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ANNUAL REPORT 2018

This document is the translation from the Italian original “Relazione Finanziaria al 31 dicembre 2018”, disclosed via EMarket SDIR on 19/04/2019 at 20:02 (with storage on 1info on time 21:00 of 19/04/2019 - Protocol 125577), with the subject “Salini Impregilo S.p.A.- Relazione Finanziaria Annuale al 31 dicembre 2018 - Rettifica” that cancels and substitutes the previous document, which was disclosed, in Italian version, via EMarket SDIR on 02/04/2019 at 22:37 (with storage on 1info on time 00:00 of 03/04/2019 - Protocol 125075), with the subject Relazione Finanziaria Annuale al 31 dicembre 2018”.

salini impregilo

2018 Annual Report

(Translation from the Italian original which remains the definitive version)

This document is available at:

www.salini-impregilo.com

Salini Impregilo S.p.A. Company managed and coordinated by Salini Costruttori S.p.A.

Salini Impregilo S.p.A.
Share capital €544,740,000
Registered office in Milan, Via dei Missaglia 97
Tax code and Milan Company Registration no. 00830660155
R.E.A. no. 525502 - VAT no. 02895590962

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CEO's letter to the shareholders

Dear shareholders,

2018 was a very challenging and also highly satisfying year. The Group continued its growth trajectory towards ambitious new frontiers, strengthening its global leadership position and entering new markets of interest for the large infrastructure sector.

Thanks to our long-term vision, we are one of the largest international players with more than 35,000 people covering 250 different professional roles, coming from 113 nations all united by the desire to innovate, experiment and continue set new sector benchmarks.

We stand by our belief that the trends to watch are tied to the increasing urbanisation and the utilisation of sustainable energies. We invest in those countries that are leading the way in the pursuit of solutions to global challenges such as the rising population and greater scarcity of resources.

We are living through a particularly favourable period of history globally,, with low interest rates and a financial system prepared to invest in large infrastructure projects and to mobilise private capital in order to achieve steady and reliable returns, such as those offered by our sector with its forecast average annual growth rate of over 6% for the 2016-2021 period.

During this year, our revenue trend continued, reaching €6 billion, as a result of our effective commercial strategies, solid execution of projects underway and a series of successful non-recurring transactions, such as the sale of Lane's Plants & Paving Division for USD555 million. This transaction generated a very satisfactory gain, given that we bought Lane for USD406 million less than two years ago.

From a financial viewpoint, the Group's equity amounts to €835.8 million, confirming the solidness of our financial position despite the 75% impairment of the exposure in Venezuela (€480 million).

We recorded a normalised EBIT margin of 4.1% and an order backlog of €33.4 billion, confirming the Group's excellent performance as it continues to consolidate its growth.

We were able to acquire important projects as a result of our commercial policy, with new orders of approximately €6 billion. The geographical locations of the new projects confirm our strategy to consolidate

our order backlog in low-risk markets, increasing our profile on the global market. We also focused on acquiring projects in sectors that offer great development potential into the future, such as sustainable mobility, metros in particular, and water treatment and management in all forms, including the generation of clean energy using this resource.

Orders acquired in the US through Lane make up roughly half our total new orders. This American company won important contracts in the large works sector with an excellent order backlog up around 35% on 2017.

Thanks to Lane's contribution, we have a foothold in many US states. In addition to the ongoing projects, we have won five contracts in the last few months for mobility improvement projects in various states, such as the I-10 Corridor Express Lanes in California, the widening of the I-440/US 1 in North Carolina and the Wekiva Parkway in Florida.

We are very happy to have returned to France, which now contributes roughly 10% to the total new orders, thanks to the award of two projects of the Grand Paris Express (extension of Line 14 and Lot 2 of Line 16).

We continue to work in the Middle East with strategic projects in the sustainable mobility sector, such as the Doha and Riyadh Metros, and the construction sector, with large civil constructions like the Al Khor Stadium in Qatar and the Meydan One Mall in Dubai. We also started construction of the large Sang Villas housing and urbanisation project east of Riyadh this year.

As leader in the water sector and continuing the trend of previous years, we have made bids for some of the most challenging projects in the world, placing our unique expertise at the service of our customers. We also strengthened Fisia Italimpianti's operating structure, renewing our commitment to the desalination and water treatment sector as we are convinced that the correct use and sustainable management of water is essential to our future. Thanks to Fisia Italimpianti's considerable expertise, we have built up our base in Oman and Turkey with the Yenikapi and Salalah plants.

Our Group has a strong international vocation while retaining strong ties with its Italian roots. During this year, we strengthened our leadership role and the Group's importance to Italy to drive a recovery of a hardhit national sector through a number of initiatives, including the offer to bail out Astaldi, one of the major sector operators.

We are confident that Italy can get back on track and we are unremittingly committed to ensuring that the projects underway reach completion. During the year, works resumed for the fifth lot of the Giovi third railway crossing, which will allow completion of a strategic project that is part of the TEN-T European network. We view our commitment to rebuilding the Polcevera Bridge in Genoa not only as a helping hand to the city of Genoa, but also as a symbol of a new phase of development in Italy, showing the world that large strategic works can also be built in Italy in short timeframes, driving GDP and employment.

Market accolades and awards testify to the quality of the Group's projects: we are recognised as a leader in the construction of stand-alone projects with the highest possible sustainability standards. For example, the Al Bayt Stadium in Qatar was awarded an A* of the Global Sustainability Assessment System and the Skytrain Bridge of the Sydney Metro Northwest was recognised as the "2018 Project of the Year" by ENR and the "2018 Global Best Project" for the railway sector, as well as the winner of the top sustainability " Leading As Built IS" rating of the Infrastructure Sustainability Council of Australia. Our commitment to sustainability is confirmed by the Group's membership of the UN's Global Compact pledging our support to promoting the universal principles of human rights, labour, the environment and anti-corruption.

Our belief is that the Group is strengthened industrially and commercially by enhancing and protecting our people. Our business model's fundamental principles include respect for individuals and their safety, which is non-negotiable. We have work procedures that comply with international safety best practices and they are an intrinsic part of our corporate culture. We continue to invest in safety education projects, like the ValYou project, whose objectives include the development of new "Safety Builders" by strengthening the internal culture on occupational safety achieved with nearly 90 workshops held as part of the Safety Builder Program.

Over the next few years, our aim is to maintain our leadership position in the water and metro sectors in those markets that have a long-term investment plan for innovative and sustainable infrastructure, such as the United States, Australia, the Middle East, France and, hopefully, Italy. We plan to build up our presence in all the complex infrastructure sectors in the United States and our market share, thanks to Lane's strategic positioning. During the year, we consolidated our position in Australia through an intensive strategy of local penetration and a strategic communication campaign, assisted by the sector associations and universities. Our goal is to become a permanent player in the local market.

Our plans for 2019 are to strengthen our organisation, optimising internal processes and reorganising our management structure in order to respond more quickly and efficiently to market demand. We will continue to optimise costs and increase cash inflows to underpin our growth, along with a stronger financial position. We will also continue our digitalisation project to facilitate growth with increasingly innovative and competitive processes.

Our focus on maximising the career opportunities of our employees will not change in 2019. Behind each of our projects lies not only our Group's know how and construction expertise but also the many individual stories of our employees. Our aspiration is to continue to enhance their capabilities and to attract new resources on the market and retain them with career paths that match their expectations.

Pietro Salini

Company officers

Board of directors (i)	
Chairperson	Alberto Giovannini
Deputy Chairperson	Nicola Greco
Chief executive officer	Pietro Salini
Directors	Marina Brogi
	Giuseppina Capaldo
	Mario Giuseppe Cattaneo
	Roberto Cera
	Maria Raffaella Leone
	Geert Linnebank
	Giacomo Marazzi
	Ferdinando Parente
	Franco Passacantando
	Laudomia Pucci
	Alessandro Salini
	Grazia Volo
Control and risk committee	
Chairperson	Mario Giuseppe Cattaneo
	Marina Brogi
	Giuseppina Capaldo
	Nicola Greco
	Franco Passacantando
	Ferdinando Parente
Compensation and nominating committee	
Chairperson	Marina Brogi
	Geert Linnebank
	Laudomia Pucci
Committee for related-party transactions	
Chairperson	Ferdinando Parente
	Giuseppina Capaldo
	Geert Linnebank
	Giacomo Marazzi
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 2018; in office until approval of the financial statements as at and for the year ending 31 December 2020.

(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 specialised in the construction of major complex works and infrastructure, an Italian group which competes with other large international players on the world stage. A signee of the UN's Global Compact, the Group pursues sustainable development goals to create value for its stakeholders. It leverages technological and organisational innovation and its outstanding human and professional resources to advise its customers about strategic topics such as sustainable energy and mobility, contributing to the development and wellbeing of the current and future generations.

Vision

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

Global presence

Salini Impregilo represents 110 years of engineering expertise applied in five continents. Dams and hydroelectric power plants and hydraulic works, railways and metros, airports and motorways, civil and industrial construction are the sectors in which the Group operates, providing design, engineering and construction services.

Operating in over 50 countries with 35,000 employees and an order backlog worth €33.4 billion, Salini Impregilo is a global player in the construction sector and one of the world leaders in the water infrastructure segment. Since 2017, it has ranked among the top ten contractors in the US transportation sector thanks to its local expansion strategy pursued through the acquisition of Lane Construction in 2016.

Our worldwide presence can be viewed on our website:

www.salini-impregilo.com

Key events of the year

March 2018

Contract worth roughly €200 million awarded in France

On 19 March 2018, Salini Impregilo Group won a contract worth approximately €200 million to extend one of the Paris metro lines to Orly Airport, located to the southeast of the French capital. This contract marks the Group's entry into the Grand Paris Express project to revolutionise the public transport system of Paris and its extensive suburbs by 2030.

Salini Impregilo and its French joint venture partner have been awarded one of the four sections.

USD180 million contract in South Carolina (USA)

On 23 March 2018, the group company, The Lane Construction Corporation, won a design & build contract worth approximately USD180 million to widen Interstate 85 (I-85) in Cherokee Country, South Carolina, USA.

August 2018

Contract of roughly USD670 million awarded in California (USA)

On 20 August 2018, Salini Impregilo Group, through its US subsidiary, The Lane Construction Corporation, won a design-build joint-venture contract with Security Paving Company, Inc. to construct the I-10 Corridor Contract 1 Express Lanes in California. Lane's share of the contract is valued at approximately USD400 million.

Contract worth roughly €250 million awarded in Poland

On 23 August 2018, the Group won a new contract worth about €250 million in Poland to design and build Lot 3 of the S7 Expressway.

October 2018

Contract of roughly USD250 million awarded in Florida (USA)

On 4 October 2018, the subsidiary Lane Construction Corporation won an approximate USD250 million contract in Florida to design and build a section of the Wekiva Parkway in Seminole County north of Orlando.

Grandi Lavori Fincosit

On 4 October 2018, the Rome Court granted Salini Impregilo (through its subsidiaries) the right of usufruct on Seli Overseas S.p.A. and Grandi Lavori S.r.l., which wholly owns GLF Construction (USA), pending formalisation of acquisition of these companies following Salini Impregilo's binding offer.

Acquisiton of Seli Overseas and GLF Construction, which have an expected order backlog of roughly €230 million for 2018, is aimed at strengthening the Group's presence and business relationships in geographical areas of interest as well as to acquire technical expertise in the tunnelling sector.

Contract of approximately €720 million awarded in France

On 19 October 2018, the Group won an approximate €720 million contract to build another section of Grand Paris Express, the largest sustainable mobility project in Europe.

The future Line 16 of Grand Paris Express will serve a number of communes in the northern and eastern part of metropolitan Paris. Salini Impregilo was awarded the contract for Lot 2, which will involve the excavation of 11.1 kilometres of tunnel and the construction of four stations at Aulnay, Sevran-Beaudottes, Sevran-Livry and Clichy Montfermeil, along with 11 related works.

Two contracts worth approximately USD390 million awarded in the US

On 25 October 2018, The Lane Construction Corporation won two contracts in the road and water sectors in North Carolina and Tennessee for a combined approximate USD390 million.

The first project in North Carolina worth approximately USD350 million includes the widening of the I-440/US 1 to six lanes from four for approximately 12 km and the replacing of pavement and bridges.

In Tennessee, the group company won a contract of approximately USD40 million to upgrade a major water treatment plant in Knoxville.

December 2018

Two contracts worth approximately USD460 million awarded in North Carolina (USA)

On 7 December 2018, The Lane Construction Corporation won two contracts worth roughly USD460 million in North Carolina.

The first contract for roughly USD260 million is for the upgrading of Interstates 77 and 40 Interchange in Iredell County.

The second contract for a total value of approximately USD400 million involves extending the Triangle Expressway from U.S. 401 to I-40 in the Wake and Johnston Counties. Lane has a 50% stake in the contract as part of a joint venture with Blythe Construction, a subsidiary of Eurovia (Vinci Group), for a value of just over USD200 million.

Sale of Lane Group’s Plants & Paving Division

On 12 December 2018, after approval from the competent regulators, Lane completed the sale of its Plants & Paving Division to Eurovia SAS of the Vinci Group for USD573.6 million plus the contingent consideration with the subsequent collection of the definitive consideration.

The transaction generated a large cash inflow and profit, also considering that the price paid was greater than the total consideration paid by the Group to acquire the entire investment in Lane.

This transaction forms part of Salini Impregilo Group’s global growth strategy which aims to consolidate its position in the large complex infrastructure sector in the US and dispose of its non-core assets.

Lane continues to be a leader in the large civil infrastructures market in the US after the sale, especially in the transport, tunnelling and water sectors. The US is the Group’s primary market in terms of revenue and its goal is to earn up to 40% of its total turnover in North America in the next few years.

Arbitration award for the Panama Canal

With reference to the decision issued by the International Chamber of Commerce in Miami (ICC) on 12 December 2018 regarding the advance payments received by the Grupo Unidos por el Canal (GUPC) consortium, GUPC's request to postpone the repayment of the advances, both contract and variation orders, received from the Panama Canal Authority (ACP) for a total principal amount of USD836 million, has been rejected.

This request had been presented due to the extension of the time involved in settling the dispute about the claims made to the customer by GUPC.

Salini Impregilo's pro quota share of the contract advances, guaranteed with letters of credit, equal to a principal amount of USD217 million, were paid using its available cash resources.

The arbitration award does not affect the outcome of the dispute about the merits of the claims made by GUPC and its partner Salini Impregilo which amount to USD5.2 billion at the date of this report.

New contract in Italy to rebuild the Genoa bridge

On 18 December 2018, Salini Impregilo and Fincantieri Infrastructura, a subsidiary of Fincantieri, were awarded the contract to rebuild the bridge across the Polcevere River in Genoa. The works will be carried out by the newco PERGENOVA (a consortium company limited by shares). The bridge, based on designs by Renzo Piano, will be completed in 12 months once work at the site can begin, i.e., when the demolition activities have been completed.

Directors' report - Part I

Financial highlights

The following tables show the Group's adjusted key financial indicators for 2018 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 2018, 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 infrastructure works in Venezuela.

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

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

Adjusted reclassified statement of profit or loss of Salini Impregilo Group

(in millions of Euros)	2017 adjusted (*)				2018 adjusted			
	Salini Impregilo Group	Joint ventures not controlled (**)	Impairment - Venezuela	Total adjusted	Salini Impregilo Group	Joint ventures not controlled (**)	Impairment - Venezuela	Total adjusted
Revenue	5,560.9	240.4	-	5,801.2	5,197.7	216.7	-	5,414.4
Gross operating profit (EBITDA)	**523.4**	**4.0**	**-**	**527.4**	**413.3**	**(13.0)**		**400.3**
Gross operating profit margin (EBITDA) %	*9.4%*	*1.7%*		*9.1%*	*8.0%*	*-6.0%*		*7.4%*
Operating profit (loss) (EBIT)	**(21.6)**	**4.0**	**292.5**	**274.9**	**68.1**	**(13.0)**	**165.5**	**220.6**
R.o.S. %	*-0.4%*	*1.7%*		*4.7%*	*1.3%*	*-6.0%*		*4.1%*
Net financing costs	(192.9)	-	-	(192.9)	(72.9)	-	-	(72.9)
Net gains (losses) on equity investments	99.9	(4.0)	-	95.9	(29.5)	13.0	-	(16.5)
Profit (loss) before tax (EBT)	**(114.6)**	**-**	**292.5**	**177.9**	**(34.2)**	**-**	**165.5**	**131.2**
Income tax expense	(17.0)	-	(68.2)	(85.2)	(39.3)	-	(39.7)	(79.0)
Profit (loss) from continuing operations	**(131.6)**	**-**	**224.3**	**92.7**	**(73.5)**	**-**	**125.7**	**52.3**
Profit from discontinued operations	41.3	-	-	41.3	114.8	-	-	114.8
Non-controlling interests	(26.9)	-	-	(26.9)	12.9	-	-	12.9
Profit (loss) attributable to the owners of the parent	**(117.2)**	**-**	**224.3**	**107.0**	**54.2**	**-**	**125.7**	**179.9**

(*) The 2017 statement of profit or loss figures of Salini Impregilo Group have been restated to comply with IFRS 5, reclassifying the profit from discontinued operations (Lane Group's Plants & Paving Division and the USW Campania business unit), and with IFRS 15. More information is available in the "Initial considerations on the comparability of data" section.

(**) 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.

Adjusted revenue for the year is €5,414.4 million compared to €5,801.2 million for 2017. It includes revenue of the unconsolidated joint ventures of Lane of €216.7 million and €240.4 million, respectively. The main factors contributing to the adjusted revenue are some large projects and, specifically, Lane's ongoing projects, Line 3 of the Riyadh metro in Saudi Arabia, the Ethiopian projects, the high speed/capacity Milan - Genoa railway line section and the Rogun dam in Tajikistan.

Adjusted revenue for 2017 and 2018 translated in the US dollars would be USD6,553.7 million and USD6,394.4 million, showing a decrease of 2.4% compared to the 6.7% decrease in the balances in Euros. The following "Presentation of the results in US dollars" section provides details on the exchange methods applied.

The decrease is chiefly due to the reduction in revenue on contracts nearing completion.

The adjusted gross operating profit amounts to €400.3 million (€527.4 million) while the adjusted operating profit comes to €220.6 million (€274.9 million). The decrease in the adjusted gross operating profit in 2018 is mainly due to the different profit margins of the foreign contracts, the smaller margins on Lane's contracts and the slowdown of work on some projects in Italy.

The adjusted gross operating profit is equal to 7.4% of revenue (9.1%) and the adjusted R.o.S. is 4.1% (4.7%).

Net financing costs approximate €72.9 million compared to €192.9 million for 2017. They include:

- financial expense of €141.9 million (€134.9 million); partly offset by
- financial income of €55.8 million (€64.8 million);
- net exchange gains of €13.3 million (net losses of €122.8 million).

Financial expense increased by €7 million, principally as a result of the impairment of financial assets of €17.8 million by the subsidiary engaged in the motorway projects in Poland and the impairment of financial assets (loan assets and securities) of approximately €11 million for the operator Yuma ("YUMA"). This increase was partly offset by smaller interest expense on bank loans and borrowings and related amortised cost accounting (roughly €20 million), after the debt refinancing transaction finalised in the second half of 2017, which led to the application of more favourable interest rates.

Financial income decreased by approximately €9 million, mostly due to the smaller interest income accrued on amounts due from foreign customers.

Net exchange gains of €13.3 million (net losses of €122.8 million) reflect mainly the Euro's performance against the US dollar and the Ethiopian birr. The net losses of 2017 were significantly affected by the performance in the opposite direction of these currencies.

Adjusted net losses on equity investments of €16.5 million reflect the results recorded by the equity-accounted investees (principally the operator Autopista del Sol S.A. and the SPE Grupo Unidos por el Canal – "GUPC"). The 2017 adjusted net gains included the profits recognised by the associate Autopista del Sol S.A. as a result of the compensation recognised as part of the renegotiation contract with the Argentine government. More information is available in note 10 to the consolidated financial statements.

The adjusted profit before tax amounts to €131.2 million, a decrease on the balance of €177.9 million for 2017.

The adjusted income tax expense for the year is €79.0 million (€85.2 million).

The profit from discontinued operations of €114.8 million (€41.3 million) includes the profit of €115.2 million made by the Plants & Paving Division and the costs of €0.4 million of the USW Campania business unit.

On 16 August 2018, Lane and Eurovia signed a contract for the sale of the Plants & Paving Division net assets for USD555 million. In addition, the asset purchase agreement also provided for a variable

consideration for changes in net working capital (calculated as the difference between the net working capital at the closing and the target net working capital agreed by the parties). At the closing date (12 December 2018), the consideration, including the changes in net working capital and the additional assets sold, was USD573.6 million (€505.6 million). Payment was made in cash in US dollars. The consideration is subject to a purchase price adjustment mechanism to reflect the definitive carrying amounts of the Division's assets and liabilities to be calculated within 90 days of the closing date. At 31 December 2018, provisional estimates showed a downwards adjustment in the consideration of USD5.7 million (€5 million).

The profit attributable to the Plants & Paving Division includes its profits earned before the sale (approximately €20 million) and the net gain on the sale (€95.2 million).

Non-controlling interests amount to a loss of €12.9 million compared to a profit of €26.9 million for 2017. They mainly relate to the group companies working in Qatar on the Red Line North Underground and Al Bayt Stadium projects (€21.6 million), offset by the profit of the companies active in Saudi Arabia for construction of Line 3 of the Riyadh metro (approximately €6.5 million).

Initial considerations on the comparability of data

Management accounts presentation of the figures for 2018 and 2017 (adjusted)

The Group's statement of profit or loss figures for 2018 and 2017 have been adjusted as explained below.

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 negative developments caused by the deterioration in the country's credit standing.

The tests performed, including with the assistance of independent experts, showed that the exposure's recoverable amount was approximately €314.2 million, therefore, the Group recognised a total loss of €292.5 million at 31 December 2017.

At 31 December 2018, due to the developments of the year, the Group recognised another impairment loss of €165.5 million to adjust the exposure's recoverable amount. As a result, its net exposure amounts to €159.7 million, equal to 25% of the gross exposure's nominal amount.

More information is available in the "Main risk factors and uncertainties" section of this report.

Restatement of the 2017 balances

The Group's and parent's statement of profit or loss figures for 2017 and their statement of financial position figures at 31 December 2017 have been restated.

The effects of application of IFRS 5 and IFRS 15 on the comparative figures in the reclassified statement of profit or loss and reclassified statement of financial position of the Group and the parent are shown below.

Reclassified statement of profit or loss for the year ended 31 December 2017 of Salini Impregilo Group

(€'000)	2017 Published	Effects of IFRS 15	Reclassifications IFRS 5	2017 Restated
Total revenue	**6,107,241**	**1,374**	**(547,725)**	**5,560,890**
Operating expenses	**(5,527,089)**	**520**	**489,059**	**(5,037,510)**
Gross operating profit (EBITDA)	**580,152**	**1,894**	**(58,666)**	**523,380**
Gross operating profit margin (EBITDA) %	9.5%			9.4%
Amortisation, depreciation, provisions and impairment losses	(554,972)	(7,624)	17,614	(544,982)
Operating profit (loss) (EBIT)	**25,180**	**(5,730)**	**(41,052)**	**(21,602)**
Return on Sales %	0.4%			-0.4%
Financing income (costs) and gains (losses) on equity investments				
Net financing costs	(192,902)			(192,902)
Net gains on equity investments	100,109	(181)		99,928
Net financing costs and net gains on equity investments	**(92,793)**	**(181)**	**-**	**(92,974)**
Loss before tax (EBT)	**(67,613)**	**(5,911)**	**(41,052)**	**(114,576)**
Income taxes	(14,534)	(335)	(2,140)	(17,009)
Loss from continuing operations	**(82,147)**	**(6,246)**	**(43,192)**	**(131,585)**
Profit (loss) from discontinued operations	(1,908)		43,192	41,284
Loss before non-controlling interests	**(84,055)**	**(6,246)**	**-**	**(90,301)**
Non-controlling interests	(22,863)	(4,069)		(26,933)
Loss for the year attributable to the owners of the parent	**(106,918)**	**(10,315)**	**-**	**(117,233)**

Reclassified statement of financial position at 31 December 2017 of Salini Impregilo Group

(€'000)	31 December 2017 Published	Effects of IFRS 15	31 December 2017 Restated
Non-current assets	1,120,308	81,701	1,202,009
Goodwill	155,179	-	155,179
Net non-current assets held for sale	5,683	-	5,683
Provisions for risks	(101,531)	7,149	(94,382)
Post-employment benefits and employee benefits	(85,724)	-	(85,724)
Net tax assets	260,674	38,034	298,708
- Inventories	240,976	-	240,976
- Contract assets	2,668,103	(1,178,027)	1,490,076
- Contract liabilities	(2,518,557)	931,058	(1,587,499)
- Loans and receivables (**)	1,901,334	(19,525)	1,881,809
- Liabilities (**)	(2,144,810)	1	(2,144,809)
- Other current assets	616,549	(123)	616,426
- Other current liabilities	(330,289)		(330,289)
Working capital	433,306	(266,616)	166,690
Net invested capital	**1,787,896**	**(139,732)**	**1,648,164**
Equity attributable to the owners of the parent	**951,386**	**(136,895)**	**814,491**
Non-controlling interests	133,898	(2,837)	131,061
Equity	**1,085,284**	**(139,732)**	**945,552**
Net financial indebtedness	**702,612**	**-**	**702,612**
Total financial resources	**1,787,896**	**(139,732)**	**1,648,164**

(**) This item shows liabilities of €18.6 million classified in net financial indebtedness and related to the Group's net amounts due from/to consortia and consortium companies (SPEs) operating under a cost recharging system and not included in the consolidation scope. The balance reflects the Group's share of cash and cash equivalents or debt of the SPEs.

Reclassified statement of profit or loss for the year ended 31 December 2017 of Salini Impregilo S.p.A.

(€'000)	2017 Published	Effects of IFRS 15	2017 Restated
Total revenue	**2,886,938**	**4,494**	**2,891,432**
Operating expenses	**(2,530,779)**	**(59)**	**(2,530,838)**
Gross operating profit (EBITDA)	**356,159**	**4,435**	**360,594**
Gross operating profit margin (EBITDA) %	12,3%		12,5%
Amortisation, depreciation, provisions and impairment losses	(384,929)	(7,040)	(391,969)
Operating loss (EBIT)	**(28,770)**	**(2,605)**	**(31,375)**
Return on Sales %	-1,0%		-1,1%
Financing income (costs) and gains (losses) on equity investments			
Net financing costs	(202,107)	674	(201,433)
Net gains on equity investments	139,796	(10,380)	129,417
Net financing costs and net gains on equity investments	**(62,311)**	**(9,706)**	**(72,016)**
Loss before tax (EBT)	**(91,081)**	**(12,311)**	**(103,391)**
Income tax	(108)	440	332
Loss for the year	**(91,189)**	**(11,870)**	**(103,059)**

Reclassified statement of financial position as at 31 December 2017 of Salini Impregilo S.p.A.

(€'000)	31 December 2017 Published	Effects of IFRS 15	31 December 2017 Restated
Non-current assets	1.393.091	65.688	1.458.779
Provisions for risks	(58.902)	(715)	(59.617)
Post-employment benefits and employee benefits	(11.432)		(11.432)
Net tax assets	207.644	34.866	242.510
- Inventories	164.072		164.072
- Contract assets	1.125.829	(681.861)	443.968
- Contract liabilities	(1.444.481)	462.539	(981.942)
- Loans and receivables (**)	1.325.549	99	1.325.648
- Liabilities (**)	(1.198.976)		(1.198.976)
- Other current assets	252.428	(148)	252.280
- Other current liabilities	(103.881)	(1.231)	(105.112)
Working capital	120.540	(220.602)	(100.062)
Net invested capital	**1.650.941**	**(120.763)**	**1.530.178**
Equity	**878.945**	**(120.763)**	**758.182**
Net financial indebtedness	**771.996**		**771.996**
Total financial resources	**1.650.941**	**(120.763)**	**1.530.178**

(**) This item shows liabilities of €18.6 million classified in net financial indebtedness and related to the parent's net amounts due 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.

Starting from 1 January 2018, the Group's financial reporting is prepared in accordance with the new IFRS 9 - Financial instruments and IFRS 15 - Revenue from contracts with customers.

The notes to the consolidated financial statements (section on the "Changes in standards") describes the content of the new standards and the effects of their application.

Moreover, the Group completed its sale of the Plants & Paving Division to Eurovia SAS (Vinci Group) on 12 December 2018. The consideration of USD573.6 million plus a price adjustment has been collected.

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 2018. It also provides an overview of the main changes in the Group's and 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" section gives a definition of the financial statements indicators used to present the Group's financial position and results of operations for the year.

Group performance

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

Table 1 - Reclassified statement of profit or loss

(€'000)	Note (*)	2017 (§)	2018	Variation
Revenue from contracts with customers		5,286,834	4,864,142	(422,692)
Other income		274,056	333,518	59,462
Total revenue and other income	34	**5,560,890**	**5,197,660**	**(363,230)**
Operating expenses	35	(5,037,511)	(4,784,395)	253,116
Gross operating profit (EBITDA)		**523,379**	**413,265**	**(110,114)**
Gross operating profit margin (EBITDA) %		9.4%	8,0%	
Amortisation, depreciation, provisions and impairment losses	35.6	(544,982)	(345,169)	199,813
Operating profit (loss) (EBIT)		**(21,603)**	**68,096**	**89,699**
Return on Sales %		-0.4%	1.3%	
Financing income (costs) and gains (losses) on equity investments				
Net financing costs	36	(192,902)	(72,857)	120,045
Net gains (losses) on equity investments	37	99,928	(29,450)	(129,378)
Net financing costs and net gains (losses) on equity investments		**(92,974)**	**(102,307)**	**(9,333)**
Profit (loss) before tax (EBT)		**(114,577)**	**(34,211)**	**80,366**
Income taxes	38	(17,009)	(39,274)	(22,265)
Loss from continuing operations		**(131,586)**	**(73,485)**	**58,101**
Profit from discontinued operations	20	41,284	114,802	73,518
Profit (loss) before non-controlling interests		**(90,302)**	**41,317**	**131,619**
Non-controlling interests		(26,933)	12,882	39,815
Profit (loss) for the year attributable to the owners of the parent		**(117,235)**	**54,199**	**171,434**

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

(§) The reclassified 2017 statement of profit or loss figures have been restated to comply with IFRS 5, reclassifying the profit from discontinued operations (Lane Group's Plants & Paving Division and the USW Campania business unit), and with IFRS 15. More information is available in the "Initial considerations on the comparability of data" section.

Revenue

Total revenue for the year amounts to €5,197.7 million (€5,560.9 million), including €4,705.4 million earned abroad (€5,051.3 million), of which €787.9 million in the US (€969.3 million) and €492.3 million in Italy (€509.6 million).

The decrease is chiefly due to the reduction in revenue on contracts nearing completion.

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

Operating profit (loss)

The gross operating profit for the year amounts to €413.3 million (€523.4 million). The gross operating profit margin is 8%. The decrease in this item is mainly due to the different profit margins of the foreign contracts, the smaller margins on Lane's contracts and the slowdown of work on some projects in Italy.

Amortisation, depreciation, provisions and impairment losses of €345.2 million (€544.9 million) decreased as a result of larger impairment losses recognised in 2017. This was mostly due to the impairment of assets related to infrastructure works in Venezuela (€292.5 million in 2017 compared to €165.5 million in 2018) (see the "Main risk factors and uncertainties" section).

The operating profit amounts to €68.1 million for the year (loss of €21.6 million), showing an improvement on the previous year.

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

The Group recorded net financing costs of €72.9 million (€192.9 million).

The item comprises:

- financial expense of €141.9 million (€134.9 million); partly offset by:
- financial income of €55.8 million (€64.8 million);
- net exchange gains of €13.3 million (net losses of €122.8 million).

Financial expense increased by €7 million, principally as a result of the impairment of financial assets of €17.8 million by the subsidiary engaged in the motorway projects in Poland and the impairment of financial assets (loan assets and securities) of approximately €11 million for YUMA. This increase was partly offset by smaller interest expense on bank loans and borrowings (approximately €20 million) and related amortised cost accounting, after the debt refinancing transaction finalised in the second half of 2017, which led to the application of more favourable interest rates.

Financial income decreased by approximately €9 million, mostly due to the smaller interest income accrued on amounts due from foreign customers.

Net exchange gains of €13.3 million reflect mainly the Euro's performance against the US dollar and the Ethiopian birr. The net losses of 2017 were significantly affected by the performance in the opposite direction of these currencies.

Net losses on equity investments of €29.5 million (net gains of €99.9 million) reflect the results recorded by the equity-accounted investees (principally Autopista del Sol S.A. and GUPC). The 2017 adjusted net gains included the profits recognised by the associate Autopista del Sol S.A. as a result of the compensation recognised as part of the renegotiation contract with the Argentine government.

Profit from discontinued operations

The profit from discontinued operations of €114.8 million (€41.3 million) includes the profit of €115.2 million made by the Plants & Paving Division and the costs of €0.4 million of the USW Campania business unit.

Non-controlling interests

Non-controlling interests amount to a loss of €12.9 million compared to a profit of €26.9 million for 2017. They mainly relate to the group companies working in Qatar on the Red Line North Underground and Al Bayt

Stadium projects (€21.6 million), offset by the profit of the companies active in Saudi Arabia for construction of Line 3 of the Riyadh metro (approximately €6.5 million).

The Group's financial position

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

Table 2 - Reclassified statement of financial position

(€'000)	Note (*)	31 December 2017 (§)	31 December 2018	Variation
Non-current assets	7-8-10	1,202,009	1,153,554	(48,455)
Goodwill	9	155,179	74,713	(80,466)
Net non-current assets held for sale	20	5,683	5,683	-
Provisions for risks	27	(94,382)	(84,213)	10,169
Post-employment benefits and employee benefits	26	(85,724)	(57,025)	28,699
Net tax assets	12-17-30	298,708	259,066	(39,642)
- Inventories	13	240,976	192,304	(48,672)
- Contract assets	14	1,490,076	1,512,866	22,790
- Contract liabilities	28	(1,587,499)	(1,149,588)	437,911
- Loans and receivables (**)	15	1,881,809	1,929,563	47,754
- Liabilities (**)	29	(2,144,809)	(2,363,438)	(218,629)
- Other current assets	18	616,426	640,269	23,843
- Other current liabilities	31	(330,289)	(322,061)	8,228
Working capital		166,691	439,915	273,225
Net invested capital		**1,648,164**	**1,791,693**	**143,530**
Equity attributable to the owners of the parent		**814,491**	**835,710**	**21,219**
Non-controlling interests		131,061	96,354	(34,707)
Equity	21	**945,552**	**932,064**	**(13,488)**
Net financial indebtedness		**702,612**	**859,629**	**157,017**
Total financial resources		**1,648,164**	**1,791,693**	**143,529**

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

(**) This item shows liabilities of €22.2 million and loans and receivables of €1.1 million classified in net financial indebtedness and related to the Group's net amounts due from/to consortia and consortium companies (SPEs) operating under a cost recharging system and not included in the consolidation scope. The balance reflects the Group's share of cash and cash equivalents or debt of the SPEs.The Group's exposure to the SPEs was shown under "Liabilities" for €18.6 million at 31 December 2017.

(§)The statement of financial position figures at 31 December 2017 have been restated to reflect application of IFRS 15.

Net invested capital

This item increased by €143.5 million on the previous year end to €1,791.7 million at 31 December 2018. The main changes are due to the factors listed below.

Non-current assets

Non-current assets decreased by €48.5 million. They may be analysed as follows:

(€'000)	31 December 2017	31 December 2018	Variation
Property, plant and equipment	675,277	415,941	(259,336)
Intangible assets	210,053	199,356	(10,697)
Equity investments	316,679	538,257	221,578
Total non-current assets	**1,202,009**	**1,153,554**	**(48,455)**

Property, plant and equipment decreased by €259.3 million, mostly as a result of:

- disposals of €257.2 million, including €166.6 million on the sale of Lane Industries' Plants & Paving Division;
- depreciation for the year of €132 million; partly offset by
- investments of €124.2 million, mostly for the Milan - Genoa section of the high speed/capacity railway project in Italy and the projects in Tajikistan as well as investments made for Lane Group's contracts.

Intangible assets show a net decrease of €10.7 million mainly due to amortisation.

The €221.6 million increase in equity investments is chiefly a result of the following factors:

- the increase in the GUPC investment after payments of €267.0 million;
- the increase in Lane Industries' equity investments due to capital transactions of €28.6 million; partly offset by
- the decrease in equity-accounted investments following recognition of the Group's share of their loss for the year of €29.9 million and dividends of €17.6 million.

Goodwill

The item relates entirely to the acquisition of Lane Group. The decrease of €80.5 million is due to elimination of part of the goodwill attributable to the Plants & Paving division following its sale on 12 December 2018.

Net non-current assets held for sale

Net non-current assets held for sale at 31 December 2018 amount to €5.7 million and solely comprise the net assets of the USW Campania projects.

Provisions for risks

These provisions of €84.2 million decreased by €10.2 million over 31 December 2017, mainly due to utilisations for the subsidiary Imprepar.

Post-employment benefits and employee benefits

This item amounts to €57.0 million and shows a decrease of €28.7 million compared to 31 December 2017, principally due to changes recorded by Lane.

