	-	143,306	(26,199)
Net deferred tax assets (a)	**121,925**	**129,644**	**(29,743)**	**(148,277)**	**-**	**-**	**-**	**61,029**	**134,579**
Deferred tax liabilities	(277,998)	(14,690)	4,455	151,980	-	-	-	80,110	(56,143)
Offsetting	169,505	-	-	-	-	-	-	(143,306)	26,199
Net deferred tax liabilities (b)	**(108,493)**	**(14,690)**	**4,455**	**151,980**	**-**	**-**	**-**	**(63,196)**	**(29,944)**

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively, and are netted at company level when this is allowed.

13. Inventories

Inventories total €241.0 million at the reporting date, as shown in the following table:

(€'000)	31 December 2016			31 December 2017			
	Gross amount	Allowance	Carrying amoun	Gross amount	Allowance	Carrying amoun	Variation
Real estate projects	22,059	(8,597)	13,462	20,834	(7,772)	13,062	(400)
Finished products and goods	3,475	-	3,475	4,905	-	4,905	1,430
Raw materials, consumables and supplies	256,225	(2,583)	253,642	225,520	(2,511)	223,009	(30,633)
Total	**281,759**	**(11,180)**	**270,579**	**251,259**	**(10,283)**	**240,976**	**(29,603)**

Real estate projects

Real estate projects amount to €13.1 million, in line with the previous year end. They mainly relate to the real estate project of €11.6 million (net of the related allowance of €7.8 million) for the construction of a trade point in Lombardy for which a dispute is pending about the zoning provisions of the area on which the property stands. Based on legal opinions and the technical-economic appraisal prepared by a real estate consultant, the Group deems that the carrying amount can be recovered through the real estate project or, alternatively, through recognition of the damage incurred due to non-authorisation of the zoning of the area by the competent authorities.

Finished products and goods and raw materials, consumables and supplies

The carrying amount of these items totals €4.9 million and €223.0 million, respectively, and mainly relates to materials and goods to be used for foreign contracts, including those in Ethiopia (€114.1 million), for Lane Industries Incorporated (€19.8 million), in Venezuela (€15.7 million) and Sierra Leone (€6.3 million).

The carrying amount of raw materials, consumables and supplies is net of an allowance of €2.5 million, analysed below.

Changes in the prior year are shown in the next table:

(€'000)	31 December 2015	Accruals	Utilisations	Reversals	Other	Net exchange losses	31 December 2016
Allowance - raw materials	(1,529)	(432)	1,961	399	(2,957)	(25)	(2,583)
Total	**(1,529)**	**(432)**	**1,961**	**399**	**(2,957)**	**(25)**	**(2,583)**

Changes in 2017 are shown below:

(€'000)	31 December 2016	Accruals	Utilisations	Reversals	Other	Net exchange losses	31 December 2017
Allowance - raw materials	(2,583)	-	-	-	-	72	(2,511)
Total	**(2,583)**	**-**	**-**	**-**	**-**	**72**	**(2,511)**

14. Contract work in progress

Contract work in progress totals €2,668.1 million at the reporting date, up €300.8 million on the previous year-end figure. The increase includes ongoing production calculated using the most recent estimates of the current contracts' profitability.

The following table shows contract work in progress calculated using the stage of completion method, net of losses realised or estimated at the reporting date and progress billings:

(€'000)	31 December 2016	31 December 2017	Variation
Contract work in progress	34,079,424	33,171,320	(908,104)
Progress billings and advances received (on approved work)	(31,712,161)	(30,503,217)	1,208,944
Total	**2,367,263**	**2,668,103**	**300,840**

The most significant work in progress relates to the Copenhagen Cityringen Metro in Denmark (€329.6 million), the Doha metro and the Al Bayt Stadium in Al Khor City in Qatar (€267.4 million), the high speed/capacity railway work in Italy (€254.3 million), the hydroelectric power plant in Tajikistan (€173.1 million), the construction of the new metro line as part of the Sydney Metro Northwest Project in Australia (€159.7 million), the hydroelectric projects in Ethiopia (€142.1 million), work in progress in Libya as part of the Lidco contract (€132.7 million), Ruta del Sol road project in Colombia (€121.6 million) and the railway projects in Venezuela (€107.0 million, net of the impairment losses recognised on some assets related to the construction of infrastructure in Venezuela). The "Main risk factors and uncertainties" section in the Directors' report and section 4 "Impairment - Venezuela" of these notes provide more information on Venezuela.

With respect to the works in Libya, the subsidiary Lidco collected contractual advances in previous years amounting to €169.6 million at the reporting date, recognised as "Advances for contract work in progress" under liabilities in the statement of financial position.

The item shows an increase over 31 December 2016 mainly due to continuation of construction of a hydroelectric power plant in Tajikistan (€143.0 million), the construction of the Al Bayt Stadium in Al Khor City in Qatar (€74.3 million) and the construction of plants and investments in infrastructure in the United Arab Emirates (€47.9 million).

The "Main risk factors and uncertainties" section in the Directors' report provides information on pending disputes and assets exposed to country risk.

The "Performance by geographical segment" section in the Directors' report provides more details about the contracts and the progress made on the main contracts.

A breakdown of contract work in progress by geographical segment is as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Italy	453,529	526,905	73,376
EU (excluding Italy)	462,173	481,560	19,387
Non-EU	124,420	101,836	(22,584)
Asia	75,017	225,029	150,012
Middle East	284,562	418,554	133,992
Africa	458,331	479,584	21,253
North America	30,412	36,383	5,971
Latin America	373,465	238,575	(134,890)
Oceania	105,354	159,677	54,323
Total	**2,367,263**	**2,668,103**	**300,840**

15. Trade receivables

At 31 December 2017, trade receivables amount to €1,901.3 million, a net decrease of €457.9 million compared to 31 December 2016. The item includes receivables of €134.3 million from unconsolidated group companies and other related parties. It is analysed in the following table:

(€'000)	31 December 2016	31 December 2017	Variation
Third parties	2,203,645	1,767,074	(436,571)
Unconsolidated group companies and other related parties	155,628	134,264	(21,364)
Total	**2,359,273**	**1,901,338**	**(457,935)**

Trade receivables from third parties may be broken down as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Trade receivables	2,316,580	2,013,539	(303,041)
Allowance for impairment	(112,935)	(246,465)	(133,530)
Total	**2,203,645**	**1,767,074**	**(436,571)**

The balance relates to amounts due from customers for invoices issued and for work performed and approved by customers but still to be invoiced. It decreased by €436.6 million compared to 31 December 2016.

The decrease is principally due to the impairment losses recognised on receivables from Venezuelan customers and the reduction in receivables relating to contracts in Ethiopia.

The item also includes:

- a net amount of €153.8 million (50% impaired) from Venezuelan customers for railway works expected to be collected after one year. More information is available in the "Main risk factors and uncertainties" section in the Directors' report and section 4 "Impairment – Venezuela" of these notes;
- €207.8 million due to Fibe by the Campania municipalities for its management services provided under contract until 15 December 2005 and the subsequent transition period (reference should be made to the "Main risk factors and uncertainties" section in the Directors' report for more information about this complicated situation and the directors' related assessments).

Retentions amount to €120.3 million at the reporting date compared to €126.0 million at 31 December 2016.

The allowance for impairment increased by €133.5 million to €246.5 million at the reporting date and includes impairment losses on trade receivables of €186.9 million (mostly for the Venezuelan branch and Sierra Leone) and on default interest of €59.6 million (mainly related to Fibe).

Impairment losses recognised during the year approximated €158.9 million and are mainly attributable to the Venezuelan branch. The "Main risk factors and uncertainties" section in the Directors' report and section 4 "Impairment - Venezuela" of these notes provide more information.

Changes in the allowance in the previous year are as follows:

(€'000)	31 December 2015	Impairment losses	Utilisations	Reversals	Change in consolidation scope	Other changes	Net exchange gains	31 December 2016
Trade receivables	43,817	20,375	(1,272)	(7,671)	2,677	(73)	277	58,130
Default interest	55,826	-	-	(1,073)	-	14	38	54,805
Total	**99,643**	**20,375**	**(1,272)**	**(8,744)**	**2,677**	**(59)**	**315**	**112,935**

Changes in the allowance in 2017 are shown in the next table:

(€'000)	31 December 2015	Impairment losses	Utilisations	Reversals	Change in consolidation scope	Reclass. and other changes	Net exchange gains	31 December 2016
Trade receivables	58,130	158,894	(3,767)	(29,844)	(2)	3,388	72	186,871
Default interest	54,806	-	(67)	(25)	-	4,880	-	59,594
Total	**112,936**	**158,894**	**(3,834)**	**(29,869)**	**(2)**	**8,268**	**72**	**246,465**

Trade receivables from unconsolidated group companies and other related parties decreased by €21.4 million to €134.3 million at 31 December 2017.

The item mainly comprises trade receivables from unconsolidated SPEs for work carried out by them under contracts with Italian and foreign public administrations.

16. Derivatives and other current financial assets

At 31 December 2017, this item of €94.3 million (31 December 2016: €323.4 million) includes the following:

(€'000)	31 December 2016	31 December 2017	Variation
Government bonds and insurance shares	6,846	898	(5,948)
Loans and receivables - third parties	138,155	60,817	(77,338)
Loans and receivables - unconsolidated group companies and related parties	178,392	32,593	(145,799)
Total	**323,393**	**94,308**	**(229,085)**

The government bonds and insurance shares amount to €0.9 million compared to €6.8 million at 31 December 2016. The item includes unlisted guaranteed-return securities with maturities of less than one year held by the Argentine subsidiary Impregilo Healy Ute, which was awarded the Riachuelo contract in Argentina.

Loans and receivables - third parties mainly consist of:

- €13.5 million due from the Romanian Ministry for Infrastructure and Transportation related to the surety enforced during the previous year as a result of the disputes with the customer about the Orastie-Sibiu motorway contract. The Group is confident that it will recover this amount, based also on the opinion of its legal advisors assisting it with the disputes. The "Main risks and uncertainties" section in the Directors' report provides more information;
- €12.7 million related to the Danish subsidiary CMT for the amounts tied-up as part of the agreements with the subcontractor which will be used and/or released by 2018. The "Main risks and uncertainties" section in the Directors' report provides more information;
- €12.6 million related to the subsidiary carrying out road works in Poland.

The amount due from the Cordoba provincial authorities, which amounted to €9.6 million at 31 December 2016, was collected in the first half of the year. It arose on the sale of the investment in the Argentine operator Caminos de Las Sierras to the Cordoba provincial authorities (Argentina) in 2010.

The receivable of €67.9 million due from the CAV.TO.MI Consortium related to the amounts paid as a result of the Appeal Court ruling of 23 September 2015 and was reclassified from current to non-current loans and receivables given the changed timeframe of the dispute. Reference should be made to the “Main risk factors and uncertainties” section in the Directors’ report.

The Group collected €15.1 million of the current amount due from Prime System Kz Ltd for the sale of Todini Costruzioni Generali S.p.A. during the year; at 31 December 2016, this receivable amounted to €16.1 million.

Loans and receivables - unconsolidated group companies and other related parties decreased by €146.0 million mainly due to the reclassification of the amount due from the OIV Tocoma consortium, the SPE that is engaged in hydroelectric works in Venezuela, to non-current financial assets. At 31 December 2016, it amounted to €130.0 million. The group impaired the receivable at the reporting date. Note 11, the “Main risk factors and uncertainties” section in the Directors’ report and section 4 “Impairment - Venezuela” of these notes provide more information.

17. Current tax assets and other current tax assets

Current tax assets amount to €133.0 million as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Direct taxes	53,118	52,932	(186)
IRAP	957	1,118	161
Foreign direct taxes	81,912	78,990	(2,922)
Total	**135,987**	**133,040**	**(2,947)**

The 31 December 2017 balance mainly consists of:

- direct tax assets for excess taxes paid in previous years, which the Group has correctly claimed for reimbursement and which bear interest;
- foreign direct tax assets for excess taxes paid abroad by the foreign group companies which will be recovered as per the relevant legislation.

Other current tax assets increased by €18.1 million to €164.7 million at the reporting date as follows:

(€'000)	31 December 2016	31 December 2017	Variation
VAT	129,590	148,487	18,897
Other indirect taxes	16,913	16,164	(749)
Total	**146,503**	**164,651**	**18,148**

VAT assets include €116.6 million due from the Italian taxation authorities and €31.9 million from foreign taxation authorities.

18. Other current assets

Other current assets of €616.5 million show an increase of €25.3 million on the previous year end and may be analysed as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Other	275,177	236,810	(38,367)
Advances to suppliers	197,414	252,926	55,512
Other - unconsolidated group companies and other related parties	35,623	39,288	3,665
Prepayments and accrued income	83,057	87,525	4,468
Total	**591,271**	**616,549**	**25,278**

"Other" decreased by €38.4 million, mainly due to the reduction in receivables from the Group's partners.

Specifically, this item includes:

- €71.4 million (substantially unchanged from 31 December 2016) due from the public bodies involved in managing the waste emergency in Campania to FIBE. The section on the "USW Campania projects" and related assessments in the section of the Directors' report on the "Main risk factors and uncertainties" provides more information about these projects;
- €30.6 million due from the Argentine Republic as compensation for damage following the favourable award issued on 21 June 2011 and confirmed by the Buenos Aires Arbitration Tribunal on 24 January 2014. This award settled the proceedings commenced by the shareholders of the investee Aguas del Buenos Aires S.A. in liquidation (operator) against the Argentine Republic;
- €42.5 million due from some of the Group's partners of joint ventures around the world, mainly for the works for the housing project in South Al Mutlaa (Kuwait);

- €12.7 million related to Lane mainly for insurance policies taken out for key management personnel.

Advances to suppliers increased by €55.5 million over 31 December 2016, due to the advances made mostly for the Milan - Genoa section of the high speed/high capacity contracts, the road contracts in Poland and the contracts for the construction of the Al Bayt Stadium and the Red line of the Doha metro in Qatar. The increase was partly offset by the use of advances made in previous years for the contract for the construction of the Riyadh metro line in Saudi Arabia, the new hydroelectric project in Tajikistan, the Lima metro line in Peru, as well as for works in Turkey (healthcare facility) and Colombia (motorways).

Other - unconsolidated group companies and other related parties increased by €3.7 million to €39.3 million, as a result of an increase in the amount due from the US investees engaged in the projects in California.

Prepayments and accrued income of €87.5 million show an increase of €4.5 million on 31 December 2016. The item mainly consists of insurance premiums, commissions on sureties and other contract costs which will be recognised in profit or loss in future periods based on the stage of completion of the related contracts.

This item is summarised in the following table:

(€'000)	31 December 2016	31 December 2017	Variation
Accrued income:			
- Other	409	547	138
Total accrued income	**409**	**547**	**138**
Prepayments:			
- Insurance	43,912	43,701	(211)
- Sureties	5,722	6,180	458
- Other contract costs	33,014	37,097	4,083
Total prepayments	**82,648**	**86,978**	**4,330**
Total	**83,057**	**87,525**	**4,468**

19. Cash and cash equivalents

At 31 December 2017, cash and cash equivalents amount to €1,320.2 million, down by €282.5 million, as shown below:

(€'000)	31 December 2016	31 December 2017	Variation
Cash and cash equivalents	1,602,721	1,320,192	(282,529)

A breakdown by geographical segment is as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Italy	259,273	151,703	(107,570)
EU (excluding Italy)	101,865	60,294	(41,571)
Non-EU	15,569	21,048	5,479
Asia	42,281	48,351	6,070
Middle East	790,000	558,402	(231,598)
Africa	116,037	242,597	126,560
North America	160,487	120,465	(40,022)
Latin America	71,209	46,983	(24,226)
Oceania	46,000	70,349	24,349
Total	**1,602,721**	**1,320,192**	**(282,529)**

The balance includes bank account credit balances at the end of the year and the amounts of cash, cheques and valuables at the registered offices, work sites and foreign branches. Liquidity management is designed to ensure the financial independence of ongoing contracts, considering the structure of the consortia and SPEs, which may limit the availability of financial resources to achievement of the related projects. Liquidity management also considers the existence of constraints to the transfer of currency imposed by certain countries.

The statement of cash flows shows the reason for the decrease in the item and changes in current account facilities (note 22).

At the reporting date, the cash and cash equivalents attributable to non-controlling interests of the consolidated SPEs amount to €179.3 million and mainly refer to the entities carrying out the work on the Riyadh metro in Saudi Arabia, the Red Line North Underground, the Al Bayt Stadium in Al Khor, Qatar, motorway works in the United Arab Emirates and Lane Group entities.

The item comprises tied-up amounts of approximately €40.9 million.

20. Non-current assets and liabilities held for sale and discontinued operations and loss from discontinued operations

Non-current assets held for sale are shown in the following table with the associated liabilities:

(€'000)	31 December 2016	31 December 2017	Variation
Non-current assets held for sale	6,032	5,683	(349)
Total	**6,032**	**5,683**	**(349)**

The decrease of €0.3 million refers to HCE Group.

A breakdown of this item is as follows:

(€'000) **31 December 2016**	HCE	USW Campania	Total
Non-current assets	349	5,683	6,032
Non-current assets held for sale	**349**	**5,683**	**6,032**
Total	**349**	**5,683**	**6,032**

(€'000) **31 December 2017**	USW Campania
Non-current assets	5,683
Non-current assets held for sale	**5,683**
Total	**5,683**
- including net financial indebtedness	

The loss from discontinued operations amounts to €1.9 million (€20.7 million) and relates to the costs of the USW Campania business unit. The balance for the previous year included the exchange losses of €13.9 million accumulated in the translation reserve related to the foreign operations of Todini Costruzioni Generali sold on 4 April 2016.

21. Equity

Equity decreased to €1,085.3 million at 31 December 2017 from €1,361.3 million at the end of 2016 as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Equity attributable to the owners of the parent			
Share capital	544,740	544,740	-
Share premium reserve	120,798	120,798	-
- Legal reserve	103,321	106,551	3,230
- Reserve for share capital increase related charges	(3,970)	(3,970)	-
- Reserve for treasury shares	(7,677)	(7,677)	-
- LTI reserve	4,242	6,345	2,103
- Extraordinary and other reserves	136	136	-
Total other reserves	96,052	101,385	5,333
Other comprehensive income (expense)			
- Translation reserve	48,529	(70,455)	(118,984)
- Hedging reserve	(532)	138	670
- Actuarial reserve	(909)	(5,232)	(4,323)
Total other comprehensive income (expense)	47,088	(75,549)	(122,637)
Retained earnings	336,406	366,930	30,524
Profit (loss) for the year	59,921	(106,918)	(166,839)
Equity attributable to the owners of the parent	**1,205,005**	**951,386**	**(253,619)**
Share capital and reserves attributable to non-controlling interests	116,733	111,036	(5,697)
Profit for the year attributable to non-controlling interests	39,593	22,862	(16,731)
Share capital and reserves attributable to non-controlling interests	156,326	133,898	(22,428)
Equity	**1,361,331**	**1,085,284**	**(276,047)**

Changes of the year in the different equity items are summarised in the relevant schedule of the consolidated financial statements. Specifically, in their meeting held on 27 April 2017, the parent's shareholders resolved to allocate the profit for 2016 as follows:

- €3,230,154.26, equal to 5% of the profit for the year, to the legal reserve;
- €25,920,620.64 as a dividend to the holders of ordinary shares, equal to €0.053 per share, including the legal withholding, for each share with dividend rights and, therefore, excluding the 3,104,377 treasury shares currently held by the parent;
- €420,027.66 as a dividend to the holders of savings shares, equal to €0.26 per share, as per article 33.b) of the by-laws, including the legal withholding;
- €35,032,282.68 to be carried forward.

The reserve for treasury shares is unchanged from 31 December 2016. The Group launched the repurchase programme on 6 October 2014 and has bought back 3,104,377 shares for €7,676,914.46.

The LTI (long term incentive plan) reserve shows the fair value of €6.3 million of this plan rolled out in 2015. The following table provides a breakdown of the reserve:

(€)	No. of shares	Amount	Start date	End date	Average price	Fair value
Chief executive officer	569,573	2,198,552	17/12/2015	30/4/2018	3.86	1,552,711
Key management personnel	812,414	3,142,417	22/12/2015	30/4/2018	3.87	2,217,231
Other managers	947,278	3,664,071	22/12/2015	30/4/2018	3.87	2,574,032
Total	**2,329,265**	**9,005,040**				**6,343,974**

The main variation in other comprehensive income (expense) items relates to the effect of fluctuations in exchange rates (mostly the US dollar's depreciation versus the Euro) as shown below:

(€'000)	2016	2017
Opening balance	(11,194)	48,529
Reclassification to profit or loss	13,171	-
Equity-accounted investees	1,511	(16,282)
Increase (decrease)	45,041	(102,702)
Total changes	59,723	(118,984)
Closing balance	**48,529**	**(70,455)**

The effect of changes in the hedging reserve due to fair value gains (losses) on financial instruments is detailed below:

(€'000)	2016	2017
Opening balance	(8,085)	(532)
Reclassification of fair value gains/losses on settled transactions to profit or loss	522	232
Reclassification from comprehensive income	-	(2,862)
Net fair value gains (losses)	(3,490)	2,892
Change in consolidation scope	629	-
Net exchange gains (losses) and other changes	9,920	277
Net gains (losses) for equity-accounted investees	(28)	131
Total changes	7,553	670
Closing balance	**(532)**	**138**

The actuarial reserve underwent the following changes:

(€'000)	2016	2017
Opening balance	(5,273)	(909)
Net actuarial gains (losses) recognised in OCI	4,364	4,323
Closing balance	**(909)**	**(5,232)**

Retained earnings

This item may be analysed as follows:

(€'000)	2016	2017
Opening balance	324,259	336,406
Allocation of profit	58,806	56,691
Dividend distribution	(19,983)	(26,341)
Change in consolidation scope	(26,676)	174
Closing balance	**336,406**	**366,930**

Share capital and reserves attributable to non-controlling interests

Share capital and reserves attributable to non-controlling interests are as follows:

(€'000)	2016	2017
Opening balance	100,860	156,326
Capital increase (decrease)	(73)	970
Profit attributable to non-controlling interests	39,594	22,862
Dividend distribution to non-controlling interests	(23,672)	(33,238)
Change in consolidation scope	35,562	(1,326)
Other changes	524	-
Comprehensive income (expense)	3,531	(11,696)
Closing balance	**156,326**	**133,898**

At the reporting date, the Group has the following investments deemed significant by management in subsidiaries which have non-controlling investors as follows:

(€m) SUBSIDIARIES	Head office	Business	% of ordinary shares held directly by the parent	% of ordinary shares held by the Group	% of ordinary shares held by non-controlling investors	% of preference shares held by the Group	Non-controlling interests
Salerno-Reggio Calabria S.c.p.a.	Italy	Construction	51%	51%	49%	0%	24.5
Reggio Calabria - Scilla S.c.p.a.	Italy	Construction	51%	51%	49%	0%	17.2
Società Autostrada Broni - Mortara S.p.A. (SA.BRO.M)	Italy	Concessions	60%	60%	40%	0%	10.4
Impregilo-SK E&C-Galfar al Misnad J.V.	Qatar	Construction	41.25%	41.25%	58.75%	0%	11.4
Lane Group investments (*)	USA	Construction	n.a.	n.a.	n.a.	0%	10.9
Salini Saudi Arabia	Saudi Arabia	Construction	51%	51%	49%	0%	19.5
Western Station	Saudi Arabia	Construction	51%	51%	49%	0%	12.9
Other							27.1
Total non-controlling interests							**133.9**

(*) Lane Group has interests in joint ventures, mainly Lane-Ds-Ns Consortium (€1.7 million), Lane Corman (€1.0 million), Lane Abrams (€4.4 million), Lane-National Contracting Jv (Sharjah) (€1.6 million) and Lane Solid Tadmur Wakra (€1.5 milioni).

A complete list of not wholly-owned subsidiaries is given in the "Consolidation scope" table at the end of these notes.

Summary of financial information of subsidiaries with significant non-controlling interests

Access to the assets of consortia and consortium companies incorporated under Italian law and foreign SPEs and the possibility of using them to settle the Group's liabilities is generally subject to approval by qualified majorities of the members, in order to protect the operating requirements of their contracts.

The following table summarises the financial information of each company in which the Group has an investment that has non-controlling interests deemed significant by management.

(€'000)
SALERNO-REGGIO CALABRIA S.C.P.A.

Statement of financial position	31 December 2016	31 December 2017	Variation
Assets			
Non-current assets	66	38	(28)
Current assets	247,184	213,541	(33,643)
Total assets	**247,250**	**213,579**	**(33,671)**
Total equity and liabilities			
Equity	50,000	50,000	-
Non-current liabilities	17	17	-
Current liabilities	197,233	163,562	(33,671)
Total equity and liabilities	**247,250**	**213,579**	**(33,671)**

Statement of profit or loss	2016	2017	Variation
Revenue	18,567	11,753	(6,814)
Profit (loss) before tax	130	(17)	(147)
Income taxes	(130)	17	147

Statement of cash flows	2017
Net cash flows used in operating activities	(7,276)
Net cash flows generated by financing activities	571
Net increase in cash and cash equivalents and current account overdrafts	**(6,705)**
Opening cash and cash equivalents and current account overdrafts	**10,622**
Closing cash and cash equivalents and current account overdrafts	**3,917**

(€'000)
REGGIO CALABRIA-SCILLA S.C.P.A.

Statement of financial position	31 December 2016	31 December 2017	Variation
Assets			
Non-current assets	89	7	(82)
Current assets	123,796	99,602	(24,194)
Total assets	**123,885**	**99,609**	**(24,276)**
Equity and liabilities			
Equity	35,000	35,000	-
Non-current liabilities	299	223	(76)
Current liabilities	88,587	64,386	(24,201)
Total equity and liabilities	**123,886**	**99,609**	**(24,277)**

Statement of profit or loss	2016	2017	Variation
Revenue	14,963	9,306	(5,657)
Profit before tax	371	8	(363)
Income taxes	(371)	(8)	363

Statement of cash flows	2017
Net cash flows used in operating activities	(933)
Net cash flows generated by investing activities	53
Net cash flows generated by financing activities	2,963
Net increase in cash and cash equivalents and current account overdrafts	**2,083**
Opening cash and cash equivalents and current account overdrafts	**5,453**
Closing cash and cash equivalents and current account overdrafts	**7,536**

(€'000)
SOCIETÀ AUTOSTRADA BRONI-MORTARA S.P.A

Statement of financial position	31 December 2016	31 December 2017	Variation
Assets			
Non-current assets	44,229	43,809	(420)
Current assets	2,127	1,424	(703)
Total assets	**46,356**	**45,233**	**(1,123)**
Total equity and liabilities			
Equity	27,099	25,961	(1,138)
Current liabilities	19,257	19,272	15
Total equity and liabilities	**46,356**	**45,233**	**(1,123)**

Statement of profit or loss	2016	2017	Variation
Revenue	1	4	3
Loss before tax	(55)	(1,365)	(1,310)
Income taxes	25	227	202
Loss for the year	**(30)**	**(1,138)**	**(1,108)**
Comprehensive expense	**(30)**	**(1,138)**	**(1,108)**
Comprehensive expense attributable to non-controlling interests	**(12)**	**(455)**	**(443)**

Statement of cash flows	2017
Net cash flows used in operating activities	(105)
Net cash flows used in investing activities	(158)
Net cash flows generated by financing activities	24
Net decrease in cash and cash equivalents and current account overdrafts	**(239)**
Opening cash and cash equivalents and current account overdrafts	**794**
Closing cash and cash equivalents and current account overdrafts	**555**

(€'000)
IMPREGILO-SK E&C-GALFAR AL MISNAD JV (QATAR)

Statement of financial position	31 December 2016	31 December 2017	Variation
Assets			
Non-current assets	41,872	15,380	(26,492)
Current assets	294,908	193,158	(101,750)
Total assets	**336,780**	**208,538**	**(128,242)**
Total equity and liabilities			
Equity	33,060	19,426	(13,634)
Non-current liabilities	2,276	1,838	(438)
Current liabilities	301,443	187,274	(114,169)
Total equity and liabilities	**336,779**	**208,538**	**(128,241)**

Statement of profit or loss	2016	2017	Variation
Revenue	427,427	323,591	(103,836)
Profit (loss) before tax	7,257	(10,225)	(17,482)
Profit (loss) for the year	**7,257**	**(10,225)**	**(17,482)**
Other comprehensive income (expense)	1,172	(3,409)	(4,581)
Comprehensive income (expense)	**8,429**	**(13,634)**	**(22,063)**
Comprehensive income (expense) attributable to non-controlling interests	**4,952**	**(8,010)**	**(12,962)**

Statement of cash flows	2017
Net cash flows used in operating activities	(30,750)
Net cash flows generated by investing activities	3,340
Net cash flows used in financing activities	(42,204)
Net decrease in cash and cash equivalents and current account overdrafts	**(69,614)**
Opening cash and cash equivalents and current account overdrafts	**150,949**
Closing cash and cash equivalents and current account overdrafts	**81,335**

(€'000)
SALINI SAUDI ARABIA LTD CO

Statement of financial position	31 December 2016	31 December 2017	Variation
Assets			
Non-current assets	6,234	13,246	7,012
Current assets	167,316	160,684	(6,632)
Total assets	**173,550**	**173,930**	**380**
Total equity and liabilities			
Equity	46,129	37,895	(8,234)
Non-current liabilities	32	155	123
Current liabilities	127,389	135,880	8,491
Total equity and liabilities	**173,550**	**173,930**	**380**

Statement of profit or loss	2016	2017	Variation
Revenue	30,056	135,309	105,253
Profit before tax	8,284	20,161	11,877
Income taxes	(1,086)	(3,937)	(2,851)
Profit for the year	**7,198**	**16,224**	**9,026**
Other comprehensive income (expense)	581	(2,731)	(3,312)
Comprehensive income	**7,779**	**13,493**	**5,714**
Comprehensive income attributable to non-controlling interests	**3,812**	**6,612**	**2,800**
Dividends paid to non-controlling interests	**-**	**17,496**	**17,496**

Statement of cash flows	2017
Net cash flows generated by operating activities	27,520
Net cash flows generated by investing activities	198
Net cash flows used in financing activities	(45,571)
Net decrease in cash and cash equivalents and current account overdrafts	**(17,853)**
Opening cash and cash equivalents and current account overdrafts	**119,134**
Closing cash and cash equivalents and current account overdrafts	**101,281**

(€'000)
WESTNER STATION JOINT VENTURE (SAUDI ARABIA)

Statement of financial position	31 December 2016	31 December 2017	Variation
Assets			
Non-current assets	24	17	(7)
Current assets	110,622	136,208	25,586
Total assets	**110,646**	**136,225**	**25,579**
Total equity and liabilities			
Equity	17,111	26,277	9,166
Current liabilities	93,535	109,948	16,413
Total equity and liabilities	**110,646**	**136,225**	**25,579**

Statement of profit or loss	2016	2017	Variation
Revenue	125,525	146,862	21,337
Profit before tax	12,665	11,923	(742)
Profit for the year	**12,665**	**11,923**	**(742)**
Other comprehensive income (expense)	755	(2,757)	(3,512)
Comprehensive income	**13,420**	**9,166**	**(4,254)**
Comprehensive income attributable to non-controlling interests	**6,576**	**4,491**	**(2,085)**

Statement of cash flows	2017
Net cash flows generated by operating activities	6,132
Net increase in cash and cash equivalents and current account overdrafts	**6,132**
Opening cash and cash equivalents and current account overdrafts	**4,222**
Closing cash and cash equivalents and current account overdrafts	**10,354**

Reconciliation between equity and loss of Salini Impregilo with consolidated equity and consolidated loss

The following table shows the reconciliation of equity and loss of the parent with the corresponding consolidated items:

(€'000)	Equity	Loss for the year
Equity and loss for the year of Salini Impregilo	**878,945**	**(91,188)**
Elimination of consolidated investments	(1,007,395)	9,091
Elimination of the provision for risks on equity investments	53,085	1,137
Equity and profit or loss of consolidated companies	994,902	99,251
Other consolidation entries		
Elimination of dividends from consolidated entities	-	(146,604)
Other consolidation entries	(96)	108
Gains (losses) on intragroup sales	(637)	3,592
Purchase price allocation	9,668	(10,932)
Unrealised net exchange gains (losses)	(289)	49,010
Tax effects	4,153	(15,711)
Elimination of national tax consolidation system effects	19,050	(4,672)
Equity and loss for the year attributable to the owners of the parent	**951,386**	**(106,918)**
Equity and profit for the year attributable to non-controlling interests	133,898	22,862
Consolidated equity and loss for the year	**1,085,284**	**(84,056)**

22. Bank and other loans, current portion of bank loans and current account facilities

Bank and other loans and borrowings decreased by €496.5 million over 31 December 2016 to €768.5 million at year end, as summarised below:

(€'000)	31 December 2016	31 December 2017	Variation
Non-current portion			
- Bank and other loans and borrowings	866,362	457,468	(408,894)
Current portion			
- Current account facilities and other loans	398,589	311,002	(87,587)
Total	**1,264,951**	**768,470**	**(496,481)**

The Group's financial indebtedness is broken down by loan type in the following table:

(€'000)	31 December 2016			31 December 2017		
	Non-current	Current	Total	Non-current	Current	Total
Bank corporate loans	753,740	45,031	798,771	380,489	41,997	422,486
Bank construction loans	82,056	88,886	170,942	55,798	162,725	218,523
Bank concession financing	22,253	19,337	41,590	13,319	19,124	32,443
Financing and loans of companies in liquidation	2,136	-	2,136	2,090	-	2,090
Other financing	5,827	11,937	17,764	5,711	18,222	23,933
Total bank and other loans and borrowings	**866,012**	**165,191**	**1,031,203**	**457,407**	**242,068**	**699,475**
Current account facilities	-	51,297	51,297	-	37,028	37,028
Factoring liabilities	350	123,207	123,557	61	17,958	18,018
Loans and borrowings - unconsolidated group companies	-	58,894	58,894	-	13,948	13,948
Total	**866,362**	**398,589**	**1,264,951**	**457,468**	**311,002**	**768,470**

Bank corporate loans

Bank corporate loans amount to €422.5 million at the reporting date (31 December 2016: €798.8 million) and refer to the parent.

They have been granted by major banks and have repayment plans which provide for payment of the last instalments in 2022.

The main conditions of the bank corporate loans in place at 31 December 2017 are as follows:

	Company	Interest rate	Expiry date	Note
Banca IMI - Term Facility Loan	Salini Impregilo	Euribor	2022	(1)
Monte dei Paschi di Siena	Salini Impregilo	Fixed	2019	(1)
Banca Popolare di Bergamo	Salini Impregilo	Fixed	2019	(1)
Banca Popolare di Milano (€50 million)	Salini Impregilo	Euribor	2021	(1)
Banca Popolare di Milano (€40 million)	Salini Impregilo	Euribor	2022	(1)
Banca IMI (€102 million)	Salini Impregilo	Euribor	2021	(1)
Banca del Mezzogiorno	Salini Impregilo	Euribor	2021	(1)
BBVA	Salini Impregilo	Fixed	2020	(1)
Banco do Brasil	Salini Impregilo	Fixed	2020	

(1) The loans are backed by covenants that establish the requirement for the borrower to maintain certain financial and equity ratios, which at the date of this Annual Report are fully respected.

During the year, the Group obtained loans from:

- Banca IMI (€80.0 million);
- BBVA (€50.0 million);
- BPM (€40.0 million);
- Banca del Mezzogiorno (€30.0 million);
- Banco do Brasil (€10.0 million).

It also repaid the following loans:

- Facility A and Facility B to Banca IMI; they amounted to €126.2 million and €163.2 million at 31 December 2016;
- the loan from Banca del Mezzogiorno which amounted to €10.6 million at 31 December 2016;
- the loan from BPER which amounted to €37.7 million at 31 December 2016;
- the loan from MPS which amounted to €69.8 million at 31 December 2016;
- the loan from Banca IMI which amounted to €148.9 million at 31 December 2016.

The agreement and repayment of loans were part of the Group's long-term corporate debt refinancing transaction of more than €1 billion, after which it placed new bonds for €500 million on the Irish Stock Exchange in Dublin for redemption on 26 October 2024. More information about the Group's bond issues is available in note 23.

The non-current portion of the above bank corporate loans will be repaid at its contractual maturity, based on the following time bands:

(€'000)	Company	Country	Total non-current portion	Due after 13 months but within 24 months	Due after 25 months but within 60 months	Due after 60 months
Banca IMI River A (€80 million) and RFC	Salini Impregilo	Italy	75,500	-	75,500	-
BBVA	Salini Impregilo	Italy	49,823	-	49,823	-
Banca del Mezzogiorno	Salini Impregilo	Italy	18,220	5,994	12,226	-
Banca IMI (€102 million)	Salini Impregilo	Italy	71,446	20,570	50,876	-
Monte dei Paschi di Siena	Salini Impregilo	Italy	49,968	49,968	-	-
Banca Popolare di Milano	Salini Impregilo	Italy	65,582	19,981	45,601	-
Banca Popolare di Bergamo	Salini Impregilo	Italy	39,950	39,950	-	-
Banco do Brasil	Salini Impregilo	Italy	10,000	-	10,000	-
Total			**380,489**	**136,463**	**244,026**	**-**

The fair value of the bank corporate loans, measured as set out in the "Accounting policies" section, is €428.0 million.

Bank construction loans

Bank construction loans amount to €218.5 million at the reporting date and mainly relate to:

- projects in Colombia (€46.3 million);
- Australian contracts (€36.1 million);
- North American contracts (€29.5 million);
- projects in Qatar (€21.5 million);
- Romanian contracts (€20.8 million);
- Metro line B1 (€12.8 million);
- the Swiss group company (€9.0 million);
- Nigerian contracts (€5.2 million).

The net increase is mostly due to the increase recorded for the contracts in Australia (€36.1 million), Romania (€20.8 million) and Qatar (€21.5 million) and the decrease on the projects in Colombia (€12.7 million) and those of the US Lane Group companies (€23.9 million).

The conditions of the main construction loans in place at year end may be summarised as follows:

	Company	Country	Interest rate	Expiry date
Banco de Bogotà	Ariguani	Colombia	Libor	2018
Various banks	Ariguani	Colombia	DTF	2018
Banco Stato del Ticino	CSC	Switzerland	Fixed	2018
Unicredit	Lane Industries	USA	Prime	2021
Doha Bank S.A.	Lane Industries	Qatar	Fixed	2018
Skye Bank	Salini Nigeria	Nigeria	Fixed	2018
Banca del Mezzogiorno	Metro B1	Italy	Euribor	2019

The interest rates shown in the table have floating spreads depending on the term and conditions of the loans.

The non-current portion of the above construction loans will be repaid at its contractual maturity, based on the following time bands:

(€'000)	Company	Country	Total non-current portion	Due after 13 months but within 24 months	Due after 25 months but within 60 months	Due after 60 months
Various banks	Lane Industries	USA	21,168	8,308	12,860	-
Various banks	Ancipa	Italy	20,505	20,505	-	-
Banca del Mezzogiorno	Metro B1	Italy	6,387	6,387	-	-
Various banks	Pietrarossa	Italy	6,506	6,506	-	-
Various banks	Ancipa Dam	Italy	1,232	1,232	-	-
Total			**55,798**	**42,938**	**12,860**	**-**

The fair value of the construction loans, measured as set out in the "Accounting policies" section, is €218.4 million.

Bank concession financing

At 31 December 2017, bank concession financing amounts to €32.4 million and refers to the Piscine dello Stadio and Corso del Popolo concessions and the Broni-Mortara (SA.BRO.M.) motorway concession.

(€'000)				31 December 2016			31 December 2017		
	Company	Currency	Country	Total concession financing	Current	Non-current	Total concession financing	Current	Non-current
Unicredit	S.A.BRO.M	Euro	Italy	18,152	18,152	-	18,253	18,253	-
Monte dei Paschi di Siena	Corso del Popolo S.p.A.	Euro	Italy	8,337	529	7,808	7,807	568	7,239
Credito Sportivo	Piscine dello Stadio S.r.l.	Euro	Italy	6,601	293	6,308	6,383	303	6,080
Royal Bank of Scotland	Impregilo Parking Glasgow	Sterling	UK	8,500	363	8,137	-	-	-
Total				**41,590**	**19,337**	**22,253**	**32,443**	**19,124**	**13,319**

The main conditions of the bank concession financing in place at 31 December 2017 are as follows:

	Company	Country	Interest rate	Expiry date
Monte dei Paschi di Siena	Corso del Popolo S.p.A.	Italy	Euribor	2028
Credito Sportivo	Piscine dello Stadio	Italy	IRS	2035
Unicredit	SA.BRO.M.	Italy	Euribor	2018

The interest rates shown in the table have floating spreads depending on the term and conditions of the financing.

The non-current portion of the above bank concession financing will be repaid at its contractual maturity, based on the following time bands:

(€'000)	Company	Country	Total non-current portion	Due after 13 months but within 24 months	Due after 25 months but within 60 months	Due after 60 months
Monte dei Paschi di Siena	Corso del Popolo S.p.A.	Italy	7,239	466	1,692	5,081
Credito Sportivo	Piscine dello Stadio S.r.l.	Italy	6,080	241	1,098	4,741
Total			**13,319**	**707**	**2,790**	**9,822**

The fair value of the bank concession financing, measured as set out in the "Accounting policies" section, is €32.4 million.

Financing and loans of companies in liquidation

This item of €2.1 million is substantially unchanged from 31 December 2017. The related repayment plans are linked to the liquidation procedures of the companies to which the financing and loans refer.

Other financing

This item may be analysed as follows:

(€'000)	Company	Country	31 December 2016 Total other financing	Current	Non-current	31 December 2017 Total other financing	Current	Non-current
Various	Lane Industries	USA	2,585	2,480	105	3,654	1,401	2,253
Various	Healy Parsons	USA	-	-	-	6,334	6,334	-
Cat Finance	Salini Impregilo	Italy	6,977	4,096	2,881	2,902	1,598	1,304
Various	HCE	Italy	3,321	822	2,499	2,440	631	1,809
Various	NTF JV	Turkey	-	-	-	1,760	1,760	-
Other	Other	Various	4,881	4,539	342	6,843	6,498	345
Total			**17,764**	**11,937**	**5,827**	**23,933**	**18,222**	**5,711**

The conditions of the main other financing at 31 December 2017 may be summarised as follows:

	Company	Country	Interest rate	Expiry date
CAT Finance	Salini Impregilo	Italy	Fixed rate	2019

The interest rates shown in the table have floating spreads depending on the term and conditions of the financing.
The non-current portion of the above other financing will be repaid at its contractual maturity, based on the following time bands:

(€'000)	Company	Country	Total non-current portion	Due after 13 months but within 24 months	Due after 25 months but within 60 months	Due after 60 months
Cat Finance	Salini Impregilo	Italy	1,304	1,304	-	-
Various banks	HCE	Italy	1,809	585	1,224	-
Various banks	Pietrarossa	Italy	345	345	-	-
Various banks	Lane Industries	USA	2,253	1,680	573	-
Total			**5,711**	**3,914**	**1,797**	**-**

The fair value of the other financing, measured as set out in the "Accounting policies" section, is €24.0 million.

Current account facilities

Current account facilities decreased by €14.3 million to €37.0 million at the reporting date. The net reduction mainly refers to the smaller bank overdrafts of HCE (€33.4 million) and larger bank overdrafts of the subsidiary CMT (€21.2 million).

Factoring liabilities

(€'000)	31 December 2016	31 December 2017	Variation
CMT (SACE Factoring S.p.A.)	15	13,317	13,302
Ethiopian branch (Factorit)	9,957	4,480	(5,477)
Salini Impregilo S.p.A. (SACE Factoring S.p.A.)	53,794	-	(53,794)
Impregilo-SK E&C-Galfar al Misnad J.V. (SACE Factoring S.p.A.)	42,205	-	(42,205)
Salini Namibia PTY (SACE Factoring S.p.A.)	14,892	-	(14,892)
Salini Impregilo S.p.A. (Unicredit)	2,176	-	(2,176)
Other	518	221	(297)
Total	**123,557**	**18,018**	**(105,539)**

Factoring liabilities related to the factoring of receivables and decreased by €105.5 million, mainly due to the repayments made by the subsidiary Impregilo-SK E&C-Galfar al Misnad J.V. to SACE Factoring S.p.A. (€42.2 million) and the parent to Sace Factoring S.p.A. (€53.8 million).

Net financial indebtedness of Salini Impregilo Group

(€'000)	Note (*)	31 December 2016	31 December 2017	Variation
Non-current financial assets	11	62,458	188,468	126,010
Current financial assets	16	323,393	94,308	(229,085)
Cash and cash equivalents	19	1,602,721	1,320,192	(282,529)
Total cash and cash equivalents and other financial assets		**1,988,572**	**1,602,968**	**(385,604)**
Bank and other loans and borrowings	22	(866,361)	(457,468)	408,893
Bonds	23	(868,115)	(1,084,426)	(216,311)
Finance lease liabilities	24	(119,742)	(81,310)	38,432
Total non-current indebtedness		**(1,854,218)**	**(1,623,204)**	**231,014**
Current portion of bank loans and borrowings and current account facilities	22	(398,589)	(311,002)	87,587
Current portion of bonds	23	(18,931)	(302,935)	(284,004)
Current portion of finance lease liabilities	24	(55,281)	(48,567)	6,714
Total current indebtedness		**(472,801)**	**(662,504)**	**(189,703)**
Derivative assets	16	156	226	70
Derivative liabilities	25	(7,180)	(1,480)	5,700
Net financial position with unconsolidated SPEs (**)		(5,345)	(18,618)	(13,273)
Total other financial liabilities		**(12,369)**	**(19,872)**	**(7,503)**
Net financial indebtedness - continuing operations		**(350,816)**	**(702,612)**	**(351,796)**
Net financial indebtedness including discontinued operations		**(350,816)**	**(702,612)**	**(351,796)**

(*) The note numbers refer to the notes to the consolidated financial statements where the items are analysed in detail.
(**) This item shows the Group's net amounts due from/to unconsolidated consortia and/or consortium companies (SPEs) operating under a cost recharging system. The balance reflects the Group's share of cash and cash equivalents or debt of the SPEs. The items making up these balances are presented under trade receivables and trade payables, respectively, in the consolidated financial statements.

At 31 December 2017, the Group has net financial indebtedness from continuing operations of €702.6 million (indebtedness of €350.8 million at 31 December 2016).

The increase is mainly due to the reduction in cash and cash equivalents due to the exchange difference effect on foreign currency items.

Gross indebtedness decreased by €28.0 million over 31 December 2016 to €2,304.3 million at the reporting date.

The debt/equity ratio (based on the net financial indebtedness from continuing operations) is 0.65 at group level at the reporting date.

23. Bonds

The outstanding bonds at 31 December 2017 relate to the parent, Salini Impregilo (€1,387.4 million). They are analysed in the following table:

(€'000)	31 December 2016	31 December 2017	Variation
Non-current portion	868,115	1,084,426	216,311
Current portion	18,931	302,935	284,004
Total	**887,046**	**1,387,361**	**500,315**

A breakdown of this item is set out in the following table:

(€'000)		31 December 2016			31 December 2017		
	Expiry date	Nominal amount	Non-current portion (net of related charges)	Current portion (accrued interest)	Nominal amount	Non-current portion (net of related charges)	Current portion (accrued interest)
Salini TF 6.125% Ag 18 CALL EUR	1 August 2018	283,026	281,385	7,219	283,026	-	289,640
Salini TF 3.75% Gn 21 CALL EUR	24 June 2021	600,000	586,730	11,712	600,000	589,690	11,713
Salini TF 1.75% Ot 24 CALL EUR	26 October 2024	-	-	-	500,000	494,736	1,582
Total		**883,026**	**868,115**	**18,931**	**1,383,026**	**1,084,426**	**302,935**

On 23 July 2013, Salini S.p.A. (now part of Salini Impegilo S.p.A.) issued senior unsecured bonds for a nominal amount of €400 million to be redeemed on 1 August 2018, intended for international institutional investors. The bonds, which have a minimum denomination of €100,000 and an annual gross coupon of 6.125%, were placed with primary international institutional investors at a price of €99.477.

On 24 June 2016, the parent announced the placement of bonds with a nominal amount of €428.3 million reserved for institutional investors. They have a fixed rate coupon of 3.75%. The bonds are listed on the Irish Stock Exchange in Dublin with a redemption date of 24 June 2021.

Part of the bonds, with a nominal amount of €128.3 million, was assigned to the holders of the senior unsecured bonds that adhered to the parent's offer. The exchange rate applied to the existing bonds was 109.75%. After the exchange, the outstanding senior unsecured bonds amounted to €283 million.

The parent used the proceeds of €300 million from the new issue, not used for the bond exchange, to repay part of the bridge financing taken out to acquire Lane Group. The Group assessed the continuity of the previous bonds (exchanged) with the bonds placed on 24 June 2016. On 11 July 2016, the parent placed more bonds with institutional investors for a total nominal amount of roughly €172 million.

The new bonds are part of a single series with the previous €428 million issued on 24 June 2016 and redeemable on 24 June 2021, bringing the total bond issue to €600 million. The transaction has strengthened the Group's debt profile, extended its average debt repayment dates by more than one year and increased its fixed rate debt component.

In the second half of 2017, the parent announced it will issue bonds for €500 million with a fixed rate coupon of 1.75% reserved for qualified investors, excluding their placement in the US and other selected countries. It listed the bonds on the Irish Stock Exchange for redemption on 26 October 2024. Their issue was part of the Group's long-term corporate debt refinancing transaction of more than €1 billion. More information is available in note 22 on bank loans.

The bonds are backed by covenants that require the parent to maintain certain financial and equity ratios, which at the date of this Annual Report are fully respected.

The fair value of the bonds at the reporting date, measured as set out in the "Accounting policies" section, is €1,399.2 million.

24. Finance lease liabilities

Finance lease liabilities may be broken down as follows at 31 December 2017:

(€'000)	31 December 2016	31 December 2017	Variation
Non-current portion	119,742	81,310	(38,432)
Current portion	55,281	48,567	(6,714)
Total	**175,023**	**129,877**	**(45,146)**

This item includes the principal of future lease payments at the reporting date for the purchase of plant, machinery and equipment with an average life of between 3 to 8 years.
At 31 December 2017, the effective average rate ranged between 2% to 5% for the Italian companies.
Liabilities for these leases are guaranteed to the lessor via rights to the leased assets.
The present value of the minimum future lease payments is €129.9 million (31 December 2016: €175 million) as follows:

(€'000)	31 December 2016	31 December 2017
Minimum lease payments:		
Due within one year	62,110	56,304
Due between one and five years	122,863	83,262
Due after five years	3,607	3,528
Total	**188,580**	**142,094**
Future interest expense	(13,557)	(12,216)
Net present value	**175,023**	**129,878**
The net present value is as follows:		
Due within one year	55,281	48,567
Due between one and five years	116,348	77,851
Due after five years	3,394	3,460
Total	**175,023**	**129,878**

The Group's future commitments for non-cancellable operating leases are as follows:

Estimated commitments for future non-cancellable lease payments (€m) - December 2017

Within one year	between one and five years	Due after five years	Total
59	73	21	153

The above figures do not reflect the impact that adoption of IFRS 16 from 1 January 2019 could have.

25. Derivatives and other current financial liabilities

These items show the reporting-date fair value of the currency and interest rate hedges. They may be broken down as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Non-current portion	4,429	-	(4,429)
Current portion	2,751	1,480	(1,271)
Total	**7,180**	**1,480**	**(5,700)**

The following table analyses the item:

(€'000)	31 December 2016	31 December 2017	Variation
Interest rate swaps - Cash flow hedges	7,096	-	(7,096)
Currency swaps - FVTPL	84	1,480	1,396
Total derivatives presented in net financial indebtedness	**7,180**	**1,480**	**(5,700)**

Forward currency purchases and sales - FVTPL

Company	Agreement date	Expiry date	Currency	Notional amount	Fair value (€'000)
Salini Impregilo S.p.A.	20/12/2017	20/03/2018	USD	17,000,000	(211)
Salini Impregilo S.p.A.	20/12/2017	20/03/2018	USD	20,000,000	(249)
Salini Impregilo S.p.A.	06/12/2017	06/03/2018	USD	20,000,000	(164)
Salini Impregilo S.p.A.	06/12/2017	06/03/2018	USD	20,000,000	(164)
Salini Impregilo S.p.A.	28/11/2017	31/01/2018	USD	20,000,000	(108)
Salini Impregilo S.p.A.	21/11/2017	26/02/2018	USD	20,000,000	(345)
Salini Impregilo S.p.A.	22/12/2017	22/01/2018	USD	23,000,000	(166)
Salini Impregilo S.p.A.	22/12/2017	31/01/2018	USD	10,000,000	(73)
Total					**(1,480)**

This category includes derivatives that have been entered into to hedge the Group against currency risks but that do not meet hedge accounting requirements.

26. Post-employment benefits and employee benefits

At 31 December 2017, the Group's liability due to its employees determined using the criteria set out in IAS 19 is €85.7 million.

The liability for post-employment benefits is the outstanding amount at the reform effective date, net of benefits paid up to the reporting date. The liability is considered part of a defined benefit plan under IAS 19 and has, therefore, been subjected to actuarial valuation. The valuation, performed with the assistance of an independent expert, was based on the following rates:

- turnover rate: 7.25%;
- advance payment rate: 3%;
- inflation rate: 1.5%.

The Group has used the Iboxx AA Corporate index for the Eurozone, which has an average financial duration in line with the fund being valued, to calculate the discount rate.

The balance mainly consists of the liability for Lane Group's defined benefit plan for its full-time employees. This liability is calculated on the basis of the employees' years of service and remuneration and is subjected to an actuarial valuation. Lane Group also provides healthcare cover to retired employees, hired before 31 December 1992 with at least 20 years of service.

The item also includes the Italian post-employment benefits related to Salini Impregilo and its Italian subsidiaries. The liability is the outstanding amount at the reform effective date, net of benefits paid up to the reporting dates. The liability is considered part of a defined benefit plan under IAS 19 and has, therefore, been subjected to actuarial valuation.

Changes in the item are as follows:

(€'000)	31 December 2015	Accruals	Payments	Net actuarial gains	Change in consolidation scope and other changes	Contributions paid to INPS treasury and other funds	31 December 2016
Post-employment benefits and employee benefits	**25,412**	**13,813**	**(30,663)**	**(4,364)**	**90,945**	**(3,213)**	**91,930**

(€'000)	31 December 2016	Accruals	Payments	Net actuarial losses	Change in consolidation scope and other changes	Contributions paid to INPS treasury and other funds	31 December 2017
Post-employment benefits and employee benefits	**91,930**	**18,742**	**(17,261)**	**4,323**	**(9,636)**	**(2,374)**	**85,723**

"Net actuarial losses" include the actuarial gains and losses recognised in the actuarial reserve as per the revised IAS 19 while the "Change in consolidation scope and other changes" mainly relate to Lane as well as exchange gains and losses.

Lane Construction Corporation Defined Benefit Pension Plan

Through its US subsidiary Lane Industries Inc., the Group contributes to a pension plan that qualifies as a defined benefit plan, The Lane Construction Corporation Defined Benefit Pension Plan, which pays benefits to employees or former employees who met the related vesting conditions when they retire.

The subsidiary also pays benefits to a supplementary pension plan for some senior executives. In addition, it provides employees who have reached retirement age with healthcare benefits. These employees were hired before 31 December 1992 and reached retirement age after at least 20 years' service and are also beneficiaries of The Lane Construction Corporation Defined Benefit Pension Plan.

A reconciliation between the opening balance and the closing balance of the Group's liability for employee benefits and the plan assets is as follows (€'000):

(€'000)	Liability for employee benefits	Plan assets	Variation
1 January 2017	**206,374**	**(144,056)**	**62,318**
Contribution cost	4,328	-	4,328
Interest	8,428	(5,994)	2,434
Gains on the change in the expected return on the plan assets	-	(18,232)	(18,232)
Net losses on changes in the financial assumptions	21,852	-	21,852
Net gains on changes in the demographic assumptions	(917)	-	(917)
Net gains from experience	(240)	-	(240)
Employer contributions	(1,172)	(6,671)	(7,843)
Payments	(4,693)	4,818	125
Healthcare services provided	14	-	14
Exchange differences	(26,928)	18,848	(8,080)
31 December 2017	**207,046**	**(151,287)**	**55,759**

The following tables show the assumptions used to calculate the liability for employee benefits:

	Pension benefits		Other benefits	
	31 December 2016	31 December 2017	31 December 2016	31 December 2017
Discount rate	4.49%	3.78%	4.02%	3.57%
Expected rate of return on plan assets	7.25%	6.75%	n.a.	n.a.
Salary increase rate	3.50%	3.50%	n.a.	n.a.

The long-term expected rate of return on plan assets is calculated based on the investments' performance and the plan asset mix over the period the assets are expected to increase in value before final payment.

Assumptions about the rise in healthcare service costs are set out below:

ASSUMPTIONS ABOUT THE RISE IN HEALTHCARE SERVICE	31 December 2016	31 December 2017
Annual growth rate	7.00%	7.18%
Ultimate trend rate	4.50%	4.32%
Year in which the ultimate trend rate is expected to be reached	2028	2039

The next table shows how the liability for employee benefits would change if the main assumptions changed:

(€'000)	Variation	Increase	Decrease
Discount rate	1.00%	(28,503)	36,235
Salary increase rate	1.00%	10,096	(8,944)

The following table presents the plan asset categories as a percentage of total invested assets:

(€'000)	31 December 2016	%	31 December 2017	%
Common / collective trusts	143,188	99.40%	150,933	99.77%
Interest-bearing deposits	868	0.60%	355	0.23%
Total	**144,056**	**100.00%**	**151,288**	**100.00%**

The plan assets are selected to ensure a combination of returns and growth opportunity using a prudent investment strategy. Investments usually include 35% in fixed income funds, 45% in equity investments (large and small caps) and 20% in international companies. The subsidiary's management regularly revises its objectives and strategies.