In 2018, Lane Industries' board of directors approved changes to the defined benefit pension plan and supplemental retirement benefit plan freezing the amounts accrued at 31 December 2018. These modifications led to a reduction of approximately €30 million.

Net tax assets

The following table provides a breakdown of this item:

(€'000)	31 December 2017	31 December 2018	Variation
Deferred tax assets	172,400	205,386	32,986
Deferred tax liabilities	(29,733)	(11,374)	18,359
Net deferred tax assets	**142,667**	**194,012**	**51,345**
Current tax assets	133,040	112,102	(20,938)
Current tax liabilities	(96,839)	(144,693)	(47,854)
Net current tax assets (liabilities)	**36,201**	**(32,591)**	**(68,792)**
Other current tax assets	164,651	146,166	(18,485)
Other current tax liabilities	(44,811)	(48,521)	(3,710)
Net other current tax assets	**119,840**	**97,645**	**(22,195)**
Net tax assets	**298,708**	**259,066**	**(39,642)**

The decrease is mainly due to the tax liabilities related to Lane Group's sale of the Plants & Paving Division.

Working capital

Working capital increased by €273.2 million from €166.7 million at 31 December 2017 to €439.9 million at the reporting date.

The main changes in the individual items making up net working capital are summarised below:

- Inventories decreased by €48.7 million to €192.3 million due to the use of materials for the Group's main contracts and the effects of the sale of the Plants & Paving Division's inventories of €19.8 million;
- Contract assets amount to €1,512.9 million (€1,490.1 million) and refers to Italian contracts (€147.2 million) and foreign contracts (€1,365.7 million).

  The increase of €22.8 million in this item reflects the production progress calculated using the most recent estimates of the ongoing projects' profitability, offset by the impairment of the contract assets related to the construction of infrastructure works in Venezuela;
- Contract liabilities amount to €1,149.6 million, down €437.9 million on 31 December 2017, due chiefly to the reduction of the liabilities related to the contracts in Ethiopia and Saudi Arabia and the reclassification of the balances for the Rogun Hydropower contract in Tajikistan to contract assets;

- Loans and receivables increased by €47.8 million. The item includes amounts due from third parties of €1,792.2 million (€1,747.6 million) and unconsolidated group companies and other related parties of €137.4 million (€134.3 million). The increase is principally a result in the rise in amounts due from third parties, mostly due to the higher amounts due for the high speed/capacity Milan - Genoa railway line section contract as well as the contracts in Qatar and Saudi Arabia, partly offset by the reduction of the Plants & Paving Division's receivables following its sale on 12 December 2018 and the impairment of the financial assets related to the construction of infrastructure assets in Venezuela;
- Current liabilities increased by €218.6 million and include liabilities with third parties of €2,248 million (€2,046.3 million) and unconsolidated group companies and other related parties of €115.4 million (€98.5 million).

  The increase in this item is mainly due to the higher amounts due to third party suppliers of €201.7 million, mostly related to the contracts in the United Arab Emirates and Greece and the high speed/capacity Milan - Genoa railway line section;
- Other assets increased by €23.8 million, chiefly as a result of changes in advances to suppliers, mainly for the high speed/capacity Milan - Genoa railway line section.

Net financial indebtedness

Table 3 - Net financial indebtedness of Salini Impregilo Group

The following table shows the Group's net financial indebtedness at 31 December 2018 and 2017:

(€'000)	Note (*)	31 December 2017	31 December 2018	Variation
Non-current financial assets	11	188,468	235,692	47,224
Current financial assets	16	94,308	135,280	40,972
Cash and cash equivalents	19	1,320,192	1,107,340	(212,852)
Total cash and cash equivalents and other financial assets		**1,602,968**	**1,478,312**	**(124.656)**
Bank and other loans and borrowings	22	(457,468)	(617,895)	(160,427)
Bonds	23	(1,084,426)	(1,088,158)	(3,732)
Finance lease liabilities	24	(81,310)	(55,530)	25,780
Total non-current indebtedness		**(1,623,204)**	**(1,761,583)**	**(138,379)**
Current portion of bank loans and borrowings and current account facilities	22	(311,002)	(499,362)	(188,360)
Current portion of bonds	23	(302,935)	(13,295)	289,640
Current portion of finance lease liabilities	24	(48,567)	(43,206)	5,361
Total current indebtedness		**(662,504)**	**(555,863)**	**106,641**
Derivative assets	11-16	226	602	376
Derivative liabilities	25	(1,480)	-	1,480
Net financial position with unconsolidated SPEs (**)		(18,618)	(21,096)	(2,478)
Total other financial liabilities		**(19,872)**	**(20,494)**	**(622)**
Net financial indebtedness - continuing operations		**(702,612)**	**(859,628)**	**(157,016)**
Net financial indebtedness including discontinued operations		**(702,612)**	**(859,628)**	**(157,016)**

(*) 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 consortium companies operating under a cost recharging system and not included in the consolidation scope. The balance reflects the Group's share of cash and cash equivalents or debt of the SPEs. The balances are shown under trade receivables and payables in the consolidated financial statements.

At 31 December 2018, the Group has net financial indebtedness from continuing operations of €859.6 million (€702.6 million).

The increase in net financial indebtedness is mostly due to:

- utilisation of cash for decreases in working capital;
- return of the contract advances of €196 million previously received from the Panama Canal Authority (PCA) as per the arbitration award of 12 December 2018;
- distribution of dividends of approximately €54.4 million;
- impairment losses on financial assets of €58.2 million; partly offset by
- cash inflows of €505.6 million from the sale of the Plants & Paving Division.

Gross indebtedness increased by €34.2 million from 31 December 2017 to €2,338.5 million at the reporting date.

The debt/equity ratio (based on the net financial indebtedness from continuing operations) is 0.92 at group level at the reporting date.

Salini Impregilo has given guarantees of €218.9 million in favour of unconsolidated group companies securing bank loans.

Presentation of the results in US dollars

In accordance with the IFRS, the parent prepares its separate and consolidated financial statements in Euros which is the functional currency of the reporting entity. However, given the materiality of the transactions in currencies other than the Euro at group level, the parent has decided to present its results in US dollars in this section.

Pursuant to IAS 21, this presentation has been prepared using the following procedures:

a) the Group's assets and liabilities (including the comparative data) have been translated using the closing rate of 1.145 (1.1993);

b) revenue and costs have been translated using the average annual rates of the periods to which they refer (1.181 in 2018 and 1.1297 in 2017).

The adjusted reclassified income statement and the reclassified income statement for 2018 and the reclassified statement of financial position at 31 December 2018 of the Group translated into US dollars are presented below. As required by IAS 21, the comparative figures for 2017 are also presented.

Adjusted reclassified income statement of Salini Impregilo Group in US dollars

(in millions of US dollars)	2017 adjusted				2018 adjusted			
	Salini Impregilo Group	Joint ventures not controlled	Impairment - Venezuela	Total adjusted	Salini Impregilo Group	Joint ventures not controlled	Impairment - Venezuela	Total adjusted
Revenue	6,282.1	271.5	-	6,553.7	6,138.4	256.0	-	6,394.4
Gross operating profit (loss) (EBITDA)	**591.3**	**4.5**	**-**	**595.8**	**488.1**	**(15.3)**		**472.7**
Gross operating profit margin (EBITDA) %	*9.4%*	*1.7%*		*9.1%*	*8.0%*	*-6.0%*		*7.4%*
Operating profit (loss) (EBIT)	**(24.4)**	**4.5**	**330.4**	**310.5**	**80.4**	**(15.3)**	**195.4**	**260.5**
R.o.S. %	*-0.4%*	*1.7%*		*4.7%*	*1.3%*	*-6.0%*		*4.1%*
Net financing costs	(217.9)	-	-	(217.9)	(86.0)	-	-	(86.0)
Net gains (losses) on equity investments	112.9	(4.5)	-	108.4	(34.8)	15.3	-	(19.5)
Profit (loss) before tax (EBT)	**(129.4)**	**-**	**330.4**	**201.0**	**(40.4)**	**-**	**195.4**	**155.0**
Income taxes	(19.2)	-	(77.0)	(96.3)	(46.4)	-	(46.9)	(93.3)
Profit (loss) from continuing operations	**(148.7)**	**-**	**253.3**	**104.7**	**(86.8)**	**-**	**148.5**	**61.7**
Profit from discontinued operations	46.6	-	-	46.6	135.6	-	-	135.6
Non-controlling interests	(30.4)	-	-	(30.4)	15.2	-	-	15.2
Profit (loss) for the year attributable to the owners of the parent	**(132.4)**	**-**	**253.3**	**120.9**	**64.0**	**-**	**148.5**	**212.5**

Reclassified statement of profit or loss of Salini Impregilo Group in US dollars

(USD'000)	2017	2018	Variation
Revenue from contracts with customers	5,972,536	5,744,552	(227,985)
Other income	309,601	393,885	84,284
Total revenue and other income	**6,282,137**	**6,138,436**	**(143,701)**
Operating expenses	(5,690,876)	(5.650.370)	40.506
Gross operating profit (EBITDA)	**591,261**	**488,066**	**(103,195)**
Gross operating profit margin (EBITDA) %	9.4%	8.0%	
Amortisation, depreciation, provisions and impairment losses	(615,666)	(407,645)	208,022
Operating profit (loss) (EBIT)	**(24,405)**	**80,421**	**104,826**
Return on Sales %	-0.4%	1,3%	
Financing income (costs) and gains (losses) on equity investments			
Net financing costs	(217,921)	(86,044)	131,877
Net gains (losses) on equity investments	112,889	(34,780)	(147,669)
Net financing costs and net gains (losses) on equity investments	**(105,033)**	**(120,825)**	**(15,792)**
Profit (loss) before tax	**(129,438)**	**(40,403)**	**89,034**
Income taxes	(19,215)	(46,383)	(27,168)
Loss from continuing operations	**(148,653)**	**(86,786)**	**61,867**
Profit from discontinued operations	46,639	135,581	88,943
Profit (loss) before non-controlling interests	**(102,014)**	**48,795**	**150,810**
Non-controlling interests	(30,426)	15,214	45,640
Profit (loss) for the year attributable to the owners of the parent	**(132,440)**	**64,009**	**196,449**

Reclassified statement of financial position of Salini Impregilo Group in US dollars

(USD'000)	31 December 2017	31 December 2018	Variation
Non-current assets	1,441,569	1,320,819	(120,750)
Goodwill	186,106	85,546	(100,560)
Net non-current assets held for sale	6,816	6,507	(309)
Provisions for risks	(113,192)	(96,424)	16,768
Post-employment benefits and employee benefits	(102,809)	(65,294)	37,515
Net tax assets	358,241	296,631	(61,610)
- Inventories	289,003	220,188	(68,814)
- Contract assets	1,787,048	1,732,232	(54,817)
- Contract liabilities	(1,903,888)	(1,316,278)	587,609
- Loans and receivables (**)	2,256,854	2,209,350	(47,504)
- Liabilities (**)	(2,572,269)	(2,706,137)	(133,867)
- Other current assets	739,280	733,108	(6,172)
- Other current liabilities	(396,116)	(368,760)	27,356
Working capital	199,912	503,703	303,791
Net invested capital	**1,976,643**	**2,051,488**	**74,847**
Equity attributable to the owners of the parent	**976,819**	**956,887**	**(19,932)**
Non-controlling interests	157,181	110,325	(46,856)
Equity	**1,134,001**	**1,067,212**	**(66,788)**
Net financial indebtedness	**842,643**	**984,274**	**141,632**
Total financial resources	**1,976,643**	**2,051,486**	**74,843**

(**) This item shows liabilities of USD25.4 million and loans and receivables of USD1.2 million classified in net financial indebtedness and related to the Group's net amounts due from/to consortia and consortium companies (SPEs) operating under a cost recharging system and not included in the consolidation scope. The balance reflects the Group's share of cash and cash equivalents or debt of the SPEs. The Group's exposure to the SPEs was shown under "Liabilities" for USD22.3 million at 31 December 2017.

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

Table 4 - Reclassified statement of profit or loss

(€'000)	Note (*)	2017 (§)	2018	Variation
Revenue from contracts with customers		2,786,304	2,916,439	130,135
Other income		105,128	151,860	46,732
Total revenue	29	**2,891,432**	**3,068,299**	**176,867**
Operating expenses	30	(2,530,838)	(2,665,681)	(134,843)
Gross operating profit (EBITDA)		**360,594**	**402,618**	**42,024**
Gross operating profit margin (EBITDA) %		12.5%	13,1%	
Amortisation, depreciation, provisions and impairment losses	30	(391,970)	(270,114)	121,856
Operating profit (loss) (EBIT)		**(31,376)**	**132,504**	**163,880**
Return on Sales (**)		-1.1%	4,3%	
Financing income (costs) and gains (losses) on equity investments				
Net financing costs	31	(201,433)	(5,787)	195,646
Net gains on equity investments	32	129,417	41,628	(87,789)
Net financing costs and net gains on equity investments		**(72,016)**	**35,841**	**107,857**
Profit (loss) before tax (EBT)		**(103,392)**	**168,345**	**271,737**
Income taxes	33	332	(58,796)	(59,128)
Profit (loss) for the year		**(103,060)**	**109,549**	**212,609**

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

(§)The 2017 statement of profit or loss figures of Salini Impregilo S.p.A. have been restated to comply with IFRS 15. More information is available in the "Initial considerations on the comparability of data" section.

Revenue

Total revenue for the year amounts to €3,068.3 million (€2,891.4 million), including €363.5 million (€481.1 million) earned in Italy and €2,704.8 million (€2,410.3 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 profit of €132.5 million shows a significant improvement on the previous year when the operating loss included impairment losses on assets related to infrastructure works in Venezuela, higher than those recognised in 2018 (i.e., €292.5 million in 2017 and €165.5 million in 2018).

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

The parent recognised net financing costs of €5.8 million (costs of €201.4 million). The item comprises:

- financial expense of €95.6 million (€115.9 million); partly offset by
- financial income of €58.5 million (€67.6 million);
- net exchange gains of €31.3 million (net losses of €153.2 million).

Financial expense decreased by €20.3 million, principally as a result of the smaller interest expense on bank loans and borrowings and related amortised cost accounting (roughly €18.6 million), after the debt refinancing transaction finalised in the second half of 2017, which led to the application of more favourable interest rates.

Financial income decreased by approximately €9.1 million, mostly due to the smaller interest income accrued on amounts due from foreign customers.

Net exchange gains of €31.3 million reflect mainly the Euro's performance against the US dollar and the Ethiopian birr. The net losses of 2017 were significantly affected by the performance in the opposite direction of these currencies.

Net gains on equity investments amount to €41.6 million (net gains of €129.4 million). The item includes the dividends received from the subsidiaries Impregilo International Infrastructures (€20 million), Salini Impregilo US Holdings Inc. (€96.7 million) and Salini Malaysia (€32.5 million), partly offset by the impairment losses recognised to align the equity investments' carrying amounts with the parent's share of the investees' equity.

Income tax expense

The €59.1 million decrease is mostly due to the parent's higher tax base for the year.

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

Table 5 - Reclassified statement of financial position

(€'000)	Note (*)	31 December 2017 (§)	31 December 2018	Variation
Non-current assets	4-5-6	1,458,779	1,617,412	158,633
Provisions for risks	22	(59,617)	(48,605)	11,012
Post-employment benefits and employee benefits	21	(11,432)	(11,667)	(235)
Net tax assets	8-13-25	242,510	240,178	(2,332)
- Inventories	9	164,072	143,268	(20,804)
- Contract assets	10	443,968	717,157	273,189
- Contract liabilities	23	(981,942)	(626,681)	355,261
- Loans and receivables (**)	11	1,325,647	1,419,311	93,664
- Liabilities (**)	24	(1,198,976)	(1,492,508)	(293,532)
- Other current assets	14	252,280	290,089	37,809
- Other current liabilities	26	(105,111)	(137,609)	(32,498)
Working capital		(100,062)	313,027	413,089
Net invested capital		**1,530,178**	**2,110,345**	**580,167**
Equity	16	**758,182**	**845,200**	**87,018**
Net financial indebtedness		**771,996**	**1,265,146**	**493,150**
Total financial resources		**1,530,178**	**2,110,346**	**580,168**

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

(**) This item shows liabilities of €22.2 million and loans and receivables of €1.1 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 parent's exposure to the SPEs was shown under "Liabilities" for €18.6 million at 31 December 2017.

(§) The statement of financial position figures of the parent at 31 December 2017 have been restated to reflect application of IFRS 15.

Net invested capital

This item increased by €580.2 million on the previous year end.

The main changes are due to the factors listed below.

Non-current assets

Non-current assets increased by €158.6 million. They may be analysed as follows:

(€'000)	31 December 2017	31 December 2018	Variation
Property, plant and equipment	185,557	169,527	(16,030)
Intangible assets	140,382	123,755	(16,627)
Equity investments	1,132,840	1,324,130	191,290
Total non-current assets	**1,458,779**	**1,617,412**	**158,633**

Property, plant and equipment decreased by approximately €16.0 million, mainly due to depreciation (€63.1 million), investments (€53 million) and disposals (€6.8 million).

Intangible assets mostly comprise the cost incurred to acquire contracts and decreased by €16.6 million, chiefly as a result of amortisation.

Equity investments increased by €191.3 million as a result of the following changes:

- capital transactions of €292.9 million, mainly for the SPE GUPC (Panama) (€267 million) and to inject capital into the operator Metro 6 (€31.6 million); partly offset by
- impairment losses of €86.9 million, mostly for the investment in GUPC (Panama), ICT II SaS and Impregilo International Infrastructures N.V..

Provisions for risks

This item of €48.6 million decreased from the 2017 year end balance by €11 million.

Post-employment benefits and employee benefits

This item amounts to €11.7 million, in line with the previous year.

Net tax assets

At 31 December 2018, net tax assets amount to €240.2 million compared to €242.5 million at the end of the previous year. The following table provides a breakdown of this item:

(€'000)	31 December 2017	31 December 2018	Variation
Deferred tax assets	160,565	195,001	34,436
Deferred tax liabilities	(19,273)	(18,994)	279
Net deferred tax assets	**141,292**	**176,007**	**34,715**
Current tax assets	114,338	94,303	(20,035)
Current tax liabilities	(72,837)	(76,887)	(4,050)
Net current tax assets	**41,501**	**17,416**	**(24,085)**
Other current tax assets	78,972	62,652	(16,320)
Other current tax liabilities	(19,255)	(15,897)	3,358
Net other current tax assets	**59,717**	**46,755**	**(12,962)**
Net tax assets	**242,510**	**240,178**	**(2,332)**

Working capital

Working capital increased by €413.1 million to €313.0 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 foreign projects during the year. More information is available in the notes to the separate financial statements that present the main working capital items.

Net financial indebtedness

Table 6 - Net financial indebtedness of Salini Impregilo S.p.A.

The following table shows the parent's net financial indebtedness at 31 December 2018 and 2017:

(€'000)	Note (*)	31 December 2017	31 December 2018	Variation
Non-current financial assets	7	80,490	116,394	35,904
Current financial assets	12	638,336	710,341	72,005
Cash and cash equivalents	15	660,899	547,730	(113,169)
Total cash and cash equivalents and other financial assets		**1,379,725**	**1,374,465**	**(5,260)**
Bank and other loans and borrowings	17	(381,855)	(552,180)	(170,325)
Bonds	18	(1,084,426)	(1,088,158)	(3,732)
Finance lease liabilities	19	(28,923)	(16,596)	12,327
Total non-current indebtedness		**(1,495,204)**	**(1,656,934)**	**(161,730)**
Current portion of bank loans and borrowings and current account facilities	17	(311,029)	(931,775)	(620,746)
Current portion of bonds	18	(302,935)	(13,295)	289,640
Current portion of finance lease liabilities	19	(22,454)	(17,113)	5,341
Total current indebtedness		**(636,418)**	**(962,183)**	**(325,765)**
Derivative assets	12	-	602	602
Derivative liabilities	20	(1,481)	-	1,481
Net financial position with unconsolidated SPEs (**)		(18,618)	(21,096)	(2,478)
Total other financial liabilities		**(20,099)**	**(20,494)**	**(395)**
Net financial indebtedness including discontinued operations		**(771,996)**	**(1,265,146)**	**(493,150)**

(*) 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 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 balances are presented under trade receivables and trade payables in the separate financial statements.

At 31 December 2018, the parent has net financial indebtedness of €1,265.2 million compared to €772.0 million at the end of the previous year.

The €493.1 million increase in net financial indebtedness is mostly due to:

- utilisation of cash for decreases in working capital;
- return of the contract advances of €196 million previously received from the Panama Canal Authority (PCA) as per the arbitration award of 12 December 2018.

Directors' report - Part II

Order backlog

The order backlog for the construction and concession segments is as follows.

(Share in millions of Euros)

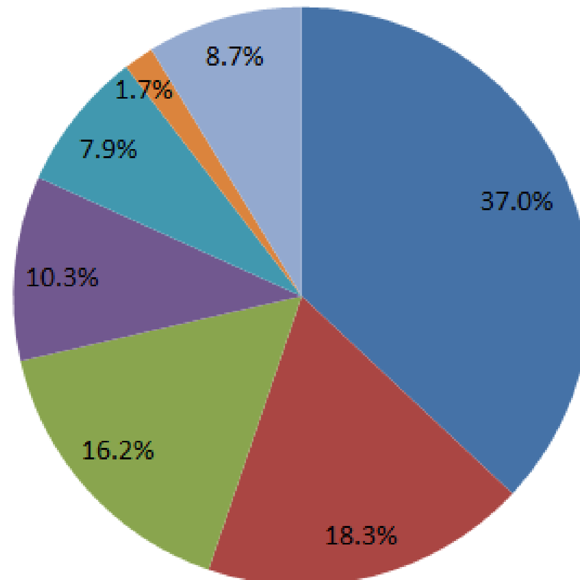
Area	Residual order backlog at 31 December 2017	percentage of total	Residual order backlog at 31 December 2018	percentage of total
Italy	**12,718.0**	**37.0%**	**12,387.1**	**37.1%**
Africa	6,283.7	18.3%	6,122.8	18.4%
Asia	5,558.7	16.2%	4,153.4	12.5%
Americas (excluding Lane)	3,556.2	10.3%	3,254.6	9.8%
Europe	2,700.6	7.9%	2,983.5	8.9%
Oceania	582.7	1.7%	391.8	1.2%
Abroad	**18,681.9**	**54.3%**	**16,906.1**	**50.8%**
Lane (*)	3,000.8	8.7%	4,057.7	12.2%
Total	**34,400.7**	**100.0%**	**33,350.9**	**100.0%**

(*) The Lane Group's order backlog for 2017 included the Plants & Paving Division sold for €318.5 million in 2018.

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

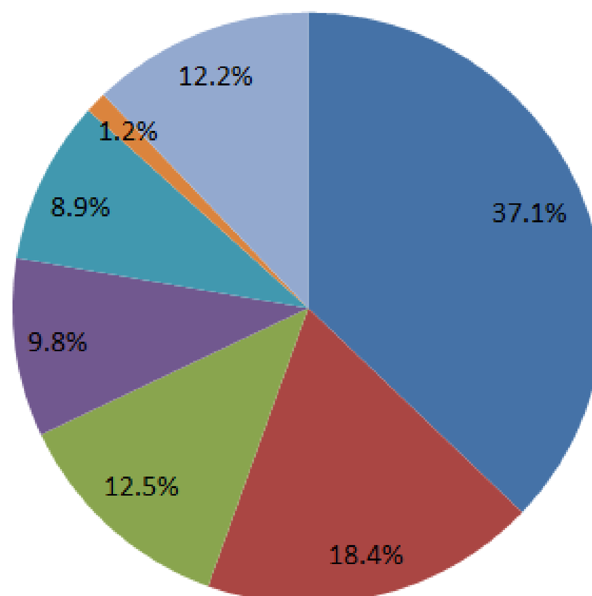
Breakdown of the order backlog 31 December 2017

Italy Africa Asia Americas (excluding Lane) Europe Oceania Lane



Breakdown of the order backlog 31 December 2018

Italy Africa Asia Americas (excluding Lane) Europe Oceania Lane



Order backlog

The order backlog shows the amount of the long-term construction and concession 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 customer, which may take place before the definitive binding signing of the related contract.

The Group's 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 (i.e., Venezuela and Libya), 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 customer;
- 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 customers. In the case of contracts that do not have a fixed consideration, the related order backlog reflects any contractual variations agreed with the customer or when the customer 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 customer and the related revenue is highly probable.

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.

The above measurement method differs from the method used to prepare the disclosure on performance obligations yet to be satisfied in accordance with IFRS 15 as set out in the note 34 to the consolidated financial statements. Specifically, the main contract revenue included in the order backlog and not considered in the notes includes:

- revenue from concession contracts as it is earned mainly by equity-accounted investees;
- revenue from the joint ventures not controlled by Lane Group and measured using the equity method;

- income from cost recharges attributable to non-controlling members of Italian consortia classified as "Other income".
- contracts signed with customers that do not meet all the criteria of IFRS 15.9 at the reporting date.

Performance by geographical segment

Lane operating segment

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

Macroeconomic scenario

The US economy continues to grow and the outlook is positive. Consumer and business confidence levels are at all-time highs and the tax cuts should contribute to an increase in aggregate demand. According to the IMF's most recent projections of January 2019, US growth is estimated at 2.9% for 2018, an improvement on the 2.2% of 2017. Economic development is again expected to continue at a fast pace in 2019.

These projections reflect stronger-than-expected economic growth, more robust foreign demand and the macroeconomic impact the tax reform approved by Congress is expected to have. Specifically, the reduction in the corporate income tax rate from 35% to 21% should stimulate short-term economic development and also relaunch investments.

The growth rate's stability since 2009 has enabled consolidation of one of the longest expansionary periods for the US economy to date.

Economic growth along with the expected larger investments in the construction sector will drive this sector's development over the next few years. According to the IHS Markit January 2019 report, the growth outlook for infrastructure investments in this region continues to be positive with an increase of 5.3% for 2018 and an average increase of around 2.1% per annum in the period from 2017 to 2022, making it the segment with the highest growth rate.

Roughly 50% of the funds for the construction of roads and motorways comes from federal funds provided for by the FAST Act, together with the funding put together by the states or local communities. The Trump Administration has prioritised the construction of infrastructure during its mandate and has announced projects worth more than USD1,000 billion will be rolled out before 2027 in the energy and transport sectors (President Trump announced that this amount had been increased to €1,500 billion in his State of the Union address in January 2018). This increase in investments has been 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.

(Share in millions of Euros)

Project	Residual order backlog at 31 December 2018	Percentage of completion
I-10 Corridor	584.2	0.6%
Purple Line	452.9	23.1%
North-East Boundart Tunnel	391.2	19.0%
Southern Wake Freeway	352.1	0.0%
I-440 Beltline Widening	299.1	1.0%
I-40/I-77 Interchange	223.7	1.6%
Wekiva Parkway	214.7	2.9%
I-4 Ultimate	211.6	62.1%
I-85 Cherokee County	150.2	59.8%
I-395 Express Lane	150.1	46.2%
Other	1,027.8	
Total	**4,057.7**	

I-4 Ultimate - Orlando - Florida

In September 2014, I-4 Mobility Partners 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. The operator subsequently assigned the works to a joint venture comprising Skanska (40%, leader), Granite (30%) and Lane Construction (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 Orlando.

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 advisors.

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 between New Carrollton and Bethesda, north of Washington DC. Lane Construction is involved in the construction work with a 30% share.

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 advisors.

I-395 Express Lane - Virginia

On 1 March 2017, Lane won a new design-build contract worth USD336 million (decreased to approximately USD320 million as a result of contract variations) to extend the I-395 Express Lanes in Virginia by about eight miles between Fairfax and Arlington.
Work started at the end of 2017 and included demolition of existing structures, excavation work, drainage, placing of sound barriers and many traffic deviations.

North-East Boundart Tunnel - Washington DC

In July 2017, the Lane Construction 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 (decreased to approximately USD555 million as a result of contract variations). The works are part of the clean rivers project for the Anacostia River. The customer issued the notice to proceed in September 2017 and the design and procurement stages have nearly been completed. Construction work has started.

I-85 Cherokee County - South Carolina

In March 2018, Lane Construction Group signed a design & build contract worth approximately USD180 million to widen Interstate 85 (I-85) in Cherokee Country, South Carolina. The contract entails rebuilding and widening the interstate from four to six lanes and the rebuild of four interchanges along roughly eight miles of the highway in Cherokee Country. This is expected to accommodate an increase in traffic and improve safety conditions.

I-10 Corridor - California

In August 2018, the Lane-Security Paving joint venture won a design-build contract for the I-10 Corridor Express Lanes (Contract 1) in California. The project's overall value approximates USD670 million, with Lane acting as project leader with a 60% share of the joint venture. Once completed, the lanes are expected to reduce traffic congestion in this area of southern California which has seen large population growth in the last few years.

Wekiva Parkway - Florida

In October 2018, Lane Construction won a contract worth approximately USD250 million in Florida to design and build a section of the Wekiva Parkway in Seminole County, north of Orlando. The project will include the new Wekiva Parkway interchange at I-4 that will connect with SR 417 to provide sustainable mobility alternatives by reducing traffic in large congestion areas in the counties of Orange, Lake, and Seminole.

I-440 Beltline Widening - North Carolina

In October 2018, Lane Construction won a contract worth approximately USD350 million to widen the I-440/US 1 to six lanes from four for approximately 12 km and replace pavement and bridges.

I-40/I-77 Interchange - North Carolina

In December 2018, Lane Construction was awarded a contract worth approximately USD260 million to improve the I-77/I-40 interchange in Iredell County. The contract foresees the widening from four lanes to eight lanes and works for the system connection by designing and building a partial turbine interchange.

Southern Wake Freeway - North Carolina

In December 2018, the Lane-Blythe Construction joint venture won the design & build contract worth roughly USD400 million to extend the Triangle Expressway from U.S. 401 to I-40 in the Wake and Johnston Counties. It is part of the Complete 540 project to improve the highway system in Raleigh, the state capital. Lane has a 50% stake in the joint venture with Blythe Construction, a subsidiary of Eurovia (Vinci Group).

Outlook for 2019

The Group's reference market in the US should offer a pipeline of possible calls to tender worth USD139 billion (Lane's share: €64 billion) in the five years from 2019 to 2023 in the following sectors:

- roughly 15% in tunnel works, airports and the water/energy sectors;
- roughly 45% highways and bridges, mainly in the south-east, north-east and California;
- roughly 40% in railway projects.

With respect to the railway sector, Texas Central Partners (TCP) has awarded the Group a contract for the design of the new 240-mile high-speed train service between Houston and Dallas in Texas (USA) to be delivered by July 2019. Salino Impregilo will also act as leader of the joint venture set up for the civil engineering works, to be performed after the definitive project has been approved.

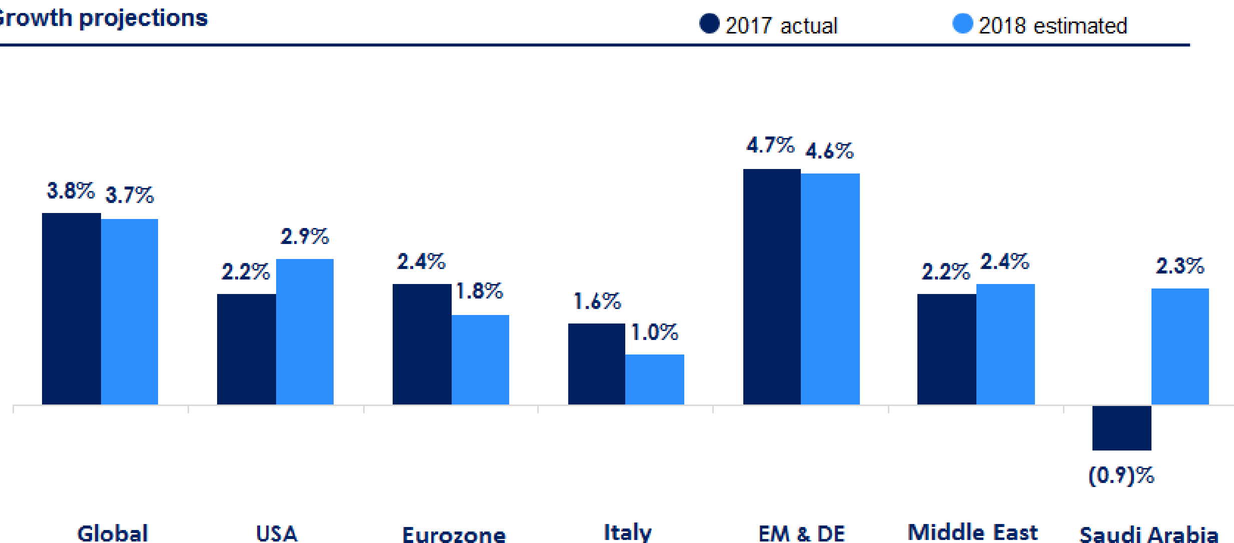
Abroad

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

Macroeconomic scenario

The global economy has plateaued after a year of steady growth in 2017. Based on the IMF's most recent projections of January 2019, global growth is estimated at 3.7% for 2018, a slight decrease on the 3.8% seen in 2017.

The United States' economy continues to be strong and to grow with an estimated steep rise in its GDP compared to 2017. Meanwhile the Eurozone has underperformed compared to expectations, affected by the rising uncertainty about the outcome of the trade tensions between the US and China. With respect to the emerging economies, the Russian economy continues to gradually regain momentum while growth in Brazil did not match projections although this country could respond positively to expectations about an about-turn in policies after the October 2018 presidential elections. Both India and China show brisk growth in line with the planned objectives and the economic outlook for South East Asia and North Africa is positive.



Source: International Monetary Fund, January 2019; EM &DE: Emerging Markets & Developing Economies; Middle East includes North Africa, Pakistan and Afghanistan

The IHS's most recent report of January 2019 stated that global infrastructure investments increased by 3.9% in 2017, boosted by the transportation sector which saw growth of 6%. The respective growth rates are forecast to be 3.3% and 3.5% for 2018 and 2019. Over the next five years, infrastructure investments should increase by a compound average growth rate (CAGR) of 3.7%.

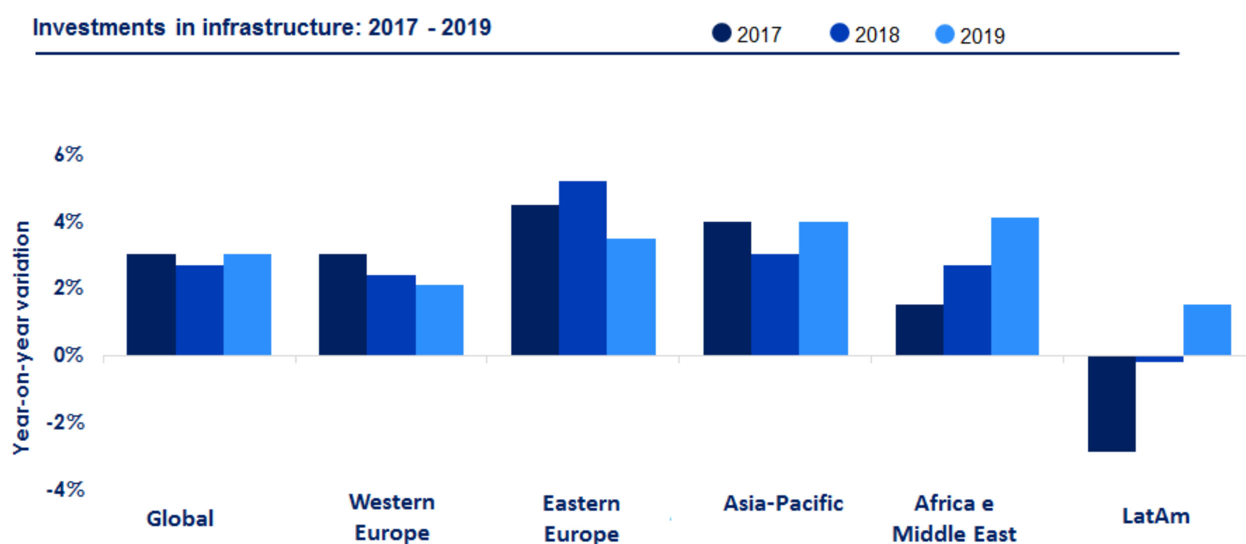
The report shows that the upturn in the infrastructure construction sector continues in Western Europe, driven by investments in the energy sector. The annual growth rate was 3.0% for 2017 and rates of just under 2% are forecast for 2018 and 2019.

The Asia-Pacific area has the highest growth rate in the sector with investments in infrastructure up 6.6% in 2017. This is expected to slow down to 3.7% and 4.2% for 2018 and 2019, respectively. The entire region

will benefit from China's Belt & Road Initiative, which includes the construction of a high-speed railway, motorway and maritime port infrastructure network.

Investments in infrastructure in Africa and the Middle East are expected to grow at a rate of approximately 3% in 2018 to then speed up at a rate of above 4% in 2019.

Finally, in Latin America, IHS reported a drop in infrastructure investments of 3.5% in 2017. However, growth driven by a rise in the output of infrastructure companies is expected to be seen in the 2018-2019 two-year period.