A breakdown of the plan assets' fair value by asset category is as follows:

(€'000)	Listed prices	Other observable significant inputs	Other non-observable significant inputs	31 December 2016
	Level 1	Level 2	Level 3	Total
Common / collective trusts	143,188	-	-	143,188
Interest-bearing deposits	868	-	-	868
Total	**144,056**	**-**	**-**	**144,056**

(€'000)	Listed prices	Other observable significant inputs	Other non-observable significant inputs	31 December 2017
	Level 1	Level 2	Level 3	Total
Common / collective trusts	150,933	-	-	150,933
Interest-bearing deposits	355	-	-	355
Total	**151,287**	**-**	**-**	**151,287**

The following table shows the estimated undiscounted future payments for employee benefits:

(€'000)	Period	Pension benefits	Other benefits
	2018	5,986	1,076
	2019	6,391	1,073
	2020	6,781	1,054
	2021	7,142	1,066
	2022	7,693	1,076
	2023-2027	46,548	5,092

Lane pays benefits to multi-employer pension plans, as provided for by national labour agreements for its employees represented by trade unions. The risks of participating in these plans, which involve more than one employer, vary depending on the plan and are borne by each employer as follows:

- the assets contributed by an employer to a multi-employer pension plan may be used to provide benefits to the employees of the other employers involved in the plan;
- if an employer stops contributing to a multi-employer pension plan, its unmet obligations are covered by the other employers participating in the plan;
- if an employer decides to withdraw from a multi-employer pension plan, it may be required to pay the plan an amount calculated considering its possible undercapitalisation at the withdrawal date.

		Zone Status (Pension Protection Act)[1]		Contributions (Eur/000)		Plan end date; Presence of "MFA"[2]
Pension plan	Number	31 December 2016	31 December 2017	31 December 2016	31 December 2017	
IUOE Local 4 Pension Fund	04-6013863; 001	Green	Green	838	805	31/5/2018; No
IUOE Local 98 Benefits Funds	04-6127765; 001	Green	Green	832	929	31/5/2020; No
Operating Engineers' Constr. Ind. and Misc. Pension Fund	25-6135579; 001	Green	Green	711	737	31/12/2019; No
Massachusetts Laborers' Pension Fund	04-6128298; 001	Green	Green	547	637	31/5/2022; No
New England Teamsters' Fund	04-6372430; 001	Red	Orange	468	423	30/4/2018; Yes
Western Penn Laborers' District Council Fund	25-6135576; 001	Red	Red	1.243	977	31/12/2019; Yes

Notes to the above table:
1 The "zone status" is based on information received from the plan. Plans in the "red zone" are less than 65% funded, plans in the "orange zone" are between 65% and 80% funded, plans in the "green zone" are more than 80% funded.
2 "MFA" stands for "minimum funding arrangement".

27. Provisions for risks

These provisions amount to €101.5 million at the reporting date, as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Provisions for risks on equity investments	2,526	4,122	1,596
Other provisions	103,239	97,409	(5,830)
Total	**105,765**	**101,531**	**(4,234)**

The provision for risks on equity investments relates to expected impairment losses on the carrying amount of the Group's investments in associates for the part that exceeds their carrying amounts.

Changes in this provision are detailed below:

(€'000)	2017
Share of loss of equity-accounted investees	(2,059)
Dividends from equity-accounted investees	73
Other changes including change in the translation reserve	(190)
Reclassifications	3,772
Total	**1,596**

Other provisions comprise:

(€'000)	31 December 2016	31 December 2017	Variation
USW Campania projects	32,760	31,160	(1,600)
Provisions set up by Imprepar and its subsidiaries	36,327	39,927	3,600
Other	34,152	26,322	(7,830)
Total	**103,239**	**97,409**	**(5,830)**

The provision for the USW Campania projects mainly consists of the estimated potential costs for the environmental clean-up. The "Main risk factors and uncertainties" section in the Directors' report includes a description of the litigation and risks related to the USW Campania projects.

The provisions set up by Imprepar and its subsidiaries include accruals made for probable future charges related to the closing of contracts and potential developments in ongoing litigation.

"Other" mainly comprises amounts accrued in 2016 for certain foreign contracts completed in previous years for which disputes are ongoing with the customers. Relationships with these customers are difficult and, therefore, the Group is unable to estimate exactly when the related receivables will be collected.

Changes during 2016 are shown in the following table:

(€'000)	31 December 2015	Accruals	Utilisations	Reclassifications	Exchange gains and other changes	31 December 2016
Other Provisions	**104,171**	**11,046**	**(15,952)**	**-**	**3,974**	**103,239**

Changes in the item in the year are summarised below:

(€'000)	31 December 2016	Accruals	Utilisations/ Releases	Reclassifications	Exchange gains and other changes	31 December 2017
Other Provisions	**103,239**	**14,865**	**(18,319)**	**-**	**(2,376)**	**97,409**

Changes of the year comprise:

- accruals of €14.9 million, mainly related to the subsidiary Imprepar (€10.5 million), HCE Group for future costs to dismantle work sites (€1.3 million) and Salini Impregilo's headquarters (€0.7 million);
- utilisations of €18.3 million, mostly related to the subsidiary Imprepar, and HCE Group due to the occurrence of the events for which the provision had been set up.

Reference should be made to the "Main risk factors and uncertainties" section of the Directors' report for more information on litigation.

28. Progress payments and advances on contract work in progress

This item, included in "Current liabilities", amounts to €2,518.6 million, up €62.9 million on the figure at 31 December 2016. It comprises:

(€'000)	31 December 2016	31 December 2017	Variation
Contract work in progress	(5,384,910)	(5,155,863)	229,047
Progress payments and advances received (on approved work)	5,976,936	5,769,034	(207,902)
Negative work in progress	**592,026**	**613,171**	**21,145**
Contractual advances	1,863,606	1,905,386	41,780
Total	**2,455,632**	**2,518,557**	**62,925**

Work in progress recognised under liabilities (negative WIP) of €613.2 million is the negative net balance, for each contract, of work performed to date and progress payments and advances.

The following table shows the contribution by geographical segment of negative WIP and contractual advances:

(€'000)	31 December 2016	31 December 2017	Variation
Italy	147,524	210,810	63,286
EU (excluding Italy)	341,552	242,177	(99,375)
Non-EU	67,384	57,458	(9,926)
Asia	92,478	266,573	174,095
Middle East	523,676	450,969	(72,707)
Africa	965,076	941,242	(23,834)
North America	105,667	89,542	(16,125)
South America	129,961	112,490	(17,471)
Oceania	82,314	147,296	64,982
Total	**2,455,632**	**2,518,557**	**62,925**

The contracts that contributed the most to the negative WIP were those in Ethiopia for the Koysha dam (€305.3 million), the US (€90.6 million), Australia (€75.6 million), Peru (€39.7 million) and Austria (€11.7 million).

The most significant contractual advances, which total €1,905.4 million, relate to the following contracts: the Grand Ethiopian Renaissance Dam (Gerd), Gibe II and the Koysha dam in Ethiopia (€362.7 million), the hydroelectric project in Tajikistan (€266.6 million), the Copenhagen Cityringen Metro in Denmark (€190.8 million), contracts in Libya (€178.2 million), the Riyadh Metro Line 3 in Saudi Arabia (€169.4 million), projects in Nigeria (€87.9 million) and the metro line in Australia (€71.7 million).

The Directors' report provides more information about the performance of these contracts and their progress.

The "Main risk factors and uncertainties" section in the Directors' report provides information on pending disputes and assets exposed to country risk.

29. Trade payables

Trade payables amount to €2,163.4 million at the reporting date, a decrease of €181.3 million on 31 December 2016. They are made up as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Third parties	2,233,611	2,046,292	(187,319)
Unconsolidated group companies and other related parties	111,162	117,140	5,978
Total	**2,344,773**	**2,163,432**	**(181,341)**

The decrease is the result of the settlement of payables for the Gibe III and Koysha projects (Ethiopian branch, €143.2 million) and the high speed/capacity Milan - Genoa railway section contract (€42.6 million).

Trade payables to unconsolidated group companies and other related parties increased by €6.0 million to €117.1 million at the reporting date. The item mostly consists of payables to unconsolidated SPEs accrued on work performed by them for contracts with Italian and foreign public administrations.

The increase in the item mostly relates to the consortium company Metro Blu S.c.r.l. for the Milan metro Line 4 project and Arge Haupttunnel Eyholz for construction of the Eyholz tunnel.

The balance includes €18.6 million (€7.4 million) and includes the Group’s liabilities with consortia and consortium companies (SPEs) that operate by recharging costs and are not included in the consolidation scope. The balance is equal to the Group's share of the SPEs’ cash and cash equivalents.

30. Current tax liabilities and other current tax liabilities

Current tax liabilities amount to €96.8 million as follows:

(€'000)	31 December 2016	31 December 2017	Variation
IRES	7,838	3,537	(4,301)
IRAP	2,118	1,808	(310)
Foreign taxes	100,035	91,494	(8,541)
Total	**109,991**	**96,839**	**(13,152)**

"Foreign taxes" include €7.5 million related to a tax dispute involving Impregilo International Infrastructures N.V. (see note 32 for more information).

Other current tax liabilities of €44.8 million decreased by €22.8 million over 31 December 2016. They may be analysed as follows:

(€'000)	31 December 2016	31 December 2017	Variation
VAT	48,062	25,938	(22,124)
Other indirect taxes	19,527	18,873	(654)
Total	**67,589**	**44,811**	**(22,778)**

31. Other current liabilities

Other current liabilities of €330.3 million (€356.3 million) comprise:

(€'000)	31 December 2016	31 December 2017	Variation
State bodies	115,588	115,588	-
Other liabilities	94,180	87,984	(6,196)
Employees	82,206	67,529	(14,677)
Social security institutions	23,271	22,880	(391)
Unconsolidated group companies and other related parties	13,747	13,956	209
Compensation and compulsory purchases	5,739	5,785	46
Accrued expenses and deferred income	21,584	16,567	(5,017)
Total	**356,315**	**330,289**	**(26,026)**

"State bodies" (€115.6 million) entirely relate to the transactions with the commissioner, the provincial authorities and municipalities of Campania in connection with the USW Campania projects. Reference should be made to the "Main risk factors and uncertainties" section in the Directors' report for more information about the complicated situation surrounding the USW Campania projects.

"Other liabilities" of €88.0 million decreased by roughly €6.2 million on the 31 December 2016 balance of €94.2 million. Such reduction is mainly attributable to the decrease in the liabilities for the Red Line project in Doha, Qatar (€8.1 million), the road works in Tunisia performed by HCE Group (€6.9 million) and the Bologna - Florence section of the high speed/capacity project (€3.2 million), as well as the decrease in liabilities for contracts completed or nearing completion, such as the Ingula hydroelectric project in South Africa (€8.2 million) as work on these projects continued regularly. The reduction is offset by the increase in liabilities for the high speed/capacity Milan - Genoa railway section contract following commencement of Lot 4 and the Saudi Arabian metro contract.

"Employees" relate to accrued unpaid remuneration. The large decrease in this item during the year mainly refers to the parent and the US Lane Group following payment of the remuneration and a reduction in the workforce for contracts that are nearing completion.

The balance of "Compensation and compulsory purchases" is in line with the previous year end and relates to the high speed/capacity railway contracts and principally the Milan - Genoa and Bologna - Florence sections.

Accrued expenses and deferred income decreased by €5.0 million to €16.6 million at the reporting date and the decrease is mostly due to the Salerno - Reggio di Calabria motorway works and the Sydney metro in Australia as shown in the following table:

(€'000)	31 December 2016	31 December 2017	Variation
Accrued expenses:			
- Commissions on sureties	4,267	3,920	(347)
- Other	11,138	10,525	(613)
Total accrued expenses	**15,405**	**14,445**	**(960)**
Deferred income:			
- Provision of services	6,179	2,122	(4,057)
Total deferred income	**6,179**	**2,122**	**(4,057)**
Total	**21,584**	**16,567**	**(5,017)**

32. Guarantees, commitments, risks and contingent liabilities

Guarantees and commitments

The key guarantees given by the Group are set out below:

- contractual sureties: these total €12,830.4 million and are given to customers as performance bonds, to guarantee advances, withholdings and involvement in tenders for all ongoing contracts. In turn, the group companies have guarantees given by its subcontractors. The balance includes sureties of €5,369.0 million given directly by Lane Group;
- sureties for credit: they amount to €262.4 million;
- sureties granted for export credit: €157.2 million;
- other guarantees: they amount to €1,453.6 million and comprise guarantees related to customs and tax obligations (€53.2 million) and other commitments (such as environmental clean-ups and export credit) (€1,400.4 million);
- collateral related to a lien on the shares of the SPE M4 (€4.7 million).

Tax disputes

Salini Impregilo
With respect to the principal dispute with the tax authorities:

- as described in detail in previous reports, the dispute about the assessment notice challenging the tax treatment of impairment losses and losses on the sale of assets recognised by the parent in 2003 is currently before the Supreme Court, following the tax authorities' appeal. The main issue about the sale by Impregilo S.p.A. of its investment in the Chilean operator Costanera Norte SA to Impregilo International Infrastructures N.V. was cancelled by the Milan Regional Tax Commission on 11 September 2009 (higher assessed tax base of €70 million);
- the parent's appeal about reimbursement of tax assets with a nominal amount of €12.3 million acquired from third parties as part of previous non-recurring transactions is still pending before the Supreme Court;
- a dispute related to 2005 about the technique used to "realign" the carrying amount of equity investments as per article 128 of Presidential decree no. 917/86 (greater assessed tax base of €4.2 million) is still pending before the first level court;
- with respect to another dispute again related to 2005 and the costs of a joint venture set up in Venezuela for which the greater assessed tax base is €6.6 million, the Regional Tax Commission filed its ruling entirely in the parent's favour on 19 May 2015; the tax authorities appealed to the Supreme Court on 28 December 2015 challenging the procedure while stating that the findings do not relate to the appeal. The parent has filed its defence brief;
- the parent was notified of: (i) a payment order from the tax authorities for Icelandic taxes of €4.6 million, which was cancelled after the first and second level sentences in its favour; the tax authorities appealed to the Supreme Court on 11 May 2017 and the parent presented its defence brief, and (ii) a payment bill for the same taxes which the parent appealed. It won again both at first and second level. On 18 January 2016, the tax authorities presented their appeal to the Supreme Court and the parent filed its defence brief;

- as already commented on in previous reports, on 29 December 2016, the parent received two assessment reports for IRES and IRAP purposes covering 2011 and alleging unpaid IRES taxes of €21.2 million and IRAP taxes of €2.9 million. Both these reports were based on a preliminary assessment report issued by the tax police and notified to the parent on 27 September 2016. They refer to: (i) for a minimum part, the alleged applicability of the "transfer price" regulations to sureties given free of charge on behalf of foreign subsidiaries, for which the tax police asserted that the normal commission income would have been €0.7 million; (ii) the non-deductibility of costs of €36.4 million incurred to purchase goods and services to perform works for the Abu Dhabi and Panama contracts, both of which countries have a preferential tax regime, due to the alleged insufficient evidence that the suppliers carried out commercial activities in those countries and that the related purchases were in Salini Impregilo's effective interest. During the mutually-agreed settlement procedure, the tax authorities revised their position and, after the discussions, the related agreements were signed on 5 June 2017 settling the dispute with payment of €300 thousand by the parent. Moreover, the Milan unit of the tax police completed its tax audit of the IRES, IRAP and VAT paid in 2012 on 27 March 2017 and the inspectors reported the same findings as 2011. The tax authorities again firstly sent a questionnaire followed by assessment notices for IRES and IRAP audits, which did not include all the assessments proposed by the inspectors. The parent did not challenge the notices and paid the related amount (€300 thousand);
- on 12 December 2017, the parent received an adjustment notice from the tax authorities requesting payment of registration tax of approximately €1.3 million in addition to a fine of the same amount on the sale of a business unit to Imprepar (which also received an identical adjustment notice). This business unit had no future profits and held investments in consortium companies in liquidation or inactive and the related assets and liabilities related to contracts that have been completed or are nearing completion due to Imprepar's know how in managing this type of business. The parent deems that the tax authorities' allegations are ungrounded and has promptly appealed against the notices to the competent tax commission.

With respect to the above pending disputes, after consulting its advisors, the parent believes that it has acted correctly and deems that the risk of an adverse ruling is not probable.

After the tax audit into 2011, 2012 and 2013 for the Ethiopian branch, the inspectors reported findings about the measurement of revenue from contract work in progress and the deduction of some costs. During the audit, the branch negotiated a significant decrease in these findings and the settlement of the findings for all three years.

Icelandic branch

With respect to the completed contract for the construction of a hydroelectric plant in Karanjukar (Iceland), a dispute arose with the Icelandic tax authorities in 2004 about the party required to act as the withholding agent for the remuneration of foreign temporary workers at the building site. Salini Impregilo was firstly wrongly held responsible for the payment of the withholdings on this remuneration, which it therefore paid. Following the definitive ruling of the first level court, the parent's claims were fully satisfied. Nevertheless, the local authorities subsequently commenced a new proceeding for exactly the same issue. The Supreme Court rejected the parent's claims in its ruling handed down in February 2010, which is blatantly contrary to the previous ruling issued in 2007 on the same matter by the same judiciary authority. The parent had expected to be refunded the unduly paid withholdings of €6.9 million (at the original exchange rate). After the last ruling, the parent took legal action at international level (appeal presented to the EFTA Surveillance Authority on 22 June 2010) and, as far as possible, again at local level as it deems that the last ruling issued by the Icelandic Supreme Court is unlawful both in respect of local legislative and international agreements regulating trade relations between the EFTA countries and international conventions which do not allow application of discriminatory treatments to foreign parties (individuals and companies) working in other EFTA countries. On 8 February 2012, the EFTA Surveillance Authority sent the Icelandic government a communication notifying the infraction of the free exchange of services and requested the government to provide its observations about this.

In April 2013, the EFTA Surveillance Authority issued its documented opinion finding the Icelandic legislation to be inconsistent with the regulations covering trade relations between the member countries with respect to the regulations for the above dispute. It asked that Iceland take steps to comply with these regulations.

Imprepar

The Milan Regional Tax Commission filed a ruling on the IRES assessment notices for 2006/2007/2008 received by the subsidiary Imprepar at the end of March 2015 cancelling all the main findings notified by the tax authorities on the assessment notices for 2006, 2007 and 2008 for a higher taxable amount of €12 million. In November 2015, the tax authorities appealed against the Milan Regional Tax Commission before the Supreme Court and the company filed its defence brief in December. After consulting its legal advisors, the subsidiary did not set up a provision for this tax dispute as it deems that the risk of an adverse ruling is not probable.

On 12 December 2017, Imprepar received an adjustment notice from the tax authorities requesting payment of registration tax of approximately €1.3 million in addition to a fine of the same amount on the parent's sale of a business unit to it (which also received an identical adjustment notice). This business unit had no future profits and held investments in consortium companies in liquidation or inactive and the related assets and liabilities related to contracts that have been completed or are nearing completion transferred due to Imprepar's know how in managing this type of company. The parent deems that the tax authorities' are ungrounded and has promptly appealed to the competent tax court.

Fibe

As disclosed in previous reports, Fibe has a pending dispute about the local property tax (ICI) on the Acerra waste-to-energy plant.

In January 2013, the subsidiary received tax assessment notices from the Acerra municipality with respect to the waste-to-energy plant, which requested payment of local property tax and related penalties for approximately €14.3 million for the years 2009-2011. The amount requested by the Municipality and challenged by Fibe was confirmed as far as its applicability but reduced in terms of its amount and penalties by the Naples Regional Tax Commission.

The subsidiary appealed against the second level ruling with the Supreme Court and the case is still pending. However, in 2015, the subsidiary set aside a provision for an amount equal to the tax plus accrued interest on a prudent basis.

HCE

The second level hearing about the tax claims for the years from 2014 to 2016 about the assessed taxability of transferred funds used to cover costs incurred for the works tendered in Ukraine is pending. As these claims are clearly groundless, the parent has challenged the claims and obtained a first level ruling in its favour.

33. Financial instruments and risk management

Classes of financial instruments

The Group's financial instruments are broken down by class in the following table, which also shows their fair value:

(€'000) 31 December 2016	Note	Loans and receivables	Financial assets at fair value through profit or loss	Hedging derivatives	Held-to-maturity investments	Available-for-sale financial assets	Total	Fair value
Financial assets								
Derivatives and non-current financial assets	11	44,582		156	17,876		62,614	62,614
Trade receivables	15	2,359,273					2,359,273	2,359,273
Other current financial assets	16	316,547			6,846		323,393	323,393
Cash and cash equivalents	19	1,602,721					1,602,721	1,602,721
Total		**4,323,123**		**156**	**24,722**		**4,348,001**	**4,348,001**

(€'000) 31 December 2016	Note	Other liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging derivatives	Total	Fair value
Financial liabilities						
Bank and other loans and borrowings	22	1,264,951			1,264,951	1,287,209
Bonds	24	887,046			887,046	947,314
Finance lease liabilities	23	175,023			175,023	175,023
Derivatives and other current financial liabilities	25		84	7,096	7,180	7,180
Trade payables	29	2,344,773			2,344,773	2,344,773
Total		**4,671,793**	**84**	**7,096**	**4,678,973**	**4,761,499**

(€'000) **31 December 2017**	Note	Loans and receivables	Financial assets at fair value through profit or loss	Hedging derivatives	Held-to-maturity investments	Available-for-sale financial assets	Total	Fair value
Financial assets								
Derivatives and non-current financial assets	11	173,915		226	14,553		188,694	188,694
Trade receivables	15	1,901,338					1,901,338	1,901,338
Other current financial assets	16	93,410			898		94,308	94,308
Cash and cash equivalents	19	1,320,192					1,320,192	1,320,192
Total		**3,488,855**		**226**	**15,451**		**3,504,532**	**3,504,532**

(€'000) **31 December 2017**	Note	Other liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging derivatives	Total	Fair value
Financial liabilities						
Bank and other loans and borrowings	22	768,470			768,470	773,891
Bonds	23	1,387,361			1,387,361	1,399,192
Finance lease liabilities	24	129,877			129,877	129,877
Derivatives and other current financial liabilities	25		1,480		1,480	1,480
Trade payables	29	2,163,432			2,163,432	2,163,432
Total		**4,449,140**	**1,480**		**4,450,620**	**4,467,872**

The note column gives the section in which the relevant item is described.

Reference should be made to the section on the accounting policies for information on the fair value measurement of these items. Specifically, the fair value of the items is based on the present value of estimated future cash flows.

Risk management

The Group is exposed to financial risks which encompass all the risks related to capital availability, affected by credit and liquidity management and/or the volatility of market factors such as interest and exchange rates.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk and interest rate risk.

Currency risk

The Group's international presence entails its exposure to currency risk arising from fluctuations in the value of trade and financial transactions in currencies other than the individual group companies' functional currencies. The Group has adopted a currency risk management strategy to mitigate this risk based on the guidelines described in the "Risk management system" section of the Directors' report to which reference is made.

Currency risk at 31 December 2017 mainly related to the following currencies:

- US dollar (USD)
- Ethopian birr (BIRR)
- Tajikistani somoni (TJS)
- United Arab Emirates dirham (AED)
- Qatari riyal (QAR)
- South African rand (ZAR)

The Group considers each group company's monetary assets and liabilities in currencies other than its functional currency, net of derivatives agreed to hedge the above trade and financial transactions, when assessing the potential effects of fluctuations in the above currencies.

The following table shows the results of the sensitivity analysis, which considers a 5% increase or decrease in the exchange rates compared to the actual exchange rates at 31 December 2017 and 2016 to reflect the potential effects on profit (loss) and equity.

(€m)	2016		2017	
	-5%	+5%	-5%	+5%
US dollar	21.31	(21.31)	18.42	(18.42)
Riyal	1.01	(1.01)	0.65	(0.65)
Birr	6.47	(6.47)	10.12	(10.12)
Somoni	1.18	(1.18)	0.81	(0.81)
Rand	(0.87)	0.87	(0.89)	0.89

Interest rate risk
Salini Impregilo group has adopted a combined strategy of streamlining group operations by disposing of non-strategic assets, containing debt and hedging interest rate risks on a portion of the non-current structured loans through interest rate swaps (IRSs).

The financial risks arising from market interest rate fluctuations to which the Group is potentially exposed and which are monitored by the relevant company personnel relate to non-current floating rate loans. Such risk is mitigated by interest accrued on short-term investments of liquidity available at the Italian-based consortia and consortium companies and foreign subsidiaries, which are used to support the Group's operations.

The Group revised its debt structure in 2017, increasing its fixed rate exposure. Had interest rates increased or decreased by an average 75 basis points in 2017, the loss before tax would have been respectively smaller or greater by a maximum of €4.3 million (2016: €8.0 million), assuming that all other variables remained constant and without considering cash and cash equivalents.

Credit risk

Credit risk is that deriving from the Group's exposure to potential losses arising from the customers' (which are mostly governments or state bodies) non-compliance with their obligations.

Management of this risk is complex, starting as early as the assessment of offers, through a careful analysis of the characteristics of the countries in which the Group's activities should be carried out and the customers, which are usually state or similar bodies, requesting an offer.

Therefore, this risk can be essentially assimilated to the country risk. An analysis of this risk based on the age of the outstanding amounts is not very meaningful, since the receivables should be assessed together with the related working capital items, especially those reflecting the net exposure to customers (positive and negative work in progress, advances and payments on account) in relation to contract work in progress as a whole.

A breakdown of working capital by geographical segment is set out below:

(€'000)	31 December 2016	31 December 2017
Italy	190,899	590,030
Other EU countries	299,340	231,823
Other non-EU countries	(38,612)	(18,335)
America (Lane and other group contracts)	574,307	301,330
Asia/Middle East	(490,965)	(533,195)
Africa	(25,685)	(118,014)
Australia	(72,274)	(20,332)
Total	**437,010**	**433,307**

The reconciliation of the reclassified statement of financial position details the items included in working capital.

The Group's exposure to customers, broken down by contract location, is analysed below:

(€'000)	Loans and receivables	Positive WIP	Negative WIP and advances	Total	Allowances
31 December 2016					
Italy	595,076	453,529	(147,524)	901,081	80,639
Other EU countries	66,957	462,173	(341,552)	187,578	432
Other non-EU countries	60,607	124,420	(67,384)	117,643	-
America	488,633	403,877	(235,628)	656,882	22,600
Asia/Middle East	197,914	359,579	(616,154)	(58,661)	1,760
Africa	943,744	458,331	(965,076)	436,999	8,379
Australia	6,342	105,354	(82,314)	29,382	-
Total	**2,359,273**	**2,367,263**	**(2,455,632)**	**2,270,904**	**113,810**
31 December 2017					
Italy	565,959	526,905	(210,810)	882,054	74,273
Other EU countries	55,947	481,560	(242,177)	295,330	-
Other non-EU countries	41,446	101,836	(57,458)	85,824	-
America	458,050	274,958	(202,032)	530,976	157,716
Asia/Middle East	151,008	643,583	(717,542)	77,049	1,581
Africa	626,435	479,584	(941,242)	164,778	16,058
Australia	2,494	159,676	(147,295)	14,874	
Total	**1,901,338**	**2,668,103**	**(2,518,557)**	**2,050,884**	**249,628**

The “Main risk factors and uncertainties” section of the Directors’ report provides information about country risk for Libya, Venezuela, Nigeria, Ukraine and Turkey.

Liquidity risk

Liquidity risk derives from the risk that the financial resources necessary to meet obligations may not be available to the Group at the agreed terms and deadlines.

The Group’s strategy aims at ensuring that each ongoing contract is financially independent, considering the structure of the consortia and SPEs, which may limit the availability of financial resources to achievement of the related projects. Liquidity management also considers the existence of constraints to the transfer of currency imposed by certain countries. This strategy is strictly monitored centrally.

The prior year figures are given below for comparative purposes:

(€'000)	31 December 2017	31 December 2018	31 December 2021	After	Total
Current account facilities	51,297	-	-	-	51,297
Bonds	39,835	322,861	667,562	-	1,030,258
Bank loans and borrowings	534,688	144,232	682,890	49,157	1,410,967
Finance lease liabilities	62,111	70,742	52,121	3,606	188,580
Interest rate derivatives	2,668	-	-	4,429	7,097
Gross financial liabilities	**690,599**	**537,835**	**1,402,573**	**57,192**	**2,688,199**
Trade payables	2,344,773	-	-	-	2,344,773
Total	**3,035,372**	**537,835**	**1,402,573**	**57,192**	**5,032,972**

A breakdown of financial liabilities by composition and due date (based on undiscounted future cash flows) is set out below:

(€'000)	31 December 2018	31 December 2019	31 December 2021	After	Total
Current account facilities	37,028	-	-	-	37,028
Bonds	331,611	31,250	662,586	526,274	1,551,721
Bank loans and borrowings	254,531	167,656	120,027	145,154	687,368
Finance lease liabilities	56,304	37,565	40,804	7,421	142,094
Interest rate derivatives	1,480	-	-	-	1,480
Gross financial liabilities	**680,954**	**237,471**	**823,417**	**678,849**	**2,419,691**
Trade payables	2,163,432	-	-	-	2,163,432
Total	**2,844,386**	**237,471**	**823,417**	**678,849**	**4,583,123**

Future interest has been estimated based on the market interest rates at the date of preparation of these consolidated financial statements, summarised in the notes.

The "After" balance for bonds relates to the new bonds issued in the second half of 2017 for redemption in 2024 (see note 23).

Liquidity risk management is mainly based on containing debt and maintaining a balanced financial position. This strategy is pursued by each of the Group's operating companies.

Loans and borrowings and trade payables (net of advances) falling due before 31 March 2018 are compared with the cash and cash equivalents that can be used to meet such obligations in the table below:

(€'000)	Total financial commitments due before 31 March 2018	Cash and cash equivalents (*)	Difference
Salini Impregilo (head office and branches)	283,688	372,173	88,485
Subsidiaries	353,865	141,951	(211,914)
SPEs	685,038	461,750	(222,288)
Joint operations	116,104	303,429	187,325
Total	**1,438,695**	**1,279,303**	**(159,392)**

(*) net of tied-up liquidity. In addition, the parent has unused credit facilities of €500 million at the reporting date.

Fair value measurement hierarchy

IFRS 7 requires that the fair value of financial instruments recognised in the statement of financial position be classified using a fair value hierarchy that reflects the significance of the inputs used to determine fair value. There are three different levels:

- Level 1 - Fair values measured using quoted prices in active markets;
- Level 2 - Fair values measured using valuation techniques for which inputs significant to the fair value measurement are based on observable market data;
- Level 3 - Fair values measured using valuation techniques for which inputs significant to the fair value measurement are based on unobservable market data.

Financial instruments recognised by the Group at fair value are classified at the following levels:

(€'000)	Note	Level 1	Level 2	Level 3
Derivative assets	11	-	226	-
Derivative liabilities	25	-	(1,480)	-
Total		**-**	**(1,254)**	**-**

There were no movements from Level 1 to Level 2 during the year or vice versa.

Change in assets and liabilities from financing activities

The following table shows changes in assets and liabilities from financing activities as required by IAS 7.44:

(€'000)	Changes in cash flows from financing activities	Change in consolidation scope	Change in exchange rates	Changes in fair value	Other changes	Total changes
Non-current financial assets	(22,354)	665	18,625	-	(123,016)	(126,080)
Derivatives and other current financial assets	49,474	8	-	-	179,603	229,085
Non-current derivatives		(3,955)	-	(474)	-	(4,429)
Financial liabilities - related parties and other unconsolidated group companies	(2,173)	-	-	-	(35,934)	(38,107)
Derivatives and other current financial liabilities	-	-	-	1,397	(2,668)	(1,271)
Total	**24,947**	**(3,282)**	**18,625**	**923**	**17,985**	**59,198**

STATEMENT OF PROFIT OR LOSS

34. Revenue

Revenue for 2017 amounts to €6,107.2 million, up 3.8% on the previous year:

(€'000)	2016	2017	Variation
Revenue	5,760,358	5,939,976	179,618
Other income	123,451	167,265	43,814
Total revenue	**5,883,809**	**6,107,241**	**223,432**

The €223.4 million increase in revenue is mainly due to the higher revenue recognised by the subsidiary Lane. In addition, some smaller variations due to continuation of work on certain large foreign contracts and the completion of other contracts also contributed to the increase.

A breakdown of revenue is given in the following table:

(€'000)	2016	2017	Variation
Works invoiced to customers	5,404,920	5,558,840	153,920
Services	226,886	237,903	11,017
Sales	128,552	143,233	14,681
Total	**5,760,358**	**5,939,976**	**179,618**

Services include revenue of €106.8 million for costs recharged to third party partners of consolidated consortia and consortium companies.

A breakdown of other income is given in the following table:

(€'000)	2016	2017	Variation
Recharged costs	68,855	85,024	16,169
Prior year income	28,862	27,265	(1,597)
Gains on the disposal of non-current assets	7,582	20,542	12,960
Other income	18,151	34,434	16,283
Total	**123,451**	**167,265**	**43,814**

35. Operating expenses

Operating expenses for the year amount to €6,082.1 million compared to €5,608.3 million for 2016.

The item may be broken down as follows:

(€'000)	2016	2017	Variation
Purchases	1,161,046	1,117,594	(43,452)
Subcontracts	1,505,428	1,715,581	210,153
Services	1,555,996	1,523,130	(32,866)
Personnel expenses	886,237	996,154	109,917
Other operating expenses	222,265	174,630	(47,635)
Amortisation, depreciation, provisions and impairment losses	277,324	554,972	277,648
Total	**5,608,296**	**6,082,061**	**473,765**

The variations in the individual items compared to 2016 are due to the different cost structures that vary from contract to contract and may, in some cases, entail changes in the industrial operating model from one year to another. Moreover, as these are large-scale infrastructural works that take several years to complete, resort to normal production factors depends on the stage of completion of each contract in any given year. These changes may generate significant variations in the percentage of the related cost categories depending on the contract and the year, while not affecting the total percentage of operating costs of total revenue.

35.1 Purchases

The cost of raw materials and consumables incurred in 2017 decreased by €43.5 million to €1,117.6 million compared to the previous year:

(€'000)	2016	2017	Variation
Purchases of raw materials and consumables	1,120,190	1,094,875	(25,315)
Change in raw materials and consumables	40,856	22,719	(18,137)
Total	**1,161,046**	**1,117,594**	**(43,452)**

The decrease in the cost of raw materials and consumables is mainly related to the Red Line North Underground, Doha Metro System – IGL-SK-GALFAR contract in Qatar (€51.6 million), which is nearing completion. The decrease is partly offset by the rise in costs incurred for the D1 - Motorway Lietavska Lucka - Visnove - DubnaSkala lot contract in Slovakia (€10.8 million).

35.2 Subcontracts

Costs of subcontracts increased to €1,715.6 million, up €210.2 million on the previous year as shown in the following table:

(€'000)	2016	2017	Variation
Subcontracts	1,505,428	1,715,581	210,153
Total	**1,505,428**	**1,715,581**	**210,153**

The €210.2 million increase is mainly due to Lane (€136.7 million) and the Galfar Salimp Cimolai JV - project in Al-Khor, Qatar (€117.2 million).

35.3 Services

This item decreased to €1,523.1 million, down €32.9 million on the previous year, as shown in the following table:

(€'000)	2016	2017	Variation
Consultancy and technical services	599,639	649,552	49,913
Rent and leases	233,911	247,562	13,651
Recharging of costs by consortia	206,942	219,239	12,297
Transport and customs	121,093	100,975	(20,118)
Insurance	54,946	58,892	3,946
Maintenance	32,717	37,084	4,367
Fees to directors, statutory auditors and independent auditors	13,321	11,997	(1,324)
Other	293,427	197,829	(95,598)
Total	**1,555,996**	**1,523,130**	**(32,866)**

"Other" decreased by €95.6 million over 2016 principally due to the smaller volumes of activities carried out for the civil works of CMT IS' Danish contract (Cityringen project) and the renegotiation of some contracts for the same project leading to the related reclassification of the costs from "Other" to "Subcontracts".

"Consultancy and technical services" increased by €49.9 million and mainly consist of the design and construction costs incurred by the SPEs and legal and administrative consultancy fees. A breakdown of this item is as follows:

(€'000)	2016	2017	Variation
Design and engineering services	399,060	407,138	8,078
Legal, administrative and other services	79,014	94,805	15,791
Testing	1,368	1,425	57
Construction	120,197	146,184	25,987
Total	**599,639**	**649,552**	**49,913**

35.4 Personnel expenses

Personnel expenses for the year amount to €996.2 million, up by €109.9 million on 2016.The item is made up as follows:

(€'000)	2016	2017	Variation
Wages and salaries	671.272	757.990	86.718
Social security and pension contributions	147.536	173.346	25.810
Post-employment benefits and employee benefits	13.878	18.819	4.941
Other	53.551	45.999	(7.552)
Total	**886.237**	**996.154**	**109.917**

The increase mostly relates to Lane, progress on the contracts in Saudi Arabia and the Australian work site for the construction of the Forrestfield-Airport Link in Perth, which is now fully operational. "Other" mainly relates to termination benefits and reimbursements of travel expenses.

35.5 Other operating expenses

Other operating expenses amount to €174.6 million, down €47.6 million on 2017.

This item is made up as follows:

(€'000)	2016	2017	Variation
Other operating costs	117,521	68,889	(48,632)
Commissions on sureties	44,896	56,804	11,908
Bank charges	15,456	9,743	(5,713)
Losses on the disposal of property, plant and equipment	9,459	16,836	7,377
Other non-recurring costs	9	1,948	1,939
Other prior year expense	34,924	20,410	(14,514)
Total	**222,265**	**174,630**	**(47,635)**

This item's decrease is chiefly due to the reduction in other operating costs and other prior year expense, which is mainly due to non-recurring prior year expense.

Specifically, it relates to assessed fines, other charges and higher bank charges recorded by Salini Impregilo in 2016, the latter were also incurred in 2017.

Moreover, in 2016, the Group paid customs duties on the new Koysha contract, which is now fully operational.

Prior year expense includes the out-of-court settlement between the customer and Empresa Constructora Metro 6 ltda in Chile, with respect to which reference was made to the "Main risk factors and uncertainties" section in the 2016 Directors' report. The 2017 balance includes the effect of the negative outcome for HCE Group of the Keiff Eddir award in Tunisia (€3.5 million).

The decrease for 2017 is offset by increases in commissions on sureties of Lane Group.

35.6 Amortisation, depreciation, provisions and impairment losses

This item of €555.0 million shows an increase of €277.6 million on the previous year. It may be analysed as follows:

(€'000)	2016	2017	Variation
Provisions and impairment losses	**16,502**	**336,360**	**319,858**
Amortisation of intangible assets	1,545	1,466	(79)
Depreciation of property, plant and equipment	226,812	194,707	(32,105)
Amortisation of rights to infrastructure under concession	1,344	891	(453)
Amortisation of contract acquisition costs	31,121	21,548	(9,573)
Total amortisation and depreciation	**260,822**	**218,612**	**(42,210)**
Total	**277,324**	**554,972**	**277,648**

"Provisions and impairment losses" increased by €319.9 million in 2017.

This item mainly refers to provisions and impairment losses of €336.4 million recognised for the Venezuelan projects considering that described in the "Venezuela" paragraph of the "Main risk factors and uncertainties" section of the Directors' report and section 4 "Impairment - Venezuela" of these notes. In addition, it includes impairment losses of €25.2 million on receivables deemed non-recoverable related to the Cetin Dam contract in Turkey described in the "Turkey" paragraph of the same section of the Directors' report.

Amortisation and depreciation of €218.6 million decreased by €42.2 million compared to the previous year and are in line with the progress made on the related contracts. The decreases refer to contracts nearing completion, principally related to work in Denmark, Qatar and Ethiopia (Gibe III), while the increases refer to contracts for which production is now at 100%. These include the Milan - Genoa section of the high speed/high capacity railway project and the Perth Metro project in Australia.

36. Net financing costs

Net financing costs amount to €192.9 million compared to €86.5 million for 2016.

The item may be broken down as follows:

(€'000)	2016	2017	Variation
Financial income	44,499	64,822	20,323
Financial expense	(146,542)	(134,886)	11,656
Net exchange gains (losses)	15,537	(122,838)	(138,375)
Net financing costs	**(86,506)**	**(192,902)**	**(106,396)**

36.1 Financial income

Financial income totals €64.8 million (2016: €44.5 million) and is made up as follows:

(€'000)	2016	2017	Variation
Interest income on loans and receivables	**2,106**	**-**	**(2,106)**
Gains on securities	**10,315**	**5,115**	**(5,200)**
Interest and other income from unconsolidated group companies and other related parties	**9,645**	**10,706**	**1,061**
- Interest income	9,620	10,706	1,086
- Financial income	25	-	(25)
Interest and other financial income	**22,433**	**49,001**	**26,568**
- Interest on receivables	5,959	30,097	24,138
- Bank interest	6,203	11,610	5,407
- Other	10,271	7,294	(2,977)
Total	**44,499**	**64,822**	**20,323**

The €20.3 million increase is mainly attributable to the recognition of interest on the parent's receivables from mostly foreign customers.

36.2 Financial expense

Financial expense totals €134.9 million compared to €146.5 million for 2016 and is made up as follows:

(€'000)	2016	2017	Variation
Intragroup interest and other expense	**(361)**	**(727)**	**(366)**
- Interest expense	(361)	(727)	(366)
Interest and other financial expense	**(146,181)**	**(134,159)**	**12,022**
- Bank interest on accounts and financing	(74,711)	(50,083)	24,628
- Interest on bonds	(35,863)	(45,564)	(9,701)
- Interest on tax liabilities	(1,589)	(15,359)	(13,770)
- Bank fees	(4,832)	(3,472)	1,360
- Factoring and leases	(6,116)	(5,392)	724
- Other	(23,070)	(14,289)	8,781
Total	**(146,542)**	**(134,886)**	**11,656**

Financial expense decreased by €11.7 million, mainly due to the net increase of €14.9 million of bank interest on accounts and financing and interest on bonds after renegotiation of the corporate debt. This was partially offset by the increase in interest relating to a tax bill received by the Ethiopian branch during the year, which was settled on 7 July 2017.

The decrease of €8.6 million in "Other" reflects the reduction in interest expense due to other financial backers on the factoring of tax and trade receivables, mostly for the Milan - Genoa section of the high speed/capacity railway project (€1.4 million) and the smaller loss on the securities of the Colombian company Yuma Concessionaria S.A. (€3.1 million).

In addition:

- interest on bank accounts and financing of €50.1 million includes €14.7 million arising from the application of the "amortised cost" method, which did not entail cash outlays during the year as it was paid in full in previous years;
- interest on bonds of €45.6 million includes the effect of the amortised cost method for €4.1 million.

36.3 Net exchange gains (losses)

The net exchange losses amount to €122.8 million (2016: net exchange gains of €15.5 million).

The decrease of €138.3 million is due to the changes in exchange rates with certain foreign currencies, especially the Birr, recognised by the Ethiopian branch, and the US dollar, which mainly affected the parent and the Venezuelan branch.

37. Net gains on equity investments

Net gains on equity investments totals €100.1 million, up €91.0 million on 2016.

The increase is mainly due to the the effect of recognising the profit for the year of the equity-accounted investees (€100.4 million), which increased by €95.0 million mainly for the Argentine associate Autopista del Sol S.A. and the Lane Group's US joint ventures.

The following table provides a breakdown of this item:

(€'000)	2016	2017	Variation
Share of profit of investees	5,409	100,385	94,976
Dividends	234	223	(11)
Loss on the disposal of equity investments	(365)	(1,446)	(1.081)
Other income	3,844	947	(2,897)
Total	**9,122**	**100,109**	**90,987**

The following table provides a breakdown of this item "Share of profit of investees":

(€'000)	2016	2017	Variation
Share of profit (loss) of investees			
Autopista del Sol	-	90,082	90,082
Gupc	(18,440)	7,220	25,660
Yacilec	(241)	1,305	1,546
Metro de Lima Linea 2 S.A.	787	1,011	224
Agua Azul	1,053	1,001	(52)
Gaziantep Hastane Saglik	(247)	(5,423)	(5,176)
Other	(1,875)	1,005	2,880
Sub-total	**(18,963)**	**96,201**	**115,164**
Lane Group companies:			
Purple Line	4,685	4,985	300
Fluor Lane South Caroline	475	1,391	916
Skanska Granite Lane JV	9,516	1,364	(8,152)
Fluor Lane I-495	-	387	387
Unionport	-	257	257
SGL Leasing	252	228	(24)
Gemma Lane Liberty	2,116	176	(1,940)
Interstate Healy JV	(33)	160	193
Gemma Lane Patriot	5,185	155	(5,030)
Fluor Lane I-95	2,194	4	(2,190)
Flatiron Lane JV	1	-	(1)
Agl Constructor JV	(19)	(4,923)	(4,904)
Total Lane Group joint ventures	**24,372**	**4,184**	**(20,188)**
Total	**5,409**	**100,385**	**94,976**

38. Income tax expense

The Group's income tax expense for the year is €14.5 million as follows:

(€'000)	2016	2017	Variation
Current taxes (income taxes)	66,510	79,722	13,212
Net deferred taxes	(5,761)	(89,666)	(83,905)
Prior year taxes	10,905	19,352	8,447
Total	**71,654**	**9,408**	**(62,246)**
IRAP	6,298	5,126	(1,172)
Total	**77,952**	**14,534**	**(63,418)**

An analysis and reconciliation of the theoretical income tax rate, calculated under Italian tax legislation, and the effective tax rate are set out below:

	Income Tax Expense	
	€m	%
Loss before tax	**(67.6)**	
Theoretical tax expense	(16.2)	n.a.
Effect of permanent differences	(2.0)	n.a.
Net effect of foreign taxes	20.5	n.a.
Prior year and other taxes	7.1	n.a.
Total	**9.4**	**n.a.**

The effective tax expense is affected by the following in particular:

- permanent differences;
- taxes paid abroad where the companies' branches operate, with respect to which the Group believes the conditions do not currently exist for their recovery in Italy, and taxes paid by the subsidiaries operating abroad, calculated using the related tax rates.

An analysis and reconciliation of the theoretical IRAP tax rate and the effective tax rate are set out below:

	IRAP	
	€m	%
Operating profit	25.2	
Personnel expenses	996.2	
Revenue	**1,021.4**	
Theoretical tax expense	**39.8**	n.a.
Tax effect of foreign companies' production	**(25.8)**	n.a.
Tax effect of foreign production	(7.5)	n.a.
Tax effect of permanent differences	(1.4)	n.a.
Total	**5.1**	**n.a.**

The net deferred taxes contribute negatively to the consolidated loss for €89.7 million as shown below:

(€'000)	
Deferred tax expense for the year	(14,690)
Use of deferred tax liabilities recognised in previous years	4,456
Deferred tax income for the year	129,643
Use of deferred tax assets recognised in previous years	(29,743)
Total	**89,666**

39. Related party transactions

Transactions with related parties, as defined by IAS 24, were of an ordinary nature.

Related party transactions carried out during the year involved the following counterparties:

- directors, statutory auditors and key management personnel, solely related to the contracts regulating their positions within the Group;
- associates and joint arrangements; these transactions mainly relate to:
    - commercial assistance with purchases and procurement of services necessary to carry out work on contracts, contracting and subcontracting;
    - services (technical, organisational, legal and administrative), carried out at centralised level;
    - financial transactions, namely loans and joint current accounts as part of cash pooling transactions and guarantees given on behalf of group companies.

Transactions are carried out with associates in the interests of Salini Impregilo, aimed at building on existing synergies in the Group in terms of production and sales integration, efficient use of existing skills, streamlining of centralised structures and financial resources. These transactions are regulated by specific contracts and are carried out on an arm's length basis;

- other related parties: the main transactions with other related parties, identified pursuant to IAS 24, including companies managed and coordinated by Salini Costruttori S.p.A., are summarised below:

RELATED PARTY (€'000)	Loans and receivables	Financial assets	Other assets	Trade payables	Financial liabilities	Total revenue	Total expenses	Net financial income
C.Tiburtino	51	-	-	-	-	20	-	-
Casada S.r.l.	58	-	-	80	-	19	263	-
CEDIV S.p.A.	1,793	3,241	-	-	-	18	-	49
Corso del Popolo Immobiliare S.r.l.	1,629	-	-	-	-	-	(1,500)	-
Dirlan	9	-	-	-	-	27	-	-
G.A.B.I.RE S.r.l.	1,199	18,001	-	-	-	22	-	18
Galla Placida	49	-	-	-	-	22	-	-
Imm. Agricola San Vittorino	94	-	-	-	-	25	-	-
Infernetto	25	-	-	-	-	10	-	-
Iniziative Immobiliari Italiane S.p.A.	-	-	-	293	-	-	1,075	-
Madonna dei Monti S.r.l.	7	-	-	9	-	14	55	-
Nores	41	-	-	-	-	9	-	-
Plus	11	-	-	-	-	32	-	-
Salini Costruttori S.p.A.	87	7,030	11,956	208	7,943	158	43	24
Salini Simonpietro & C.	23	-	-	-	-	15	-	-
Studio Avv. Grazia Volo Associazione Professionale	-	-	-	32	-	-	720	-
Todini Finanziaria	1,506	-	-	-	-	-	-	-
Zeis	-	1,303	-	60	-	272	145	40
Total	**6,582**	**29,575**	**11,956**	**682**	**7,943**	**663**	**801**	**131**

Most of the Group's production is carried out through SPEs, set up with other partners that have participated with Salini Impregilo in tenders. The SPEs carry out the related contracts on behalf of its partners.

The other transactions refer to costs for design and similar activities, incurred when presenting bids and for recently started contracts. They are also governed by specific agreements and carried out on an arm's length basis and, where applicable, in line with the contract terms.

Their effects on the statements of financial position and profit or loss are shown together with the related contract, when appropriate.

Transactions with directors, statutory auditors and key management personnel are shown below:

(€'000)	2016			2017		
	Fees and remuneration	Termination benefits and post-employment benefits	Total	Fees and remuneration	Termination benefits and post-employment benefits	Total
Directors and statutory auditors	6,311		6,311	7,192		7,192
Key management personnel	5,402		5,402	8,016		8,016
Total	**11,713**	**-**	**11,713**	**15,208**	**-**	**15,208**

The next table shows the impact of transactions with unconsolidated group companies on the statements of financial position and profit or loss (including as a percentage), while their effect on cash flows is shown in the statement of cash flows, when material:

(€'000) **31 December 2016**	Non-current loans and receivables (1)	Current loans and receivables (2)	Current liabilities (3)	Revenue	Expenses	Financial income	Financial expense
Total - group companies	19,005	369,644	138,616	222,625	221,317	9,625	361
Total financial statements item	1,532,997	7,796,990	5,809,852	5,883,809	5,608,295	44,499	146,542
% of financial statements item	1.2%	4.7%	2.4%	3.8%	3.9%	21.6%	0.2%

(€'000) **31 December 2017**	Non-current loans and receivables (1)	Current loans and receivables (2)	Current liabilities (3)	Revenue	Expenses	Financial income	Financial expense
Total - group companies	84,928	206,145	145,045	210,369	292,545	10,706	727
Total financial statements item	1,598,760	7,139,157	5,817,912	6,107,241	6,082,061	64,822	134,886
% of financial statements item	5.3%	2.9%	2.5%	3.4%	4.8%	16.5%	0.5%

(1) The percentage of non-current loans and receivables is calculated considering total non-current assets.
(2) The percentage of current loans and receivables is calculated considering total current assets.
(3) The percentage of current liabilities is calculated considering total current liabilities.

40. Earnings (loss) per share

Earnings (loss) per share are disclosed at the foot of the statement of comprehensive income.

Basic earnings (loss) per share are calculated by dividing the profit (loss) for the year attributable to the owners of the parent by the weighted average of the shares outstanding during the year. Diluted earnings per share are calculated considering the weighted average of the outstanding shares adjusted by assuming the conversion of all the shares with potentially diluting effects.

The following table summarises the calculation. Following the merger resolution of 12 September 2013, 44,974,754 new ordinary Salini Impregilo S.p.A. shares were issued to Salini Costruttori S.p.A. to service the merger.

On 20 June 2014, the board of directors approved a capital increase with the related issue of 44,740,000 new shares. This took place on 25 June 2014 and the parent's share capital comprises 492,172,691 ordinary shares and 1,615,491 savings shares.

In October 2014, the parent repurchased 3,104,377 own shares. No shares have been subsequently issued or repurchased.

(€'000)	2016	2017
Profit (loss) from continuing operations	120,178	(82,147)
Non-controlling interests	(39,593)	(22,862)
Profit (loss) from continuing operations attributable to the owners of the parent	**80,585**	**(105,009)**
Profit (loss) from continuing and discontinued operations	99,515	(84,055)
Non-controlling interests	(39,594)	(22,863)
Profit (loss) from continuing and discontinued operations attributable to the owners of the parent	**59,921**	**(106,918)**
Profit earmarked for holders of savings shares	**588**	**588**
Average outstanding ordinary shares	489,069	489,069
Average outstanding savings shares	1,615	1,615
Average number of shares	**490,684**	**490,684**
Dilutive effect	-	2,329
Average number of diluted shares	**490,684**	**493,013**

Basic earnings (loss) per share (from continuing operations)	**0.16**	**(0.22)**
Basic earnings (loss) per share (from continuing and discontinued operations)	**0.12**	**(0.22)**

Diluted earnings (loss) per share (from continuing operations)	**0.16**	**(0.21)**
Diluted earnings (loss) per share (from continuing and discontinued operations)	**0.12**	**(0.22)**

41. Events after the reporting date

Condotte

Società Italiana per Condotte d'Acqua S.p.A., which has investments in group companies, filed a petition as per article 161.6 of the Bankruptcy Law to the Rome Court. It has also reserved the right to file a final deed of arrangement proposal (with the plan and documentation required by article 161.2/3 of the Bankruptcy Law) or an application for approval of debt restructuring agreements.

On 15 January 2018, the Rome Court granted a period of up to 18 May 2018 for presentation of the above proposal. It appointed special commissioners to monitor the company's activities until this date, requiring the company to comply with a number of measures, including disclosure obligations.

Condotte has investments in the following group companies:

- Alta Velocità Torino–Milano consortium – CAVTOMI
- COCIV consortium
- CONSAVIA consortium in liquidation
- EUROLINK S.C.P.A.
- IRICAV DUE consortium
- LIBYAN EXPRESSWAY CONTRACTORS – L.E.C.
- MELITO S.C.R.L. in liquidation
- PANTANO S.C.R.L. in liquidation
- RC-SCILLA S.C.P.A.
- SALERNO REGGIO CALABRIA S.C.P.A. – SA-RC
- SCILLA consortium in liquidation

These consortia/consortium companies are carefully monitoring developments in the situation.

42. Significant non-recurring events and transactions

The Group calculated the recoverable amount of its total exposure to Venezuelan government agencies at 31 December 2017 to reflect the recent negative developments caused by the deterioration in the country's credit standing.

More information is available in the "Main risk factors and uncertainties" section of the Directors' report and section 4 "Impairment – Venezuela" of these notes.

43. Balances or transactions arising from atypical and/or unusual transactions

During the year, Salini Impregilo Group did not carry out any atypical and/or unusual transactions, as defined in the Consob communication no. DEM/6064293[1].

On behalf of the board of directors
Chairman

(signed on the original)

[1] Atypical and/or unusual transactions are those that, due to their significance and relevance, the counterparty, the object of the transaction, exchange pricing and timing, may cast doubts as to the accuracy and completeness of disclosures, conflicts of interest, protection of the company's assets and non-controlling interests.