Source: IHS Markit, January2019

Construction

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

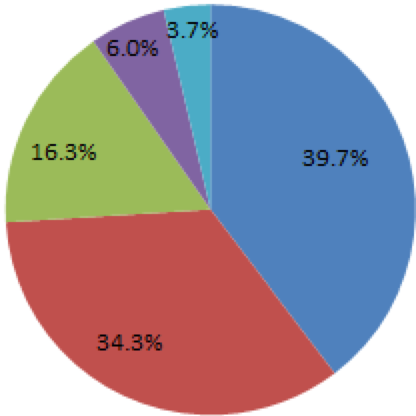
(Share in millions of Euros)

Area	Residual order backlog at 31 December 2017	Percentage of total	Residual order backlog at 31 December 2018	Percentage of total
Africa	6,283.7	39.7%	6,122.8	42.6%
Asia	5,442.6	34.3%	4,050.0	28.2%
Americas (excluding Lane)	2,584.7	16.3%	2,283.1	15.9%
Europe (excluding Italy)	951.8	6.0%	1,525.4	10.6%
Oceania	582.8	3.7%	391.8	2.7%
Total	**15,845.6**	**100.0%**	**14,373.1**	**100.0%**

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

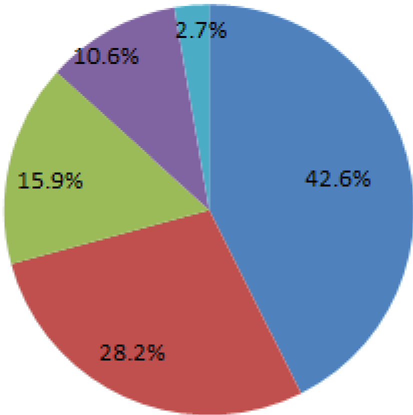
Breakdown of the order backlog 31 December 2017

Africa Asia Americas (excluding Lane) Europe (excluding Italy) Oceania



Breakdown of the order backlog 31 December 2018

Africa Asia Americas (excluding Lane) Europe (excluding Italy) Oceania



Ethiopia

Market

Ethiopia continues to be 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 country is of great commercial interest and its central bank in Addis Abeba receives hard currency funds, which are key to providing the financial resources necessary to, inter alia, make foreign payments for infrastructure projects.

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

(Share in millions of Euros)

Project	Residual order backlog	Percentage of completion
Koysha	1,920.4	23.9%
Gerd	1,036.2	75.4%
Total	**2,956.7**	

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.

Unforeseen costs have been incurred and the Group 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 advisors.

Gerd

The GERD project, located approximately 500 km north west of the capital Addis Abeba, consists of the construction of a hydroelectric power plant, the 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 €3.8 billion and Salini Impregilo's share is 100%. The project is at an advanced stage of completion.

On 5 December 2018, the customer notified a reduction of the turbines from 16 to 13 for efficiency reasons. This should not decrease the contract's value. Salini Impregilo has requested more information and has issued a variation order for the additional redesign costs.

Production on the Ethiopian contracts slowed down during the year mainly due to payment delays by the customer and, in the case of Gerd, the plant contractor's inefficiency.

Unforeseen costs have been incurred and the Group 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 advisors.

Outlook for 2019

The positive effects of the important events of 2018 will be seen again in 2019. Development programmes for the next few years include installation of additional production capacity, including through the GERD and Koysha projects.

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.

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 order backlog	Percentage of completion
Riyadh National Guard Military	1,089.6	1.9%
Riyadh Metro Line 3	764.0	74.3%
Other	50.5	
Total	**1,904.1**	

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 metro system of Saudi Arabia's capital.

On 11 July 2018, the parties finalised a contract variation which increased the value of the works to be performed by the consortium to design and construct the entire Line 3.

As a result of this variation, the contract's value increased from roughly USD6.0 billion to roughly USD6.4 billion, including approximately USD5.3 billion for the civil works (previously approximately USD4.9 billion). Salini Impregilo's share is 66%.

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 Villas).

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.

Outlook for 2019

The Group will continue to pursue any new business opportunities that arise in 2019 in this country. The main projects announced include mega malls and a residential building project covering all the kingdom's large cities.

Tajikistan

Market

This country's GDP grew to 7.2% in 2018 while the inflation rate decreased to 5.3% in October from the start of the year. The local currency held its ground against the US dollar and the Euro during the year after depreciating considerably in 2017.

Exports increased by 28% in 2018 compared to the previous year while imports decreased by 21%.

The Rogun Hydropower 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 hydroelectric power plant.

During 2018, the country's government commenced talks with its counterparties of the surrounding countries to sign agreements for the sale of electrical energy after the plant reaches the early generation stage, (when electrical energy will be provided although at a lower output than when the project has been completed).

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

(Share in millions of Euros)

Project	Residual order backlog	Percentage of completion
Rogun Hydropower Project	1,481.4	25.6%
Total	**1,481.4**	

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.

On 16 November 2018, the first of the six power house turbines (each with a full capacity of about 600 megawatt) was successfully launched. This milestone is the first key step of the early generation stage.

Unforeseen costs have been incurred and the Group 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 advisors.

Outlook for 2019

To complete financing of the project, the government has already approved, inter alia, the issue of bonds for USD1 billion (an additional USD500 million to those already placed). During 2019 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.

France

Market

France is undergoing a modest growth phase. Its infrastructure development plan envisages public spending concentrated mainly in the transport sector and private works. The Group has both a local French branch and investments in the SEP (sociètè en partecipation) set up to carry out the projects won in 2018.

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

(Share in millions of Euros)

Project	Residual order backlog	Percentage of completion
Metro Line 14 Lot 4	89.6	12.3%
Metro Line 16 Lot 2	467.2	0.0%
Total	**556.8**	

Line 14 Lot 4

The entire contract covers the 14 km extension of the existing Line 14 of the Paris Metro. Salini Impregilo has been assigned Lot 4 as part of a joint venture with NGE GC. This entails excavation of a 4.1 km tunnel from the Pont de Rungis station to the new Orly Airport station.

The contract is worth roughly €200 million, including the additional works and the Group's share is 50%.

Line 16 Lot 2

The project is part of the construction of the future Line 16 of the Paris Metro (Grand Paris Express), including the construction of ten stations and a line between Noisy-Champs and Saint-Denis Pleyel via Aulnay-sous-Bois to serve an area of 800 thousand residents. Salini Impregilo will build Lot 2 with NGE GC. This involves the excavation of an 11.1 km tunnel, construction of four stations and 11 related works. The contract's total value is approximately €720 million, including the additional works and the Group's share is 65%.

Outlook for 2019

The Group is closely monitoring the local market to avail of any new opportunities in the transport sector through its Paris-based branch. It is most interested in metro and railway lines as well as shopping centres and landmark buildings used for exhibitions.

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 most recent federal budgets include public works spending of around AUD75 billion (roughly €50 billion) to be allocated for railways, roads and transport 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 JV to build the Forrestfield Airport Link.

Sydney Metro Northwest Project

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 advisors.

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

(Share in millions of Euros)

Project	Residual order backlog	Percentage of completion
Forrestfield Airport Link	388.8	51.0%
Other	3.0	
Total	**391.8**	

Forrestfield Airport Link

On 28 April 2016, as leader (with 80%) of a joint venture with NRW Pty Ltd (20%), Salini Impregilo 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 AUD1.25 billion.

During the year, the customer accepted a contract variation for the construction of a multi-storey car park at Forrestfield Station worth AUD32 million.

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 advisors.

Outlook for 2019

The Group deems that the Australian market is fundamental for its growth strategy and has presented bids for several potential contracts which are worth over AUSD10 billion.

Other countries and projects

Kuwait

South Al 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 hectare 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, is being 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 Group has identified some interesting projects, which it will present bids for in 2019. It has also applied to the Kuwait Direct Investment Promotion Authority for authorisation to open a local branch.

Peru

Lima Metro Line 2 and Ramal Av. Fuacett – Av. Gambeta

On 28 March 2014, the international consortium comprising Salini Impregilo Group and other international groups won the contract for the construction and operation of the extension to Lima's metro network under concession from PROINVERSION - Agencia de Promociòn de la Inversiòn Privada. The project includes the construction of the works and operation of the infrastructure over the 35-year concession. The Group's share of the construction work is 25.5% of the civil works.

On 13 December 2018, the consortium and the Ministry of Transport and Telecommunications signed Addendum 2, which establishes the new delivery dates for the concession areas, the new work schedule and billing programme. It also defines new concession areas in some cases.

The revised consideration, including the variation to remove the underground utilities as per Addendum 1, is approximately USD3 billion.
The Group will pursue any new business opportunities that may arise in Peru in 2019, including the proposal to develop Jorge Chávez International Airport and the project for the Lluclla hydroelectric power plant.

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.

More information about the country's inflation is provided in the section "IAS 29 - Financial reporting in hyperinflationary economies" in note 4 to the consolidated financial statements.

Poland

A1F Tuszyn motorway

On 22 July 2015, the Group won a contract worth roughly €140 million for the design and construction of a 20 km section of the A1 Motorway, south of Warsaw, near the City of Katowice. Funding is EU and Polish state funded. The Group's share is 100%. During 2018, most of the earth movement activities and main structures were completed and the road surfacing works commenced.

Unforeseen costs have been incurred and the Group 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 advisors.

Expressway S7 Skomielna

On 20 January 2016, the Group won a contract worth approximately €120 million to build a section of Expressway S7 south of Krakow near the border with Slovakia. The project is EU and Polish state funded. The Group's share is 100%. During 2018, most of the concrete works (viaducts and box culverts) were completed and the road surfacing works commenced.

On 26 September 2018, Salini Impregilo signed a new contract worth about €200 million to design and build Lot 3 of the Expressway S7 between Widoma and Krakow.

Unforeseen costs have been incurred and the Group 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 advisors.

Potential opportunities in Poland are not limited to the Group's involvement in the two major road projects worth over €300 million but also extend to the Polish government's intention to develop the water works sector. Calls for tenders will be issued shortly for the upgrade of the river basins of the Oder and Vistula Rivers and build a canal to allow merchant ships to enter the Baltic Sea without transiting the Kaliningrad Canal (in Russian waters). The government will also present a development plan for high speed railway and metros in large cities like Breslavia and Krakow.

Qatar

Al Bayt Stadium

Thanks to its moderate and prudent policies and its enormous supplies of natural gas and oil, Qater is a key player and strategic partner in its region despite the economic and political embargo put in place more than a year ago by some Middle East countries.

The country's macroeconomic situation is stable with high growth rates and spending capacity. The greatest development opportunities are tied to its new diversification, self-sufficiency and infrastructure development policies.

The Group is currently completing the contract worth approximately €700 million for the construction of the Al Bayt Stadium in Al Khor, roughly 50 km north of the capital Doha.

The project is an example of an eco-sustainable work, thanks to modern construction techniques and the use of environmentally friendly and state-of-the-art low energy impact materials.

Unforeseen costs have been incurred and the Group 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 advisors.

United Arab Emirates

Meydan One Group 1° in Dubai

This country is promoting numerous investments in infrastructure for Expo 2020 and this will facilitate 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 €360 million.

All the excavation and foundations works have been completed and all the activities currently being carried out at the work site refer to completion of the above-ground works.

Unforeseen costs have been incurred and the Group 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 advisors.

Umm Lafina Project in Abu Dhabi

Salini Impregilo has also been awarded the contract for the Umm Lafina Link Road, worth approximately €170 million, 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 2019 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 wastewater treatment programme. Its intention is to improve the environmental conditions of the Bosporus Strait and the Sea of Marmara. The Group's share of the contract is worth roughly €84 million and it is being carried out by the group company Fisia Italimpianti as part of a joint venture with the Turkish company Alkatas.

In March 2018, a €52 million contract was awarded for the construction of a wastewater treatment plant in Istanbul, Turkey, confirming the group company's role in the design and construction of plants that improve the ecosystem.

Fisia Italimpianti won a contract in Saudi Arabia in April 2017 for the Shoaiba project. It consists of the design, supply and construction of a reverse osmosis desalination plant in the Shoaiba area. The plant will provide potable water to the cities of Jeddah, Medina and Taif.

The contract has been agreed on a project financing basis by a SPE owned by ACWA Power, a major Saudi developer of energy generation and seawater 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.

The group company also recently entered the Oman market winning a contract worth over USD100 million as part of a joint venture in December 2017. The contract entails the construction of a reverse osmosis desalination plant to provide water to the city of Salalah. This is the second project assigned by ACWA Power, strengthening the joint venture's relationship with one of the largest international investors in the water and energy sectors.

Foreign concessions

The Group's foreign concessions comprise 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.	100.0		Holding		
Argentina	Autopistas del Sol S.A.	19.8	120	Active	1993	2030
Argentina	Puentes del Litoral S.A.	26.0	59.6	In liquidation	1998	
Argentina	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	Yacylec S.A.	18.7	T line	Active	1992	2091
Argentina	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	Stage	Start date	End date
GB	Ochre Solutions Ltd - Oxford Hospital	40.0	220	Active	2005	2038
GB	Impregilo New Cross Ltd.	100.0		Holding		
Turkey	Gaziantep Hastane Sağlık Hizmetleri İşletme Yatırım A.Ş. (Gaziantep	24.5	1,875	Not yet active	2016	2044

Italy

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

Macroeconomic scenario

After a positive 2017 when GDP increased by 1.6%, external and internal factors materialised holding back the Italian economy's development. They include uncertainty about US trade policies, tensions in some emerging economies that are key to Italy's export business (Turkey, Argentina, etc.), the impact of the steady reduction in the European Central Bank's quantitative easing programme on interest rates and the widening of the gap between the Italian BTP and German bund. According to the IFM's most recent projections of January 2019, economic growth is estimated to be 1.0% in 2018 and 0.6% for 2019, both of which were revised downwards by 0.2% and 0.4% compared to the IMF's previous projections of October 2018.

The meagre investments and difficulties in carrying out already awarded projects has engendered financial difficulties for several sector operators. Consolidation through the creation of large domestic players to achieve a size that allows greater diversification is almost essential to relaunch the sector.

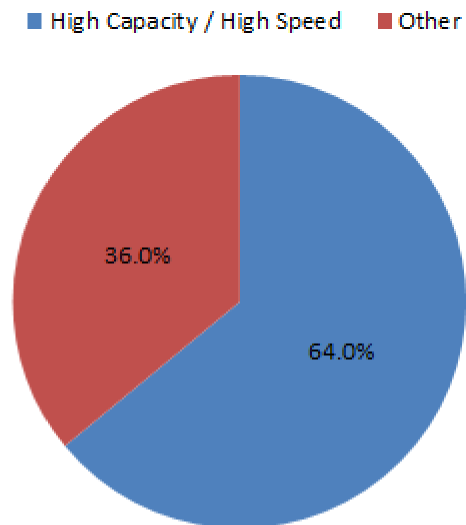
Construction

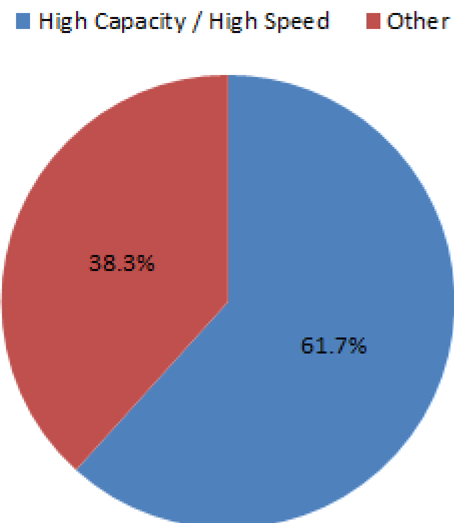
The order backlog for the Italian construction segment is as follows:

(Share in millions of Euros)

Project	Residual order backlog at 31 December 2017	Percentage of total	Residual order backlog at 31 December 2018	Percentage of total
High speed/capacity	5,419.1	64.0%	5,018.6	61.7%
Other projects	3,044.8	36.0%	3,115.5	38.3%
Total	**8,463.9**	**100.0%**	**8,134.1**	**100.0%**

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





(Share in millions of Euros)

Project	Residual order backlog at 31 December 2017	Percentage of completion	Residual order backlog at 31 December 2018	Percentage of completion
Cociv Lot 1-6	3,376.9	28.3%	3,260.9	33.2%
Iricav 2	1,690.3	0.2%	1,431.5	0.4%
Other	351.9		326.1	
High speed/capacity	**5,419.1**		**5,018.6**	
Broni - Mortara	981.5	0.0%	981.5	0.0%
Metro B	898.5	0.1%	898.5	0.1%
Jonica state highway 106	335.8	3.1%	378.6	3.4%
Milan Metro Line 4	335.1	37.1%	317.3	46.9%
Other	493.8		539.7	
Other work in Italy	**3,044.8**		**3,115.5**	
Total	**8,463.9**		**8,134.1**	

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 section was assigned to the COCIV consortium as general contractor by Rete Ferroviaria Italia S.p.A. (RFI, 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 2018, RFI delivered the fifth construction lot roughly six months behind schedule, increasing the total value of the works and activities financed and under construction to €3.8 billion, €1.1 billion higher than the active lots (1 to 4).

In line with the contract terms, seven public calls to tender were issued for roughly €1.6 billion in 2017 and 2018 for the operating activities.

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

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 advisors.

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.

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

On 22 December 2017, after the Ministry of Infrastructure and Transport completed its inspection, the Interministerial Committee for Economic Planning (CIPE) approved the definitive project for the first functional lot, the Verona - Vicenza junction, of the high speed/capacity Verona - Padua railway section, estimated to be worth approximately €2.2 billion. It authorised commencement of the first construction works worth an estimated approximate €850 million.

On 18 July 2018, after completion of the legitimacy checks by the Court of Auditors, the CIPE's approval measure was published in the Official Journal and became effective.

The approval measure authorised a maximum investment of €4.8 billion by RFI in the entire Verona – Padua railway line section, of which €4.2 billion for the general contractor, which is less than the previous estimate of €5.0 billion.

During the year, the consortium reviewed the updated definitive project for both the new works required by the CIPE and the new railway regulations and rules implemented since the date of commencement of the authorisation process.

It also held preliminary meetings with Italferr S.p.A., the technical expert engaged by RFI, to assess the project's technical and financial characteristics.

Outlook for 2019

In line with the new direction embarked on in previous years, the 2019 Budget Law (Law no. 145 of 30 December 2018), and the maxi-amendment thereto, confirms the strategies to define Italy's infrastructure requirements up until 2033, earmarking an amount of €43.6 billion to be invested between 2019 and 2033 in order to reinvigorate investments by the central administrations and bolster the country's development. Part of the funds disbursed have allowed commencement and, in some cases, completion, of the works for strategic projects such as the high speed Milan - Venice railway line and Giovi third railway crossing railway sections and a focus on projects for Southern Italy (the high speed/capacity Naples - Bari railway line and the doubling of the tracks for the Palermo - Catania - Messina line).

These strategic projects include some of the Group's major projects underway such as the high speed/capacity Milan - Genoa railway line section and that of Verona - Padua, as well as the Brenner base tunnel - Isarco River Underpass section. The latter contract worth approximately €324 million consists of underground civil works and external works for the relocation of national road SS12 and a cargo loading/unloading area on the A22 motorway. Salini Impregilo is the lead contractor with a share of 41%.

Works continued as scheduled during the year and the customer approved 11 variation appraisals, increasing the contract consideration by approximately €20 million.

In 2018, Salini Impregilo acquired new contracts, such as the high speed/capacity Naples - Bari railway line for which a joint venture led by Salini Impregilo (with a 60% share) has been awarded the first Naples - Cancello section worth approximately €400 million. The joint venture signed the related contract with RFI on

18 December 2017 and the subsequent Conformity Deed on 12 November 2018. After the design activities had been completed, the works were delivered on 20 November 2018.

Again with respect to railway works, on 2 November 2017, RFI informed Salini Impregilo, as leader of a consortium in which it has a 60% interest, that it had been awarded the Bicocca - Catenanuova railway line section project as part of the contract to double the tracks for the Palermo - Catania railway line. The related contract was signed on 31 January 2018 for roughly €186 million.

During the year, the design activities were carried out and RFI approved the executive project on 14 December 2018. It delivered the works on 20 December 2018.

With respect to motorways and bridges, Salini Impregilo and Fincantieri were awarded the contract worth approximately €200 million to rebuild the bridge over the Polcevera River in Genoa, as per the decree of the extraordinary commissioner for the reconstruction project of 18 December 2018. On 18 January 2019, the extraordinary commissioner signed the contract to rebuild the Polcevera bridge, part of the A10 motorway, with PERGENOVA S.C.p.A., the consortium company limited by shares set up by Salini Impregilo and Fincantieri Infrastructure S.p.A. (50:50). The contract covers the design and execution of the works and services to rebuild the new bridge. It is worth €202 million and the consortium company received the contract advance of roughly €40 million on 25 February 2019. The works are scheduled to take 382 days from the date of the delivery report for the works (including partial delivery), which is not expected to be before 31 March 2019.

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 €151 million (Salini Impregilo's share: 60%).

Work began at the end of 2017 and continued in 2018 as per the works programme despite the identification of some critical issues at the start of the year which delayed commencement of the excavations of the foundations.

The bulk of the project will be carried out in 2019, such as the installation of the systems and facades.

Concessions

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

These concessions principally relate to the transport 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 km	Stage	Start date	End date
Italy (Pavia)	SaBroM S.p.A. (-Broni Mortara)	60	50	Not yet active	2010	2057
Italy (Ancona)	Passante Dorico S.p.A. (Ancona Port)	47.0	11	Not yet active	2013	2049

METROS

Country	Operator	% of investment	Total km	Stage	Start date	End date
Italy (Milan)	SPV Linea 4 S.p.A. (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

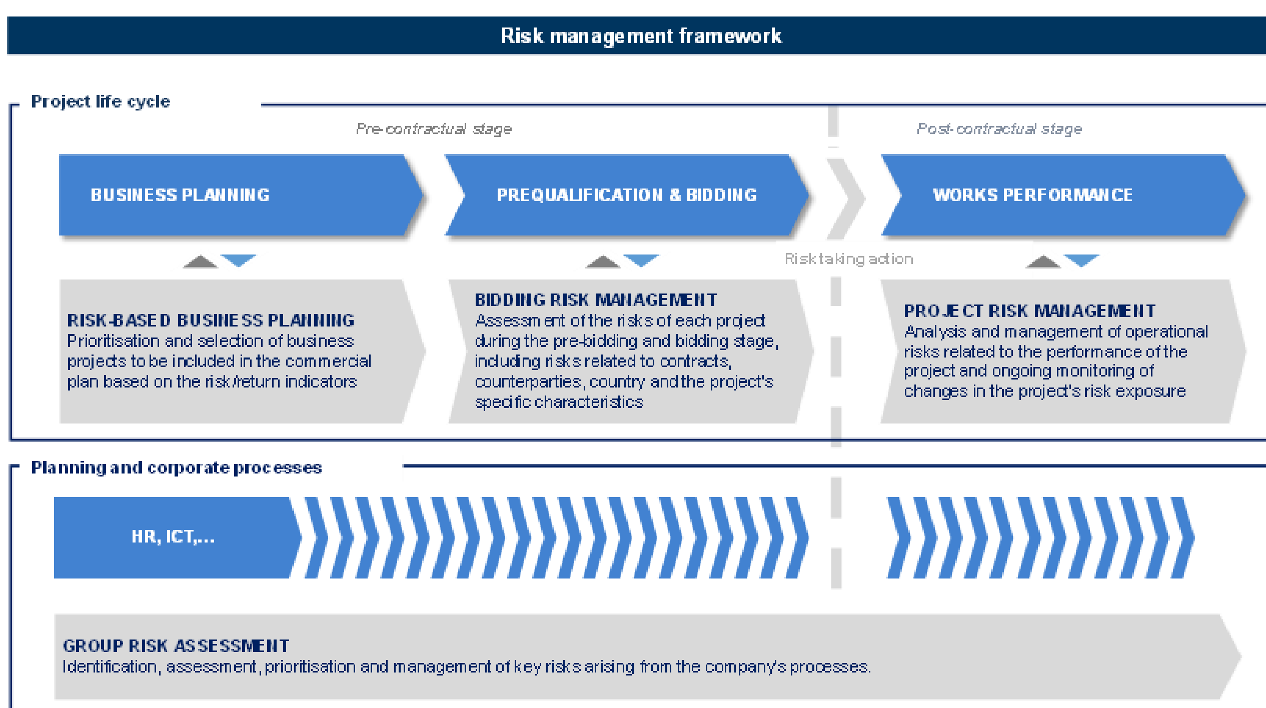
Country	Operator	% of investment	Stage	Start date	End date
Italy (Terni)	Piscine dello Stadio S.r.l.	70.0	Active	2014	2041

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.



In 2018, the Group focused on strengthening its methods and tools to analyse contract risk during the bidding stage and to continuously include procedures for the efficient management of the most significant risks, such as country and counterparty risks (involving, therefore, customers, partners, subcontractors and significant suppliers). It also implemented procedures to analyse and manage financial risks in more depth, both at contract and corporate level.

In addition, as part of its risk management activities, the Group regularly 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 carried out in 2018 include monitoring the progress of mitigation actions defined in 2017 to assist senior management through the ongoing improvement of the effectiveness of decision-making processes and operations.

The 2018 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 top risks and identified management strategies to deal with the more material risks, which can be developed and introduced through specific measures.

Business risks

External risks are those that may compromise the Group's achievement of its objectives, i.e. all events whose occurrence is 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.

Given 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 (customers, 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

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 2018, 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 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 the former operators of the waste disposal service performed until 15 December 2005 submitted their final report in November 2014, in which they stated that the administration had already collected directly €46,363,800 of the fee due to Fibe for its services rendered until 15 December 2015, without forwarding it to Fibe, and that total outstanding receivables totalled €74,317,550.

In its ruling no. 7323/2016, the Regional Administrative Court decided that the special commissioner should pay the amounts claimed by Fibe only after the assessment is completed and, hence, including amounts already collected by the administration. Fibe challenged this ruling with the Council of State which rejected it with its ruling no. 1759/18. A petition for the conclusion of the proceedings was then filed. After the resignation of the special commissioner, the Regional Administrative Court appointed a new commissioner on 16 April 2018. As this commissioner did not accept the position, another commissioner was appointed.

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. The company requested a more in-depth review of certain items and the correction of some errors. The Regional Administrative Court ordered an additional inspection. On 28 September 2018, the inspector filed their final report, which addressed the requests made by Fibe for a more in-depth review and corrections. The case has been taken under advertisement and the ruling has not yet been handed down.

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 (collected in previous years) 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. The judge rejected the request for default interest submitted by Fibe in the ruling of 12 February 2016, which Fibe challenged.

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 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. The Council of State accepted Fibe's appeal in its ruling no. 5076 of 29 August 2018, reversing the first level ruling and cancelling the measures challenged by Fibe. 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 has completed 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 and Fisia Italimpianti (now FISIA Ambiente) 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. Ruling no. 4253/11 declared the lack of jurisdiction of the administrative judge. The attorney general filed an appeal and a decision has been withheld. The appeal was rejected on 14 February 2019 and the first level ruling was upheld.

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 to appraise the subordinated claim filed by Fibe that performed two different appraisals of the amount due to Fibe of

approximately €56 million or approximately €114 million. The judge has postponed the hearing for the admission of the facts by a few months.

Tax litigation

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.

In March 2018, the subsidiary presented an application to the tax authorities for facilitated settlement (Decree law no. 148/2017 converted into Law no. 172/2017) of the ICI (property tax) tax bill related to the years from 2009 to 2011 to settle the related dispute.

The tax authorities accepted the application and the subsidiary paid the first of the three instalments in October 2018, thus qualifying for the very favourable conditions of Law decree no. 119/2018 (the "Tax simplifications decree"), whereby the outstanding liability can be automatically deferred over the subsequent five years to be paid in ten six-monthly instalments.

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. (subsequently merged into Fibe 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 offence 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 Court ordered the commencement of the final discussions which are currently ongoing.

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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 S.p.A. Fibe Campania S.p.A. (subsequently merged into Fibe S.p.A.) 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. The public prosecutor is currently examining the motions.

The directors' considerations about the USW Campania projects at 31 December 2018

The general situation of Salini Impregilo Group with respect to the USW Campania projects at 31 December 2018 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 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 customer 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 customer'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 customer to inform it of the intention to immediately suspend work if the customer 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 customer and contracting companies agreed to provide financial support for the works to be finished up to a maximum of about USD1.4 billion. The customer 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 USD244 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 in the second half of 2017, rejected the claims made by GUPC and the shareholders by majority vote (two against one) and ordered them to pay the legal costs. 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. The court rejected the appeal on 20 June 2018 based on procedural reasons without discussing the dispute's merits.

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.

The third hearing relates to the extra costs incurred by the GUPC due to certain unjustified conditions imposed by ACP for the design of the lock gates and other claims about labour costs. The arbitration tribunal has recently been constituted and the proceedings are still at an initial stage.

The fourth hearing, commenced concurrently with the third hearing on 8 December 2016, involves sundry claims mentioned in the completion certification. The arbitration tribunal is still being constituted.

Both of these hearings, commenced on 8 December 2016, are at an initial stage. The arbitration tribunals are being constituted.

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. In August 2018, they were included in the already pending third and fourth arbitrations.

The fifth arbitration concerned the contractual advances and advances for certain variation orders due to ACP. The proceeding ended on 10 December 2018 with the issue of the arbitration award which acknowledged ACP's right to have the advances returned. Therefore, the advances were returned to ACP in December 2018. With respect to the advances for the variation orders, ACP has commenced legal proceedings before the London courts. The parties have come to an agreement ratified by an order of the London Court for the return of these advances, which were paid to ACP. More information is available in note 10 to the consolidated financial statements.

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 customer 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 legal experts and in light of the damages awarded by the DAB.

In 2018, the estimate for the extra costs to complete the project was updated, as well as the additional consideration claimed from the customer (again with the support of the Group's experts).

The Panama Canal works have passed the substantial completion test 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.

Copenhagen Cityringen

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 customer, 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 of 6 April 2017, the additional agreement of 2 May 2017 and addendum no. 4 to the CSA no. 7 of 29 June 2018) which enabled it to collect another €100 million (for a total of €245 million) with the settlement of some claims, while the remaining outstanding claims have been referred to the arbitration proceeding provided for in the contract.

Unforeseen costs have been incurred and the Group 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 advisors.

However, the Group 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 customer 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 customer, non-achievement of the early completion bonus also due to the customer 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 claim 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, 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. The date for the merits hearing has not yet been set.

In addition, FCA and the consortium have commenced the following actions:

- filing of an appeal with the Lazio Regional Administrative Court on 11 November 2016 for the claims of €18,004,574 presented during the contract's term and not covered by the previous award of 9 July 2013. This proceeding was firstly suspended from the register and then resumed. It is currently pending before the competent administrative judge;
- on 12 October 2017, presentation of another claim form to the Rome Court for claims made during the contract term and not covered by the previous award.

No important new events took place during the year.

COCIV

With the claim form notified to the COCIV consortium on 18 September 2014, the customer 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. 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.

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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 originally before the Rome Court, and now entirely transferred to the Bolzano public prosecutor, 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 customer, 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 Rome 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 was then extended to 15 January 2019.

The Rome Prefecture acknowledged termination of the extraordinary and temporary administration of COCIV on 31 October 2018 with its decree of 14 November 2018, given that the set objectives had been met.

During the year, the Genoa public prosecutor notified the completion of the preliminary investigations for the criminal proceedings.

The investigations focused on assumed collusive bidding and most of the challenged events took place quite some time ago (2013 to 2016).

The charges refer to alleged conduct that could only be carried out by the individuals in charge of managing the related procedures. This implies that the alleged involvement of key management personnel (the then chairman of the consortium) and even the parent's chief executive officer, described with a simple, identical formula (which provided for approval and/or endorsement by senior management) would not lead to the identification of any real activities and/or conduct that these persons actually undertook.

The documents filed by the Genoa public prosecutor do not allege any violation by the consortium of the legislation on entities' administrative liability (Legislative decree no. 231/2001).

The criminal proceedings originally brought by the Rome public prosecutor were broken down into various sections which have seen the following progress:

1. With respect to all the alleged corruption practices, involving the alleged administrative liability of the consortium and Reggio Calabria - Scilla S.C.p.A. for the administrative offence as per articles 5 and 25 of Legislative decree no. 231/01, the Rome Court declared its lack of jurisdiction and referred the case to the Bolzano public prosecutor. The proceedings are currently pending before the Bolzano Court. However, recently, the Bolzano Review Court (incidentally called to rule on a precautionary measure related to a third party suspect) contested the Bolzano Court's jurisdiction, starting a conflict of jurisdiction proceeding before the Supreme Court. The related hearing took place on 13 March 2019 after which it was found that the Rome Court has jurisdiction for just one non-group party and that the conflict of jurisdiction is not accepted for the other parties;

2. On 5 September 2018, the public prosecutor requested that the criminal proceedings for the alleged crime of association for criminal purposes be dismissed as the related charge cannot be sustained.

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 used in the 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.

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 customer 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 customer 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 customer) 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 customer 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 customer 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 treaties 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 separately 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.

With its ruling no. 22386/2018 issued on 16 October 2018 and published on 21 November 2018, the Rome ordinary judge rejected the applications filed by Eurolink and Salini Impregilo, as the lead contractor of the SPE and those filed by the other joint venturers and the counterclaims filed by Stretto di Messina S.p.A.. Conversely, the Rome Court declared that the customer's termination of the contract with Parsons Transportation Group Inc., engaged by Stretto di Messina S.p.A. for the project management services, was legitimate (referring calculation of the compensation for damage to Parsons to the judgment of the Constitutional Court), in the process joined to that of Eurolink S.C.p.A. and this approach, mutatis mutandis, is also applicable to Eurolink S.c.p.A..

Eurolink and Salini Impregilo S.p.A. filed their appeal against this ruling before the Rome Appeal Court on 28 December 2018 in order to avoid possible risks arising from the ruling and the limitation period of the new application for ex lege compensation following the contractor's legitimate withdrawal from the contract. The case is pending and the parties have not yet presented themselves in court.

Given the complexity of the pending proceedings, while the experts assisting Salini Impregilo and the general contractor are confident about the positive outcome of the legal actions and recovery of the outstanding assets (mainly contract assets recognised for this project), they cannot exclude that currently unforeseeable events may arise which could require changes to the assessments made to date.

Orastie - Sibiu highway (Romania)

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 contract 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 customer for additional consideration for the extension of the original contractual delivery times and payment of additional consideration due to unforeseeable events and the customer's negligent conduct. On 13 January 2016, with works completion at 99.9%, following a number of disputes between the parties, the customer 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 are confident that its arguments will be accepted at the end of the dispute supported by the opinion of its legal advisors.

Unforeseen costs have been incurred and the Group 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 advisors.

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.

Contorno Rodoviario Florianópolis (Brazil)

On 21 September 2016, the Salinin Impregilo S.p.A. and Cigla Constructora Impregilo e Associados S.A. joint venture signed a contract with Autopista litoral Sul S.A. worth BRL336,463,047 for the construction of a new dual carriageway to reduce the large volume of traffic in the Florianópolis metropolitan region.

The project immediately ran into critical engineering problems due to the damp soil and the area's weather conditions, which the joint venture attempted to resolve by proposing new solutions to the customer (although it was not contractually obliged to do so).

At the start of 2018, the joint venture presented claims to the customer for higher costs and extension of the contract term. Despite the fact that the negotiations are still ongoing and the related memorandum of understanding should be signed in the near future, on 9 January 2019, the customer informed the joint venture of its intention to terminate the contract. The joint venture deems that this termination is illegal and contrary to the principle of good faith. Therefore, it has commenced all legal steps to defend its position.

The outstanding works are equal to 59% of the total.

Unforeseen costs have been incurred and the Group 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 advisors

However, the Group 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.

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.

1. Rome Appeal Court - RG 1454/2017 (claims for the final billing for the Bologna - Conca d'Oro section)

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, which allowed it to collect the accepted amounts. It also presented an appeal for the award of a greater amount.

The Rome Appeal Court handed down its ruling of 5 July 2018 rejecting the grounds for the joint venture's appeal and concurrently partly accepted the counter appeal presented by Roma Metropolitane, finding claim no. 38 to be ungrounded, although it had been partly accepted by the first level court for approximately €4,000,000.00 (already collected by the joint venture after the court's ruling).

The joint venture has already given its legal advisors a mandate to appeal to the Supreme Court against the Appeal Court's ruling.

2. Rome Court - RG 17933/14 (first set of claims for the Conca d'Oro - Jonio section)

The second proceeding relates to the first set of claims for the Conca d'Oro - Jonio section and is currently at the initial stages and has been deferred with the interim ruling of 30 January 2018 issued after the hearing for the conclusions. The judge accepted some claims made by the joint venture and ordered the court-appointed expert to recalculate the amounts due to the joint venture for just the claims deemed grounded.

This ruling partly contradicts the findings of the court-appointed expert (which had already been filed) which confirmed the joint venture's claims for approximately €27,500,000.00.

The interim ruling of 30 January 2018 was challenged solely for the part that rejected some claims already examined by the court-appointed expert earlier.

Therefore, the expert completed its appraisal on 21 December 2018 and filed its additional report which included four separate amounts between approximately €12 million and €23 million in favour of the joint venturers.

3. Rome Court - RG 64657/2016 (second set of claims for the Conca d'Oro - Jonio section)

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 the court-appointed expert completed its work on 26 November 2018 and filed its definitive report. It found that the joint venture's claims of approximately €3 million were admissible.

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)

On 10 May 2017, the Supreme Court handed down its ruling no. 11446/17 which (i) rejected the Confemi consortium's (in which Imprepar has an interest of 18.26%) 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 and Confemi has correctly presented itself in court.