CONSOLIDATED FINANCIAL STATEMENTS OF SALINI IMPREGILO GROUP - INTRAGROUP TRANSACTIONS

ASSETS AND LIABILITIES AT 31 DECEMBER 2017

	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Total assets
Aegek - Impregilo - Alstom J.V.	-	-	-	-	-
Agua AZ	31,317	-	-	-	31,317
Agua BA	18,706	-	-	-	18,706
Arge Haupttunnel Eyholz	11,731,198	-	-	-	11,731,198
Arge Sisto N8	2,348,192	-	-	-	2,348,192
Aurelia 98 S.c.r.l.	-	-	-	-	-
Autopistas del Sol S.A.	-	-	-	-	-
Barnard	-	-	-	3,297,432	3,297,432
Cagliari 89 S.c.r.l.	2,072,698	-	-	-	2,072,698
Carvalho Pinto	-	-	-	-	-
Churchill Consortium	10,831	-	-	-	10,831
Churchill Hospital J.V.	2,705	-	-	-	2,705
CMC Consorzio Monte Ceneri lotto 851	3,218,886	-	-	-	3,218,886
Cons. Astaldi Federici Todini Kramis	3,661,108	2,584,250	-	-	6,245,358
Consorcio Cigla-Sade	1,743,678	-	-	-	1,743,678
Consorcio Contuy Medio	1,411	-	529,166	-	530,577
Consorcio Federici/Impresit/Ice Cochabamba	100,000	-	-	-	100,000
Consorcio Grupo Contuy-Proyectos y Ob. De F.	-	-	-	-	-
Consorcio OIV-TOCOMA	360,370	56,632,175	-	-	56,992,545
Consorcio V.S.T. Tocoma	-	-	332	-	332
Consorcio VIT Tocoma	-	-	3,274,792	-	3,274,792
Consorio.Kallidromo	591,713	86,360	-	-	678,073
Consorzio 201 Quintai	2,871,116	-	-	-	2,871,116
Consorzio 202 Quintai	817,643	-	-	-	817,643
CONSORZIO CASERTANO	263	-	-	-	263
Consorzio CEMS	-	-	17,091	-	17,091
Consorzio Coltun JV	392,669	-	-	-	392,669
Consorzio Consavia S.c.n.c.	-	-	-	-	-
Consorzio Costral in liquidazione	7,918	-	93,404	-	101,322
Consorzio Costruttori TEEM	217	-	-	-	217
Consorzio CPR 3	7,602	-	-	-	7,602
Consorzio CPR 2	-	-	-	-	-
Consorzio CRS9	106,425	-	-	-	106,425
Consorzio del Sinni	279,794	-	-	-	279,794
Consorzio EPC	867,190	-	-	-	867,190
Consorzio Felce BP	321,754	-	-	-	321,754
Consorzio Ferrofir	111,038	-	-	-	111,038
Consorzio Galliera Roveredo	1,026,452	-	-	-	1,026,452

Trade payables	Current portion of bank loans and current account facilities	Other current liabilities	Total liabilities	Net balance
-	-	746	746	(746)
5,903	-	-	5,903	25,414
23,638	-	21,432	45,070	(26,364)
3,408,149	-	-	3,408,149	8,323,049
53,438	-	-	53,438	2,294,754
16,121	-	-	16,121	(16,121)
239	-	-	239	(239)
-	809,608	-	809,608	2,487,824
1,902,820	-	-	1,902,820	169,878
-	-	5,943	5,943	(5,943)
-	-	-	-	10,831
-	-	233,205	233,205	(230,500)
-	-	-	-	3,218,886
1,403,804	-	-	1,403,804	4,841,554
1,260,200	-	-	1,260,200	483,478
-	-	111	111	530,466
-	100,991	-	100,991	(991)
-	30,281	-	30,281	(30,281)
-	-	3,563,814	3,563,814	53,428,731
56	-	-	56	276
-	-	-	-	3,274,792
-	38,232	-	38,232	639,841
-	-	-	-	2,871,116
-	136,729	-	136,729	680,914
-	-	-	-	263
15,540	-	-	15,540	1,551
8,351	341,822	-	350,173	42,496
-	2,817	-	2,817	(2,817)
93,817	-	14,000	107,817	(6,495)
190	-	-	190	27
10,230	-	-	10,230	(2,628)
257,110	-	-	257,110	(257,110)
-	-	-	-	106,425
-	-	-	-	279,794
987,128	-	-	987,128	(119,938)
-	213,639	-	213,639	108,115
101,727	-	-	101,727	9,311
-	-	-	-	1,026,452

ASSETS AND LIABILITIES AT 31 DECEMBER 2017

	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Total assets
Consorzio H20 Morobbia	194,821	-	-	-	194,821
Consorzio Imprese Lavori FF.SS. di Saline - FEIC	5,055	-	-	-	5,055
Consorzio Iniziative Ferroviarie - INFER	3,044	-	-	-	3,044
Consorzio Iricav Due	3,349,278	-	-	-	3,349,278
Consorzio MM4	365,646	-	-	-	365,646
Consorzio MPC	67,917	-	-	-	67,917
Consorzio NOG.MA	-	-	-	-	-
Consorzio Pedelombarda 2	2,318	-	-	-	2,318
Consorzio Piottino	90,621	-	-	-	90,621
Consorzio Portale Vezia	69,257	-	-	-	69,257
Consorzio Probin	-	-	-	-	-
Consorzio San Cristoforo	-	-	-	-	-
Consorzio Sarda Costruzioni Generali	7,549	-	-	-	7,549
Consorzio Sardo d'Imprese	-	-	-	-	-
Consorzio SI.VI.CI.CA.	322,684	-	-	-	322,684
Consorzio SIVICICA 3	17,912	-	-	-	17,912
Consorzio Sivicica 4	-	-	-	-	-
Consorzio Stazione Mendrisio	41,201	-	-	-	41,201
Consorzio Tre Esse	-	-	-	-	-
Consorzio Trevi - S.G.F. INC per Napoli	327,652	-	-	-	327,652
Consorzio Umbria Sanità in liquidazione	13,890	-	-	-	13,890
Consorzio VIT Caroni Tocoma	-	-	-	-	-
Depurazione Palermo S.c.r.l.	-	-	-	-	-
E.R. Impregilo/Dumez y Asociados para Yaciretê	14,847,424	-	709,195	-	15,556,619
Emittenti Titoli S.p.A.	-	-	-	-	-
Enecor	972	-	-	91,579	92,551
Eurolink S.c.p.a.	9,935,261	-	-	-	9,935,261
Executive J.V. Impregilo S.p.A. Terna S.A.	-	-	9,991	-	9,991
Galileo scarl	80,991	-	-	-	80,991
Gaziantep Hastane Saglik	-	-	-	-	-
Gaziantep Hastanesi Isletme Ve Bakim Hizmetleri	-	-	1,858	-	1,858
Group. d'entreprises Salini Strabag (Guinea)	-	-	208,953	-	208,953
Grupo Empresas Italianas - GEI	-	-	273,302	-	273,302
Gup Canal	31,776,233	-	-	-	31,776,233
IGL Arabia	400,982	-	-	-	400,982
Irina Srl in liquidazione	62,400	-	-	-	62,400
Isarco S.c.r.l.	4,491,686	-	-	-	4,491,686
Joint Venture Aktor Ate - Impregilo S.p.A.	12,063	-	-	-	12,063

Trade payables	Current portion of bank loans and current account facilities	Other current liabilities	Total liabilities	Net balance
-	-	-	-	194,821
-	-	-	-	5,055
2,643	-	-	2,643	401
19,115,509	-	-	19,115,509	(15,766,231)
945,650	-	-	945,650	(580,004)
-	53,666	-	53,666	14,251
57,428	-	-	57,428	(57,428)
-	-	-	-	2,318
44,930	-	-	44,930	45,691
-	-	-	-	69,257
585,593	-	-	585,593	(585,593)
35,609	-	-	35,609	(35,609)
42,524	-	-	42,524	(34,975)
5,501	-	-	5,501	(5,501)
1,815	-	-	1,815	320,869
-	-	-	-	17,912
65,429	-	-	65,429	(65,429)
-	-	-	-	41,201
149,162	-	-	149,162	(149,162)
652	-	-	652	327,000
-	-	-	-	13,890
-	1,338,521	-	1,338,521	(1,338,521)
-	-	3,615	3,615	(3,615)
37,844	-	9,608,647	9,646,491	5,910,128
-	240,000	-	240,000	(240,000)
-	-	-	-	92,551
16,133,541	-	-	16,133,541	(6,198,280)
-	-	-	-	9,991
-	-	-	-	80,991
210,721	-	-	210,721	(210,721)
-	-	-	-	1,858
498,095	-	-	498,095	(289,142)
-	-	-	-	273,302
-	-	-	-	31,776,233
563,327	-	-	563,327	(162,345)
-	4,161	-	4,161	58,239
14,353,069	-	-	14,353,069	(9,861,383)
-	-	-	-	12,063

ASSETS AND LIABILITIES AT 31 DECEMBER 2017

	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Total assets
Joint Venture Aktor S.A. - Impregilo S.p.A.	-	-	332	-	332
Joint Venture Impregilo S.p.A. - Empedos S.A. - Aktor	-	-	5,928	665,144	671,072
KAYI - Salini - Samsung - JV	79,341	-	-	-	79,341
La Quado S.c.a.r.l.	1,793	-	280,000	-	281,793
Lambro Scrl	166,919	-	134	-	167,053
Line 3 Metro Stations	90,986	-	215,000	-	305,986
Metro Blu	3,347,009	-	-	-	3,347,009
Metrogenova S.c.r.l.	114,172	-	-	-	114,172
Metropolitana di Napoli S.p.A.	85,245	-	-	-	85,245
Napoli Cancello Alta Velocità S.c.r.l.	218,464	-	-	-	218,464
Ochre Holding	-	11,818,204	-	-	11,818,204
Ochre Solutions Ltd	275,134	-	-	-	275,134
Olbia 90 S.c.r.l.	117,471	-	-	-	117,471
Pantano S.C.R.L.	-	-	-	-	-
Passante di Mestre S.c.p.A.	566,054	-	-	-	566,054
Passante Dorico S.p.A.	23,291	-	36,643	-	59,934
Pedelombarda S.c.p.a.	2,078,151	-	-	-	2,078,151
Pedemontana Veneta S.p.A.	75,130	-	272,463	-	347,593
Puentes	8,130,621	-	-	-	8,130,621
S. Anna Palermo S.c.r.l.	-	-	-	-	-
S.I.MA. GEST 3 S.c.r.l.	-	-	-	-	-
S.Ruffillo S.c.a.r.l.	-	-	-	-	-
San Benedetto S.c.r.l.	-	-	-	-	-
Scat 5 scarl in liquidazione	54,374	-	-	-	54,374
Sclafani S.c.r.l.	413,085	-	-	-	413,085
Sedi scarl	61,656	57,608	-	-	119,264
SFI leasing	-	-	-	-	-
Schimmich	2,391,117	-	-	10,415,549	12,806,666
Sibar Arge	805,413	-	307,640	-	1,113,053
Sirjo S.c.p.A.	3,425,544	-	-	-	3,425,544
Sistranyac S.A.	6,390	-	8,796	-	15,186
Sivicica 2	-	-	-	-	-
Società di progetto consortile per azioni M4	-	-	-	-	-
Soingit S.c.r.l.	230,630	-	-	-	230,630
SPV Linea M4 Spa	273,228	10,508,824		-	10,782,052
Techint S.A.C.I.- Hochtief A.G.- Impregilo S.p.A	4,249	-	12,748	11,148,633	11,165,630
Thessaloniki Metro	795	-	-	-	795
Thessaloniki Metro CW	299,055	-	-	1,713,388	2,012,443

	Trade payables	Current portion of bank loans and current account facilities	Other current liabilities	Total liabilities	Net balance
	-	-	-	-	332
	-	-	-	-	671,072
	-	-	-	-	79,341
	17,244	-	-	17,244	264,549
	288	-	-	288	166,765
	-	-	203,196	203,196	102,790
	16,290,898	-	-	16,290,898	(12,943,889)
	539,083	-	-	539,083	(424,911)
	-	-	-	-	85,245
	-	-	-	-	218,464
	-	-	-	-	11,818,204
	-	-	-	-	275,134
	87,451	-	-	87,451	30,020
	1,001	-	-	1,001	(1,001)
	180,026	-	-	180,026	386,028
	-	-	-	-	59,934
	1,503,236	-	-	1,503,236	574,915
	-	-	-	-	347,593
	-	-	-	-	8,130,621
	226,610	40,504	-	267,114	(267,114)
	162,355	-	-	162,355	(162,355)
	17,878,405	-	-	17,878,405	(17,878,405)
	45,520	-	26	45,546	(45,546)
	-	876	-	876	53,498
	-	-	-	-	413,085
	15,584	-	-	15,584	103,680
	-	-	301,504	301,504	(301,504)
	3,894,293	-	-	3,894,293	8,912,373
	-	-	-	-	1,113,053
	12,483,368	-	-	12,483,368	(9,057,824)
	-	-	-	-	15,186
	263,396	-	-	263,396	(263,396)
	11,253	-	-	11,253	(11,253)
	96,222	96,929	-	193,151	37,479
	361,164	-	-	361,164	10,420,888
	-	-	-	-	11,165,630
	236	-	-	236	559
	2,922	2,557,025	-	2,559,947	(547,504)

ASSETS AND LIABILITIES AT 31 DECEMBER 2017

	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Total assets
Todedil scarl	407	-	1,813	-	2,220
Yacilec	14,931	-	-	-	14,931
Yuma	5,141,303	-	-	-	5,141,303
Total - group companies	**127,681,709**	**81,687,421**	**6,259,581**	**27,331,725**	**242,960,436**
C. Tiburtino	50,489	-	-	-	50,489
Casada S.r.l.	58,837	-	-	-	58,837
CEDIV SPA	1,792,887	3,241,000	-	-	5,033,887
Corso del Popolo Immobiliare Srl	1,629,464	-	-	-	1,629,464
Dirlan	9,483	-	-	-	9,483
G.A.B.I.RE. Srl	1,198,678	-	18,001,297	147	19,200,122
Galla Placidia	49,405	-	-	-	49,405
Imm. Agricola San Vittorino	93,904	-	-	-	93,904
Infernetto S.r.l.	25,067	-	-	-	25,067
Iniziative Immobiliari	-	-	-	-	-
Madonna dei Monti Srl	6,776	-	-	-	6,776
Nores	40,830	-	-	-	40,830
Plus	11,019	-	-	-	11,019
Salini Costruttori	86,619	-	7,029,988	11,956,443	19,073,050
SALINI SIMONPIETRO & C. S.A.P.A.	22,895	-	-	-	22,895
STUDIO Avv. GRAZIA VOLO					-
Todini Finanziaria	1,505,673				1,505,673
Zeis	-	-	1,302,574	-	1,302,574
Total other related parties	**6,582,026**	**3,241,000**	**26,333,859**	**11,956,590**	**48,113,475**
Total	**134,263,735**	**84,928,421**	**32,593,440**	**39,288,315**	**291,073,911**

	Trade payables	Current portion of bank loans and current account facilities	Other current liabilities	Total liabilities	Net balance
	-	-	-	-	2,220
	-	-	-	-	14,931
	-	-	-	-	5,141,303
	116,458,058	**6,005,801**	**13,956,239**	**136,420,098**	**106,540,338**
	-	-	-	-	50,489
	79,972	-	-	79,972	(21,135)
	-	-	-	-	5,033,887
				-	1,629,464
	-	-	-	-	9,483
	-	-	-	-	19,200,122
	-	-	-	-	49,405
	-	-	-	-	93,904
	-	-	-	-	25,067
	292,720	-	-	292,720	(292,720)
	8,911	-	-	8,911	(2,135)
	-	-	-	-	40,830
	-	-	-	-	11,019
	208,131	7,942,764	-	8,150,895	10,922,155
	-	-	-	-	22,895
	32,500			32,500	(32,500)
				-	1,505,673
	59,970	-	-	59,970	1,242,604
	682,204	**7,942,764**	**-**	**8,624,968**	**39,488,507**
	117,140,262	**13,948,565**	**13,956,239**	**145,045,066**	**146,028,845**

REVENUE AND COSTS FOR 2017

	Revenue	Other revenue and income	Purchases	Subcontracts
Acqua Campania S.p.A.	-	-	-	-
Aegek - Impregilo - Alstom J.V.	4,140	-	-	-
Agua AZ	275,327	7,600	-	-
Agua BA	31,795	-	-	-
ANBAFER S.c.r.l.	-	-	-	-
ANM	-	1,207,933	-	-
Arge Haupttunnel Eyholz	7,474,798	-	-	-
Arge Sisto N8	4,452,182	-	-	-
Autopistas del Sol S.A.	-	-	-	-
Autostrada Al Torun - Strykow	-	-	-	-
Barnard	1,985,448	-	-	-
Bocoge	-	-	-	-
CGMR Gestione materiale Roveredo	103,922	-	-	-
Churchill Consortium	13,688	-	-	-
Churchill Hospital J.V.	124,419	-	-	-
Civil Work	-	2,232,523	-	-
CMC Consorzio Monte Ceneri lotto 851	2,698,570	-	-	-
CMC-MAVUNDLA-IGL JV	-	43,574	-	-
Coincar	-	-	-	-
Consorcio Cigla-Sade	56,940	-	-	-
Consorcio Contuy Medio	-	9	-	-
Consorcio Grupo Contuy-Proyectos y Ob. De F.	770,341	-	-	-
Consorcio OIV-TOCOMA	1,383,636	-	-	-
Consorcio Serra do Mar	-	406,046	-	-
Consorcio VIT Tocoma	80,203	-	-	-
Consorzio 201 Quintai	11,895,749	-	-	-
Consorzio 202 Quintai	4,101,254	-	-	-
Consorzio ACE Chiasso	1,103,655	-	-	-
Consorzio Biaschina	2,471	-	-	-
Consorzio Casale Nei	-	-	-	-
Consorzio Coltun JV	161,392	-	-	-
Consorzio Costral in liquidazione	6,399	2,899	-	-
Consorzio Costruttori TEEM	-	-	-	-
Consorzio CPR 2	-	-	-	-
Consorzio CRS9	-	-	-	-
Consorzio EPC	38,323,529	19,098	-	-
Consorzio Felce BP	47	-	-	-
Consorzio Ferroviario Milanese	-	-	-	-
Consorzio H2O Morobbia	605,751	-	-	-
Consorzio Iricav Due	-	15,979	-	-
Consorzio MM4	81,458	248,552	-	-
Consorzio Pedelombarda 2	-	4,206	-	-
Consorzio Piottino	135,893	-	-	-
Consorzio Portale Vezia	8,059	-	-	-
Consorzio Probin	1,080,077	-	-	-

Services	Other operating expenses	Amortisation, depreciation, provisions and impairment losses	Financial income	Financial expense
-	270	-	-	-
4,140	-	-	-	-
63,576	-	-	-	-
1,981	330,070	(330,070)	-	-
-	-	(10,913)	-	-
7,494,023	-	-	-	-
-	-	-	-	-
3,503,643	63	-	-	-
-	9,450	-	-	-
4,614	-	-	-	-
541,437	-	-	-	-
12,618	-	-	-	-
94,278	-	-	-	-
-	-	-	-	-
380,218	-	-	-	-
(9,965,000)	-	-	-	-
19,492	-	-	-	-
77	-	-	-	-
54,870	-	-	-	-
236,478	-	-	58,173	-
194	-	-	-	-
764,257	-	-	-	-
3,366,755	-	56,632,175	-	-
339	-	-	-	-
-	-	-	-	-
9,252,380	-	-	-	-
4,015,997	-	-	-	-
787,083	-	-	-	-
-	-	-	-	-
585	-	-	-	-
140,727	-	-	-	-
-	-	-	-	-
313	-	-	-	-
55,713	-	-	-	-
14,752	-	-	-	-
1,614,489	-	-	-	-
-	-	-	-	-
32,835	-	-	-	-
485,743	-	-	-	-
1,646,398	-	-	-	-
991,900	-	-	-	-
3,763	-	-	-	-
138,829	-	-	-	-
-	-	-	-	-
3,271,343	-	-	-	-

REVENUE AND COSTS FOR 2017

	Revenue	Other revenue and income	Purchases	Subcontracts
Consorzio SI.VI.CI.CA.	111,184	-	-	-
Consorzio SIVICICA 3	74,013	-	-	-
Consorzio Sivicica 4	20,512	-	-	-
Consorzio Stazione Mendrisio	28,630	-	-	-
Consorzio TAT-Tunnel Alp Transit Ticino	(56,816)	-	-	-
Consorzio Umbria Sanità in liquidazione	-	-	-	-
Consorzio VIT Caroni Tocoma	-	-	-	-
E.R. Impregilo/Dumez y Asociados para Yaciretê	86,666	-	-	-
Enecor	11,257	-	-	-
Eurolink S.c.p.a.	29,628	150,372	-	-
G.T.B. S.c.r.l.	-	32,037	-	-
Galileo scarl	7,098	3,374	-	-
Gaziantep Hastane Saglik	-	-	-	-
Ghazi JV	-	8,799	-	-
Groupment Todini Hamila'	-	-	-	-
Grupo Empresas Italianas - GEI	167,371	-	-	-
Gup Canal	2,072,585	103,138	-	-
Healy Parsons	-	27,499	-	-
IGL Arabia	611	6,928	-	860,172
IGL Sas	-	-	-	-
Imprepar	-	-	-	-
Imprese Riunite Genova Irg S.c.r.l.	-	-	-	-
Isarco S.c.r.l.	588,996	869,337	-	-
Joint Venture Impregilo S.p.A. - Empedos S.A. - Aktor	215,732	-	-	-
KAYI - Salini - Samsung - JV	-	93,112	-	-
La Quado S.c.a.r.l.	554	3,245	-	-
Lambro Scrl	-	-	-	-
Line 3 Metro Stations	493	-	-	-
M2 LIMA	-	2,149,418	-	-
Metro Blu	37,050	554,459	-	-
Metrogenova S.c.r.l.	9,567	-	-	-
Metropolitana di Napoli S.p.A.	-	-	-	-
Napoli Cancello Alta Velocità S.c.r.l.	-	205,920	-	-
Ocre Holding	-	-	-	-
Ochre Solutions Ltd	46,723	-	-	-
Passante di Mestre S.c.p.A.	1,906	15,774	-	-
Passante Dorico S.p.A.	18,225	4,180	-	-
Pedelombarda S.c.p.a.	50,000	66,523	-	-
Puentes	27,432	15,509	-	-
RCCF Nodo di Torino S.c.p.a.	-	-	-	-
Riviera S.c.r.l.	-	-	-	-
S. Anna Palermo S.c.r.l.	-	-	-	-
S.Ruffillo S.c.a.r.l.	-	-	-	-
S3 - Nowa Sol	-	-	-	-
S7 - Checiny	-	-	-	-

Services	Other operating expenses	Amortisation, depreciation, provisions and impairment losses	Financial income	Financial expense
106,411	-	-	-	-
90,501	-	-	-	-
27,525	-	-	-	-
18,497	-	-	-	-
(334,274)	-	-	-	-
918	-	-	-	-
1,098,476	-	-	-	-
2,027,040	-	2,321,433	657,451	5
-	73	-	-	-
217,985	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	102,545	-	-	-
-	-	-	-	-
-	-	1,729,000	-	-
419,686	-	-	-	-
-	-	-	8,110,725	-
(169,378)	-	-	-	27,498
-	-	-	-	-
-	-	-	-	465,863
51,048	-	-	-	-
86,755	-	-	-	-
22,547,904	545	-	88,055	20,712
58,787	-	-	-	-
-	-	-	-	-
83,768	-	-	-	-
796	-	-	-	-
11,487	-	-	-	-
-	-	-	-	-
61,176,583	-	-	-	-
508,110	-	-	-	-
79,376	12	-	-	-
-	-	-	-	-
-	-	-	912,446	-
-	-	-	-	-
257,261	-	-	-	-
-	-	-	-	-
898,786	-	-	-	-
-	-	-	-	-
31,231	-	-	-	-
109,484	-	-	-	-
149,793	-	-	-	-
67,246	-	-	-	-
1,074	-	-	-	-
4,290	-	-	-	-

REVENUE AND COSTS FOR 2017

	Revenue	Other revenue and income	Purchases	Subcontracts
S8 - Marki - Radzymin	-	-	-	-
San Giorgio Caltagirone S.c.r.l.	-	2,367	-	-
Sarge TP	-	513,047	-	-
Sarmento S.c.r.l.	-	-	-	-
Sclafani S.c.r.l.	-	2,582	-	-
SFI leasing	1,372,679	-	-	-
SGF INC	-	-	-	-
Schimmich	41,489,464	-	-	-
Sibar Arge	2,598,585	-	-	-
Sirjo S.c.p.A.	-	144,719	-	-
Sistranyac S.A.	5,874	-	-	-
Società di progetto consortile per azioni M4	-	-	-	-
South Al Mutlaa Joint Venture	-	2,680,410	-	-
SPV Linea M4 Spa	-	228,140	-	-
Stazione Tribunale	-	-	-	-
Techint S.A.C.I.- Hochtief A.G.- Impregilo S.p.A	1,659,388	-	-	-
Thessaloniki Metro CW	67,509,664	-	-	-
Ute Abeima Fisia Shuaibah	-	1,326,583	-	-
Wolverhampton	1,378,032	-	-	-
Yacilec	121,812	-	-	-
Yuma	(336,748)	-	-	-
Total - group companies	**196,309,310**	**13,395,890**	**-**	**860,172**
C. Tiburtino	16,902	2,898	-	-
Casada S.r.l.	16,177	3,153	-	-
CEDIV SPA	17,273	916	-	-
Corso del Popolo Immobiliare Srl				
Dirlan	23,828	2,898	-	-
G.A.B.I.RE. Srl	18,598	2,898	-	-
Galla Placidia	19,473	2,898	-	-
Imm. Agricola San Vittorino	22,168	2,898	-	-
Infernetto S.r.l.	7,221	2,898	-	-
Iniziative Immobiliari	-	-	-	-
Madonna dei Monti Srl	10,869	3,482	-	-
Nores	6,271	2,898	-	-
Plus	28,906	2,898	-	-
Salini Costruttori	148,093	10,841	232	-
SALINI SIMONPIETRO & C. S.A.P.A.	14,394	860	-	-
STUDIO Avv. GRAZIA VOLO				
Zeis	164,542	106,535	-	-
Total other related parties	**514,715**	**148,971**	**232**	**-**
Total	**196,824,025**	**13,544,861**	**232**	**860,172**

Services	Other operating expenses	Amortisation, depreciation, provisions and impairment losses	Financial income	Financial expense
3,157	-	-	-	-
-	-	-	-	-
102,525	-	-	37,726	-
-	-	513,820	-	-
-	-	-	-	-
1,346,902	-	-	-	-
104,968	-	-	-	-
36,809,573	-	-	-	-
2,479,054	-	-	-	-
1,825,876	-	-	-	-
-	50	-	-	-
7,789	-	-	-	-
-	-	-	-	-
25,254	39	-	489,841	-
2,140,412	-	-	-	-
143,658	-	-	-	-
65,909,223	-	-	-	-
-	-	-	-	-
-	-	-	8,368	-
-	233	-	-	-
-	28,256	-	-	-
229,556,397	**471,608**	**60,855,445**	**10,362,785**	**514,084**
-	-	-	-	-
262,778	-	-	-	-
-	-	-	48,615	-
		(1,500,000)		
-	-	-	-	-
-	-	-	18,001	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,074,514	4	-	-	-
55,200	-	-	-	-
-	-	-	-	-
-	-	-	-	-
43,087	-	-	236,546	212,802
-	-	-	-	-
	720,153			
145,100	-	-	40,045	-
1,580,679	**720,157**	**(1,500,000)**	**343,207**	**212,802**
231,137,076	**1,191,765**	**59,355,445**	**10,705,992**	**726,886**

CONSOLIDATED FINANCIAL STATEMENTS OF SALINI IMPREGILO GROUP - EQUITY INVESTMENTS

SALINI IMPREGILO GROUP - EQUITY INVESTMENTS WITH POSITIVE CARRYING AMOUNTS AT 31 DECEMBER 2017

	31 December 2016	Change in consolidation method	Acquisitions	Capital transactions	(Disinvestments and liquidiations)	Share of profit or loss of equity-accounted investees
A. Constructor J.V. Kallidromo	-	-	-	-	-	-
Acqua Campania S.p.A.	9,607	-	-	-	-	-
Agl Jv	5,294,861	-	-	5,311,154	-	(4,921,790)
Autopistas del Sol S.A.	-	-	-	-	-	90,082,496
Calpark S.c.p.A.	4,664	-	-	-	-	-
CE.S.I.F. S.c.p.a.	63,460	-	-	-	(63,460)	-
Co.Ge.Fin s.r.l. (atti parasociali)	(1)	-	-	-	-	-
Consorcio Agua Azul S.A.	6,890,358	-	-	-	-	1,001,063
Consorcio Federici/Impresit/Ice Cochabamba	15,818	-	-	-	-	-
Consorzio A.F.T. (in liq.ne)	15,494	-	-	-	-	-
Consorzio Astaldi Federici Todini Kramis	(5)	-	-	-	-	-
Consorzio Casale Nei	775	-	-	-	-	-
Consorzio Consavia S.c.n.c.	1,714	-	-	-	-	-
Consorzio Costral	9,526	-	-	-	-	-
Consorzio CPR 3	747	-	-	-	-	-
Consorzio CPR 2	37	-	-	-	-	-
Consorzio del Sinni	12,395	-	-	-	-	-
Consorzio Ferrofir	182,569	-	-	-	-	-
Consorzio Ferroviario Milanese	28,276	-	-	-	-	-
Consorzio IECAF	129	-	-	-	-	-
Consorzio Imprese Lavori FF.SS. di Saline - FEIC	5,165	-	-	-	-	-
Consorzio infrastruttura area metropolitana - Metro Cagliari	5,207	-	-	-	(5,207)	-
Consorzio Iniziative Ferroviarie - INFER	14,461	-	-	-	-	-
Consorzio Iricav Due	176,060	-	-	-	-	-
Consorzio Libyan Expressway Contractor	5,800	-	-	-	-	-
Consorzio MARC - Monitoraggio Ambientale Regione Campania	2,582	-	-	-	(2,582)	-
Consorzio MM4	64,270	-	-	-	-	-
Consorzio Nazionale Imballaggi - CO.NA.I.	5	-	-	-	-	-
Consorzio NOG.MA	84,000	-	-	-	-	(693)
Consorzio Pedelombarda 2	4,000	-	-	-	-	-
Consorzio Pizzarotti Todini Keft-Eddir	50,000	-	-	-	-	(50,000)
Consorzio Sarda Costruzioni Generali - SACOGEN	2,582	-	-	-	-	-
Consorzio Sardo d'Imprese	1,078	-	-	-	-	-
Consorzio TRA.DE.CI.V.	12,533	-	-	-	(12,533)	-

Reversals of imp. losses/ imp. losses	Dividends from equity-accounted investees	Change in hedging reserve	Change in ROC of equity-accounted investees	Change in ROC of investees recognised in investor's financial statements	Reclassifications	Other changes	31 December 2017
-	-	-	-	-	-	6,277	6,277
-	-	-	-	-	-	-	9,607
-	-	-	(665,616)	-	33,920	-	5,052,529
-	(6,640,899)	-	110,107	-	-	-	83,551,704
-	-	-	-	-	-	-	4,664
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(1)
-	(1,199,723)	-	(599,135)	-	-	-	6,092,563
-	-	-	-	-	-	-	15,818
-	-	-	-	-	-	-	15,494
-	-	-	-	-	-	5	-
-	-	-	-	-	-	-	775
-	-	-	-	-	-	-	1,714
-	-	-	-	-	-	-	9,526
-	-	-	-	-	-	-	747
-	-	-	-	-	-	-	37
-	-	-	-	-	-	-	12,395
-	-	-	-	-	-	-	182,569
-	-	-	-	-	-	-	28,276
-	-	-	-	-	-	-	129
-	-	-	-	-	-	-	5,165
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	14,461
-	-	-	-	-	-	-	176,060
-	-	-	-	-	-	(5,800)	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	64,270
-	-	-	-	-	-	-	5
-	-	-	-	-	-	-	83,307
-	-	-	-	-	(4,000)	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,582
-	-	-	-	-	-	-	1,078
-	-	-	-	-	-	-	-

SALINI IMPREGILO GROUP - EQUITY INVESTMENTS WITH POSITIVE CARRYING AMOUNTS AT 31 DECEMBER 2017

	31 December 2016	Change in consolidation method	Acquisitions	Capital transactions	(Disinvestments and liquidiations)	Share of profit or loss of equity-accounted investees
Consorzio Trevi - S.G.F. INC per Napoli	4,500	-	-	-	-	-
Consorzio Umbria Sanità	3,202	-	-	-	-	-
Consorzio.Kallidromo	1	-	-	-	-	-
Depurazione Palermo S.c.r.l.	3,615	-	-	-	-	-
Emittenti Titoli S.p.A.	10,832	-	-	-	-	-
Eurolink S.c.p.a.	16,875,000	-	-	-	-	-
FE.LO.VI. S.c.n.c.	8,392	-	-	-	(8,392)	-
FISIA ABEIMA LCC	-	-	57,838	-	-	-
Flatiron Lane Jv	35,255	-	-	-	-	-
Fluor Lane South Carolina	497,715	-	-	-	-	1,390,901
Fluor Lane95 LLC	9,355	-	-	-	-	-
Forum S.c. a r.l.	10,329	-	-	-	-	-
G.T.B. S.c.r.l.	5	-	-	-	-	-
Gaziantep Hastane Saglik	4,035,565	1,839,051	-	-	-	(5,423,748)
Gaziantep Hastanesi Isletme Ve Bakim Hizmetleri	-	-	-	300,000	-	-
Gemma Lane Liberty Partners	320,472	-	-	-	-	175,809
Gemma Lane Patriot Partners	463,714	-	-	-	-	-
Golf Pordenone	14,528	-	-	-	(14,528)	-
Grassetto S.p.A.	7,747	-	-	-	-	-
Groupment Sci Sonatro	1	-	-	-	-	-
Grupo Unidos Por El Canal S.A.	49,021,317	-	-	53,428,699	-	7,220,469
I.S.V.E.U.R.-SPA (1%)	68,172	-	-	-	-	-
I_Faber S.p.A.	583,317	-	-	-	-	-
I4 Leasing LLC	18,842,979	-	-	-	-	228,030
Immobiliare Golf Club Castel D'Aviano S.r.l.	17,641	-	-	-	-	2,195
Impregilo Arabia Ltd	3,795,414	-	-	831,648	-	(942,047)
Impregilo Wolverhampton Ltd	3,473,530	-	-	-	(3,462,368)	(72,591)
Inter-healy	-	-	-	-	-	160,292
Irina Srl in liquidazione	308,344	-	-	-	-	-
Isarco S.c.r.l.	41,000	-	-	-	-	-
Istituto Promozionale per l'Edilizia S.p.A. - Ispredil S.p.A.	330	-	-	-	-	-
Joint Venture Salini-Acciona (Etiopia)	9,430	-	-	-	-	-
La Quado S.c.a.r.l.	3,500	-	-	-	-	-
Lambro S.c.r.l.	20	-	-	-	-	-
M.N. 6 S.c.r.l.	510	-	-	-	(510)	-
Manifesto S.p.A.	10,846	-	-	-	-	-

Reversals of imp. losses/ imp. losses	Dividends from equity-accounted investees	Change in hedging reserve	Change in ROC of equity-accounted investees	Change in ROC of investees recognised in investor's financial statements	Reclassifications	Other changes	31 December 2017
-	-	-	-	-	-	-	4,500
-	-	-	-	-	-	-	3,202
-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	3,615
-	-	-	-	-	-	-	10,832
-	-	-	-	-	-	-	16,875,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	57,838
-	-	-	(4,268)	-	-	-	30,987
-	(478,003)	-	(113,237)	-	-	-	1,297,376
-	-	-	(625)	-	(8,730)	-	-
-	-	-	-	-	-	-	10,329
-	-	-	-	-	-	(5)	-
-	-	-	(433,346)	-	-	-	17,522
-	-	-	-	-	-	7,648	307,648
-	(465,801)	-	(21,970)	-	-	-	8,510
-	(622,538)	-	(31,032)	-	189,856	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	7,747
-	-	-	-	-	-	-	1
-	-	-	(9,406,452)	-	-	-	100,264,033
-	-	-	-	-	-	(11,336)	56,836
-	-	-	-	-	-	-	583,317
-	-	-	(2,294,564)	-	-	-	16,776,445
-	-	-	-	-	-	354	20,190
-	-	-	71,612	-	-	-	3,756,627
-	(61,827)	97,143	26,113	-	-	-	-
-	-	-	(1,404)	-	(136,093)	-	22,795
-	-	-	-	-	-	-	308,344
-	-	-	-	-	-	-	41,000
-	-	-	-	-	-	-	330
-	-	-	-	-	-	-	9,430
-	-	-	-	-	-	-	3,500
-	-	-	-	-	-	-	20
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	10,846

SALINI IMPREGILO GROUP - EQUITY INVESTMENTS WITH POSITIVE CARRYING AMOUNTS AT 31 DECEMBER 2017

	31 December 2016	Change in consolidation method	Acquisitions	Capital transactions	(Disinvestments and liquidiations)	Share of profit or loss of equity-accounted investees
Markland S.r.l.	1,269	-	-	-	-	-
Metro de Lima Linea 2 S.A.	23,080,689	-	-	-	-	1,011,326
Metrogenova S.c.r.l.	8,257	-	-	-	-	-
Metropolitana di Napoli S.p.A.	313,652	-	-	-	(313,652)	-
Napoli Cancello Alta Velocità S.c.r.l.	-	-	-	6,000	-	-
Nomisma spa	27,015	-	-	-	-	-
Ochre Solutions Holdings Ltd	4,946,641	-	-	-	-	(855,236)
Olbia 90 S.c.r.l.	2,531	-	-	-	-	-
PANTANO S.C.R.L.(10,5%)	4,338	-	-	-	-	(80)
Parco Scientifico e Tecnologico della Sicilia S.c.p.a.	5,165	-	-	-	-	-
Passante di Mestre S.c.p.A.	4,200,000	-	-	(1,470,000)	-	-
Passante Dorico S.p.A.	2,820,000	-	-	-	-	-
Pedelombarda S.c.p.a.	9,400,000	-	-	(7,050,000)	-	-
Pedemontana Veneta S.p.A.	1,238,052	-	-	-	-	-
Purple Line Transit Constructors LLC	4,920,114	-	-	-	-	4,984,649
RCCF Nodo di Torino S.c.p.a.	26,856	-	-	-	(26,856)	-
Rimini Fiera S.p.A.	1,563,976	-	-	-	-	-
Riviera S.c.r.l.	6,470	-	-	-	(6,470)	-
S. Anna Palermo S.c.r.l.	18,592	-	-	-	-	-
S.Ruffillo S.c.a.r.l.	21,000	-	-	-	-	-
Tangenziale Esterna di Milano S.p.A.	100	-	-	-	-	-
San Benedetto S.c.r.l.	9,622	-	-	-	-	-
Scat 5 scarl	6,455	-	-	-	-	-
Segrate	-	-	-	3,500	-	-
Seveso S.c.a.r.l.	400	-	-	-	-	-
Sirjo S.c.p.A.	3,000,000	-	-	-	-	-
Sistranyac S.A.	149,965	-	-	-	-	-
Skanska Granite Lane	7,206,442	-	-	-	-	-
Skiarea Valchiavenna S.p.A.	98,370	-	-	-	-	-
Società di Progetto Consortile per Azioni M4	104,040	-	-	-	(104,040)	-
SPV Linea M4 S.p.A.	13,446,000	-	-	5,221,600	-	-
Stazione Tibunale	8,600	-	-	-	(8,600)	-
Techint S.A.C.I.- Hochtief A.G.- Impregilo S.p.A.-Iglys S.A. UTE	3,944	-	-	-	-	-
Todedil scarl	8,780	-	-	-	-	-
Unionport Bridge	-	-	-	2,230,681	-	256,556
Variante di Valico scrl (in Liq.ne)	59,067	-	-	-	(63,739)	4,672

Reversals of imp. losses/ imp. losses	Dividends from equity-accounted investees	Change in hedging reserve	Change in ROC of equity-accounted investees	Change in ROC of investees recognised in investor's financial statements	Reclassifications	Other changes	31 December 2017
-	-	-	-	-	-	-	1,269
-	-	-	(2,853,085)	-	-	-	21,238,930
-	-	-	-	-	-	-	8,257
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	6,000
-	-	-	-	-	-	-	27,015
-	-	-	92,805	-	-	-	4,184,210
-	-	-	-	-	-	-	2,531
-	-	-	-	-	-	-	4,258
-	-	-	-	-	-	-	5,165
-	-	-	-	-	-	-	2,730,000
-	-	-	-	-	-	-	2,820,000
-	-	-	-	-	-	-	2,350,000
-	-	-	-	-	-	-	1,238,052
-	-	-	(884,959)	-	-	-	9,019,804
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,563,976
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	18,592
-	-	-	-	-	-	-	21,000
-	-	-	-	-	-	-	100
-	-	-	-	-	-	-	9,622
-	-	-	-	-	-	-	6,455
-	-	-	-	-	-	-	3,500
-	-	-	-	-	-	-	400
-	-	-	-	-	-	-	3,000,000
-	-	-	-	-	-	-	149,965
-	(10,622,289)	-	(482,258)	-	3,898,105	-	-
-	-	-	-	-	-	-	98,370
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	18,667,600
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	3,944
-	-	-	-	-	-	-	8,780
-	-	-	(144,344)	-	-	-	2,342,893
-	-	-	-	-	-	-	-

SALINI IMPREGILO GROUP - EQUITY INVESTMENTS WITH POSITIVE CARRYING AMOUNTS AT 31 DECEMBER 2017

	31 December 2016	Change in consolidation method	Acquisitions	Capital transactions	(Disinvestments and liquidiations)	Share of profit or loss of equity-accounted investees
VE.CO. S.c.r.l.	2,582	-	-	-	-	
Yacylec S.A.	-	-	-	-	-	1,305,215
Yuma Concessionaria S.A.	13,324,305	-	-	-	-	(785,363)
Sedi	-	-	-	-	-	
	201,468,034	**1,839,051**	**57,838**	**58,813,282**	**(4,092,937)**	**94,772,125**

Reversals of imp. losses/ imp. losses	Dividends from equity-accounted investees	Change in hedging reserve	Change in ROC of equity-accounted investees	Change in ROC of investees recognised in investor's financial statements	Reclassifications	Other changes	31 December 2017
-	-	-	-	-	-	-	2,582
-	-	-	(192,415)	-	(170,949)	-	941,851
-	-	-	(1,474,890)	-	-	(565)	11,063,487
-	-	-	-	-	-	3,400	3,400
-	**(20,091,080)**	**97,143**	**(19,302,963)**	**-**	**3,802,109**	**(22)**	**317,362,580**

SALINI IMPREGILO GROUP - EQUITY INVESTMENTS WITH NEGATIVE CARRYING AMOUNTS AT 31 DECEMBER 2017

	31 December 2016	Change in consolidation method	Acquisitions	Capital transactions	(Disinvestments and liquidiations)	Share of profit or loss of equity-accounted investees
Cagliari 89 S.c.r.l.	(132,850)	-	-	-	-	-
Con.Sal. S.c.n.c.	(62,132)	-	-	-	-	62,132
Consorzio Aree Industriali Potentine	(666)	-	-	-	-	-
Consorzio Astaldi Federici Todini Kramis	(1,308,000)	-	-	-	-	-
Fluor Lane LLC	(415,246)	-	-	-	-	387,388
FLUOR-LANE95 LLC	-	-	-	-	-	3,653
Galileo Scrl	(4,110)	-	-	-	-	-
GEMMA-LANE PATRIOT PARTNERS	-	-	-	-	-	155,078
Imprese Riunite Genova Irg S.c.r.l.	(13,209)	-	-	-	-	-
Interstate Healy Equipment J.V.	(145,853)	-	-	-	-	-
Normetro - Agrupamento Do Metropolitano Do P.	-	-	(441)	-	-	-
S. Leonardo S.c.r.l.	(1)	-	-	-	-	-
San Giorgio Caltagirone S.c.r.l.	(87,001)	-	-	-	-	87,001
Sclafani S.c.r.l.	(135,866)	-	-	-	-	-
SKANSKA-GRANITE-LANE	-	-	-	-	-	1,364,056
Soingit S.c.r.l.	(50,000)	-	-	-	-	-
Yacilec	(170,950)	-	-	-	-	-
Total equity investments with negative carrying amounts	**(2,525,884)**	**-**	**(441)**	**-**	**-**	**2,059,308**

	Other gains (losses) in profit or loss	Dividends from equity-accounted investees	Change in hedging reserve	Change in ROC of equity-accounted investees	Change in ROC of investee recognised in investor's financial statements	Reclassifications	31 December 2017
	-	-	-	-	-	-	(132,850)
	-	-	-	-	-	-	-
	-	-	-	-	-	-	(666)
	-	-	-	-	-	-	(1,308,000)
	-	-	-	27,793	-	-	(65)
	-	(72,603)	-	3,494	-	8,730	(56,726)
	-	-	-	-	-	-	(4,110)
	-	-	-	2,018	-	(189,856)	(32,760)
	-	-	-	-	-	-	(13,209)
	-	-	-	-	9,760	136,093	-
	-	-	-	-	-	-	(441)
	-	-	-	-	-	-	(1)
	-	-	-	-	-	-	-
	-	-	-	-	-	-	(135,866)
	-	-	-	147,061	-	(3,898,105)	(2,386,988)
	-	-	-	-	-	-	(50,000)
	-	-	-	-	-	170,950	-
	-	**(72,603)**	**-**	**180,366**	**9,760**	**(3,772,188)**	**(4,121,682)**

CONSOLIDATED FINANCIAL STATEMENTS OF SALINI IMPREGILO GROUP - LIST OF COMPANIES

LIST OF SALINI IMPREGILO GROUP COMPANIES

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Salini Impregilo S.p.A.	**Italy**	**Euro**	**544,740,000**	**100**	**100**			**line-by-line**
A1 Motorway Tuszyn-Pyrzowice lot F Joint Venture	Poland	PLN		100	94.99	5	Salini Polska L.t.d. Liability Co	line-by-line
						0.01	HCE Costruzioni S.p.A.	
Al Maktoum International Airport JV	United Arab Emirates			29.4		29.4	Lane Mideast Contracting LLC	line-by-line
Alia S.c.r.l. (in liq.)	Italy	Euro	10,200	100		100	Imprepar S.p.A.	line-by-line
Ancipa S.c.r.l. (in liq.)	Italy	Euro	10,200	100		100	Imprepar S.p.A.	line-by-line
Brennero Galleriaacque S.c.r.l.	Italy	Euro	10,000	51		51	Fisia Italimpianti S.p.A.	line-by-line
CDE S.c.a.r.l.	Italy	Euro	10,000	60	60			line-by-line
Collegamenti Integrati Veloci C.I.V. S.p.A.	Italy	Euro	20,000	85	85			line-by-line
Compagnia Gestione Macchinari CO.GE.MA. S.p.A.	Italy	Euro	200,000	100	100			line-by-line
Consorcio Constructor Salini Impregilo - Cigla	Brazil			100	60	40	Cigla S.A.	line-by-line
Consorcio Impregilo - OHL	Colombia			100		100	Impregilo Colombia SAS	line-by-line
Consorcio Impregilo Yarull	Dom. Republic			70	70			line-by-line
Consorzio Alta Velocità Torino/Milano - C.A.V.TO.MI.	Italy	Euro	5,000,000	74.69	74.69			line-by-line
Consorzio C.A.V.E.T. - Consorzio Alta Velocità Emilia/Toscana	Italy	Euro	5,422,797	75.983	75.983			line-by-line
Consorzio COCIV	Italy	Euro	516,457	68.25	64	4.25	C.I.V. S.p.A.	line-by-line
Consorzio Libyan Expressway Contractor	Italy	Euro	10,000	58	58			line-by-line
Consorzio Scilla (in liq.)	Italy	Euro	1,000	51		51	Imprepar S.p.A.	line-by-line
Consorzio Torre (in liq.)	Italy	Euro	5,000,000	94.6		94.6	Imprepar S.p.A.	line-by-line
Consorzio/Vianini lavori/Impresit/Dal Canton/Icis/Siderbeton - VIDIS (in liq.)	Italy	Euro	25,822	60		60	Imprepar S.p.A.	line-by-line
Constructora Ariguani SAS	Colombia	COP	100,000,000	100	100			line-by-line
Constructora Mazar Impregilo-Herdoiza Crespo	Ecuador			70	70			line-by-line
Construtora Impregilo y Associados S.A.-CIGLA S.A.	Brazil	BRL	2,480,849	100	100			line-by-line

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Copenaghen Metro Team I/S	Denmark			99.989	99.989			line-by-line
Corso del Popolo Engineering S.c.r.l.	Italy	Euro	10,000	64.707		64.707	HCE Costruzioni S.p.A.	line-by-line
Corso del Popolo S.p.A.	Italy	Euro	1,200,000	55		55	HCE Costruzioni S.p.A.	line-by-line
CSC Impresa Costruzioni S.A.	Switzerland	CHF	2,000,000	100	100			line-by-line
Diga Ancipa S.c.r.l. (in liq.)	Italy	Euro	10,200	100		100	Imprepar S.p.A.	line-by-line
Empresa Constructora Angostura Ltda	Chile	CLP	22,422,000	65	65			line-by-line
Empresa Constructora Metro 6 L..t.d.a.	Chile	CLP	25,000,000	100	99.9	0.1	Cigla S.A.	line-by-line
Fibe S.p.A.	Italy	Euro	3,500,000	99.998	99.989	0.003	Impregilo Intern. Infrastruc. N.V.	line-by-line
						0.006	Fisia Ambiente S.p.A.	
Fisia - Alkatas Joint Venture	Turkey			51		51	Fisia Italimpianti S.p.A.	line-by-line
Fisia Ambiente S.p.A.	Italy	Euro	3,000,000	100	100			line-by-line
Fisia Italimpianti S.p.A.	Italy	Euro	3,400,000	100	100			line-by-line
Galfar - Salini Impregilo - Cimolai JV	Qatar			40	40			line-by-line
Generalny Wykonawca Salini Polska - Impregilo - Kobylarnia S.A.	Poland			66.68	33.34	33.34	Salini Polska L.t.d. Liability Co	line-by-line
Gestione Napoli S.r.l. (in liq.)	Italy	Euro	10,000	99	24	75	Fisia Ambiente S.p.A.	line-by-line
Groupe Mediterraneen di Travaux d'Infrastructures (in liq.)	Algeria	DZD	1,000,000	98		98	HCE Costruzioni S.p.A.	line-by-line
Grupo ICT II SAS	Colombia	COP	2,942,980,000	100	100			line-by-line
HCE Costruzioni S.p.A.	Italy	Euro	2,186,743	100	100			line-by-line
HCE Costruzioni Ukraine LLC	Ukraine	Euro	10,000	100	1	99	HCE Costruzioni S.p.A.	line-by-line
I.L.IM. - Iniziative Lombarde Immobiliari S.r.l. (in liq.)	Italy	Euro	10,000	100	100			line-by-line (*)
IGLYS S.A.	Argentina	ARS	10,000,000	100		100	Impregilo Intern. Infrastruc. N.V.	line-by-line
Impregilo Colombia SAS	Colombia	COP	6,455,000,000	100	100			line-by-line (*)

LIST OF SALINI IMPREGILO GROUP COMPANIES

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Impregilo International Infrastructures N.V.	Netherlands	Euro	50,000,000	100	100			line-by-line
Impregilo Lidco Libya Co	Libya	DL	5,000,000	60	60			line-by-line
Impregilo New Cross Ltd	GB	GBP	2	100		100	Impregilo Intern. Infrastruc. N.V.	line-by-line
Impregilo-SK E&C-Galfar al Misnad JV	Qatar			41.25	41.25			line-by-line
Impregilo-Terna SNFCC JV	Greece	Euro	100,000	51	51			line-by-line
Imprepar-Impregilo Partecipazioni S.p.A.	Italy	Euro	3,100,000	100	100			line-by-line
INC - Il Nuovo Castoro Algerie S.a.r.l.	Algeria	DZD	301,172,000	99.983	99.983			line-by-line
IS Joint Ventures	Australia			100	50	50	Salini Australia PTY L.t.d.	line-by-line
Joint Venture Impregilo S.p.A. - S.G.F. INC S.p.A.	Greece			100	100			line-by-line
JV Salini - Secol	Romania			80	80			line-by-line
Lane Abrams Joint Venture	USA			51		51	Lane Construction Corporation	line-by-line
Lane Construction Corporation	USA	USD	1,392,955	100		100	Lane Industries Incorporated	line-by-line
Lane Corman Joint Venture	USA			60		60	Lane Construction Corporation	line-by-line
Lane DS - NC Consortium	United Arab Emirates			24.5		24.5	Lane Mideast Contracting LLC	line-by-line
Lane Industries Incorporated	USA	USD	1	100		100	Salini Impregilo - US Holdings Inc.	line-by-line
Lane Infrastructure Inc.	USA	USD	10	100		100	Lane Industries Incorporated	line-by-line
Lane International B.V.	USA	USD	18,000	100		100	Lane Worldwide Infrastructure Inc..	line-by-line
Lane Mideast Contracting LLC	United Arab Emirates	AED	300,000	49		49	Lane International B.V.	line-by-line
Lane Mideast Qatar LLC	Qatar	QAR	5,000,000	49		49	Lane International B.V.	line-by-line
Lane National Contracting Joint Venures	United Arab Emirates			24.99		24.99	Lane Mideast Contracting LLC	line-by-line

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Lane Power Energy Solutions Inc.	USA	USD	100	100		100	Lane Industries Incorporated	line-by-line
Lane Solid - Tadmur Joint Venture	Qatar			24.5		24.5	Lane Mideast Qatar LLC	line-by-line
Lane Worldwide Infrastructure Inc..	USA	USD	10	100		100	Lane Industries Incorporated	line-by-line
Lanecon Corporation	USA			100		100	Lane Construction Corporation	line-by-line
Librino S.c.r.l. (in liq.)	Italy	Euro	45,900	66		66	Imprepar S.p.A.	line-by-line
Melito S.c.r.l. (in liq.)	Italy	Euro	77,400	66.667		66.667	Imprepar S.p.A.	line-by-line
Mercovia S.A.	Argentina	ARS	10,000,000	60		60	Impregilo Intern. Infrastruc. N.V.	line-by-line
Metro B S.r.l.	Italy	Euro	20,000,000	52.52	52.52			line-by-line
Metro B1 S.c.a.r.l.	Italy	Euro	100,000	80.7	80.7			line-by-line
Perugia 219 S.c.r.l. (in liq.)	Italy	Euro	10,000	55		55	Imprepar S.p.A.	line-by-line
PGH Ltd	Nigeria	NGN	52,000,000	100	100			line-by-line
Pietrarossa S.c.r.l. (in liq.)	Italy	Euro	10,200	100		100	Imprepar S.p.A.	line-by-line
Piscine dello Stadio S.r.l.	Italy	Euro	1,100,000	70		70	HCE Costruzioni S.p.A.	line-by-line
Piscine S.c.r.l. (in liq.)	Italy	Euro	10,000	70		70	HCE Costruzioni S.p.A.	line-by-line
Reggio Calabria - Scilla S.c.p.a.	Italy	Euro	35,000,000	51	51			line-by-line
RI.MA.TI. S.c.a.r.l. (in liq.)	Italy	Euro	100,000	83.42	83.42			line-by-line
Rivigo J.V. (Nigeria) Ltd	Nigeria	NGN	100,000,000	70		70	PGH Ltd	line-by-line
S. Leonardo Due S.c.r.l. (in liq.)	Italy	Euro	40,800	60		60	Imprepar S.p.A.	line-by-line
Salerno-Reggio Calabria S.c.p.a.	Italy	Euro	50,000,000	51	51			line-by-line
Salini - Impregilo Joint Venture for Mukorsi	Zimbabwe			100	99.9	0.1	Imprepar S.p.A.	line-by-line
Salini Australia PTY L.t.d.	Australia	AUD	4,350,000	100	100			line-by-line
Salini Bulgaria A.D. (in liq.)	Bulgaria	BGN	50,000	100	100			line-by-line
Salini Hydro L.t.d. (in liq.)	Ireland	Euro	20,000	100	100			line-by-line
Salini Impregilo - Duha Joint Venture	Slovakia			75	75			line-by-line
Salini Impregilo - Healy J.V. (Cleveland)	USA			100	60	40	Lane Construction Corporation	line-by-line
Salini Impregilo - Healy J.V. (Tunnel 3RPORT Indiana)	USA			100	30	70	Lane Construction Corporation	line-by-line
Salini Impregilo - Healy J.V. NEBT	USA			100	30	70	Lane Construction Corporation	line-by-line
Salini Impregilo - NRW Joint Venture	Australia			80	80			line-by-line

LIST OF SALINI IMPREGILO GROUP COMPANIES

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Salini Impregilo - Salini Insaat - NTF J.V.	Turkey			85	55	30	Salini Insaat T.S.V.T.A.S.	line-by-line
Salini Impregilo - Tristar	United Arab Emirates			60	60			line-by-line
Salini Impregilo - US Holdings Inc.	USA	USD	1,000	100	100			line-by-line
Salini Impregilo S.p.A. - S.A. Healy Company Jose J Chediack S.A. UTE	Argentina	ARS	10,000	75	73	2	Lane Construction Corporation	line-by-line
Salini India Private L.t.d. (in liq.)	India	INR	93,500,000	100	95	5	CO.GE.MA. S.p.A.	line-by-line
Salini Insaat Taahhut Sanayi Ve Ticaret Anonim Sirketi	Turkey	TRY	50,000	100	100			line-by-line
Salini Malaysia SDN BHD	Malaysia	MYR	1,100,000	100	90	10	CO.GE.MA. S.p.A.	line-by-line
Salini Namibia Proprietary L.t.d.	Namibia	NAD	100	100	100			line-by-line
Salini Nigeria L.t.d.	Nigeria	NGN	10,000,000	100	99	1	CO.GE.MA. S.p.A.	line-by-line
Salini Polska - Todini - Salini Impregilo - S7 JV	Poland	PLN		100	74.99	25	Salini Polska L.t.d. Liability Co	line-by-line
						0.01	HCE Costruzioni S.p.A.	
Salini Polska - Todini - Salini Impregilo - Pribex - S3 JV	Poland	PLN		95	71.24	23.75	Salini Polska L.t.d. Liability Co	line-by-line
						0.01	HCE Costruzioni S.p.A.	
Salini Polska - Todini - Salini Impregilo - Pribex - S8 JV	Poland	PLN		95	71.24	23.75	Salini Polska L.t.d. Liability Co	line-by-line
						0.01	HCE Costruzioni S.p.A.	
Salini Polska L.t.d. Liability Co	Poland	PLN	393,000	100	100			line-by-line
Salini Saudi Arabia Company L.t.d.	Saudi Arabia			51	51			line-by-line
Salini-Kolin-GCF Joint Venture	Turkey	Euro	4,000	38	38			line-by-line
San Martino Prefabbricati S.p.A. (in liq.)	Italy	Euro	10,000	100		100	Imprepar S.p.A.	line-by-line
Seli Tunneling Denmark A.p.s.	Denmark	DKK	130,000	100		100	Impregilo Intern. Infrastruc. N.V.	line-by-line
Società Autostrada Broni - Mortara S.p.A.	Italy	Euro	28,902,600	60	60			line-by-line
Sti Abwicklungs Gmbh	Germany	Euro	25,000	100		100	Impregilo Intern. Infrastruc. N.V.	line-by-line (*)
Suramericana de Obras Publicas C.A.- Suropca C.A.	Venezuela	VEB	2,874,118,000	100	99	1	CSC S.A.	line-by-line

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
TB Metro S.r.l. (in liq.)	Italy	Euro	100,000	51	51			line-by-line
Todini - Hamila	Tunisia			100		100	HCE Costruzioni S.p.A.	line-by-line
Todini Akkord Salini	Ukraine			100	25	75	HCE Costruzioni S.p.A.	line-by-line
Trincerone Ferroviario S.c.r.l. (in liq.)	Italy	Euro	45,900	60		60	Imprepar S.p.A.	line-by-line
Vegas Tunnel Constructors	USA			100	40	60	Lane Construction Corporation	line-by-line
Vittoria S.c.r.l. (in liq.)	Italy	Euro	20,400	58		58	Imprepar S.p.A.	line-by-line
Western Station J.V,	Saudi Arabia			51	51			line-by-line
Arge Tulfes Pfons	Austria	Euro	1,000	49	49			joint oper.
Arriyad New Mobility Consortium	Saudi Arabia			33.48	33.48			joint oper.
Civil Works Joint Ventures	Saudi Arabia			59.14	52	7.14	Salini Saudi Arabia Company L.t.d.	joint oper.
CMC - Mavundla - Impregilo J.V.	South Africa			39.2	39.2			joint oper.
Consorcio Contuy Medio Grupo A C.I. S.p.A. Ghella Sogene C.A., Otaola C.A.	Venezuela			36.4	36.4			joint oper.
Consorzio Constructor M2 Lima	Peru			25.5	25.5			joint oper.
Ghazi-Barotha Contractors J.V.	Switzerland			57.8	57.8			joint oper.
Impregilo-Healy-Parsons J.V.	USA	USD		65	45	20	Lane Construction Corporation	joint oper.
Kayi Salini Samsung Joint Venture	Turkey	Euro		33	33			joint oper.
Nathpa Jhakri J.V.	India	USD	1,000,000	60		60	Imprepar S.p.A.	joint oper.
Riyadh Metro Line 3	Saudi Arabia	SAR	10,000,000	66	66			joint oper.
South Al Mutlaa J.V.	Kuwait			55	55			joint oper.
Tristar Salini Joint Venture	United Arab Emirates			40	40			joint oper.
UTE Abeima Fisia Shuaibah	Saudi Arabia			50		50	Fisia Italimpianti S.p.A.	joint oper.
Abeinsa Infr. e Fisia Italimpianti UTE Salalah	Spain			51		51	Fisia Italimpianti S.p.A.	equity
Aegek-Impregilo-Aslom J.V.	Greece			45.8	45.8			equity
AGL Constructor JV	USA			20		20	Lane Construction Corporation	equity
Aguas del Gran Buenos Aires S.A. (in liq.)	Argentina	ARS	45,000,000	42.589	16.504	23.727	Impregilo Intern. Infrastruc. N.V.	equity
						2.358	Iglys. S.A.	
Arge Haupttunnel Eyholz	Switzerland			36		36	CSC S.A.	equity
Arge Sisto N8	Switzerland			50		50	CSC S.A.	equity