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

Following negotiations between Confemi and Ferrovienord to settle the entire dispute, including on behalf of all the current and previous consortium members, they reached an out-of-court settlement agreeing that Confemi would pay an all-comprehensive amount of €42 million, net of the amount of €6 million and return of approximately €3 million as per the above-mentioned transaction of 2008, after receipt of Ferrovienord's legal advisor's favourable opinion.

Imprepar's share is €14 million, entirely covered by a specific provision for risks, set up in previous years

Colombia - Yuma and Ariguani

Yuma Concessionaria 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.

In November 2017, the customer ANI commenced a procedure to assess Yuma's alleged serious breaches of the concession contract and whether to terminate the contract.

Yuma, on the other hand, deems that the serious breaches have been committed by ANI 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 customer 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.

The banks that granted Yuma a bridge loan of COP450,000 million (the equivalent to roughly €152 million) to carry out the project have refused to extend it beyond 15 January 2018. Yuma holds that this decision is unlawful and damaging to its rights as the current situation has not substantially changed and the banks had granted extensions in the past. Salini Impregilo had given guarantees for 48.33% of the loan. In 2018, all the syndicate banks commenced legal proceedings in Italy to enforce this guarantee (for principal of approximately USD81 million), which the parent has opposed in court.

As a result of developments in the monitoring phase of the payment order proceedings, Salini Impregilo paid the entire amount mentioned above to the banks. However, three of the four banks have reserved the right to its repayment after the merits hearing.

Yuma has entrusted construction and maintenance of the project to a special purpose entity Constructora Ariguani S.A.S., which is wholly-owned by Salini Impregilo. Due to the difficulties encountered with the project, the SPE commenced its reorganisation pursuant to the local law no. 1116/2006 in March 2018, supervised by the Superintendencia (the Financial Superintendence of Colombian companies). On 23 October 2018, Yuma commenced the same reorganisation procedure.

Negotiations with ANI are ongoing to settle the pending issues.

The directors are confident that its arguments will be accepted during these negotiations and arbitrations and deem that the assets recognised in the consolidated financial statements for Yuma and Ariguani are recoverable, supported by the opinion of its 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.

Poland

The Group has a 95% interest in a joint venture in Poland for the design and construction of roads (S8 Marki contract with a residual value of approximately €13 million) and the related contract was signed on 28 November 2014.

Although the main road section was opened to traffic on 22 December 2017, on 17 May 2018, the customer informed the joint venture that the contract was considered to be terminated due to the latter's alleged breach of contract and concurrently requested payment of fines of €3.3 million.

On 22 May 2018 and 7 June 2018, the joint venture informed the customer that it considered termination of the contract to be null and void and legally ineffective and also asked for payment of the outstanding amount of €1.7 million and the contractually provided-for fines. Finally, it noted that the contract terminated due to the customer's default.

The customer has attempted to enforce the performance bonds of approximately €8 million, which the joint venture had provided. The joint venture has commenced legal action before the Parma Court to prevent this.

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 advisors.

However, the Group 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.

S.a.BroM. S.p.A.

S.a.Bro.M. S.p.A. ("SABROM") is the operator for the design, construction and operation of the new regional Broni-Mortara motorway under the terms of the concession contract signed with the customer Infrastrutture Lombarde S.p.A. ("ILSpA") on 16 September 2010.

In July 2016, the Ministry for the Environment, Land and Sea Protection ("MATTM") issued a measure containing a negative opinion on the project's environmental compatibility.

SABROM asked the customer to protect the project by appealing against the Ministry's measure and also communicated its willingness to work with the customer to modify the designs so that the project could be re-assessed by the Ministry and other competent bodies. The measure emphasised that the MATTM's negative opinion was largely due to the adverse opinions of several local bodies (including the Pavia provincial authorities, which had been one of the project's main sponsors), which had changed their views of the project roughly ten years after the procedure to assign the concession had been started.

The public works and environment departments of the Lombardy regional authorities (on whose behalf ILSpA operates) also had contrasting opinions on the project.

As requested by SABROM, the customer appealed against the Ministry's measure before the Lombardy Regional Administrative Court which rejected the appeal with its ruling published on 30 July 2018.

On 14 February 2019, ILSpA filed an appeal with the Council of State.

This is a positive development as the presentation of another appeal indicates that the customer does not currently intend to attribute the negative results of the environment impact assessment to the operator.

Moreover, while the court's ruling of 30 July 2018 is important as it impedes continuation of the project as planned, it does not affect the effectiveness of the concession contract nor does it question the costs incurred by SABROM under the concession up to the date of this report.

The directors deem that the assets recognised under intangible assets at 31 December 2018 are recoverable, supported by their legal advisors.

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

Other situations characterised by risk and/or uncertainty profiles

Condotte

Società Italiana per Condotte d'Acqua S.p.A. ("Condotte"), which has investments in group companies, filed a petition as per article 161.6 of the Bankruptcy Law with 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, subsequently deferred to 18 July 2018, for presentation of the above proposal. It appointed special commissioners to monitor Condotte's activities until this date, requiring it to comply with a number of measures, including disclosure obligations.

On 17 July 2018, Condotte applied for immediate application of the extraordinary administration procedure pursuant to article 2 of Decree law no. 347/03 to the Ministry of Economic Development.

The Ministry issued its decree on 6 August 2018 authorising Condotte to enter extraordinary administration as per Decree law no. 347/2003 converted by Law no. 39 of 18 February 2004 (the "Marzano Law").

The Rome Court declared Condotte insolvent in its ruling of 14 August 2018.

On 22 October 2018, the special commissioners invited Condotte's creditors to file their claims for inclusion in the insolvency proceedings for their receivables originated up to 6 August 2018 before 12 December 2018.

The following consortia or consortium companies, in which the Group has investments, filed their claims by the due date:

- Consorzio Alta Velocità Torino Milano;
- Consorzio Collegamenti Integrati Veloci;
- Lybian Expressway Contractors;
- Eurolink Scpa;
- Reggio Calabria Scilla Scpa;
- Salerno Reggio Calabria Scpa;
- Consorzio Iricav Due.

Their claims were based on the following:

a) offsetting their receivables from Condotte that were due before 6 August 2018 against their payables due to Condotte which were also due before 6 August 2018;

b) filing of the outstanding balances after the offsetting in the insolvency proceeding:

- as a pre-preferential claim as provided for by article 51.3 of Law no. 270/1999 (the "Prodi Law") and article 74 of the Bankruptcy Law;
- alternatively and subject to appeal, as a preferential claim in accordance with article 2761.2 of the Italian Civil Code for the principle and article 2758 of the Italian Civil Code for the VAT collected at source;
- as a secured claim as a further alternative and subject to appeal.

The court calendar for the next hearings has not yet been published and, therefore, it is not known when the claims presented by the consortia and consortium companies in which Salini Impregilo has an investment will be analysed. Therefore, and until the claims are examined in court, information about whether they will be included in the insolvency proceedings and their classification (pre-preferential, preferential or secured claims) is not available.

Supported by its legal advisors, the directors are confident that the SPEs in which Condotte has an investment will recover the entire amounts due from it, also because the ongoing strategic works are expected to be continued. Therefore, they have not impaired these amounts.

The group companies are carefully monitoring developments in the situation.

Therefore, the Group cannot exclude that events related to the above-mentioned extraordinary administration procedure may take place in the future.

Astaldi

Astaldi S.p.A., which has investments in group companies, filed a petition as per article 161.6 of the Bankruptcy Law with the Rome Court. It has also reserved the right to file a plan and deed of arrangement proposal pursuant to article 160 and subsequent articles and article 186-bis of the Bankruptcy Law.
Specifically, it filed its petition on 27 September 2018 and it was published the next day (28 September 2018).
On 16 October 2018, the Rome Court granted a period of up to 16 December 2018, subsequently deferred to 14 February 2019, 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 disclosure obligations.
The consortia and consortium companies in which Astaldi has an investment analysed their positions with the company at the petition publication date (28 September 2018) and offset their receivables and payables. This was also performed to allow Astaldi to prepare its deed of arrangement plan.
On 13 February 2019, Salini Impregilo made a binding offer for Astaldi with terms promptly communicated to the market. The transaction is designed to strengthen Astaldi's financial position and performance as part of the deed of arrangement.
On 14 February 2019, Astaldi informed the market that it had filed the plan and deed of arrangement proposal with a business continuity plan as per articles 160, 161 and 186-bis of the Bankruptcy Law.
Pursuant to article 163 of the Bankruptcy Law, the court is expected to order a creditors' meeting within 90 days of the date of the measure to allow them to vote on the deed of arrangement proposal. The court commissioners will then provide the creditors with the deed of arrangement plan.
The sole scope of the investigations performed by the commissioners and the court in this stage of the procedure is to allow calculation of the majority vote required to authorise the deed of arrangement. They do not provide an opinion on the existence, amount or scope of the related receivables.
As a result, the creditors' rights to ask that their claims be accepted in terms of their existence, amount and scope is not affected.
Supported by its legal advisors, the directors are confident that the net receivables of the SPEs in which Astaldi has an investment will be fully recovered, also given the assumed continuity plan for the ongoing strategic works. Therefore, they have not impaired these receivables.
The group companies are carefully monitoring developments in the situation.

Therefore, the Group cannot exclude that events related to the above-mentioned deed of arrangement may take place in the future.

Slovakia

On 6 March 2019, the Group and the customer signed an agreement to terminate the contract for the design and construction of a major motorway section. This agreement provides for the recognition of the works awaiting certification and also establishes that:

- the customer will certify most of the works performed and awaiting approval for bureaucratic reasons in the short term;

- a dispute adjudication board (DAB) will be appointed, consisting of international members rather than the Slovakian members provided for in the original contract to decide on the additional consideration requested by the Group;

- should the DAB not be able to come to an agreement, the parties will apply to an international arbitration tribunal (ICC Vienna) rather than a Slovakian tribunal as provided for in the original contract.

Given the above, this agreement does not have significant repercussions for the Group as all the contractors' rights to the works not yet certified at the termination date will be maintained and even strengthened.

Unforeseen costs have been incurred and the Group 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 advisors.

It cannot be excluded that events which cannot currently be foreseen may take place after the date of preparation of this report that would 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 for that project 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 customers, complying promptly with legal and corporate requirements. It informed its customers 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 customers 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 customers.

The impairment losses on net assets and costs incurred starting from the 2012 financial statements until 31 December 2018 are fully included in contract liabilities. The subsidiary has presented claims to the customers 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 customers.

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 customers.

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 require changes to the assessments made to date.

Argentina

The Argentine peso has depreciated considerably since May 2018 (100% against the US dollar) and the Argentine government was forced to ask the IMF for financial assistance in an attempt to stabilise the country's severe economic crisis. The 2019 budget law introduced strong anti-crisis economic measures in line with the IMF's terms, including an inflation ceiling of 23%, a maximum currency depreciation of 10%, limiting the GDP slippage at -0.5% and a growth in exports of roughly 20%. The government forecasts a decrease in GDP and the World Bank has estimated that this could be 1.6% in 2019. The drop in GDP is due to the economic crisis (-26.7% YoY from August 2017 to August 2018), which is heavily affected by industry (-5.6%). The sector less hit to date is that of construction (-0.8%). Starting from 2018, the economy is hyperinflationary (the cumulative inflation rate has exceeded 100% in the last three years and reached 50% in 2018 alone). The Group is building a hydraulic tunnel as part of a mega project for the environmental restoration project of the Riachuelo River in Buenos Aires for the Argentine government.

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 customers for the above projects are all government agencies (the Venezuelan government or related bodies).

In the past, the Venezuelan government reconfirmed its intention to complete the railway and hydroelectrical projects, deemed to be of strategic interest for the country's development. However, these contracts have seen non-payment, temporary suspensions and minimum maintenance activities in the last two years.

Despite the uncertain political situation, certain indexes of the local financial markets, such as the equity index of the Caracas stock market, performed positively early in 2019 echoing the positive reaction to a possible change in the country's political and economic situation, with the related expected improvements in its general outlook. The Group continues to be cautious about the situation.

Given the importance and strategic nature of its investments, assisted by independent experts, the Group has tested the recoverability of its amounts receivable from the Venezuelan government based on the above situation.

In line with the analyses presented in the 2017 Annual Report and considering the guidelines of the IFRS, the Group tested its financial assets for impairment in accordance with IFRS 9 by remodelling its payments by date and amount. It also estimated the effective interest rate, which includes Venezuela's credit risk.

The directors also considered other market variables such as the price of the international bonds issued by Venezuela in hard currency (US dollars) when making their assessments.

The Group's gross exposure amounted to €639.4 million at 31 December 2018, including €117.7 million of loans and approximately €521.7 million of receivables for consideration accrued on work performed (this latter figure comprises €318.9 million already invoiced and recognised as trade receivables and €202.8 million recognised as contract assets net of contract liabilities). The Group estimated total impairment losses

on these assets of €479.7 million. As it had already set up an allowance for impairment of about €314.2 million at 31 December 2017, it recognised an impairment loss of approximately €165.5 million at 31 December 2018. Therefore, the Group's net exposure was €159.7 million.

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

Again during this year, the economic crisis of the last two years continues to limit Nigeria's ability from investing in infrastructure, despite the increase in oil prices from USD65/barrel in December 2017 to the present USD75/barrel.

Despite this, the construction sector is still stagnant like the country's other production sectors.

Although inflation has decreased compared to December 2017 when it was 17% compared to the current 12%, the prices of imported goods have increased significantly partly due to the last currency depreciation of 2016 (Naira/Euro exchange rate from 220 to 340), which has now stabilised at 360.

The unemployment rate is still high at roughly 14% of the population of about 190 million, including 31% of whom are between 25 and 50 years old. This situation has led to a rise in criminality and widespread discontent.

However, there is visible interest in continuing the production activities for development projects prioritised by the federal government.

Given the presidential elections scheduled for May 2019, it cannot be excluded that events which cannot currently be foreseen may take place after the date of preparation of this report that would require changes to the assessments made to date.

Based on the above and given the significance of its investments in this country, the Group tested its exposure with Nigerian government agencies for impairment with the assistance of an independent expert. More information is available in note 35.6 to the consolidated financial statements.

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 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.

In addition, the parent's sale of Todini Costruzioni Generali (which had been awarded both contracts in this country) made intensive communication with the customer (Ukravtodor) 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 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 customer has rejected its overtures and has not acknowledged that ordered by the dispute 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 which met to assess it in September 2017.

All the Group's 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.

Following this, the Paris International Court of Arbitration was asked to validate an interim award that approves the amount recognised by the dispute board decisions. On 26 June 2018, it issued a first partial award for the equivalent of roughly €54 million plus interest and financial expense to be calculated using the methods set out in the award.

In addition, on 30 January 2019, the Court of Arbitration issued a second partial award recognising the interest accrued on the amounts awarded with the first award of approximately €7 million.

It also established that additional interest is to be charged on the amounts due to the Group up until the date of effective payment of the contractual consideration.

The claims presented by the Group to the Paris International Court of Arbitration total €117 million, as per the amounts claimed via the Dispute Board (€75 million) plus the additional claims made directly to the Court of Arbitration (€42 million).

In view of the present critical situation, it cannot be excluded that events not foreseeable at the date of this report may arise in the future requiring changes to the assessments made to date.

Events after the reporting date

February 2019

Contract awarded in the Czech Republic worth €225 million

On 6 February 2019, the Group was awarded a contract worth €225 million to build a motorway section in the south of this country. Salini Impregilo and its joint-venture partner Doprastav of Slovakia will build Lot 2 of a section of the D3 motorway, which bypasses the town of Ceskie Hodejovice near the Austrian border.

Bid for Cossi Costruzioni

On 13 February 2019, Salini Impregilo entered into agreements with Società Italiana Condotte d'Acqua S.p.A. under extraordinary administration and Ferfina S.p.A. under extraordinary administration for the sale of their equity investments in Cossi Costruzioni S.p.A. of 75.01% and roughly 4.99%, respectively. These agreements are subject to conditions precedent to be met by 31 March 2019.

Salini Impregilo presented a bid for Astaldi with a continuity plan

On 14 February 2019, the Group presented a bid for a potential investment in Astaldi S.p.A. (the "YES bid" and "Astaldi"). If accepted by Astaldi, the YES bid will support its "direct continuity plan" with which Astaldi will file for deed of arrangement (the "deed of arrangement proposal"). This proposal will envisage (i) a financial plan to support the restructuring and continuity of Astaldi's EPC (engineering, procurement and construction) activities; (ii) separation of non-core assets, including the concessions arm that includes the Third Bosphorus Bridge project, the Gebze-Orhangazi-Izmi highway, the Etlik integrated health campus in Turkey, the Santiago airport and the Felix Bulnes hospital in Chile, the Venezuelan financial assets, and the real estate related to the headquarters in Rome, Italy which would be moved into a unit to be liquidated with the proceeds intended for the sole benefit of unsecured creditors; (iii) a cash capital increase of €225 million for 65% of Astaldi (after the capital increase), reserved to Salini Impregilo, partly dedicated to the payment of secured and pre-deductible debts, and partly supporting the continuity plan, which would result in Salini Impregilo taking a controlling stake in Astaldi following the completion of the procedure; (iv) a partial settlement of unsecured creditors, both in the form of shares – which would benefit from continuity of the EPC business – and other participatory financial instruments, which would benefit from proceeds of the sale of non-core assets. As a result, Astaldi would file its proposal with the Court. Upon the Court's approval, the proposal will be subject to the creditors' vote. If approved, it will be submitted again to the Court for final approval. The YES bid is subject, among other things, to the approval of Astaldi's proposal, and obtaining the necessary authorisations. It also depends on there being no events that would put the feasibility of the continuity plan at risk, the support of long-term investors through their participation in the capital increase using their own financial resources, and the support of the banking system to provide Astaldi with cash and bonding lines. This is necessary to ensure the financial and operational stability of the company as envisaged in the deed of arrangement plan. The structure of the transaction does not require any commitment or burden for Salini Impregilo ahead of the final Court approval of the deed of arrangement plan and proposal. It assumes that, pending the procedure, Astaldi would have sufficient interim funds and would implement certain interim management arrangements – including the appointment of a highly qualified chief restructuring officer – to the benefit of all stakeholders, monitoring the feasibility of the transaction in line with

best market practices in similar situations. The aim of the transaction is to shore up the large works and construction sector and ensure its stability and growth and the continuity of works (including those of a strategic nature) as well as to strengthen the Group's design and industrial capabilities so as to enable this stronger entity to take on a leading role in Italy and abroad. Salini Impregilo's support of Astaldi's deed of arrangement plan represents an opportunity to create one of the largest global operators with a combined EPC order backlog worth approximately €33 billion and a workforce of over 45 thousand employees. The two companies' geographical bases and infrastructure segments are complementary and would strengthen the new group's foreign standing and risk-return profile. The new group would achieve commercial and operating synergies by enhancing the technical and commercial skills of the two original companies. In addition, the successful bid would ensure continuity of Astaldi's ongoing projects, the preservation of Astaldi's value chain, contributing to stabilising the sector and the Italian large works sector.Astaldi's proposal requires approval by the court and subsequently by the majority of its creditors as well as the court's authorisation for the deed of arrangement. During this process, the commissioners could ask Astaldi to make changes to its proposal. Salini Impregilo is free to assess the content and consistency of these changes with the key terms and conditions of its YES bid. As is normal practice for this type of transaction, there is no certainty that Astaldi's proposal will be authorised or that the YES bid will be accepted. Similarly, it is not possible to give a timeline for the performance of the potential transaction, which however is expected to take place during the first half of 2020.

Arbitration award for the Panama Canal

On 18 February 2019, the parties reached an agreement, ratified by an order of the London Court, on the advances for the variation orders for which the Panama Canal Authority had commenced legal proceedings before the London Courts. They agreed to return the advances of approximately USD127 million to the Panama Canal Authority.

Yuma

With respect to the bridge loan of COP450,000 (approximately €152 million) granted to the operator Yuma, as already described in the "Main risk factors and uncertainties" section, approximately €24.2 million was repaid to Banco Davivienda S.A. and Banco De Occidente, related to Salini Impregilo's share, in January and February 2019.

Outlook

The 2017 revenue levels were maintained in 2018 even though the Group's markets (mainly the Italian infrastructure sector) are affected by numerous macroeconomic and social-political uncertainties, as described earlier in this Report.

The Group has a robust order backlog for 2019 in both quantitative and qualitative terms, which reflects its consolidated presence in the United States, Australia, Europe and the Middle East confirming the derisking process carried out in the last few years.

The order backlog and orders acquired in 2018 confirm the Group's leadership position in the water treatment segment and its consolidating position in the transport sector, especially in the metro, railway and road segments.

The Group's results for 2019 are expected to be in line with those for 2018 and will reflect the return of the outstanding advances for the Panama Canal project in February and March 2019.

The Group is currently preparing its three-year business plan, to be presented in 2019, as part of the bigger project to relaunch and strengthen the Italian infrastructure sector and given the possible investment opportunities. This plan will not only cover the Group's current operations performed by its own organisation but will also include the planned integrations with other infrastructure sector operators.

This has included the bid made in October 2018 to acquire Seli Overseas S.p.A. and Grandi Lavori S.r.l. (which wholly owns GLF Construction USA). In February 2019, the bid to acquire Cossi Costruzioni S.p.A. from Condotte d'Acqua S.p.A. was finalised. In the same month, Salini Impregilo also made a bid for Astaldi S.p.A., as described in the more detail in the "Events after the reporting date" section.

Its objectives may be affected by external factors that cannot currently be foreseen or are out of management's control.

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 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 indicator 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.

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 IFRS figures for 2018 and 2017 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

Research and development

Pursuant to article 2428 of the Italian Civil Code, we note that Salini Impregilo carried out industrial research and experimental development activities during the year. These activities enabled the acquisition of new know-how and improvement of production efficiency, which will improve the parent's competitive edge.

The main R&D activities carried out during the year are described below:

- study, research and testing of a new 4D BIM model;
- design and prototyping of an innovative tool for the granular, structured and objectified collection of supplier performance assessments, management of the supplier screening process in a structured and documented manner and management of the sourcing approval process using App;
- study to develop data analytics systems for digital sourcing approval flows;
- design and experimental development of a cloud platform for bidding and the digital management of the creation, negotiation, approval and signing of contracts;
- experimental development of an internal reporting system using artificial intelligence to analyse data;
- study of an innovative system to manage and file technical documents;
- studies and preliminary research to define an integrated machinery management system, called Pioneer;
- development of a new methodology/equipment for the installation of vertical pipes in underwater environments, called Riser Concept;
- study, engineering and testing of a large capacity, automated conveyor belt system;
- study and engineering of a large capacity, reversible suspended conveyor belt - Flyingbelt;
- study and experimental development of innovative electrical systems - for the 4.0 work sites - to improve the efficiency of electrical systems and automation;
- study and engineering of a large capacity (500 tonne) automated loading hopper integrated with the aggregates transport system;
- study and development of innovative presentation tools for the sharing and dissemination of technical information, work methodologies and best practices to assist employees in their daily jobs;
- feasibility study for the development of tools and methods to share operating know-how and access to specialist expertise - knowledge management platform;
- study, research and testing of new large works construction technologies.

These activities related to the following areas:

a. **experimental or theoretical work**, with the main aim being the acquisition of new knowledge on the foundations of phenomena and observable facts;

b. **planned research** or critical investigations to acquire knowledge to be used to fine-tune new products, processes or services or allow the upgrading of existing products, processes or services or create parts of complex systems;

c. **acquisition, blending, structuring and utilisation of knowledge** and existing scientific, technological and commercial capabilities to prepare plans, projects or designs for new products, processes or services, or to modify or improve them, including feasibility studies;

d. **development of prototypes** to be used for commercial purposes and pilot projects for technological or commercial testing;

e. **production and testing of innovative products, processes and services.**

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.

Repurchase of treasury shares

At present, the group does not have a treasury share repurchase programme as the programme approved by the parent's shareholders in their ordinary meeting of 19 September 2014 expired on 19 March 2016 and was not renewed. At the reporting date and after the assignment of the shares as part of the 2015 performance share plan, the parent had repurchased 1,330,845 treasury shares for €3,291,089.72.

Related parties

Reference should be made to note 39 to the consolidated financial statements 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

Chairperson

(signed on the original)

2018 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 stakeholders of 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 is 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[1]) influence the decisions of governments and economic operators, which have a direct impact on the infrastructure sector.

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

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].

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

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

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:

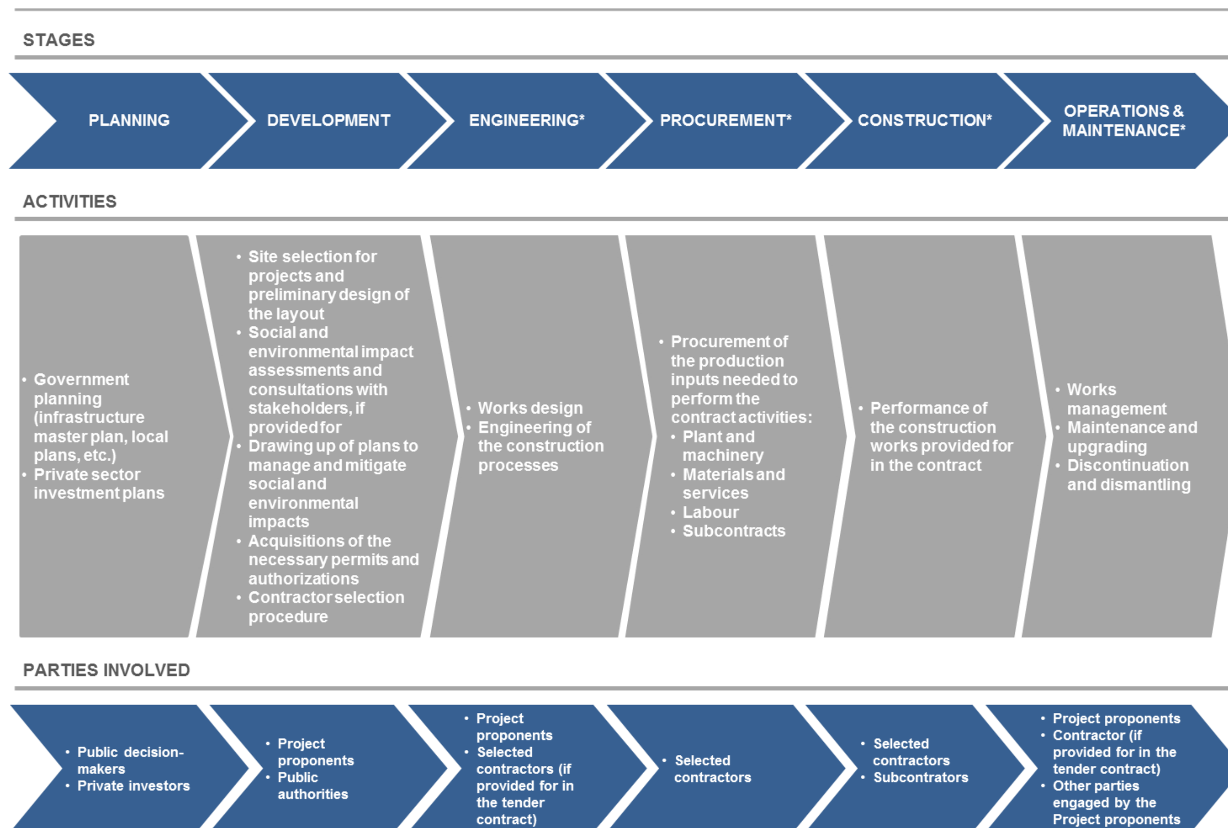
Type of economy	Drivers of demand for infrastructure
Global	- Rapid economic growth in emerging economies and developing countries - Government policies designed to meet the goals set in the Paris Agreement and the UN's SDGs, which require investments for new infrastructure and the modernisation of existing 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

Infrastructure built by Salini Impregilo Group contributes to progress towards various SDGs. The Group assists its clients in strategic areas such as energy (SDG 7 and SDG 13), water resource management (SDG 6) and mobility (SDG 9 and SDG 11) by building works that foster the communities' development and wellbeing.

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:



* 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), the entire engineering, procurement and construction cycle or also the following operations & maintenance activities.

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.

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 2018, the Company's Board of Directors had 15 members, including five women (33.3%) 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 six 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

The Company has a 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, which alongside the Code of Ethics, 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.

Health and safety policy: the principles that the Company is committed to complying with to protect the health and safety of its employees, suppliers and subcontractors during the entire life cycle of its contracts (design, construction and development) and in the workplace; its objective is "zero injuries".

Environment policy: the principles that the Company is committed to complying with in order to mitigate possible adverse effects on the environment, protect the ecosystem and increase the beneficial effects, contributing through its projects to resolving the main global environmental issues.

Quality policy: the principles that the Company is committed to complying with to ensure its client's full satisfaction, the active involvement of all stakeholders and ongoing improvement of the Quality System, based on its fundamental goal of "build to perfection".

Anti-corruption policy: this comprises the anti-corruption principles to be adhered to by all employees, based on the fundamental tenet of "zero tolerance".

The Company strengthened its commitment to human rights and workers with the **International Framework Agreement** signed in 2014 with the Italian (Feneal-UIL, Filca-CISL and Fillee-CGIL) and international (BWI - Building and Wood Workers' 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.

This 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 transaction;
- 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 personal data protection 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 (ISO 45001), as well as 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.

ESG rating and assessments

The Company is regularly assessed by investors, specialised non-financial rating agencies, clients and other stakeholders on its ESG (Environmental, Social and Governance) performance.

In 2018, it was rated "C+ Prime" by ISS-Oekom, ranking among the top construction sector operators. The Company also obtained the recognition as the "Best Improver" by Vigeo, a "B" rating on the CDP Climate Change questionnaire and a "BB" rating from MSCI.

Salini Impregilo also took part in the OpenCorporation project, the first rating project promoted by a trade union (Filcams-CGIL). It ranked first among the construction companies and fifth in the overall classification.

Finally, the Company was rated “Gold” by EcoVadis, the global platform which assesses the sustainability performances of organisations and is relied on by large clients when selecting contractors.

Main organisational changes

Salini Impregilo revised parts of its organisation during the year to ensure more effective controls over its internal processes.

Specifically, the main organisational projects, which also led to the recruitment of new resources from the market, involved:

- reorganisation of the Corporate and Finance Department to ensure tighter supervision of the economic/financial and business support processes (communications, security, legal and corporate, etc.); this included creating a new Transformation Office to coordinate cross-company strategic projects that are of vital economic and financial importance to the Group;
- streamlining the business areas of the Operations Department by geographical area with a closer focus on projects;
- bolstering the role of the Technical Department as a centre of excellence and expertise to assist the Operations Department over a project’s entire life cycle (bidding, start of work, performance and completion), setting up a dedicated internal unit for technical and engineering aspects for the various types of product.

These changes in the organisational model were flanked by projects to re-arrange and innovate the process model.

Specifically, the Company rolled out a “Performance Dialogue” project to ensure transparent and consistent key objectives/priorities and make the assistance provided by all the functions for achievement of contract objectives more efficient. This included scheduling regular project performance review meetings at various internal levels, using standardised tools and reports to ensure consistent reporting of the progress of all the Group’s projects and identify any appropriate improvement and/or recovery actions. This project covered some pilot contracts in 2018 and will be rolled out to the Group’s entire contract portfolio over the course of 2019.

The Company’s ongoing digitalisation project continued with the introduction of new applications, including a system for the integrated management of data and information flows for commercial and bidding purposes and an electronic signature system for company documents.

A mobile procurement app was developed enabling the procurement approval processes to be managed digitally and on the go. The app was tailored to the Company’s requirements and is the first of its kind in the construction sector, representing the first step towards the full digitalisation of the procurement process. In 2018, the Company also launched a project for the development of a global contract management and

analysis app for an integrated source-to-pay platform in order to improve internal processes, increase transparency, the sharing of data and collaboration with the procurement market.

The Company concurrently rolled out a Knowledge Management programme as part of its drive to improve process efficiency and create value by harnessing and re-deploying experience gained in the field. The programme is designed to optimise the knowledge-sharing tools and methods and access to specialist expertise and will continue in 2019.

Finally, the Company continued to update and supplement its procedures system as part of its ongoing improvement and to comply with changes in the legislative framework. To ensure all its operating units apply this system efficiently, the Group prepared and distributed a Compliance Handbook as part of a multi-functional project to make sure that contract and branch activities are managed in line with Salini Impregilo’s principles and rules right from the start. The Handbook provides information that is useful for the adoption of a governance and procedures system for the efficient and effective management of processes, which also mitigates the risk of non-compliance.

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 it operates.

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

Workforce

At 31 December 2018, the Group's workforce was as follows:

Direct workforce by category (GRI 102-8)	Unit	2017	2018
Managers	no.	351	357
White collars	no.	7,194	6,738
Blue collars	no.	23,592	19,469
Total	**No.**	**31,137**	**26,564**

Direct workforce by geographical segment (GRI 102-8)	Unit	2017	2018
Italy	no.	1,936	1,771
Africa	no.	11,273	8,923
Central and South America	no.	2,318	1,849
North America	no.	4,659	2,439
Europe	no.	1,487	1,301
Middle East, Asia and Oceania	no.	9,464	10,281
Abroad	no.	29,201	24,793
Total	**no.**	**31,137**	**26,564**

At year end, technical and production employees made up 80% of the workforce with office employees accounting for the other 20%. The split between open-ended and fixed-term employment contracts is 94.5% and 5.5%, respectively.

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 2018 numbered 65,087 units, up 2% on 2017.

Total workforce by geographical segment (GRI 102-8)	Unit	2017	2018
Italy	no.	4,859	5,242
Africa	no.	14,619	11,620
Central and South America	no.	6,565	5,367
North America*	no.	4,659	2,439
Europe	no.	4,508	4,515
Middle East, Asia and Oceania	no.	28,396	35,904
Abroad	no.	58,747	59,845
Total	**No.**	**63,606**	**65,087**

* Figure for indirect resources unavailable

The above figures relate to the Group's employees at 31 December of each year. A more accurate indicator for organisations that work on a contract basis like Salini Impregilo is the total sum of hours worked by their employees and other workers, which amounted to 188 million hours for the Company in 2018, up 6.4% on 2017.

New hires and outgoing employee trends are affected by the unique nature of the infrastructure sector, where workers are taken on for specific projects with employment contracts that usually end when the works have been completed.

In 2018, the Group hired 8,647 resources, including 4,050 under 30 years old. Outgoing employees numbered 16,135 and this figure includes the transfers of resources among group sites. The greatest number of departures was seen in the US due to the sale of the subsidiary Lane's Plants & Paving Division, in Ethiopia as a result of the advanced stage of completion on the Gerd project and in Colombia from the

Ruta del Sol contract (more information about these events is available in the Directors' report). Voluntary departures made up 14% of the total.

Recruitment, employer branding and development

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, negotiation 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.

The Company has a dedicated recruitment application (SAP SuccessFactors) in place for two years, which ensures transparency and traceability of the process. The US subsidiary Lane introduced this application in 2018 both to be better aligned with the group-wide process and with a view to sharing intragroup talented employees thanks to the merging of the relevant databases.

The recruitment process was also strengthened by the greater focus of selecting the best resources from the market and the integrated management of their selection and development phases, including to promote and guarantee diversity.

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

With respect to development, in 2018 the Company launched a significant management development project for the large number of the Group's key resources to assist their career paths, organisational growth and continuation of its succession plans.

Employee Branding activities continued during the year to scout and attract talented young people and to provide 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.

Among the strategic agreements with universities, in September 2018, the Company signed an agreement of collaboration with the University of Technology (UTS) in Sydney to fund a scholarship for deserving engineering students and to participate in the university's Women in Engineering Programme.

The agreement provides the Group with access to the academic network and key university events, recruitment and training projects organised by the university and the opportunity to organise targeted selection and orientation campaigns, laying the groundwork for potential future research partnerships. UTS is

the top-ranked university in Australia of those recently set up and one of the top 200 universities around the world.

Another key international event was the Group's participation at the Career Forum of the École Spéciale des Travaux Publics (ESTP) in Paris which attracted five thousand engineering students. The school, which is also called "École Des Grand Projets" is one of the leading French institutes for training in the construction sector.

Salini Impregilo made the "Best Employer of Choice 2019" ranking for the fourth consecutive year, at fourth place in the general classification and taking first place as the most attractive employer for technical and scientific graduates. This prestigious recognition, based on the results of a survey, and the Group's consistent ranking among the top places bolsters its reputation on the labour market and its appeal as an employer of choice, assisted by its regular notification of job vacancies and intense employer branding activities at the main universities.

The employer branding, recruitment and development activities described above, help the Company mitigate risks such as not being able to fill positions due to a lack of qualified personnel available on the market, or a time lapse between the assignment of the project and the starting of works, or an inability to retain and motivate key professionals, including for the broader business continuity purposes.

Training

The Company's training programme is based on an analysis of training requirements, which identifies any gaps and the most appropriate training to resolve them, and strategic change management objectives and the Company's workforce development.

The Group's Learning Academy, introduced in 2015 to promote a new training model that strengthens the existing expertise and disseminates the know-how throughout the organisation, has various training programmes: induction courses on internal policies and procedures for new employees, and courses on compliance (companies' administrative liability as per Legislative decree no. 231/2001 and anti-corruption), health and safety (including the innovative Safety Builders course), languages, technical expertise, economic and financial issues, team building and managerial development.