LIST OF SALINI IMPREGILO GROUP COMPANIES

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Autopistas del Sol S.A.	Argentina	ARS	175,396,394	19.818		19.818	Impregilo Intern. Infrastruc. N.V.	equity
Barnard Impregilo Healy J.V.	USA			45	25	20	Lane Construction Corporation	equity
C.P.R.2	Italy	Euro	2,066	35.97		35.97	Imprepar S.p.A.	equity
C.P.R.3	Italy	Euro	2,066	35.97		35.97	Imprepar S.p.A.	equity
C.U.S. Consorzio Umbria Sanità (in liq.)	Italy	Euro	10,000	31		31	Imprepar S.p.A.	equity
Cagliari 89 S.c.r.l. (in liq.)	Italy	Euro	10,200	49		49	Imprepar S.p.A.	equity
CE.S.I.F. S.c.p.a. (in liq.)	Italy	Euro	250,000	24.175	24.175			equity
CGR Consorzio Galliera Roveredo	Switzerland			37.5		37.5	CSC S.A.	equity
Churchill Construction Consortium	GB			30		30	Impregilo New Cross Ltd	equity
Churchill Hospital J.V.	GB			50		50	Impregilo New Cross Ltd	equity
CMC - Consorzio Monte Ceneri lotto 851	Switzerland			40		40	CSC S.A.	equity
Coincar S.A.	Argentina	ARS	40,465,122	35	26.25	8.75	Iglys S.A.	equity
Con. Sal S.c.n.c. (in liq.)	Italy	Euro	15,494	30		30	Imprepar S.p.A.	equity
Consorcio Agua Azul S.A.	Peru	PEN	69,001,000	25.5		25.5	Impregilo Intern. Infrastruc. N.V.	equity
Consorcio Cigla-Sade	Brazil			50		50	Cigla S.A.	equity
Consorcio Contuy Medio	Venezuela			29.04	29.04			equity
Consorcio Federici/ Impresit/Ice Cochabamba	Bolivia	USD	100,000	25		25	Imprepar S.p.A.	equity
Consorcio Grupo Contuy-Proyectos y Obras de Ferrocarriles	Venezuela			33.329	33.329			equity
Consorcio Normetro	Portugal			13.18	13.18			equity
Consorcio OIV-TOCOMA	Venezuela			40	40			equity
Consorcio V.I.T. - Tocoma	Venezuela			35	35			equity
Consorcio V.I.T. Caroni - Tocoma	Venezuela			35	35			equity
Consorcio V.S.T.	Venezuela			35		35	Suropca C.A.	equity
Consorcio V.S.T. Tocoma	Venezuela			30	30			equity
Consortium CSC Zuttion	Switzerland			50		50	CSC S.A.	equity
Consorzio 201 Quintai	Switzerland			60		60	CSC S.A.	equity
Consorzio 202 Quintai	Switzerland			30		30	CSC S.A.	
Consorzio ACE Chiasso	Switzerland			50		50	CSC S.A.	equity

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Consorzio Astaldi-Federici-Todini (in liq.)	Italy	Euro	46,000	33.34		33.34	HCE Costruzioni S.p.A.	equity
Consorzio Astaldi-Federici-Todini Kramis	Italy	Euro	100,000	49.995		49.995	HCE Costruzioni S.p.A.	equity
Consorzio CEMS	Switzerland			33.4		33.4	CSC S.A.	equity
Consorzio CGMR	Switzerland			40		40	CSC S.A.	equity
Consorzio Coltum	Switzerland			50		50	CSC S.A.	equity
Consorzio Consavia S.c.n.c. (in liq.)	Italy	Euro	20,658	50		50	Imprepar S.p.A.	equity
Consorzio Costruttori Strade Lazio - COSTRAL (in liq.)	Italy	Euro	20,000	70		70	Imprepar S.p.A.	equity
Consorzio CRS 9	Switzerland			33.33		33.33	CSC S.A.	equity
Consorzio del Sinni	Italy	Euro	51,646	43.16		43.16	Imprepar S.p.A.	equity
Consorzio di Riconversione Industriale Apuano - CO.RI.A. S.c.r.l.	Italy	Euro	46,481	10		10	Imprepar S.p.A.	equity
Consorzio EPC	Peru			18.25	18.25			equity
Consorzio Felce BP	Switzerland			33.34		33.34	CSC S.A.	equity
Consorzio Ferrofir (in liq.)	Italy	Euro	30,987	33.333		33.333	Imprepar S.p.A.	equity
Consorzio Ferroviario Milanese (in liq.)	Italy	Euro	154,937	18.26		18.26	Imprepar S.p.A.	equity
Consorzio H20 Morobbia	Switzerland			50		50	CSC S.A.	equity
Consorzio Imprese Lavori FF. SS. di Saline - FEIC	Italy	Euro	15,494	33.333		33.333	Imprepar S.p.A.	equity
Consorzio Iniziative Ferroviarie - INFER	Italy	Euro	41,316	35.001		35.001	Imprepar S.p.A.	equity
Consorzio Iricav Due	Italy	Euro	510,000	34.09	34.09			equity
Consorzio Kallidromo	Greece	Euro	8,804	23		23	HCE Costruzioni S.p.A.	equity
Consorzio MM4	Italy	Euro	200,000	32.135	32.135			equity
Consorzio MPC	Switzerland			33		33	CSC S.A.	equity
Consorzio NOG.MA (in liq.)	Italy	Euro	600,000	14		14	Imprepar S.p.A.	equity
Consorzio Pedelombarda 2 (in liq.)	Italy	Euro	10,000	40		40	Imprepar S.p.A.	equity
Consorzio Piottino	Switzerland			25		25	CSC S.A.	equity
Consorzio Pizzarotti Todini-Kef-Eddir. (i liq.)	Italy	Euro	100,000	50		50	HCE Costruzioni S.p.A.	equity
Consorzio Portale Vezia (CVP Lotto 854)	Switzerland			60		60	CSC S.A.	equity
Consorzio Probin	Switzerland			50		50	CSC S.A.	equity
Consorzio Sarda Costruzioni Generali - SACOGEN	Italy	Lit	20,000,000	25		25	Imprepar S.p.A.	equity

LIST OF SALINI IMPREGILO GROUP COMPANIES

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Consorzio Sardo d'Imprese (in liq.)	Italy	Euro	103,291	34.38		34.38	Imprepar S.p.A.	equity
Consorzio SI.VI.CI.CA.	Switzerland			25		25	CSC S.A.	equity
Consorzio SIVICICA 3	Switzerland			25		25	CSC S.A.	equity
Consorzio SIVICICA 4	Switzerland			25		25	CSC S.A.	equity
Consorzio Stazione Mendrisio	Switzerland			25		25	CSC S.A.	equity
Consorzio Trevi - S.G.F. INC per Napoli	Italy	Euro	10,000	45	45			equity
Depurazione Palermo S.c.r.l. (in liq.)	Italy	Euro	10,200	50		50	Imprepar S.p.A.	equity
E.R. Impregilo/Dumez y Asociados para Yaciretê - ERIDAY	Argentina	USD	539,400	20.75	18.75	2	Iglys S.A.	equity
EDIL.CRO S.c.r.l. (in liq.)	Italy	Euro	10,200	16.65		16.65	Imprepar S.p.A.	equity
Edil.Gi. S.c.r.l. (in liq.)	Italy	Lit	20,000,000	50		50	Imprepar S.p.A.	equity
Enecor S.A.	Argentina	ARS	8,000,000	30		30	Impregilo Intern. Infrastruc. N.V.	equity
Eurolink S.c.p.a.	Italy	Euro	150,000,000	45	45			equity
Executive J.V. Impregilo S.p.A. Terna S.A. - Alte S.A. (in liq.)	Greece			33.333	33.333			equity
FE.LO.VI. S.c.n.c. (in liq.)	Italy	Euro	25,822	32.5		32.5	Imprepar S.p.A.	equity
Fisia Abeima LLC	Saudi Arabia	SAR	500,000	50		50	Fisia Italimpianti S.p.A.	equity
Flatiron-Lane J.V.	USA			45		45	Lane Construction Corporation	equity
Fluor-Lane 95 LLC	USA			35		35	Lane Construction Corporation	equity
Fluor-Lane LLC	USA			35		35	Lane Construction Corporation	equity
Fluor-Lane South Carolina LLC	USA			45		45	Lane Construction Corporation	equity
Forum S.c.r.l. (in liq.)	Italy	Euro	51,000	20	20			equity
Galileo S.c.r.l. (in liq.)	Italy	Euro	10,000	40		40	Imprepar S.p.A.	equity
Gaziantep Hastane Sanglik Hizmetleri Isletme Yatrim Joint Stock Company	Turkey	TRY	175,000,000	24.5	24.5			equity
Gaziantep Hastanesi Isletme Ve Bakim Hizmetleri	Turkey	TRY	6,050,000	50	50			equity
Gemma-Lane Liberty Partners	USA			10		10	Lane Construction Corporation	equity
Gemma-Lane Patriot Partners	USA			10		10	Lane Construction Corporation	equity

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Grupo Empresas Italianas - GEI	Venezuela	VEB	10,000,000	33.333	33.333			equity
Grupo Unidos Por El Canal S.A.	Panama	USD	1,000,000	48	48			equity
I4 Leasing LLC	USA			30		30	Lane Construction Corporation	equity
Impregilo Arabia Ltd	Saudi Arabia	SAR	40,000,000	50	50			equity
Imprese Riunite Genova Irg S.c.r.l. (in liq.)	Italy	Euro	25,500	26.3		26.3	Imprepar S.p.A.	equity
Impresit Bakolori Plc	Nigeria	NGN	100,800,000	50.707	50.707			equity
Interstate Healy Equipment J.V.	USA			45		45	Lane Construction Corporation	equity
IRINA S.r.l. (in liq.)	Italy	Euro	103,000	36		36	Imprepar S.p.A.	equity
Isarco S.c.r.l.	Italy	Euro	10,000	41	41			equity
Isibari S.c.r.l.	Italy	Euro	15,300	55		55	Imprepar S.p.A.	equity
Joint Venture Aegek-Impregilo-Ansaldo-Seli-Ansaldobreda	Greece			26.7	26.7			equity
Joint Venture Aktor Ate - Impregilo S.p.A. (Constantinos)	Greece			40	40			equity
Joint Venture Impregilo S.p.A. - Empedos S.A. - Aktor A.T.E.	Greece			66		66	Imprepar S.p.A.	equity
Joint Venture Terna - Impregilo	Greece			45	45			equity
Kallidromo Joint Venture	Greece	Euro	29,347	23		20.7	HCE Costruzioni S.p.A.	equity
						2.3	Consorzio Kallidromo	
La Quado S.c.a.r.l. (in liq.)	Italy	Euro	10,000	35		35	Imprepar S.p.A.	equity
Line 3 Metro Stations	Greece			50	50			equity
Metro Blu S.c.r.l.	Italy	Euro	10,000	50	50			equity
Metro de Lima Linea 2 S.A.	Peru	PEN	368,808,060	18.25	18.25			equity
Metrogenova S.c.r.l.	Italy	Euro	25,500	35.627	35.627			equity
Napoli Cancello Alta Velocità S.c.r.l.	Italy	Euro	10,000	60	60			equity
Ochre Solutions Holdings Ltd	GB	GBP	20,000	40		40	Impregilo Intern. Infrastruc. N.V.	equity
Olbia 90 S.c.r.l. (in liq.)	Italy	Euro	10,200	24.5		24.5	Imprepar S.p.A.	equity
Pantano S.c.r.l. (in liq.)	Italy	Euro	40,800	10.5		10.5	Imprepar S.p.A.	equity
Passante di Mestre S.c.p.A. (in liq.)	Italy	Euro	10,000,000	42		42	Imprepar S.p.A.	equity
Passante Dorico S.p.A.	Italy	Euro	24,000,000	47	47			equity
Pedelombarda S.c.p.a.	Italy	Euro	80,000,000	47	47			equity

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Pedemontana Veneta S.p.A. (in liq.)	Italy	Euro	6,000,000	21.345		21.345	Imprepar S.p.A.	equity
Puentes del Litoral S.A. (in liq.)	Argentina	ARS	43,650,000	26	22	4	Iglys S.A.	equity
Purple Line Transit Constructors LLC	USA			30		30	Lane Construction Corporation	equity
RCCF Nodo di Torino S.c.p.a. (in liq.)	Italy	Euro	102,000	26		26	Imprepar S.p.A.	equity
S. Anna Palermo S.c.r.l. (in liq.)	Italy	Euro	40,800	71.6	71.6			equity
S. Ruffillo S.c.r.l.	Italy	Euro	60,000	35	35			equity
Salini Strabag Joint Ventures	Guinea	Euro	10,000	50	50			equity
San Benedetto S.c.r.l. (in liq.)	Italy	Euro	25,823	57		57	Imprepar S.p.A.	equity
San Giorgio Caltagirone S.c.r.l. (in liq.)	Italy	Euro	25,500	33		33	Imprepar S.p.A.	equity
SCAT 5 S.c.r.l. (in liq.)	Italy	Euro	25,500	24.996		24.996	Imprepar S.p.A.	equity
Sclafani S.c.r.l. (in liq.)	Italy	Euro	10,400	41		41	Imprepar S.p.A.	equity
SEDI S.c.r.l.	Italy	Euro	10,000	34		34	HCE Costruzioni S.p.A.	equity
Segrate S.c.r.l.	Italy	Euro	10,000	35	35			equity
SFI Leasing Company	USA			30	30			equity
Shimmick CO. INC. - FCC CO S.A. - Impregilo S.p.A -J.V.	USA			30	30			equity
SI.VI.CI.CA. 2	Switzerland			25		25	CSC S.A.	equity
Sibar Arge	Switzerland			60		60	CSC S.A.	equity
Sirjo S.c.p.A.	Italy	Euro	30,000,000	40	40			equity
Sistranyac S.A.	Argentina	ARS	3,000,000	20.101		20.101	Impregilo Intern. Infrastruc. N.V.	equity
Skanska-Granite-Lane J.V.	USA			30		30	Lane Construction Corporation	equity
Soingit S.c.r.l. (in liq.)	Italy	Lit	80,000,000	29.489		29.489	Imprepar S.p.A.	equity
SPV Linea M4 S.p.A.	Italy	Euro	26,700,000	9.634	9.634			equity
Techint S.A.C.I.- Hochtief A.G.- Impregilo S.p.A.-Iglys S.A. UTE	Argentina			35	26.25	8.75	Iglys S.A.	equity
Thessaloniki Metro CW J.V.	Greece			50	50			equity
TM-Salini Consortium	Malaysia			90	90			equity
Todedil S.c.r.l. (in liq.)	Italy	Euro	10,200	85		85	Imprepar S.p.A.	equity
Unionport Constructors J.V.	USA			45		45	Lane Construction Corporation	equity
VE.CO. S.c.r.l.	Italy	Euro	10,200	25	25			equity
Yacylec S.A.	Argentina	ARS	20,000,000	18.67		18.67	Impregilo Intern. Infrastruc. N.V.	equity

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Yuma Concessionaria S.A.	Colombia	COP	26,000,100,000	48.326	40	8.326	Impregilo Intern. Infrastruc. N.V.	equity
Acqua Campania S.p.A.	Italy	Euro	4,950,000	0.1		0.1	Impregilo Intern. Infrastruc. N.V.	cost
CAF Interregionale Dipendenti S.r.l.	Italy	Euro	275,756	0.038		0.038	Imprepar S.p.A.	cost
Calpark S.c.p.A.	Italy	Euro	512,569	1.317		1.317	Imprepar S.p.A.	cost
CE.DI.R. S.c.r.l. (in liq.)	Italy	Euro	10,200	1		1	Imprepar S.p.A.	cost
Consorzio Aree Industriali Potentine (in liq.)	Italy	Euro	408,000	2		2	Fisia Ambiente S.p.A.	cost
Consorzio Casale Nei	Italy	Euro	22,466	2.779		2.779	Imprepar S.p.A.	cost
Consorzio Costruttori TEEM	Italy	Euro	10,000	0.01		0.01	Imprepar S.p.A.	cost
Consorzio infrastruttura area metropolitana - Metro Cagliari (in liq.)	Italy	Euro	129,114	7.5		7.5	Imprepar S.p.A.	cost
Consorzio Nazionale Imballaggi - CO.NA.I.	Italy	Euro	130	1	1			cost
Consorzio Terme di Sardara - CON.TER.SAR. (in liq.)	Italy	Lit	50,000,000	0.1		0.1	Imprepar S.p.A.	cost
Emittenti Titoli S.p.A. (in liq.)	Italy	Euro	4,264,000	0.244	0.244			cost
Empr. Constr. Delta S.A., JosÅ Cartellone Constr. Civ. S.A., Iglys S.A. U.T.E.	Argentina			5		5	Iglys S.A.	cost
GE.A.C. S.r.l.	Italy	Euro	10,400	4		4	Imprepar S.p.A.	cost
Golf Pordenone S.r.l.	Italy	Euro	1,177,958	0.387	0.387			cost
Grassetto S.p.A. (in liq.)	Italy	Euro	56,941,500	0.001		0.001	Imprepar S.p.A.	cost
Hobas Italiana S.p.A. (in liq.)	Italy	Lit	350,000,000	8.829		8.829	Imprepar S.p.A.	cost
I_Faber S.p.A.	Italy	Euro	5,652,174	8	8			cost
Immobiliare Golf Club Castel D'Aviano S.r.l.	Italy	Euro	3,891,720	0.444		0.444	Imprepar S.p.A.	cost
Impregilo S.p.A.-Avax S.A.-Ate Gnomon S.A., J.V.	Greece	GRD	3,000,000	1		1	Imprepar S.p.A.	cost
Istituto per lo Sviluppo Edilizio ed Urbanistico - ISVEUR S.p.A. (in liq.)	Italy	Euro	2,500,000	2.4	1	1.4	Imprepar S.p.A.	cost
Istituto Promozionale per l'Edilizia S.p.A. - Ispredil S.p.A.	Italy	Euro	111,045	0.416		0.119	ILIM Srl	cost
						0.297	Imprepar S.p.A.	
Italian Exhibition Group S.p.A.	Italy	Euro	42,294,067	1.692	1.692			cost
Joint Venture Aktor S.A. - Impregilo S.p.A.	Greece			0.1	0.1			cost
Lambro S.c.r.l.	Italy	Euro	200,000	0.01		0.01	Imprepar S.p.A.	cost

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Manifesto S.p.A. (in liq.)	Italy			0.36		0.36	CO.GE.MA. S.p.A.	cost
Markland S.r.l. (in liq.)	Italy	Euro	66,810	1.9	1.9			cost
Nomisma - Società di Studi Economici S.p.A.	Italy	Euro	6,605,830	0.245		0.245	Imprepar S.p.A.	cost
Normetro - Agrupamento Do Metropolitano Do Porto, ACE	Portugal	PTE	100,000	2.12		2.12	Imprepar S.p.A.	cost
Parco Scientifico e Tecnologico della Sicilia S.c.p.a.	Italy	Euro	13,531,173	0.038		0.038	Imprepar S.p.A.	cost
S.I.MA. GEST 3 S.c.r.l. (in liq.)	Italy	Euro	50,000	0.01		0.01	Imprepar S.p.A.	cost
Salini Impregilo Bin Omran J.V.	Qatar			50	50			cost
Sarmento S.c.r.l. (in liq.)	Italy	Euro	10,200	0.01		0.01	Imprepar S.p.A.	cost
Seveso S.c.a.r.l. (in liq.)	Italy	Euro	10,000	4		4	Imprepar S.p.A.	cost
Skiarea Valchiavenna S.p.A.	Italy	Euro	10,568,180	0.925		0.925	Imprepar S.p.A.	cost
Società di gestione SSIC-TI	Switzerland	CHF	1,000,000	5		5	CSC S.A.	cost
Tangenziale Esterna S.p.A.	Italy	Euro	464,945,000	0.001	0.001			cost
Todini Diekat J.V.	Greece			10		10	HCE Costruzioni S.p.A.	cost
Todini-Impregilo Almaty Khorgos J.V.	Kazakhstan			0.01	0.01			cost
Transmetro - Construcao de Metropolitano A.C.E.	Portugal			5		5	Imprepar S.p.A.	cost
Wurno Construction Materials - WUCOMAT Ltd	Nigeria	NGN	3,300,000	5.071		5.071	Impresit Bakolori Plc	cost

line-by-line (*) : No longer included in the consolidation scope (HFM) but still in the list of companies.

THE FOLLOWING COMPANIES HAVE BEEN INCLUDED IN THE LIST SINCE 1 JANUARY 2017:

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Al Maktoum International Airport J.V.	United Arab Emirates			29.4		29.4	Lane Mideast Contracting LLC	line-by-line
Brennero Galleriaacque S.c.r.l.	Italy	Euro	10,000	51		51	Fisia Italimpianti S.p.A.	line-by-line
CDE S.c.a.r.l.	Italy	Euro	10,000	60	60			line-by-line
Consorcio Constructor Salini Impregilo - Cigla	Brazil			100	60	40	Cigla S.A.	line-by-line
Lane Power Energy Solutions Inc.	USA	USD	100	100		100	Lane Industries Incorporated	line-by-line
Salini Impregilo - Healy J.V. (Tunnel 3RPORT Indiana)	USA			100	30	70	S.A. Healy Company	line-by-line
Salini Impregilo - Healy J.V. NEBT	USA			100	30	70	S.A. Healy Company	line-by-line
Salini Impregilo - Tristar	United Arab Emirates			60	60			line-by-line
UTE Abeima Fisia Shuaibah	Saudi Arabia			50		50	Fisia Italimpianti S.p.A.	joint oper.
Abeinsa Infr. e Fisia Italimpianti UTE Salalah	Spain		51			51	Fisia Italimpianti S.p.A.	equity
Consorzio ACE Chiasso	Switzerland			50		50	CSC S.A.	equity
Consorzio H20 Morobbia	Switzerland			50		50	CSC S.A.	equity
Fisia Abeima LLC	Saudi Arabia	SAR	500,000	50		50	Fisia Italimpianti S.p.A.	equity
Napoli Cancello Alta Velocità S.c.r.l.	Italy	Euro	10,000	60	60			equity
Segrate S.c.r.l.	Italy	Euro	10,000	35	35			equity
Unionport Constructors J.V.	USA			45		45	Lane Construction Corporation	equity

THE FOLLOWING COMPANIES HAVE BEEN EXCLUDED FROM THE LIST SINCE 1 JANUARY 2017:

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Bocoge S.p.A. - Costruzioni Generali	Italy	Euro	2,003,200	100		100	Imprepar S.p.A.	line-by-line
CIS Divisione Prefabbricati Vibrocesa Scac - C.V.S. S.r.l. (in liq.)	Italy	Euro	10,000	100		100	INCAVE S.r.l.	line-by-line
CO. MAR. S.c.r.l. (in liq.)	Italy	Euro	10,200	84.99		84.99	Imprepar S.p.A.	line-by-line
Compagnia Gestione Finanziarie - Co.Ge.Fin S.r.l.	Italy	Euro	100,000	100	100			line-by-line
Congressi 91 S.c.r.l. (in liq.)	Italy	Euro	25,000	100		80	Imprepar S.p.A.	line-by-line
Consorcio Acueducto Oriental	Dominicana Republic			67	67			line-by-line
Consorzio Caserma Donati (in liq.)	Italy	Euro	300,000	84.2		84.2	Imprepar S.p.A.	line-by-line
Consorzio FAT	Italy	Euro	45,900	100		99	Imprepar S.p.A.	line-by-line
						1	CO.GE.MA. S.p.A.	
Consorzio tra le Società Impregilo/Bordin/Coppetti/Icep - CORAV	Italy	Euro	51,129	96.97	96.97			line-by-line
Costruzioni Ferroviarie Torinesi Duemila S.c.r.l. (in liq.)	Italy	Euro	10,328	100		100	Imprepar S.p.A.	line-by-line
Effepi - Finanza e Progetti S.r.l. (in liq.)	Italy	Euro	78,000	100		100	SGF INC S.p.A.	line-by-line
Engeco France S.a.r.l.	France	Euro	15,470	100		99.67	Imprepar S.p.A.	line-by-line
						0.33	Incave S.r.l.	
EURL Todini Algerie (in liq.)	Algeria	DZD	5,000,000	100		100	HCE Costruzioni S.p.A.	line-by-line
Eurotechno S.r.l. (in liq.)	Italy	Euro	26,245	100		100	Imprepar S.p.A.	line-by-line
Groupement Todini - Enaler Autoroute Algeria (in liq.)	Algeria	DZD	1,000,000	84		84	HCE Costruzioni S.p.A.	line-by-line
Impregilo Parking Glasgow Ltd	GB	GBP	1,000	100		100	Impregilo Intern. Infrastruc. N.V.	line-by-line
Impresa Castelli S.r.l. (in liq.)	Italy	Euro	10,000	100		100	Imprepar S.p.A.	line-by-line

THE FOLLOWING COMPANIES HAVE BEEN EXCLUDED FROM THE LIST SINCE 1 JANUARY 2017:

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Impresit del Pacifico S.A. (in liq.)	Peru	PEN	35,000	99.994		99.994	Imprepar S.p.A.	line-by-line
INCAVE S.r.l. (in liq.)	Italy	Euro	90,000	100		100	Imprepar S.p.A.	line-by-line
S. Leonardo S.c.r.l. (in liq.)	Italy	Euro	25,500	99.99		99.99	Imprepar S.p.A.	line-by-line
S.A. Healy Company	USA	USD	11,320,863	100		100	Lane Construction Corporation	line-by-line
S.G.F. - I.N.C. S.p.A.	Italy	Euro	3,859,680	100	100			line-by-line
Savico S.c.r.l. (in liq.)	Italy	Euro	10,200	100		100	Imprepar S.p.A.	line-by-line
Società Industriale Prefabbricazione Edilizia del Mediterraneo - S.I.P.E.M. S.p.A. (in liq.)	Italy	Euro	10,000	100		100	Imprepar S.p.A.	line-by-line
Sviluppo Applicazioni Industriali - SAPIN S.r.l. (in liq.)	Italy	Euro	51,480	100		100	Imprepar S.p.A.	line-by-line
Aguas del Oeste S.A.	Argentina	ARS	170,000	33.33		33.33	Iglys S.A.	equity
ANBAFER S.c.r.l. (in liq.)	Italy	Euro	25,500	50		50	Imprepar S.p.A.	equity
Consorcio Carvalho Pinto	Brazil			40	20	20	Cigla S.A.	equity
Consorcio Serra do Mar	Brazil			40	20	20	Cigla S.A.	equity
Consorzio Biaschina	Switzerland			33.34		33.34	CSC S.A.	equity
Consorzio Felce lotto 101	Switzerland			25		25	CSC S.A.	equity
Consorzio MARC - Monitoraggio Ambientale Regione Campania (in liq.)	Italy	Euro	25,822	10		10	Effepi S.r.l.	equity
Consorzio MITECO (in liq.)	Italy	Euro	10,000	44.16	44.16			equity
Consorzio TAT-Tunnel Alp Transit Ticino, Arge	Switzerland			25	17.5	7.5	CSC S.A.	equity
Constuctora Embalse Casa de Piedra S.A. (in liq.)	Argentina	ARS	821	72.933		72.933	Imprepar S.p.A.	equity
Healy-Yonkers-Atlas-Gest J.V.	USA			45		45	S.A. Healy Company	equity
Impregilo Wolverhampton Ltd	GB	GBP	1,000	20		20	Impregilo Intern. Infrastruc. N.V.	equity
Imprese Riunite Genova Seconda S.c.r.l. (in liq.)	Italy	Euro	25,000	26.3		26.3	Imprepar S.p.A.	equity

THE FOLLOWING COMPANIES HAVE BEEN EXCLUDED FROM THE LIST SINCE 1 JANUARY 2017:

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Risalto S.r.l. (in liq.)	Italy	Euro	89,000	100	66.67	33.33	Imprepar S.p.A.	equity
Riviera S.c.r.l.	Italy	Euro	50,000	12.94	12.94			equity
Salini Acciona Joint Venture	Ethiopia	Euro	20,000	50	50			equity
Società di Progetto Consortile per Azioni M4 (in liq.)	Italy	Euro	360,000	28.9		28.9	Imprepar S.p.A.	equity
Stazione Tribunale S.c.r.l.	Italy	Euro	20,000	43	43			equity
Strade e Depuratori Palermo S.c.r.l. (in liq.)	Italy	Euro	10,200	16		16	Imprepar S.p.A.	equity
Trasimeno S.c.r.l. (in liq.)	Italy	Euro	10,000	30		30	Imprepar S.p.A.	equity
Variante di Valico S.c.r.l. (in liq.)	Italy	Euro	90,000	100	66.667	33.333	Imprepar S.p.A.	equity
Consorzio TRA.DE.CI.V.	Italy	Euro	155,535	8.058	8.058			cost
G.T.B. S.c.r.l. (in liq.)	Italy	Euro	51,000	0.01	0.01			cost
M.N. 6 S.c.r.l.	Italy	Euro	51,000	1	1			cost
Metropolitana di Napoli S.p.A.	Italy	Euro	3,655,397	5.176	5.176			cost
Road Link Ltd	GB	GBP	1,000	18.8		18.8	Imprepar S.p.A.	cost
SO.C.E.T. Societa' Costruttori Edili Toscani S.p.A.	Italy	Euro	350,753	0.082		0.082	Imprepar S.p.A.	cost

THE PERCENTAGES OF THE FOLLOWING COMPANIES HAVE CHANGED SINCE 1 JANUARY 2017:

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Constructora Ariguani SAS	Colombia	COP	100,000,000	100	100			line-by-line
Gaziantep Hastane Sanglik Hizmetleri Isletme Yatrim Joint Stock Company	Turkey	TRY	175,000,000	24.5	24.5			equity
Thessaloniki Metro CW JV	Greece			50	50			equity

THE COMPANIES THAT HAVE CHANGED THEIR PARENT SINCE 1 JANUARY 2017 ARE LISTED BELOW:

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Consorzio Scilla (in liq.)	Italy	Euro	1,000	51		51	Imprepar S.p.A.	line-by-line
Consorzio Torre (in liq.)	Italy	Euro	5,000,000	94.6		94.6	Imprepar S.p.A.	line-by-line
INC - Algerie S.a.r.l.	Algeria	DZD	301,172,000	99.983	99.983			line-by-line
Joint Venture Impregilo S.p.A. - S.G.F. INC S.p.A.	Greece			100	100			line-by-line
Salini Impregilo - Healy J.V. (Cleveland)	USA			100	60	40	Lane Construction Corporation	line-by-line
Salini Impregilo - Healy J.V. (Tunnel 3RPORT Indiana)	USA			100	30	70	Lane Construction Corporation	line-by-line
Salini Impregilo - Healy J.V. NEBT	USA			100	30	70	Lane Construction Corporation	line-by-line
Salini Impregilo S.p.A. - S.A. Healy Company Jose J Chediack S.A. UTE	Argentina	ARS	10,000	75	73	2	Lane Construction Corporation	line-by-line
Vegas Tunnel Constructors	USA			100	40	60	Lane Construction Corporation	line-by-line
Impregilo-Healy-Parsons J.V.	USA	USD		65	45	20	Lane Construction Corporation	joint oper.
Nathpa Jhakri J.V.	India	USD	1,000,000	60		60	Imprepar S.p.A.	joint oper.
Barnard Impregilo Healy J.V.	USA			45	25	20	Lane Construction Corporation	equity
Con. Sal S.c.n.c. (in liq.)	Italy	Euro	15,494	30		30	Imprepar S.p.A.	equity
Consorzio NOG.MA (in liq.)	Italy	Euro	600,000	14		14	Imprepar S.p.A.	equity
Consorzio Pedelombarda 2	Italy	Euro	10,000	40		40	Imprepar S.p.A.	equity
Consorzio Trevi - S.G.F. INC per Napoli	Italy	Euro	10,000	45	45			equity
Interstate Healy Equipment J.V.	USA			45		45	Lane Construction Corporation	equity
Joint Venture Impregilo S.p.A. - Empedos S.A. - Aktor A.T.E.	Greece			66		66	Imprepar S.p.A.	equity
La Quado S.c.a.r.l.	Italy	Euro	10,000	35		35	Imprepar S.p.A.	equity
Pantano S.c.r.l. (in liq.)	Italy	Euro	40,800	10.5		10.5	Imprepar S.p.A.	equity
Passante di Mestre S.c.p.A. (in liq.)	Italy	Euro	10,000,000	42		42	Imprepar S.p.A.	equity

THE COMPANIES THAT HAVE CHANGED THEIR PARENT SINCE 1 JANUARY 2017 ARE LISTED BELOW:

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Pedemontana Veneta S.p.A. (in liq.)	Italy	Euro	6,000,000	21.35		21.35	Imprepar S.p.A.	equity
Consorzio Costruttori TEEM	Italy	Euro	10,000	0.01		0.01	Imprepar S.p.A.	cost
Immobiliare Golf Club Castel D'Aviano S.r.l.	Italy	Euro	3,891,720	0.44		0.44	Imprepar S.p.A.	cost
Lambro S.c.r.l.	Italy	Euro	200,000	0.01		0.01	Imprepar S.p.A.	cost
Normetro - Agrupamento Do Metropolitano Do Porto, ACE	Portugal	PTE	100,000	2.12		2.12	Imprepar S.p.A.	cost
S.I.MA. GEST 3 S.c.r.l. (in liq.)	Italy	Euro	50,000	0.01		0.01	Imprepar S.p.A.	cost
Skiarea Valchiavenna S.p.A.	Italy	Euro	10,568,180	0.98		0.98	Imprepar S.p.A.	cost
Transmetro - Construcao de Metropolitano A.C.E.	Portugal			5		5	Imprepar S.p.A.	cost

Statement on the consolidated financial statements

pursuant to article 81-ter of Consob regulation no. 11971 of 14 May 1999 and subsequent amendments and integrations

1 Pietro Salini, as chief executive officer, and Massimo Ferrari, as manager in charge of financial reporting, of Salini Impregilo S.p.A., considering the provisions of article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998, state:

- that the administrative and accounting procedures are adequate given the Group's characteristics; and
- that they were actually applied during the year to prepare the consolidated financial statements.

2 No significant issues arose.

3 Moreover, they state that:

3.1 the consolidated financial statements:

a) have been prepared in accordance with the applicable International Financial Reporting Standards endorsed by the European Union pursuant to EC Regulation 1606/2002 of the European Parliament and Council of 19 July 2002;

b) are consistent with the accounting records and entries;

c) are suitable to give a true and fair view of the financial position at 31 December 2017 and the results of operations and cash flows for the year then ended of the Issuer and its consolidated companies;

3.2 the Directors' report includes a reliable analysis of the financial performance and financial position of the Issuer and the consolidated companies, together with information about the key risks and uncertainties to which they are exposed.

Milan, 15 March 2018

Chief executive officer Pietro Salini (signed on the original)	Manager in charge of financial reporting Massimo Ferrari (signed on the original)

SEPARATE FINANCIAL STATEMENTS OF SALINI IMPREGILO S.P.A. AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENT OF FINANCIAL POSITION

(€) **ASSETS**	Note	31 December 2016	of which: related parties	31 December 2017	of which: related parties
Non-current assets					
Property, plant and equipment	4	223,394,481		185,557,426	
Intangible assets	5	79,544,247		65,028,268	
Equity investments	6	1,129,844,727		1,142,505,039	
Non-current financial assets	7	19,800,192		80,490,043	67,140,999
Deferred tax assets	8	38,892,158		125,722,931	
Total non-current assets		**1,491,475,805**		**1,599,303,707**	
Current assets					
Inventories	9	180,810,401		164,072,251	
Contract work in progress	10	1,010,191,817		1,125,828,682	
Trade receivables	11	1,714,807,860	713,151,071	1,325,552,935	539,195,676
Derivatives and other current financial assets	12	631,580,939	595,029,064	638,336,128	584,742,084
Current tax assets	13	107,787,617		114,337,712	
Other current tax assets	13	73,948,984		78,971,565	
Other current assets	14	265,593,725	67,339,231	252,428,289	74,011,492
Cash and cash equivalents	15	852,552,022		660,899,486	
Total current assets		**4,837,273,365**		**4,360,427,048**	
Total assets		**6,328,749,170**		**5,959,730,755**	

EQUITY AND LIABILITIES

(€)	Note	31 December 2016	of which: related parties	31 December 2017	of which: related parties
Equity					
Share capital		544,740,000		544,740,000	
Share premium reserve		120,798,000		120,798,000	
Other reserves		242,728,023		248,060,852	
Other comprehensive income (expense)		9,516,709		(3,540,114)	
Retained earnings		25,042,273		60,074,558	
Profit (loss) for the year		64,603,085		(91,188,207)	
Total equity	16	**1,007,428,090**		**878,945,089**	
Non-current liabilities					
Bank and other loans and borrowings	17	756,981,480		381,854,736	
Bonds	18	868,114,580		1,084,425,602	
Finance lease liabilities	19	47,237,288		28,922,536	
Post-employment benefits and employee benefits	21	12,802,047		11,431,836	
Deferred tax liabilities	8	24,152,011		19,297,946	
Provisions for risks	22	72,076,342		58,902,402	
Total non-current liabilities		**1,781,363,748**		**1,584,835,058**	
Current liabilities					
Current portion of bank loans and borrowings and current account facilities	17	605,879,463	441,430,573	311,029,249	184,654,195
Current portion of bonds	18	18,931,430		302,934,763	
Current portion of finance lease liabilities	19	30,413,597		22,453,566	
Derivatives and other current financial liabilities	20	2,751,382		1,480,515	
Progress payments and advances on contract work in progress	23	1,246,547,473		1,444,481,236	
Trade payables	24	1,415,799,565	679,243,630	1,217,598,067	549,072,045
Current tax liabilities	25	72,172,436		72,837,048	
Other current tax liabilities	25	15,395,714		19,254,533	
Other current liabilities	26	132,066,272	29,970,258	103,881,631	25,738,704
Total current liabilities		**3,539,957,332**		**3,495,950,608**	
Liabilities directly associated with non-current assets held for sale					
Total equity and liabilities		**6,328,749,170**		**5,959,730,755**	

STATEMENT OF PROFIT OR LOSS

(€)	Note	2016	of which: related parties	2017	of which: related parties
Revenue					
Revenue	29	2,974,147,810	209,240,061	2,782,126,971	188,844,748
Other income	29	102,512,076	64,364,521	104,810,575	48,791,276
Total revenue		**3,076,659,886**		**2,886,937,546**	
Operating expenses					
Purchases	30.1	(372,282,479)	(667,094)	(353,949,176)	(43,116)
Subcontracts	30.2	(432,876,673)	(78,704,926)	(384,311,387)	(43,953,412)
Services	30.3	(1,482,866,987)	(496,649,393)	(1,412,960,405)	(537,865,636)
Personnel expenses	30.4	(274,549,359)	(2,717,230)	(305,109,077)	(2,821,096)
Other operating expenses	30.5	(129,216,409)	(1,031,281)	(74,449,709)	(345,447)
Amortisation, depreciation, provisions and impairment losses	30.6	(140,018,758)	(342,682)	(384,927,882)	(59,193,714)
Total operating expenses		**(2,831,810,665)**		**(2,915,707,636)**	
Operating profit (loss)		**244,849,221**		**(28,770,090)**	
Financing income (costs) and gains (losses) on equity investments					
Financial income	31.1	39,407,871	17,067,548	67,598,826	21,440,155
Financial expense	31.2	(115,493,629)	(5,466,587)	(115,864,935)	(6,733,680)
Net exchange gains (losses)	31.3	15,266,154		(153,840,726)	
Net financing costs		(60,819,604)		(202,106,835)	
Net gains (losses) on equity investments	32	(56,103,446)		139,796,429	
Net financing costs and net gains (losses) on equity investments		**(116,923,050)**		**(62,310,406)**	
Profit (loss) before tax		**127,926,171**		**(91,080,496)**	
Income tax expense	33	(63,323,086)		(107,711)	
Profit (loss) for the year		**64,603,085**		**(91,188,207)**	

STATEMENT OF COMPREHENSIVE INCOME

(€/000)		2016	2017
Profit (loss) for the year (a)		**64,603**	**(91,188)**
- items that may be subsequently reclassified to profit or loss, net of the tax effect:			
Change in the translation reserve		13,470	(15,870)
Net losses on cash flow hedges, net of the tax effect	16	8,018	2,667
- items that may not be subsequently reclassified to profit or loss, net of the tax effect:			
Net actuarial gains (losses) on defined benefit plans	16	(144)	146
Other comprehensive income (expense) (b)		**21,344**	**(13,057)**
Comprehensive income (expense) (a) + (b)		**85,947**	**(104,245)**

STATEMENT OF CASH FLOWS

(€/000)	Note	2016 (*)	2017
Cash and cash equivalents	15	763,933	852,552
Current account facilities	17	(38,915)	(1,230)
Total opening cash and cash equivalents		**725,018**	**851,322**
Operating activities			
Profit (loss) for the year		64,603	(91,188)
Amortisation of intangible assets	30	23,039	14,672
Depreciation of property, plant and equipment	30	101,811	78,543
Net impairment losses and provisions	30	15,168	291,712
Accrual for post-employment benefits and employee benefits	21	6,404	7,873
Net gains on the sale of assets	29 - 30	(5,217)	(808)
Deferred taxes	33	(4,619)	(88,454)
Net gains (losses) on equity investments	32	101,356	(139,796)
Income taxes	33	67,942	88,561
Exchange gains (losses)	31	(15,266)	153,841
Net financing costs	31	76,086	48,266
Other non-monetary items		13,636	27,788
Cash flows generated by operating activities		**444,943**	**391,010**
Increase in inventories and contract work in progress	9 - 10	(52,622)	(163,766)
Decrease (increase) in trade receivables	11	(694,214)	259,531
Increase in progress payments and advances on contract work in progress	23	243,150	197,934
(Decrease) increase in trade payables	24	536,960	(270,086)
Increase in other assets/liabilities		(117,102)	(20,041)
Total changes in working capital		**(83,828)**	**3,572**
Increase in other items not included in working capital		(18,729)	(37,799)
Income taxes paid		(36,013)	(77,081)
Interest expense paid		(64,557)	(78,416)
Financial income collected		2,552	7,499
Cash flows generated by operating activities		**244,368**	**208,785**

(*) The 2016 figures have been restated for consistency and comparative reasons.

STATEMENT OF CASH FLOWS

(€/000)	Note	2016 (*)	2017
Investing activities			
Net investments in intangible assets	5	(771)	(156)
Investments in property, plant and equipment	4	(69,464)	(52,122)
Proceeds from the sale or reimbursement value of property, plant and equipment		35,109	11,517
Investments in non-current financial assets		(528,341)	(96,171)
Dividends distributed by subsidiaries			21,000
Proceeds from the sale or reimbursement value of non-current financial assets	6	50,693	11,231
Acquisitions and/or sales of subsidiaries and business units net of cash and cash equivalents		(96,213)	4,220
Cash flows used in investing activities		**(608,987)**	**(100,481)**
Financing activities			
Share capital increase			
Dividend distribution	16	(19,983)	(26,341)
Repurchase of treasury shares			
Increase in bank and other loans	17	2,621,469	1,587,608
Decrease in bank and other loans	17	(2,265,414)	(1,513,310)
Change in other financial assets/liabilities		137,395	(307,380)
Cash flows generated by (used in) financing activities		**473,467**	**(259,423)**
Net exchange gains (losses) on cash and cash equivalents		**17,456**	**(48,173)**
Increase (decrease) in cash and cash equivalents		**126,304**	**(199,292)**
Cash and cash equivalents	15	852,552	660,899
Current account facilities	17	(1,230)	(8,869)
Total closing cash and cash equivalents		**851,322**	**652,030**

(*) The 2016 figures have been restated for consistency and comparative reasons.

STATEMENT OF CHANGES IN EQUITY

				Other reserves				
(€)	Note	Share capital	Share premium reserve	Legal reserve	Share capital increase related charges	Extraordinary and other reserves	Treasury shares	LTI reserve
As at 1 January 2016	**16**	**544,740**	**120,798**	**101,534**	**(3,970)**	**146,813**	**(7,677)**	**139**
Allocation of profit and reserves	16			1,787				
Dividend distribution	16							
Stock option	16							4,102
Profit for the year	*16*							
Other comprehensive income	*16*							
Comprehensive income	*16*						-	
31 December 2016	**16**	**544,740**	**120,798**	**103,321**	**(3,970)**	**146,813**	**(7,677)**	**4,241**
As at 1 January 2017	**16**	**544,740**	**120,798**	**103,321**	**(3,970)**	**146,813**	**(7,677)**	**4,241**
Allocation of profit and reserves	16			3,230				
Dividend distribution	16							
Stock option	16							2,103
Loss for the year	*16*							
Other comprehensive expense	*16*							
Comprehensive expense	*16*						-	
31 December 2017	**16**	**544,740**	**120,798**	**106,551**	**(3,970)**	**146,813**	**(7,677)**	**6,344**

				Other comprehensive income (expense)			
Total other reserves	**Translation reserve**	**Hedging reserve**	**Actuarial reserve**	**Total other comprehensive income (expense)**	**Retained earnings**	**Profit (loss) for the year**	**Equity**
236,839	**(789)**	**(10,685)**	**(353)**	**(11,827)**	**11,081**	**35,731**	**937,362**
1,787				-	33,944	(35,731)	-
-				-	(19,983)		(19,983)
4,102				-			4,102
-				-		*64,603*	*64,603*
-	*13,470*	*8,018*	*(144)*	*21,344*			*21,344*
-	*13,470*	*8,018*	*(144)*	*21,344*	-		*85,947*
242,728	**12,681**	**(2,667)**	**(497)**	**9,517**	**25,042**	**64,603**	**1,007,428**
242,728	**12,681**	**(2,667)**	**(497)**	**9,517**	**25,042**	**64,603**	**1,007,428**
3,230				-	61,373	(64,603)	-
-				-	(26,341)		(26,341)
2,103				-			2,103
-				-		*(91,188)*	*(91,188)*
-	*(15,870)*	*2,667*	*146*	*(13,057)*			*(13,057)*
-	*(15,870)*	*2,667*	*146*	*(13,057)*	-		*(104,245)*
248,061	**(3,189)**	**-**	**(351)**	**(3,540)**	**60,074**	**(91,188)**	**878,945**

Notes to the separate financial statements

1. Basis of preparation

Salini Impregilo S.p.A. (the “company” or “Salini Impregilo”) has prepared its separate 2017 financial statements on a going concern basis. As required by Regulation no. 1606/2002 issued by the European Parliament and Council, implemented in Italy by Legislative decree no. 38/2005, these separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union at 31 December 2017. They comprise a statement of financial position, a statement of profit or loss, a statement of comprehensive income, a statement of cash flows, a statement of changes in equity and these notes.

The separate financial statements have been prepared using the historical cost principle, except for those items which are recognised at fair value in accordance with IFRS, as described in the section on "Accounting policies".

The statement of financial position and the statement of profit or loss are presented in Euros, whereas the amounts in the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and these notes are shown in thousands of Euros, unless stated otherwise.

2. Changes in standards

The following amendments became applicable for annual periods beginning on or after 1 January 2017:

- Amendments to IAS 12 - Income taxes – Recognition of deferred tax assets for unrealised losses;
- Amendments to IAS 7 - Statement of cash flows – Disclosure initiative;
- Amendments to IFRS 12 - Disclosure of interests in other entities.

Adoption of the above amendments did not significantly affect the company's separate financial statements.

This section lists the standards, amendments and interpretations published by the IFRS and endorsed by the European Union but which became applicable after 31 December 2017.

Standard/Interpretation	IASB application date
Amendments to IFRS 4 - Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts	1 January 2018
IFRS 15 - Revenue from contracts with customers (and Clarification to IFRS 15 - Revenue from contracts with customers)	1 January 2018
IFRS 9 - Financial instruments	1 January 2018
Amendments to IFRS 2 - Share-based payment - Classification and measurement of share-based payment transactions	1 January 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle	1 January 2018
Amendments to IAS 40 - Transfers of investment property	1 January 2018
IFRS 16 - Leases	1 January 2019

The company has not adopted the above standards in advance.

The standards, amendments and interpretations published by the IASB and the International Financial Reporting Standards Interpretations Committee (IFRS-IC) but not yet endorsed by the competent EU bodies at the reporting date are set out below:

Standard/Interpretation	IASB application date
IFRS 17 - Insurance contracts	1 January 2021
IFRIC 22 - Foreign currency transactions and advance consideration	1 January 2018
IFRIC 23 - Uncertainty over income tax treatment	1 January 2019
Amendments to IFRS 9 - Prepayment features with negative compensation	1 January 2019
Amendments to IAS 28 - Long-term interests in associates and joint ventures	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 cycle (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	1 January 2019

Adoption of the above standards will not significantly affect the company's separate financial statements. Salini Impregilo has commenced a specific adoption project for IFRS 9, IFRS 15 and IFRS 16. Information thereon is provided below.

IFRS 9 - Financial instruments

The IASB published the final version of IFRS 9 - Financial instruments in July 2014. The standard is applicable to annual reporting periods beginning on or after 1 January 2018. Early adoption is allowed.

IFRS 9 introduces new rules for the classification and measurement of financial instruments, especially financial assets, based on the business model under which they are held and their cash flow characteristics. The standard classifies financial assets into three main categories based on the measurement method: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The categories envisaged by IAS 39, i.e., held-to-maturity, loans and receivables and available-for-sale have been eliminated.

The standard introduces the measurement of impairment losses using the expected credit loss model rather than the incurred loss model provided for under IAS 39. The new model entails development of judgement about the impact of changes in economic factors on the expected credit losses, which are weighted by probability.

IFRS 9 also introduces a new hedge accounting model aligned to the entity's risk management policies. The exemption from application of the fair value measurement to unlisted equity investments has been eliminated. The standard also requires new and more detailed disclosures about hedge accounting, credit risk and expected credit losses.

The standard is applicable to annual reporting periods beginning on or after 1 January 2018 and shall be applied retrospectively, with the possibility to use some simplifications.

Given the characteristics of its business sector, the introduction of new methods to estimate impairment losses on financial assets should not significantly affect the company's current measurement methods. This is based on the fact that the indicators used to quantify credit risk currently used under IAS 39, such as client risk, country risk and the assessment of relevant macroeconomic information already reflects a valuation method based on expected risk.

IFRS 15 - Revenue from contracts with customers

The IASB issued the new standard in May 2014 to unify in one standard the rules for revenue recognition previously included in several standards and interpretations (including IAS 18 - Revenue, IAS 11 - Construction contracts and IFRIC 13 - Customer loyalty programmes).

IFRS 15 provides that revenue is to be recognised using a five-step model as set out below:

1. Identify the contract with a customer;
2. Identify the performance obligations (distinct elements that are part of a single contract but are separated for accounting purposes) in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract;
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also covers contract costs, contract modifications and financial statements disclosures.

Salini Impregilo has decided to apply IFRS 15 retroactively, recognising the cumulative effects on opening equity at the first application date (1 January 2017 as this is the opening date of the comparative figures). It has opted to use certain simplifications provided for in the new standard to recalculate the opening balances.

As part of the ongoing IFRS 15 project, the company has performed a preliminary estimate of the effects of applying IFRS 15 for the first time on its consolidated financial statements as required by IAS 8.

It has estimated the effects on equity at 1 January and 31 December 2017 considering the valuations made to date and summarised below. The actual effects of adoption of IFRS 15 at 1 January and 31 December 2017 may be different as, inter alia:

- the procedure to implement IFRS 15 is ongoing; specifically, the company is finalising implementation of the necessary changes in the contract revenue and cost estimation process to comply with the standard. Company revenue is directly affected by this process as it measures contract work in progress using the percentage of completion method. Therefore, it cannot be excluded that additional effects on equity may be identified upon completion of this implementation project compared to those set out below;

- the company has not yet completed the testing and assessment of its controls over the new contract revenue and cost estimation systems;
- the new measurement criteria may undergo interpretation changes up until presentation of the first set of separate financial statements after the application date of IFRS 15;
- the company's initial estimate of the impact of IFRS 15 on its equity at 1 January and 31 December 2017 is based on the current structure and nature of its ongoing contracts and the economic and political situations of the countries where it operates on first-time adoption. Therefore, it cannot be excluded that events may take place after the date of publication of this report that would have different effects on equity compared to those set out below.

The ongoing implementation project has led to identification of the following key differences compared to the provisions of IAS 11 and IAS 18 currently applied by the company, based on the five-step model set out above:

1. **Identify the contract with a customer**. The contract is usually easily identifiable as being the tender contract. In addition to the guidance for identifying the contract, IFRS 15 establishes rules for the combination of two or more contracts agreed concurrently or nearly concurrently with the same customer (or related parties of the customer). Some related services mostly concerning relationships with partners of SPEs set up to carry out contracts are being assessed in detail and, at present, the company does not expect them to have a significant effect on equity at 1 January and 31 December 2017.

The initially estimated effect on equity at 1 January and 31 December 2017 due to the different method of combining contracts is a decrease of €2,682 thousand and €1,189 thousand, respectively.

2. **Identify the performance obligations (distinct elements that are part of a single contract but are separated for accounting purposes) in the contract**. The performance obligation is usually the entire project, as provided for in the contract, given that the different services are strongly inter-dependent and integrated and are aimed at transferring the project as a whole. However, some transactions with customers include additional services that are directly or indirectly related to the contract.

   The main performance obligations considered by the company as distinct and that led to a change in the revenue recognition criteria are:

   a) maintenance services provided after the work has been completed;

   b) additional or different contract warranties compared to those provided for by law or normal sector practices.

   No effect on the company's equity is expected.

3. **Determine the transaction price**. The transaction price is the amount of consideration to which the company expects to be entitled in exchange for transferring the infrastructure to the customer. To determine this amount, the company considers various factors including:

   - variable consideration;
   - significant financing components;
   - consideration payable to a customer; and
   - non-cash consideration.

   The company specifically analysed the variable consideration which, together with that provided for by IFRS 15 about contract modifications, includes the issue of additional consideration. Under

IAS 11, the company currently recognises additional consideration if it has been substantially approved by the customer or, if not yet approved, when supported by valuations made by external consultants and/or documentation presented by contractual bodies.

IFRS 15 provides that revenue recognition is tied to enforceable rights and that it must be highly probable that the revenue shall not be reversed in the future.

The main variable consideration elements that generate impacts on opening equity are:

a) claims;

b) consideration for optional works and provisional sums.

The company has performed a preliminary estimate of the effect on equity at 1 January and 31 December 2017 of the different measurement of contract modifications and variable consideration, which is a decrease of €92,269 thousand and €91,936 thousand, respectively, including claims of €91,248 thousand and €91,856 thousand, respectively, that the company does not deem highly probable will be agreed.

4. **Allocate the transaction price to the performance obligations**. Further to that set out in point 2, this will not give rise to particularly significant issues.

5. **Recognise revenue when (or as) the entity satisfies a performance obligation**. In the company's case, revenue shall be recognised over time as it satisfies the performance obligations given that:

- the customer controls the contract work as it is being built; and
- the construction work creates an asset (infrastructure) for which an alternative use to that for which it is being constructed does not exist and the company has the right to collect the consideration for the services over the contract term.

The company currently recognises revenue in accordance with IAS 11 using the percentage of completion approach and the cost-to-cost method. It does not believe this method needs to be changed following introduction of IFRS 15 as it is one of the input-based methods envisaged by the new standard. The company currently deems that this is the most appropriate method as it best reflects the transfer of control of the work under construction to the customer. However, it has revised the cost-to-cost calculation method to better align the costs considered (input) with the transfer of control of the work under construction to the customer, as required by IFRS 15.

The initially estimated effect on equity at 1 January and 31 December 2017 due to the review of the input data calculation method is a decrease of €5,953 thousand and €7,772 thousand, respectively.

Furthermore, IFRS 15 has introduced new guidance for the recognition of contract costs, distinguishing between the cost to obtain the contract and the cost to fulfil the contract.

The new standard requires a different accounting treatment of some contract cost categories with the capitalisation of incremental costs of obtaining a contract and the costs incurred to fulfil the contract that generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future ("pre-operating costs").

The company has performed a preliminary estimate of the effect on equity at 1 January and 31 December 2017 of the different accounting treatment of contract costs, which is a decrease of €23,877 thousand and €21,648 thousand, respectively.

The following table shows the company's estimate of the possible effect on opening equity at 1 January 2017 of application of IFRS 15, net of the tax effect:

(€'000)	Equity
Equity at 31 December 2016	1,007,428
Estimate of IFRS 15 effect	(123,881)
Equity at 1 January 2017	883,547

The following table shows the company's preliminary estimate of equity at 31 December 2017, net of the tax effect:

(€'000)	Equity
Equity at 31 December 2017	878,945
Estimate of IFRS 15 effect	(122,545)
Equity at 1 January 2018	756,400

IFRS 16 - Leases
The IASB issued this standard in January 2016. It introduces a single method to account for leases in the financial statements of the lessee, eliminating the distinction between operating and finance leases, so that the lessee recognises an asset for the right to use an underlying asset and a lease liability. The standard includes exemptions when the lease term is 12 months or less or the underlying asset has a low value.

IFRS 16 replaces the current standards on leases, including IAS 17 - Leases, IFRIC 4 - Determining whether an arrangement contains a lease, SIC 15 - Operating leases - Incentives and SIC 27 - Evaluating the substance of transactions in the legal form of a lease.

IFRS 16 is applicable to annual periods beginning on or after 1 January 2019. Early application is permitted if IFRS 15 has also been applied, but the company does not currently plan to avail of this option.

3. Basis of presentation

Separate financial statements
Salini Impregilo opted to present its separate financial statements at 31 December 2017 as follows:

- Current and non-current assets and current and non-current liabilities are presented separately in the statement of financial position. Current assets and liabilities are those expected to be realised, sold, used or settled in the company's normal operating cycle, which usually exceeds 12 months. Non-current assets and liabilities include non-current assets, deferred tax assets, employee benefits, deferred tax liabilities and other balances expected to be realised, sold, used or settled after the company's normal operating cycle, i.e., more than twelve months after the reporting date.
- The statement of profit or loss gives a classification of costs by nature and shows the profit or loss before “Financing income (costs) and gains (losses) on investments” and income taxes. The statement of comprehensive income shows all non-owner changes in equity.
- The statement of cash flows presents the cash flows from operating, investing and financing activities separately. The indirect method is used.