The Group also provides training through the E-Learning Academy, which deploys the new digital technologies to provide e-learning courses, facilitating the sharing of technical and specialist knowledge.

In 2018, the Company rolled out the third edition (in three years) of the master's degree course "International Construction Management" (levels I and II) at the Milan Polytechnic, a leading university partner. The master course, held in English and open to international students, offers a unique post-degree course as it combines mentoring, tutoring, knowledge-based training, soft skills and professional training. Classroom lessons are mostly provided by Salini Impregilo professionals with a six-month apprenticeship in Italy and abroad under the guidance of company tutors. The 2018/2019 course includes international students (33%) and female students (40%), which is a 20% increase on the first course, confirming the Company's ongoing commitment to promoting the training and professional careers of newly graduated female engineers.

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-site).

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 (classroom and on-site) provided in 2018 covered many aspects (health and safety, the environment, quality, technical/specialist, compliance, management, etc.) for a total of 316,869 hours. These courses were supplemented by important safety courses provided directly in the work sites. During the year, the Group carried out more than 220 thousand Tool Box Talks (short meetings on safety-related aspects held at the start of work shifts) at its work sites, equal to more than 600 a day.

Average per capita training hours (GRI 404-1)	Unit	2017	2018
Managers and white collars	hours	15	16
Blue collars	hours	12	11
Total	**hours**	**13**	**12**

In addition to training given to group personnel, the staff of its subcontractors attended courses on QHSE subjects totalling 248,246 hours in 2018.

Total reward

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 representatives (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 2018, 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 two categories of objectives (Group performance and individual performance) 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 its specific objectives, which include non-financial objectives such as safety targets.

Salini Impregilo is aware of the importance that employee satisfaction plays in terms of the quality and productivity of their output and that work/life balance also contributes to this satisfaction.

To this end, on 19 July 2018, it signed an agreement for group employee welfare plan ("LIFE@salini-impregilo") with the trade union representatives of the Company's Rome and Milan offices and the sector national and local trade unions. This plan supplements the traditional financial incentives and benefits already in place.

Roughly 600 employees from the two offices of Rome and Milan are involved in this initial experimental phase of the plan.

The plan offers a flexible supplement to the employees' remuneration packages giving them the option to purchase social utility services using their personalised budget, which can be put towards the cost of education, assistance for elderly family members, public transport passes, private healthcare, voluntary transfers to pension plans and goods and services in kind.

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 BS 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. The company commenced a review of the system to align it with the requirements of the new ISO 45001:2018, which will be completed in 2019.

During the year, the overhaul of the Corporate Safety, Environment and Systems Unit continued to better meet management's 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 that applies the Group's health and safety management system has the following measures to manage these risks:

- identification and assessment of the exposure to the risk;

- identification of the persons at risk;
- assessment of each job's 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 the Group's employees or subcontractors' staff.

Training programmes are defined at operating unit level by the health and safety manager and approved by the Employer, based on a risk assessment and the applicable legislative requirements. The training courses provided to each worker cover at least the following issues:

- the health and safety organisation (Employer, health and safety manager, health and safety officers and supervisors, company doctor and the workers' safety representative), the legislative framework and an overview of the management system;
- health and safety risks arising from the Group's activities in general and the specific risks faced by the workers;
- first aid and emergency management procedures (in particular, the fire fighting and evacuation plans).

The health and safety managers receive special information and training courses. The key topics are the legal-regulatory framework, safety management and organisation, risk identification and measurement, communication, training and discussions with workers.

The health and safety officers and supervisors undergo additional training to that provided to the workers on the definition and identification of risk factors, incidents and near misses, techniques to communicate with and raise the awareness of employees, checking that workers comply with the legal and internal rules and the use of collective and personal protection devices.

All workers, health and safety officers and supervisors and managers attend regular refresher courses. The courses for health and safety specialists meet the minimum requirements of the relevant legislation.

All the training and information activities are documented in terms of participation numbers and the content presented and materials used.

The work site workers (employees of the Group and its subcontractors) receive special training on the related risks, specific activities and the possible risks of interference (Induction, Tool Box Talk, Job Safety Analysis/Pre-Job Meetings, etc.).

In order to ensure the collaboration of all the Group's employees, they have the right to appoint safety representatives in accordance with the applicable legislation.

These representatives are given the relevant training and information about HSE issues to encourage risk mitigation measures. They are also consulted about the implementation of key mitigation measures, including as a minimum:

- the introduction of a new process or equipment or its adaption;
- the appointment of the risk assessment manager;
- injuries.

The new Health and Safety Policy issued in 2018 introduced, inter alia, the "right to intervene" for all employees when there is a doubt that health or safety could be compromised.

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 Safety, Environment and Systems 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 Total reward, 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.

After the roll out in December 2017 of the Safety Builders Program as part of the Group's more wide-reaching communication strategy, "ValYou - Our Health and Safety Way", launched to encourage a strong corporate safety culture, based on strengthening leadership abilities at all management levels, the program was implemented in both the Milan and Rome offices as well as the main work sites in Italy and abroad during the year.

Specifically, more than 35 workshops were held with the participation of over 500 managers for a total of roughly 4,500 hours of training, as well as 100 cascading events involving more than 3,500 workers.

The Company's main workplaces celebrated the World Day for Safety and Health at Work during the year. This mainly took the form of the collection of "Stories of ValYou" involving more than 300 employees in Rome and Milan offices in Italy and over 20 group work sites, which carried out programmes designed to meet the specific requirements of the operating units.

In 2018, the Red Line North Underground project in Doha (Qatar) won the RoSPA Silver Award for its strong health and safety performance in 2017, qualifying as one of the projects with the best practices in its sector. The award was given to ISG JV by the Royal Society for the Prevention of Accidents, a UK institution which distributes annual awards acknowledging organisations from around the world that stand out for their commitment to accident prevention and the protection of health in the workplace.

In 2018, the Florianopolis project in Brazil recorded 3,000,000 hours worked without injuries in the workplace (LTI), yet another milestone in the health and safety area. The Al Faisaliah Mall project in Riyadh concurrently achieved 1,000,000 hours worked without LTI, celebrated with a ceremony in the work site attended by employees of the Group and its subcontractors, rewarded by management for their commitment to the issue of safety.

The Terzo Valico Ferroviario dei Giovi project in Italy was awarded the Merit certificate in the "Safety Initiative of the Year 2018" category of the international 2018 "ITA Tunneling Awards" recognising the COVIC consortium's (led by Salini Impregilo) protection of the health and safety of the workers and preservation of the external environment during the excavation of the "Finestra di Cravasco" tunnel using traditional methods to bore through rock containing natural asbestos.

The injury rates are set out below, expressed as the number of events for every million hours worked:

Injury rates - Group employees (GRI 403-2)	Unit	2017	2018
Hours worked	hours	102,653,961	98,894,201
Lost Time Injury Frequency Rate	LTIFR	6.20	3.49
Total Recordable Frequency rate	TRFR	15.60	8.37

Injury rates - Subcontractors' employees (GRI 403-2)	Unit	2017	2018
Hours worked	hours	74,461,728	89,579,720
Lost Time Injury Frequency Rate	LTIFR	2.77	2.03
Total Recordable Frequency rate	TRFR	8.62	6.18

Total injury rates (GRI 403-2)	Unit	2017	2018
Hours worked	hours	177,115,689	188,473,922
Lost Time Injury Frequency Rate	LTIFR	4.75	2.80
Total Recordable Frequency rate	TRFR	12.66	7.33

Note: Reference should be made to the Methodology for reporting non-financial information for details about the calculation method.

The Company continued its commitment to cultural issues (Safety Builders Program) and technical and system aspects during the year, resulting in the ongoing improvement of its safety performance, which was confirmed by the roughly 40% decrease in the injury rate.

A local investigation takes place for each injury. When the sick leave is for a period of more than 40 days, the Corporate Safety, Environment and Systems Unit and senior management from the relevant operating department are involved in the investigation.

The objective is to identify the cause of the injury (root cause analysis) to prevent similar events occurring.

The Integrity Board is informed of the results of investigations into important injuries pursuant to the provisions of the Organisational Model (Legislative decree no. 231 as subsequently amended).

Salini Impregilo guarantees protection of its workers' health in the workplace with a special internal healthcare unit, which schedules prevention 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).

Employees of the Italian head offices and their families also have private health insurance which covers healthcare services for non-work related issues. The Group runs numerous initiatives at its offices and work sites promoting the importance of good health, flu vaccine programmes, campaigns about the prevention of sexually transmitted diseases (e.g. HIV) and campaigns to promote healthy life styles, including the organisation of sporting events for workers.

As it is aware of the added value achieved through mutually beneficial relationships between all the relevant parties, Salini Impregilo works with its commercial and financial partners and its vetted vendors to guarantee high health and safety standards and the protection of the environment. In line with the role it takes on during contracts, the Company promotes and/or ensures a Safety in Design approach so that the decisions taken right from the design stage are designed to eliminate/mitigate health and safety risks throughout the contract's life cycle.

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 respects its employees’ right to freedom of association and collective bargaining in accordance with the legislation applicable in the countries where they work. It does not discriminate against employees who join trade unions nor workers’ representatives.

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

The Company ranked fifth in the overall classification, which included over 2,300 companies from around the world, and first of the construction companies in the OpenCorporation 2018 sustainability rating, which is a ranking prepared by trade unions considering various indicators such as social dialogue and employment conditions. Salini Impregilo not only bettered its placing considerably in the overall classification but also improved in terms of the points awarded for each indicator.

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. However, 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 certain states of the Persian Gulf (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 states of the Persian Gulf (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.

Where possible, the Group provides its workers with conditions that are better than the standards envisaged by local regulations. In addition to the welfare plan (see the section on "Employees - Total reward") and to improve the quality of life of the employees at the Rome and Milan offices, the Group offers special discounts for services like crèches, assistance with school fees, access to sporting facilities, delivery services (delivery of drugs to the office, laundry services), discounts on train tickets and a free company bus service.

As part of the integration process of the Rome and Milan offices, commenced in September 2015 and still ongoing, the Company extended the voluntary redundancy procedure introduced in previous years until 31 July 2019, with the relevant trade unions' agreement.

Salini Impregilo signed an agreement with the trade unions for those employees who are near the legal retirement age leading to 17 employees qualifying for the "isopensioni" early retirement scheme. It also reached an agreement with the trade union representatives of the Rome and Milan offices for the early retirement of those employees who meet the legal requirements for retirement between July 1st, 2018 and June 30th, 2019.

The Company has not received any reports, either directly or through the trade unions, alleging grounded violations of minimum working conditions during the year.

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 (GRI 405-1)	Unit	2017	2018
< 30 years	%	28%	27%
30-50 years	%	57%	59%
> 50 years	%	15%	14%

Employees by gender (GRI 405-1)	Unit	2017	2018
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 8% of the management team, 18% of white collars and 6% of the blue collars, while at functional level, they represent 4% of the technical and production staff and 30% of the office employees. The presence of female employees is higher at the central Milan and Rome offices, where they make up 36% of the total workforce (+1% on 2017). The average remuneration received by women compared to that received by men in 2018 was 71% for the managers and 86% for the office female employees. This percentage is affected by the fact that the male employees have greater seniority to the female employees.

The section "Employees - Recruitment, Employer Branding and Development" provides information about diversity projects developed by the head office.

The issue of diversity is subject to strict regulations in some areas like the Anglo-Saxon and Northern European countries. Accordingly, the group operating units 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.

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 has a comprehensive security management system to:

- identify and monitor security risks, using a specific methodology;
- deploy appropriate physical, organisational and technological measures such to prevent, manage and mitigate important security risks, especially as regards the prevention of accidents, any illegitimate or violent interference with the life and integrity of employees, third parties, tangible and intangible assets and operations;
- manage security events and incidents to provide a complete and systematic approach and establish best practices and lessons learnt with a view to ongoing improvement;
- foster an internal security culture through training and awareness campaigns;
- protect the Company's values and assets by correctly identifying security requirements.

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

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 through specific contracts, formal agreements or service orders.

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. When group employees or 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. They are provided with appropriate training about their tasks. The training of personnel supplied by public safety forces complies with local regulations and standards and is mainly provided by the relevant bodies.

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 2018.

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 and Human Rights, the Company mapped the impacts on human rights that could potentially derive from its activities in 2016 and performed a risk assessment of the group employees' human rights in 2017. During 2018, it analysed the supply chain and focused on reviewing the tools used at corporate level for the screening of new suppliers as part of the qualification process. This analysis will be continued in 2019.

In January 2019, the non-governmental organisation Business and Human Rights Resource Centre published a report "On Shaky Ground: Migrant Workers' Rights in Qatar and UAE Construction" on the workers' rights protection practices adopted by construction companies working in the states of the Persian Gulf. Two years after the issue of the first report, Salini Impregilo was again one of the leaders with respect

to employee management thanks to its specific policies and procedures that effectively protect the rights and wellbeing of migrant workers.

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 construction 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.

In 2018, Salini Impregilo updated its Environmental Policy by defining ten principles to guarantee:

- compliance with applicable legal requirements and any other agreed-to requirements;
- identification and assessment of environmental aspects tied to the Company's direct and indirect, present and future operations, evaluation of the related significant effects and management of the mitigation and control measures;
- 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 maximisation of the positive effects for the environment;
- 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, dialogue and transparency in action.

During the realisation of awarded projects, the Group ensures compliance with the above-mentioned principles in accordance with the commitments taken on with its clients. 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 2018, projects affected by these standards accounted for 26% (2017: 17%) of the total and the more important ones included the Red line North Underground in Doha and the Al Bayt Stadium in Qatar which use the GSAS (Global Sustainability Assessment System), two stations of Line 3 of the Riyadh metro in Saudi Arabia and Eni's new offices in Italy which use the LEED (Leadership in Energy and Environmental Design) standard, the Maydan One Mall, Dubai project which uses the Green Buildings Regulations and Specification standard and the Forrestfield-Airport Link in Perth, Australia which uses the IS (Infrastructure Sustainability) system.

During the year, Salini Impregilo was awarded a GSAS A* rating for excellence in terms of the environmental sustainability of the Al Bayt project during its construction stage, the Forrestfield-Airport Link in Perth received the IS Excellent Design rating for its sustainable and innovative design, the Sydney Northwest metro in Australia and the Anacostia River Tunnel in Washington, USA were awarded the Global Best Project Award (railway sector) and an Award of Merit (water sector) by ENR (Engineering News-Record) respectively, Line 3 of the Riyadh metro in Saudi Arabia received seven Environmental Awards for the best environmental results of all the metro lines under construction in the city for seven months out of 12 while the COCIV consortium, which is building the Terzo Valico Ferroviario dei Giovi project in Italy, obtained ISO 14001 certification.

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 and energy resources;
- atmosphere and climate (emissions);
- soil, subsoil and water environment;
- waste and use of hazardous substances/preparations;
- traffic, atmospheric, light and electromagnetic pollution;
- noise and vibrations;
- ecosystem, 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.

In addition and to comply with the client's instructions, the project's social-environmental impact assessment and ruling legislation, the contract undergoes environmental monitoring to check any unforeseen variations and/or critical environmental issues affecting the areas outside the work site during the development or roll out of the work. This includes investigating the causes to determine whether they are due to the project and, if so, to define mitigation/prevention measures with the client and check their effectiveness.

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/supervision 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 performances.

The HR, Organisation and Systems department defines methodologies, tools and operating methods to manage quality, health, safety and environmental issues. Its Corporate Safety, Environment and Systems Unit is in charge of the environmental management system. It provides technical assistance about

environmental matters, analyses the Group's environmental performance and defines the objectives/guidelines to pursue steadily improved performances.

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 (GRI 301-1)	Unit	2017	2018
Aggregates	t	23,018,778	15,399,193
Bitumen	t	245,468	257,541
Cement	t	558,395	662,052
Concrete-reinforcing bars	t	506,843	1,065,914
Ready-mixed and pre-cast concrete	t	5,500,060	4,608,609
Ready-mixed asphalt	t	1,083,235	790,547
Total non-renewable materials	**t**	**30,912,780**	**22,783,854**

Water use (GRI 303-1)	Unit	2017	2018
Wells	m^3	2,399,423	2,880,660
Rivers	m^3	10,640,606	6,793,150
Lakes	m^3	383,197	291,623
Sea	m^3	5,014	-
Aqueducts	m^3	2,864,234	2,259,390
Rainwater and wastewater from other organisations	m^3	18,762	116,795
Total	**m^3**	**16,311,237**	**12,341,619**

The main variations on the previous year are a direct consequence of the stage of completion of the Group's projects. Specifically, the reduction in aggregates is due to the advanced stage of completion of the Gerd project in Ethiopia and the Ruta del Sol project in Colombia (more information is available in the Directors' report). The increase in the utilisation of concrete-reinforcing bars reflects their greater use by Lane (USA) for its projects, the reduction in concrete is due to completion of the construction stages of the Riyadh metro (Saudi Arabia) and the Red Line North (Qatar), while the reduction in asphalt is a result of progress made on Lane's projects (USA) and the Ruta del Sol project (Colombia). The decrease in withdrawals from rivers is mainly a result of the advanced stage of completion of the Gerd project in Ethiopia.

Where possible, the Group has adopted policies in line with the circular and green economy principles to re-use waste materials as part of the same project or use systems that allow the re-use of wastewater for other specific activities such as, for example, washing vehicles and dust suppression. In 2018, the Group used recycled asphalt (1.2 million tonnes; 2017: 1.3 million tonnes), fly ash (22.5 thousand tonnes; 2017: 110.5 thousand tonnes) and water recycled and re-used in production processes (4.0 million cubic metres; 2017: 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.

In line with the Paris Climate Agreement objectives and SDG 7 and SDG 13, Salini Impregilo is improving its energy efficiency to reduce its environmental footprint.

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, improving power quality and informing its employees about the importance of energy saving. The following tables show energy consumption and the related GHG emissions:

Energy consumption (GRI 302-1, 302-2, 302-3)	Unit	2017	2018
Non-renewable energy sources			
Diesel	GJ	5,959,115	5,455,604
Petrol	GJ	646,560	348,456
Kerosene	GJ	42,945	10,405
Natural gas and LPG	GJ	2,033,091	1,200,705
Electricity	GJ	375,059	393,766
Total consumption from non-renewable energy sources	**GJ**	**9,056,769**	**7,408,937**
Renewable energy sources			
Electricity from renewable sources	GJ	254,958	200,415
Total internal energy consumption	**GJ**	**9,311,728**	**7,609,352**
Energy consumption - subcontractors	GJ	1,964,079	1,667,939
Total	**GJ**	**11,275,807**	**9,277,292**
Energy intensity	**GJ/€m**	**2,028**	**1,785**

Direct and indirect GHG emissions (GRI 305-1, 305-2, 305-3, 305-4)	Unit	2017	2018
Direct emissions (Scope 1)	$tCO2_e$	566,952	467,234
Indirect emissions (Scope 2)	$tCO2_e$	43,388	54,637
Other indirect emissions (Scope 3)	$tCO2_e$	137,577	117,528
Total	**$t\ CO2_e$**	**747,917**	**639,399**
Intensity of GHG emissions	**$t\ CO2_e$/€ M**	**134**	**123**

The smaller consumption of petrol, natural gas and LPG in 2018 is due to the advanced stage of completion of the projects of Lane (USA), the reduction in the consumption of kerosene mostly relates to the Ruta del Sol project in Colombia, while the reduction in diesel consumption comes mainly from the Red Line North (Qatar) and the aforementioned Ruta del Sol projects. The increase in traditional electrical energy consumption, and related Scope 2 GHG emissions, mostly refers to the Riyadh metro project (Saudi Arabia).

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 which 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 work site start-up phase to prevent contamination of the soil, subsoil and surrounding water bodies.

Industrial wastewater is channelled and collected in sedimentation tanks and treatment plants designed to comply with the applicable legal and contractual provisions, using the best technologies available, given the wastewater's specific characteristics.

Construction work also involves movement of large earth quantities to construct embankments, cuttings, tunnels or certain types of dams. In accordance with the policy to reduce waste production, 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 2018, re-used excavated materials amounted to 18.1 million cubic metres (2017: 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 2018, areas where measures to protect against erosion have been implemented covered 6.5 million square meters (2017: 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, preferring recovery where possible.

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.

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

Total waste by activity (GRI 306-2)	Unit	2017	2018
Construction and demolition waste	t	593,188	517,732
Excavation waste	t	7,004,018	6,345,575
Waste from support activities	t	172,499	97,558
Total non-hazardous and hazardous waste	**t**	**7,769,705**	**6,960,865**

Total waste by type and destination (GRI 306-2)	Unit	2017	2018
Non-hazardous waste			
Recovery, re-use and recycling	t	2,565,843	3,712,507
Incineration	t	4,275	3,398
Landfill	t	5,188,936	3,230,657
Total non-hazardous waste	**t**	**7,759,054**	**6,946,563**
Hazardous waste			
Recovery, re-use and recycling	t	4,057	5,283
Incineration	t	679	324
Landfill	t	5,914	8,695
Total hazardous waste	**t**	**10,650**	**14,302**
Total non-hazardous and hazardous waste	**t**	**7,769,705**	**6,960,865**

91% of 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 and the applicable regulations

The decrease in total waste in 2018 is mainly due to the substantial completion of the excavation activities for the Riyadh metro in Saudi Arabia and completion of the North West Rail Link in Australia.

The percentage of waste recovered, re-used and recycled increased by 45% on 2017.

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 stone and demolition.

Other sources of air pollution are the unloading of site equipment and plant. Information about the Group's energy efficiency projects is provided in the paragraph "Natural resources, energy and GHG emissions" of this section.

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 QHSE management system includes specific procedures to assess and monitor these aspects, so that each site can adopt 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 implemented in accordance with the local authorities' provisions, are designed to protect and preserve the ecosystem, flora and fauna, biodiversity and cultural heritage of the areas around the sites. With respect to the biodiversity issue, only 5% (2017: 6%) of the areas managed by the Group was located in protected areas and 2% (2017: 8%) in areas adjacent to protected areas in 2018.

Contracts performed in areas of special natural or cultural interest require specific procedures to manage the protected species (flora and fauna) and/or areas and any archaeological finds. The Group is assisted by independent 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 cleaned up 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 indigenous species are usually used. The main restoration activities performed by the Group are shown below:

Protection and restoration activities (GRI 304-3)	Unit	2017	2018
Reforested area	m^2	293,281	391,144
Areas where the topsoil was replaced	m^2	3,304,357	3,674,094

In 2018, the Group carried out reforestation activities mainly for the Koysha (Ethiopia), Cityringen (Denmark) and Anacostia River Tunnel (USA) projects, planting 9,306 trees. Topsoil was replaced chiefly at projects managed by Lane (USA).

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 designed 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 and updated on 28 September 2018;
- 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 37001 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 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 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 85% of the legal entities making up Salini Impregilo Group were included in the Anti-corruption risk assessment scope in 2018.

The procedures specifically designed to monitor the above risks include the Guidelines for the Assessment of Relevant Third Parties, which define valuation procedures applicable to potential counterparties before a contract is signed. In addition, with respect to gifts given to third parties, the Company revised its procedures in 2018 to decrease the price limits and reinforce the authorisation process in place for sponsorships and donations to monitor these activities 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 discretion) 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 2018, the Company received two notifications of potential violations of its anti-corruption procedures. In both cases, it commenced an internal investigation to check the circumstances referred to in the notifications and found that the alleged events did not involve company employees in either case and were not violations of its Anti-corruption Model.

The Company requires that all new employees receive the mandatory Anti-corruption training as part of a wider programme about Compliance. It also revised a platform used for Anti-corruption training for contracts where Salini Impregilo manages the operations and this has been used for the employees of Civil Work Group Joint Venture (Saudi Arabia). During 2019, use of the platform will be extended to the Group's other contracts.

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 2018, the Group worked with around 20 thousand suppliers from 70 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 2018, the Corporate Procurement Department vetted 5,325 new 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 972 and 613 new suppliers, respectively.

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 2018, these assessments involved more than 15 contracts selected for their financial relevance. They covered nearly all the suppliers of the analysed contracts (response rate of above 95%), showing average performances (measured using the IVR vendor rating index) of roughly 80/100, confirming the high quality of the Group’s supply base.

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 (248,246 hours in 2018).

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 2018 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 2018, 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 definition of the work schedule, which comprises, inter alia:

1. the requirement plan for machinery, plant, subcontractors, third parties, materials and services;
2. the mobilisation plan for managers, staff and blue collars.

The methods of managing relations with local stakeholders are 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.

Specifically, 65% of the 26,564 direct employees were hired locally.

Direct employees hired locally	Unit	2017	2018
Africa	%	95%	95%
Central and South America	%	90%	90%
North America	%	100%	100%
Europe	%	86%	86%
Middle East, Asia and Oceania	%	14%	21%
Average	**%**	**70%**	**65%**

The reduction in the average number of direct employees hired locally in 2018 is mainly a result of the decrease in the US (following the sale of Lane's Plant & Paving Division) and Ethiopia (due to the advanced stage of completion of the Gerd project).

The Middle East, Asia and Oceania area increased its average numbers but 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 2018, local managers made up 70% of the total, reaching 97% in North America and 87% in Europe. In addition to the direct workforce, the involvement of indirect personnel (mainly employees of subcontractors and service providers) contributes significantly to the employment generated locally. Indirect workers involved in group projects numbered 38,523 at 31 December 2018 compared to 32,469 at 31 December 2017.

Local procurement

Purchases from suppliers resident in the countries where the Group operates are the main trigger to developing ancillary industries (which is a direct contributor to GDP, public revenue and disposable income).

In 2018, the Group maintained a strong relationship with its local supplier chain, with roughly 93% of its expenditure made with local suppliers.

Local procurement (GRI 204-1)	Unit	2017	2018
Africa	%	40%	38%
Central and South America	%	82%	90%
North America	%	100%	100%
Europe	%	90%	87%
Middle East, Asia and Oceania	%	86%	96%
Average	**%**	**88%**	**93%**

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 certified as UNI ISO 37001 (Anti-Bribery Management System) compliant. 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 127 initiatives in 2018 for €4.4 million (2017: roughly €1.1 million).

Initiatives to assist local areas (GRI 203-1)	Unit	2017	2018
Investments in infrastructure	no.	25	12
Social programmes	no.	173	115
Total	**No.**	**198**	**127**

Most of the initiatives were carried out in the US for social and education purposes while the most significant one was that for the Koysha project in Ethiopia, where a road was built connecting several villages and allowing the communities to more easily reach the larger centres in the Konta and Gamo-Gofa regions, which have essential services such as hospitals and local administrations. Other initiatives included free healthcare provided to local communities by work site clinics in rural areas in Ethiopia, Namibia and

Tajikistan. Specifically, 9,182 medical check-ups (2017: 9,060) were given and 11,764 health interventions (2017: 13,610).

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. The Group constantly monitors stakeholder expectations about the projects it is involved in so that it can take the actions necessary to mitigate any risks.

Should the Group receive requests for information or other communications from stakeholders, such as international non-profit organisations and SRI analysts, it 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.

Methodology for reporting non-financial information

Salini Impregilo was the first Italian constrution 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 2018 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 shareholders 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. In 2018, the Company performed an analysis of its reputation in general and in relation to specific aspects, including non-financial aspects (such as workplace, governance and citizenship) by engaging a provider specialised in the measurement of organisations' reputations;
- 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
Employees	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 for which it manages their operations.

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:

a. operational (e.g., ongoing contracts);

b. limited operations (e.g., contracts being completed);
c. 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 2018 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 New Cross Limited*	UK
Al Maktoum International Airport JV	United Arab Emirates	Impregilo-Sk E&C-Galfar Al Misnad JV*	Qatar
Brennero Galleriacque S.c.r.l.*	Italy	Imprepar S.p.A.*	Italy
CDE S.c.a.r.l.	Italy	Lane Industries Incorporated*	USA
Cigla Construtora Impregilo y Associados S.a.*	Brazil	Mercovia S.A.*	Argentina
Consorcio Construtor Salini Impregilo - Cigla*	Brazil	Salini Australia PTY L.t.d.*	Australia
COCIV consortium*	Italy	Salini Impregilo - NRW Joint Venture*	Australia
Constructora Ariguani SAS*	Colombia	Salini Impregilo S.p.A. - S.A. Healy Company Jose J. Chediack S.a. UTE*	Argentina
Copenhagen Metro Team I/S*	Denmark	Salini Malaysia Sdn.Bhd*	Malaysia
CSC Impresa Costruzioni S.A.*	Switzerland	Salini Namibia Proprietary L.t.d.*	Namibia
Fisia - Alkatas Joint Venture*	Turkey	Salini Nigeria L.t.d.*	Nigeria
Fisia Italimpianti S.p.A.*	Italy	Salini Polska L.t.d. Liability Co*	Poland
Galfar - Salini-Impregilo - Cimolai JV*	Qatar	Salini Impregilo - Tristar JV	United Arab Emirates
HCE Costruzioni S.p.A.*	Italy	Salini Saudi Arabia Company L.t.d.*	Saudi Arabia
Iglys Sociedad Anonima*	Argentina	Thessaloniki Metro CW JV	Greece
Impregilo International Infrastructures N.V.*	Netherlands		

The entities marked with an asterisk in the above table were also included in the reporting scope of the 2017 Non-financial Statement. The other entities have been included in the reporting scope of this Statement for the first time.

Contracts managed directly by the parent include the Meydan One Mall (United Arab Emirates), the Grand Ethiopian Renaissance Dam (Ethiopia), the Koysha Dam (Ethiopia), Nenskra (Georgia), the Expressway S7 Skomielna (Poland), Bumbuna O&M (Sierra Leone) and the Rogun Dam (Tajikistan). The joint operations for which the Group manages their operations are the Arriyad New Mobility Consortium (Saudi Arabia), Civil Works Joint Ventures (Saudi Arabia) and South Al Mutlaa Joint Venture (Kuwait).

More information on the in-scope entities is available in the section on the "Consolidation scope" in the notes to the consolidated financial statements.

The information in this Statement refers to the above scope. The data for the joint operations led by the Group are shown at 100%. Exceptions to the scope are listed below:

- data about the labour force relate to the consolidation scope of the consolidated financial statements;
- the environmental data does not include the offices are they are not material;
- the data about health and safety of workers include the companies that are not fully consolidated over which the Group manages the operational activities and excludes joint operations when its partners are responsible for management of the Health and Safety Systems.

Any specific limitations to the scope are specified in the text or in the GRI Content Index.

The 2017 corresponding information relates to the scope of the Group's 2017 Consolidated Non-financial Statement, to which reference should be made. The figures about the injury rates for 2017 were restated following adoption of the new standard GRI 403: Occupational Health and Safety 2018 issued by the Global Sustainability Standards Board (GSSB) in 2018. Similarly, the figures about the average per capita training hours were restated to consider solely classroom and on-site training while the 2017 Statement included HSE training provided at the work sites. The data relating to the energy intensity and the intensity of greenhouse gas emissions of 2017 were restated following the restatement of the 2017 revenues made in compliance with IFRS 5 (due to the sale of Lane's Plants & Paving Division) and following the introduction of IFRS 15. Finally, the figures on water withdrawals were restated following the improvement in the internal reporting system, which meant that rainwater and wastewater from other organisations could be included.

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 were 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 leading to lost work days (LTIFR) and the number of recordable injuries for every million hours worked (TRFR).

Specifically, the LTIFR (Lost Time Injury Frequency Rate) is calculated as the ratio of the total number of injuries leading to absence from work in the period (including death) to the total number of hours worked, multiplied by 1,000,000.

The TRFR (Total Recordable Injury Frequency Rate) is calculated as the ratio of total recordable injuries (calculated considering deaths, injuries leading to absence from work, injuries only requiring medical treatment and injuries leading to assignment of reduced workloads in countries where this is allowed) to the total number of hours worked, multiplied by 1,000,000.

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 (CO2 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 allocation methods for EU projects (i.e., how the waste is treated: recovery or disposal) is based on its legal classification. The methods used for non-EU projects reflect the conditions of the contracts agreed with third party waste management companies.

GRI Content Index

Disclosure	Description, page number, reference to other sections of the Report or other documents (The page numbers refer to the paragraph that includes the information)	UN Global Compact Principles
GRI 102	General Disclosures (2016)	
Organisational profile		
102-1	Name of the organisation: Salini Impregilo S.p.A.	
102-2	Activities, brands, products, and services: p. **8**	
102-3	Location of headquarters: Milan, Italy	
102-4	Location of operations: p. **43**	
102-5	Ownership and legal form: 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	Markets served: p. 4**3**	
102-7	Scale of the organisation: p. 1**3**, p. **43**, p. **117**	6
102-8	Information on employees and other workers: p. **117**. Open-ended contracts account for 96% of the total in Africa, 89% in Central and South America, 96% in North America, 86% in Europe and 97% in the Middle East, Asia and Oceania. 99.9% of the employees have full-time contracts.	
102-9	Supply chain: p.**144**	
102-10	Significant changes to the organisation and its supply chain: No significant changes to the organisation or the supply chain compared to the previous period	
102-11	Precautionary Principle or approach: p. 109, 132	
102-12	External initiatives: p. 112	
102-13	Membership of associations: Salini Impregilo is a member of AIR – Associazione Investor Relations, Amici della Triennale, Assonime, Assolombarda, Associazione Assafrica e Mediterraneo, Associazione AIAS, Associazione Italiana Internal Auditors, AIGI – Associazione Italiana Giuristi d'Impresa, AICQ CN – Associazione Italiana Cultura Qualità Centro-Nord, Comitato Leonardo, Fondazione Global Compact Network Italy, Gruppo Italiano della Trilateral Commission, ITCOLD - Comitato Nazionale Italiano per le Grandi Dams, ISPI – Istituto per gli Studi di Politica International, and UNI – Ente Italiano di Normazione.	
Strategy		
102-14	Statement from senior decision-maker: p. **3**	
Ethics and integrity		

102-16	Values, principles, standards, and norms of behaviour: p. 112	10
Governance		
102-18	Governance structure: p. 112	
Stakeholder engagement		
102-40	List of stakeholder groups: p. 152	
102-41	Collective bargaining agreements: 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 2018, this covered 10,199 employees, equal to 38% of the total.	3
102-42	Identifying and selecting stakeholders: p. 152	
102-43	Approach to stakeholder engagement: p. 132, p. 127, p. 147, p. 152, p. 153	
102-44	Key topics and concerns raised: p. 150	
102-45	Entities included in the consolidated financial statements: p. 152	
102-46	Defining report content and topic Boundaries: p. 152	
102-47	List of material topics: p. 152	
102-48	Restatements of information: p. 152	
102-49	Changes in reporting: 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	Reporting period: 2018	
102-51	Date of most recent report: The 2017 Consolidated Non-financial Statement was published on 30 April 2018.	
102-52	Reporting cycle: Annual	
102-53	Contact point for questions regarding the report: sustainability@salini-impregilo.com	
102-54	Claims of reporting in accordance with the GRI standards: p. 152	
102-55	GRI content index: p. 157	
102-56	External assurance: p. 165	
GRI 200 Economic		
GRI 201 Economic performance (2016)		

103-1, 103-2, 103-3	Management approach disclosures, p. 108	
201-1	Direct economic value generated and distributed: The direct economic value generated by the Group in 2018 amounted to €5,237 million, including €4,986 million which was distributed and €252 million which was retained. Specifically, €3,942 million was distributed to suppliers (operating costs), €774 million to employees (remuneration and benefits), €203 million to the lenders and €67 million to the public administration (taxes). Reference should be made to the information about the ordinary shareholders' meeting to be held on 24 April 2019 in the Directors' report for information about the dividend distribution.	
GRI 202 Market Presence (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 148	6
202-2	Proportion of senior management hired from the local community: p. 148. 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.	6
GRI 203 Indirect Economic Impacts (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 150	
203-1	Infrastructure investments and services supported: p. 150. The total value of initiatives to assist local areas includes monetary donations (6.6%), sponsorships (9.8%) and contributions in kind (83.6%) (e.g., labour, materials, machinery).	
GRI 204 Procurement Practices (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 150	
204-1	Proportion of spending on local suppliers: p. 150. Local suppliers are those with a registered office in the same country in which the Group's projects are taking place.	
GRI 205 Anti-corruption (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 141	10
205-1	Operations assessed for risks related to corruption: p. 141. 125 companies were included in the assessment scope.	10
GRI 300 Environmental		
GRI 301 Materials (2016)		

103-1, 103-2, 103-3	Management approach disclosures, p. 135	7, 8
301-1	Materials used by weight or content: p. 135. 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.	7, 8
GRI 302 Energy (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 135	7, 8, 9
302-1	Energy consumption within the organisation: p. 135, p. 156.	7, 8, 9
302-2	Energy consumption outside of the organisation: p. 135, p. 156. Significant external energy consumption refers to the Group's subcontractors.	7, 8, 9
302-3	Energy intensity: p. 135, p. 156.	7, 8, 9
GRI 303 Water (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 135	7, 8, 9
303-1	Interactions with water as a shared resource: p. 135, p. 156.	7, 8, 9
GRI 304 Biodiversity (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 140	8
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas: p. 140. Specifically, in 2018, 39 work sites (the equivalent of 8.8 sq km) were located in protected areas (mostly in the US, followed by Namibia, Denmark and Italy) and 60 (the equivalent of 3.9 sq km) in areas adjacent to protected areas (mostly in the US, followed by Australia, Slovakia and Italy). Of these sites, 25 are in areas protected by local regulations, 26 in areas protected by national regulations, five in "Natura 2000" areas and 41 in wetlands included in the Ramsar List. There are 13 work sites located in ecosystems that contain water (e.g., lakes, rivers, swamps, etc.), 20 in urban ecosystems, nine in agricultural ecosystems, 46 in wood ecosystems, five in mountain ecosystems, five in desert ecosystems and one in a coastal ecosystem. In these areas, construction and plant operation activities are mainly carried out. The sites (not located within protected areas) in which activities with potential impacts on surrounding protected areas are carried out are considered "adjacent to protected areas".	8
GRI 305 Emissions (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 135	7, 8, 9
305-1	Direct (Scope 1) GHG emissions: p. 135, p. 156.	7, 8, 9

305-2	Energy indirect (Scope 2) GHG emissions: p. 135, p. 156.	7, 8, 9
305-3	Other indirect (Scope 3) GHG emissions: p. 135, p. 156.	7, 8, 9
305-4	GHG emissions intensity: p. 135, p. 156.	7, 8, 9
GRI 306 Effluents and Waste (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 138	
306-2	Waste by type and disposal method: p. 138, p. 156.	
GRI 307 Environmental Compliance (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 132	
307-1	Non-compliance with environmental laws and regulations: p. 132	
GRI 308 Supplier Environmental Assessment (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 144	
308-1	New suppliers that were screened using environmental criteria: p. 144. Specifically, in 2018, 11% of the new suppliers were screened using environmental criteria.	
GRI 400 Social		
GRI 401 Employment (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 119	
401-1	New employee hires and employee turnover: p. 119. Specifically, in 2018, 8,647 people joined the Group (entry rate of 30%), including 4,050 under 30 years of age (47%), 4,032 between 30 and 50 (47%) and 565 over 50 (7%). The geographical distribution of employees is as follows: 3,248 in Africa (38%), 669 in Central and South America (8%), 570 in Europe (7%), 4,160 in the Middle East, Asia and Oceania (48%). During the year, people that left the Group, including the transfers of resources among group sites, numbered 16,135 (exit rate of 55%), including 5,048 under 30 (31%), 8,265 between 30 and 50 (51%) and 2,822 over 50 (17%). The geographical distribution of expenditure is as follows: 5,697 in Africa (35%), 1,239 in Central and South America (8%), 4,493 in North America (28%), 1,210 in Europe (7%), 3,496 in the Middle East, Asia and Oceania (22%). The rates were calculated using the average employee numbers for the period.	
GRI 402 Labour/Management Relations (2016)		

103-1, 103-2, 103-3	Management approach disclosures, p. 127	
402-1	Minimum notice periods regarding operational changes: The minimum notice period to communicate significant operating personnel changes for Salini Impregilo is set by collective employment contracts and relevant local laws. It varies from one to 26 weeks for managers, one to eight weeks for office staff and one to eight weeks for blue collars.	
GRI 403 Occupational Health and Safety (2018)		
103-1, 103-2, 103-3	Management approach disclosures, p. 122	
403-1	Occupational health and safety management system: p. 122. The Health and Safety Management System is installed at the Italian head offices (corporate), direct contracts, joint operations where the Group manages the operational activities or has specific agreements with its partners. Its system is not used by the joint operations where health and safety management is the responsibility of its partners.	
403-2	Hazard identification, risk assessment, and incident investigation: p. 122.	
403-3	Occupational health services: p. 122.	
403-4	Worker participation, consultation, and communication on occupational health and safety: p. 122.	
403-5	Worker training on occupational health and safety: p. 122.	
403-6	Promotion of worker health: p. 122.	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships: p. 122.	
403-9	Work-related injuries: p. 122. Despite the stringent assessments of risks and operating controls, seven fatal injuries took place in 2018 involving direct employees (0.07%) and one involving employees of subcontractors (0.01%). The frequency rate, calculated in accordance with Italian legislation (sick leave of more than 40 days), involved 29 direct employees (0.29%) and 20 employees of subcontractors (0.22%). The total number of recordable injuries was 828 for the direct employees (8.37%) and 554 for employees of subcontractors (6.18%). The main types of injury were wounds, bruises and fractures.	
GRI 404 Training and Education (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 120	
404-1	Average hours of training per year per employee: p. 120, 153. In 2018, technical and production employees received an average of 13 hours of training per capita, while office employees received 9 hours. During the year, the per capita training hours provided to corporate employees amounted to 55 for men and 41 for women. This figure is not significant for the operating units given the strong predominance of male resources.	
GRI 405 Diversity and Equal Opportunity (2016)		

103-1, 103-2, 103-3	Management approach disclosures, p. 127	
405-1	Diversity of governance bodies and employees: reference is made to the report on corporate governance and the ownership structure for full disclosure on the diversity of governance bodies p. 128 (diversity of employees).	
GRI 406 Non-discrimination (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 127	
406-1	Incidents of discrimination and corrective actions taken: p. 127. The Group received five 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, three cases had been settled and two analysed.	
GRI 407 Freedom of Association and Collective Bargaining (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 127	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk: p. 127.	
GRI 408 Child Labour (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 127	
408-1	Operations and suppliers at significant risk for incidents of child labour: p. 127.	
GRI 409 Forced or Compulsory Labour (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 127	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour: p. 127.	
GRI 410 Security Practices (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 127	
410-1	Security personnel trained in human rights policies or procedures: p. 127.	
GRI 411 Rights of Indigenous Peoples (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 127	

411-1	Incidents of violations involving rights of indigenous peoples: p. 127. No instances (e.g., legal action) for the violation of indigenous rights took place in the year.	
GRI 412 Human Rights Assessment (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 127	
412-1	Operations that have been subject to human rights reviews or impact assessments: p. 127.	
GRI 413 Local Communities (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 109.	
413-1	Operations with local community engagement, impact assessments, and development programmes: 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 58% 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 38% of the projects (the grievance mechanisms). Development projects assisting the local communities exist for 23% of the projects while workers committees exist for 26% of the projects.	
GRI 414 Supplier Social Assessment (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 144.	
414-1	New suppliers that were screened using social criteria: p. 144. Specifically, in 2018, 17% of the new suppliers were screened using social criteria.	
GRI 415 Public Policy (2016)		
103-1, 103-2, 103-3	Management approach disclosures, p. 149.	
415-1	Political contributions: p. 149.	

Report of the 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 the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018

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 the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2018 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 "parent") for the NFS

The directors 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 by GRI - Global Reporting Initiative (the "GRI Standards"), which they have identified as the reporting 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.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

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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. Our company 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 parent'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.

Specifically, we held interviews and discussions with the parent's management personnel. 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 parent 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 limited procedures to check the correct aggregation of data in the quantitative information;
- we visited Civil Works Joint Ventures (Saudi Arabia), which we have selected on the basis of its 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.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2018 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 GRI Standards.

Milan, 2 April 2019

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 2018

Consolidated financial statements
Statement of financial position

ASSETS (€'000)	Note	31 December 2017 (§)	of which: related parties	31 December 2018	of which: related parties
Non-current assets					
Property, plant and equipment	7	675,277		415,941	
Intangible assets	8	210,053		199,356	
Goodwill	9	155,179		74,713	
Equity investments	10	316,679		538,257	
Derivatives and non-current financial assets	11	188,694	84,928	235,692	111,747
Deferred tax assets	12	172,400		205,386	
Total non-current assets		**1,718,282**		**1,669,345**	
Current assets					
Inventories	13	240,976		192,304	
Contract assets	14	1,490,076		1,512,866	
Trade receivables	15	1,881,813	134,264	1,930,639	138,410
Derivatives and other current financial assets	16	94,308	32,593	135,881	31,385
Current tax assets	17	133,040		112,102	
Other current tax assets	17	164,651		146,166	
Other current assets	18	616,427	39,288	640,269	22,216
Cash and cash equivalents	19	1,320,192		1,107,340	
Total current assets		**5,941,483**		**5,777,567**	
Non-current assets held for sale and discontinued operations	20	5,683		5,683	
Total assets		**7,665,448**		**7,452,595**	

(§) The statement of financial position figures at 31 December 2017 have been restated to comply with IFRS 15.

EQUITY AND LIABILITIES	Note	31 December 2017	of which: related parties	31 December 2018	of which: related parties
(€'000)		(§)			
Equity					
Share capital		544,740		544,740	
Share premium reserve		120,798		120,798	
Other reserves		101,385		124,190	
Other comprehensive expense		(73,930)		(105,914)	
Retained earnings		238,731		97,698	
Profit (loss) for the year		(117,233)		54,197	
Equity attributable to the owners of the parent		**814,491**		**835,709**	
Non-controlling interests		131,061		96,354	
Total equity	21	**945,552**		**932,063**	
Non-current liabilities					
Bank and other loans and borrowings	22	457,467		617,895	
Bonds	23	1,084,426		1,088,158	
Finance lease liabilities	24	81,310		55,530	
Post-employment benefits and employee benefits	26	85,724		57,025	
Deferred tax liabilities	12	29,733		11,374	
Provisions for risks	27	94,382		84,213	
Total non-current liabilities		**1,833,042**		**1,914,195**	
Current liabilities					
Current portion of bank loans and borrowings and current account facilities	22	311,002	13,949	499,362	16,044
Current portion of bonds	23	302,935		13,295	
Current portion of finance lease liabilities	24	48,567		43,206	
Derivatives and other current financial liabilities	25	1,480		-	
Contract liabilities	28	1,587,499		1,149,588	
Trade payables	29	2,163,432	117,140	2,385,610	137,622
Current tax liabilities	30	96,839		144,693	
Other current tax liabilities	30	44,811		48,521	
Other current liabilities	31	330,289	13,956	322,062	19,878
Total current liabilities		**4,886,854**		**4,606,337**	
Liabilities directly associated with non-current assets held for sale					
Total equity and liabilities		**7,665,448**		**7,452,595**	

(§) The statement of financial position figures at 31 December 2017 have been restated to comply with IFRS 15.

Statement of profit or loss

(€'000)	Note	2017 (§)	of which: related parties	2018	of which: related parties
Revenue					
Revenue from contracts with customers	34	5,286,834	196,824	4,864,142	88,665
Other income	34	274,056	13,545	333,518	6,765
Total revenue and other income		**5,560,890**		**5,197,660**	
Operating expenses					
Purchases	35.1	(930,201)		(861,756)	
Subcontracts	35.2	(1,581,662)	(860)	(1,658,505)	(92)
Services	35.3	(1,488,632)	(231,137)	(1,346,115)	(208,286)
Personnel expenses	35.4	(863,808)		(774,416)	(3)
Other operating expenses	35.5	(173,207)	(1,192)	(143,603)	(142)
Amortisation, depreciation, provisions and impairment losses	35.6	(544,982)	(59,355)	(345,170)	(35,938)
Total operating expenses		**(5,582,492)**		**(5,129,565)**	
Operating profit (loss)		**(21,602)**		**68,095**	
Financing income (costs) and gains (losses) on equity investments					
Financial income	36.1	64,822	10,706	55,754	12,631
Financial expense	36.2	(134,886)	(727)	(141,918)	(224)
Net exchange gains (losses)	36.3	(122,838)		13,306	
Net financing costs		(192,902)		(72,858)	
Net gains (losses) on equity investments	37	99,928		(29,450)	
Net financing costs and net gains (losses) on equity		**(92,974)**		**(102,308)**	
Loss before tax		**(114,576)**		**(34,213)**	
Income taxes	38	(17,009)		(39,274)	
Loss from continuing operations		**(131,585)**		**(73,487)**	
Profit from discontinued operations	20	41,284		114,802	
Profit (loss) for the year		**(90,301)**		**41,315**	
Profit (loss) for the year attributable to:					
Owners of the parent		(117,233)		54,197	
Non-controlling interests		26,932		(12,882)	

(§) The 2017 statement of profit or loss figures have been restated to comply with IFRS 5, reclassifying the profit from discontinued operations (Lane Group's Plants & Paving Division and the USW Campania projects), and with IFRS 15.

Statement of comprehensive income

(€'000)	Note	2017 (§)	2018
Profit (loss) for the year (a)		**(90,300)**	**41,315**
Items that may be subsequently reclassified to profit or loss, net of the tax effect:			
Net exchange losses on the translation of foreign companies' financial statements	21	(111,661)	(1,182)
Net losses on cash flow hedges, net of the tax effect	21	(676)	(138)
Other comprehensive expense related to equity-accounted investees	21	(14,936)	(36,891)
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	(4,323)	4,123
Other comprehensive expense (b)		**(131,596)**	**(34,088)**
Comprehensive income (expense) (a) + (b)		**(221,896)**	**7,227**
Comprehensive income (expense) attributable to:			
Owners of the parent		(238,251)	22,214
Non-controlling interests		16,355	(14,987)

Earnings (loss) per share			
From continuing and discontinued operations	40		
Basic		(0.24)	0.11
Diluted		(0.24)	0.11
From continuing operations	40		
Basic		(0.32)	(0.12)
Diluted		(0.32)	(0.12)

(§) The 2017 statement of comprehensive income figures have been restated to comply with IFRS 5, reclassifying the profit from discontinued operations (Lane Group's Plants & Paving Division and the USW Campania projects), and with IFRS 15.

Statement of cash flows

(€'000)	Note	2017 (*)	2018
Cash and cash equivalents	19	1,602,721	1,320,192
Current account facilities	22	(51,297)	(37,028)
Total opening cash and cash equivalents		**1,551,424**	**1,283,164**
Operating activities			
Loss from continuing operations		(131,584)	(73,487)
Amortisation of intangible assets	35	31,679	24,056
Depreciation of property, plant and equipment	35	178,379	131,992
Net impairment losses and provisions	35	334,924	192,705
Accrual for post-employment benefits and employee benefits	26	18,742	(11,246)
Net gains on the sale of assets		(2,260)	(27,547)
Deferred taxes	38	(69,819)	(27,476)
Share of profit (loss) of equity-accounted investees	37	(96,831)	29,615
Income taxes	38	86,827	66,750
Net exchange gains (losses)	36	122,838	(13,306)
Net interest paid during the year	36	70,063	86,163
Profit from the Plants & Paving Division		58,666	19,928
Other non-monetary items		(14,466)	9,854
Cash flows generated by operating activities		**587,158**	**408,001**
Increase in inventories and contract assets		(374,997)	(57,858)
Decrease (increase) in trade receivables		293,420	(234,866)
(Decrease) increase in contract liabilities	28	62,925	(427,786)
(Decrease) increase in trade payables		(201,597)	235,838
Increase in other assets/liabilities		(110,605)	(80,741)
Total changes in working capital		**(330,854)**	**(565,413)**
Increase in other items not included in working capital		(83,146)	(18,626)
Financial income collected		11,103	21,395
Interest expense paid		(91,270)	(81,988)
Income taxes		(92,741)	(75,590)
Cash flows generated by (used in) operating activities		**250**	**(312,221)**
Investing activities			
Net investments in intangible assets	8	(899)	(1,550)
Investments in property, plant and equipment	7	(170,391)	(118,972)
Proceeds from the sale or reimbursement value of property, plant and		62,151	118,289
Investments in non-current financial assets and capital transactions	10	(63,386)	(296,583)
Dividends and capital repayments from equity-accounted investees	10	20,164	17,670
Proceeds from the sale or reimbursement value of non-current financial		1,362	3,169
Acquisitions and/or sales of subsidiaries and business units net of cash and cash equivalents		11,198	505,594
Cash flows generated by (used in) investing activities		**(139,801)**	**227,617**
Financing activities			
Dividends distributed	21	(59,579)	(54,472)
Allocation of stock options			

Statement of cash flows

(€'000)	Note	2017 (*)	2018
Capital injection by non-controlling interests in subsidiaries		970	1,605
Increase in bank and other loans	22	1,860,123	1,652,540
Decrease in bank and other loans	22	(1,835,486)	(1,737,419)
Change in other financial assets/liabilities		25,869	(152,420)
Cash flows used in financing activities		**(8,103)**	**(290,166)**
Net cash flows from discontinued operations	**20**	**(1,908)**	
Net exchange gains (losses) on cash and cash equivalents		**(118,700)**	**19,672**
Decrease in cash and cash equivalents		**(268,262)**	**(355,098)**
Cash and cash equivalents	19	1,320,192	1,107,340
Current account facilities	22	(37,028)	(179,272)
Total closing cash and cash equivalents		**1,283,164**	**928,068**

(*) The 2017 statement of cash flows figures have been restated to comply with IFRS 5, reclassifying the profit from discontinued operations (Lane Group's Plants & Paving Division and the USW Campania projects), and with IFRS 15.

Statement of changes in equity

(€'000)		Share capital	Share premium reserve	Other reserves							Other comprehensive expense				Retained earnings	Profit (loss) for the year	Equity attributable to the owners of the parent	Non-controlling interests	Total
				Legal reserve	Share capital increase related charges	Extraordinary and other reserves	Reserve for treasury shares	LTI reserve	Inflation reserve	Total other reserves	Translation reserve	Hedging reserve	Actuarial reserve	Total other comprehensive expense					
As at 1 January 2017 (§)		**544,74**	**120,798**	**103,321**	**(3,970)**	**136**	**(7,677)**	**4,241**	**-**	**96,051**	**48,529**	**(533)**	**(909)**	**47,087**	**268,126**	**-**	**1,076,802**	**148,373**	**1,225,175**
Allocation of profit and reserves	21			3,230						3,230				-	(3,230)	-	-		-
Dividend distribution	21									-				-	(26,341)		(26,341)		(26,341)
Change in consolidation scope	21									-				-	176		176	(1,399)	(1,223)
Repurchase of treasury shares	21							2,103		2,103				-			2,103		2,103
Capital increase	21									-				-			-	970	970
Dividend distribution to non-controlling interests	21									-				-			-	(33,238)	(33,238)
Loss for the year	21									-		*(2,865)*		(2,865)		*(117,233)*	(120,098)	*26,933*	(90,300)
Other comprehensive expense	*21*									-	*(117,364)*	*3,536*	*(4,324)*	(118,152)			(118,152)	*(10,585)*	(131,595)
Comprehensive expense	*21*	-	-	--	--	-	-	-	-	-	*(117,364)*	*671*	*(4,324)*	*(121,017)*	-	*(117,233)*	(238,250)	*16,355*	(221,895)
31 December 2017 (§)	**21**	**544,74**	**120,798**	**106,551**	**(3,970)**	**136**	**(7,677)**	**6,344**	**-**	**101,384**	**(68,835)**	**138**	**(5,233)**	**(73,930)**	**238,731**	**(117,233)**	**814,490**	**131,061**	**945,551**
As at 1 January 2018 (§)	**21**	**544,74**	**120,798**	**106,551**	**(3,970)**	**136**	**(7,677)**	**6,344**	**-**	**101,384**	**(68,835)**	**138**	**(5,233)**	**(73,930)**	**238,731**	**(117,233)**	**814,490**	**131,061**	**945,551**
Allocation of profit and reserves	21									-				-	(117,233)	117,233	-		-
Dividend distribution	21									-				-	(26,099)		(26,099)		(26,099)
Change in consolidation scope	21									-				-	341		341	166	507
Stock option	21						4,386	(6,344)		(1,958)				-	1,958		-		-
Capital increase	21									-				-			-	1,605	1,605
Other changes and reclassifications	21								24,764	24,764				-			24,764	6,883	31,647
Dividend distribution to non-controlling interests	21									-				-			-	(28,374)	(28,374)
Profit for the year	*21*									-				-		*54,197*	54,197	*(12,882)*	41,315
Other comprehensive expense	*21*									-	*(31,933)*	*(4,174)*	*4,123*	(31,984)			(31,984)	*(2,105)*	(34,089)
Comprehensive income	*21*	-	-	--	--	-	-	-	-	-	*(31,933)*	*(4,174)*	*4,123*	*(31,984)*	-	*54,197*	22,213	*(14,987)*	7,226
31 December 2018	**21**	**544,74**	**120,798**	**106,551**	**(3,970)**	**136**	**(3,291)**	**-**	**24,764**	**124,190**	**(100,768)**	**(4,036)**	**(1,110)**	**(105,914)**	**97,698**	**54,197**	**835,709**	**96,354**	**932,063**

(§) The statement of equity figures for 2017 have been restated to comply with IFRS 15.

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 2018 include the financial statements of the parent and its subsidiaries (the "Group"). The Group, created by the 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 2018 on a going concern basis. The directors have checked that events that could affect the Group's ability to meet its commitment in the near future and, specifically, in the next 12 months do not exist. Preparation of consolidated financial statements requires management to make judgements and complex estimates about the Group's future profitability and financial position, based also on its sector. These complex estimates underpin assumptions about going concern and the carrying amounts of assets, liabilities, revenue and costs. They do not consider non-recurring events that management cannot foresee at the date of preparation of the consolidated financial statements.

In addition, 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 2018 are consistent with those used to prepare the 2017 annual consolidated financial statements, to which reference should be made, except for the changes summarised in note 2.

2. Changes in standards

Changes in standards

This section lists the standards, amendments and interpretations published by the IFRS, endorsed by the European Union and applicable since 1 January 2018:

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 (and Amendment to IFRS 9 - Prepayment features with negative compensation)	1 January 2018
Amendments to IFRS 2 Share-based payment - Classification and measurement of share-based payments	1 January 2018
Annual Improvements to IFRS Standards 2014-2016	1 January 2018
Amendments to IAS 40 - Transfers of investment property	1 January 2018
IFRIC 22 - Foreign currency transactions and advance consideration	1 January 2018

The standards, amendments and interpretations published by the IASB and endorsed by European Union which become applicable after the reporting date are listed below:

Standard/Interpretation	IASB application date
IFRS 16 - Leases	1 January 2019
IFRIC 23 - Uncertainty over income tax treatment	1 January 2019
Amendments to IAS 28 - Long-term interests in associates and joint ventures	1 January 2019

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
Annual improvements to IFRS Standards 2015-2017 cycle (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	1 January 2019
Amendments to IAS 19: Plan amendment, curtailment or settlement	1 January 2019
Amendments to References to the conceptual framework in IFRS Standards	1 January 2020
Amendments to IFRS 3 Business combinations	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of material	1 January 2020

Adoption of the above standards will not significantly affect the Group's consolidated financial statements, except for IFRS 16, for which the Group has commenced a specific adoption project.

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 14 - 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.

The Group is currently engaged in the project to implement the new standard and has completed the gap analysis with IAS 17. It has mapped the leases within the scope of IFRS 16. The Group has also developed systems and processes for the accounting of these in-scope leases.

The Group has elected to apply IFRS 16 retrospectively by recognising the cumulative effect of the FTA at 1 January 2019 (the date of transition). Therefore, it will not restate the comparative figures at 31 December 2018 and it will recognise the FTA cumulative effect as an adjustment to the opening balance of retained earnings.

The Group has elected to use the following practical expedients to restate the opening balances:

1. it has applied a single discount rate to portfolios of leases with similar characteristics and a similar remaining lease term for a similar class of underlying assets in a similar economic environment;
2. leases that expire before 31 December 2019 have been classified as short-term;
3. it has excluded initial direct costs from the measurement of the right-of-use asset;
4. it has used hindsight to assess contract variables (specifically the lease term).

The carrying amount of the right-of-use asset and the lease liability of leases classified as finance leases under IAS 17 is equal to the carrying amount of the leased asset and the lease liability measured in accordance with that standard at 31 December 2018.

In addition to the practical expedients set out above for transition, the Group also elected to use the practical expedients for low-value assets and leases with a term of less than 12 months. Therefore, when the value of the underlying new, individual asset is less than €5,000 or the lease term is less than 12 months, it will expense the lease payments on a straight-line basis and when incurred.

The Group elected not to separate non-lease components from lease components for vehicles, office furniture and equipment and other assets. It elected to separate non-lease components from lease components for land and buildings, plant and machinery and industrial and commercial equipment.

As part of the ongoing IFRS 16 project, the Group has performed a preliminary estimate of the effects of applying IFRS 16 for the first time on its consolidated financial statements as required by IAS 8.

It has estimated the effects on equity at 1 January 2019 considering the valuations made to date and summarised below. The actual effects of adoption of IFRS 16 at 1 January 2019 may be different as, inter alia:

1. the procedure to implement IFRS 16 is ongoing; specifically, the Group is finalising the information systems and processes necessary to measure, recognise and present the in-scope leases;
2. the Group is analysing the methods used by the group entities to determine the discount rates;
3. it is finalising implementation of the necessary changes in the contract revenue and cost estimation process to comply with the modifications introduced by the standard to the cost structure. Replacement of the operating lease costs recognised under IAS 17 with the related costs to be amortised for the right-of-use asset and financial expense accrued on the lease liability, as required by IFRS 16, has an indirect impact on the measurement of contract assets and liabilities due to the measurement of contract work in progress using the percentage of completion method. The Group has not considered these effects in its preliminary estimates of the effects presented herein.

The Group has estimated the lease liability and the right-of-use asset for leases previously classified as operating leases under IAS 17 and considering the elections made about the transition method and the practical expedients as follows:

a. the lease liability at 1 January 2019 has been estimated at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application;
b. estimation of a right-of-use asset using two methods defined on a lease-by-lease basis and, specifically, at:
    - its carrying amount as if the standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at 1 January 2019;
    - an amount equal to the lease liability at 1 January 2019, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018 under IAS 17.

The significant judgements made to apply IFRS 16 that had a material impact on the estimate of the assets and liabilities related to the discount rate and the lease term:

- the lessee's incremental borrowing rate was used to discount the lease payments, estimated using the lease's reference currency, economic context and class of underlying asset;
- the lease term was estimated considering firstly the contract clauses to identify the non-cancellable period of the lease; the Group considered the contracts in which the leased assets are used for the termination and renewal options.

The following table shows the Group's estimate of the possible effect on opening equity at 1 January 2019 of application of IFRS 16, gross of the tax effect:

(in millions of Euros)	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total
Equity at 31 December 2018	835.7	96.3	932.0
Estimate of IFRS 16 effect	(1.3)	(0.2)	(1.5)
Equity at 1 January 2019	834.4	96.1	930.5

The implementation project allowed the Group to estimate the following greater differences compared to IAS 17, currently applied by the Group:

	in millions of Euros at 1 January 2019
Increase in non-current assets due to recognition of right-of-use assets	90.3
Increase in financial liabilities due to recognition of lease liabilities	(91.8)
Total effect on equity	(1.5)

The minimum lease payments for the leases considered in the above analysis are shown below:

	€m at 1 January 2018
Minimum lease payments	
Due within one year	27.5
Due between one and five years	52.1
Due after five years	24.2
Total	**103.8**
Future interest expense	(12.0)
Net present value	**91.8**
The net present value is as follows:	
Due within one year	26.4
Due between one and five years	45.5
Due after five years	19.9
Total	**91.8**

Effects of the application of the new standards

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.

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 investments, loans and receivables and available-for-sale financial assets 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 of occurrence.

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 has not significantly affected the Group's current measurement methods. This is based on the fact that the indicators used to quantify credit risk previously 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.

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 (mostly due from government bodies) should be assessed together with the related working capital items, especially those reflecting the net exposure to customers in relation to contract work in progress as a whole.

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 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 date of the opening comparative figures). It has opted to use one of the practical expedients provided for in paragraph C5(a)(ii) whereby contracts completed at the beginning of the earliest period presented (1 January 2017) need not be restated. The effects of application of this practical expedient are not significant.

As part of the IFRS 15 project, the Group has defined the effects of applying IFRS 15 for the first time on its consolidated financial statements as required by IAS 8.

The implementation project has led to identification of the following key differences compared to the provisions of IAS 11 and IAS 18 previously 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).

   The effect on equity at 1 January and 31 December 2017 of the different method of combining contracts is set out below:

	Equity at 1 January 2017	Profit or Loss for 2017	Equity at 31 December 2017
Total adjustment	(7,975)	3,608	(3,535)
of which: attributable to the owners of the parent	(2,682)	1,160	(1,189)
of which: attributable to non-controlling interests	(5,293)	2,448	(2,346)

2. **Identify the performance obligations in the contract**. The performance obligation is usually the entire project, as provided for in the contract, given that the different services are highly interdependent 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 effect on equity at 1 January and 31 December 2017 of accounting for distinct performance obligations separately is set out below:

	Equity at 1 January 2017	Profit or Loss for 2017	Equity at 31 December 2017
Total adjustment	(489)	(6)	(471)
of which: attributable to the owners of the parent	(391)	(5)	(377)
of which: attributable to non-controlling interests	(98)	(1)	(94)

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 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 recognised 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 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 effect on equity at 1 January and 31 December 2017 of the different requirements for accounting for contract modifications and variable consideration is as follows:

	Equity at 1 January 2017	Profit or Loss for 2017	Equity at 31 December 2017
Total adjustment	(93,566)	(8,890)	(99,306)
of which: attributable to the owners of the parent	(89,303)	(10,474)	(98,164)
of which: attributable to non-controlling interests	(4,263)	1,584	(1,142)

4. **Allocate the transaction price to the performance obligations.** This will not give rise to significant issues further to that set out in point 2.
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 recognised revenue in accordance with IAS 11 using the percentage of completion approach and the cost-to-cost method. It did not believe this method needed 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 effect on equity at 1 January and 31 December 2017 of the change in the input data calculation method is as follows:

	Equity at 1 January 2017	Profit or Loss for 2017	Equity at 31 December 2017
Total adjustment	(20,101)	(667)	(22,627)
of which: attributable to the owners of the parent	(22,730)	(469)	(23,973)
of which: attributable to non-controlling interests	2,629	(198)	1,346

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 effect on equity at 1 January and 31 December 2017 of the different accounting treatment of contract costs is as follows:

	Equity at 1 January 2017	Profit or Loss for 2017	Equity at 31 December 2017
Total adjustment	(14,020)	(289)	(13,791)
of which: attributable to the owners of the parent	(13,094)	(525)	(13,190)
of which: attributable to non-controlling interests	(926)	236	(601)

The following table shows the effect on equity at 1 January and 31 December 2017 of application of IFRS 15, net of the tax effect:

(€'000)	Equity at 1 January 2017	Profit or Loss for 2017	Equity at 31 December 2017
Equity and loss for the year attributable to the owners of the parent	1,205,005	(106,918)	951,386
Non-controlling interests	156,326	22,863	133,898
Total equity and loss before introduction of the new standard	**1,361,331**	**(84,055)**	**1,085,284**
Effects of applying IFRS 15:			
- Identify the contract with a customer	(7,975)	3,608	(3,535)
- Identify the performance obligations (distinct elements that are part of a single contract but are separated for accounting purposes) in the contract	(489)	(6)	(471)
- Determine the transaction price	(93,566)	(8,890)	(99,306)
of which: claims	(85,049)	(12,789)	(97,342)
- Recognise revenue	(20,101)	(667)	(22,627)
- Contract costs	(14,020)	(289)	(13,791)
Total adjustments	**(136,151)**	**(6,246)**	**(139,732)**
of which: attributable to the owners of the parent	(128,198)	(10,315)	(136,895)
of which: attributable to non-controlling interests	(7,953)	4,069	(2,837)
Equity and loss after introduction of the new standard			
Equity and loss for the year attributable to the owners of the parent	1,076,807	(117,233)	814,491
Non-controlling interests	148,373	26,932	131,061
Total equity and loss after introduction of the new standard	**1,225,180**	**(90,301)**	**945,552**

The effect of the adjustments on earnings per share is not significant.

Significant judgements made in applying IFRS 15

This section sets out the significant judgements made in applying IFRS 15. Specifically, it describes the judgements that have had a significant effect on the calculation of the amount and timing of revenue from contracts with customers.

1. Identify the contract with a customer

The Group identifies and measures contracts with customers in line with IFRS 15 after they have been signed and are binding, creating enforceable rights and obligations for the Group and the customer. The Group considers the criteria of IFRS 15.9 set out below to identify the contract:

a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;

b) the entity can identify each party's rights regarding the goods or services to be transferred;

c) the entity can identify the payment terms for the goods or services to be transferred;

d) the contract has commercial substance (i.e., the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and

e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

2. Identifying performance obligations and allocating the transaction price

IFRS 15 identifies a performance obligation as a promise included in the contract with a customer to transfer: a) a good or service (or a bundle of goods or services) that is distinct; or b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

In the Group's case, its performance obligation is usually the entire project. In fact, although the individual performance obligations provided for in the contract are distinct, they are highly interdependent and integrated as the contract provides for the transfer of the entire infrastructure to the customer.

However, certain contractual items include additional services that should be considered as distinct performance obligations. For example, these may be post-completion maintenance services after final inspection and additional or different contract warranties compared to those provided for by law or normal sector practices.

When a contract has more than one performance obligation, the appropriate portion of the transaction price should be allocated to each distinct performance obligation based on the guidance of IFRS 15. The Group's contracts with customers usually specify the price of each contractual item (detailed in the contract).

3. Determining the criteria for satisfaction of the performance obligations and recognition of the revenue

IFRS 15 provides that revenue shall be recognised when (or as) the performance obligation is satisfied transferring the promised good or service (or asset) to the customer. An asset is transferred when (or as) the customer obtains control.

The Group's contracts with customers are usually long-term contracts that include obligations to be satisfied over time based on the progress towards completion and transfer of control of the asset to the customer over time.

The reasons why recognition of revenue over time is considered the correct approach are:

- the customer controls the asset as it is constructed (the asset is built directly in the area made available by the customer);
- the asset under construction does not have an alternative use and the Group has an enforceable right to payment for its performance completed to date over the contract term.

IFRS 15 requires that progress towards satisfaction of a performance obligation be measured using the method that best represents the transfer of control of the asset under construction to the customer. The objective when measuring progress is to depict an entity's performance in transferring control of goods or services promised to a customer. The Group considers its market sector and the complex mix of goods and services it provides when it selects the appropriate revenue recognition method. IFRS 15 provides for two alternative methods to recognise revenue over time:

a) output method;

b) input method.

Output methods recognise revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to the date relative to the remaining goods or services promised under the contract (e.g., surveys of performance completed to date, milestones reached, units delivered, etc.). Input methods recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation (e.g., resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the satisfaction of that performance obligation.

The most appropriate method for measuring revenue is the cost-to-cost method calculated by applying the percentage of completion (the ratio of costs incurred to total estimated costs) to contract revenue. The calculation of the ratio of costs incurred to estimated costs only considers costs that contribute to the actual transfer of control of the goods and/or services. This method allows the objective measurement of the transfer of control to the customer as it considers quantitative variables related to the contract as a whole.

When choosing the appropriate method for measuring the transfer of control to the customer, the Group did not adopt the output method (e.g., surveys of performance completed to date) for its ongoing contracts as it considered that although this output method would allow a direct measurement of progress, it would also lead to operating difficulties in managing and monitoring progress considering all the resources necessary to satisfy the obligation.

In addition, an output method would entail the application of criteria and measurement inputs that are not directly observable and the incurring of excessive costs to obtain useful information.

Finally, in the Group's reference sector, the objective of contractual outputs (milestones) refers to, inter alia, modulation of cash flows to obtain financial resources useful to perform the contract and the definition of technical specifications of the works and related performance timing.

4. Determining the transaction price

Given the engineering and operating complexities, the size and length of time involved in completing the contracts, in addition to the fixed consideration agreed in the contract, the transaction price also includes additional consideration, whose conditions need to be assessed. A claim is an amount that the contract seeks to collect as reimbursement for costs incurred (and/or to be incurred) due to reasons or events that could not be foreseen and are not attributable to the contractor, for more work performed (and/or to be performed) or variations that were not formalised in riders.

The measurement of the additional consideration arising from claims is subject to a high level of uncertainty, given its nature, both in terms of the amounts that the customer will pay and the collection times, which usually depend on the outcome of negotiations between the parties or decisions taken by judicial/arbitration bodies.

This type of consideration is regulated by IFRS 15 as "contract modifications". The standard provides that a contract modification exists if it is approved by the parties to the contract. IFRS 15 provides that a contract modification could be approved in writing, by oral agreement or implied by customary business practices. A contract modification may exist even though the parties to the contract have a dispute about the scope or price (or both) of the modification. The rights to the consideration shall be provided for contractually generating an enforceable right. Once the enforceable right has been identified, in order to recognise the claims and amount of the additional consideration requested, the Group shall apply the guidance about the variable consideration given in IFRS 15. Therefore, in order to adjust the transaction price to include the additional consideration arising from the claims, the Group shall decide whether it is highly probable that the revenue will not be reversed in the future.

The Group considers all the relevant aspects and circumstances such as the contract terms, business and negotiating practices of the sector or other supporting evidence when taking the above decision.

4.a Optional works

The consideration for optional works is additional consideration for future works that have not yet been agreed and/or ordered by the customer when it signs the contract.

The consideration for optional works is provided for in the contracts with the customer as it represents potential future work interrelated with the main contract object. However, most of the contracts provide that the additional works shall be specifically defined and approved by the customer before they start. Otherwise, the contractor does not have an enforceable right to payment for this performance.

Accordingly and based on sector practices, this type of consideration is a contract modification and, under IFRS 15, shall be considered when measuring the transaction price if approved by both parties to the

contract. In this case, the enforceable right can only be identified after specific approval or instructions from the customer in line with its customary business practices or operating methods.

4.b Penalties

Contracts with customers may include penalties due to non-compliance with certain contract terms (such as, for example, non-compliance with delivery times).

When the contract penalties are "reasonably expected", the transaction price is reduced accordingly. The Group analyses all the indicators available at the reporting date to assess the probability of a contract default that would lead to the application of penalties.