Accounting policies
The accounting policies adopted to draw up the company's separate financial statements at 31 December 2017 comply with the IFRS and are consistent with those used to prepare the 2016 separate financial statements, except for the amendments enacted after 1 January 2017, summarised in the section on the "Changes in standards".

Property, plant and equipment

Property, plant and equipment are recognised at purchase or production cost, net of accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis using rates determined based on the assets' residual possible use. The annual rates are as follows:

Category	Depreciation rate
Land	-
Buildings	3%
Plant and machinery	from 10% to 20%
Industrial and commercial equipment	from 25% to 40%
Other assets	from 12% to 25%

Land and buildings, plant and machinery with a carrying amount to be recovered mainly through their sale (rather than the asset's continuing use) are measured at the lower of their carrying amount and fair value less costs to sell. Assets held for sale shall be available for immediate sale and their sale shall be highly probable (i.e., the related commitments already exist). Their price shall be reasonable compared to their fair value.

The carrying amount of property, plant and equipment is tested for impairment whenever events or changes in circumstances take place indicating that the carrying amount may not be recovered. Reference should be made to the section on "Impairment of non-financial assets" for details on impairment testing.

Borrowing costs directly related to the acquisition or construction of an asset are capitalised as part of the cost of the asset, to the extent of its recoverable amount. As established by IAS 23 - Borrowing costs, the company has applied this method to all qualifying assets.

Borrowing costs are capitalised when the costs of the acquisition of the asset and borrowing costs are incurred, and the activities necessary to bring the asset into a condition for its use have been started.

The costs provided for but not yet paid related to qualifying assets are excluded from the amount to be capitalised.

Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

Subsequent expenditure is only capitalised if it increases the future economic benefits of the related asset. All other expenditure is expensed when incurred.

Ordinary maintenance costs are fully expensed when incurred. Costs that increase the carrying amount of assets are allocated thereto and depreciated over their residual economic lives.

Dismantlement and restoration costs of assets used for contract work in progress are added to the cost of the related asset and depreciated in line with the depreciation pattern of the asset to which they refer when they are foreseeable and objectively determinable.

Leasehold improvements are classified in the different items of property, plant and equipment on the basis of their nature. They are depreciated over the shorter of the estimated useful life of the relevant asset and the residual term of the lease.

Leased property, plant and equipment

Assets held under finance leases whereby all the risks and rewards of ownership are substantially transferred to the company are recognised as company assets and classified as property, plant and equipment. The related liability to the lessor is shown under financial liabilities. The lease payment is split into the interest expense, taken to the income statement, and the principal repayment, offset against the financial liability. The carrying amount of the leased asset is determined considering its fair value or, if lower, the present value of the minimum future lease payments.

The depreciation method and subsequent measurement are consistent with those applied to non-leased assets.

Leases where the lessor retains all the risks and rewards of ownership are treated as operating leases. The initial negotiation costs incurred for this type of lease increase the value of the related lease and are recognised over the lease term in order to match the revenue generated by the leased asset. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Other intangible assets

Other intangible assets acquired or generated internally are recognised under assets in accordance with IAS 38 - Intangible assets when it is probable that the use of the asset will generate future economic benefits and the cost of the asset can be measured reliably. Those assets with finite useful lives are measured at acquisition or development cost and amortised on a straight-line basis over their estimated useful lives. Recoverability of their carrying amount is checked by using the criteria set out in the section on “Impairment of non-financial assets”.

Equity investments

Investments in subsidiaries and associates and interests in joint ventures are measured at cost and tested regularly for impairment. This test is carried out whenever there is an indication that the investment may be impaired. The method used is described in the section on “Impairment of non-financial assets”. When an impairment loss is required, this is recognised immediately in profit or loss. When the reasons for a previous impairment loss no longer exist, the carrying amount of the investment is restated to the extent of its original cost. Reversals of impairment losses are recognised in profit or loss.

Impairment of non-financial assets

If there is any indication that an intangible asset or an item of property, plant and equipment is impaired, the recoverable amount of the asset is estimated to determine the amount of the impairment loss. Goodwill and other intangible assets with an indefinite life are tested at least annually for impairment.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

If a binding sales agreement does not exist, fair value is estimated using the observable prices of an active market, recent transactions or the best information available to reflect the amount the entity could obtain by disposing of the asset.

Value in use is determined by discounting the estimated future cash flows expected to arise from the continuing use of an asset, net of taxes, and, if reasonably determinable, from its disposal at the end of its useful life. Discounting is applied by using a post-tax discount rate which reflects the current market assessments of the time value of money and the risks specific to the asset.

The assessment is made for individual assets or the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets from its continuing use (cash-generating unit). An impairment loss is recognised when the recoverable amount is lower than the carrying amount. If the reasons for the impairment loss are no longer valid, the impairment loss (except in the case of goodwill) is reversed and the adjustment is taken to profit or loss as a reversal of impairment losses. A reversal of impairment losses is recognised to the extent of the lower of the recoverable amount and original carrying amount less depreciation/amortisation that would have been recognised had the impairment loss not been recognised.

Inventories of goods

Inventories of goods are measured at the lower of average purchase cost and net realisable value. Cost includes the directly related costs and estimated realisable value is determined using the replacement cost of the assets or similar assets. Any write-downs are eliminated in subsequent years when the reasons therefor are no longer valid.

Contract work in progress and revenue from construction contracts

Contract work in progress consists of work performed net of progress billings issued to customers. When final payment of the consideration is made, the related progress billings and advances are recognised under “Operating revenue” in the statement of profit or loss, with the related variation in inventories. The provision for contractual risks directly offsets inventories and is set up to cover possible charges and losses on contracts performed either directly by the company or as part of a joint venture.

Contract work in progress is measured considering the consideration agreed with the customer and the stage of completion of the work.

Revenue related to contract work in progress is recognised using the stage of completion method.

The stage of completion is determined using the cost to cost method whereby the percentage of completion (the ratio between costs incurred and total estimated costs) is applied to the total estimated revenue.

Given the technical complexity, size and length of time involved in completing contracts, the additional considerations are measured before an agreement is reached with the customer. Claims for additional considerations are considered when measuring contract work in progress if they have been substantially approved by the customer, or, if not yet approved by the customer, are supported by appraisals made by third party consultants and/or documentation prepared by contractual bodies (arbitration tribunals, dispute review boards, dispute adjudication boards, etc.).

In the case of events that take place after the reporting date but before the separate financial statements are approved, which provide additional information about expected profits or losses on the contract, this additional information is considered when determining the contract revenue or costs to be incurred to complete the contract and for the recognition of any profits or losses.

When total contract costs exceed total contract revenue, the loss to complete the contract is recognised as an expense immediately.

The contract costs, included in the cost to cost calculation, may be classified as:

- pre-operating costs, which include costs incurred during the start-up stage of the contract, before construction starts, such as the costs of design and specific studies carried out for the contract; organisation and production start-up costs and building site start-up costs. These pre-operating costs are included in the stage of completion calculation and in the cost to cost calculation once they have been incurred. During the initial stage of the contract, they are included in the carrying amount of contract work in progress, if recoverable, without recognising any contract output when the contract profit or loss cannot be reliably estimated;

- contract operating costs, which include those directly attributable to the contract (e.g., materials, subcontracting, labour, amortisation and depreciation, compulsory purchases, any directly attributable borrowing costs, etc.). They are recognised on an accruals basis and included in the calculation of the stage of completion;
- post-operating costs, which include site dismantlement costs generally incurred after the contract has been closed to remove the installations (or entire sites) and to return the machinery or plant to the company's premises or transfer them to another site. This category also includes losses on materials no longer usable and the related transport costs. They are included in the contract estimate and, therefore, if incurred during the contract term, they are comprised in the calculation of the progress billings. Therefore, no specific accruals are made to the statement of profit or loss;
- costs for services to be rendered after completion of the contract, which mainly relate to services rendered after the contract has been completed. They may include assistance and supervision provided in the early stages of use of the plant or scheduled maintenance, etc.. If the contract does not include specific additional considerations for these services and the contract may be "closed" for accounting purposes (contracts are usually closed once work is completed and the customer has accepted the end result), the costs to be incurred to render these services when the contract is closed in the accounting records should be estimated and provided for in the specific items. These costs are included in the calculation to determine the contract revenue.

Real estate projects

Closing inventories of real estate projects are those real estate areas developed with a view to selling them. They are measured at the lower of cost and estimated realisable value. Costs incurred consist of the consideration paid for purchasing the areas and related charges, construction costs and borrowing costs related to the project up to and not exceeding its completion.

Financial assets and liabilities

Measurement and presentation of financial instruments are covered by IAS 39 and IAS 32, respectively, while the disclosure is presented in accordance with IFRS 7.

The financial instruments used by the company are classified as follows: financial assets or financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

Financial assets or financial liabilities at fair value through profit or loss

This category includes derivatives that do not meet hedge accounting requirements.

Fair value gains or losses on derivatives in this category are recognised as "Financing income (costs)" in profit or loss when they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are measured at amortised cost, as detailed further on, and any gains or losses arising therefrom are recognised as “Financing income (costs)” in profit or loss.

This category includes the following items

- **Trade receivables and payables and other assets and liabilities**

Trade receivables and other assets are recognised at amortised cost, net of impairment losses determined on the basis of their estimated recoverable amount calculated by analysing each position and the total non-collection risk.

If the collection date is postponed and exceeds normal collection times for the sector, these receivables are discounted.

All factored receivables that do not meet the requirements for derecognition under IAS 39 continue to be recognised in the company's separate financial statements even when they have been legally transferred. They are thus included as assets and a financial liability of the same amount is recognised.

Trade payables and other liabilities are recognised at amortised cost, allocating interest to the statement of profit or loss based on the effective interest rate, being the rate that exactly discounts estimated future cash payments through to the carrying amount of the related asset.

- **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term, highly liquid investments with a term of less than three months. This item is shown in the statement of cash flows net of bank borrowings at the reporting date.

- **Loans and borrowings and bonds**

Loans and borrowings and bonds are initially recognised at cost, being the fair value of the consideration received less transaction costs.

After initial recognition, loans are measured at amortised cost, whereby repayments are determined using the effective interest method with a rate which matches, at initial recognition, the expected cash flows with the initial carrying amount.

Loan transaction costs are classified under liabilities decreasing the loan; amortised cost is calculated considering these costs and any discounts or premiums expected at settlement.

The effects arising from the recognition at amortised cost are taken to “Financing income (costs)”.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has the positive intention and ability to hold to maturity. They are recognised at amortised cost and interest accrued thereon is taken to profit or loss under “Financial income” using the effective interest method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial instruments that are not classified in the other categories. They mainly relate to consortia and consortium companies of which the company holds less than 20%. In accordance with IAS 39, such investments are stated as non-current assets measured at cost, adjusted for impairment, since their fair value cannot be determined. Dividend income from such financial instruments is recognised in profit or loss under financial income when the company is given the right to such dividend.

Fair value of financial instruments

The fair value of financial instruments has been estimated as follows:

- The fair value of financial instruments traded on an active market is based on the market price at the reporting date. This method has been applied especially to listed financial instruments classified as "Available-for-sale financial assets" and financial instruments classified as "Held-to-maturity investments".
- The fair value of the derivatives classified as "Hedging derivatives" and "Financial assets and financial liabilities at fair value through profit or loss" is measured using the Discounted Cash Flow Model. With respect to interest rate swaps, future cash flows are estimated using the implicit forward rate of the market Euro curve at 31 December 2017 and 2016, while the forward exchange rate market prices at the relevant reporting date are used for currency forward transactions.
- The fair value of loans and receivables is determined, for disclosure purposes in the notes, on the basis of the present value of their future cash flows discounted at a rate equal to the current interest rates applicable in the relevant markets and the average spread agreed by the company.

Derecognition of financial assets and liabilities

(a) Financial assets

A financial asset (or, where applicable, part of a financial asset or parts of a group of similar financial assets) is derecognised when:

(i) the contractual rights to the cash flows from the financial asset expire;

(ii) the company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in full and immediately;

(iii) the company transfers the contractual rights to receive the cash flows of the asset and has transferred substantially all the risks and rewards of ownership of the financial asset and the related control.

When the company has transferred the contractual rights to receive the cash flows of the financial asset and has neither transferred nor retained substantially all the risks and rewards or has retained control, it continues to recognise the asset to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of guaranteeing the transferred asset is measured at the lower of the initial carrying amount of the asset and the maximum amount of the consideration that the company could be required to pay.

(b) Financial liabilities

Financial liabilities are derecognised when the underlying obligation is extinguished, cancelled or settled.

When an existing financial liability is exchanged with another by the same lender at substantially different terms, or the terms of an existing liability are substantially modified, this exchange or modification is treated as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amounts is recognised in profit or loss.

Impairment of financial assets

If there is any indication that a financial asset is impaired, the recoverable amount of the asset is estimated to determine the amount of the impairment loss.

Derivatives and hedging transactions

Salini Impregilo has derivatives recognised at fair value when the related agreement is signed and for subsequent fair value changes. The treatment of the related fair value gains or losses changes depending on whether the conditions for hedge accounting are met, as described below.

The company has derivatives to hedge currency and financial risks. At the inception of the transaction, it documents the hedging relationship, its risk management and strategy objectives in entering into the transaction, the hedging instrument and hedged item or transaction and the nature of the hedged risk. Moreover, at the inception of the transaction, and thereafter on an ongoing basis, the company documents whether or not the hedge meets the effectiveness requirements to offset its exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk.

Based on the above-mentioned documentation, derivatives used for specific hedging purposes are classified and recognised as follows:

(a) Fair value hedge - If a derivative is designated as a hedge of exposure to changes in the fair value of an asset or liability due to a specific risk that may affect profit or loss, the gain or loss deriving from the subsequent measurement of the fair value of the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item, related to the hedged risk, changes the carrying amount of this item and is recognised in profit or loss.

(b) Cash flow hedge - If a derivative is designated as a hedge of exposure to changes in cash flows of an asset or liability or a highly probable transaction that could affect profit or loss, the effective part of the gains or losses on the financial instrument is recognised in equity. The cumulative gain or loss is reclassified from equity to profit or loss in the same period in which the hedged transaction is recognised. The gain or loss related to a hedge or part of a hedge which has become ineffective is taken to profit or loss immediately. If a hedging instrument or a hedging relationship is closed, but the hedged transaction has not yet taken place, the cumulative gains and losses, recognised in equity up to then, are reclassified to profit or loss when the transaction takes place.

If it is unlikely the hedged transaction will take place, the unrealised gains and losses recognised in equity are immediately reclassified to profit or loss.

“Hedging purposes” are assessed in strategic terms. When they do not meet the requirements of IAS 39 for hedge accounting, the derivatives are classified as “Financial assets or financial liabilities at fair value through profit or loss”.

- *Post-employment benefits*

Employee benefits

Post-employment benefits are recognised at the present value of the company's liability determined in line with ruling legislation and national and in-house labour agreements. The valuation, based on demographic, financial and turnover assumptions, is carried out by independent actuaries. The gains and losses resulting from the actuarial calculation are recognised in profit or loss if related to service costs and interest expense or in comprehensive income if relating to assets and liabilities.

The 2007 Finance Act and related implementing decrees introduced significant changes to legislation governing Italian post-employment benefits, effective as from 1 January 2007. These include the option given to employees, to be exercised before 30 June 2007, of where to allocate their future benefits. Specifically, employees can opt to allocate them to selected pension funds or maintain them with the company, in which case, the latter shall pay the contributions to the treasury fund of INPS (the Italian social security institution).

Following these changes, the Italian post-employment benefits accruing after the date of the employees’ decision and, in any case, after 30 June 2007, are considered part of a defined contribution plan and treated like all other social security contributions.

- *Share-based payments*

Share-based payments are measured at fair value of the option at the grant date. This amount is recognised in the statement of profit or loss on a straight-line basis over the vesting period. This treatment is based on an assessment of the stock options that will effectively vest in favour of the qualifying employees. Fair value is determined using the share price at the grant date.

Income taxes

Current taxes are provided for using the enacted tax rates and laws ruling in Italy and other countries in which the company operates, including through its branches, based on the best estimate of the taxable profit for the year.

Beginning from 2004, the company has joined the national tax consolidation system, as the consolidating party, which is regulated by the conditions set out in agreements drawn up by the participating companies.

The agreements provide that tax losses transferred by the subsidiaries give rise to a benefit for them to the extent to which they would have been able to offset them even if the national tax consolidation system had not existed. Otherwise, the parent benefits, except for a partial payment to the companies transferring the losses, in proportion to the effective use in the national tax consolidation system. Moreover, the smaller taxes paid by Salini Impregilo as a result of its participation in the national tax consolidation system are prudently provided for when it is probable that a benefit for the used tax losses will be paid in the future to the subsidiaries that transferred them.

Deferred tax assets and liabilities are calculated on the basis of the temporary differences between the tax base of an asset or liability and their carrying amount in the statement of financial position. Deferred tax assets are recognised when the company holds their recovery to be probable.

The carrying amount of deferred tax assets is reviewed at each reporting date and, to the extent necessary, is decreased when it is no longer probable that sufficient taxable profits will be available in the future to use all or part of the related benefit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

In the case of transactions recognised directly in equity, the related deferred tax asset or liability also affects equity.

Provisions for risks and charges

In accordance with IAS 37, the company makes accruals to provisions for risks and charges when the following conditions exist:

- the company has a present obligation (legal or constructive) at the reporting date as a result of a past event where an outflow of resources embodying economic benefits will be required to settle the obligation;
- it is probable that the obligation (through an outflow of resources) will have to be settled;
- a reliable estimate can be made of the amount of the obligation.

When the time value is material and the obligation payment dates can be estimated reliably, the amount recognised as the provision equals the pre-tax future cash flows (i.e., forecast outflows) discounted at a rate that reflects the present market value and risks specific to the liability.

The increase in the provision due to discounting is recognised as a financial expense.

When the expected cash flows are included in an estimate range with the same probability of occurrence, the median value is discounted to measure the liability.

Provision for restructuring costs is recognised when the company has approved a detailed formal plan that has been implemented and communicated to the third parties involved.

Translation criteria for foreign currency items

The translation criteria for foreign currency items adopted by the company are as follows:

- foreign currency monetary assets and liabilities, excluding property, plant and equipment, intangible assets and equity investments measured at cost, are translated at the closing spot rate with any exchange gains or losses taken to the statement of profit or loss;
- non-monetary foreign currency assets and liabilities are recognised at historical cost denominated in the foreign currency and translated using the historical exchange rate;
- revenue and costs related to foreign currency transactions are recognised in profit or loss at the exchange rate ruling on the date of the transaction;
- any material effects deriving from changes in exchange rates after the reporting date are disclosed in the notes.

The foreign branches' functional currency is the Euro, as it is the primary currency they use in their operations.

Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

Assets held for sale are recognised as such when the following events take place:

- signing of a binding sales agreement;
- approval and communication of a formal sales plan by directors.

In order to be correctly measured, the assets shall be:

- available for immediate sale in their present condition,
- subject only to terms that are usual and customary for sales of such assets, and
- the sale must be highly probable and expected to take place within twelve months.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of an entity that either has been disposed of or classified as held for sale and that meets any of the following criteria: i) it represents a separate major line of business or geographical area of operations; ii) it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or iii) it is a subsidiary acquired exclusively with a plan to resell.

The profit or loss from discontinued operations is disclosed separately in the statement of profit or loss. As required by paragraph 34 of IFRS 5 - Non-current assets held for sale and discontinued operations, the corresponding prior year figures are reclassified accordingly.

Revenue recognition

Revenue is measured to the extent it is probable that the economic benefits will flow to the company and the related amount can be determined reliably.

Revenue from the sale of goods is recognised when the company has shipped the goods and has transferred all the material risks and rewards of ownership to the buyer. Revenue from construction contracts is recognised as provided for in the related Standard, described below.

When the outcome of a construction contract can be estimated reliably, contract revenue is recognised by reference to the stage of completion of the contract activity at the reporting date based on the ratio of the costs incurred up to the reporting date to the total estimated contract costs, unless this is held to not represent the stage of completion of the contract.

Changes in the contract and price revisions are recognised to the extent that they are reasonably certain.

Revenue is recognised only to the extent of contract costs incurred that it is probable will be recovered. Contract costs are recognised as an expense in the year in which they are incurred.

Interest income

Interest income is recognised on an accruals basis, considering the principal and applicable effective interest rate, i.e., the rate that discounts the estimated future inflows over the expected life of the financial asset to return it to its carrying amount.

Dividends

Dividends are recognised when the investors' right to receive payment arises in line with local ruling legislation.

Significant accounting estimates

Preparation of financial statements and the related notes in accordance with the IFRS requires management to make judgements and estimates that affect the carrying amount of assets and liabilities and financial statements disclosures. The estimates are used to:

- determine amortisation and depreciation (see the "Property, plant and machinery", "Leased property, plant and equipment", and "Other intangible assets" paragraphs of the " Accounting policies" section);
- recognise impairment losses (see the "Impairment of non-financial assets" paragraph of the "Accounting policies" section);
- recognise employee benefits (see the "Employee benefits" paragraph of the "Accounting policies" section);
- recognise taxes (see the "Income taxes" paragraph of the " Accounting policies" section);
- recognise provisions for risks and charges (see the "Provisions for risks and charges" paragraph of the " Accounting policies" section);
- determine total contract costs and the related stage of completion (see the "Contract work in progress and revenue from construction contracts" paragraph of the "Accounting policies" section). A significant part of the company's activities is typically performed on the basis of contracts which provide that a specific consideration is agreed when the contract is awarded. This implies that the profits on these contracts may undergo change compared to the original estimates depending on the recoverability of greater expenses and/or costs the company may incur during performance of such contracts.

The actual results may differ from those estimated due to uncertainties underlying the assumptions and the conditions on which the estimates are based.

Fundamental assumptions about the future and other reasons for uncertainty when making the estimates at the reporting date that may lead to material adjustments to the carrying amount of the assets and liabilities are described in the specific section of the directors' report on the main risk factors and uncertainties.

Impairment - Venezuela

The company estimated the impairment losses on the Venezuelan assets in line with the guidance given in IAS 39 - Financial assets: recognition and measurement. Independent experts assisted management to prepare a discounted cash flow model based on the following inputs:

a) expected reduction in the assets' nominal amount;

b) expected duration of the restructuring process;

c) expected repayment period after completion of the restructuring process;

d) expected reimbursement method.

Management estimated the above inputs, including the expected reduction in the assets' nominal amount, using information obtained from public sources, whose validity is confirmed by their use in many academic papers and international organisations' studies. Specifically, it used the analyses of Professor Trebesch's analysis (June 2011), "Sovereign Default and Crisis Resolution" for the expected reduction in the assets' nominal amount. The sample used is based on 180 cases of sovereign default from 1970 to 2010.

With respect to the expected duration of the restructuring process, the assumptions are based on empirical data in Professor Trebesch's analysis, which considers a sample of 90 cases from 1980 to 2007 and divides the timing into stages (start, negotiation and implementation, where the last stage consists of either announcement of an agreement with the creditors or the renegotiation of bonds on the regulated market).

Assumptions about the expected repayment period after the crisis has been resolved were based on Moody's recent study "Sovereign Default and Recovery Rates, 1983-2016" as well as that of M. Tomz and M. L. J. Wright (2012), "Empirical Research on Sovereign Debt and Default".

With respect to the fourth input, the expected reimbursement method, the model assumes that repayment will either take place (i) in equal instalments or (ii) in increasing instalments.

Management used the assumptions to prepare a cash flow discount model based on the original effective rate of return of 9.7%.

Given the high level of uncertainty implicit in this type of valuation, the company engaged a second independent expert to assess the reasonableness of the results obtained from the use of the above model and its reasonableness was confirmed.

Scope of the separate financial statements

Joint Operation

The company is involved in the following main joint operations: Civil Work Group (Saudi Arabia), Arge Tulfes Pfons (Austria) and South Al Mutlaa (Kuwait).

Salini Impregilo has a 52% interest in the first joint operation, which is engaged in the civil works for the Riyadh metro.

The second joint operation is 49% held by the company and is engaged in the construction of the last section of the Brenner-Innsbruck tunnel.

South Al Mutlaa was incorporated in 2016 and is 55% held by Salini Impregilo. It is constructing primary urbanisation works to build a new residential area in a 12 thousand hectares site located 40 km northwest of Kuwait City as part of the South Al Mutlaa Housing Project.

The above operations are governed by joint control arrangements as resolutions of the governing bodies require a unanimous vote. They are structured as separate vehicles, guaranteeing transparency of their rights and obligations with respect to Salini Impregilo S.p.A..

STATEMENT OF PROFIT OR LOSS BY BUSINESS SEGMENT - 2016

(€'000)	Italy	Abroad	Total
Revenue	359,576	2,614,572	2,974,148
Other income	28,167	74,345	102,512
Total revenue	**387,743**	**2,688,917**	**3,076,660**

STATEMENT OF PROFIT OR LOSS BY BUSINESS SEGMENT - 2017

(€'000)	Italy	Abroad	Total
Revenue	320,080	2,462,047	2,782,127
Other income	27,572	77,239	104,811
Total revenue	**347,652**	**2,539,286**	**2,886,938**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 BY BUSINESS SEGMENT

(€'000)	Italy	Abroad	Total
Net non-current assets	500,003	932,780	1,432,783
Provision for risks	(65,177)	(6,899)	(72,076)
Post-employment benefits and employee benefits	(8,675)	(4,127)	(12,802)
Net tax assets (liabilities)	132,908	(23,999)	108,909
Working capital	**119,322**	**263,012**	**382,334**
Net invested capital	**678,381**	**1,160,767**	**1,839,148**
Equity			1,007,428
Net financial position (indebtedness)			831,720
Total financial resources			**1,839,148**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 BY BUSINESS SEGMENT

(€'000)	Italy	Abroad	Total
Net non-current assets	459,750	933,341	1,393,091
Provision for risks	(28,909)	(29,993)	(58,902)
Post-employment benefits and employee benefits	(7,647)	(3,785)	(11,432)
Net tax assets (liabilities)	237,956	(30,312)	207,644
Working capital	**261,080**	**(140,540)**	**120,540**
Net invested capital	**922,230**	**728,711**	**1,650,941**
Equity			878,945
Net financial position (indebtedness)			771,996
Total financial resources			**1,650,941**

STATEMENT OF FINANCIAL POSITION

4. Property, plant and equipment

Property, plant and equipment amount to €185.6 million, down from the 31 December 2016 figure by €37.8 million. The historical cost and carrying amount are given in the following table:

(€'000)	31 December 2016			31 December 2017		
	Cost	Acc. depreciation	Carrying amount	Cost	Acc. depreciation	Carrying amount
Land	243	-	243	-	-	-
Buildings	45,490	(23,975)	21,516	49,484	(25,386)	24,098
Plant and machinery	571,608	(397,141)	174,466	575,894	(444,056)	131,838
Industrial and commercial equipment	81,229	(76,083)	5,146	82,223	(77,328)	4,895
Other assets	21,186	(14,710)	6,476	21,293	(16,301)	4,992
Assets under const. and payments on account	15,547	-	15,547	19,734	-	19,734
Total	**735,303**	**(511,909)**	**223,394**	**748,628**	**(563,071)**	**185,557**

Prior year changes are as follows:

(€'000)	31 December 2015	Increases	Depreciation	Imp. losses / Reversals of imp. losses	Reclass. and other changes	Disposals	Net exchange gains (losses)	Change in scope	31 December 2016
Land	244	-	-	-	-	-	(1)	-	243
Buildings	23,912	1,437	(3,426)	-	-	(134)	72	(345)	21,516
Plant and machinery	241,628	52,990	(89,084)	-	209	(29,035)	279	(2,521)	174,466
Industrial and commercial equipment	9,435	3,026	(6,843)	-	10	(481)	(1)	-	5,146
Other assets	7,418	1,824	(2,458)	-	(43)	(68)	28	(225)	6,476
Assets under const. and payments on account	6,318	10,187	-	-	(176)	(194)	102	(690)	15,547
Total	**288,955**	**69,464**	**(101,811)**	**-**	**-**	**(29,912)**	**479**	**(3,781)**	**223,394**

Changes during the year are summarised below:

(€'000)	31 December 2016	Increases	Depreciation	Reversals of imp. losses/ (Imp. losses)/ Reval.	Reclass. and other changes	Disposals	Net exchange losses	Change in scope	31 December 2017
Land	243	-	-	-	-	(243)	-	-	-
Buildings	21,516	4,307	(3,620)	1,822	531	(169)	(292)	3	24,098
Plant and machinery	174,466	33,316	(69,275)	-	159	(5,542)	(2,177)	891	131,838
Industrial and commercial equipment	5,146	3,018	(3,366)	-	110	(10)	(3)	-	4,895
Other assets	6,476	1,496	(2,283)	-	(481)	(104)	(115)	3	4,992
Assets under const. and payments on account	15,547	9,985	-	-	(319)	(4,641)	(838)	-	19,734
Total	**223,394**	**52,122**	**(78,544)**	**1,822**	**-**	**(10,709)**	**(3,425)**	**897**	**185,557**

The most significant changes include:

- increases of roughly €52.1 million, mainly due to the investments made for the Rogun hydroelectric project in Tajikistan, the Meydan One Mall project in Dubai, United Arab Emirates, the Lima Metro 2 project in Peru and the Koysha project in Ethiopia;
- depreciation for the year of €78.5 million, calculated as described in the "Accounting policies" section;
- disposals of €10.7 million, mainly referring to sales to third parties and the disposal of assets related to the Georgian branch;
- the balance of €0.8 million in the "Change in scope" column, which principally relates to assets acquired as part of the merger of wholly-owned SGF INC into Salini Impregilo in 2017.

The closing balance at 31 December 2017 includes leased assets of €59.2 million recognised under "Plant and machinery" (€58.8 million), "Industrial and commercial equipment" (€0.3 million) and "Other assets" (€0.1 million).

5. Intangible assets

Intangible assets amount to €65.0 million, down from the 31 December 2016 figure by €14.5 million. The historical cost and carrying amount are given in the following table:

(€'000)	31 December 2016			31 December 2017		
	Cost	Acc. amortisation	Carrying amount	Cost	Acc. amortisation	Carrying amount
Software	1,454	(526)	928	1,609	(941)	668
Contract acquisition costs	149,262	(70,646)	78,616	149,262	(84,902)	64,360
Total	**150,716**	**(71,172)**	**79,544**	**150,871**	**(85,843)**	**65,028**

Changes during the previous year are set out below:

(€'000)	31 December 2015	Increases	Amortisation	Reclass.	Disposals	Net exchange gains (losses)	Other changes	31 December 2016
Software	490	771	(333)	-	-	-	-	928
Contract acquisition costs	117,575	-	(22,706)	-	(16,253)	-	-	78,616
Total	**118,065**	**771**	**(23,039)**	**-**	**(16,253)**	**-**	**-**	**79,544**

Changes during the year are set out below:

(€'000)	31 December 2016	Increases	Amortisation	Reclass.	Disposals	Net exchange gains (losses)	Other changes	31 December 2017
Software	928	156	(416)	-	-	-	-	668
Contract acquisition costs	78,616	-	(14,256)	-	-	-	-	64,360
Total	**79,544**	**156**	**(14,672)**	**-**	**-**	**-**	**-**	**65,028**

Contract acquisition costs amount to €64.4 million and refer to considerations paid in previous years to purchase the railway high speed/capacity business units and stakes in projects/contracts representing intangible assets with a finite useful life, which are amortised in line with the stage of completion of the related contracts.

Prior year changes are given below for comparative purposes:

(€'000)	31 December 2015	Decreases	Amortisation	31 December 2016
Cociv (Milan - Genoa railway section)	38,251	-	(3,132)	35,119
Riyadh Metro (Saudi Arabia)	56,551	(16,253)	(16,493)	23,805
Iricav 2 (Verona-Padua railway section)	12,510	-	-	12,510
Gerald Desmond Bridge – USA	5,263	-	(1,715)	3,548
Yarull - Dom. Republic	3,037	-	(32)	3,005
Thessalonica Metro	1,130		(501)	629
Vegas Tunnel - USA	123	-	(123)	-
Stavros Niarchos - Greece	710	-	(710)	-
Total	**117,575**	**(16,253)**	**(22,706)**	**78,616**

The 2016 decrease is due to the sale to the group company Salini Saudi Arabia L.t.d. of a 14% interest in the joint venture working on the Riyadh Metro Line 3 project (Saudi Arabia).

A breakdown of and changes in this item during the year are as follows:

(€'000)	31 December 2016	Decreases	Amortisation	31 December 2017
Cociv (Milan - Genoa railway section)	35,119	-	(3,084)	32,035
Riyadh Metro (Saudi Arabia)	23,805	-	(6,742)	17,063
Iricav 2 (Verona-Padua railway section)	12,510	-	-	12,510
Gerald Desmond Bridge – USA	3,548	-	(1,106)	2,442
Thessalonica Metro	629	-	(319)	310
Yarull - Dom. Republic	3,005	-	(3,005)	-
Total	**78,616**	**-**	**(14,256)**	**64,360**

Based on the progress of the contracts to which these items refer, there are no indications of impairment.

Amortisation of the contract acquisition costs is calculated using the stage of completion method of the contracts based on the cost to cost method and considering the related purchase dates.

With respect to the Verona - Padua section, amortisation of the acquisition cost will commence when work starts.

6. Equity investments

Equity investments increased by €12.7 million to €1,142.5 million.

(€'000)	31 December 2016	31 December 2017	Variation
Investments in subsidiaries	978,272	949,332	(28,940)
Investments in associates	101,458	143,406	41,948
Other investments	50,115	49,767	(348)
Total	**1,129,845**	**1,142,505**	**12,660**

Changes during the year are summarised below:

(€'000)	31 December 2016	31 December 2017
Capital transactions	84,554	77,584
Acquisitions and capital injections	468,771	1,266
Disinvestments and liquidations	(53,102)	(11,231)
(Impairment losses)/reversals of impairment losses	(35,682)	8,378
Net exchange gains (losses)	9,095	(34,981)
Reclassifications	(23,390)	(11,600)
Total	**450,246**	**12,660**

The increase in "Capital transactions" is principally due to coverage of the losses of HCE (€31.5 million) and the SPE Grupo Unidos por el Canal, Panama (€53.4 million). The latter results from the offsetting of the provision relating to the investment in Grupo Unido por el Canal with the injections for the same company made during the year.

"Acquisitions and capital injections" show the injections made for the joint venture Salini Impregilo Healy of €1.2 million.

"Disinvestments and liquidations" mainly relate to the winding up of Italian consortia and the related reimbursement of the company's share of their consortium funds.

The item "Reclassifications" principally refers to the offsetting of the provision relating to certain investees classified under liabilities.

"Impairment losses/reversals of impairment losses" mainly include the impairment losses on the investments in HCE (€15.5 million), CSC Impresa Costruzioni S.A. (€7.5 million), the subsidiary Fibe S.p.A. (€2.4 million) and Impregilo International Infrastructures N.V. (€1.3 million). These impairment losses have been offset by the reversals of impairment losses, mainly on the investment in Grupo Unidos por el Canal (€32.8 million).

The impairment test of the item "Equity investments", carried out also to assess the need for any reversals of previously recognised impairment losses, has been performed on an individual basis, considering each investee's specific operating objectives.

Based on such approach, the item can be analysed as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Investments in SPEs	201,396	227,222	25,826
Other investments	928,449	915,283	(13,166)
Total	**1,129,845**	**1,142,505**	**12,660**

Special purpose entities (SPEs) are legal entities set up specifically and solely to carry out long term construction contracts that Salini Impregilo is not expected to carry out directly and in which it has an interest equal to its share of the tender. These entities have a corporate structure compliant with the customers' requirements as communicated during the tender procedure and considering the specific legal context of the country in which the contract will be performed. They are classified depending on whether they are: (i) SPEs, the profit or loss of which are allocated to their venturers in line with their interests as provided for by law (i.e., Italian-based consortia and consortium companies which operate on a "recharges of costs" basis), and (ii) other SPEs for which this allocation is not provided for by law.

Due to the periodic allocation of the contract profit or loss to the venturers, the SPEs in item (i) always substantially reach breakeven point. Any losses recorded in the contracts performed by these entities are recognised by the venturers upon allocation of the contract profits and losses. For the SPEs in item (ii), the existence of any losses should be considered in the separate financial statements of Salini Impregilo as their contract profit or loss is included in the consolidated financial statements only. The contracts performed by these SPEs are therefore considered when testing the company's investment for impairment. Specifically, the SPEs' financial statements, which include the estimated contract profit or loss and are prepared in accordance with the IFRS as interpreted by the Group's accounting policies, are considered as they show the entity's estimated cash flows.

The impairment losses recognised in 2017 in the provision for risks on equity investments adjusted the existing provisions referred to the SPEs performing the Constructora Ariguani (Colombia) contract (€5.2 million) and Cigla Constructora (Brazil) contract (€0.7 million). The company also partially reversed the impairment losses previously recognised on the investments in the SPEs working on the GUPC (Panama) contract (€32.8 million) and Salini Impregilo Salini Insaat Jv (Turkey) contract (€1.0 million).

Moreover, an additional impairment loss was recognised on the investment in the newco HCE Costruzioni S.p.A. (€15.5 million, including its 2017 loss).

Fisia Italimpianti substantially broke even in 2017, with equity of €3.2 million, compared to the investment's carrying amount of €40.2 million. Its order backlog approximated €100 million at the reporting date and principally relates to two contracts, namely the reverse osmosis desalination plant in Saudi Arabia and the water treatment plant in Turkey.

Supported by independent experts who carried out an independent business review, the company tested its investment in Fisia Italimpianti for impairment on the basis of the 2018-2022 business plan approved by the subsidiary's board of directors. No indicators of impairment were found.

Salini Impregilo used the unlevered version of the discounted cash flow method to calculate the investment's value in use. The main valuation parameters used were:

- long-term growth rate: 0% (0% in 2016);
- discount rate (WACC): 10.5% (11.5% in 2016).

The company also performed sensitivity analyses considering the possible effect of changes in the discount rate (+/-1%). It did not identify any elements that would have required recognition of an impairment loss.

The directors adopted the following hypothetical assumptions in the 2018-2022 business plan, used to extrapolate the expected future cash flows assumed for impairment testing purposes:

- assumption about development of demand for projects: the subsidiary's main market is the Middle East, where investments are expected to pick up after the strong contraction seen in recent years. Oil prices drive the local economy and the recent reversal in these prices should facilitate an upturn in business. Moreover, throughout the Middle East and especially in Saudi Arabia, projects no longer postponable are being launched;

- thanks to its global sales network, Salini Impregilo Group helped Fisia to identify its targets, especially in South America, where the Group historically carries out its operations. Moreover, it may also support Fisia financially, providing suitable guarantees where necessary.

It cannot be excluded that events may take place in the future that cannot currently be foreseen and that would require changes to the valuations made.

The subsidiary Fibe recorded a loss of €2.1 million for 2017, while its equity was €37.5 million at the reporting date. Given that the subsidiary is inactive and only manages the outstanding disputes related to the USW Campania projects, its assets and liabilities are the main drivers of the value generation process. Accordingly, its carrying amount is in line with its equity at the reporting date, including the loss of €2.4 million.

The subsidiary Salini Impregilo US Holding INC recorded a loss of €0.8 million for 2017 and equity of €371.6 million at the reporting date, while the investment's carrying amount is €468.4 million.

The investment's recoverable amount has been calculated using the cash flow projections set out in the 2018-2021 four-year plan prepared and approved by the subsidiary's management.

The main valuation parameters used were:

- long-term growth rate: 1.9%;
- post-tax discount rate: 7.9%.

The company has adopted the discount rate calculated based on the market cost of money and the asset sector's specific risk (Weighted Average Cost of Capital, WACC). Specifically, the company considered the return rate on long-term government bonds and the average capital structure of a basket of comparable companies.

The CGU's recoverable amount has been calculated using the cash flow projections set out in the 2018-2021 four-year plan prepared and approved by management. The terminal value is based on a sustainable profit assumption, from which stable long-term operating cash flows have been estimated, on a going concern basis.

The company tested goodwill for impairment at the reporting date, which showed that the CGU's recoverable amount exceeds its carrying amount (net invested capital).

The company also performed sensitivity analyses considering the possible effect of changes in the parameters used to calculate the recoverable amount (a 0.5% increase or decrease in the growth rate and in the discount rate, respectively), which would not lead to a significantly different outcome. The test did not show any indicators of impairment.

The subsidiary Impregilo International Infrastructures NV showed equity of €145.9 million at the reporting date, while the investment's carrying amount is €170 million. The company tested certain equity investments and related loan assets recognised in the subsidiary's separate financial statements at 31 December 2017 for impairment, as they make up the subsidiary's actual investment in the tested companies, in order to test the subsidiary's carrying amount in Salini Impregilo's separate financial statements. The investment's recoverable amount was €168.7 million, €1.3 million smaller than its carrying amount. Accordingly, Salini Impregilo recognised an impairment loss of €1.3 million to align the investment's carrying amount with its recoverable amount.

As regards the other investments in smaller companies, their carrying amount has been adjusted to Salini Impregilo's share of the investees' net assets as recognised in their financial statements at 31 December 2017. These impairment losses, totalling €14.4 million, specifically affected CSC Impresa Costruzioni Sa (€7.5 million) and Salini Polska SP Zoo Ltd (€6.5 million), the latter recognised in the provision for risks on equity investments.

7. Non-current financial assets

This item and related changes may be broken down as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Other financial assets	15,848	12,899	(2,949)
Loans and receivables - group companies	-	67,141	67,141
Loans and receivables - third parties	3,952	450	(3,502)
Total	**19,800**	**80,490**	**60,690**

The other financial assets decreased by €2.9 million to €12.9 million at the reporting date. They are made up of unlisted guaranteed-return securities which mature after one year. They comprise units in the fund financing Yuma (Colombia). The decrease is a result of fair value and exchange losses recognised during the year.

Loans and receivables - group companies increased by €67.1 million due to:

- the reclassification of the €10.5 million loan disbursed to the SPE M4 S.p.A to non-current assets. The company is constructing Line 4 of the Milan metro;
- the reclassification of €56.6 million due from the Venezuelan branch (€113.3 million gross of a €56.6 million allowance for impairment at the reporting date) to non-current assets. The "Main risk factors and uncertainties" section in the Directors' report and section 3 "Impairment - Venezuela" of these notes provide more information.

Loans and receivables - third parties decreased from €4.0 million by €3.5 million, principally due to the reclassification to the amount due from Prime System KZ Ltd to current assets (currently duly collected).

8. Deferred tax assets and liabilities

Deferred tax assets and liabilities amount to €125.7 million and €19.3 million, respectively.

(€'000)	31 December 2016	31 December 2017	Variation
Deferred tax assets	38,892	125,723	86,831
Deferred tax liabilities	(24,152)	(19,298)	4,854

Deferred tax assets of €125.7 million at 31 December 2017 rose by €86.8 million principally in relation to the impairment losses recognised on some assets related to the construction of infrastructure in Venezuela.

Deferred tax liabilities of €19.3 million include €19.0 million relating to the provision for the national tax consolidation scheme.

The provision represents the company's liability with its subsidiaries that have transferred their losses as part of the IRES national tax consolidation scheme as per article 117 and subsequent articles of the Consolidated Income Tax Act as per the regulations signed when they joined the scheme.

Changes in 2016 were as follows:

(€'000)	31 December 2015	Increases	Decreases	Change in tax rate	Reclass.	Other	31 December 2016
Deferred tax assets	199,197	25,150	(6,569)	-	-	(9,492)	208,286
Offsetting	(163,437)	-	-	-	-	(5,957)	(169,394)
Net deferred tax assets (a)	**35,760**	**25,150**	**(6,569)**			**(15,449)**	**38,892**
Deferred tax liabilities	(174,542)	(15,599)	1,637	-	-	18,671	(169,833)
Offsetting	163,437	-	-	-	-	5,957	169,394
Net deferred tax liabilities (b)	**(11,105)**	**(15,599)**	**1,637**	**-**	**-**	**24,628**	**(439)**

Changes in deferred tax assets and liabilities are set out below:

(€'000)	31 December 2016	Increases	Decreases	Change in tax rate	Reclass.	Other	31 December 2017
Deferred tax assets	208,286	100,237	(11,386)	-	-	(145,217)	151,920
Offsetting	(169,394)	-	-	-	-	143,197	(26,197)
Net deferred tax assets	**38,892**	**100,237**	**(11,386)**	**-**	**-**	**(2,020)**	**125,723**
Deferred tax liabilities	(169,833)	(2,698)	2,301	-	-	143,776	(26,454)
Offsetting	169,394	-	-	-	-	(143,197)	26,197
Net deferred tax liabilities	**(439)**	**(2,698)**	**2,301**	**-**	**-**	**579**	**(257)**

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively, and are netted at company level when this is allowed.

9. Inventories

This item is analysed in the following table:

(€'000)	31 December 2016			31 December 2017			
	Gross amount	Allowance	Carrying amount	Gross amount	Allowance	Carrying amount	Variation
Real estate projects	19,334	(7,772)	11,562	19,334	(7,772)	11,562	-
Finished products and goods	595		595	1,117		1,117	522
Raw materials, consumables and supplies	170,845	(2,192)	168,653	153,567	(2,174)	151,393	(17,260)
Total	**190,774**	**(9,964)**	**180,810**	**174,018**	**(9,946)**	**164,072**	**(16,738)**

Real estate projects

Real estate projects amount to €11.6 million. They relate to the real estate project (net of the related allowance of €7.8 million) for the construction of a trade point in Lombardy for which a dispute is pending about the zoning provisions of the area on which the property stands. Based on its legal advisors' and consultants' opinion, the company deems that the carrying amount can be recovered through the real estate project or, alternatively, through compensation for the damage incurred due to non-authorisation of the zoning of the area by the competent authorities.

Finished products and goods and Raw materials, consumables and supplies

The carrying amount of these items totals €152.5 million (31 December 2016: €169.2 million) and mainly relates to goods to be used for foreign contracts, including those in Ethiopia (€114.1 million), Sierra Leone (€6.3 million), Venezuela (€15.7 million) and Kuwait for the construction of primary urbanisation works to build a new residential area (€3.3 million).

10. Contract work in progress

Contract work in progress amounts to €1,125.8 million at year end, up on the previous year-end figure of €1,010.2 million. The following table shows contract work in progress calculated using the stage of completion method, net of losses realised or estimated at the reporting date and progress billings:

(€'000)	31 December 2016	31 December 2017	Variation
Contract work in progress	20,751,283	20,477,956	(273,327)
Progress billings and advances received (on approved work)	(19,741,092)	(19,352,127)	388,965
Total	**1,010,191**	**1,125,829**	**115,638**

The item shows a total increase of €115.6 million over 31 December 2016.

The increase mainly relates to continuation of the industrial operations carried out for the new contracts for the construction of a hydroelectric power plant in Tajikistan, the Meydan investments in infrastruture project in the United Arab Emirates, the "Grand Ethiopian Renaissance Dam" (GERD) project in Ethiopia and the high speed/capacity contracts in Italy. The increase is only partially offset by the impairment losses recognised on some assets related to the construction of infrastructure in Venezuela in the second half of 2017. The "Main risk factors and uncertainties" section in the Directors' report and section 3 "Impairment - Venezuela" of these notes provide more information.

The key contracts making up contract work in progress at year end are summarised below:

(€'000)	Contract work in progress		
	31 December 2016	31 December 2017	Variation
High speed/capacity	187,919	254,324	66,405
Venezuelan branch	270,028	106,979	(163,049)
Tajikistani branch	30,133	173,102	142,969
GERD and GIBE III, Hydro Elect. Project - Ethiopia	115,244	142,069	26,825
Romanian branch	102,556	72,771	(29,785)
Metro B1 Bologna/Conca d'Oro and Conca d'Oro/Ionio	63,087	55,320	(7,767)
Slovakian branch	22,611	53,771	31,160
Dubai branch - Meydan	-	47,856	47,856
Messina Bridge	24,506	25,696	1,190
Salerno - Reggio Calabria Lots 5-6	35,311	25,209	(10,102)
Highway 36	23,657	24,242	585
Kuwaiti branch - Al Mutlaa	18,941	22,715	3,774
Polish branch	14,134	20,570	6,436
Other	102,064	101,205	(859)
Total	**1,010,191**	**1,125,829**	**115,638**

A description of the main contract risks to which the company is exposed is provided in the "Main risk factors and uncertainties" section in the Directors' report.

A breakdown of contract work in progress by geographical segment is as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Italy	392,143	464,503	72,360
EU (excluding Italy)	139,301	147,112	7,811
Other European countries (non-EU)	6,204	322	(5,882)
Asia	36,939	182,299	145,360
Middle East	42,673	73,182	30,509
Africa	129,195	158,022	28,827
North America	488	988	500
South America	263,248	99,401	(163,847)
Total	**1,010,191**	**1,125,829**	**115,638**

11. Trade receivables

Trade receivables amount to €1,325.6 million (31 December 2016: €1,714.8 million), of which €539.2 million (31 December 2016: €713.2 million) from group companies and other related parties.

This item may be analysed as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Third parties	1,001,657	786,357	(215,300)
Unconsolidated group companies and other related parties	713,151	539,196	(173,955)
Total	**1,714,808**	**1,325,553**	**(389,255)**

Trade receivables from third parties may be broken down as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Third parties	1,041,109	963,016	(78,093)
Allowance for impairment	(39,452)	(176,659)	(137,207)
Total	**1,001,657**	**786,357**	**(215,300)**

Trade receivables from third parties of €786.4 million, net of the allowance for impairment (€176.7 million), show a net decrease of €215.3 million. The balance includes amounts due from customers for invoices issued and for work performed and approved by customers but still to be invoiced. The decrease is principally due to the impairment losses recognised on receivables from Venezuelan customers and the reduction in receivables relating to contracts in Ethiopia.

The €127.5 million increase in the allowance for impairment includes impairment losses on receivables from Venezuelan customers. The "Main risk factors and uncertainties" section in the Directors' report and section 3 "Impairment - Venezuela" of these notes provide more information.

Changes during 2016 are shown in the following table:

(€'000)	31 December 2015	Impairment losses	Utilisations	Reversals	Change in scope	Reclass./ Other changes	Net exchange gains	31 December 2016
Trade receivables	20,749	18,743	(812)	-	-	256	40	38,976
Default interest	423	-	-	-	-	14	39	476
Total	**21,172**	**18,743**	**(812)**	**-**	**-**	**270**	**79**	**39,452**

Changes in the allowance for impairment are shown in the following table:

(€'000)	31 December 2016	Impairment losses	Utilisations	Reversals	Change in scope	Reclass./ Other changes	Net exchange gains	31 December 2017
Trade receivables	38,976	127,475	(2,497)	(778)	4,095	4,056	-	171,327
Default interest	476	-	-	(24)	-	4,880	-	5,332
Total	**39,452**	**127,475**	**(2,497)**	**(802)**	**4,095**	**8,936**	**-**	**176,659**

Current trade receivables from group companies and other related parties amount to €539.2 million at the reporting date compared to €713.2 million at 31 December 2016. They mainly refer to commercial transactions.

The following table shows the main group companies to which these receivables refer:

(€'000)	31 December 2016	31 December 2017	Variation
Salini Polska L.t.d.	86,547	78,203	(8,344)
Salini - Impregilo Joint Venture for Mukorsi	67,281	77,953	10,672
Salerno Reggio Calabria	85,933	74,762	(11,171)
Cavtomi consortium	74,197	60,142	(14,055)
Cociv	139,650	54,398	(85,252)
Grupo Unidos por el Canal	38,404	31,776	(6,628)
Rc Scilla	31,561	22,973	(8,588)
E.R. Impregilo/Dumez y Asociados para Yaciretê	15,557	16,013	456
Eurolink	10,419	9,935	(484)
Salini Namibia	15,514	6,374	(9,140)
Metro Blu	10,376	3,328	(7,048)
Pedelombarda	1,577	2,077	500
Lane Group	12,009	1,264	(10,745)
Other	124,126	99,998	(24,128)
Total	**713,151**	**539,196**	**(173,955)**

12. Derivatives and other current financial assets

Other current financial assets amount to €638.3 million compared to €631.6 million at 31 December 2016. This item is broken down as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Current loans - group companies and other related parties	595,030	584,742	(10,288)
Current loans - third parties	36,319	52,696	16,377
Government bonds and insurance shares	232	898	666
Total	**631,581**	**638,336**	**6,755**

Current loans relates to loans given to group companies and other related parties and third parties.

The balance comprises joint current accounts and loans with group companies and other related parties. A complete list of the transactions is given in the annex "Intragroup transactions" at the end of these notes. They are regulated by contracts. The item includes an interest-bearing loan of €4.9 million given to Salini Costruttori, in line with 31 December 2016. The loan given to the OIV Tocoma consortium, the SPE working on a hydroelectric project in Venezuela, amounting to €130.0 million at 31 December 2016, has been reclassified to non-current financial assets. Note 7 provides more information.

The item also includes €52.7 million due from third parties, €29.5 million due from third-party investors in Civil Works and €13.5 million due from the Romanian Ministry of Infrastructure and Transportation related to the surety enforced during the year as a result of the disputes with the customer about the Orastie-Sibiu motorway contract. The company is confident that it will recover this amount, based also on the opinion of its legal advisors assisting it with the disputes. The "Main risk factors and uncertainties" section in the Directors' report provides more information.

The current amount due from Prime System Kz Ltd for the sale of Todini Costruzioni Generali S.p.A decreased to €1.0 million, down by €15.1 million on the prior year end due to regular payments.

13. Current tax assets and other current tax assets

Current tax assets amount to €114.3 million as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Direct taxes	46,373	46,932	559
IRAP	1	487	486
Foreign direct taxes	61,414	66,919	5,505
Total	**107,788**	**114,338**	**6,550**

Direct taxes show the taxes already claimed for reimbursement. The foreign direct taxes mainly relate to Salini Impregilo, the Saudi Arabian branch (€20.7 million) and the US branch (€2.8 million).

The other current tax assets amount to €79.0 million as follows:

(€'000)	31 December 2016	31 December 2017	Variation
VAT	69,927	74,789	4,862
Other indirect taxes	4,022	4,183	161
Total	**73,949**	**78,972**	**5,023**

14. Other current assets

Other current assets of €252.4 million decreased by €13.2 million over the previous year end. The composition of this item and changes during the year are shown below:

(€'000)	31 December 2016	31 December 2017	Variation
Other	106,649	90,443	(16,206)
Advances to suppliers	64,943	60,929	(4,014)
Other - group companies and other related parties	67,340	74,011	6,671
Prepayments and accrued income	26,662	27,045	383
Total	**265,594**	**252,428**	**(13,166)**

"Other" decreased by €16.2 million to €90.4 million, mainly due to the smaller amounts due from some of the company's partners of joint ventures around the world.

This item includes:

- €30.6 million due from the Argentine Republic as compensation for damage following the favourable award previously issued and confirmed by the Buenos Aires Arbitration Tribunal on 24 January 2014. This award settled the proceedings commenced by the shareholders of the investee Aguas del Gran Buenos Aires S.A. in liquidation (operator) against the Argentine Republic. The company expects to collect the compensation in 2018 as a result of the negotiations;
- €39.6 million due from some of the company's partners of joint ventures, mainly for the works for the housing project in South Al Mutlaa (Kuwait).

Advances to suppliers decreased by a net €4.0 million to €60.9 million, mainly due to absorption of advances made in previous years for the contracts in Saudi Arabia and Uganda, partly offset by advances made for the hydroelectric plants in Tajikistan and Georgia.

"Other - group companies and other related parties" increased by €6.7 million to €74.0 million at the reporting date, mainly as a result of the rise in amounts due from the Argentine entity and the US entity engaged in the environmental restoration in the Buenos Aires area and the construction of the Gerald Desmond Bridge, respectively, offset by the decrease in the amount due from the entities operating in Qatar.

Prepayments and accrued income amount to €27.0 million, slightly up on the prior year-end balance, principally relating to the Rogun hydroelectric plant in Tajikistan, offset by the decrease mainly recorded in relation to the Line 3 of the Riyadh metro contract in Saudi Arabia.

They are broken down in the following table:

(€'000)	31 December 2016	31 December 2017	Variation
Accrued income:			
- Other	19	26	7
Total accrued income	**19**	**26**	**7**
Prepayments:			
- Insurance	9,878	13,630	3,752
- Sureties	2,136	1,473	(663)
- Other contract costs	14,629	11,916	(2,713)
Total prepayments	**26,643**	**27,019**	**376**
Total	**26,662**	**27,045**	**383**

15. Cash and cash equivalents

At 31 December 2017, cash and cash equivalents amount to €660.9 million, down by €191.7 million, as shown below:

(€'000)	31 December 2016	31 December 2017	Variation
Cash and cash equivalents	**852,552**	**660,899**	**(191,653)**

The balance includes credit bank account balances at the end of the year and the amounts of cash, cheques and valuables at the registered offices, work sites and foreign subsidiaries. Liquidity management is designed to ensure the financial independence of ongoing contracts, considering the structure of the consortia and SPEs, which may limit the availability of financial resources to achievement of the related projects. Liquidity management also considers the existence of constraints to the transfer of currency imposed by certain countries. The statement of cash flows shows the reason for the increase in the item and changes in current account facilities (note 17).

A breakdown of this item by geographical segment is as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Italy	149,167	25,184	(123,983)
EU (excluding Italy)	36,989	12,814	(24,175)
Non-EU	398	715	317
Asia	28,674	39,076	10,402
Middle East	485,449	307,749	(177,700)
Africa	99,435	215,998	116,563
North America	4,200	5,993	1,793
South America	37,063	32,227	(4,836)
Oceania	11,177	21,143	9,966
Total	**852,552**	**660,899**	**(191,653)**

16. Equity

Equity amounts to €878.9 million at 31 December 2017 compared to €1,007.4 million at the end of 2016. Changes of the year in the different equity items are summarised in the schedule attached to the separate financial statements.

(€'000)	31 December 2016	31 December 2017	Variation
Share capital	544,740	544,740	-
Share premium reserve	120,798	120,798	-
- Legal reserve	103,321	106,551	3,230
- Reserve for treasury shares	(7,677)	(7,677)	-
- Reserve for share capital increase related charges	(3,970)	(3,970)	-
- LTI reserve	4,241	6,344	2,103
- Extraordinary and other reserves	146,813	146,813	-
Total other reserves	242,728	248,061	5,333
- Actuarial reserve	(497)	(352)	145
- Translation reserve	12,681	(3,189)	(15,870)
- Hedging reserve	(2,667)	-	2,667
Total other comprehensive income (expense)	9,517	(3,541)	(13,058)
Retained earnings	25,042	60,075	35,033
Profit (loss) for the year	64,603	(91,188)	(155,791)
Total	**1,007,428**	**878,945**	**(128,483)**

In their meeting held on 27 April 2017, the company's shareholders resolved to allocate the profit for 2016 as follows:

- €3,230,154.26, equal to 5% of the profit for the year, to the legal reserve;
- €25,920,620.64 as a dividend to the holders of ordinary shares, equal to €0.053 per share;
- €420,027.66 as a dividend to the holders of savings shares, equal to €0.26 per share;
- €35,032,282.68 to retained earnings.

Disclosures about the individual items are set out below.

Share capital

At 31 December 2017, the company's fully paid-up share capital amounts to €544,740,000. It comprises 493,788,182 shares, including 492,172,691 ordinary shares and 1,615,491 savings shares, all without a nominal amount.

Savings shares issued pursuant to the law do not carry voting rights, have preference dividend and capital repayment rights and can be bearer shares, subject to the provisions of article 2354.2 of the Italian Civil Code. Upon the shareholder's requests and at their own expense, they can be converted into registered shares and vice versa. Savings shares held by directors, statutory auditors and CEOs are registered. Except when the company's by-laws or relevant legislation provide for otherwise, savings shares give the holders the same rights as those of ordinary shares.

Holders of savings shares do not have the right to attend the company's shareholders' meetings or to request that they are called. The special savings shareholders' meeting is regulated by law. When reserves are distributed, the savings shares have the same rights as ordinary shares.

Upon dissolution of the company, savings shares bear preference rights to capital repayment, up to €5.2 per share. When shares are grouped or split (as well as when capital transactions are carried out and as necessary in order to protect the savings shareholders' rights in the case the shares have a nominal amount), the above fixed amount is adjusted accordingly.

Profit for the year as per the financial statements is allocated as follows:

a) 5% to the legal reserve, up to the legally-required amount;

b) to savings shares, to the extent of 5% of €5.2 per share (i.e., €0.26 per share). If a dividend lower than 5% of €5.2 per share (i.e., €0.26 per share) is paid one year, the difference is taken as an increase in the preferred dividend of the following two years;

c) the residual amount, to all shareholders in such a way as to allocate to savings shares a total dividend which is 2% of €5.2 per share (i.e., €0.104 per share) greater than that distributed to ordinary shares, except when the shareholders decide to allocate an amount to the extraordinary reserves or for other uses.

Details on the possible use of equity items and uses in prior years are summarised below:

(€'000)	Amount	Possible use (A, B, C)	Available portion	Summary of use in the previous three years: To cover losses	Summary of use in the previous three years: Other
Share capital	**544,740**				
Equity-related reserves:					
Share premium reserve	120,798	A, B	120,798		
Other reserves:					
Legal reserve	106,551	B	106,551		
Reserve for treasury shares	(7,677)				
Share capital increase related charges	(3,970)				
Unavailable actuarial reserve	(352)				
Unavailable LTI reserve	6,344				
Translation reserve	(3,189)				
Negative goodwill	146,813	A, B, C	146,813		
Total other reserves	**244,520**				
Retained earnings	**60,075**	**A, B, C**	**60,075**		
Total	**970,133**		**434,237**		
Non-distributable portion			**255,862**		
Residual distributable portion			**178,374**		

A: capital increase
B: to cover losses
C: dividends

The share premium reserve cannot be distributed until the legal reserve reaches 20% of the share capital.

Other reserves

This item is broken down as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Legal reserve	103,321	106,551	3,230
Negative goodwill	146,813	146,813	-
Reserve for treasury shares	(7,677)	(7,677)	-
LTI reserve	4,241	6,344	2,103
Reserve for share capital increase related charges	(3,970)	(3,970)	-
Total other reserves	**242,728**	**248,061**	**5,333**

Legal reserve

This reserve underwent the following changes:

(€'000)	
31 December 2015	101,534
Allocation of profit	1,787
31 December 2016	**103,321**

(€'000)	
31 December 2016	103,321
Allocation of profit	3,230
31 December 2017	**106,551**

Reserve for treasury shares

The reserve for treasury shares is unchanged from 31 December 2016. The company launched the repurchase programme on 6 October 2014 and has bought back 3,104,377 shares for €7,676,914.46.

LTI reserve

The LTI (Long Term Incentive Plan) reserve shows the fair value of €6.3 million of this plan introduced in 2015. The section on the accounting policies describes how the reserve is treated.

The following table provides a breakdown of this reserve:

(€)	No. of shares	Amount	Start date	End date	Average price	Fair value
Chief executive officer	569,573	2,198,552	17/12/2015	30/4/2018	3.86	1,552,711
Key management personnel	812,414	3,142,417	22/12/2015	30/4/2018	3.87	2,217,231
Other managers	947,278	3,664,071	22/12/2015	30/4/2018	3.87	2,574,032
Total	**2,329,265**	**9,005,040**				**6,343,974**

Other comprehensive income (expense)

The main variation in other comprehensive income (expense) items relates to the translation reserve as shown below.

(€'000)	
31 December 2015	(788)
Merger	902
Increase	12,567
Total changes	13,469
31 December 2016	**12,681**

(€'000)	
31 December 2016	12,681
Decrease	(15,870)
Total changes	(15,870)
31 December 2017	**(3,189)**

Changes in the actuarialreserve, which includes the actuarial gains and losses as required by IAS 19, are as follows:

(€'000)	
31 December 2015	(353)
Net actuarial losses recognised in OCI	(144)
31 December 2016	**(497)**

(€'000)	
31 December 2016	(497)
Net actuarial gains recognised in OCI	145
31 December 2017	**(352)**

The hedging reserve underwent the following changes:

(€'000)	
31 December 2015	(10,685)
Reclassification of fair value gains/losses on settled transactions to profit or loss	36
Net fair value losses	(1,939)
Net exchange gains and other changes	9,921
31 December 2016	**(2,667)**

(€'000)	
31 December 2016	(2,667)
Reclassification of fair value gains/losses on settled transactions to profit or loss	(95)
Net fair value gains	2,762
Exchange differences and other changes	-
31 December 2017	**-**

17. Bank and other loans, current portion of bank loans and current account facilities

Bank and other loans and borrowings and factoring liabilities decreased by €670.0 million to €692.9 million at the reporting date.

(€'000)	31 December 2016	31 December 2017	Variation
Bank and other loans and borrowings	756,981	381,855	(375,126)
Current account facilities and other loans	605,879	311,029	(294,850)
Total	**1,362,860**	**692,884**	**(669,976)**

The company's financial indebtedness is broken down by loan type in the following table:

(€'000)	31 December 2016			31 December 2017		
	Non-current	Current	Total	Non-current	Current	Total
Bank corporate loans	753,740	45,031	798,771	380,489	41,997	422,486
Bank construction loans	11	1,081	1,092	-	20,755	20,755
Other financing	2,882	7,108	9,990	1,304	50,112	51,416
Current account facilities	-	1,230	1,230	-	8,869	8,869
Loans and borrowings - group companies	-	485,342	485,342	-	184,654	184,654
Factoring liabilities for receivables factored with recourse	348	66,087	66,435	62	4,642	4,704
Total	**756,981**	**605,879**	**1,362,860**	**381,855**	**311,029**	**692,884**

Bank loans

They are broken down in the following table:

(€'000)		Country	31 December 2016 Total loans	Current	Non-current	31 December 2017 Total loans	Current	Non-current
Banca IMI	Head office	Italy	101,921	10,291	91,630	167,477	20,531	146,946
Banca Popolare di Milan	Head office	Italy	49,873	9,528	40,344	80,340	14,758	65,582
Monte dei Paschi	Head office	Italy	119,797	255	119,542	49,995	27	49,968
BBVA	Head office	Italy	-	-	-	49,926	103	49,823
Banca Popolare di Bergamo	Head office	Italy	40,216	313	39,904	40,528	578	39,950
Banca del Mezzogiorno	Head office	Italy	10,576	10,576	-	24,124	5,904	18,220
Banco do Brasil	Head office	Italy	-	-	-	10,001	1	10,000
Banca Popolare di Lodi	Head office	Italy	20	20	-	66	66	-
BPER	Head office	Italy	38,052	13,052	25,000	29	29	-
Banca IMI Refinancing (Facility B)	Head office	Italy	163,213	573	162,640	-	-	-
Banca IMI (€150 million)	Head office	Italy	148,882	414	148,467	-	-	-
Banca IMI Refinancing (Facility A)	Head office	Italy	126,222	9	126,212	-	-	-
Total bank corporate loans			**798,771**	**45,031**	**753,740**	**422,486**	**41,997**	**380,489**
Various banks	Romanian branch	Romania	127	127	-	20,755	20,755	-
Various banks	Venezuelan branch	Venezuela	964	953	11	-	-	-
Total bank construction loans			**1,092**	**1,081**	**11**	**20,755**	**20,755**	**-**

Bank corporate loans amount to €422.5 million at the reporting date (31 December 2016: €798.8 million). They have been granted by major banks and have repayment plans which provide for payment of the last instalments in 2022.

During the year, the company obtained loans from:

- Banca IMI (€80.0 million);
- BBVA (€50.0 million);
- BPM (€40.0 million);
- Banca del Mezzogiorno (€30.0 million);
- Banco do Brasil (€10.0 million).

It also repaid the following loans:

- Facility A and Facility B to Banca IMI; they amounted to €126.2 million and €163.2 million at 31 December 2016;
- the loan from Banca del Mezzogiorno which amounted to €10.6 million at 31 December 2016;
- the loan from BPER which amounted to €37.7 million at 31 December 2016;
- the loan from MPS which amounted to €69.8 million at 31 December 2016;
- the loan from Banca IMI which amounted to €148.9 million at 31 December 2016.

The agreement and repayment of loans were part of the Group's long-term corporate debt refinancing transaction of more than €1 billion, after which it placed new bonds for €500 million on the Irish Stock Exchange in Dublin for redemption on 26 October 2024. More information about the bond issues is available in note 18.

The main conditions of the bank loans in place at 31 December 2017 are as follows:

(€'000)		Interest rate	Expiry date	Note
Banca IMI - Term Facility Loan	Salini Impregilo	Euribor	2022	(1)
Monte dei Paschi di Siena	Salini Impregilo	Fixed	2019	(1)
Banca Popolare di Bergamo	Salini Impregilo	Fixed	2019	(1)
Banca Popolare di Milan (€50 million)	Salini Impregilo	Euribor	2021	(1)
Banca Popolare di Milan	Salini Impregilo	Euribor	2022	(1)
Banca IMI (€102 million)	Salini Impregilo	Euribor	2021	(1)
Banca del Mezzogiorno	Salini Impregilo	Euribor	2021	(1)
BBVA	Salini Impregilo	Fixed	2020	(1)
Banco do Brasil	Salini Impregilo	Fixed	2020	

(1) The loans are backed by covenants that establish the requirement for the borrower to maintain certain financial and equity ratios, which at the date of this Annual Report are fully respected.

The non-current portion of the above loans will be repaid at its contractual maturity, based on the following time bands:

(€'000)		Country	Total non-current portion	Due after 13 months but within 24 months	Due after 25 months but within 60 months	Due after 60 months
Banca IMI	Salini Impregilo	Italy	146,946	20,263	126,683	-
Banca Popolare di Milan	Salini Impregilo	Italy	65,582	19,981	45,601	-
Monte dei Paschi	Salini Impregilo	Italy	49,968	49,968	-	-
BBVA	Salini Impregilo	Italy	49,823	-	49,823	-
Banca Popolare di Bergamo	Salini Impregilo	Italy	39,950	39,950	-	-
Banca del Mezzogiorno	Salini Impregilo	Italy	18,220	5,994	12,226	-
Banco do Brasil	Salini Impregilo	Italy	10,000	-	10,000	-
Total bank corporate loans			**380,489**	**136,156**	**244,333**	**-**

The fair value of the bank corporate loans, measured as set out in the "Accounting policies" section, is €428.0 million.

Current account facilities

Current account facilities increased by €7.6 million to €8.9 million at the reporting date and mainly refer to the head office.

Other financing

Other financing at 31 December 2017 totals €51.4 million, €44.3 million of which payable to partners for Civil Works projects and €2.9 million to Caterpillar Financial for the purchase of plant and machinery for the foreign branches. The fair value of this liability, measured as set out in the "Accounting policies" section, is €51.4 million.

Factoring liabilities

Factoring liabilities amount to €4.7 million at the reporting date and refer to the factoring of receivables by foreign branches.

Net financial indebtedness

(€'000)	Note (*)	31 December 2016	31 December 2017	Variation
Non-current financial assets	7	19,800	80,490	60,690
Current financial assets	12	631,581	638,336	6,755
Cash and cash equivalents	15	852,552	660,899	(191,653)
Total cash and cash equivalents and other financial assets		**1,503,933**	**1,379,725**	**(124,208)**
Bank and other loans and borrowings	17	(756,981)	(381,855)	375,126
Bonds	18	(868,115)	(1,084,426)	(216,311)
Finance lease liabilities	19	(47,237)	(28,923)	18,314
Total non-current indebtedness		**(1,672,333)**	**(1,495,204)**	**177,129**
Current portion of bank loans and borrowings and current account facilities	17	(605,879)	(311,029)	294,850
Current portion of bonds	18	(18,931)	(302,935)	(284,004)
Current portion of finance lease liabilities	19	(30,414)	(22,454)	7,960
Total current indebtedness		**(655,224)**	**(636,418)**	**18,806**
Derivative liabilities	20	(2,751)	(1,481)	1,270
Net financial position with unconsolidated SPEs (**)		(5,345)	(18,618)	(13,273)
Total other financial liabilities		**(8,096)**	**(20,099)**	**(12,003)**
Net financial indebtedness including discontinued operations		**(831,720)**	**(771,996)**	**59,724**

(*) The note numbers refer to the notes to the separate financial statements where the items are analysed in detail.
(**) These items show the company's net amounts due from/to consortia and/or consortium companies (SPEs) not controlled by any one entity and operating under a cost recharging system. The balance reflects the company's share of cash and cash equivalents or debt of the SPEs. The items making up these balances are presented under trade receivables and trade payables, respectively, in the separate financial statements.

At 31 December 2017, the company has net financial indebtedness of €772.0 million compared to €831.7 million at the end of the previous year.

The decrease is mainly due to the reduction in net financial indebtedness following the company's debt restructuring undertaken during the year, partly offset by the decrease in cash and cash equivalents due to the exchange difference effect on foreign currency items.

18. Bonds

The outstanding bond issues at 31 December 2017 amount to €1,387.4 million. They are analysed in the following table:

(€'000)	31 December 2016	31 December 2017	Variation
Non-current portion	868,115	1,084,426	216,311
Current portion	18,931	302,935	284,004
Total	**887,046**	**1,387,361**	**500,315**

(€'000)		31 December 2016			31 December 2017		
	Expiry date	Nominal amount	Non-current portion (net of related charges)	Current portion (accrued interest)	Nominal amount	Non-current portion (net of related charges)	Current portion (accrued interest)
Salini TF 6.125% AG16 CALL EUR	1 August 2018	283,026	281,385	7,219	283,026	-	289,640
Salini TF 3.75% GIU21 CALL EUR	24 June 2021	600,000	586,730	11,712	600,000	589,690	11,713
Salini TF 1.75% OT24 CALL EUR	26 October 2024	-	-	-	500,000	494,736	1,582
Total		**883,026**	**868,115**	**18,931**	**1,383,026**	**1,084,426**	**302,935**

On 23 July 2013, Salini S.p.A. (now part of Salini Impregilo S.p.A.) issued senior unsecured bonds for a nominal amount of €400 million to be redeemed on 1 August 2018, intended for international institutional investors. The bonds, which have a minimum denomination of €100,000 and an annual gross coupon of 6.125%, were placed with primary international institutional investors at a price of €99.477. The issue is secured by covenants that establish the requirement for the borrower to maintain certain financial and equity ratios which, at the date of this Annual Report, are fully respected.

On 24 June 2016, the company announced the placement of bonds with a nominal amount of €428.3 million reserved for institutional investors. They have a fixed rate coupon of 3.75%. The bonds are listed on the Irish Stock Exchange in Dublin with a redemption date of 24 June 2021. Part of the bonds, with a nominal amount of €128.3 million, was assigned to the holders of the senior unsecured bonds that adhered to the company's offer. The exchange ratio applied to the existing bonds was 109.75%. After the exchange, the outstanding senior unsecured bonds amounted to €283 million. The company used the proceeds of €300 million from the new issue, not used for the bond exchange, to repay part of the bridge financing taken out to acquire Lane Group. The company assessed the continuity of the previous bonds (exchanged) with the bonds placed on 24 June 2016.
On 11 July 2016, it placed more bonds with institutional investors for a total nominal amount of roughly €172 million. The new bonds are part of a single series with the previous €428 million issued on 24 June 2016 and redeemable on 24 June 2021, bringing the total bond issue to €600 million. The transaction has strengthened the company's debt profile, extended its average debt repayment dates by more than one year and increased its fixed rate debt component.

In the second half of 2017, the company announced it will issue bonds for €500 million with a fixed rate coupon of 1.75% reserved for qualified investors, excluding their placement in the US and other selected countries. It listed the bonds on the Irish Stock Exchange for redemption on 26 October 2024. Their issue was part of the long-term corporate debt refinancing transaction of more than €1 billion.

The bonds issued in 2016 and 2017 are backed by covenants that require the company to maintain certain financial and equity ratios, which at the date of this Annual Report are fully respected.

The fair value of the bonds at the reporting date, measured as set out in the "Accounting policies" section, is €1,399.2 million.

19. Finance lease liabilities

Finance lease liabilities may be broken down as follows at 31 December 2017:

(€'000)	31 December 2016	31 December 2017	Variation
Non-current portion	47,237	28,923	(18,314)
Current portion	30,414	22,454	(7,960)
Total	**77,651**	**51,377**	**(26,274)**

This item includes the principal of minimum lease payments at the reporting date. Liabilities for these leases are guaranteed to the lessor via rights to the leased assets.

The present value of the minimum future lease payments is €51.4 million (31 December 2016: €77.7 million) as follows:

(€'000)	31 December 2016	31 December 2017
Minimum lease payments:		
Due within one year	32,324	23,359
Due between one and five years	48,563	29,629
Total	**80,887**	**52,988**
Future interest expense	(3,236)	(1,610)
Net present value	**77,651**	**51,378**
The net present value is as follows:		
Due within one year	30,414	22,454
Due between one and five years	47,237	28,924
Total	**77,651**	**51,378**

The company's future commitments for non-cancellable operating leases are as follows:

Estimated commitments for future non-cancellable lease payments (€m) - December 2017

Within 1 year	Between 1 and 5 years	Due after 5 years	Total
24	30	16	70

The above figures do not reflect the impact that adoption of IFRS 16 from 1 January 2019 could have.

20. Derivatives and other current financial liabilities

Derivative liabilities amount to €1.5 million at the reporting date and include the reporting-date fair value of the currency and interest rate hedges. They may be broken down as follows:

(€'000)	31 December 2016	31 December 2017
	Liabilities	Liabilities
Interest rate swaps - Cash flow hedges	2,667	-
Forward currency purchases and sales - FVTPL	84	1,481
Total derivatives presented in net financial indebtedness	**2,751**	**1,481**

Forward currency purchases and sales - FVTPL

	Agreement date	Expiry date	Currency	Notional amount	Fair value (€'000)
Salini Impregilo S.p.A.	20/12/2017	20/03/2018	USD	17,000,000	(211)
Salini Impregilo S.p.A.	20/12/2017	20/03/2018	USD	20,000,000	(249)
Salini Impregilo S.p.A.	06/12/2017	06/03/2018	USD	20,000,000	(164)
Salini Impregilo S.p.A.	06/12/2017	06/03/2018	USD	20,000,000	(164)
Salini Impregilo S.p.A.	28/11/2017	31/01/2018	USD	20,000,000	(109)
Salini Impregilo S.p.A.	21/11/2017	26/02/2018	USD	20,000,000	(345)
Salini Impregilo S.p.A.	22/12/2017	22/01/2018	USD	23,000,000	(167)
Salini Impregilo S.p.A.	22/12/2017	31/01/2018	USD	10,000,000	(73)
Total					**(1,481)**

Foreign currency purchases and sales include derivatives that have been entered into to hedge the company against currency risks but that do not meet hedge accounting requirements for cash flow hedges.

21. Post-employment benefits and employee benefits

At 31 December 2017, the company's liability due to all its employees determined using the criteria set out in IAS 19 is €11.4 million.

The balance mainly consists of the Italian post-employment benefits (TFR).

At 31 December 2017 and 2016, the liability for post-employment benefits is the outstanding amount at the reform effective date, net of benefits paid up to the reporting dates. The liability is considered part of a defined benefit plan under IAS 19 and has, therefore, been subjected to actuarial valuation. The valuation, performed with the assistance of an independent expert, was based on the following rates:

- turnover rate: 7.25%;
- advance payment rate: 3%;
- inflation rate: 1.5%.

The company has used the Iboxx AA Corporate index for the Eurozone, which has an average financial duration in line with the fund being valued, to calculate the discount rate.

Changes in the item are as follows:

(€'000)	31 December 2015	Accruals	Payments	Contributions paid to INPS treasury and other funds	Net actuarial losses	Other changes and change in scope	31 December 2016
Post-employment benefits and employee benefits	**12,090**	6,404	(5,808)	(2,972)	144	2,944	**12,802**

(€'000)	31 December 2016	Accruals	Payments	Contributions paid to INPS treasury and other funds	Net actuarial gains	Other changes and change in scope	31 December 2017
Post-employment benefits and employee benefits	**12,802**	7,873	(8,022)	(2,155)	(146)	1,080	**11,432**

The net decrease in post-employment benefits in 2017 is due to both payments made during the year and contributions transferred to the INPS treasury and other funds, as well as the accrual for the year and the actuarial gains and losses recognised in the specific equity reserve, as required by IAS 19. Other changes are mainly due to exchange differences.

An increase or decrease of 0.25% in the discount rate used to calculate the liability at 31 December 2017 would have had a negative or positive effect of around €39 thousand or approximately €40 thousand, respectively. A similar increase or decrease at 31 December 2016 would have had a negative or positive effect of approximately €58 thousand, respectively.

22. Provisions for risks

At 31 December 2017, these provisions amount to €58.9 million.

(€'000)	31 December 2016	31 December 2017	Variation
Provisions for risks on equity investments	57,863	45,780	(12,083)
Other provisions	14,213	13,122	(1,091)
Total	**72,076**	**58,902**	**(13,174)**

Prior year changes are given below for comparative purposes:

(€'000)	31 December 2015	Accruals	Utilisations	Change n scope	Other changes	31 December 2016
Provisions for risks on equity investments	17,993	83,223	(19,735)	-	(23,618)	57,863
Other provisions	11,891	3,485	(1,173)	(164)	174	14,213
Total	**29,884**	**86,708**	**(20,908)**	**(164)**	**(23,444)**	**72,076**

Changes of the year are as follows:

(€'000)	31 December 2016	Accruals	Utilisations	Change in scope	Other changes	31 December 2017
Provisions for risks on equity investments	57,863	19,690	(16,938)	1,285	(16,120)	45,780
Other provisions	14,213	1,338	(1,732)	199	(895)	13,122
Total	**72,076**	**21,028**	**(18,670)**	**1,484**	**(17,015)**	**58,902**

The main changes in the provision for risks on equity investments are detailed below:

(€'000)	31 December 2016	31 December 2017	Variation
Mergers	-	(1,285)	(1,285)
Acquisitions (Disinvestments and liquidations)	2,409	241	(2,168)
Capital transactions	17,548	16,938	(610)
Reversals of impairment losses	-	4,279	4,279
Impairment losses	(83,223)	(19,690)	63,533
Reclassifications	23,396	11,600	(11,796)
Total	**(39,870)**	**12,083**	**51,953**

Specifically and as disclosed in note 6 (to which reference should be made), the provision for risks on equity investments includes the impairment losses on investments in certain SPEs for the part that exceeds their carrying amounts. Changes are due to:

- capital transactions of €16.9 million, mainly related to Salini Australia Pty Ltd (€12.0 million);
- impairment losses of €19.7 million, mostly related to Salini Polska L.t.d. Liability Co (€6.5 million) and Constructora Ariguani Sas (€5.2 million).

The €1.1 million decrease in other provisions is mostly a result of:

(i) accruals of €1.3 million for legal and labour disputes;

(ii) utilisations/releases of €1.7 million, as the events for which the accruals were made took place;

(iii) the change in the scope due to the merger of SGF INC during the year.

Other provisions include the following:

(€'000)	31 December 2016	31 December 2017	Variation
Ongoing litigation	9,479	9,642	163
Building segment litigation	795	795	-
Tax and social security litigation	1,500	1,500	-
Other	2,439	1,185	(1,254)
Total	**14,213**	**13,122**	**(1,091)**

The provision for ongoing litigation mainly relates to foreign contracts completed in previous years.

The provision for building segment litigation was originally set up by Impregilo Edilizia e Servizi, merged into Salini Impregilo S.p.A. (then Impregilo S.p.A.) in previous years.

More information about the main disputes is available in the "Main risk factors and uncertainties" section in the Directors' report.

23. Progress payments and advances on contract work in progress

This item, included in "Current liabilities" amounts to €1,444.5 million, up €197.9 million on the figure at 31 December 2016. It comprises:

(€'000)	31 December 2016	31 December 2017	Variation
Contract work in progress	(632,314)	(1,954,513)	(1,322,199)
Progress payments and advances received (on approved work)	1,017,533	2,379,830	1,362,297
Negative work in progress	**385,219**	**425,317**	**40,098**
Contractual advances	861,329	1,019,164	157,835
Total	**1,246,548**	**1,444,481**	**197,933**

Contract work in progress recognised under liabilities (negative WIP) of €425.3 million is the negative net balance, for each contract, of work performed to date, the provision for contractual risks and progress billings and advances. The main change refers to Line 3 of the Riyadh metro in Saudi Arabia.

Contractual advances received include the amounts paid by customers as per the related contract and recovered over the contract term.

The following table shows the contribution by key contract:

(€'000)	31 December 2016			31 December 2017			
	Negative WIP	Advances	Total	Negative WIP	Advances	Total	Variation
Koysha	318,893	85,246	404,139	305,261	194,308	499,569	95,430
Riyadh metro, Saudi Arabia	-	265,384	265,384	62,185	137,767	199,952	(65,432)
GERD Mill. Hydro Elect. Project	-	181,528	181,528	-	118,351	118,351	(63,177)
Tagikistan branch	-	92,478	92,478	-	266,573	266,573	174,095
Head office	-	86,606	86,606	-	139,878	139,878	53,272
Gibe III Hydroelectric Project	-	50,000	50,000	-	50,000	50,000	-
Al Mutlaa, Kuwaiti branch	-	49,157	49,157	-	38,476	38,476	(10,681)
M2 Lima, Peru	33,435	-	33,435	39,725	-	39,725	6,290
Georgian branch	-	15,979	15,979	-	17,260	17,260	1,281
Other	32,891	34,951	67,842	18,146	56,551	74,697	6,855
Total	**385,219**	**861,329**	**1,246,548**	**425,317**	**1,019,164**	**1,444,481**	**197,933**

The item shows a total increase of €197.9 million over 31 December 2016.

The most significant contracts contributing to the negative WIP are those for the Koysha dam in Ethiopia, the Riyadh metro Line 3 in Saudi Arabia, Lima M2 in Peru and the Brenner twin railway tunnels between Tulfes and Innsbruck in Austria.

The most significant contractual advances at the reporting date related to the Rogun dam in Tajikistan (€266.6 million) the Koysha dam in Ethiopia (€194.3 million), the Riyadh Metro Line 3 in Saudia Arabia (€137.8 million), the Grand Ethiopian Renaissance Dam (Gerd) in Ethiopia (€118.3 million) and the head office (mostly for the COCIV contract and IRICAV).

The Directors' report provides more information about the performance of these contracts and their progress.

The following table shows the contribution by geographical segment of negative WIP and contractual advances:

(€'000)	31 December 2016	31 December 2017	Variation
Italy	108,045	141,078	33,033
EU (excluding Italy)	23,228	28,968	5,740
Non-EU	15,979	17,260	1,281
Asia	92,478	266,573	174,095
Middle East	316,574	266,918	(49,656)
Africa	653,664	681,100	27,436
South America	36,580	42,584	6,004
Total	**1,246,548**	**1,444,481**	**197,933**

24. Trade payables

Trade payables amount to €1,217.6 million (31 December 2016: €1,415.8 million) and include payables of €549.1 million (down €130.2 million on 31 December 2016) to group companies and other related parties.
The decrease of €198.2 million in this item is analysed in the following table:

(€'000)	31 December 2016	31 December 2017	Variation
Third parties	736,556	668,526	(68,030)
Group companies and other related parties	679,244	549,072	(130,172)
Total	**1,415,800**	**1,217,598**	**(198,202)**

The €198.2 million reduction is principally the sum of:

- an decrease of €143.9 million, mainly related to the Gibe III and Koysha projects (Ethiopian branch);
- a decrease of €43.7 million for the Riyadh Metro Line 3 project in Saudi Arabia.

Trade payables to group companies and other related parties decreased by €130.2 million to €549.1 million.

The most significant variations are due to:

- a decrease of €110.1 million in the payable to COCIV, due to offsetting with trade receivables and new invoices issued during the year;
- a decrease of €11.9 million in the payable to Metro B1, as a result of payments.

25. Current tax liabilities and other current tax liabilities

Current tax liabilities amount to €72.8 million as follows:

(€'000)	31 December 2016	31 December 2017	Variation
IRES	259	127	(132)
IRAP	1,661	1,191	(470)
Foreign taxes	70,252	71,519	1,267
Total	**72,172**	**72,837**	**665**

Other current tax liabilities of €19.3 million increased by €3.9 million over 31 December 2016. They may be analysed as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Withholdings	-	1,051	1,051
VAT	2,842	7,870	5,028
Other indirect taxes	12,554	10,334	(2,220)
Total	**15,396**	**19,255**	**3,859**

26. Other current liabilities

Other current liabilities of €103.9 million (31 December 2016: €132.1 million) decreased by €28.2 million. The composition of this item and changes during the year are shown below:

(€'000)	31 December 2016	31 December 2017	Variation
Employees	40,958	38,980	(1,978)
Social security institutions	7,915	7,411	(504)
Group companies and other related parties	29,970	25,739	(4,231)
Other	39,067	24,811	(14,256)
Accrued expenses and deferred income	14,156	6,941	(7,215)
Total	**132,066**	**103,882**	**(28,184)**

These liabilities include:

- accrued amounts due to social security institutions and employees, amounting to €7.4 million and €39.0 million respectively for unpaid accrued remuneration. The decrease mainly relates to the payment of the remuneration and a reduction in the workforce for contracts that are nearing completion;
- liabilities with group companies and related parties of €25.7 million, which decreased by €4.2 million, mainly as a result of the reduction in the liability to the investee Metro B engaged in the construction of the Rome metro, offset by the increase in liabilities with joint venturers in Argentina and Venezuela;
- "Other" of €24.8 million (31 December 2016: €39.1 million); the €14.3 million decrease is mainly due to the settlement of liabilities with the company's partners of the joint venture set up to build the hydroelectric power plant in South Africa (€8.2 million) following the normal continuation of activities and other liabilities related to the head office;
- accrued expenses and deferred income of €6.9 million, as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Accrued expenses:			
- Other	5,879	1,590	(4,289)
Total accrued expenses	**5,879**	**1,590**	**(4,289)**
Deferred income:			
- Provision of services	8,277	5,351	(2,926)
Total deferred income	**8,277**	**5,351**	**(2,926)**
Total	**14,156**	**6,941**	**(7,215)**

Accrued expenses and deferred income mostly consist of portions of costs not yet paid for contract work in progress. The €7.2 million decrease is principally attributable to the Salerno - Reggio Calabria project and the hydroelectric project in Namibia.

27. Guarantees, commitments, risks and contingent liabilities

Guarantees and commitments

The key guarantees given by the company are set out below:

- contractual sureties: these total €7,449.3 million and are given to customers as performance bonds, to guarantee advances, withholdings and involvement in tenders for all ongoing contracts. In turn, the company has guarantees given by its subcontractors;
- sureties for credit: they amount to €771.2 million and relate to subsidiaries (€454.4 million), associates (€247.0 million) and other group companies (€15.3 million). The residual amount of €54.5 million relates to sureties granted on behalf of Salini Impregilo;
- sureties granted for export credit: €157.2 million;
- other personal guarantees: they amount to €45.9 million and comprise guarantees related to customs and tax obligations and other commitments (€1,385.8 million);
- collateral related to a lien on the remaining shares of the SPE M4 (€4.8 million).

Litigation and contingent liabilities

The company is involved in civil and administrative proceedings that are not expected to have a significant negative effect on its separate financial statements, based on the information currently available and the existing provisions for risks. The “Main risk factors and uncertainties” section in the Directors’ report provides information about the main disputes.

Tax disputes

With respect to the principal dispute with the tax authorities:

- as described in detail in previous reports, the dispute about the assessment notice challenging the tax treatment of impairment losses and losses on the sale of assets recognised by the company in 2003 is currently before the Supreme Court, following the tax authorities' appeal. The main issue about the sale by Impregilo S.p.A. of its investment in the Chilean operator Costanera Norte SA to Impregilo International Infrastructures NV was cancelled by the Milan Regional Tax Commission on 11 September 2009 (higher assessed tax base of €70 million);
- the company's appeal about reimbursement of tax assets with a nominal amount of €12.3 million acquired from third parties as part of previous non-recurring transactions is still pending before the Supreme Court;
- a dispute related to 2005 about the technique used to "realign" the carrying amount of equity investments as per article 128 of Presidential decree no. 917/86 (greater assessed tax base of €4.2 million) is still pending before the first level court;
- with respect to another dispute again related to 2005 and the costs of a joint venture set up in Venezuela for which the greater assessed tax base is €6.6 million, the Regional Tax Commission filed its ruling entirely in the company's favour on 19 May 2015; the tax authorities appealed to the Supreme Court on 28 December 2015 challenging the procedure while stating that the findings do not relate to the appeal. The company has filed its defence brief;
- the company was notified of: (i) a payment order from the tax authorities for Icelandic taxes of €4.6 million, which was cancelled after the first and second level sentences in its favour; the tax authorities appealed to the Supreme Court on 11 May 2017 and the company presented its defence brief, and (ii) a payment bill for the same taxes which the company appealed. It won again both at first and second level. On 18 January 2016, the tax authorities presented their appeal to the Supreme Court and the company filed its defence brief;

- as already commented on in previous reports, on 29 December 2016, the company received two assessment reports for IRES and IRAP purposes covering 2011 and alleging unpaid IRES taxes of €21.2 million and IRAP taxes of €2.9 million. Both these reports were based on a preliminary assessment report issued by the tax police and notified to the company on 27 September 2016. They refer to: (i) for a minimum part, the alleged applicability of the "transfer price" regulations to sureties given free of charge on behalf of foreign subsidiaries, for which the tax police asserted that the normal commission income would have been €0.7 million; (ii) the non-deductibility of costs of €36.4 million incurred to purchase goods and services to perform works for the Abu Dhabi and Panama contracts, both of which countries have a preferential tax regime, due to the alleged insufficient evidence that the suppliers carried out commercial activities in those countries and that the related purchases were in Salini Impregilo's effective interest. During the mutually-agreed settlement procedure, the tax authorities revised their position and, after the discussions, the related agreements were signed on 5 June 2017 settling the dispute with payment of €300 thousand by the company. Moreover, the Milan unit of the tax police completed its tax audit of the IRES, IRAP and VAT paid in 2012 on 27 March 2017 and the inspectors reported the same findings as 2011. The tax authorities again firstly sent a questionnaire followed by assessment notices for IRES and IRAP audits, which did not include all the assessments proposed by the inspectors. The company did not challenge the notices and paid the related amount (€300 thousand);
- on 12 December 2017, the company received an adjustment notice from the tax authorities requesting payment of registration tax of approximately €1.3 million in addition to a fine of the same amount on the sale of a business unit to Imprepar (which also received an identical adjustment notice). This business unit had no future profits and held investments in consortium companies in liquidation or inactive and the related assets and liabilities related to contracts that have been completed or are nearing completion due to Imprepar's know how in managing this type of business.

The company deems that the tax authorities' allegations are ungrounded and has promptly appealed against the notices to the competent tax commission.

With respect to the above pending disputes, after consulting its legal advisors, the company believes that it has acted correctly and deems that the risk of an adverse ruling is not probable.

After the tax audit into 2011, 2012 and 2013 for the Ethiopian branch, the inspectors reported findings about the measurement of revenue from contract work in progress and the deduction of some costs. During the audit, the branch negotiated a significant decrease in these findings and the settlement of the findings for all three years.

Icelandic branch

With respect to the completed contract for the construction of a hydroelectric plant in Karanjukar (Iceland), a dispute arose with the Icelandic tax authorities in 2004 about the party required to act as the withholding agent for the remuneration of foreign temporary workers at the building site. Salini Impregilo was firstly wrongly held responsible for the payment of the withholdings on this remuneration, which it therefore paid. Following the definitive ruling of the first level court, the company's claims were fully satisfied. Nevertheless, the local authorities subsequently commenced a new proceeding for exactly the same issue. The Supreme Court rejected the company's claims in its ruling handed down in February 2010, which is blatantly contrary to the previous ruling issued in 2007 on the same matter by the same judiciary authority.

The company had expected to be refunded the unduly paid withholdings of €6.9 million (at the original exchange rate). After the last ruling, the company took legal action at international level (appeal presented to the EFTA Surveillance Authority on 22 June 2010) and, as far as possible, again at local level as it deems that the last ruling issued by the Icelandic Supreme Court is unlawful both in respect of local legislative and international agreements regulating trade relations between the EFTA countries and international conventions which do not allow application of discriminatory treatments to foreign parties (individuals and companies) working in other EFTA countries.

On 8 February 2012, the EFTA Surveillance Authority sent the Icelandic government a communication notifying the infraction of the free exchange of services and requested the government to provide its observations about this. In April 2013, the EFTA Surveillance Authority issued its documented opinion finding the Icelandic legislation to be inconsistent with the regulations covering trade relations between the member countries with respect to the regulations for the above dispute. It asked that Iceland take steps to comply with these regulations.

28. Financial instruments and risk management

Classes of financial instruments

The company's financial instruments are broken down by class in the following table, which also shows their fair value:

(€'000) **31 December 2016**	Note	Loans and receivables	Financial assets at fair value through profit or loss	Hedging derivatives	Held-to-maturity investments	Available-for-sale financial assets	Total	Fair value
Financial assets								
Non-current financial assets	7	3,952			15,848		19,800	19,800
Trade receivables	11	1,714,808			-		1,714,808	1,714,808
Other current financial assets	12	631,349			232		631,581	631,581
Cash and cash equivalents	15	852,552			-		852,552	852,552
Total		**3,202,661**			**16,080**		**3,218,741**	**3,218,741**

(€'000) **31 December 2016**	Note	Other liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging derivatives	Total	Fair value
Financial liabilities						
Bank and other loans and borrowings	17	1,362,860			1,362,860	1,385,411
Bonds	18	887,046			887,046	947,314
Finance lease liabilities	19	77,651			77,651	77,651
Derivatives	20	2,751			2,751	2,751
Trade payables	24	1,415,800			1,415,800	1,415,800
Total		**3,746,108**			**3,746,108**	**3,828,927**

(€'000) **31 December 2017**	Note	Loans and receivables	Financial assets at fair value through profit or loss	Hedging derivatives	Held-to-maturity investments	Available-for-sale financial assets	Total	Fair value
Financial assets								
Non-current financial assets	7	67,591			12,899		80,490	80,490
Trade receivables	11	1,325,553			-		1,325,553	1,325,553
Other current financial assets	12	637,438			898		638,336	638,336
Derivatives		-			-		-	-
Cash and cash equivalents	15	660,899			-		660,899	660,899
Total		**2,691,481**			**13,797**		**2,705,278**	**2,705,278**

(€'000) **31 December 2017**	Note	Other liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging derivatives	Total	Fair value
Financial liabilities						
Bank and other loans and borrowings	17	692,884		-	692,884	698,386
Bonds	18	1,387,361		-	1,387,361	1,399,192
Finance lease liabilities	19	51,377		-	51,377	51,377
Derivatives	20	-		1,481	1,481	1,481
Trade payables	24	1,217,598		-	1,217,598	1,217,598
Total		**3,349,220**		**1,481**	**3,350,701**	**3,368,034**

The note column gives the section in which the relevant item is described.

Reference should be made to the section on accounting policies for information on the fair value measurement of these items. Specifically, the fair value of the items is based on the present value of estimated future cash flows.

Risk management

Salini Impregilo is exposed to financial risks, including the following:

- **market risk** deriving from the company's exposure to interest rate fluctuations and exchange rate fluctuations;
- **credit risk** deriving from the company's exposure to potential losses arising from the customers' non-compliance with their obligations;
- **liquidity risk** deriving from the risk that the financial resources necessary to meet obligations may not be available at the agreed terms and deadlines.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk and interest rate risk.

Currency risk

Salini Impregilo's international presence entails its exposure to currency risk arising from fluctuations in the value of trade and financial transactions in currencies other than the functional currencies of the individual companies, branches or joint operations. The company has adopted a currency risk management strategy to mitigate this risk based on the guidelines described in the "Risk management system" section of the Directors' report to which reference is made.

Currency risk at 31 December 2017 mainly related to the following currencies:

- US dollar (USD)
- Ethiopian birr (BIRR)
- Tajikistani somoni (TJS)
- United Arab Emirates dirham (AED)
- Qatari riyal (QAR)

The company considers monetary assets and liabilities of the companies, branches or joint operations in currencies other than its functional currency, net of derivatives agreed to hedge the above trade and financial transactions, when assessing the potential effects of fluctuations in the above currencies.

The following table shows the results of the sensitivity analysis, which considers a 5% increase or decrease in the exchange rates compared to the actual exchange rates at 31 December 2017 and 2016 to reflect the potential effects on profit (loss) and equity.

(€m)	2016		2017	
	-5%	+5%	-5%	+5%
US dollar	17.96	(17.96)	13.75	(13.75)
Dirham	-	-	0.96	(0.96)
Riyal	1.06	(1.06)	0.68	(0.68)
Birr	6.47	(6.47)	10.12	(10.12)
Somoni	1.18	(1.18)	0.81	(0.81)

Interest rate risk

Salini Impregilo has adopted a combined strategy of streamlining operations by disposing of non-strategic assets, containing debt and hedging interest rate risks on a portion of the non-current structured loans through interest rate swaps (IRSs).

The financial risks arising from market interest rate fluctuations to which the company is potentially exposed and which are monitored by the relevant company personnel relate to floating rate non-current loans. Such risk is mitigated by interest accrued on short-term investments of liquidity available at the Italian-based consortia and consortium companies and foreign subsidiaries, which are used to support the company's operations.

The company has revised its debt structure significantly, increasing its fixed rate exposure. For this reason, had interest rates increased or decreased by an average 75 basis points in 2017, the loss before tax for the year would have been respectively smaller or greater by €3.0 million (€4.8 million for 2016), assuming that all other variables remained constant.

Credit risk

Credit risk is that deriving from the company’s exposure to potential losses arising from the customers’ (which are mostly governments or state bodies) non-compliance with their obligations.

Management of this risk is complex, starting as early as the assessment of offers, through a careful analysis of the characteristics of the countries in which the company's activities should be carried out and the customers, which are usually state or similar bodies, requesting an offer.

Therefore, this risk can be essentially assimilated to the country risk. An analysis of this risk based on the age of the outstanding amounts is not very meaningful, since the receivables (mostly due from state bodies) should be assessed together with the related working capital items, especially those reflecting the net exposure to customers (positive and negative work in progress, advances and payments on account) in relation to contract work in progress as a whole.

A breakdown of working capital by geographical segment is set out below:

(€'000) WORKING CAPITAL ANALYSIS BY GEOGRAPHICAL SEGMENT	31 December 2016	31 December 2017
Italy	119,324	261,079
Other EU countries	95,104	144,314
Other non-EU countries	14,818	10,177
America	532,337	211,633
Asia/Middle East	(387,889)	(378,284)
Africa	(36,035)	(129,023)
Australia	44,675	644
Total	**382,334**	**120,540**

The reconciliation of the reclassified statement of financial position details the items included in working capital. Salini Impregilo's exposure to customers, broken down by contract location, is analysed below:

(€'000) EXPOSURE TO CUSTOMERS BY CONTRACT LOCATION	Loans and receivables	Positive WIP	Negative WIP and advances	Total	Allowances
31 December 2016					
Italy	448,778	392,143	(108,045)	732,876	7,660
Other EU countries	112,410	139,301	(23,228)	228,483	
Other non-EU countries	12,156	6,204	(15,979)	2,381	
America	302,786	263,737	(36,579)	529,944	22,493
Asia/Middle East	82,230	79,612	(409,052)	(247,210)	1,760
Africa	749,802	129,195	(653,664)	225,333	8,412
Australia	6,646	-	-	6,646	
Total	**1,714,808**	**1,010,192**	**(1,246,547)**	**1,478,453**	**40,325**
31 December 2017					
Italy	305,800	464,504	(141,078)	629,226	5,801
Other EU countries	115,370	147,112	(28,968)	233,514	
Other non-EU countries	10,314	322	(17,260)	(6,624)	
America	219,303	100,388	(42,584)	277,107	156,641
Asia/Middle East	98,816	255,481	(533,491)	(179,194)	1,581
Africa	567,336	158,022	(681,100)	44,258	15,951
Australia	8,614	-	-	8,614	
Total	**1,325,553**	**1,125,829**	**(1,444,481)**	**1,006,901**	**179,974**

The "Main risk factors and uncertainties" section of the Directors' report provides information about country risk for Libya, Venezuela, Nigeria, Ukraine and Turkey.

Liquidity risk

Liquidity risk derives from the risk that the financial resources necessary to meet obligations may not be available to the company at the agreed terms and deadlines.
The company's strategy aims at ensuring that each ongoing contract is financially independent. This strategy is strictly monitored centrally.
A breakdown of financial liabilities by composition and due date (based on undiscounted future cash flows) is set out below.
Future interest has been estimated based on the market interest rates at the date of preparation of these separate financial statements, summarised in the notes.

(€'000)	31 December 2017	31 December 2018	31 December 2021	After	Total
Current account facilities	1,230	-	-	-	1,230
Bonds	39,835	322,861	667,562	-	1,030,258
Bank and other loans and borrowings	678,570	117,267	643,851	-	1,439,688
Finance lease liabilities	32,324	10,106	38,457	-	80,887
Interest rate derivatives	2,751	-	-		2,751
Gross financial liabilities	**754,710**	**450,234**	**1,349,870**	**-**	**2,554,814**
Trade payables	1,415,800	-	-	-	1,415,800
Total	**2,170,510**	**450,234**	**1,349,870**	**-**	**3,970,614**

(€'000)	31 December 2018	31 December 2019	31 December 2021	After	Total
Current account facilities	8,869	-	-	-	8,869
Bonds	331,611	31,250	662,586	526,274	1,551,721
Bank and other loans and borrowings	75,134	146,630	157,377	190,784	569,925
Finance lease liabilities	23,258	15,646	11,965	2,019	52,896
Interest rate derivatives	1,481	-	-	-	1,481
Gross financial liabilities	**440,353**	**193,526**	**831,928**	**719,077**	**2,184,892**
Trade payables	1,217,598	-	-	-	1,217,598
Total	**1,658,051**	**193,526**	**831,928**	**719,077**	**3,402,582**

Liquidity risk management is mainly based on containing debt and maintaining a balanced financial position.

The "After" balance for bonds relates to the new bonds issued in the second half of 2017 for redemption in 2024 (see note 18).

Loans and borrowings (principal) and trade payables, net of advances, falling due before 31 March 2018 are compared with the cash and cash equivalents that can be used to meet such obligations in the table below:

(€'000)	
Trade payables and financial liabilities: due before 31 March 2018 (*)	392,557
Cash and cash equivalents (**)	659,345
Difference	**266,788**

(*) Excluding amounts due to group companies.
(**) Net of tied-up liquidity. In addition, the company has unused credit facilities of €500 million at the reporting date.

Fair value measurement hierarchy
IFRS 7 requires that the fair value of financial instruments recognised in the statement of financial position be classified using a fair value hierarchy that reflects the significance of the inputs used to determine fair value. There are three different levels:

- Level 1 - Fair values measured using quoted prices in active markets;
- Level 2 - Fair values measured using valuation techniques for which inputs significant to the fair value measurement are based on directly or indireclty observable market data;
- Level 3 - Fair values measured using valuation techniques for which inputs significant to the fair value measurement are based on unobservable market data.

Financial instruments recognised by the company at fair value are classified as follows:

(€'000)	Nota	Level 1	Level 2	Level 3
Derivative liabilities	20		(1,481)	
Total		**-**	**(1,481)**	**-**

There were no movements from Level 1 to Level 2 during the year or vice versa.

STATEMENT OF PROFIT OR LOSS

29. Revenue

Revenue for 2017 amounts to €2,886.9 million, down by 6.2% on the previous year as follows:

(€'000)	2016	2017	Variation
Revenue	2,974,148	2,782,127	(192,021)
Other income	102,512	104,811	2,299
Total	**3,076,660**	**2,886,938**	**(189,722)**

The decrease in revenue is mainly due to the project to build Line 3 of the Riyadh metro in Saudi Arabia and works carried out in Ethiopia. It has been partially offset by the greater revenue generated by certain large foreign contracts, including works carried out to construct the Rogun dam in Tajikstan and works in progress in the United Arab Emirates.

A breakdown of revenue is as follows:

(€'000)	2016	2017	Variation
Works invoiced to customers	2,864,366	2,631,368	(232,998)
Services	99,563	132,426	32,863
Sales	10,219	18,333	8,114
Total	**2,974,148**	**2,782,127**	**(192,021)**

Works invoiced to customers include contract revenue deriving from production carried out during the year, measured using the stage of completion method.

Services mainly relate to services provided to support group companies.

A breakdown of other income is given in the following table:

(€'000)	2016	2017	Variation
Recharged costs	74,925	72,170	(2,755)
Prior year income	6,118	11,052	4,934
Gains on the disposal of non-current assets and equity investments	5,758	1,452	(4,306)
Rent and leases	2,317	1,429	(888)
Sales services	-	274	274
Insurance compensation	-	203	203
Other	13,394	18,230	4,836
Total	**102,512**	**104,810**	**2,298**

30. Operating expenses

Operating expenses for the year amount to €2,915.7 million compared to €2,831.8 million for 2016.

The item may be broken down as follows:

(€'000)	2016	2017	Variation
Purchases	372,282	353,949	(18,333)
Subcontracts	432,877	384,311	(48,566)
Services	1,482,867	1,412,960	(69,907)
Personnel expenses	274,549	305,109	30,560
Other operating expenses	129,216	74,450	(54,766)
Amortisation, depreciation, provisions and impairment losses	140,019	384,929	244,910
Total	**2,831,810**	**2,915,708**	**83,898**

The variations in the individual items compared to 2016 are due to the different cost structures that vary from contract to contract and may, in some cases, entail changes in the industrial operating model from one year to another. Moreover, as these are large-scale infrastructural works that take several years to complete, resort to normal production factors depends on the stage of completion of each contract in any given year. These changes may generate significant variations in the percentage of the related cost categories depending on the contract and the year, while not affecting the total percentage of operating costs of total revenue.

30.1 Purchases

The cost of raw materials and consumables incurred in 2017 decreased by €18.3 million to €353.9 million compared to the previous year:

(€'000)	2016	2017	Variation
Purchases of raw materials and consumables	356,484	336,409	(20,075)
Change in raw materials and consumables	15,798	17,540	1,742
Total	**372,282**	**353,949**	**(18,333)**

The decrease is due to some large foreign contracts (mainly in Ethiopia), partly offset by the rise in costs for the Polish branch.

30.2 Subcontracts

Costs of subcontracts decreased to €384.3 million, down €48.6 million on 2016 as summarised in the following table:

(€'000)	2016	2017	Variation
Subcontracts	432,877	384,311	(48,566)
Total	**432,877**	**384,311**	**(48,566)**

The decrease is due mostly due to some large foreign contracts (mainly in Ethiopia), partly offset by the rise in costs for the South Al Mutlaa and Arge Tulfes Pfons joint operations.

30.3 Services

This item decreased to €1,413.0 million, down €69.9 million on the previous year, as shown in the following table:

(€'000)	2016	2017	Variation
Recharging of costs by consortia	944,471	895,028	(49,443)
Consultancy and technical services	293,411	309,631	16,220
Rent and leases	85,706	89,283	3,577
Transport and customs	64,034	47,094	(16,940)
Insurance	27,620	21,767	(5,853)
Fees to directors, statutory auditors and independent auditors	9,504	8,946	(558)
Maintenance	4,754	6,658	1,904
Other	53,367	34,553	(18,814)
Total	**1,482,867**	**1,412,960**	**(69,907)**

"Recharging of costs by consortia" decreased by €49.4 million, mainly due to the variation in costs recharged by consortia and joint ventures.

The item includes costs for the contracts of the Qatari branch (€238.8 million), the Australian branch (€50.9 million, a sharp decrease on the €108.4 million cost for 2016) and the Saudi Arabian branch (€64.8 million).

"Consultancy and technical services" increased by €16.2 million and mainly consist of the design and construction costs incurred by the SPEs and legal and administrative consultancy fees.

A breakdown of this item is as follows:

(€'000)	2016	2017	Variation
Design and engineering services	203,101	196,174	(6,927)
Construction	72,936	77,413	4,477
Legal, administrative and other services	16,994	35,431	18,437
Testing	380	613	233
Total	**293,411**	**309,631**	**16,220**

Fees to the independent auditors, KPMG S.p.A., and other companies of its network for 2017 are detailed as follows:

(€'000) **SERVICES**		Fees
Audit	Salini Impregilo	1,437
Audit	Subsidiaries	1,558
Total audit		**2,995**
Other services	Salini Impregilo	545
Other services	Subsidiaries	5
Total other services		**550**
Total Salini Impregilo Group		**3,545**

30.4 Personnel expenses

Personnel expenses for the year amount to €305.1 million, up by €30.6 million on 2016. The item is made up as follows:

(€'000)	2016	2017	Variation
Wages and salaries	205,377	237,314	31,937
Social security and pension contributions	28,722	31,477	2,755
Post-employment benefits	6,414	7,880	1,466
Other	34,037	28,438	(5,599)
Total	**274,550**	**305,109**	**30,559**

The increase mostly relates to progress on the contracts in Saudi Arabia and the United Arab Emirates. "Other" mainly relates to termination benefits and reimbursements of travel expenses.

The following table shows the workforce at year end and the related average number:

(€'000) **No.**	31 December 2016	31 December 2017	2017 average
Managers	264	230	251
White collars	3,336	3,380	3,438
Blue collars	17,281	15,921	16,153
Total	**20,881**	**19,531**	**19,842**

30.5 Other operating expenses

Other operating expenses amount to €74.5 million, down by €54.8 million on 2016 as follows:

(€'000)	2016	2017	Variation
Other	123,454	67,835	(55,619)
Non-recurring costs	5,762	6,615	853
Total	**129,216**	**74,450**	**(54,766)**

The decrease in "Other" is mostly related to prior year non-recurring costs.

30.6 Amortisation, depreciation, provisions and impairment losses

This item of €384.9 million shows a decrease on the previous year figure of €140.0 million. It may be analysed as follows:

(€'000)	2016	2017	Variation
Provisions and impairment losses	**15,168**	**291,712**	**276,544**
Amortisation of intangible assets	334	416	82
Depreciation of property, plant and equipment	101,811	78,544	(23,267)
Amortisation of contract acquisition costs	22,706	14,256	(8,450)
Total amortisation and depreciation	**124,851**	**93,216**	**(31,635)**
Total	**140,019**	**384,928**	**244,909**

"Provisions and impairment losses" increased by €276.5 million.

The item amounts to €291.7 million for 2017 and mostly relates to Venezuela (see the "Venezuela" paragraph of the "Main risks and uncertainties" section of the Directors' report and section 3 "Impairment - Venezuela" of these notes), as well as impairment losses of loans and receivables with Todini Costruzioni Generali S.p.A. as a result of the settlement agreement signed on 21 December 2017.

Amortisation and depreciation of €93.2 million mostly comprises depreciation of €78.5 million, down by €23.3 million compared to the previous year, and amortisation of contract and acquisition costs of €14.3 million. They are in line with the progress made on the related contracts. The decreases mainly refer to contracts in Ethiopia (GIBE III), Australia (Sydney metro) and Saudi Arabia (Riyadh Metro Line 3).

31. Net financing costs

Net financing costs amount to €202.1 million compared to €60.8 million for the previous year.

The item may be broken down as follows:

(€'000)	2016	2017	Variation
Financial income	39,408	67,599	28,191
Financial expense	(115,494)	(115,865)	(371)
Net exchange gains (losses)	15,266	(153,841)	(169,107)
Net financing costs	**(60,820)**	**(202,107)**	**(141,287)**

31.1 Financial income

Financial income totalled €67.6 million (2016: €39.4 million) and is made up as follows:

(€'000)	2016	2017	Variation
Interest income on loans and receivables	**2,106**	**-**	**(2,106)**
Gains on securities	**10,315**	**5,115**	**(5,200)**
Interest and other income from group companies	**17,067**	**21,440**	**4,373**
Interest and other financial income	**9,920**	**41,044**	**31,124**
- Interest on financing	22	6	(16)
- Bank interest	5,194	9,720	4,526
- Default interest	1,733	27,910	26,177
- Financial discounts and allowances	279	740	461
- Other	2,692	2,668	(24)
Total	**39,408**	**67,599**	**28,191**

The increase on the previous year is mainly due to:

- increase of €26.2 million in default interest from mostly foreign clients;
- decrease of €5.2 million in gains on securities, being the smaller gain on the sale of foreign currency securities on the US market;
- increase of €4.5 million in bank interest, mainly related to a joint operation active in the Middle East and the Ethiopian branch;
- increase of €4.4 million in interest from group companies, namely:

(€'000)	2016	2017	Variation
Gupc	7,299	8,110	811
HCE Costruzioni S.p.A.	3,575	5,759	2,184
Salini Nigeria Ltd	1,383	2,443	1,060
Salini Namibia	798	725	(73)
Co. Ge. Fin. S.r.l.	658	-	(658)
Eriday	638	619	(19)
Other	2,716	3,784	1,068
Total	**17,067**	**21,440**	**4,373**

31.2 Financial expense

2017 financial expense increased by €0.4 million to €115.9 million as follows:

(€'000)	2016	2017	Variation
Intragroup interest and other expense	**(5,623)**	**(6,735)**	**(1,112)**
Interest and other financial expense	**(109,871)**	**(109,130)**	**741**
- Bank interest on accounts and financing	(53,439)	(37,550)	15,889
- Interest on bonds	(35,829)	(45,554)	(9,725)
- Factoring and leases	(3,345)	(1,836)	1,509
- Bank fees	(2,936)	(2,028)	908
- Interest on tax liabilities	(1,540)	(15,225)	(13,685)
- Other	(12,782)	(6,937)	5,845
Total	**(115,494)**	**(115,865)**	**(371)**

Financial expense increased by €0.4 million. The increase is principally due to the increase in interest on tax liabilities (€13.7 million, following the settlement of a tax bill received by the Ethiopian branch during the year), offset by the decrease in bank interest on accounts and financing and interest on bonds (€6.2 million), mainly due to the debt refinancing transaction carried out during the year, which led to a reduction in bank loans and borrowings and the issue of bonds at more favourable rates. The increase in financial expense has also been offset by the reduction in "Other" (€5.8 million) and in "Factoring and leases" (€1.5 million).