4.c Significant financing component

It is normal practice in the construction and large-scale infrastructure sector that the transaction price for the project (which is usually completed over more than one year) is paid in the form of an advance and subsequent progress billing (based on progress reports).

This method of allocating cash flows is often defined in the calls for tenders. The customer's payment flows (advances and subsequent progress billing) are usually organised to make construction of the project by the contractor feasible, limiting its financial exposure. Constructors in the large-scale infrastructure sector build projects for large amounts of money and the initial outlay is usually high.

The contract advance is used for the following reasons:

- to finance the initial contract investments and pay the related advances to subcontractors;
- as a form of guarantee to cover any risks of contractual breach by the customer.

The advance is reabsorbed by the subsequent progress billing in line with the stage of completion of the contract.

Furthermore, the Group's operating cycle is generally several years. Therefore, it considers the correct time-scale of its works to determine whether its contracts include a significant financing component.

Based on the above, it has not identified significant financing components in the transaction price for the contracts that include changes in the advances or progress billings in line with sector practices and/or of amounts that are suitable as guarantees and have a timeframe in line with the cash flows required to complete the contract.

5. Losses to complete

The new standard does not specifically cover the accounting treatment of loss-making contracts but refers to IAS 37, which regulates the measurement and classification (previously covered by IAS 11) of onerous contracts. IAS 37 provides that an onerous contract is one in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The present obligation under the contract shall be recognised and measured as a provision when the loss is probable based on the most recent forecasts prepared by management.

The unavoidable costs are all those costs that:

- are directly proportionate to the contract and increase the performance obligation transferred to the customer;
- do not include those costs that will be incurred regardless of satisfaction of the performance obligation;
- cannot be avoided by the Group through future actions.

Measurement of any loss-making contracts (the onerous test) is performed at individual performance obligation level. This approach best represents the different contract profits or losses depending on the nature of the goods and services transferred to the customer-

6 Contract costs

6.a Incremental costs of obtaining a contract

IFRS 15 allows an entity to recognise the incremental costs of obtaining a contract as an asset if it expects to recover those costs through the future economic benefits of the contract. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred (costs not explicitly chargeable to the customer). The incremental costs are recognised as an asset (contract costs) and amortised on a systematic basis that is consistent with the pattern of transfer of control of the goods or services to the customer.

6.b Costs to fulfil a contract

Under IFRS 15, an entity shall recognise an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract;
- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

It is the practice of the Group's sector that these costs usually consist of pre-operating costs that are recognised by customers and included in precise contract items or are not explicitly recognised and are covered by the contract profit. Formal recognition of these costs implies that, when they are incurred, control of the asset provided for in the contract is transferred. Therefore, they cannot be recognised as assets and contribute to the stage of completion.

When the contract provides for their explicit recognition and the above three criteria are met, the pre-operating costs are recognised as assets and amortised on a systematic basis that is consistent with the pattern of transfer of control of the goods and/or services to the customer.

In addition, IFRS 15 defines all those costs that, by their nature, do not contribute to the stage of completion as, although they are referred to in the contract and can be recovered, they do not contribute to generating or enhancing the resources that will be used to satisfy the performance obligations or to transfer control of the good and/or service to the customer.

7 *Presentation in the consolidated financial statements*

Following introduction of the new standards, the Group has modified its statement of financial position and statement of profit or loss to present its financial position and performance in compliance with IFRS 15.

Specifically, the statement of financial position includes a new asset item “Contract costs” which includes the costs capitalised under the criteria described in points 9 and 10 of this section. Amortisation of these costs is included in the statement of profit or loss item “Amortisation, depreciation, provisions and impairment losses”.

The contract assets and liabilities are presented in the statement of financial position items “Contract assets” and “Contract liabilities”, respectively under assets and liabilities. The classification in line with IFRS 15 depends on the relationship between the Group’s performance obligation and payment by the customer. These items show the sum of the following components analysed individually for each customer:

(+) Amount of work performed calculated using the cost-to-cost method pursuant to IFRS 15

(-) Progress payments and advances received

(-) Contractual advances.

When the total is positive, the net balance is recognised as a “Contract asset”. If it is negative, it is recognised as a “Contract liability”. When the amounts represent an unconditional right to payment of the consideration, they are recognised as financial assets.

The Group’s statement of profit or loss includes a revenue item “Revenue from contracts with customers” to comply with IFRS 15. This revenue is presented and measured in accordance with the new standard. The item “Other income” includes income from transactions other than contracts with customers and is measured in line with other standards or the Group’s specific accounting policy elections. It includes income related to gains on the sale of non-current assets, income on cost recharges, prior year income and income from the recharging of costs of Italian consortia and consortium companies.

With respect to the last item, the 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. As this income does not arise on the performance of the contract obligations or contract negotiations, it is recognised as “Other income”.

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Statement of financial position at 31 December 2017

ASSETS (€'000)	Published	Effects of IFRS 15	Restated after introduction of the new standards
Non-current assets			
Property, plant and equipment	675,277	-	675,277
Intangible assets	127,668	(80,981)	46,686
Contract costs	-	163,367	163,367
Goodwill	155,179	-	155,179
Equity investments	317,363	(684)	316,679
Derivatives and non-current financial assets	188,694	-	188,694
Deferred tax assets	134,579	37,822	172,400
Total non-current assets	**1,598,760**	**119,524**	**1,718,282**
Current assets			
Inventories	240,976	-	240,976
Contract assets	2,668,103	(1,178,027)	1,490,076
Trade receivables	1,901,338	(19,525)	1,881,813
Derivatives and other current financial assets	94,308	-	94,308
Current tax assets	133,040	-	133,040
Other current tax assets	164,651	-	164,651
Other current assets	616,549	(122)	616,427
Cash and cash equivalents	1,320,192	-	1,320,192
Total current assets	**7,139,157**	**(1,197,674)**	**5,941,483**
Non-current assets held for sale and discontinued operations	5,683		5,683
Total assets	**8,743,600**	**(1,078,150)**	**7,665,448**

Consolidated financial statements

Statement of financial position at 31 December 2017

EQUITY AND LIABILITIES	Published	Effects of IFRS 15	Restated after introduction of the new standards
Equity			
Share capital	544,740	-	544,740
Share premium reserve	120,798	-	120,798
Other reserves	101,385	-	101,385
Other comprehensive expense	(75,549)	1,620	(73,930)
Retained earnings	366,930	(128,200)	238,731
Loss for the year	(106,918)	(10,313)	(117,233)
Equity attributable to the owners of the parent	**951,386**	**(136,893)**	**814,491**
Non-controlling interests	133,898	(2,837)	131,061
Total	**1,085,284**	**(139,730)**	**945,552**
Non-current liabilities			
Bank and other loans and borrowings	457,468	-	457,467
Bonds	1,084,426	-	1,084,426
Finance lease liabilities	81,310	-	81,310
Post-employment benefits and employee benefits	85,723	-	85,724
Deferred tax liabilities	29,946	(210)	29,733
Provisions for risks	101,531	(7,149)	94,382
Total non-current liabilities	**1,840,404**	**(7,359)**	**1,833,042**
Current liabilities			
Current portion of bank loans and borrowings and current account facilities	311,002	-	311,002
Current portion of bonds	302,935	-	302,935
Current portion of finance lease liabilities	48,567	-	48,567
Derivatives and other current financial liabilities	1,480	-	1,480
Contract liabilities	2,518,557	(931,059)	1,587,499
Trade payables	2,163,432	-	2,163,432
Current tax liabilities	96,839	-	96,839
Other current tax liabilities	44,811	-	44,811
Other current liabilities	330,289	(2)	330,289
Total current liabilities	**5,817,912**	**(931,061)**	**4,886,854**
Liabilities directly associated with non-current assets held for sale			
Total equity and liabilities	**8,743,600**	**(1,078,150)**	**7,665,448**

Consolidated financial statements

Statement of profit or loss for 2017

	Published	Reclassifications as per IFRS 15	Reclassifications as per IFRS 5	Restated after introduction of the new standards
Revenue				
Revenue	5,939,976	(105,417)	(547,725)	5,286,834
Other income	167,265	106,791		274,056
Total revenue	**6,107,241**	**1,374**	**(547,725)**	**5,560,890**
Operating expenses				
Purchases	(1,117,594)	913	186,480	(930,201)
Subcontracts	(1,715,581)		133,919	(1,581,661)
Services	(1,523,130)	(5,577)	40,075	(1,488,632)
Personnel expenses	(996,154)	5,576	126,770	(863,808)
Other operating expenses	(174,630)	(391)	1,814	(173,207)
Amortisation, depreciation, provisions and impairment losses	(554,972)	(7,624)	17,614	(544,982)
Total operating expenses	**(6,082,061)**	**(7,103)**	**506,673**	**(5,582,491)**
Operating profit (loss)	**25,180**	**(5,729)**	**(41,052)**	**(21,601)**
Financing income (costs) and gains (losses) on equity investments				
Financial income	64,822			64,822
Financial expense	(134,886)			(134,886)
Net exchange losses	(122,838)			(122,838)
Net financing costs	(192,902)			(192,902)
Net gains on equity investments	100,109	(181)		99,928
Net financing costs and net gains on equity investments	**(92,793)**	**(181)**	**-**	**(92,974)**
Loss before tax	**(67,613)**	**(5,910)**	**(41,052)**	**(114,575)**
Income taxes	(14,534)	(334)	(2,141)	(17,009)
Loss from continuing operations	**(82,147)**	**(6,244)**	**(43,193)**	**(131,584)**
Profit (loss) from discontinued operations	(1,908)		43,193	41,284
Loss for the year	**(84,055)**	**(6,244)**	**-**	**(90,300)**
Loss for the year attributable to:				
Owners of the parent	(106,918)	(10,316)	-	(117,233)
Non-controlling interests	22,863	4,070	-	26,933

3. Non-current assets held for sale and discontinued operations

USW Campania

At 31 December 2018 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 section on the "Main risk factors and uncertainties" in the Directors' report for more information.

Autopista del Sol S.A.

This item included the investment in Autopista del Sol S.A. in the 2018 interim financial report. However, as the requirements of IFRS 5 were not met at 31 December 2018, the equity investment was reclassified to continuing operations (more information is available in note 10).

Sale of Lane Group's Plants & Paving Division

On 16 August 2018, Lane and Eurovia signed a contract for the sale of the Plants & Paving Division net assets for USD555 million. In addition, the asset purchase agreement also provided for a variable consideration for changes in net working capital (calculated as the difference between the net working capital at the closing and the target net working capital agreed by the parties). At the closing date (12 December 2018), the consideration, including the changes in net working capital and the additional assets sold, was USD573.6 million (€505.6 million). Payment was made in cash in US dollars at the closing date. The consideration is subject to a purchase price adjustment mechanism to reflect the definitive carrying amounts of the Division's assets and liabilities to be calculated within 90 days of the closing date. At 31 December 2018, provisional estimates showed a downwards adjustment in the consideration of USD5.7 million (€5 million). The consideration and sales terms were agreed by Lane and Eurovia after a call for bids during which many parties expressed their interest in acquiring the Plants & Paving Division business.

The effects of the above transaction are shown below:

Sale of Plants & Pavings Division

(€'000)	
Transaction price	**505,595**
Carrying amount of the assets and liabilities sold at the transaction date:	
- operating assets	(386,470)
- operating liabilities	80,651
Additional sales costs	(12,648)
Preliminary Purchase Price Adjustment	(5,035)
Tax effect	(86,843)
Adjustment to equity / net gain	**95,250**

4. Basis of presentation

The Group's consolidated financial statements include the financial statements of the parent, Salini Impregilo S.p.A., and the Italian and foreign operating companies controlled directly or indirectly by Salini Impregilo.

The financial statements at 31 December 2018 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 2018 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 showss 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 2018 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 2017	2017 average rate	Closing rate 31 December 2018	2018 average rate
ZAR South Africa Rand	14.8054	15.049	16.4594	15.6186
BRL Brazilian Real	3.9729	3.6054	4.444	4.3085
COP Colombian Peso	3,580.19	3,336.1675	3,721.81	3,486.74
PEN Nuevo Sol	3.8854	3.68329	3.863	3.8793
AED United Arab Emirates Dirham	4.4044	4.14753	4.205	4.3371
ARS Argentine Peso	22.931	18.7408	43.1593	43.1593
AUD Australian Dollar	1.5346	1.4732	1.622	1.5797
BGN Bulgarian New Lev	1.9558	1.9558	1.9558	1.9558
DZD Algerian Dinar	137.8343	125.3194	135.4881	137.6525
INR Indian Rupee	76.6055	73.5324	79.7298	80.7332
LYD Libyan Dinar	1.6313	1.57368	1.5972	1.6102
MYR Malaysian Ringgit	4.8536	4.8527	4.7317	4.7634
NGN Nigerian Naira	367.0458	350.9375	350.9425	360.9013
PES Chilean Peso	737.29	732.607	794.37	756.94
PLN Polish Zloty	4.177	4.257	4.3014	4.2615
RUB Russian Ruble	69.392	65.9383	79.7153	74.0416
SAR Saudi Riyal	4.4974	4.23664	4.2938	4.4286
SGD Singapore Dollar	1.6024	1.5588	1.5591	1.5926
TRY Turkish Lira (new)	4.5464	4.1206	6.0588	5.7077
USD US Dollar	1.1993	1.1297	1.145	1.181
NAM Namibian Dollar	14.8054	15.049	16.4594	15.6188
CHF Swiss Franc	1.1702	1.1117	1.1269	1.155
GBP British Pound	0.88723	0.87667	0.89453	0.88471
DOP Dominican Peso	57.7931	53.6286	57.5242	58.3906
PKR Pakistani Rupee	132.7211	118.9911	160.1149	143.2823
QAR Qatari Riyal	4.3655	4.11204	4.1678	4.2987
DKK Danish krone	7.44490	7.438600	7.467300	7.453200
OMR Omani rial	0.461100	0.455100	0.440300	0.454100
BsS Bolivar Soberano (VEF 2017)	4,014.0	4,014.0	729.8027	137.6549

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 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 2018 comply with the IFRS and are consistent with those used to prepare the 2017 consolidated financial statements, except for the amendments enacted after 1 January 2018, summarised in the section on the "Changes in standards".

Accounting policies

Property, plant and equipment

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	0%
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:

a) 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

b) 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.

Measurement of the revenue arising from the concession arrangement: 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 IFRS 15 - Revenue from contracts with customers.

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) a financial asset (financial asset model);

(b) an intangible asset (intangible asset model);

(c) 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:

a. *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 IFRS 15 - Revenue from contracts with customers.

b. *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 these construction and/or upgrade services in line with IFRS 15 - Revenue from contracts with customers.

c. *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 assets and liabilities

Contract assets and liabilities are presented in the statement of financial position items “Contract assets” and “Contract liabilities”, respectively under assets and liabilities. The classification in line with IFRS 15 depends on the relationship between the Group’s performance obligation and payment by the customer. These items show the sum of the following components analysed individually for each customer:

(+) Amount of work performed calculated using the cost-to-cost method pursuant to IFRS 15

(-) Progress payments and advances received

(-) Contractual advances.

When the total is positive, the net balance is recognised as a “Contract asset”. If it is negative, it is recognised as a “Contract liability”. When the amounts represent an unconditional right to payment of the consideration, they are recognised as financial assets

More information about the new standard and its application effects is given in the section “Effects of the application of the new standards - IFRS 15 - Revenue from contracts with customers”.

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.

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.

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 financial assets at fair value through profit or loss category required by IFRS 9.

Since they mainly relate to consortia and consortium companies of which the Group holds less than 20%, in accordance with IFRS 9, such investments are stated as non-current assets.

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.

Financial instruments

Financial assets - Debt instruments

Debt instruments are classified in the following three categories depending on their contractual cash flow characteristics and the business model for managing them:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI);
- financial assets at fair value through profit or loss (FVTPL).

They are initially recognised at fair value. Trade receivables that do not contain a significant financing component are measured at their transaction price.

After initial recognition, financial assets that generate contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost if they are held

within a business model whose objective is to hold them in order to collect contractual cash flows (hold to collect business model). Under the amortised cost method, the financial assets' amount at initial recognition is decreased by principal repayments, any loss allowance and cumulated amortisation of the difference between that initial amount and the maturity amount.

Amortisation is calculated using the effective interest rate that exactly discounts the expected future cash flows to their initial carrying amount.

Loans and receivables and other financial assets at amortised cost are recognised net of the related loss allowance.

Debt instruments held within a business model whose objective is to collect contractual cash flows and sell financial assets (hold to collect and sell model) are measured at fair value through other comprehensive income. Fair value gains and losses on these financial assets are recognised in other comprehensive income (OCI). The cumulative fair value gains and losses previously recognised in OCI are reclassified to profit or loss when the financial asset is derecognised. Interest income calculated using the effective interest method, exchange differences and impairment losses are recognised in profit or loss.

Debt instruments that are not measured at amortised cost or FVTOCI are measured at fair value through profit or loss.

Financial assets that are transferred are derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred to third parties.

Impairment losses on financial assets

The Group tests the recoverable amount of debt instruments not measured at fair value through profit or loss using the expected credit loss model.

More information about the new standard and its application effects is given in the section "Effects of the application of the new standards - IFRS 9 - Financial instruments".

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)".

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 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;

(iii) 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.

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 under IFRS 9 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.

“Hedging purposes” are assessed considering risk management objectives. When they do not meet the requirements of IFRS 9 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 2018, 10 of the parent's 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 from contracts with customers

Revenue from contracts with customers is recognised using the five-step model: (i) identify the contract with a customer; (ii) identify the performance obligations (distinct elements that are part of a single contract but are separated for accounting purposes) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; (v) recognise revenue when (or as) the entity satisfies a performance obligation, which is when the customer obtains control of the good or service which can take place over time or at a point in time.

More information about the new standard and its application effects is given in the section “Effects of the application of the new standards - IFRS 15 - Revenue from contracts with customers”.

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.

Complex 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:

- 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 assets and liabilities" 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.

IAS 29 - Financial reporting in hyperinflationary economies

After a lengthy observation period of inflation rates, which have exceeded 100% in the last three years, and other indicators, Argentina is now considered a hyperinflationary economy pursuant to the IFRS. As a result, all the companies operating in Argentina have been required to apply IAS 29 - Financial reporting in hyperinflationary economies in their financial reports starting from 1 July 2018.

The Group's results for 2018 include the effects of applying the above standard from 1 January 2018. It presents its consolidated figures in Euros and, therefore, it was not required to restate the 2017 comparative figures under IAS 21.

IAS 29 establishes that restatement of the financial statements as a whole requires the application of specific procedures and a measurement process that the Group launched in the second half of the year. Specifically:

- it remeasured its costs and revenue by applying the increase in the general consumer price index to reflect the local currency's loss of purchasing power at year end. In order to translate the restated statement of profit or loss figures into Euros, it applied the closing rate rather than the average annual rate. The gross operating profit for the year decreased by approximately €6 million as a result of application of IAS 29;

- the Group did not remeasure monetary assets and liabilities as they were also stated in Euros at the reporting date; it remeasured non-monetary assets and liabilities to reflect the local currency's loss of purchasing power in the period from the date of initial recognition of the assets and liabilities and the reporting date;

- the effect on the Group's net financial debt (loss of €1.2 million) was recognised under Net financing costs in the statement of profit or loss while the IAS 29 FTA effects at 1 January 2018 were recognised directly in equity.

In 2018, the Argentine group companies contributed 1.6% to revenue (1.4% in 2017).

5. Business combinations

No business combinations took place during the reporting period.

Other changes in the consolidation scope

No changes took place in the consolidation scope except for the sale of the Plants & Paving Division described in note 3.

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 €163.6 million in 2018 compared to €155.4 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.

On 12 December 2018, after receipt of authorisation from the competent regulators, the sale of the Plants & Paving Division to Eurovia SAS (Vinci Group) was completed. As a result, this division has been excluded from the Lane operating segment in 2018 and 2017 as required by IFRS 5.

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 operating segment.

Statement of profit or loss by operating segment - 2017 (§)

(€'000)	Italy (*)	Abroad	Lane Group	Total
Revenue from contracts with customers	466,673	3,858,152	962,008	5,286,834
Other income	42,899	223,819	7,337	274,056
Total revenue	**509,573**	**4,081,971**	**969,346**	**5,560,890**
Operating expenses				
Production costs	(330,477)	(2,974,213)	(695,805)	(4,000,495)
Personnel expenses	(178,597)	(405,322)	(279,888)	(863,807)
Other operating expenses	(48,325)	(105,209)	(19,675)	(173,209)
Total operating expenses	**(557,399)**	**(3,484,744)**	**(995,368)**	**(5,037,511)**
Gross operating profit (loss)	**(47,826)**	**597,227**	**(26,022)**	**523,379**
Gross operating profit margin %	*-9.4%*	*14.6%*	*-2.7%*	*9.4%*
Amortisation, depreciation, provisions and impairment	(118,253)	(411,948)	(14,781)	(544,982)
Operating profit (loss)	**(166,079)**	**185,279**	**(40,803)**	**(21,603)**
Return on Sales				*-0.4%*
Financing income (costs) and gains (losses) on equity investments				(92,974)
Loss before tax				**(114,577)**
Income taxes				(17,009)
Loss from continuing operations				**(131,586)**
Profit from discontinued operations				41,284
Loss for the year				**(90,301)**

(*) The operating profit includes the costs of the central units and other general costs of €155.4 million.

(§) Restated to comply with IFRS 15 and IFRS 5.

Statement of profit or loss by operating segment - 2018

(€'000)	Italy (*)	Abroad	Lane Group	Total
Revenue from contracts with customers	358,623	3,720,031	785,488	4,864,142
Other income	133,686	197,414	2,418	333,518
Total revenue	**492,309**	**3,917,445**	**787,906**	**5,197,660**
Operating expenses				
Production costs	(407,308)	(2,868,436)	(590,632)	(3,866,376)
Personnel expenses	(168,061)	(386,360)	(219,996)	(774,416)
Other operating expenses	(39,115)	(84,703)	(19,784)	(143,602)
Total operating expenses	**(614,484)**	**(3,339,499)**	**(830,412)**	**(4,784,395)**
Gross operating profit (loss)	**(122,175)**	**577,946**	**(42,506)**	**413,265**
Gross operating profit margin %	*-24.8%*	*14.8%*	*-5.4%*	*8.0%*
Amortisation, depreciation, provisions and impairment	(48,483)	(286,451)	(10,236)	(345,170)
Operating profit (loss)	**(170,657)**	**291,495**	**(52,743)**	**68,096**
Return on Sales				*1.3%*
Financing income (costs) and gains (losses) on equity investments				(102,308)
Loss before tax				**(34,213)**
Income taxes				(39,274)
Loss from continuing operations				**(73,487)**
Profit from discontinued operations				114,802
Profit for the year				**41,315**

(*) The operating profit includes the costs of the central units and other general costs of €163.6 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 "Joint ventures 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 "Financial Highlights" of the Directors' report for more information.

Statement of financial position at 31 December 2017 by operating segment (§)

(€'000)	Italy	Abroad	LANE Group	Total
Non-current assets	300,669	657,397	399,122	**1,357,188**
Assets held for sale, net	5,683	-	-	**5,683**
Provisions for risks	(97,062)	9,845	(7,165)	**(94,382)**
Post-employment benefits and employee benefits	(14,963)	(12,213)	(58,548)	**(85,724)**
Net tax assets (liabilities)	344,752	(37,215)	(8,830)	**298,708**
Working capital	**361,560**	**(233,167)**	**38,298**	**166,691**
Net invested capital	**900,639**	**384,647**	**362,877**	**1,648,164**
Equity				945,552
Net financial position (indebtedness)				702,612
Total financial resources				**1,648,164**

(§) Restated to comply with IFRS 15.

Statement of financial position at 31 December 2018 by operating segment

(€'000)	Italy	Abroad	LANE Group	Total
Non-current assets	455,305	595,580	177,381	**1,228,266**
Assets held for sale, net	5,683	-	-	**5,683**
Provisions for risks	(30,767)	(49,144)	(4,302)	**(84,213)**
Post-employment benefits and employee benefits	(14,117)	(10,863)	(32,045)	**(57,025)**
Net tax assets (liabilities)	355,394	(113,711)	17,383	**259,066**
Working capital	**128,062**	**446,352**	**(134,499)**	**439,915**
Net invested capital	**899,560**	**868,214**	**23,918**	**1,791,692**
Equity				932,064
Net financial position (indebtedness)				859,628
Total financial resources				**1,791,692**

Statement of financial position

7. Property, plant and equipment

Property, plant and equipment amount to €415.9 million, down from the 31 December 2017 figure by €259.3 million. The historical cost and carrying amount are given in the following table:

(€'000)	31 December 2017 Cost	Acc. depreciation	Carrying amount	31 December 2018 Cost	Acc. depreciation	Carrying amount
Land	53,249	-	53,249	10,059		10,059
Buildings	149,300	(67,945)	81,355	134,784	(76,993)	57,791
Plant and machinery	1,185,790	(739,995)	445,795	1,008,121	(713,084)	295,037
Industrial and commercial equipment	118,389	(99,314)	19,075	118,144	(104,151)	13,993
Other assets	97,657	(50,705)	46,952	57,372	(49,527)	7,845
Assets under const. and payments on account	28,851		28,851	31,216		31,216
Total	**1,633,236**	**(957,959)**	**675,277**	**1,359,696**	**(943,754)**	**415,941**

Prior year changes are summarised below:

(€'000)	31 December 2016	Increases	Depreciation	(Imp. losses)/ Reversals of imp. losses	Reclass.	Disposals	Exchange gains (losses) and other changes	Change in consolidation scope	31 December 2017
Land	60,107	255	-	-	-	(311)	(6,801)	-	53,249
Buildings	82,994	17,225	(14,074)	1,822	(152)	(1,104)	(5,136)	(220)	81,355
Plant and machinery	554,329	127,612	(145,763)	-	(18,406)	(44,459)	(27,392)	(126)	445,795
Industrial and commercial equipment	15,981	14,088	(14,021)	-	4,714	(825)	(862)	-	19,075
Other assets	55,521	3,467	(4,521)	-	(2,165)	(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**	**(178,379)**	**1,822**	**(16,328)**	**(58,020)**	**(47,246)**	**-**	**675,277**

Changes during the year are summarised below:

(€'000)	31 December 2017	Increases	Depreciation	Reversals of imp. losses (Imp. losses)/Reval.	Reclass.	Disposals	Exchange gains (losses) and other changes	Change in consolidation scope	31 December 2018
Land	53,249	35	-	-	-	(45,585)	2,360	-	10,059
Buildings	81,355	2,575	(12,746)	346	1,261	(16,047)	911	137	57,791
Plant and machinery	445,795	98,983	(106,731)	2,725	12,598	(155,579)	(2,760)	6	295,037
Industrial and commercial equipment	19,075	4,440	(8,470)	209	585	(1,121)	(725)	-	13,993
Other assets	46,952	1,445	(4,045)	85	230	(38,464)	1,633	8	7,845
Assets under const. and payments on account	28,851	16,715	-	-	(14,674)	(376)	700	-	31,216
Total	**675,277**	**124,193**	**(131,992)**	**3,365**	**-**	**(257,172)**	**2,119**	**151**	**415,941**

The most significant changes include:

- increases of €124.2 million, mainly related to investments for the Tajikistani project (€38.9 million), Lane (€36.3 million) and the Collegamenti Integrati Veloci consortium (CO.C.I.V.) (€22.2 million);
- depreciation for the year of €132.0 million;
- disposals of €257.2 million, principally related to plant and machinery. These disposals mostly refer to the sale of Lane's Plants & Paving Division;
- revaluations/impairment losses, mostly related to the application of IAS 29 to the Riachuelo contract in Argentina (see note 4).

The closing balance includes leased assets of €79.7 million, mostly plant and machinery.

8. Intangible assets

Intangible assets amount to €199.4 million, down from the 31 December 2017 figure by €10.7 million. The historical cost and carrying amount are given in the following table:

	31 December 2017			31 December 2018		
(€'000)	Cost	Acc. amortisation	Carrying amount	Cost	Acc. amortisation	Carrying amount
Rights to infrastructure under concession	47,766	(2,621)	45,145	59,367	(3,011)	56,356
Contract costs	291,521	(128,155)	163,366	268,377	(127,260)	141,117
Other	8,084	(6,542)	1,542	6,301	(4,418)	1,883
Total	**347,371**	**(137,318)**	**210,053**	**334,045**	**(134,689)**	**199,356**

Rights to infrastructure under concession of €56.4 million increased compared to 31 December 2017.

Prior year changes are as follows:

(€'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**

Changes of the year are detailed in the following table:

(€'000)	31 December 2017	Increases	Amortisation	Net revaluations	Net exchange losses	Reclassifications	31 December 2018
SA.BRO.M.	43,809	158					43,967
Corso del Popolo S.p.A.	-		(376)			10,229	9,853
Mercovia	1,336	201	(772)	2,395	(624)		2,536
Total	**45,145**	**359**	**(1,148)**	**2,395**	**(624)**	**10,229**	**56,356**

This item mainly comprises the design costs incurred by SA.BRO.M., including the borrowing costs capitalised in accordance with IAS 23, which the Group expects to recover based on the outcome of the contract. The item is not amortised as the concession is currently inoperative. More information is available in the "Main risk factors and uncertainties" section of the Directors' report.

The reclassifications of €10.2 million refer to the carrying amount of the Corso del Popolo car park in Terni, which was recognised under "Non-current financial assets" at 31 December 2017. The reclassification was necessary due to the Terni Court's ruling of 3 December 2018 which unexpectedly declared the subconcession contract terminated due to the default of Corso del Popolo S.p.A. as it had not started the procedures envisaged in the economic and financial plan provided for in the concession contract agreed with the Terni municipal authorities. Supported by its legal advisors, the company will appeal against this ruling which it deems is seriously unfair and detrimental to its rights.

No indications of impairment were identified during the year and, therefore, the Group did not perform the impairment test.

Contract costs of €141.1 million decreased by €22.2 million on 31 December 2017. They comprise contract acquisition costs, the incremental costs of obtaining the contract and costs to fulfil the contract.

On 1 January 2018, the Group adopted IFRS 15 with retrospective effect. This standard introduced new guidance for the recognition of contract costs with the recognition of the incremental costs of obtaining a contract and the costs to fulfil the contract under assets. These costs are amortised in line with the percentage of completion of the related contracts. Note 2 "Changes in standards" sets out this guidance.

Prior year changes are as follows:

Contract acquisition costs

(€'000)	31 December 2016	Increases	Amortisation	Net exchange losses	Reclass.	31 December 2017
Cociv (Milan - Genoa railway section)	39,681		(3,539)			36,142
Ryadh metro - Saudi Arabia	38,832		(10,997)			27,835
Iricav Due (Verona - Padua railway section)	12,510					12,510
Other	10,723		(6,701)	(114)	(551)	3,357
Total	**101,746**	**-**	**(21,237)**	**(114)**	**(551)**	**79,844**

Incremental costs of obtaining a contract

(€'000)	31 December 2016	Increases	Amortisation	Net exchange losses	Reclass.	31 December 2017
Cociv			163		(163)	-
Riachuelo - Argentina	859		(97)	(159)	(202)	401
Forrestfield Airport Link			(365)		365	-
Total	**859**	**-**	**(299)**	**(159)**	**-**	**401**

Costs to fulfil a contract

(€'000)	31 December 2016	Increases	Amortisation	Net exchange losses	Reclass.	31 December 2017
Cociv (Milan - Genoa railway section)	89,526		(7,659)			81,867
Ryadh Metro - Saudi Arabia	385		(100)	(41)		244
SANG - Riyadh - Saudi Arabia	105		(28)	(11)		66
Forrestfield Airport Link	991			(46)		945
Total	**91,007**	**-**	**(7,787)**	**(98)**	**-**	**83,122**

A breakdown of the item and changes of the year are shown below:

Contract acquisition costs

(€'000)	31 December 2017	Increases	Amortisation	Net exchange losses	IFRS 5	31 December 2018
Cociv (Milan - Genoa railway section)	36,142		(2,833)			33,309
Riyadh metro - Saudi Arabia	27,835		(10,780)			17,055
Iricav Due (Verona - Padua railway	12,510					12,510
Other	3,357		(1,383)	(141)	(161)	1,672
Total	**79,844**	**-**	**(14,996)**	**(141)**	**(161)**	**64,546**

Incremental costs of obtaining a contract

(€'000)	31 December 2017	Increases	Amortisation	Net exchange gains	Reclassific- ations	31 December 2018
Riachuelo - Argentina	401		(141)	71		331
Forrestfield Airport Link			(303)	(42)	945	600
Total	**401**	**-**	**(444)**	**29**	**945**	**931**

Costs to fulfil a contract

(€'000)	31 December 2017	Increases	Amortisation	Net exchange gains	Reclassific- ations	31 December 2018
Cociv (Milan - Genoa railway section)	81,867		(6,425)			75,442
Riyadh metro - Saudi Arabia	244		(96)	9		157
SANG - Riyadh - Saudi Arabia	66		(26)	1		41
Forrestfield Airport Link	945				(945)	-
Total	**83,122**	**-**	**(6,547)**	**10**	**(945)**	**75,640**

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.

With respect to the item "IRICAV Due (Verona - Padua railway 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 €1.9 million, in line with the 31 December 2017 figure. The historical cost and carrying amount are given in the following table:

(€'000)	31 December 2017 Cost	Acc. amortisation	Carrying amount	31 December 2018 Cost	Acc. amortisation	Carrying amount
Industrial patents	154	(77)	77	168	(100)	68
Concessions	64	(64)	-	64	(64)	-
Software	6,961	(5,584)	1,377	4,451	(3,370)	1,081
Other	905	(817)	88	1,618	(884)	734
Total	**8,084**	**(6,542)**	**1,542**	**6,301**	**(4,418)**	**1,883**

Prior year changes are as follows:

(€'000)	31 December 2016	Increases	Amortisation	Reclassific-ations	Disposals	Net exchange losses	Change in consolidation 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**

Changes during the year are set out below:

(€'000)	31 December 2017	Increases	Amortisation	Other changes	Disposals	Net exchange losses	Change in consolidation scope	31 December 2018
Industrial patents	77	17	(23)			(3)		68
Software	1,377	720	(833)			(183)		1,081
Other	88	713	(66)			(1)		734
Total	**1,542**	**1,450**	**(922)**	**-**	**-**	**(187)**	**-**	**1,883**

The increases mainly relate to IT programmes of Lane Group and the group entities involved in water treatment projects in Istanbul, Turkey.

9. Goodwill

Goodwill of €74.7 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 2016	Increases	Impairment losses	Net exchange losses	31 December 2017
Lane Group (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**

Changes during the year are set out below:

(€'000)	31 December 2017	Increases	Sale of Plants & Paving Division	Net exchange gains	31 December 2018
Lane Group (04/01/16)	131,298	-	(62,863)	6,278	74,713
Asphalt Roads and Materials Co. assets (04/04/16)	23,881	-	(25,242)	1,361	-
Total	**155,179**	**-**	**(88,105)**	**7,639**	**74,713**

The balance of €88.1 million related to the Plants & Paving Division is based on the information obtained at the disposal date of Lane's Plants & Paving Division (12 December 2018).

The recoverability of the carrying amounts related to Lane 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: 2.0%;
- post-tax discount rate: 7.7%

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 five-year 2019-2023 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, considering the potential effect of changes in the reference parameters of the discount rate (+23.5%) and terminal value (reduction of 93%).

The Group tested goodwill for impairment at the reporting date, supported by independent experts who carried out an independent business review, which showed that the CGU's recoverable amount exceeds its carrying amount (net invested capital).

10. Equity investments

Equity investments increased by €221.6 million to €538.3 million.

(€'000)	31 December 2017	31 December 2018	Variation
Investments in equity-accounted investees	314,227	536,523	222,296
Other equity investments	2,452	1,734	(718)
Total	**316,679**	**538,257**	**221,578**

The main changes that led to differences in the carrying amounts of the equity investments are summarised below:

(€'000)	31 December 2017	31 December 2018
Change in consolidation scope	1,839	-
Capital transactions	58,813	296,583
Acquisitions, capital injections and disinvestments	(4,035)	(3,185)
Share of profit (loss) of equity-accounted investees	94,088	(29,924)
Dividends from equity-accounted investees	(20,091)	(17,625)
Other changes including change in the translation reserve	(15,403)	(24,271)
Total	**115,211**	**221,578**

The €221.6 million increase in equity investments is chiefly a result of the following factors:

- the increase in the Grupo Unidos por el Canal investment, mainly due to injections and payments made on its behalf of €267.0 million;
- the increase in Lane Industries' equity investments due to capital transactions of €28.6 million;
- the decrease in equity-accounted investments following recognition of the Group's share of their profits for the year of €29.9 million and dividends of €17.6 million.

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 and the Argentine operators.

The Group tested the investment in Autopistas del Sol S.A. for impairment using its 2019-2030 business plan, including with the assistance of an independent expert. Its cash flows were discounted using a cost of equity rate of 21.4% (24.3% in the 2019-2020 period and 17.3% in the 2023-2030 period) to calculate the investment's recoverable amount. It 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 tested the investment in Ochre Solutions Holdings Ltd for impairment using the English operator's 2019-2039 business plan. Its cash flows were discounted using a cost of equity rate of 5.7% (2017: 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 2019-2028 business plan. Its cash flows were discounted using a cost of equity rate of 8.3% (2017: 6.9%) 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 and, therefore, it was not necessary to recognise an impairment loss.