In addition:

- bank interest on accounts and financing of €37.6 million includes the effect of the amortised cost method of €14.7 million (2016: €21.7 million), including €18.3 million, which did not entail cash outlays during the year as it had already been in paid in previous years, and €0.5 million which was paid in 2017 and immediately recognised in profit or loss;

- interest on bonds of €45.6 million comprises €4.1 million (2016: €3.7 million) arising from the application of the amortised cost method that did give rise to cash outflows.

"Other" includes €1.3 million arising from application of the amortised cost method to securities related to the operator Yuma in Colombia.

Intragroup interest and other expense of €6.7 million increased by €1.1 million and relate to the following companies:

(€'000)	2016	2017	Variation
Impregilo International Infrastructures N.V.	(2,746)	(2,260)	486
Mukorsi Dam	(753)	(1,213)	(460)
Salini Namibia Proprietary L.t.d.	(604)	(158)	446
Fisia Italimpianti S.p.A.	(241)	(123)	118
Cociv	(22)	(788)	(766)
NRW JV	-	(428)	(428)
NTF JV	-	(379)	(379)
Copenhagen Metro Team I/S	(122)	(878)	(756)
Other	(1,135)	(508)	627
Total	**(5,623)**	**(6,734)**	**(1,112)**

31.3 Net exchange gains (losses)

The net exchange losses amount to €153.8 million, a sharp worsening on the €15.3 million net gains of the previous year.

They are due to the variation in exchange rates of some currencies, such as, in particular, the US dollar and the Ethiopian Birr.

32. Net gains on equity investments

Net gains on equity investments came to €139.8 million compared to net losses for €56.1 million for the previous year. They are made up as follows:

(€'000)	2016	2017	Variation
Reversals of impairment losses	**-**	**41,665**	**41,665**
- Reversals of impairment losses	-	41,665	41,665
Impairment losses/Provisions for equity investments	**(118,909)**	**(48,356)**	**70,553**
- Impairment losses/Provisions for equity investments	(118,909)	(48,356)	70,553
Income from investments	**62,806**	**146,487**	**83,681**
- Dividends	58,383	146,604	88,221
- Gain on the disposal of equity investments	4,244	-	(4,244)
- Loss on the disposal of equity investments	(46)	(114)	(68)
- Other income	225	(3)	(228)
Total	**(56,103)**	**139,796**	**195,899**

Net gains on investments mainly reflect the following effects:

- the dividend distribution of €146.6 million approved in 2017, mainly by the subsidiaries Impregilo International Infrastructures NV (€125 million) and Salini Impregilo US Holdings Inc. (€17 million);
- the reversals of impairment losses of €41.7 million, mainly relating to the investment in Grupo Unidos por el Canal S.A.;
- impairment losses totalling €48.4 million, the most significant of which relate to the subsidiaries HCE Costruzioni S.p.A., CSC Impresa Costruzioni S.A., Salini Polska L.t.d. and Constructora Ariguani SAS.

Notes 6 and 22 provide more information about changes in the carrying amounts of the above equity investments.

33. Income tax expense

The company's income tax expense for the year is €0.1 million as shown in the table below. The decrease is mostly due to deferred taxes recognised during the year as a consequence of the impairment of some assets related to the construction of infrastructure in Venezuela.

(€'000)	2016	2017	Variation
Current taxes (income taxes)	57,948	73,632	15,684
Net deferred taxes	(4,619)	(88,454)	(83,835)
Utilisation of the provision for the national tax consolidation scheme	(67)	(2,814)	(2,747)
Prior year taxes	4,438	13,497	9,059
Total	**57,700**	**(4,139)**	**(61,839)**
IRAP	5,623	4,247	(1,376)
Total	**63,323**	**108**	**(63,215)**

An analysis and reconciliation of the theoretical income tax rate, calculated under Italian tax legislation, and the effective tax rate are set out below:

	Income taxes	
	€'m	%
Loss before tax	**(91.1)**	
Theoretical tax expense	(21.9)	n.a
Effect of permanent differences	(13.5)	n.a
Net effect of foreign taxes	29.9	n.a
Prior year and other taxes	1.4	n.a
Total	**(4.1)**	**n.a**

The effective tax expense is affected by the following in particular:

- permanent differences (especially impairment losses on equity investments and dividends collected);
- taxes paid abroad where the companies' branches operate, with respect to which the company believes the conditions do not currently exist for their recovery in Italy.

An analysis and reconciliation of the theoretical IRAP tax rate and the effective tax rate are set out below:

	IRAP	
	€'m	%
Operating loss	(28.8)	
Personnel expenses	305.1	
Revenue	**276.3**	
Theoretical tax expense	10.8	n.a.
Tax effect of foreign production	(7.5)	n.a.
Tax effect of permanent differences	0.9	n.a.
Total	**4.2**	**n.a.**

Deferred taxes contribute positively to the company's loss for €88.5 million, specifically for the following items:

(€'000)	
Deferred tax expense for the year	(2,698)
Use of deferred tax liabilities recognised in previous years	2,301
Deferred tax income for the year	100,237
Use of deferred tax assets recognised in previous years	(11,386)
Total	**88,454**

34. Related party transactions

Transactions with related parties, as defined by IAS 24, were of an ordinary nature.

Salini Impregilo has been managed and coordinated by Salini Costruttori S.p.A. since 1 January 2014.

Related party transactions carried out during the year involved the following counterparties:

- directors, statutory auditors and key management personnel, solely related to the contracts regulating their positions within the Group;.
- subsidiaries and associates; these transactions mainly relate to:
  - commercial assistance with purchases and procurement of services necessary to carry out work on contracts, contracting and subcontracting;
  - services (technical, organisational, legal and administrative), carried out at centralised level;
  - financial transactions, namely loans and joint current accounts as part of cash pooling transactions and guarantees given on behalf of group companies.

  Transactions are carried out with subsidiaries and associates in the interests of Salini Impregilo, aimed at building on existing synergies in the Group in terms of production and sales integration, efficient use of existing skills, streamlining of centralised structures and financial resources. These transactions are regulated by specific contracts and are carried out on an arm's length basis;
- other related parties: the main transactions with other related parties, identified pursuant to IAS 24, including companies managed and coordinated by Salini Costruttori S.p.A., are summarised below:

(€'000) **RELATED PARTY**	Loans and receivables	Financial assets	Other assets	Trade payables	Financial liabilities	Total revenue	Total expenses	Net financial income
C.Tiburtino	51					20		
Casada S.r.l.	59			80		19	263	
CEDIV S.p.A.	694					18		
Dirlan	9					27		
G.A.B.I.RE S.r.l.	93					22		
Galla Placidia	49					22		
Imm. Agricola San Vittorino	94					25		
Infernetto	25					10		
Iniziative Immobiliari Italiane S.p.A.				293			1,075	
Madonna dei Monti S.r.l.	7			9		14	55	
Nores	41					9		
Plus	11					32		
Salini Costruttori S.p.A.	7	4,936		208		159	43	182
Salini Simonpietro & C. S.A.P.A.	23					15		
Zeis		1,303		53		271	145	40
Total	**1,163**	**6,239**	**-**	**643**	**-**	**663**	**1,581**	**222**

Most of the Group's production is carried out through SPEs, set up with other partners that have participated with Salini Impregilo in tenders. The SPEs carry out the related contracts on behalf of its partners.

The other transactions refer to costs for design and similar activities, incurred when presenting bids and for recently started contracts. They are also governed by specific agreements and carried out on an arm's length basis and, where applicable, in line with the contract terms.

Their effects on the statements of financial position and profit or loss are shown together with the related contract, when appropriate.

Transactions with directors, statutory auditors and key management personnel are shown below:

(€'000)	2016			2017		
	Fees and remuneration	Termination benefits and post-employment benefits	Total	Fees and remuneration	Termination benefits and post-employment benefits	Total
Directors and statutory auditors	6,311	-	6,311	7,192	-	7,192
Key management personnel	5,402	-	5,402	8,016	-	8,016
Total	**11,713**	**-**	**11,713**	**15,208**	**-**	**15,208**

The company's production is carried out mainly through special purpose entities, which, depending on Salini Impregilo's share in their contracts, qualify as subsidiaries or associates. In many cases, they have corporate structures that directly and continuously allocate the profits and losses on contracts to their investors, including by "reallocating costs and fees".

They can be considered to be "transparent" considering the original contractual relationship whereby Salini Impregilo, together with the other investors, depending on the type of organisation selected during the tender stage, is the direct counterparty of the customer and the SPE acts in its own name but on behalf of its investors, including vis-à-vis third party suppliers.

Accordingly, transactions between Salini Impregilo and the SPEs, in which it has an investment, are not presented in this section but are summarised with other transactions with subsidiaries and associates in the annex "–Separate financial statements of Salini Impregilo – Intragroup transactions".

The next table shows the impact of transactions with the above companies on the statement of financial position and the profit or loss (including as a percentage), while their effect on cash flows is shown in the statement of cash flows, when material:

(€'000) **31 December 2016**	Non-current loans and receivables (1)	Current loans and receivables (2)	Current liabilities (3)	Revenue	Expenses	Financial income	Financial expense
Total - group companies		1,375,519	1,150,644	273,605	580,113	17,068	5,467
Total financial statements item	1,491,476	4,837,273	3,539,957	3,076,660	2,831,811	39,408	115,494
% of financial statements item	0.00%	28.4%	32.5%	8.9%	20.5%	43.3%	4.7%

(€'000) **31 December 2017**	Non-current loans and receivables (1)	Current loans and receivables (2)	Current liabilities (3)	Revenue	Expenses	Financial income	Financial expense
Total - group companies	67,141	1,197,949	759,465	237,636	644,222	21,440	6,734
Total financial statements item	1,599,304	4,360,427	3,495,951	2,886,938	2,915,708	67,599	115,865
% of financial statements item	4.20%	27.5%	21.7%	8.2%	22.1%	31.7%	5.8%

(1) The percentage of non-current loans and receivables is calculated considering total non-current assets.
(2) The percentage of current loans and receivables is calculated considering total current assets.
(3) The percentage of current liabilities is calculated considering total current liabilities.

Management and coordination

In relation to the requirements of article 2.6.2.11 of the Rules of the Markets organised and managed by Borsa Italiana S.p.A., the company states that all requirements listed in article 16 of the Consob Regulation on Markets, have been met, as regards the quotation of shares of subsidiaries managed and coordinated by other companies.

In accordance with article 2497-bis of the Italian Civil Code, the key figures from the financial statements of Salini Costruttori S.p.A. at 31 December 2016, its most recently approved financial statements, are presented below. These financial statements have been prepared in accordance with the IFRS.

(€'000)
2016 HIGHLIGHTS

Statement of profit or loss	**15,733**
Revenue	11,140
Operating profit	11,001
Profit before tax	11,015
Profit for the year	11.015

Statement of financial position	
Intangible assets	-
Property, plant and equipment	341
Non-current financial assets	327,551
Total non-current assets	**327,892**
Current assets	86,094
Prepayments and accrued income	103
Total assets	**414,089**
Equity	328,271
Provisions for risks and charges	708
Post-employment benefits	-
Liabilities	85,110
Total liabilities	**414,089**

Salini Costruttori S.p.A. did not have any employees at 31 December 2016.

35. Events after the reporting date

Condotte

Società Italiana per Condotte d'Acqua S.p.A., which has investments in the company's investees, filed a petition as per article 161.6 of the Bankruptcy Law to the Rome Court. It has also reserved the right to file a final deed of arrangement proposal (with the plan and documentation required by article 161.2/3 of the Bankruptcy Law) or an application for approval of debt restructuring agreements.

On 15 January 2018, the Rome Court granted a period of up to 18 May 2018 for presentation of the above proposal. It appointed special commissioners to monitor the company's activities until this date, requiring the company to comply with a number of measures, including disclosure obligations.

Condotte has investments in the following direct investees of the company:

- Alta Velocità Torino–Milano consortium – CAVTOMI
- COCIV consortium
- EUROLINK S.C.P.A.
- IRICAV DUE consortium
- LIBYAN EXPRESSWAY CONTRACTORS – L.E.C.
- RC-SCILLA S.C.P.A.
- SALERNO REGGIO CALABRIA S.C.P.A. – SA-RC
- SCILLA consortium in liquidation

These consortia/consortium companies are carefully monitoring developments in the situation.

36. Significant non-recurring events and transactions

Salini Impregilo calculated the recoverable amount of its total exposure to Venezuelan government agencies at 31 December 2017 to reflect the recent negative developments caused by the deterioration in the country's credit standing.

More information is available in the "Main risk factors and uncertainties" section of the Directors' report and section 3 "Impairment - Venezuela" of these notes.

37. Balances or transactions arising from atypical and/or unusual transactions

During the year, Salini Impregilo did not carry out any atypical and/or unusual transactions, as defined in the Consob communication no. DEM/6064293[1].

[1] Atypical and/or unusual transactions are those that, due to their significance and relevance, the counterparty, the object of the transaction, exchange pricing and timing, may cast doubts as to the accuracy and completeness of disclosures, conflicts of interest, protection of the company's assets and non-controlling interests.

Proposal to the shareholders of Salini Impregilo S.p.A.

At the meeting called for 30 April 2018, the board of directors will propose the following to the shareholders of Salini Impregilo S.p.A.:

- to cover the loss for the year of €91,188,206.95 using €60,074,558.27 from retained earnings and €31,113,648.68 from negative goodwill;
- to distribute a dividend, using negative goodwill, to the holders of ordinary and savings shares equal to €0.053, gross of the legal withholdings, for each existing share with dividend rights at the ex-dividend date, excluding the treasury shares currently held by the company;
- to fix the ex-dividend and payment dates on 21 May 2018 and 23 May 2018, respectively (record date: 22 May 2018).

On behalf of the Board of Directors
Chairman

(signed on the original)

SEPARATE FINANCIAL STATEMENTS OF SALINI IMPREGILO - INTRAGROUP TRANSACTIONS

ASSETS AND LIABILITIES AT 31 DECEMBER 2017

	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Total assets
A1F Tuszyn-Pyrzowice	24,688,751	-	-	-	24,688,751
Adiyan Water Treatment Plant	387,151	-	44,322	-	431,473
Aegek - Impregilo - Alstom J.V.	-	-	-	-	-
Agua AZ	31,317	-	-	-	31,317
Agua BA	18,706	-	-	-	18,706
Ancipa S.c.r.l.	1,156	-	-	-	1,156
Angostura	24,490	-	-	-	24,490
Ariguani	5,486,503	-	21,317,207	-	26,803,710
Aurelia 98 S.c.r.l.	-	-	-	-	-
Autostrada Al Torun - Strykow	-	-	1,217,809	-	1,217,809
Barnard	-	-	-	2,254,788	2,254,788
Carvalho Pinto	-	-	-	-	-
CAVET	169,684	-	2,611,525	-	2,781,209
CAVTOMI	60,141,641	-	-	-	60,141,641
CDE	992,542	-	25,132	-	1,017,674
Cigla	-	-	141,799	-	141,799
CIV	147,726	-	-	-	147,726
CMT IS	3,896,104	-	19,273,511	-	23,169,615
Co.Ge.Ma.	-	-	1,672,395	-	1,672,395
COCIV	54,397,958	-	12,026	-	54,409,984
Consorcio Cigla-Sade	1,743,678	-	-	-	1,743,678
Consorcio Constructor Salini Impregilo - Cigla	-	-	285,805	-	285,805
Consorcio Contuy Medio	1,411	-	529,166	-	530,577
Consorcio Grupo Contuy-Proyectos y Ob. De F.	-	-	-	-	-
Consorcio OIV-TOCOMA	360,370	56,632,175	-	-	56,992,545
Consorcio V.S.T. Tocoma	-	-	332	-	332
Consorcio VIT Tocoma	-	-	3,274,792	-	3,274,792
Consorzio 201 Quintai	1,900	-	-	-	1,900
Consorzio Casertano	263	-	-	-	263
Consorzio Costral in liquidazione	2,836	-	-	-	2,836
Consorzio EPC	867,190	-	-	-	867,190
Consorzio Iricav Due	3,345,754	-	-	-	3,345,754
Consorzio MM4	365,646	-	-	-	365,646
Consorzio OHL	3,739,975	-	-	-	3,739,975

Trade payables	Bank and other loans	Current portion of bank loans and current account facilities	Other current liabilities	Total liabilities	Net balance
45,216,735	-	-	-	45,216,735	(20,527,984)
-	-	-	-	-	431,473
-	-	-	746	746	(746)
5,903	-	-	-	5,903	25,414
23,638	-	-	-	23,638	(4,932)
-	-	-	-	-	1,156
-	-	289,167	-	289,167	(264,677)
3,100	-	-	-	3,100	26,800,610
16,121	-	-	-	16,121	(16,121)
-	-	-	-	-	1,217,809
-	-	809,608	-	809,608	1,445,180
-	-	-	5,943	5,943	(5,943)
-	-	-	-	-	2,781,209
2,477,064	-	8,215,900	-	10,692,964	49,448,677
650,211	-	-	-	650,211	367,463
-	-	-	358	358	141,441
-	-	3,231,882	-	3,231,882	(3,084,156)
221,800	-	-	-	221,800	22,947,815
3,190,983	-	-	-	3,190,983	(1,518,588)
75,350,800	-	-	-	75,350,800	(20,940,816)
-	-	-	-	-	1,743,678
-	-	-	-	-	285,805
-	-	-	111	111	530,466
-	-	30,281	-	30,281	(30,281)
-	-	-	3,563,814	3,563,814	53,428,731
-	-	-	-	-	332
-	-	-	-	-	3,274,792
-	-	-	-	-	1,900
-	-	-	-	-	263
-	-	-	-	-	2,836
987,128	-	-	-	987,128	(119,938)
19,115,509	-	-	-	19,115,509	(15,769,755)
945,650	-	-	-	945,650	(580,004)
-	-	-	-	-	3,739,975

ASSETS AND LIABILITIES AT 31 DECEMBER 2017

	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Total assets
Consorzio Pedelombarda 2	2,318	-	-	-	2,318
Consorzio San Cristoforo	-	-	-	-	-
Consorzio Trevi - S.G.F. INC per Napoli	327,652	-	-	-	327,652
Consorzio VIT Caroni Tocoma	-	-	-	-	-
Constr. of Inn. Sout. Expre. (ISEX)	62,450	-	12,064	-	74,514
Constructora Mazar Impregilo-Herdoiza Crespo				153,020	153,020
Corso del Popolo	110,823	-	35,640	-	146,463
Corso del Popolo Engineering	695,026	-	1,390,341	-	2,085,367
CSC	79,000	-	2,637,271	-	2,716,271
Dev. Engin. infras. to Idu ind. area and Kar res. dist. Ab	515	-	27,386	-	27,901
Diga Ancipa S.c.r.l.	12,396	-	-	-	12,396
District 1 Development	251,020	-	7,602	-	258,622
E.R. Impregilo/Dumez y Asociados para Yaciretê	16,012,912	-	709,195	-	16,722,107
Emittenti Titoli S.p.A.	-	-	-	-	-
Eurolink S.c.p.a.	9,935,261	-	-	-	9,935,261
Executive J.V. Impregilo S.p.A. Terna S.A.	-	-	9,991	-	9,991
Fibe	397,286	-	492,526	-	889,812
Fisia - Alkatas J.V.	1,900	-	-	-	1,900
Fisia Ambiente S.P.A	-	-	-	-	-
FISIA Italimpianti S.p.A	60,821	-	995	-	61,816
G. W. Trans. to Fed. Cap. Ter. Lot A Dam and Aa. W.	682,845	-	36,418	-	719,263
Galfar Salimp Cimolai JV	579,695	-	-	336,729	916,424
Galileo scarl	80,991	-	-	-	80,991
Gaziantep Hastane Saglik	-	-	-	-	-
Gaziantep Hastanesi Isletme Ve Bakim Hizmetleri	-	-	1,858	-	1,858
Gestione Napoli	-	-	17,520	-	17,520
Grecia	-	-	21,796	-	21,796
Group. d'entreprises Salini Strabag (Guinea)	-	-	208,953	-	208,953
Grupo Empresas Italianas - GEI	-	-	273,302	-	273,302
GUP CANAL	31,776,233	-	(1)	-	31,776,232
HCE Costruzioni Ukraine LLC	-	-	-	-	-
HCE Italia Altre	-	-	8,501,787	-	8,501,787
HCE Sede	-	-	198,105,951	-	198,105,951
Healy	-	-	-	-	-
ICT II	873,231	-	27,888,653	-	28,761,884
IGL Arabia	400,982	-	-	-	400,982
IGL-SK-Galfar	3,459,293	-	3,779,636	8,013,193	15,252,122
Iglys	4,269	-	445	-	4,714

Trade payables	Bank and other loans	Current portion of bank loans and current account facilities	Other current liabilities	Total liabilities	Net balance
-	-	-	-	-	2,318
35,609	-	-	-	35,609	(35,609)
652	-	-	-	652	327,000
-	-	1,338,521	-	1,338,521	(1,338,521)
-	-	-	-	-	74,514
				-	153,020
-	-	-	-	-	146,463
-	-	-	-	-	2,085,367
21,281	-	-	-	21,281	2,694,990
-	-	-	-	-	27,901
-	-	-	-	-	12,396
-	-	-	-	-	258,622
37,844	-	-	8,725,077	8,762,921	7,959,186
-	-	240,000	-	240,000	(240,000)
16,133,541	-	-	-	16,133,541	(6,198,280)
-	-	-	-	-	9,991
-	-	-	-	-	889,812
-	-	-	-	-	1,900
3,367	-	10,845,012	-	10,848,379	(10,848,379)
-	-	4,446,405	-	4,446,405	(4,384,589)
671,966	-	-	-	671,966	47,297
83,284	-	-	-	83,284	833,140
-	-	-	-	-	80,991
-	-	-	(1)	(1)	1
-	-	-	-	-	1,858
-	-	-	-	-	17,520
-	-	-	-	-	21,796
498,095	-	-	-	498,095	(289,142)
-	-	-	-	-	273,302
-	-	-	-	-	31,776,232
2,466,262	-	-	-	2,466,262	(2,466,262)
-	-	691	-	691	8,501,096
433,169	-	-	-	433,169	197,672,782
11,813,650	-	-	-	11,813,650	(11,813,650)
-	-	-	-	-	28,761,884
552,972	-	-	-	552,972	(151,990)
1,201,224	-	-	-	1,201,224	14,050,898
32,094	-	4,693	-	36,787	(32,073)

ASSETS AND LIABILITIES AT 31 DECEMBER 2017

	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Total assets
Impregilo International Infrastructures N.V.	156,532	-	-	-	156,532
Impregilo-Healy UTE	229,397	-	-	22,847,169	23,076,566
Imprepar	13,644	-	-	-	13,644
INC Algeria	338,468	-	2,941,968	-	3,280,436
IS JV	3,281,487	-	29,374,137	-	32,655,624
Isarco S.c.r.l.	4,129,954	-	-	-	4,129,954
Joint Venture Aktor Ate - Impregilo S.p.A.	12,063	-	-	-	12,063
Joint Venture Aktor S.A. - Impregilo S.p.A.	-	-	332	-	332
Joint Venture Impregilo S.p.A. - Empedos S.A. - Aktor	-	-	5,928	18,875	24,803
JV Todini - Akkord - Salini	6,859,726	-	7,948,008	-	14,807,734
JV_IGL_SGF	1,227,313	-	8,495,536	32,400	9,755,249
KAYI - Salini - Samsung - JV	118,419	-	-	-	118,419
Kazakhstan Almaty Khorgos	1	-	-	-	1
La Quado S.c.a.r.l.	1,793	-	-	-	1,793
Lane Construction Corporation	209,427	-	644,016	-	853,443
Lane Industries Incorporated	1,054,467	-	-	-	1,054,467
Librino	5,423	-	-	-	5,423
Libyan LEC	1,028,233	-	31,236	-	1,059,469
Lidco	1,717	-	-	-	1,717
Line 3 Metro Stations	90,986	-	215,000	-	305,986
Metro 6	4,623	-	33,240,610	-	33,245,233
Metro B s.r.l.	247	-	-	-	247
Metro B1	7,103,173	-	-	-	7,103,173
Metro Blu	3,328,148	-	-	-	3,328,148
Metrogenova S.c.r.l.	44,770	-	-	-	44,770
Metropolitana di Napoli S.p.A.	85,245	-	-	-	85,245
Millennium Park	421	-	1,389	-	1,810
Napoli Cancello Alta Velocità S.c.r.l.	218,464	-	-	-	218,464
New Cros	16,000	-	-	-	16,000
Nigeria Cultural Centre and Mill. Tower	274,012	-	510,787	-	784,799
Passante di Mestre S.c.p.A.	2,168	-	-	-	2,168
Passante Dorico S.p.A.	23,291	-	36,643	-	59,934
Pedelombarda S.c.p.a.	2,077,152	-	-	-	2,077,152
Perugia 219 Scarl in liquidazione	77,314	-	15,000	-	92,314
PGH Ltd	76,422	-	3,883,028	-	3,959,450
Pietrarossa S.c.r.l.	12,396	-	-	-	12,396
Piscine dello Stadio	6,341	-	-	-	6,341
Piscine dello Stadio scrl	37,999	-	-	-	37,999

Trade payables	Bank and other loans	Current portion of bank loans and current account facilities	Other current liabilities	Total liabilities	Net balance
-	-	9,375,615	-	9,375,615	(9,219,083)
-	-	4,088,568	3,599,801	7,688,369	15,388,197
-	-	5,197,243	-	5,197,243	(5,183,599)
117,119	-	-	-	117,119	3,163,317
-	-	-	7,558,610	7,558,610	25,097,014
14,350,720	-	-	-	14,350,720	(10,220,766)
-	-	-	-	-	12,063
-	-	-	-	-	332
-	-	-	-	-	24,803
-	-	-	-	-	14,807,734
4,840	-	-	1,779,196	1,784,036	7,971,213
-	-	-	-	-	118,419
-	-	-	-	-	1
-	-	-	-	-	1,793
4,284,151	-	7,065,231	-	11,349,382	(10,495,939)
-	-	-	-	-	1,054,467
-	-	-	-	-	5,423
730,541	-	-	-	730,541	328,928
130,204	-	11,418,121	-	11,548,325	(11,546,608)
-	-	-	203,196	203,196	102,790
-	-	-	-	-	33,245,233
-	-	-	-	-	247
23,603,768	-	207,875	-	23,811,643	(16,708,470)
16,120,387	-	-	-	16,120,387	(12,792,239)
225,784	-	-	-	225,784	(181,014)
-	-	-	-	-	85,245
-	-	-	-	-	1,810
-	-	-	-	-	218,464
66,455	-	-	-	66,455	(50,455)
-	-	-	-	-	784,799
-	-	-	-	-	2,168
-	-	-	-	-	59,934
858,513	-	-	-	858,513	1,218,639
-	-	-	-	-	92,314
10,789	-	-	-	10,789	3,948,661
-	-	-	-	-	12,396
-	-	-	-	-	6,341
-	-	-	-	-	37,999

ASSETS AND LIABILITIES AT 31 DECEMBER 2017

	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Total assets
Puentes	8,128,599	-	-	-	8,128,599
RC Scilla	22,973,000	-	740,623	-	23,713,623
Rimati	76,090	-	-	-	76,090
Rivigo	161,733	-	-	-	161,733
S. Anna Palermo S.c.r.l.	-	-	-	-	-
S.Ruffillo S.c.a.r.l.	-	-	-	-	-
S3 - Nowa Sol	14,052,105	-	-	-	14,052,105
S7 - Checiny	23,784,798	-	7,057	-	23,791,855
S8 - Marki - Radzymin	15,241,324	-	-	-	15,241,324
SA_RC	74,761,994	-	-	-	74,761,994
Sabrom	47,991	-	-	-	47,991
Salimp Cleveland	512,118	-	3,752,189	-	4,264,307
Salini Australia	-	-	18,597,250	-	18,597,250
Salini Impregilo - Healy J.V. NEBT	102,595	-	-	-	102,595
Salini Impregilo - NRW Joint Venture	2,464,478	-	-	-	2,464,478
Salini Impregilo - Salini Insaat - NTF J.V - Branch	3,174,279	-	32,874,000	-	36,048,279
Salini Ins.Taah.San.Ve Tik. Anonim Sirketi	1,622	-	562,077	-	563,699
Salini Kolin Cgf Joint Venture	34,500	-	-	888,654	923,154
Salini Malaysia Head Office	153,254	-	7,437,442	-	7,590,696
Salini Namibia	6,374,329	-	33,458,945	-	39,833,274
Salini Nigeria Ltd	4,395,271	-	57,619,289	-	62,014,560
Salini Polska Sp.	435,706	-	29,368,727	-	29,804,433
Salini Saudi Arabia Company Ltd	2,603,579	-	12,140,348	-	14,743,927
Salini-Impregilo US Holdings Inc	8,886,840	-	-	-	8,886,840
Sclafani S.c.r.l.	7,746	-	-	-	7,746
Seli Tunneling	4,000	-	-	-	4,000
SFI leasing	-	-	-	-	-
Shimmick CO. INC.	2,391,117	-	-	10,415,548	12,806,665
Sirjo S.c.p.A.	3,425,544	-	-	-	3,425,544
Sistranyac S.A.	-	-	31	-	31
SNFCC	100,302	-	-	3,540,491	3,640,793
SPV Linea M4 Spa	273,228	10,508,824	-	-	10,782,052
Suleja Minna Dualisation	276,888	-	13,724	-	290,612
Suropca	-	-	3,717	-	3,717
Techint S.A.C.I.- Hochtief A.G.- Impregilo S.p.A	-	-	12,748	8,361,337	8,374,085
Thessaloniki Metro	795	-	-	-	795
Thessaloniki Metro CW	299,055	-	-	1,713,388	2,012,443
Todedil scarl	-	-	1,813	-	1,813

	Trade payables	Bank and other loans	Current portion of bank loans and current account facilities	Other current liabilities	Total liabilities	Net balance
	-	-	-	-	-	8,128,599
	42,429,002	-	-	-	42,429,002	(18,715,379)
	-	-	-	-	-	76,090
	-	-	-	-	-	161,733
	226,610	-	40,504	-	267,114	(267,114)
	17,878,405	-	-	-	17,878,405	(17,878,405)
	9,913,178	-	-	-	9,913,178	4,138,927
	35,157,678	-	-	-	35,157,678	(11,365,823)
	22,827,071	-	-	-	22,827,071	(7,585,747)
	93,849,288	-	-	-	93,849,288	(19,087,294)
	-	-	394,641	-	394,641	(346,650)
	-	-	61,962	-	61,962	4,202,345
	-	-	-	-	-	18,597,250
	-	-	-	-	-	102,595
	-	-	25,321,451	-	25,321,451	(22,856,973)
	2,443	-	33,878,538	-	33,880,981	2,167,298
	-	-	4,676	-	4,676	559,023
	-	-	-	-	-	923,154
	776,641	-	-	-	776,641	6,814,055
	-	-	-	349	349	39,832,925
	-	-	-	-	-	62,014,560
	366,355	-	-	-	366,355	29,438,078
	4,600,346	-	-	-	4,600,346	10,143,581
	-	-	468,540	-	468,540	8,418,300
	-	-	-	-	-	7,746
	292,146	-	-	-	292,146	(288,146)
	-	-	-	301,504	301,504	(301,504)
	3,894,292	-	-	-	3,894,292	8,912,373
	12,483,368	-	-	-	12,483,368	(9,057,824)
	-	-	-	-	-	31
	-	-	-	-	-	3,640,793
	361,164	-	-	-	361,164	10,420,888
	-	-	-	-	-	290,612
	-	-	746,577	-	746,577	(742,860)
	-	-	-	-	-	8,374,085
	236	-	-	-	236	559
	2,922	-	2,557,025	-	2,559,947	(547,504)
	-	-	-	-	-	1,813

ASSETS AND LIABILITIES AT 31 DECEMBER 2017

	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Total assets
Todini Filiale Dubai	4,505,938	-	-	-	4,505,938
Tokwe Mukorsi Dam	77,952,522	-	-	-	77,952,522
Trincerone Ferroviario	-	-	4,416	-	4,416
Vegas	1,454,375	-	-	38,583	1,492,958
Western Station JV	197,819	-	-	13,401,181	13,599,000
Yarull	9,991	-	-	1,996,136	2,006,127
Total - group companies	**538,032,432**	**67,140,999**	**578,503,164**	**74,011,492**	**1,257,688,087**
C. Tiburtino	50,489	-	-	-	50,489
Casada S.r.l.	58,837	-	-	-	58,837
CEDIV SPA	693,707	-	-	-	693,707
Dirlan	9,483	-	-	-	9,483
G.A.B.I.RE. Srl	93,395	-	-	-	93,395
Galla Placidia	49,405	-	-	-	49,405
Imm. Agricola San Vittorino	93,904	-	-	-	93,904
Infernetto S.r.l.	25,067	-	-	-	25,067
Iniziative Immobiliari	-	-	-	-	-
Madonna dei Monti Srl	6,776	-	-	-	6,776
Nores	40,830	-	-	-	40,830
Plus	11,019	-	-	-	11,019
Salini Costruttori	7,437	-	4,936,346	-	4,943,783
SALINI SIMONPIETRO & C. S.A.P.A.	22,895	-	-	-	22,895
Zeis	-	-	1,302,574	-	1,302,574
Total - other related parties	**1,163,244**	**-**	**6,238,920**	**-**	**7,402,164**
Total	**539,195,676**	**67,140,999**	**584,742,084**	**74,011,492**	**1,265,090,251**

Trade payables	Bank and other loans	Current portion of bank loans and current account facilities	Other current liabilities	Total liabilities	Net balance
-	-	-	-	-	4,505,938
12,431,371	-	54,201,264	-	66,632,635	11,319,887
-	-	-	-	-	4,416
-	-	-	-	-	1,492,958
48,243,975	-	-	-	48,243,975	(34,644,975)
-	-	174,204	-	174,204	1,831,923
548,429,414	**-**	**184,654,195**	**25,738,704**	**758,822,313**	**498,865,774**
-	-	-	-	-	50,489
79,972	-	-	-	79,972	(21,135)
-	-	-	-	-	693,707
-	-	-	-	-	9,483
-	-	-	-	-	93,395
-	-	-	-	-	49,405
-	-	-	-	-	93,904
-	-	-	-	-	25,067
292,720	-	-	-	292,720	(292,720)
8,911	-	-	-	8,911	(2,135)
-	-	-	-	-	40,830
-	-	-	-	-	11,019
208,130	-	-	-	208,130	4,735,653
-	-	-	-	-	22,895
52,898	-	-	-	52,898	1,249,676
642,631	**-**	**-**	**-**	**642,631**	**6,759,533**
549,072,045	**-**	**184,654,195**	**25,738,704**	**759,464,944**	**505,625,307**

REVENUE AND COSTS FOR 2017

	Revenue	Other revenue and income	Purchases	Subcontracts
A1F Tuszyn-Pyrzowice	4,603	535,702	-	-
Adiyan Water Treatment Plant	-	-	-	-
Aegek - Impregilo - Alstom J.V.	4,140	-	-	-
Agua AZ	275,327	7,600	-	-
Agua BA	-	-	-	-
Alia	-	1,808	-	-
Ancipa S.c.r.l.	-	13,251	-	-
Angostura	10,971	53	-	-
ANM	-	1,207,933	-	-
Ariguani	(396,286)	230,193	-	-
Barnard	1,056,690	-	-	-
CAVET	35,156	35,591	-	-
CAVTOMI	15,088	32,796	-	-
CDE	141,625	755,324	-	-
CFT 2000	-	-	-	-
Cigla	-	-	-	-
CIV	62,827	16,663	-	-
Civil Work	-	-	-	-
CMC-MAVUNDLA-IGL JV	-	43,574	-	-
CMT IS	5,023,004	2,557,555	-	-
Co.Ge.Ma.	218,535	77,573	-	-
COCIV	704,946	2,138,630	-	-
Congr 91	-	-	-	-
Consorcio Cigla-Sade	-	-	-	-
Consorcio Constructor Salini Impregilo - Cigla	275,476	-	-	-
Consorcio Contuy Medio	-	9	-	-
Consorcio Grupo Contuy-Proyectos y Ob. De F.	770,341	-	-	-
Consorcio OIV-TOCOMA	1,383,636	-	-	-
Consorcio Serra do Mar	-	406,046	-	-
Consorcio VIT Tocoma	80,203	-	-	-
Consorzio Costral in liquidazione	6,399	2,898	-	-
Consorzio EPC	38,323,529	19,098	-	-
Consorzio Iricav Due	-	14,340	-	-
Consorzio MM4	81,458	248,552	-	-
Consorzio OHL	184	33,660	-	-
Consorzio Pedelombarda 2	-	4,205	-	-
Consorzio TAT-Tunnel Alp Transit Ticino	(56,816)	-	-	-
Consorzio VIT Caroni Tocoma	-	-	-	-
Constr. of Inn. Sout. Expre. (ISEX)	-	-	-	-
Corso del Popolo	20,545	3,955	-	-
Corso del Popolo Engineering	13,808	2,949	-	-
CSC	-	40,200	-	-
Dev. Engin. infras. to Idu ind. area and Kar res. dist. Ab	-	-	-	-
Diga Ancipa S.c.r.l.	-	4,132	-	-

Services	Personnel expense	Other operating expenses	Amortisation, depreciation, provisions and impairment losses	Financial income	Financial expense
45,192,502	-	-	-	-	-
-	-	-	-	2,101	-
4,140	-	-	-	-	-
63,576	-	-	-	-	-
-	-	330,070	(330,070)	-	-
-	-	-	-	9,703	-
-	-	-	-	-	-
-	-	53	-	-	-
4,267,814	-	-	-	-	-
3,226	-	-	-	713,342	-
275,843	-	-	-	-	-
(35,737)	-	-	-	5,903	-
1,497,267	-	8	-	46,714	46,711
950,211	-	-	-	132	-
-	-	-	-	3,683	-
-	-	-	-	6,108	-
-	-	-	-	-	62,482
(2,489,097)	-	-	-	-	-
77	-	-	-	-	-
-	-	-	-	70,923	878,279
2,584,716	-	-	-	49,306	-
201,639,198	-	-	-	113,973	787,983
-	-	-	-	-	105
-	-	-	-	58,173	-
1,434	-	-	-	-	-
194	-	-	-	-	-
764,257	-	-	-	-	-
3,366,755	-	-	56,632,175	-	-
339	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,614,489	-	-	-	-	-
1,646,398	-	-	-	-	-
991,900	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(335,348)	-	-	-	-	-
1,098,476	-	-	-	-	-
-	-	-	-	574	-
-	-	-	-	640	-
-	-	-	-	45,113	-
-	-	-	-	20,271	-
-	-	-	-	1,304	-
-	-	-	-	-	-

REVENUE AND COSTS FOR 2017

	Revenue	Other revenue and income	Purchases	Subcontracts
District 1 Development	-	-	-	-
Donati	-	-	-	-
E.R. Impregilo/Dumez y Asociados para Yaciretê	86,666	-	-	-
Eurolink S.c.p.a.	29,628	150,372	-	-
Fibe	125,913	241,679	-	-
Fisia - Alkatas J.V.	-	3,800	-	-
Fisia Ambiente S.P.A	22,032	24,885	-	-
FISIA Italimpianti S.p.A	179,657	202,309	-	-
FL - Emirati_Dubai	-	-	-	-
G. W. Trans. to Fed. Cap. Ter. Lot A Dam and Aa. W.	-	-	-	-
G.T.B. S.c.r.l.	-	32,037	-	-
Galfar Salimp Cimolai JV	-	3,763,351	-	-
Galileo scarl	7,098	3,374	-	-
GHAZI JV	-	8,799	-	-
Grupo Empresas Italianas - GEI	167,371	-	-	-
GUP CANAL	2,072,585	65,433	-	-
HCE Italia Altre	182,684	151,559	-	-
HCE Sede	1,027,079	2,620,950	27,367	-
Healy	(117,564)	46,014	1,108	-
Healy Parsons	-	-	-	-
ICT II	(1,409,668)	76,734	-	-
IGL Arabia	611	6,928	-	677,711
IGL-SK-Galfar	2,892,285	8,237,762	2,977	-
Iglys	-	-	-	-
Impregilo International Infrastructures N.V.	-	376,681	-	-
Impregilo-Healy UTE	2,171,247	85,492	-	-
Imprepar	248,028	898,230	-	-
IS JV	892,764	4,572,523	-	-
Isarco S.c.r.l.	566,033	804,315	-	-
JV Todini - Akkord - Salini	-	-	-	-
JV_IGL_SGF	13	-	-	-
KAYI - Salini - Samsung - JV	-	138,973	-	-
La Quado S.c.a.r.l.	554	3,245	-	-
Lambro Scrl	-	-	-	-
Lane Construction Corporation	-	-	30	58,299
Lane Industries Incorporated	115,541	-	-	-
Librino	-	1,808	-	-
Libyan LEC	66,200	2,800	-	-
Lidco	648	3,159	-	-
Line 3 Metro Stations	493	-	-	-
M2 Lima	-	2,149,418	-	-
Metro 6	-	3,800	-	-
Metro B s.r.l.	-	1,093	-	-
Metro B1	48,067	214,687	10,099	-

Services	Personnel expense	Other operating expenses	Amortisation, depreciation, provisions and impairment losses	Financial income	Financial expense
-	-	-	-	362	-
6,662	-	-	-	-	31
1,803,544	-	-	2,321,433	618,882	5
206,175	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	160,703
-	-	3,602	-	-	122,581
54,026	-	-	-	-	-
-	-	-	-	1,572	-
-	-	-	-	-	-
61,431	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
419,686	-	-	-	-	-
-	-	-	-	8,110,725	-
-	-	-	-	5,207,073	-
89,400	-	438	-	552,224	-
1,872,184	1,628,298	-	-	15,468	-
(169,378)	-	-	-	-	-
-	-	-	-	296,882	-
-	-	-	-	-	-
82,375	-	-	-	-	-
4,427	-	-	-	-	-
-	-	-	-	2,674	2,259,705
1,967	-	-	-	24,835	20.
-	-	13	-	3,198	49,103
11,155	-	-	-	-	-
22,547,904	-	545	-	88,055	20,712
-	-	-	-	291,064	-
219	-	-	-	-	-
-	-	-	-	-	-
16,327	-	-	-	-	-
250	-	-	-	-	-
117,130	151,926	3,579	-	26,632	9,188
-	-	-	-	-	-
-	-	-	-	-	-
114,881	-	-	-	-	-
-	-	-	-	73,028	-
11,487	-	-	-	-	-
-	-	-	-	-	-
19,402	-	-	-	-	-
-	-	-	-	-	-
1,899,219	-	-	-	50,935	15,460

REVENUE AND COSTS FOR 2017

	Revenue	Other revenue and income	Purchases	Subcontracts
Metro Blu	37,050	526,260	-	-
Metrocampania Secondigliano	-	113	-	-
Metrogenova S.c.r.l.	9,567	-	-	-
Metropolitana di Napoli S.p.A.	-	-	-	-
Millennium Park	-	-	-	-
Napoli Cancello Alta Velocità S.c.r.l.	-	205,920	-	-
New Cros	-	6,400	-	-
Nigeria Cultural Centre and Mill. Tower	-	-	-	-
Passante di Mestre S.c.p.A.	1,906	15,774	-	-
Passante Dorico S.p.A.	18,225	4,180	-	-
Pedelombarda S.c.p.a.	50,000	66,523	-	-
Perugia 219 Scarl in liquidazione	7,147	3,674	-	-
PGH Ltd	-	-	-	-
Pietrarossa S.c.r.l.	-	4,132	-	-
Piscine dello Stadio	17,692	3,890	-	-
Piscine dello Stadio scrl	12,297	3,735	-	-
Puentes	6,468	15,509	-	-
RC Scilla	31,013	110,472	-	-
Rimati	-	3,562	-	-
Riviera S.c.r.l.	-	-	-	-
Rivigo	-	7,868	-	-
S. Anna Palermo S.c.r.l.	-	-	-	-
S.Ruffillo S.c.a.r.l.	-	-	-	-
S3 - Nowa Sol	-	804,806	-	-
S7 - Checiny	-	1,355,758	-	-
S8 - Marki - Radzymin	-	491,639	-	-
SA_RC	31,481	123,707	-	-
Sabrom	37,197	32,970	-	-
Salimp Cleveland	21,076	27,645	-	-
Salini Australia	-	418	-	-
Salini Bulgaria AD	-	-	-	-
Salini Impregilo - Healy J.V. NEBT	-	254	-	-
Salini Impregilo - NRW Joint Venture	-	5,633,335	-	-
Salini Impregilo - Salini Insaat - NTF J.V - Branch	-	8,218	-	-
Salini India Private	-	-	-	-
Salini Ins.Taah.San.Ve Tik. Anonim Sirketi	-	-	-	-
Salini Kolin Cgf Joint Venture	-	169,500	-	-
Salini Malaysia Head Office	759,173	123,977	1,303	-
Salini Namibia	3,926,798	558,903	-	-
Salini Nigeria Ltd	2,036,003	45,199	-	-
Salini Polska Sp.	(713,624)	41,983	-	-
Salini Saudi Arabia Company Ltd	1,545,355	36,849	-	-
San Giorgio Caltagirone S.c.r.l.	-	2,367	-	-
San Leonardo Due	-	-	-	-

Services	Personnel expense	Other operating expenses	Amortisation, depreciation, provisions and impairment losses	Financial income	Financial expense
61,124,322	-	-	-	-	-
-	-	-	-	-	-
508,110	-	-	-	-	-
79,376	-	12	-	-	-
-	-	-	-	66	-
-	-	-	-	-	-
148,153	-	-	-	57,454	-
-	-	-	-	24,716	-
42,576	-	-	-	-	-
-	-	-	-	-	-
785,900	-	-	-	-	-
-	-	-	-	686	-
-	-	-	-	81,807	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,462,862	-	-	-	-	-
-	-	-	-	-	-
109,484	-	-	-	-	-
-	-	-	-	-	-
149,793	-	-	-	-	-
67,246	-	-	-	-	-
8,309,754	-	-	-	-	-
33,890,463	-	-	-	-	-
21,907,972	-	-	-	-	-
1,647,231	-	-	-	-	-
-	-	-	-	-	4,304
385	-	-	-	-	-
-	-	-	-	180,558	-
-	-	-	43,072	-	-
-	-	-	-	-	-
-	-	-	-	-	427,654
24,214	-	482	-	-	378,538
-	-	6,302	-	-	-
480	-	-	-	24,840	-
-	-	-	-	-	-
106,412	-	-	-	384,733	90,817
-	-	-	-	724,918	157,795
-	-	-	-	2,443,061	-
-	1,040,872	-	-	222,230	26,666
4,337,209	-	300	-	-	-
-	-	-	-	-	-
-	-	-	-	33	-

REVENUE AND COSTS FOR 2017

	Revenue	Other revenue and income	Purchases	Subcontracts
SARGE TP	-	513,047	-	-
Sarmento S.c.r.l.	-	-	-	-
Shimmick CO. INC.	41,489,464	-	-	-
Scilla	-	-	-	-
Sclafani S.c.r.l.	-	2,582	-	-
SFI leasing	1,372,679	-	-	-
Sirjo S.c.p.A.	-	144,719	-	-
SNFCC	418,750	13,300	-	-
South Al Mutlaa Joint Venture	-	2,680,410	-	-
SPV Linea M4 Spa	-	228,140	-	-
Stazione Tribunale	-	-	-	-
Suleja Minna Dualisation	-	-	-	-
Suropca	-	-	-	-
TB Metro in liquidazione	7,737	3,175	-	-
Techint S.A.C.I.- Hochtief A.G.- Impregilo S.p.A	1,659,384	-	-	-
Thessaloniki Metro CW	67,509,664	-	-	-
Tokwe Mukorsi Dam	10,896,703	78,971	-	-
Torre	-	-	-	-
Trincerone Ferroviario	-	-	-	-
Vegas	46,222	-	-	-
Vittoria	-	1,658	-	-
Western Station JV	-	1,208,663	-	43,217,402
Yarull	-	5,600	-	-
Yuma	(336,748)	-	-	-
Total - ICP Branch	**188,330,033**	**48,642,305**	**42,884**	**43,953,412**
C. Tiburtino	16,902	2,898	-	-
Casada S.r.l.	16,177	3,153	-	-
CEDIV SPA	17,273	916	-	-
Dirlan	23,828	2,898	-	-
G.A.B.I.RE. Srl	18,598	2,898	-	-
Galla Placidia	19,473	2,898	-	-
Imm. Agricola San Vittorino	22,168	2,898	-	-
Infernetto S.r.l.	7,221	2,898	-	-
Iniziative Immobiliari	-	-	-	-
Madonna dei Monti Srl	10,869	3,482	-	-
Nores	6,271	2,898	-	-
Plus	28,906	2,898	-	-
Salini Costruttori	148,093	10,841	232	-
SALINI SIMONPIETRO & C. S.A.P.A.	14,394	860	-	-
Zeis	164,542	106,535	-	-
Total - other related parties	**514,715**	**148,971**	**232**	**-**
Total	**188,844,748**	**48,791,276**	**43,116**	**43,953,412**

Services	Personnel expense	Other operating expenses	Amortisation, depreciation, provisions and impairment losses	Financial income	Financial expense
102,525	-	-	-	37,726	-
-	-	-	513,820	-	-
36,809,573	-	-	-	-	-
2	-	-	-	-	-
-	-	-	-	-	-
1,346,902	-	-	-	-	-
1,825,876	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
25,254	-	39	-	489,841	-
2,140,412	-	-	-	-	-
-	-	-	-	654	-
-	-	-	-	-	14,096
-	-	-	13,284	25,633	-
143,658	-	-	-	-	-
65,909,223	-	-	-	-	-
-	-	-	-	-	1,213,032
6,487	-	-	-	-	-
-	-	-	-	162	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
536,284,957	**2,821,096**	**345,443**	**59,193,714**	**21,210,690**	**6,725,970**
-	-	-	-	-	-
262,778	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,074,514	-	4	-	-	-
55,200	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
43,087	-	-	-	189,420	7,710
-	-	-	-	-	-
145,100	-	-	-	40,045	-
1,580,679	**-**	**4**	**-**	**229,465**	**7,710**
537,865,636	**2,821,096**	**345,447**	**59,193,714**	**21,440,155**	**6,733,680**

SEPARATE FINANCIAL STATEMENTS OF SALINI IMPREGILO - EQUITY INVESTMENTS

EQUITY INVESTMENTS AT 31 DECEMBER 2017
SALINI IMPREGILO S.P.A.

Name	% investment	Registered office	Amount Salini Igl S.p.A 1.1.2017 (€)	Increases in the year	No.	Decreases in the year
SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES						
Agba - Aguas Gran B Aires Sa in liq (Argentina)	16.504	Milan	56,358	-		(56,358)
Anagnina 2000 Scarl in liq	50.000	Milan	-	-		-
Arriyadh New Mobility Consortium (Arabia)	33.480	Saudi Arabia	-	-		-
Cao - Consorcio Acueducto Oriental (Rep Dominicana)	67.000	Santo Domingo	-	-		-
Carvalho Pinto Consorzio	20.000	Brazil	-	-		-
Caserma Donati Consorzio	84.200	Milan	240,000	-		(240,000)
Cavet Consorzio	75.983	Pianoro	4,110,030	10,374	O	(2,877)
CavToMi Consorzio	74.690	Milan	3,723,537	11,877	O	(4,316)
CCT Consorzio Costruttori TEEM	0.001	Milan	-	-		-
CCTE Consorzio in liq	60.000	Milan	-	-		-
Cesif Scpa in liq	24.175	Cavriago	63,460	-		(63,460)
Cigla Constructora Sa (Brasile)	100.000	Sao Paulo	-	-		-
Civ Spa	85.000	Milan	12,940,477	-		-
Civil Works Jv (Arabia)	52.000	Saudi Arabia	-	-		-
Cociv Consorzio	64.000	Genoa	330,532	-		-
Coincar Sa (Argentina)	26.250	Argentina	-	-		-
Conai Consorzio Nazionale Imballaggi	1.000	Milan	5	-		-
Consi Consorzio	2.273	Pordenone	-	-		-
Consorzio EPC	18.250	Italy	-	-		-
Constructora Ariguani Sas (Colombia)	100.000	Colombia	34,851	-		(34,851)
Constructora Mazar Consorcio (Ecuador)	70.000	Ecuador	-	-		-
Contuy Ferrocarriles Consorcio (Venezuela)	33.329	Venezuela	-	-		-
Contuy Medio Consorcio (Venezuela)	29.040	Venezuela	-	-		-
Corav Consorzio	96.970	Milan	51,563	48,427	G	(99,990)
CPS Consorzio Pedemontana Veneta	35.000	Verona	-	-		-
Empresa Constructora Metro 6 Ltda (Cile)	100.000	Chile	-	-		-
Eriday Ute (Impregilo - Dumez) (Argentina)	18.750	Argentina	-	-		-
Eurolink Scpa	45.000	Rome	16,875,000	-		-
Gaziantep Hastanesi Isletme Bakim	50.000	Turkey	7,648	300,000	D	-
Gestione Napoli Srl in liq	24.000	Genoa	-	-		-
Ghazi Barotha Contractors Jv (Pakistan)	57.800	Pakistan	-	-		-
Groupment Salini Strabag Jv	50.000	Guinea	-	-		-
Grupo ICT Sas	100.000	Colombia	989,940	25,259,518	R	(13,507,225)

No.	Amount Salini Igl S.p.A 31.12.2017 (€)	Share of equity	Diff. between investment, net of uncalled up share/ quota capital, and equity	Date of equity
R,N	-	(43,237)	(43,238)	31/12/2015
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
G	-	-	-	
N	4,117,527	4,117,526	(1)	31/12/2017
N	3,731,098	3,731,098	-	31/12/2017
G	-	-	-	
	-	-	-	
I	-	62,695	62,694	31/12/2016
	-	1,688,270	1,688,270	31/12/2017
	12,940,477	9,295,484	(3,644,994)	31/12/2016
	-	31,243,913	31,243,913	31/12/2016
	330,532	330,532	-	31/12/2017
	-	917,742	917,742	30/11/2016
	5	-	-	
	-	-	-	
	-	-	-	
L	-	4,473,414,09	4,473,414	31/12/2016
	-	-	-	
	-	(2,348,557)	(2,348,557)	31/12/2014
	-	30,977	30,977	31/12/2016
G	-	-	-	
	-	-	-	
	-	-	-	
	-	(8,974,576)	(8,974,576)	31/12/2016
	16,875,000	67,500,000	50,625,000	31/12/2016
	307,648	(5,695)	(313,343)	31/12/2016
	-	(18,357)	(18,357)	31/12/2016
	-	-	-	
	-	-	-	
N,R	12,742,233	15,070,100	2,327,867	31/12/2017

EQUITY INVESTMENTS AT 31 DECEMBER 2017
SALINI IMPREGILO S.P.A.

Name	% investment	Registered office	Amount Salini Igl S.p.A 1.1.2017 (€)	Increases in the year	No.	Decreases in the year
Impregilo Colombia Sas	100.000	Colombia	12,094,597	13,164,931	R	(25,259,528)
GTB Scarl	0.010	Naples	5	-		-
HCE Costruzioni Ukraine LLC	1.000	Ukraine	583,317	-		(583,217)
Impregilo Civilcad Ingco (Rep Dominicana)	70.000	Dom. Republic	100	-		(100)
Impregilo Rizzani de Eccher Jv (Svizzera)	67.000	Switzerland	-	-		-
Impregilo Salini Sa (Panama)	50.000	Panama	-	-		-
Impregilo Yarul Consorcio (Rep Dominicana)	70.000	Dom. Republic	-	-		-
Impresit Bakolori Plc (Nigeria)	50.707	Nigeria	-	-		-
Iricav Due Consorzio	34.000	Rome	175,566	-		-
Isarco Scarl	41.000	Bressanone	41,000	-		-
La Quado Scarl	35.000	Milan	3,500	-		(3,500)
Lambro Scarl	0.010	Milan	20.	-		(20)
LEC Libyan Expressway Contractors Consorzio	58.000	Milan	5,800	-		-
Markland Srl in liq	1.900	Milan	1,269	-		-
Metroblu Scarl	50.000	Milan	-	-		-
Metro Riyadh Line 3	66.000	Saudi Arabia	-	-		-
Metrogenova Scarl	35.627	Genoa	8,257	-		-
Miteco Consorzio	44.160	Castelnovo (RE)	-	-		-
MM4 Consorzio	32.130	Milan	64,270	-		-
MN - Metropolitana di Napoli Spa	5.176	Naples	313,652	-		(313,652)
MN 6 Scarl	1.000	Naples	510	-		-
Napoli Cancello Alta Velocità Scrl	60.000	Naples	-	6,000	A	-
Mohale Dam Contractors Jv (Lesotho)	50.000	Lesotho	-	-		-
Mohale Tunnel Contractors Jv (Lesotho)	35.000	Lesotho	-	-		-
Nogma Consorzio	14.000	Venice	84,000	-		(84,000)
Normetro Ace (Portogallo)	2.120	Portugal	-	-		-
Normetro Consorcio (Portogallo)	13.180	Portugal	-	-		-
Passante di Mestre Scpa	42.000	Venice	4,200,000	-		(4,200,000)
Pedelombarda 2 Consorzio (CP2)	40.000	Milan	4,000	-		(4,000)
Pedelombarda Scpa	47.000	Milan	9,400,000	-		(7,050,000)
Pedemontana Veneta Spa in liq	21.350	Verona	1,238,052	42,648	G	(1,280,700)
PGH Ltd (Nigeria)	100.000	Nigeria	282,728	-		(282,728)
Puentes del Litoral Sa in concorso prev (Argentina)	22.000	Argentina	-	-		-

No.	Amount Salini Igl S.p.A 31.12.2017 (€)	Share of equity	Diff. between investment, net of uncalled up share/ quota capital, and equity	Date of equity
R	-	-	-	
	5	-	-	
C	100	(8)	(107)	31/12/2016
C	-	-	-	
	-	-	-	
	-	-	-	
	-	1,302,112	1,302,112	31/12/2016
	-	-	-	
	175,566	176,060	494	31/12/2016
	41,000	41,000	-	31/12/2016
G	-	3,500	3,500	31/12/2016
G	-	-	-	
	5,800	5,800	-	31/12/2016
	1,269	-	(1,269)	
	-	5,000	5,000	31/12/2016
	-	-	-	
	8,257	9,200	943	31/12/2013
	-	-	-	
	64,270	64,270	-	
H	-	-	-	
	510	-	-	
	6,000	-	-	
	-	-	-	
	-	-	-	
G	-	-	-	
	-	-	-	
	-	-	-	
G	-	2,730,000	2,730,000	31/12/2017
G	-	4,000	4,000	30/09/2017
F	2,350,000	37,600,000	35,250,000	31/12/2016
G	-	1,201,824	1,201,824	31/12/2016
N	-	804,929	804,929	31/12/2016
	-	(11,534,163)	(11,534,163)	31/12/2016

EQUITY INVESTMENTS AT 31 DECEMBER 2017
SALINI IMPREGILO S.P.A.

Name	% investment	Registered office	Amount Salini Igl S.p.A 1.1.2017 (€)	Increases in the year	No.	Decreases in the year
Quattro Venti Scarl in liq.	40.000	Rome	-	-		-
Reggio Calabria Scilla Scpa	51.000	Rome	17,850,000	-		-
Riviera Scarl	12.940	Naples	6,470	-		(6,470)
S8 Jv (Polonia)	71.240	Poland	-	-		-
S3 Jv (Polonia)	71.240	Poland	-	-		-
Salerno Reggio Calabria Scpa	51.000	Rome	25,500,000	-		-
Salini Australia Pty Ltd (Australia)	100.000	Australia	-	2,717,891	S	(591,142)
Salini Impregilo Duha Jv (Slovacchia)	75.000	Slovakia	-	-		-
Salini Insaat Ntf Jv (Turchia)	55.000	Turkey	-	-		-
Salini Namibia Proprietary Ltd (Namibia)	100.000	Namibia	358	-		-
Sant'Anna Palermo Scarl in liq	71.600	Palermo	18,592	-		-
Scilla Consorzio in liq	51.000	Palmi	510	-		(510)
Sima Gest 3 Scarl in liq	0.010	Zola Pedrosa	5	-		(5)
Sipem - Soc Ind Prefabbr Edilizia Medit Srl in liq.	100.000	Assoro	-	-		-
Sirjo Scpa	40.000	Rome	3,000,000	-		-
SP M4 - Soc di Progetto M4 Scpa	29.000	Milan	104,040	-		(104,040)
Stazione Tribunale	43.000	Italy	8,600	-		(8,600)
Salini Impregilo Bin Omran Jv	50.000	Qatar	-	-		-
TAT - Tunnel Alp Transit Consorzio (Svizzera)	17.500	Switzerland	-	-		-
TE - Tangenziale Esterna Spa (ex STP)	3.750	Milan	100	-		-
TM Salini Consortium	90.000		-	-		-
Todini Impregilo Almaty Khorgos Jv (Kazakistan)	0.010	Kazakhstan	-	-		-
Torre Consorzio	94.600	Milan	4,730,000	-		(4,730,000)
Tradeciv Consorzio	8.058	Naples	12,533	-		(12,533)
Transmetro Ace (Portogallo)	5.000	Portugal	-	-		-
Consorzio Trevi - SGF Inc per Napol	45.000	Italy	-	4,500	R	-
Impregilo Healy Parsons Jv	45.000	Argentina	-	-		-
Veco Scarl	25.000	Venice	2,582	-		-
Yellow River Contractors Jv (Cina)	36.500	China	-	-		-
Metro B S.r.l.	52.520	Rome	9,169,856	-		(7,878,000)
Metro B1 S.c.a.r.l.	80.700	Rome	1,952,940	-		-
Metroblu Scarl	50.000	Italy	-	5,000	D	-
RI.MA.TI. S.c.a.r.l.	83.420	Rome	699,420	-		-
Copenaghen Metro Team I/S	99.990	Denmark	16,922,452	-		-
Salini Insaat Taahhut Sanayi Ve Ticaret Anonim Sirketi	100.000	Turkey	-	-		-

No.	Amount Salini Igl S.p.A 31.12.2017 (€)	Share of equity	Diff. between investment, net of uncalled up share/ quota capital, and equity	Date of equity
	-	-	-	
	17,850,000	17,850,000	-	31/12/2016
H	-	-	-	
	-	-	-	
	-	-	-	
	25,500,000	25,500,000	-	31/12/2016
N	2,126,749	(9,249,797)	(11,376,546)	31/12/2016
	-	-	-	
	-	(999,433)	(999,433)	31/12/2016
	358	3,886,354	3,885,996	31/12/2016
	18,592	29,584	10,991	31/12/2016
G	-	510	510	31/12/2017
G	-	-	-	
	-	-	-	
	3,000,000	3,000,000	-	31/12/2016
G	-	-	-	
H	-	-	-	
	-	-	-	
	-	-	-	
	100	-	-	
	-	-	-	
	-	-	-	
G	-	4,730,000	4,730,000	31/12/2017
H	-	-	-	
H	-	-	-	
	4,500	4,500	-	31/12/2016
	-	-	-	
	2,582	-	-	
	-	-	-	
F	1,291,856	9,169,856	7,878,000	31/12/2016
	1,952,940	1,952,940	-	31/12/2016
	5,000	-	-	
	699,420	699,418	(2)	
	16,922,452	34,955,504	18,033,052	31/12/2017
	-			

EQUITY INVESTMENTS AT 31 DECEMBER 2017
SALINI IMPREGILO S.P.A.

Name	% investment	Registered office	Amount Salini Igl S.p.A 1.1.2017 (€)	Increases in the year	No.	Decreases in the year
Salini Impregilo - Salini Insaat - NTF J.V - Legal	55.000	Turkey	-	-		-
Salini-Kolin-GCF Joint Venture	38.000	Turkey	-	-		-
Todini Akkord Salini	25.000	Ukraine	1,009,616	-		(143,535)
Forum S.c.r.l. (in liq.)	20.000	Rome	10,329	-		-
Risalto S.r.l. (in liq.)	66.670	Rome	-	-		-
Variante di Valico S.c.r.l. (in liq.)	66.670	Rome	32,828	4,672	I	(37,500)
Compagnia Gestione Finanziarie - Co.Ge.Fin S.r.l.	100.000	Rome	14,850,505	-		(14,850,505)
San Ruffillo s.c.a.r.l.	35.000	Rome	21,000	-		-
Segrate	35.000	Italy	-	3,500	A	-
Salini Acciona Joint Venture	50.000	Ethiopia	9,430	-		-
Grupo Unidos Por El Canal S.A.	48.000	Panama	49,021,318	86,223,662	D	(34,981,106)
GR. ITALGISAS	30.000	Morocco	-	-		-
I.S.V.E.U.R. Spa	1.000	Rome	34,086	-		-
PANTANO SCRL	10.500	Rome	4,338	-		(4,338)
Consorzio Mina De Cobre	100.00	Milan	-	-		-
Equity investments - SPEs			**212,895,958**	**127,803,000**		**(116,418,806)**
CDE Scarl	60	Italy	-	6,000	A	-
CSC Impresa Costruzioni Sa (ex Magnenat) (Svizzera)	100.000	Switzerland	25,727,553	-		(7,489,559)
Emittenti Titoli Spa	0.244	Milan	10,832	-		-
Fibe Spa (impegno ripian 100%)	99.989	Naples	39,840,780	-		(2,376,411)
Fisia Italimpianti Spa	100.000	Genoa	40,219,435	-		-
Fisia Ambiente Spa (ex Fisia Italimpianti)	100.000	Genoa	21,580,565	-		-
Gaziantep Hastane Sanglik Hizmetleri Isletme Yatrim Joint Stock Company	24.500	Turkey	5,528,264	1,054,765	D	-
Golf Pordenone srl	0.387	Pordenone	14,528	-		(14,528)
Healy Company Sa (Chicago)	100.000	USA	-	-		-
I Faber Spa	8.000	Milan	-	582,964	D	-
Ilim Iniziative Lombarde Immobiliari Srl in liq	100.000	Milan	-	-		-
Immobiliare Golf Club Castel d'Aviano Spa	0.444	Aviano	17,995	35,649	G,M	(53,645)
Impregilo Arabia Ltd	50.000	Saudi Arabia	3,936,167	831,648	D	-
Impregilo International Infrastructures Nv (Olanda)	100.000	Netherlands	170,000,000	-		(1,300,000)
Impregilo Lidco Co	60.000	Libya	1,785,000	-		(339,520)
Imprepar - Impregilo Partecipazioni Spa	100.000	Milan	45,941,191	-		-

No.	Amount Salini Igl S.p.A 31.12.2017 (€)	Share of equity	Diff. between investment, net of uncalled up share/ quota capital, and equity	Date of equity
	-	-	-	
	-	-	-	
N	866,081	-	-	
	10,329	10,329	-	31/12/2016
	-	-	-	
I	-	-	-	
R	-	-	-	
	21,000	21,000	-	31/12/2016
	3,500	-	-	
	9,430	-	-	
Q	100,263,874	(268,404,410)	(368,668,284)	31/12/2016
	-	-	-	
	34,086	-	-	
G	-	-	-	
	-	-	-	
	224,280,151	**(17,358,790)**	**(240,711,640)**	
	6,000	-	-	
N	18,237,994	28,799,962	10,561,968	31/12/2016
	10,832	-		
N	37,464,369	39,596,196	2,131,826	31/12/2016
	40,219,435	3,321,572	(36,897,863)	31/12/2016
	21,580,565	31,797,565	10,217,000	31/12/2015
	6,583,029	-	-	
H	-	-	-	
	-	-	-	
	582,964	-	-	
	-	-	-	
G	-	-	-	
	4,767,815	-	-	
N	168,700,000	169,386,000	686,000	31/12/2016
N	1,445,480	843,785	(601,695)	31/12/2015
	45,941,191	51,388,380	5,447,189	31/12/2016

EQUITY INVESTMENTS AT 31 DECEMBER 2017
SALINI IMPREGILO S.P.A.

Name	% investment	Registered office	Amount Salini Igl S.p.A 1.1.2017 (€)	Increases in the year	No.	Decreases in the year
Metro de Lima Linea 2 Sa (Perù)	18.250	Peru	18,481,628	-		-
Rimini Fiera Spa	2.089	Rimini	1,563,977	-		-
Sabrom - Soc Autostrada Broni Mortara Spa	60.002	Milan	17,342,000	-		-
SGF - INC Spa	100.000	Milan	-	-		-
Skiarea Valchiavenna Spa	0.977	Madesimo	98,370	1,370	G	(99,740)
Suropca - Suramericana de Obras Ca (Venezuela)	99.000	Venezuela	927,309	-		(138,695)
Compagnia Gestione Macchinari CO.GE.MA. S.p.A.	100.000	Rome	517,547	377,189	M	-
SA.CO.LAV. S.c.r.l. (in liq.)	100.000	Rome	-	-		-
SA.MA. S.c.a.r.l. (in liq.)	99.000	Rome	-	-		-
TB Metro S.r.l. (in liq.)	51.000	Rome	35,754	-		-
Todini Costruzioni Generali S.p.A.	100.000	Rome	-	-		-
HCE Costruzioni Spa	100.000	Rome	-	46,350,515	O,R	(29,313,257)
Hemus Motorway A.D. (in liq.)	51.000	Bulgaria	-	-		-
Passante Dorico Spa	47.000	Milan	2,820,000	-		-
Salini Hydro L.t.d.	100.000	Ireland	12,887	-		(12,210)
Salini Impregilo - US Holdings Inc.	100.000	USA	468,662,593	-		(310,923)
Salini Polska L.t.d. Liability Co	100.000	Poland	-	-		-
Salini Saudi Arabia Company L.t.d.	51.000	Saudi Arabia	30,297,941	-		(13,500,000)
Salini Rus L.t.d. Liability Company.	99.000	Russia	0.01	-		-
Salini India Private L.t.d.	95.000	India	-	1,664,978	D,S	(1,664,987)
Salini Malaysia SDN BHD	90.000	Malaysia	610,468	-		-
Salini Nigeria L.t.d.	99.000	Nigeria	-	-		-
Salini Canada Inc.	100.000	Canada	-	-		-
Salini Singapore Ltd.	100.000	Singapore	-	-		-
Salini USA Inc	100.000	USA	-	-		-
SPV Linea M4 Spa	9.630	Milan	13,446,000	5,221,600	D	-
Yuma Concesionaria Sa (Colombia)	40.000	Colombia	6,351,551	-		-
Equity investments - Other companies			**915,770,335**	**56,126,679**		**(56,613,475)**
Abu Dhabi - Tristar Salini Jv	40.000	Abu Dhabi	-	-		-
Argent - Eriday Ute (Impregilo - Dumez)	9.875	Argentina	-	-		-
Argent - Impregilo Healy Ute	73.000	Argentina	669,470	-		-
Argent - Impregilo Iglys Techint Ezeiza Ute (Carceles)	26.250	Argentina	3,944	-		-

No.	Amount Salini Igl S.p.A 31.12.2017 (€)	Share of equity	Diff. between investment, net of uncalled up share/ quota capital, and equity	Date of equity
	18,481,628	-	-	
	1,563,977	-	-	
	17,342,000	16,259,219	(1,082,781)	31/12/2016
	-	-	-	
G	-	-	-	
N	788,614	925,509	136,895	31/12/2016
	894,736	894,941	205	31/12/2016
	-	-	-	
	-	-	-	
	35,754	(781,641)	(817,395)	31/12/2016
	-	-	-	
N,S	17,037,258	(14,043,411)	(31,080,669)	31/12/2016
	-	-	-	
	2,820,000	11,235,649	8,415,649	31/12/2016
N	677	12,888	12,211	31/12/2016
F	468,351,670	-	(468,351,670)	
	-	-	-	
N	16,797,941	19,185,172	2,387,231	31/12/2016
	-	-	-	
N,S	(9)	(428,368)	(428,359)	
	610,468	50,531,147	49,920,679	31/12/2017
	-	25,133	25,133	
	-	-	-	
	-	-	-	
	-	-	-	
	18,667,600	-	(18,667,600)	
	6,351,551	9,656,314	3,304,763	31/12/2016
	915,283,538	**418,606,011**	**(464,681,283)**	
	-	-	-	
	-	-	-	
	669,470	12,149,162	11,479,692	31/12/2016
	3,944	9,072,691	9,068,746	30/11/2016

EQUITY INVESTMENTS AT 31 DECEMBER 2017
SALINI IMPREGILO S.P.A.

Name	% investment	Registered office	Amount Salini Igl S.p.A 1.1.2017 (€)	Increases in the year	No.	Decreases in the year
Australia - IS Jv	50.000	Australia	-	-		-
Austria - Arge Tulfes Pfons	49.000	Austria	-	-		-
Brasile - Serra do Mar Consorcio	20.000	Brazil	-	-		-
Cile - Empresa Angostura Ltda (valore carico in Sede)	65.000	Chile	436,890	512,184	M	-
Cile - Empresa Constructora Lo Saldes Ltda	35.000	Chile	-	-		-
Cile - Empresa Constructora Metro 6 Ltda	99.900	Chile	17,131	-		-
Grecia - Aegek Igl Altom Transport Jv	45.800	Greece	-	-		-
Grecia - Aktor Impregilo Jv (Agios Constantinos) (Strada)	40.000	Greece	-	-		-
Grecia - Aktor Impregilo Jv (Agios Costantinos) (Strada)	0.100	Greece	-	-		-
Grecia - Executive Impregilo Terna Iris Jv in liq	33.333	Greece	-	-		-
Grecia - Igl Sgf Jv (ex Empedos - ex Gnomon Tcgc) (Canale/Tunnel)	99.000	Greece	-	-		-
Grecia - Igl Terna SNFCC Jv (Centro Niarchos)	51.000	Greece	51,000	-		-
Grecia - Impregilo Empedos Aktor Jv	66.000	Greece	-	-		-
Grecia - Line 3 Metro Stations Jv	50.000	Greece	-	-		-
Grecia - Terna Impregilo Jv (Tram)	45.000	Greece	-	-		-
Grecia - Thessaloniki Metro CW Jv	42.500	Greece	-	-		-
Grecia - Thessaloniki Metro Jv (Aegek)	26.710	Greece	-	-		-
India - Nathpa Jhakri Jv	60.000	India	-	-		-
Perù - Consorcio Constructor M2 Lima	25.500	Peru	-	-		-
Polonia - AI Motorway Tuszyn Pyrzowice Lot F Jv	94.990	Poland	-	-		-
Polonia - salini Polska Impregilo Todini S7 jv	74.990	Poland	-	-		-
Polonia - Generalny Wykonawca Salini Impregilo Kobylarnia Jv	33.340	Poland	-	-		-
Qatar - Impregilo SK Galfar Jv	41.250	Qatar	-	-		-
Qatar - Galfar Salini Impregilo Cimolai	40.000	Qatar	-	-		-
Sudafrica - CMC Mavundla Impregilo Jv	39.200	South Africa	-	-		-
Usa - Barnard Impregilo Healy Jv	25.000	USA	-	-		-
Usa - Impregilo Healy Parsons Jv	45.000	USA	-	-		-
Usa - Salini Impregilo Healy Jv	30.000	USA	-	1,250,730	A	-
Usa - SFI Leasing Company Jv	30.000	USA	-	-		-
Usa - Shimmick FCC Impregilo Jv	30.000	USA	-	-		-
Usa - Vegas Tunnel Constructors Jv	40.000	USA	-	-		-

No.	Amount Salini Igl S.p.A 31.12.2017 (€)	Share of equity	Diff. between investment, net of uncalled up share/ quota capital, and equity	Date of equity
	-	(7,558,609)	(7,558,609)	31/12/2017
	-	4,073,113	4,073,113	31/12/2017
	-	-	-	
	949,074	-	-	
	-	-	-	
	17,131	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	51,000	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	178,681	178,681	31/12/2017
	-	1,151,587	1,151,587	31/12/2016
	-	-	-	
	-	-	-	
	-	-	-	
	-	8,013,193	8,013,193	31/12/2017
	-	336,729	336,729	31/12/2017
	-	20,365,759	20,365,759	31/12/2016
	-	1,097,016	1,097,016	30/06/2016
	-	-	-	
	1,250,730	-	-	
	-	-	-	
	-	890,286	890,286	31/12/2013
	-	969,987	969,987	30/06/2016

EQUITY INVESTMENTS AT 31 DECEMBER 2017
SALINI IMPREGILO S.P.A.

Name	% investment	Registered office	Amount Salini Igl S.p.A 1.1.2017 (€)	Increases in the year	No.	Decreases in the year
Venez - Contuy Medio Grupo A Consorcio	36.400	Venezuela	-	-		-
Venez - GEI Grupo Empresas Italianas Consorcio	33.333	Venezuela	-	-		-
Venez - OIV Tocoma Consorcio	40.000	Venezuela	-	-		-
Venez - VIT Caroni Tocoma Consorcio	35.000	Venezuela	-	-		-
Venez - VIT Tocoma Consorcio	35.000	Venezuela	-	-		-
Venez - VST Tocoma Consorcio	30.000	Venezuela	-	-		-
Investments in branches - SPEs			**1,178,436**	**1,762,914**		**-**
Total			**1,129,844,728**	**185,692,593**		**(173,032,281)**
Summary of variations in equity investments						
€						
Incorporations and subscriptions	A			1,272,230		-
Acquisitions and increases in investments	B			-		-
Transfer	C			-		(583,317)
Capital increases	D			94,707,738		-
Capital injections for capital increases	E			-		-
Reimbursement of share/quota capital	F			-		(15,238,923)
Intragroup sales	G			125,900		(10,904,488)
Sales to third parties	H			-		(355,803)
Liquidation	I			4,672		(100,962)
Reclassifications due to change in investment % or other changes	L			-		(34,851)
Reversals of impairment losses to the extent of previously recognised impairment losses	M			891,568		-
Impairment losses	N			-		(42,064,624)
Reconstitution of share/quota capital to cover losses	O			31,522,251		-
Revaluations	P			-		-
Exchange gains (losses)	Q			-		(34,981,106)
Cancellations due to mergers	R			53,273,463		(53,308,203)
Reclassifications of equity investments with a negative carrying amount	S			3,894,772		(15,460,004)
PPA valuation	T					
Total				**185,692,593**		**(173,032,281)**

No.	Amount Salini Igl S.p.A 31.12.2017 (€)	Share of equity	Diff. between investment, net of uncalled up share/ quota capital, and equity	Date of equity
	-	-	-	
	-	71,579	71,579	31/12/2014
	-	(808,494)	(808,494)	31/12/2015
	-	(1,367,604)	(1,367,604)	31/12/2016
	-	15,670,233	15,670,233	31/05/2016
	-	10,186	10,186	31/01/2016
	2,941,350	**64,315,493**	**63,642,078**	
	1,142,505,039	**465,562,714**	**(641,750,845)**	

EQUITY INVESTMENTS AT 31 DECEMBER 2017
SALINI IMPREGILO S.P.A.

Name	% investment	Registered office	Amount Salini Igl S.p.A 1.1.2017 (€)	Increases in the year	No.	Decreases in the year
SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES, CONSOLIDATED, WITH NEGATIVE CARRYING AMOUNT						
Cigla Constructora Sa (Brasile)	100.000	Brazil	(456,610)	-		(718,405)
Constructora Ariguani Sas	100.000	Colombia	-	34,851	S	(5,214,163)
Empresa Angostura Ltda (Cile)	65.000	Chile	-	-		-
Empresa Metro 6 Ltda (Cile)	99.900	Chile	(25,742,570)	-		(588,139)
Grupo ICT II Sas (Colombia)	100.000	Colombia	-	-		-
Grupo Unidos por el Canal (Panama)	48.000	Panama	-	-		-
HCE Costruzioni SpA	100.000	Rome	(13,813,257)	13,813,257	S	-
Impregilo Arabia LTD	95.000	Saudi Arabia	(140,753)	-		(870,435)
Inc II Nuovo Castoro Algerie	99.900	Algeria	-	3,278,032	P	(6,390,886)
J.V. Impregilo - SGF	55.000	Greece	-	-		(17,972)
PGH Ltd (Nigeria)	100.000	Nigeria	-	-		(392,803)
Salini Australia Pty Ltd	66.670	Australia	(9,249,797)	11,967,688	O	(2,717,891)
Salini Bulgaria A.D.	66.670	Bulgaria	(108,484)	-		-
Salini India Private Ltd	15.000	India	(469,867)	469,867	S	-
Salini Impregilo Insaat Jv	33.000	Turkey	(2,485,794)	1,000,474	P	-
Salini Insaat Taahut Sanayi Ve Ticaret	100.000	Turkey	(194,578)	-		(263,411)
Salini - Impregilo Joint Venture for Mukorsi	100.000	Zimbabwe	(120,966)	-		-
Salini Polska L.t.d. Liability Co	50.000	Poland	(338,953)	469,318	O	(6,518,275)
SGF - INC SpA	99.967	Milan	(4,500,000)	4,500,000	O	-
Sipem Soc Ind Pref Edil Medit Srl in liq.	1.000	Italy	(179,604)	179,604	P,G	-
Risalto S.r.l. (in liq.)	100.000	Rome	-	-		-
Variante di Valico S.c.r.l. (in liq.)	100.000	Rome	-	-		-
Con. Sal S.c.n.c. (in liq.)	100.000	Rome	(62,136),	62,136	G	-
ITALSAGI SPZOO	100.000	Poland	-	-		-
Total investments in subsidiaries, associates and jointly controlled entities - consolidated, with negative carrying amount			**(57,863,368)**	**35,775,227**	**-**	**(23,692,380)**

No.	Amount Salini Igl S.p.A 31.12.2017 (€)	Share of equity	Diff. between investment, net of uncalled up share/ quota capital, and equity	Date of equity
N	(1,175,014)	-	-	
N	(5,179,312)	4,473,414	9,652,726	31/12/2016
	-	-	-	
N	(26,330,709)	-	-	
	-	15,070,100	15,070,100	31/12/2017
	-	-	-	
	-	97,836,282	97,836,282	31/12/2016
N	(1,011,188)	-	-	
N,Q	(3,112,854)	(26,419)	3,086,436	31/12/2017
N	(17,972)	-	-	
N	(392,803)	804,929	1,197,732	31/12/2016
S	-	(9,249,797)	(9,249,796)	31/12/2016
	(108,484)	(317,325)	(208,841)	15/10/2017
	-	(428,368)	(428,368)	31/12/2017
	(1,485,320)	(999,433)	485,887	31/12/2016
N	(457,989)	-	-	
	(120,966)	-	-	
N	(6,387,910)	(338,696)	6,049,213	31/12/2016
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
-	**(45,780,522)**	**106,824,686**	**123,491,369**	

EQUITY INVESTMENTS AT 31 DECEMBER 2017
SALINI IMPREGILO S.P.A.

Summary of variations in equity investments		Increases in the year	Decreases in the year
€			
Incorporations and subscriptions	A	-	-
Acquisitions and increases in investments	B	-	-
Transfer	C	-	-
Capital increases	D	-	-
Capital injections for capital increases	E	-	-
Reimbursement of share/quota capital	F	-	-
Intragroup sales	G	241,189	-
Sales to third parties	H	-	-
Liquidation	I	-	-
Reclassifications due to change in investment % or other changes	L	-	-
Reversals of impairment losses to the extent of previously recognised impairment losses	M	-	-
Impairment losses	N	-	(19,689,576)
Reconstitution of share/quota capital to cover losses	O	16,937,006	-
Revaluations	P	4,279,057	-
Merger	Q	-	(1,284,913)
Cancellations due to mergers	R	-	-
Reclassifications of equity investments with a negative carrying amount	S	14,317,975	(2,717,891)
PPA valuation	T	-	-
Total		**35,775,227**	**(23,692,380)**

Statement on the separate financial statements

pursuant to article 81-ter of Consob regulation no. 11971 of 14 May 1999 and subsequent amendments and integrations

1 Pietro Salini, as chief executive officer, and Massimo Ferrari, as manager in charge of financial reporting, of Salini Impregilo S.p.A., considering the provisions of article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998, state:

- that the administrative and accounting procedures are adequate given the company's characteristics; and
- that they were actually applied during 2017 to prepare the separate financial statements.

2 No significant issues arose.

3 Moreover, they state that:

3.1 The separate financial statements:

a) have been prepared in accordance with the applicable International Financial Reporting Standards endorsed by the European Union pursuant to EC Regulation 1606/2002 of the European Parliament and Council of 19 July 2002;

b) are consistent with the accounting records and entries;

c) are suitable to give a true and fair view of the financial position and results of operations of the Issuer.

3.2 The Directors' report includes a reliable analysis of the financial position and results of operations of the Issuer, together with information about the main risks and uncertainties to which it is exposed.

Milan, 15 March 2018

Chief executive officer
Pietro Salini

(signed on the original)

Manager in charge of financial reporting
Massimo Ferrari

(signed on the original)

REPORTS

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Salini Impregilo S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Salini Impregilo Group (the "Group"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Salini Impregilo Group as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Salini Impregilo S.p.A. (the "Company") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of the recoverable amount of assets relating to projects carried out in Venezuela

Notes to the consolidated financial statements: notes 4 "Basis of presentation", 11 "Derivatives and non-current financial assets", 14 "Contract work in progress", 15 "Trade receivables", 33 "Financial instruments and risk management" and 35.6 "Amortisation, depreciation, provisions and impairment losses"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2017 include contract work in progress, trade receivables and other non-current financial assets of €207.5 million, €307.5 million and €113.3 million, respectively, relating to projects carried out in Venezuela. They also include total impairment losses of €314.2 million relating to those assets. Estimating the recoverable amount of assets relating to projects carried out in Venezuela entails a high uncertainty level due to Venezuela's complex situation, as described in the "Main risk factors and uncertainties" section of the directors' report, to which the notes to the consolidated financial statements make reference. For the above reasons, we believe that the estimate of the recoverable amount of contract work in progress, trade receivables and other non-current financial assets relating to projects carried out in Venezuela is a key audit matter.	Our audit procedures included: — analysing the accounting policies used by the directors to estimate the recoverable amount of contract work in progress, trade receivables and other non-current financial assets relating to projects carried out in Venezuela; — analysing, including by involving our own specialists, the method and reasonableness of the assumptions used to estimate the recoverable amount through discussions with the relevant internal departments and checking the supporting documentation, including the opinions of the external experts engaged by the Group; — assessing the appropriateness of the disclosures provided in the annual report about the estimate of the recoverable amount of contract work in progress, trade receivables and other non-current financial assets relating to projects carried out in Venezuela.

Significant disputes

Notes to the consolidated financial statements: notes 4 "Basis of presentation", 11 "Derivatives and non-current financial assets", 14 "Contract work in progress", 15 "Trade receivables", 16 "Derivatives and other current financial assets", 18 "Other current assets", 27 "Provisions for risks", 28 "Progress payments and advances on contract work in progress", 31 "Other current liabilities", 32 "Guarantees, commitments, risks and contingent liabilities", 33 "Financial instruments and risk management" and 35.6 "Amortisation, depreciation, provisions and impairment losses"

Key audit matter	Audit procedures addressing the key audit matter
The Group has significant pending disputes at the reporting date. Assessing disputes entails complex estimates about their outcome which could have a significant impact on the recoverability of financial assets, trade receivables and contract work in progress, as well as the calculation of provisions for risks. The significant disputes are described in the "Main risk factors and uncertainties" section of the directors' report, to which the notes to the consolidated financial statements make reference. For the above reasons, we believe that the assessment of significant disputes is a key audit matter.	Our audit procedures included: — understanding the process for the assessment of disputes and assessing the design and implementation of controls; — analysing the accounting policies used by the directors to estimate the outcome of significant disputes; — analysing the assessments made by the relevant internal departments and related supporting documentation, including the technical and legal opinions of the experts engaged by the Group, in relation to the recoverability of the financial assets, trade receivables and contract work in progress affected by pending disputes; — sending written requests for information to the legal advisors assisting the Group about the assessment of the risk of losing pending disputes and the quantification of the related liability; — analysing the events after the reporting date that provide information useful for an assessment of significant disputes; — assessing the appropriateness of the disclosures provided in the annual report about significant disputes.

Measurement of contract work in progress

Notes to the consolidated financial statements: notes 4 "Basis of presentation", 14 "Contract work in progress", 28 "Progress payments and advances on contract work in progress", 33 "Financial instruments and risk management" and 34 "Revenue"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2017 include contract work in progress of €2,668 million, negative work in progress of €613 million and revenue for works invoiced to customers of €5,559 million recognised using the percentage of completion method based on the cost to cost model. Measuring contract work in progress is based on significant estimates about the total contract revenue and costs and the related stage of completion. These estimates are affected by many factors, including: — claims for additional consideration compared to that contractually agreed; — the long timeframe, size and engineering and operating complexity of projects; — the risk profile of certain countries in which the work is carried out. For the above reasons, we believe that measuring contract work in progress is a key audit matter.	Our audit procedures included: — understanding the process for the measurement of contract work in progress and assessing the design and implementation of controls; — for a sample of contract work in progress: - analysing contracts with customers in order to check that the significant contractual factors have been appropriately considered by the directors; - analysing the reasonableness of the assumptions underlying the estimates of total contract revenue and costs through discussions with the contracts' project managers and area controllers, examining the correspondence with customers, especially about contract variations and claims, and the legal and technical opinions of the experts engaged by the Group; - analysing the most significant discrepancies between the previous year contract budgets and the current year actual figures and discussing the findings with the project managers and area controllers; — assessing the appropriateness of the disclosures provided in the annual report about contract work in progress.

Measurement of investments in associates and joint ventures

Notes to the consolidated financial statements: notes 4 "Basis of presentation", 10 "Equity investments", 27 "Provisions for risks" and 37 "Net gains on equity investments"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2017 include investments in associates and joint ventures of €296 million measured using the equity method. Applying such method requires bringing the accounting policies adopted by the investees in the preparation of their financial statements into line with the group accounting policies. In certain cases, this process entails assessing the significant estimates about claims for compensation and additional consideration compared to that contractually agreed. For the above reasons, we believe that the measurement of investments in associates and joint ventures is a key audit matter.	Our audit procedures included: — understanding the process for the measurement of investments in associates and joint ventures and assessing the design and implementation of controls; — analysing the reasonableness of the assumptions underlying the claims for additional consideration through discussions with the relevant internal departments and the legal, technical and accounting opinions of the experts specifically engaged by the Group; — assessing the appropriateness of the disclosures provided in the annual report about the measurement of investments in associates and joint ventures.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Salini Impregilo S.p.A. for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated 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 Group'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 the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 30 April 2015, the shareholders of Salini Impregilo S.p.A. appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2015 to 31 December 2023.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The directors of Salini Impregilo S.p.A. are responsible for the preparation of the Group's directors' report and report on corporate governance and ownership structure at 31 December 2017 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the Group's consolidated financial statements at 31 December 2017 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the consolidated financial statements of the Salini Impregilo Group at 31 December 2017 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Salini Impregilo S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Milan, 5 April 2018

KPMG S.p.A.

(signed on the original)

Paola Maiorana
Director of Audit

KPMG

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Salini Impregilo S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Salini Impregilo S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss, comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Salini Impregilo S.p.A. as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of Salini Impregilo S.p.A. in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of the recoverable amount of assets relating to projects carried out in Venezuela

Notes to the separate financial statements: notes 3 "Basis of presentation", 7 "Non-current financial assets", 10 "Contract work in progress", 11 "Trade receivables", 28 "Financial instruments and risk management" and 30.6 "Amortisation, depreciation, provisions and impairment losses"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2017 include contract work in progress, trade receivables and other non-current financial assets of €207.5 million, €307.5 million and €113.3 million, respectively, relating to projects carried out in Venezuela. They also include total impairment losses of €314.2 million relating to those assets. Estimating the recoverable amount of assets relating to projects carried out in Venezuela entails a high uncertainty level due to Venezuela's complex situation, as described in the "Main risk factors and uncertainties" section of the directors' report, to which the notes to the separate financial statements make reference. For the above reasons, we believe that the estimate of the recoverable amount of contract work in progress, trade receivables and other non-current financial assets relating to projects carried out in Venezuela is a key audit matter.	Our audit procedures included: — analysing the accounting policies used by the directors to estimate the recoverable amount of contract work in progress, trade receivables and other non-current financial assets relating to projects carried out in Venezuela; — analysing, including by involving our own specialists, the method and reasonableness of the assumptions used to estimate the recoverable amount through discussions with the relevant internal departments and checking the supporting documentation, including the opinions of the external experts engaged by the Company; — assessing the appropriateness of the disclosures provided in the annual report about the estimate of the recoverable amount of contract work in progress, trade receivables and other non-current financial assets relating to projects carried out in Venezuela.

Significant disputes

Notes to the separate financial statements: notes 3 "Basis of presentation", 7 "Non-current financial assets", 10 "Contract work in progress", 11 "Trade receivables", 12 "Derivatives and other current financial assets", 22 "Provisions for risks", 27 "Guarantees, commitments, risks and contingent liabilities", 28 "Financial instruments and risk management" and 30.6 "Amortisation, depreciation, provisions and impairment losses"

Key audit matter	Audit procedures addressing the key audit matter
The Company has significant pending disputes at the reporting date. Assessing disputes entails complex estimates about their outcome which could have a significant impact on the recoverability of financial assets, trade receivables and contract work in progress, as well as the calculation of provisions for risks. The significant disputes are described in the "Main risk factors and uncertainties" section of the directors' report, to which the notes to the separate financial statements make reference. For the above reasons, we believe that the assessment of significant disputes is a key audit matter.	Our audit procedures included: — understanding the process for the assessment of disputes and assessing the design and implementation of controls; — analysing the accounting policies used by the directors to estimate the outcome of significant disputes; — analysing the assessments made by the relevant internal departments and related supporting documentation, including the technical and legal opinions of the experts engaged by the Company, in relation to the recoverability of the financial assets, trade receivables and contract work in progress affected by pending disputes; — sending written requests for information to the legal advisors assisting the Company about the assessment of the risk of losing pending disputes and the quantification of the related liability; — analysing the events after the reporting date that provide information useful for an assessment of significant disputes; — assessing the appropriateness of the disclosures provided in the annual report about significant disputes.

Measurement of contract work in progress

Notes to the separate financial statements: notes 3 "Basis of presentation", 10 "Contract work in progress", 23 "Progress payments and advances on contract work in progress", 28 "Financial instruments and risk management" and 29 "Revenue"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2017 include contract work in progress of €1,126 million, negative work in progress of €425 million and revenue for works invoiced to customers of €2,631 million recognised using the percentage of completion method based on the cost to cost model. Measuring contract work in progress is based on significant estimates about the total contract revenue and costs and the related stage of completion. These estimates are affected by many factors, including: — claims for additional consideration compared to that contractually agreed; — the long timeframe, size and engineering and operating complexity of contract work in progress; — the risk profile of certain countries in which the work is carried out. For the above reasons, we believe that measuring contract work in progress is a key audit matter.	Our audit procedures included: — understanding the process for the measurement of contract work in progress and assessing the design and implementation of controls; — for a sample of contract work in progress: - analysing contracts with customers in order to check that the significant contractual factors have been appropriately considered by the directors; - analysing the reasonableness of the assumptions underlying the estimates of total contract revenue and costs through discussions with the contracts' project managers and area controllers, examining the correspondence with customers, including about contract variations and claims, and the legal and technical opinions of the experts engaged by the Company; - analysing the most significant discrepancies between the previous year contract budgets and the current year actual figures and discussing the findings with the project managers and area controllers; — assessing the appropriateness of the disclosures provided in the annual report about contract work in progress.

Measurement of investments in subsidiaries, associates and joint ventures

Notes to the separate financial statements: notes 3 "Basis of presentation", 6 "Equity investments", 22 "Provisions for risks" and 32 "Net gains (losses) on equity investments"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2017 include equity investments of €1,142 million. Equity investments are measured at cost and, when there are indicators of impairment, they are tested for impairment, including by discounting the cash flows that are expected to be generated by the investees using the discounted cash flow method. Impairment testing entails a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to: — the expected cash flows, calculated by taking into account the general economic performance and that of the investees' sector, the actual cash flows generated by the investees in the last few years and their projected long-term growth rates; — the financial parameters to be used to calculate the discount rate mentioned above. For the above reasons, we believe that the measurement of equity investments is a key audit matter.	Our audit procedures included: — gaining an understanding of the processes adopted for impairment testing and assessing the design and implementation of controls; — analysing the directors' review process in relation to the discrepancies between the investees' 2017 actual data and the related previous forecasts; — analysing, including by involving our own specialists, the reasonableness of the key assumptions used by the directors to determine the equity investments' recoverable amount and the related forecast cash flows and the valuation model adopted. We also compared the key assumptions used to the investees' historical figures and external information, where available; — checking the sensitivity analysis made by the directors in relation to the key assumptions used to test equity investments for impairment; — assessing the appropriateness of the disclosures provided in the annual report about the measurement of equity investments.

Other matters - Management and coordination

As required by the law, the Company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own separate financial statements. Our opinion on the separate financial statements of Salini Impregilo S.p.A. does not extend to such data.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Salini Impregilo S.p.A. for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the separate 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 the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditors' report to the related disclosures in the separate 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 auditors' 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 30 April 2015, the shareholders of Salini Impregilo S.p.A. appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2015 to 31 December 2023.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The directors of Salini Impregilo S.p.A. are responsible for the preparation of the Company's directors' report and report on corporate governance and ownership structure at 31 December 2017 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the Company's separate financial statements at 31 December 2017 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the separate financial statements of Salini Impregilo S.p.A. at 31 December 2017 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 5 April 2018

KPMG S.p.A.

(signed on the original)

Paola Maiorana
Director of Audit

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

REPORT OF THE BOARD OF STATUTORY AUDITORS PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/1998 TO THE SHAREHOLDERS OF SALINI IMPREGILO S.p.A. IN THEIR MEETING OF 30 APRIL 2018

Dear shareholders,

The current board of statutory auditors was appointed by the shareholders of Salini Impregilo S.p.A. (the "**company**") on 27 April 2017. Its term of office ends with the shareholders' meeting called to approve the separate financial statements as at and for the year ending 31 December 2019.

Pursuant to article 153.1 of Legislative decree no. 58 of 24 February 1998 (the "**Consolidated Finance Act**" or the "**TUF**"), we note that we performed our supervisory and control duties prescribed by the current regulations during the year, with specific reference to the Italian Civil Code, article 148 and subsequent articles of the TUF, Legislative decree no. 39 of 27 January 2010 as amended by Legislative decree no. 135 of 17 July 2016 and Legislative decree no. 254/2016. We also considered the guidelines set out in the Consob (the Italian Commission for Listed Companies and the Stock Exchange) communications about the duties of statutory auditors, the guidance of the Code of Conduct for Listed Companies and the ethical standards recommended by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

We have prepared this report for the shareholders' meeting called to meet on 30 April 2018 on single call to approve the separate financial statements as at and for the year ended 31 December 2017. We note that, with approval of these separate financial statements, the board of directors' term of office ends (appointed by the shareholders on 30 April 2015 and renewed on 28 April 2016).

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That being said, we describe below our activities performed during the year and up to the date of preparation of this report, including as required by Consob communication no. DEM/1025564 of 6 April 2001 as subsequently amended. The content of this report is based on the related documental evidence of our activities.

1. Significant financial or capital transactions

We note the following key events and transactions which took place in 2017:

- refinancing of the company's long-term corporate debt for over €1 billion, including through the issue of bonds with a nominal amount of €500 million reserved for institutional investors. These bonds were placed on the Irish Stock Exchange in Dublin. The aim of this refinancing transaction was to strengthen the Group's financial structure;
- streamlining of the Group's structure which included, in particular, the merger of the wholly owned subsidiary SGF INC S.p.A. into Salini Impregilo.

The directors informed us periodically about the operations and key transactions undertaken by the company and its subsidiaries. They also described such operations and transactions in their report, to which reference is made, with details of their characteristics and effects.

We obtained adequate information about them in order to be in a position to reasonably believe that they comply with the law, the by-laws and principles of correct administration and that they are not imprudent, risky or contrary to the resolutions taken by the shareholders or such that would compromise the company's assets.

Transactions in which the directors or other related parties have an interest are subjected to the transparency procedures required by the ruling legislation.

2. Atypical and/or unusual transactions carried out with third parties, intragroup transactions or related party transactions

We did not identify nor were we informed by the directors, independent auditors or internal audit supervisor about any atypical and/or unusual transactions (as per the definition in Consob communication no. DEM/6064293 of 28 July 2006) carried out with third parties, related parties or other group companies.

The directors described the day-to-day transactions carried out during the year with group companies and related parties in the notes to the separate financial statements to which reference should be made, also for details about their characteristics and financial effects.

They did not identify any critical issues with respect to their suitability and compliance with the company's interests.

We checked that the procedure for related party transactions adopted by the company is applied, including the regular reporting by the board of directors on any such transactions.

3. Comments on and proposals about the findings and disclosures in the independent auditors' report

On 5 April 2018, the independent auditors, KPMG S.p.A., issued its report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014. KPMG S.p.A. states that, in its opinion:

- the separate and consolidated financial statements of Salini Impregilo S.p.A. give a true and fair view of the financial position of the company and the Group as at 31 December 2017 and of their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (the "IFRS") endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. On 5 April 2018, KPMG S.p.A. also issued its additional report pursuant to article 11 of Regulation (EU) no. 537/2014;

- the directors' report and specific information presented in the report on corporate governance and the ownership structure are consistent with the separate and consolidated financial statements of the company as at and for the year ended 31 December 2017 and have been prepared in compliance with the law;

- there is nothing to report with reference to the statement required by article 14.2.e) of Legislative decree no. 39/10 based on KPMG S.p.A.'s knowledge and understanding of the entity and its environment obtained through its audit. On 5 April 2018, KPMG S.p.A. also issued its additional report pursuant to article 11 of Regulation (EU) no. 537/2014 confirming, inter alia, that based on the procedures performed, no significant deficiencies in internal control were identified.

KPMG S.p.A.'s reports detail the key audit matters with respect to which reference should be made thereto.

4. Complaints as per article 2408 of the Italian Civil Code, actions taken by the board of statutory auditors and related outcome

During the year, one communication was received from a non-controlling shareholder. After investigating it, assisted by the internal audit department, we did not identify information that needed to be reported to the shareholders.

The one director who expressed an unfavourable vote on a resolution approved with the favourable vote of all the other directors present has challenged the resolution. A ruling for this issue is pending and the first hearing should be held in September 2018. We performed the necessary checks and did not identify any information that needed to be reported to the shareholders.

5. Engagement of independent auditors and related fees

We obtained evidence about the recorded fees paid to KPMG S.p.A. and its network entities for services related to 2017 as follows (in Euros):

Fees		Audit
Audit of the separate financial statements (*)		€884,824
Audit of the consolidated financial statements		€324,000
Review of the interim financial report		€228,000
Total ordinary audit activities		**€1,436,824**
Other services		
Audit of the financial statements of the Italian subsidiaries		€328,459
Attestation services		€322,000
Other services		€223,000
Total other services		**€873,459**
Total		**€2,310,283**

*** Includes €149,274 for audit services provided to the company's foreign branches by the KPMG network foreign entities and checks during the year that the company's accounts were kept properly and that the accounting entries accurately reflected its operations.**

We noted that the company recorded the following additional fees paid to companies or professional firms part of the KPMG international network for the following engagements (in Euros):

Company / Tax and legal firm of the international network	**Service provided**	**Amount**
KPMG network	Audit services to foreign group companies	€1,229,376
KPMG network	Other attestation, administrative and tax advisory services	€5,007
Total		**€1,234,383**

Pursuant to article 6.2.a) of Regulation (EU) no. 537/2014, KPMG S.p.A. provided us with the statement that, considering the services it provided, it remained independent and objective vis-à-vis the company and the Group throughout the year and that it communicated to us any non-statutory audit services provided by it and the KPMG network entities to the company on a timely basis.

6. Main opinions issued by the board of statutory auditors in accordance with the ruling regulations

During 2017, we specifically:

- examined and found in favour of the 2017 audit plan prepared by the internal audit supervisor approved by the board of directors;
- examined and found in favour of the remuneration package for the internal audit supervisor;
- examined and found in favour of the 2017 remuneration policy and content of the remuneration report approved by the board of directors on 15 March 2017; we checked that this report included the information required by article 123-ter of the TUF and article 84-quater of Consob regulation no. 11971/1999;

- examined and found in favour of the report on corporate governance and the ownership structure approved by the board of directors on 15 March 2017 and checked that it included the information required by article 123-bis of the TUF;
- issued our favourable opinion pursuant to article 19.1.e) of Legislative decree no. 39 of 27 January 2010 and article 5 of Regulation (EC) no. 537 of 16 April 2014 about the assignment of non-audit services to the independent auditors;
- issued our favourable opinion on the adoption of the procedure "Management of engagements assigned to the independent auditors";

During the period from 31 December 2017 up until the date of preparation of this report, we also:

- examined and found in favour of the 2018 audit plan prepared by the internal audit supervisor approved by the board of directors;
- examined and found in favour of the 2018 remuneration policy and content of the remuneration report approved by the board of directors on 23 March 2018; we checked that this report included the information required by article 123-ter of the TUF and article 84-quater of Consob regulation no. 11971/1999;
- examined and found in favour of the report on corporate governance and the ownership structure approved by the board of directors on 23 March 2018; we checked that it included the information required by article 123-bis of the TUF and was consistent with the template prepared by Borsa Italiana S.p.A.;
- issued a documented proposal for the integration of the audit fees.

7. Frequency of attendance at company body meetings

The chairperson or another board member attended all 13 meetings of the board of directors during which we were informed about the operations and key transactions performed by the company and its subsidiaries. We also received information about the exercise of his powers from the chief executive officer.

We met 18 times during 2017 and during our meetings we exchanged information with the independent auditors to ensure that no transactions took place that were imprudent or risky, could give rise to potential conflicts of interest, are not compliant with the law or the company's by-laws or the shareholders' resolutions or that could prejudice the company's assets.

The board's chairperson or another member attended 13 meetings of the risk and control committee, nine meetings of the compensation and nominating committee and one meeting of the committee for related-party transactions, obtaining information of the work they performed during the year.

We also participated in the shareholders' meeting held on 27 April 2017.

During 2018 and up to the date of this report, we (at least the board's chairperson) attended five meetings of the board of directors, four meetings of the risk and control committee and five meetings of the compensation and nominating committee. We have met eight times so far this year.

8. Compliance with correct administration standards

We have no comments to make about compliance with such standards based on our work. We checked that the directors are aware of the riskiness and effects of the transactions performed.

9. Adequacy of the organisational structure

We obtained information about the company's organisational structure and any modifications thereto on a regular basis, including through meetings with the competent company managers. As a result, we believe that the company's organisational structure, procedures, duties and responsibilities are adequate given its size and type of activities.

We also checked the adequacy of the organisation structure of the company's key subsidiaries, focusing on their internal controls and risk management.

10. Adequacy of internal controls and risk management

We supervised the adequacy of the internal controls and risk management as follows:

a. we regularly obtained information about the activities carried out during the meetings of the risk and control committee, meetings with the internal audit supervisor, the compliance supervisor, the group risk officer and the heads of the other departments involved from time to time; we also obtained the related documentation about risks related to ongoing activities, test programmes and projects to implement internal controls;

b. we participated regularly in the activities of the risk and control committee set up in line with the Code of Conduct for Listed Companies;

c. we reviewed the risk and control committee's regular reports;

d. we reviewed the internal audit reports on the internal units of both the branches and head office and the working of the Group's internal controls and risk management; we also monitored the implementation of remedial actions identified as a result of the internal audit;

e. we reviewed the internal audit report prepared every six months by the internal audit supervisor on the activities performed during the period, the methods applied to manage risks inside the company, compliance with risk containment plans, the strategic containment and efficiency objectives and the internal audit supervisor's positive assessment of the internal controls and risk management given the company's characteristics and risk profile. Specifically, we expressed our favourable opinion on (i) the adequacy, efficiency and effective working of the internal controls and risk management system considering its characteristics and risk profile; (ii) the organisational, administrative and accounting structure of the company and its key subsidiaries with particular attention to their internal controls and risk management;

f. we reviewed the reports of the compliance department on the prevention, monitoring and management of the risk of non-compliance with the law and anti-corruption regulations.

We also:

- checked that the company has an organisational, management and control model which complies with the provisions of Legislative decree no. 231/01 and the guidelines issued by the sector associations, most recently updated by the board of directors on 13 September 2017 to reflect changes in the company's organisational structure and related procedures, recent legislative modifications about illicit intermediation and work exploitation (Law no. 199/16, the "gangmasters" law) and redesign of the private sector crime with introduction of the crime of instigation to corruption (Legislative decree no. 38/2017) as well as the review of the system used to transmit information to the supervisory body, including about reference best practices;
- checked that the company has an anti-corruption model;
- examined the supervisory body's regular reports (at 30 June and 31 December 2017) as required by Legislative decree no. 231/2001, which summarise its activities of the year; we also met with the body's members;

- met the statutory auditors of the wholly-controlled subsidiaries Fisia Italimpianti S.p.A. and Imprepar S.p.A. to exchange information about, inter alia, the subsidiaries' operations and compliance with instructions received from the company, their internal controls and organisation, the composition and activities performed by the supervisory bodies, committees and internal audit department.

During our work, we:

a) did not identify any critical situations or facts that would have led us to believe that the company's internal controls or risk management were inadequate during the year;

b) to the extent of our duties, we deem that the above models are suitable to prevent the crimes covered by the aforesaid regulations, based also on the information provided by the chairperson of the supervisory body and the reports referred to above which stated that no censurable events or violations or the model took place in 2017;

c) acknowledged the board of directors' positive assessment of the adequacy and effective working of internal controls and risk management in 2017.

11. Adequacy of the administrative-accounting system and its reliability

To the extent of our duties, we monitored the adequacy of the administrative and accounting system and its ability to correctly show the company's operations and the activities undertaken as coordinated by the manager in charge of financial reporting to comply with Law no. 262/05 on guidelines for the protection of savings and regulation of financial markets as subsequently amended and integrated by:

a) obtaining information from the manager in charge of financial reporting and the different department heads, including through participation in the activities carried out by the risk and control committee;

b) obtaining information about the procedures adopted and instructions issued by the company for the preparation of the 2017 Annual Report and the 2017 Interim Financial Report;

c) obtaining information about the existence of the conditions required by article 36 of the Market Regulation adopted with Consob resolution no. 16191 of 29 October 2007 (now article 15 of the Market Regulation adopted with Consob resolution no. 20249 of 28 December 2017) for significant subsidiaries set up in and regulated by laws of non-EU states. We also checked that circumstances entailing non-compliance with the conditions did not exist as they would have required reporting to Consob and Borsa Italiana S.p.A. pursuant to article 36.1.c.ii) (now article 15.1.c.ii);

d) reviewing the reports prepared by the internal audit supervisor on the adequacy of the administrative and accounting procedures pursuant to Law no. 262/05 and the results of the related tests as per the annual mandate assigned by the manager in charge of financial reporting;

e) meeting the independent auditors and analysing the findings of their work;

f) reviewing internal documents.

We also acknowledged that, independently and before the approval of the separate financial statements, on 13 March 2018, the board of directors approved the impairment test applied by the company during preparation of the financial statements at 31 December 2017 and the impairment test procedures to be applied to the financial statements of the group companies, after receiving the favourable opinion of the risk and control committee and pursuant to the recommendations issued by the ESMA on 21 January 2013, the joint Bank of Italy/Consob/Isvap document no. 4 of 3 March 2010 and Consob communication no. 3907 of 19 January 2015.

We did not identify any critical situations or facts during the above activities that would have led us to believe that the company's administrative and accounting system was inadequate and/or unreliable during the year.

12. Adequacy of the instructions given to subsidiaries

We believe that the instructions issued by the company to its subsidiaries pursuant to article 114.2 of the TUF are adequate to ensure compliance with the legal disclosure requirements.

13. Issues which arose during meetings with the independent auditors

We met the independent auditors:

a) to exchange information about the checks performed in accordance with Legislative decree no. 39/2010 and article 150.3 of the TUF to ensure the company's accounts were kept properly and that the accounting entries accurately reflected its operations. No issues arose as a result of these meetings;

b) to examine and assess the procedures used to prepare the 2017 Interim Financial Report and the 2017 Annual Report, including the assessment of the correct application of the accounting policies and their consistency; we also reviewed the audit findings and assessment of these reports;

In addition to that set out in paragraph 3, we also:

a) received the additional report from the independent auditors pursuant to article 11.2 of Regulation (EU) no. 537/2014 on key audit matters and any significant deficiencies identified in the internal controls over financial reporting stating that no significant deficiencies were identified;

b) acknowledged KPMG's statement of its independence pursuant to article 6 of Regulation (EU) no. 537/2014 attached to the additional report, which did not highlight situations that could have compromised its independence;

c) discussed the risks related to the independent auditors' independence and the measures adopted to limit these risks in accordance with article 6.2.b) of Regulation (EU) no. 537/2014.

14. Compliance with the Code of Conduct of the Corporate Governance Committee of Listed companies

We checked that the company complies with the Code of Conduct of Listed companies approved in March 2006 and most recently amended in July 2015 (the "Code").

In accordance with article 149.1.c-bis) of the TUF, we checked that the corporate governance rules provided for in the Code were effectively applied and specifically:

- the correct application of the criteria and procedures used by the board of directors to assess the independence of its members;
- the methods used to perform the self-assessment by the board of directors and its committees, including the requirements for the independent directors;
- the company's corporate governance structure.

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In addition to that set out above, we:

- checked that the board of statutory auditors met the independence criteria as required by the Code on 27 April 2017 after our appointment by the shareholders in their meeting of the same date and then again on 23 January 2018; the outcome of these checks was positive. On 12 March 2018, we checked and confirmed the adequacy of the board's composition in terms of the professional experience and background of its members, gender diversity and age.

  The results of these checks are presented in the report on corporate governance and the ownership structure for 2017;
- prepared the reports summarising our control activities performed in 2017 as required by Consob communication no. 1025564 of 6 April 2001.

Final assessment of the supervisory activities and proposal to the shareholders

Based on that set out above, during the year:

- we monitored compliance with the law and bylaws, the principles of correct administration and, specifically, the adequacy of the organisational, administrative and accounting models adopted by the company and their correct working;
- we monitored compliance with the disclosure requirements about confidential information;
- we monitored the working and efficiency of the internal controls and administrative-accounting system in order to assess their compliance with the company's requirements and reliability in presenting its operations;
- we monitored compliance with the laws about the preparation and layout of the company's separate financial statements and the Group's consolidated financial statements and the directors' reports for 2017, including through direct checks and information obtained from the independent auditors, assessing the appropriateness of the impairment method;
- we checked that, pursuant to Regulation (EC) no. 1606/2002 and Legislative decree no. 38/2005, the separate financial statements of Salini Impregilo S.p.A. and the consolidated financial statements of Salini Impregilo Group as at and for the year ended 31 December 2017 were prepared in compliance with the IFRS endorsed by the European Commission and integrated by the interpretations issued by the International Accounting Standards Board (IASB);
- we monitored compliance with the procedure for preparation and presentation of the separate financial statements to the shareholders;
- we monitored compliance with the measures of Legislative decree no. 254/2016 and Consob regulation no. 20267/2018, checking, inter alia, the Consolidated Non-financial Statement and compliance with the instructions for its preparation pursuant to the above decree and its preparation in accordance with the measures. We checked the board of directors' approval of the Consolidated Non-financial Statement on 15 March 2018 and the expression by the independent auditors on 5 April 2018 of a conclusion about the compliance of the information in such statement with the requirements of articles 3 and 4 of Legislative decree no. 254/2016.

That being said, no reprehensible behaviour, omissions or irregularities were noted during our work that would require communication to the competent bodies.

As a result, we invite the shareholders to approve the separate financial statements as at and for the year ended 31 December 2017 presented to you by the board of directors together with its report and the proposed dividend distribution.

Milan, 5 April 2018

Board of Statutory Auditors

Giacinto Gaetano Sarubbi – Chairperson (signed on the original)

Teresa Cristiana Naddeo – Standing statutory auditor (signed on the original)

Alessandro Trotter - Standing statutory auditor (signed on the original)

Salini Impregilo S.p.A.
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