The key figures of the equity-accounted investees are set out below.

Investments in equity-accounted investees and other equity investments

Investments in equity-accounted investees and other equity investments increased to €538.2 million by €221.6 million compared to 31 December 2017:

(€'000)	31 December 2017	31 December 2018	Variation
Investments in associates	180,055	135,067	(44,987)
Investments in jointly controlled entities	134,172	401,456	267,283
Investments in other companies	2,452	1,734	(718)
Total	**316,679**	**538,257**	**221,578**

The increase is principally due to capital injections to the jointly controlled entity Grupo Unidos por el Canal, payments made on its behalf and changes in the Lane Group joint ventures during the year.

The assets and liabilities of some investees measured using the equity method include claims for additional consideration as its payment is considered highly probable, based also on the legal and technical opinions of the Group's advisors. More information is available in the "Main risk factors and uncertainties" section of the Directors' report.

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), decreased to €1.8 million by €2.3 million compared to 31 December 2017:

(€'000)	31 December 2017	31 December 2018	Variation
Investments in associates	(1,511)	(1,507)	4
Investments in jointly controlled entities	(2,477)	(59)	2,418
Investments in other companies	(134)	(234)	(100)
Total	**(4,122)**	**(1,800)**	**2,322**

The amount recognised in profit or loss is as follows:

(€'000)	2017	2018	Variation
Investments in associates	85,327	(8,237)	(93,564)
Investments in jointly controlled entities	11,405	(21,259)	(32,664)
Investments in other companies	47	(107)	(154)
Total	**96,779**	**(29,603)**	**(126,382)**

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 2018 and 2017, 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. For the purposes of classification under IFRS 10 and 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 2018 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
Consorcio Agua Azul S.A.	Peru	n/a	25.5%	(1)	Equity
Yuma Concessionaria S.A.	Colombia	n/a	48.33%	(2)	Equity
Metro de Lima 2 S.A.	Peru	n/a	18.25%	(3)	Equity
Autopista del Sol S.A.	Argentina	n/a	19.82%	(4)	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 by the sub holding company Impregilo International Infrastructures N.V. and has a concession contract expiring in 2027 for the integrated water cycle in Lima, Peru. 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 directly by Salini Impregilo S.p.A., and indirectly through Impregilo International Infrastructures N.V., and has a concession contract for the third motorway lot of the Ruta del Sol project in Colombia. The contract expires in 2036. The governance system requires majority resolutions and Salini Impregilo's investment percentage means it can be classified as an associate. The subsection on "Concessions" in the "Abroad" section in the Directors' report provides details of the concession's term;

(3) 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;

(4) the company is held by the sub holding company Impregilo International Infrastructures N.V. and has a concession contract for the operation of the Buenos Aires Norte access infrastructure expiring in 2030.

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.

Agua Azul (Peru)

€'000	31/12/2017	31/12/2018
Non-current assets		
Property, plant and equipment and intangible assets	17,871	16,243
Total non-current assets	**17,871**	**16,243**
Current assets		
Cash and cash equivalents and other	3,438	5,513
Other current assets	3,655	3,691
Total current assets	**7,093**	**9,204**
Total assets	**24,964**	**25,447**
Equity	**23,892**	**24,181**
Non-current liabilities		
Non-current financial liabilities	-	-
Other non-current liabilities	10	11
Total non-current liabilities	**10**	**11**
Current liabilities		
Current financial liabilities		
Other current liabilities	1,062	1,255
Total current liabilities	**1,062**	**1,255**
Total liabilities	**24,964**	**25,447**

Yuma (Colombia)

€'000	31/12/2017	31/12/2018
Non-current assets		
Property, plant and equipment and intangible assets	189,538	184,808
Total non-current assets	**189,538**	**184,808**
Current assets		
Cash and cash equivalents and other	2,583	9,559
Other current assets	4,723	57,884
Total current assets	**7,306**	**67,443**
Total assets	**196,844**	**252,251**
Equity	**22,892**	**3,908**
Non-current liabilities		
Non-current financial liabilities	34,914	80,102
Other non-current liabilities		165
Total non-current liabilities	**34,914**	**80,267**
Current liabilities		
Current financial liabilities	90,776	108,853
Other current liabilities	48,262	59,223
Total current liabilities	**139,038**	**168,076**
Total liabilities	**196,844**	**252,251**

Agua Azul (Peru)

€'000 Group share	31/12/2017	31/12/2018
Opening equity	**6,890**	**6,092**
Comprehensive income attributable to the owners of the parent	402	1,162
Dividends distributed	(1,200)	(1,088)
Closing equity	**6,092**	**6,166**
Carrying amount	**6,092**	**6,166**

Yuma (Colombia)

€'000 Group share	31/12/2017	31/12/2018
Opening equity	**13,324**	**11,063**
Comprehensive expense attributable to the owners of the parent	(2,261)	(9,175)
Dividends distributed		
Closing equity	**11,063**	**1,888**
Carrying amount	**11,063**	**1,888**

Agua Azul (Peru)

€'000	2017	2018
Revenue	12,875	12,255
Operating expenses	(6,958)	(6,155)
Operating profit	**5,917**	**6,100**
Net financing costs (income)	(180)	183
Profit before tax	**5,737**	**6,283**
Income taxes	(1,812)	(1,889)
Profit from continuing operations	**3,925**	**4,394**
Other comprehensive income (expense)	(2,350)	164
Comprehensive income	**1,575**	**4,558**

Yuma (Colombia)

€'000	2017	2018
Revenue	81,375	36,978
Operating expenses	(83,902)	(39,855)
Gross operating loss	**(2,527)**	**(2,877)**
Net financing costs (income)	1,895	(16,126)
Loss before tax	**(632)**	**(19,003)**
Income taxes	(992)	(331)
Loss from continuing operations	**(1,624)**	**(19,334)**
Other comprehensive income (expense)	(3,052)	350
Comprehensive expense	**(4,676)**	**(18,984)**

Metro de Lima 2 S.A. (Peru)

€'000	31/12/2017	31/12/2018
Non-current assets		
Property, plant and equipment and intangible assets	149	40
Non-current financial assets	-	-
Total non-current assets	**149**	**40**
Current assets		
Cash and cash equivalents and other financial assets	27,529	11,432
Other current assets	288,873	368,010
Total current assets	**316,402**	**379,442**
Total assets	**316,551**	**379,482**
Equity	**116,378**	**128,271**
Non-current liabilities		
Non-current financial liabilities	-	-
Other non-current liabilities	5,405	4,507
Total non-current liabilities	**5,405**	**4,507**
Current liabilities		
Current financial liabilities	52,053	18,250
Other current liabilities	142,715	228,454
Total current liabilities	**194,768**	**246,704**
Total liabilities	**316,551**	**379,482**

Autopista del Sol S.A.

€'000	31/12/2017	31/12/2018
Non-current assets		
Property, plant and equipment and intangible assets	11,311	287,272
Non-current financial assets	416,115	38,364
Total non-current assets	**427,426**	**325,636**
Current assets		
Cash and cash equivalents and other financial assets	22,835	18,082
Other current assets	9,287	35,922
Total current assets	**32,122**	**54,004**
Total assets	**459,548**	**379,640**
Equity	**421,552**	**209,269**
Non-current liabilities		
Non-current financial liabilities	3,647	46,807
Other non-current liabilities	9,074	70,090
Total non-current liabilities	**12,721**	**116,897**
Current liabilities		
Current financial liabilities	-	-
Other current liabilities	25,275	53,474
Total current liabilities	**25,275**	**53,474**
Total liabilities	**459,548**	**379,640**

Metro de Lima 2 S.A. (Peru)

€'000 Group share	31/12/2017	31/12/2018
Opening equity	**23,081**	**21,239**
Comprehensive income (expense) attributable to the owners of the parent	(1,842)	2,170
Dividends distributed	-	-
Capital increases and other variations	-	
Closing equity	**21,239**	**23,409**
Carrying amount	**21,239**	**23,409**

Autopista del Sol S.A.

€'000 Group share	31/12/2017	31/12/2018
Opening equity	**-**	**83,552**
Comprehensive income (expense) attributable to the owners of the parent	90,192	(46,295)
Dividends distributed	(6,640)	(8,407)
Capital increases and other variations	-	12,627
Closing equity	**83,552**	**41,477**
Carrying amount	**83,552**	**41,477**

Metro de Lima 2 S.A. (Peru)

€'000	2017	2018
Revenue	414,080	219,203
Operating expenses	(408,070)	(208,617)
Operating profit	**6,010**	**10,586**
Net financing costs (income)	1,743	(1,517)
Profit before tax	**7,753**	**9,069**
Income taxes	(2,211)	(2,889)
Profit from continuing operations	**5,542**	**6,180**
Other comprehensive income (expense)	(15,633)	5,713
Comprehensive income (expense)	**(10,091)**	**11,893**

Autopista del Sol S.A.

€'000	2017	2018
Revenue	560,169	85,495
Operating expenses	(94,831)	(298,101)
Operating profit (loss)	**465,338**	**(212,606)**
Net financing income	1,888	145,643
Profit (loss) before tax	**467,226**	**(66,963)**
Income taxes	(12,723)	30,229
Profit (loss) from continuing operations	**454,503**	**(36,734)**
Other comprehensive income (expense)	556	(197,578)
Comprehensive income (expense)	**455,059**	**(234,312)**

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 through its subsidiary Impregilo International Infrastructures N.V.. 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 build 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 million plus interest accrued from the effective date of the new concession up to the actual payment;
- a new 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 million 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 million 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 million 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 million 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 31 December 2017, the Argentine government was clearly willing to proceed with the definitive approval of the new concession. Specifically:

- the substance of the renegotiation agreement process had been completed at 31 December 2017 and the acts still to be completed for the definitive approval of the new concession were mostly formal. Accordingly, the execution of the agreement with the Argentine government was 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.

Based on the above, making it possible to quantify the positive outcome of the negotiation, and considering that the compensation refers to damage incurred and not to future concession services, the Group recognised the portion pertaining to it (€83 million) of the compensation in profit or loss in 2017.

The renegotiation agreement with the Argentine government was signed in June 2018 and confirmed the payment of USD499 million to Ausol as compensation for the damage incurred by it due to the enforcement of the law. It also confirmed that this payment has a compensation nature and, hence is not the consideration for the motorway's operation up to the end of the new concession term. It is, therefore, compensation of damage.

In 2018, the equity-accounted investment's carrying amount decreased by approximately €42 million as a result of the following:

- a dividend payout of €8 million;
- the depreciation of the Argentine peso against the Euro, which was partly offset by the recalculation of the accounting balances to reflect hyperinflation; the net balance of these two components led to recognition of an impairment loss of €27 million;
- the Group's share of the loss for the year of €7 million. The loss includes the adjustment to the compensation recognised in 2017 of approximately USD173 million (USD34 million for the Group). It was recognised to reflect a change in the collection timeline compared to that originally envisaged and an estimate of the loss allowance in accordance with IFRS 9.

Based on the information available at 30 June 2018, the Group had classified the investment in Autopistas del Sol S.A. under non-current assets held for sale in its 2018 Interim Financial Report.

As the ongoing negotiations with the potential buyers have not been finalised, the Group held that the conditions of IFRS 5 are no longer met for classification of Ausol under non-current assets held for sale.

Significant restrictions

At the date of preparation of this Report, there were no restrictions on the associates' ability to transfer dividends, repay loans or advances from 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 joint ventures and associates. Any related risks 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
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
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 risk factors 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 venture 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 venture as per the shareholder agreements.

The information shown reflects the carrying amounts in the joint ventures' financial statements, adjusted to comply with group accounting policies.

Fluor Lane South Caroline

€'000	31/12/2017	31/12/2018
Non-current assets		
Property, plant and equipment and intangible assets	-	-
Total non-current assets	**-**	**-**
Current assets		
Cash and cash equivalents and other financial assets	12,727	5,100
Other current assets	3,651	10,858
Total current assets	**16,378**	**15,958**
Total assets	**16,378**	**15,958**
Equity	**2,731**	**7,107**
Non-current liabilities		
Current liabilities		
Other current liabilities	13,647	8,851
Total current liabilities	**13,647**	**8,851**
Total liabilities	**16,378**	**15,958**

Unionport Bridge

€'000	31/12/2017	31/12/2018
Non-current assets		
Property, plant and equipment and intangible assets	379	406
Total non-current assets	**379**	**406**
Current assets		
Cash and cash equivalents and other financial assets	5,022	3,376
Other current assets	4,276	22,458
Total current assets	**9,298**	**25,834**
Total assets	**9,677**	**26,240**
Equity	**5,133**	**12,836**
Non-current liabilities		
Current liabilities		
Other current liabilities	4,544	13,404
Total current liabilities	**4,544**	**13,404**
Total liabilities	**9,677**	**26,240**

Fluor Lane South Caroline

€'000 Group share	31/12/2017	31/12/2018
Opening equity	**498**	**1,229**
Comprehensive income attributable to the owners of the parent	1,209	1,970
Dividends distributed	(478)	
Capital increases and other variations	-	-
Closing equity	**1,229**	**3,199**
Carrying amount	**1,229**	**1,298**

Unionport Bridge

€'000 Group share	31/12/2017	31/12/2018
Opening equity	**-**	**2,310**
Net income for the year	79	2,399
Dividends distributed	-	-
Capital increases and other variations	2,231	1,067
Closing equity	**2,310**	**5,776**
Carrying amount	**2,310**	**5,776**

Fluor Lane South Caroline

€'000	2017	2018
Revenue	41,089	64,624
Operating expenses	(38,273)	(60,571)
Operating profit	**2,816**	**4,053**
Net financing income	117	65
Profit before tax	**2,933**	**4,118**
Profit from continuing operations	**2,933**	**4,118**
Profit for the year	**2,933**	**4,118**
Other comprehensive income (expense)	(246)	259
Comprehensive income	**2,687**	**4,377**

Unionport Bridge

€'000	2017	2018
Revenue	5,570	48,208
Operating expenses	(5,078)	(43,347)
Operating profit	**492**	**4,861**
Net financing costs (income)	-	-
Profit before tax	**492**	**4,861**
Profit from continuing operations	**492**	**4,861**
Profit for the year	**492**	**4,861**
Other comprehensive income (expense)	(316)	471
Comprehensive income	**176**	**5,332**

Purple Line Tr. Constr. (Lane)		
€'000	31/12/2017	31/12/2018
Non-current assets		
Property, plant and equipment and intangible assets	4,980	12,313
Non-current financial assets	18	3,764
Total non-current assets	**4,998**	**16,077**
Current assets		
Cash and cash equivalents and other financial assets	120,710	112,755
Other current assets	13,637	23,357
Total current assets	**134,347**	**136,112**
Total assets	**139,345**	**152,189**
Equity	**28,463**	**8,489**
Non-current liabilities		
Current liabilities		
Other current liabilities	110,882	143,700
Total current liabilities	**110,882**	**143,700**
Total liabilities	**139,345**	**152,189**

Skanska Granite Lane		
€'000	31/12/2017	31/12/2018
Non-current assets		
Property, plant and equipment and intangible assets	18	-
Non-current financial assets	-	-
Total non-current assets	**18**	**-**
Current assets		
Cash and cash equivalents and other financial assets	22,595	4,663
Other current assets	67,890	78,130
Total current assets	**90,485**	**82,793**
Total assets	**90,503**	**82,793**
Equity (deficit)	**(8,249)**	**13,869**
Non-current liabilities		
Current liabilities		
Other current liabilities	98,752	68,924
Total current liabilities	**98,752**	**68,924**
Total liabilities	**90,503**	**82,793**

Purple Line Tr. Constr. (Lane)		
€'000 Group share	31/12/2017	31/12/2018
Opening equity	**4,921**	**8,539**
Comprehensive income attributable to the owners of the parent	3,618	1,629
Dividends distributed	-	(7,621)
Capital increases and other variations	-	-
Closing equity	**8,539**	**2,547**
Carrying amount	**8,539**	**2,547**

Skanska Granite Lane		
€'000 Group share	31/12/2017	31/12/2018
Opening equity (deficit)	**7,207**	**(2,475)**
Comprehensive income (expense) attributable to the owners of the parent	941	(18,767)
Dividends distributed	(10,623)	
Capital increases and other variations	-	25,403
Closing equity (deficit)	**(2,475)**	**4,161**
Carrying amount	**(2,475)**	**4,161**

Purple Line Tr. Constr. (Lane)		
€'000	2017	2018
Revenue	144,364	162,247
Operating expenses	(128,816)	(160,140)
Operating profit	**15,548**	**2,107**
Net financing income	1,217	2,622
Profit before tax	**16,765**	**4,729**
Profit from continuing operations	**16,765**	**4,729**
Profit for the year	**16,765**	**4,729**
Other comprehensive income (expense)	(4,703)	700
Comprehensive income	**12,062**	**5,429**

Skanska Granite Lane		
€'000	2017	2018
Revenue	450,958	368,120
Operating expenses	(447,100)	(431,588)
Operating profit (loss)	**3,858**	**(63,468)**
Net financing income	787	617
Profit (loss) before tax	**4,645**	**(62,851)**
Profit (loss) from continuing operations	**4,645**	**(62,851)**
Profit (loss) for the year	**4,645**	**(62,851)**
Other comprehensive income (expense)	(1,508)	295
Comprehensive income (expense)	**3,137**	**(62,556)**

Gupc (Panama)		
	31/12/2017	31/12/2018
€'000		
Non-current assets		
Property, plant and equipment and intangible assets	6,665	783
Total non-current assets	**6,665**	**783**
Current assets		
Cash and cash equivalents and other financial assets	5,116	2,537
Other current assets	627,050	1,220,172
Total current assets	**632,166**	**1,222,709**
Total assets	**638,831**	**1,223,492**
Deficit	**(473,710)**	**(518,416)**
Non-current liabilities		
Other non-current liabilities	212	208
Total non-current liabilities	**212**	**208**
Current liabilities		
Current financial liabilities	493,585	783,513
Other current liabilities	618,745	958,187
Total current liabilities	**1,112,330**	**1,741,700**
Total liabilities	**638,832**	**1,223,492**

Gupc (Panama)		
	31/12/2017	31/12/2018
€'000 Group share		
Opening deficit	**(214,700)**	**(181,905)**
Comprehensive income (expense) attributable to the owners of the parent	32,795	(17,167)
Closing deficit	**(181,905)**	**(199,072)**
Loan asset	282,169	562,198
Carrying amount	100,264	363,126

Gupc (Panama)		
	2017	2018
€'000		
Revenue	182,537	85,367
Operating expenses	(125,978)	(63,715)
Operating profit	**56,559**	**21,652**
Net financing costs	(37,726)	(43,210)
Profit (loss) before tax	**18,833**	**(21,558)**
Income taxes	(29)	(6)
Profit (loss) from continuing operations	**18,804**	**(21,564)**
Other comprehensive income (expense)	66,601	(23,143)
Comprehensive income (expense)	**85,405**	**(44,707)**

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 interest in associates and joint ventures

Commitments

The Group has the following commitments vis-à-vis its associates and joint ventures:

(€'000)	31 December 2017	31 December 2018	Variation
Commitments	1,913,886	1,743,937	(169,949)

The decrease is mainly due to the reduction in the guarantees given on behalf of Grupo Unidos por el Canal (€226.2 million), the operator Yuma (€52.8 million) and the operator Metro de Lima 2 (€17.2 million), partly offset by the increase in guarantees issued on behalf of the non-consolidated joint ventures of Lane Group (€147.6 million).

Joint operations

The Group is involved in the following main joint operations: Civil Work Group (Saudi Arabia), South Al Mutlaa (Kuwait), Arge Tulfes Pfons (Austria) and NGE Genie Civil S.a.s. – Salini Impregilo S.p.A. (France).

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.

NGE Genie Civil S.a.s. - Salini Impregilo S.p.A. (France) is 50% held by Salini Impregilo and is engaged in the civil works for the Paris metro as part of the Gran Paris Express project (Line 16, Lot 2 and Line 14, Lot 4).

The above operations are governed by joint control arrangements as resolutions of the governing bodies require a unanimous vote. While they are separate vehicles, they are structured to guarantee 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 €235.7 million are analysed in the following table:

(€'000)	31 December 2017	31 December 2018	Variation
Other financial assets	14,553	10,899	(3,654)
Loans and receivables - unconsolidated group companies and other related parties	84,928	111,747	26,819
Loans and receivables - third parties	88,987	113,045	24,058
Derivatives	226	-	(226)
Total	**188,694**	**235,691**	**46,997**

The other financial assets include unlisted guaranteed-return securities which mature after one year. They amount to €10.9 million at the reporting date (31 December 2017: €14.6 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 €111.7 million (31 December 2017: €84.9 million) mainly relate to loans granted to the UK associate Ochre Holding (€12.6 million), the SPE Linea M4 S.p.A. (€19.4 million) and OIV Tocoma (€29.4 million; €117.7 million gross net of the loss allowance of €88.3 million). Greater details are available in note 15 "Trade receivables" (paragraph on "Impairment - Venezuela"). The balance also includes €42.7 million due from YUMA (more information is available in the "Main risk factors and uncertainties" section of the Directors' report).

Loans and receivables - third parties of €113.0 million increased by €24.1 million on 31 December 2017 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. Reference should be made to the "Main risk factors and uncertainties" section of the Directors' report for more information;
- €23.9 million related to the net investment in leases by the COCIV consortium for assets given to the subcontractors;
- €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 receivable was reclassified from current to non-current given the different timing involved in the settlement of the dispute. The "Main risk factors and uncertainties" section in the Directors' report provides more information;
- €7.7 million related to the concession held by the indirect subsidiary Piscine dello Stadio S.r.l..

Non-current loan assets decreased due to reclassification of the carrying amount of the car park in Corso del Popolo to Rights to infrastructure under concession (€9.9 million) while it was classified under non-current financial assets at 31 December 2017. This was necessary due to the Terni Court's ruling of 3 December 2018 which unexpectedly declared the subconcession contract terminated due to the default of Corso del Popolo S.p.A. as it had not started the procedures envisaged in the economic and financial plan provided for in the concession contract agreed with the Terni municipal authorities.

At 31 December 2017, "Derivatives" included the fair value of interest rate hedges.

The derivative recognised at 31 December 2017 was terminated in the second half of 2018 after Lane repaid the Unicredit loan.

This item is analysed below:

(€'000)	31 December 2017	31 December 2018
Interest rate swaps - Cash flow hedges	226	-
Total non-current derivatives shown in the net financial indebtedness	**226**	**-**

12. Deferred tax assets and liabilities

Deferred tax assets and liabilities amount to €205.4 million and €11.4 million at 31 December 2018, respectively. Changes of the year, shown in the following table, reflect adjustments made on the basis of the information available at the reporting date.

(€'000)	31 December 2017	31 December 2018	Variation
Deferred tax assets	172,400	205,386	32,986
Deferred tax liabilities	(29,733)	(11,374)	18,359

Changes in 2017 were as follows:

(€'000)	31 December 2016	Increases	Decreases	Net exchange gains (losses)	Change in consolidation scope	Change in tax rate	Reclass.	Other changes	31 December 2017
Deferred tax assets	328,578	131,297	(29,993)	(148,277)	-	-	-	(83,008)	198,597
Offsetting	(169,505)	-	-	-	-	-	-	143,308	(26,197)
Net deferred tax assets (a)	**159,073**	**131,297**	**(29,993)**	**(148,277)**				**60,300**	**172,400**
Deferred tax liabilities	(276,749)	(34,886)	3,400	151,980	-	-	-	100,325	(55,930)
Offsetting	169,505	-	-		-	-	-	(143,308)	26,197
Net deferred tax liabilities	**(107,244)**	**(34,886)**	**3,400**	**151,980**		**-**	**-**	**(42,983)**	**(29,733)**

Changes in deferred tax assets and liabilities are set out below:

(€'000)	31 December 2017	Increases	Decreases	Net exchange gains	Change in consolidation scope	Change in tax rate	Reclass	Other changes	31 December 2018
Deferred tax assets	198,597	100,319	(50,945)	997	-	-	-	(15,450)	233,518
Offsetting	(26,197)	-	-	-	-	-	-	(1,936)	(28,133)
Net deferred tax assets	**172,400**	**100,319**	**(50,945)**	**997**				**(17,385)**	**205,386**
Deferred tax liabilities	(55,930)	(48,533)	26,636	1,223	(301)	-	-	37,398	(39,507)
Offsetting	26,197	-	-	-	-	-	-	1,936	28,133
Net deferred tax liabilities	**(29,733)**	**(48,533)**	**26,636**	**1,223**	**(301)**			**39,334**	**(11,374)**

The decrease is mainly due to the deferred taxes recognised in 2018 due to impairment losses on assets related to the construction of infrastructure in Venezuela and other temporary differences including principally those related to the unrealised exchange losses.

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 €192.3 million at the reporting date, as shown in the following table:

(€'000)	31 December 2017 Gross carrying	Allowance	Carrying amount	31 December 2018 Gross carrying	Allowance	Carrying amount	Variation
Real estate projects	20,834	(7,772)	13,062	20,823	(10,334)	10,489	(2,573)
Finished products and goods	4,905	-	4,905	5,183	-	5,183	278
Raw materials, consumables and supplies	225,520	(2,511)	223,009	179,705	(3,073)	176,632	(46,377)
Total	**251,259**	**(10,283)**	**240,976**	**205,711**	**(13,407)**	**192,304**	**(48,672)**

Real estate projects

Real estate projects amount to €10.5 million. They mainly relate to the real estate project of €9.0 million (net of the related allowance of €10.3 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 €5.2 million and €176.6 million, respectively, and mainly relates to materials and goods to be used for foreign contracts, including those in Ethiopia (€98.6 million), Venezuela (€13.0 million) and Tajikstan (€10.3 million).

The reduction in raw materials is mostly due to the sale of the Plants & Paving Division (€19.8 million).

The carrying amount of raw materials, consumables and supplies is net of an allowance of €3.1 million, analysed below.

Changes in the allowance in 2017 are shown below:

(€'000)	31 December 2016	Accruals	Utilisations	Reversals	Other changes	Net exchange losses	31 December 2017
Allowance - raw materials	2,583					(72)	2,511
Total	**2,583**	**-**	**-**	**-**	**-**	**(72)**	**2,511**

Changes in the allowance in 2018 are shown below:

(€'000)	31 December 2017	Accruals	Utilisations	Reversals	Other changes	Net exchange losses	31 December 2018
Allowance - raw materials	2,511	1,021	(343)	-	-	(116)	3,073
Total	**2,511**	**1,021**	**(343)**	**-**	**-**	**(116)**	**3,073**

14. Contract assets

Contract assets increased by €22.8 million to €1,512.9 million at the reporting date. They include contracts in Italy (€147.2 million) and abroad (€1,365.7 million, of which €24.5 million for Lane).

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 and advances:

(€'000)	31 December 2017	31 December 2018	Variation
Contract work in progress	29,603,723	26,530,643	(3,073,080)
Progress payments (on approved work)	(27,481,556)	(23,819,827)	3,661,729
Advances	(632,091)	(1,197,950)	(565,859)
Total contract assets	**1,490,076**	**1,512,866**	**22,790**

The main contract assets relate to the Copenhagen Cityringen metro in Denmark (€111.5 million), the Grand Ethiopian Renaissance Dam (GERD) (€109.2 million), the D1 Lietavskà Lùcka-Visnovè-Dubnà Skala motorway in Slovakia (€101.9 million), the Ruta del Sol motorway project in Colombia (€93.9 million), road projects in Poland (€91.4 million), the Doha metro and the Al Bayt Stadium in Al Khor City, Qatar (€80.9 million), the Sydney Northwest Project metro line in Australia (€79.0 million), the Meydan One Mall in Dubai (€78.1 million), the Thessaloniki metro in Greece (€74.4 million), the Orastie-Sibiu and Lugoj-Deva highway sections in Romania (€70.9 million) and the Rogun Hydropower Project for the hydroelectric plant on the Vakhsh River in Tajikistan (€69.6 million) as well as the railway projects in Venezuela (approximately €55.2 million net of impairment losses recognised on some assets related to the construction of infrastructure).

This item, comprising progress payments and advances, includes claims for additional consideration, the payment of which is deemed highly probable, based also on the legal and technical opinions of the Group's advisors (approximately €1,526 million). The additional consideration recognised in this item is part of the total consideration formally requested of the customers.

The advances mainly refer to the contract in Tajikistan (€266.6 million), reclassified to contract liabilities, the Gerd contract in Ethiopia (€207.4 million), the contract for the metro line in Denmark (€228.7 million) and the construction of a shopping mall in Dubai (€103.8 million).

The "Main risk factors and uncertainties" section in the Directors' report provides information on pending disputes and assets exposed to country risk. Note 15 "Trade receivables (paragraph on "Impairment – Venezuela" also provides information about this country.

The section on the "Performance by geographical segment" in the Directors' report provides more details about the contracts and the progress made on the main contracts.

A breakdown of contract assets by geographical segment is as follows:

(€'000)	31 December 2017	31 December 2018	Variation
Italy	296,727	147,202	(149,525)
EU (excluding Italy)	94,170	452,455	358,285
Non-EU	101,836	17,861	(83,975)
Asia/Middle East	492,909	311,730	(181,179)
Africa	192,362	295,080	102,718
America	224,075	209,557	(14,518)
Oceania	87,997	78,981	(9,016)
Total	**1,490,076**	**1,512,866**	**22,790**

15. Trade receivables

At 31 December 2018, trade receivables amount to €1,930.6 million, a net increase of €48.8 million compared to 31 December 2017. The item includes receivables of €138.4 million from unconsolidated group companies and other related parties.

It is analysed in the following table:

(€'000)	31 December 2017	31 December 2018	Variation
Third parties	1,747,549	1,792,229	44,680
Unconsolidated group companies and other related parties	134,264	138,410	4,146
Total	**1,881,813**	**1,930,639**	**48,826**

Trade receivables from third parties may be broken down as follows:

(€'000)	31 December 2017	31 December 2018	Variation
Third parties	1,994,014	2,125,958	131,944
Loss allowance	(246,465)	(333,729)	(87,264)
Total	**1,747,549**	**1,792,229**	**44,680**

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 increased by €44.7 million compared to 31 December 2017, mainly due to the contracts in Saudi Arabia, the South Al Mutlaa contract in Kuwait, the high speed/capacity Milan - Genoa railway section contract, the Al Khor City contract in Qatar and the contracts of HCE Group, partly offset by the reduction in trade receivables of the Plants & Paving Division after its sale of 12 December 2018.

This item mainly includes:

- €444.3 million from Ethiopian customers;
- €201.2 million due to Fibe by the Campania municipalities for its 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);

- €122.9 million from Lane Industries;
- approximately €86.2 million from Nigerian government agencies tested for impairment with the assistance of an independent expert. More information is available in the "Main risk factors and uncertainties" section in the Directors' report;
- a net amount of €79.6 million from Venezuelan customers, tested for impairment with the assistance of external experts and related to railway projects which are expected to be collected after one year (reference should be made to the "Main risk factors and uncertainties" section of the Directors' report for more information;
- €59.5 million from Ukravtodor (Ukraine) for fees awarded by the Paris International Court of Arbitration (the "Main risk factors and uncertainties" section of the Directors' report provides more information about this complicated situation and the directors' related assessments).

Retentions amount to €133.8 million at the reporting date compared to €120.4 million at 31 December 2017.

The loss allowance increased by €87.3 million to €333.7 million at the reporting date and includes impairment losses on trade receivables of €273.2 million (mostly for the Venezuelan and the Sierra Leone branches) and allowance on default interest of €60.5 million (mainly related to Fibe).

Impairment losses recognised during the year of €85.3 million are mainly attributable to the Venezuelan branch.

The next paragraph and the "Main risk factors and uncertainties" section in the Directors' report provide more information about the impairment losses related to the Venezuelan contracts.

Impairment - Venezuela

Assisted by its independent experts, the Group estimated the impairment losses on the Venezuelan assets in line with the approach taken in the 2017 consolidated financial statements starting from IFRS 9 and remodelling the amount and due dates of payments and estimating the effective interest rate (EIR). Specifically, the Group considered the following parameters to estimate amortised cost under IFRS 9:

- the nominal amount reduction;
- the total repayment delay and the repayment structure (equal or increasing instalments);
- the effective interest rate (EIR).

The interval for the nominal amount reduction (best scenario: 37% vs worst scenario: 51%) was defined using the sample obtained from last year's impairment test (2017). Specifically, the Group selected comparable cases from Professor Trebesch's database (187 cases of sovereign state default), considering the following drivers:

- geographical segment (Central and South America);
- private restructuring (exclusion of default events due to the restructuring of government bonds);

- intervention by international organisations, such as the IMF (no donor funded);
- episodes with a nominal amount reduction > 0%, as those with a zero impairment factor were mainly observed in far-off historical periods (usually before 1990).

The resulting 12-case sample shows an average nominal amount reduction of 22.2% and a standard deviation of 14.3%. In order to normalise the results, the lowest and highest nominal amount reductions of the sample have been excluded.

Given the: (i) the outlook for the main macroeconomic variables for Venezuela (IMF - World Economic Outlook 2017 vs 2018); (ii) the dramatic volatility of oil prices in the last 12 months and current price levels; (iii) Moody's downgrade in March 2018; and (iv) the country's uncertain political situation and social tensions, the Group defined confidence intervals, using the higher levels of these intervals to estimate the nominal impairment factors of its total exposure.

Specifically, considering a normal (truncated) nominal amount reduction sample, the Group calculated a range based on the following higher confidence intervals:

- best scenario: average + 1 x standard deviation = 22.2% + 1 x 14.3% = 37%.
- worst scenario: average + 2 x standard deviation = 22.2% + 2 x 14.3% = 51%.

In line with the assessments made in 2017, repayment assumptions were based on:

- empirical data in Professor Trebesch's analyses, which indicate an interval of around 1.5 - 2.5 years for the time necessary to restructure the country's outstanding national debt;
- a recent study of Moody's (2018) on repayment delays, which are expected to be around 4.5-5.5 years.

The Group considered two repayment plans: equal instalments or increasing instalments.

The EIR is 10.3% which, pursuant to IFRS 9 and the Group's calculation of amortised cost, is "the effective interest rate computed at initial recognition" of the total exposure. The Group adopted a build-up approach to estimate the EIR based on US treasury bonds, adjusted by the reference currency (Euro) and increased by Venezuela's country risk, analysing these inputs over the entire 2008-2018 ten-year period.

Specifically, based on the temporal stratification of the overall exposure from 2008 to 2018, the Group calculated the total EIR as the weighted average EIR of each year, using the annual ratios of exposures to the total outstanding amount at 31 December 2018 as the weights. Accordingly, the calculation of the above EIR only considers those current changes in risk premiums and interest rates that affect recently-originated exposures.

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.

The directors also considered market variables such as the price of the international bonds issued by Venezuela in hard currency (US dollars) when making their assessments in addition to the above technical approach.

Changes in the loss allowance in 2017 are shown in the following table:

(€'000)	31 December 2016	Impairment losses	Utilisations	Reversals	Change in consolidation scope	Other changes	Net exchange gains	31 December 2017
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**

Changes in the allowance in 2018 are shown in the next table:

(€'000)	31 December 2017	Impairment losses	Utilisations	Reversals	Change in consolidation scope	Reclassifications and other changes	Net exchange losses	31 December 2018
Trade receivables	186,871	85,307	(679)	(2,503)	(9)	5,018	(791)	273,214
Default interest	59,594	1,071	(35)	(171)			58	60,517
Total	**246,465**	**86,378**	**(714)**	**(2,674)**	**(9)**	**5,018**	**(733)**	**333,731**

Trade receivables from unconsolidated group companies and other related parties increased by €4.1 million to €138.4 million at 31 December 2018.

The item mainly comprises trade receivables from unconsolidated SPEs for work carried out by them under contracts with Italian and foreign public administrations.

The balance includes €1.1 million related to the Group's receivables with consortia and consortium companies (SPEs) that operate by recharging costs and are not included in the consolidation scope. It is equal to the Group's share of the SPEs' cash and cash equivalents.

A complete list of intragroup transactions is included at the end of these notes.

16. Derivatives and other current financial assets

At 31 December 2018, this item of €135.9 million (31 December 2017: €94.3 million) includes the following:

(€'000)	31 December 2017	31 December 2018	Variation
Loans and receivables - third parties	60,817	96,213	35,396
Loans and receivables - unconsolidated group companies and related parties	32,593	31,385	(1,208)
Government bonds and insurance shares	898	7,681	6,783
Derivatives	-	602	602
Total	**94,308**	**135,881**	**41,573**

The government bonds and insurance shares amount to €7.7 million compared to €0.9 million at 31 December 2017. The item principally comprises securities held by the Group's Argentine companies.

Loans and receivables - third parties mainly consist of:

- €47.5 million related almost entirely to the net investment in leases by the COCIV consortium for assets given to the subcontractors;
- approximately €33.3 million disbursed to non-controlling investors of the group companies, mainly active in the United Arab Emirates, the US and Saudi Arabia;

In 2018, the current loans and receivables of €17.8 million related to the subsidiary carrying out road works in Poland were fully impaired.

After the surety was enforced in 2017 as a result of the disputes with the customer about the Orastie – Sibiu motorway contract, the amount of €13.5 million due from the Romanian Ministry for Infrastructure and Transport was reclassified from current to non-current to reflect the changed timeline for settlement of the dispute. The "Main risk factors and uncertainties" section of the Directors' report provides more information.

Loans and receivables with unconsolidated group companies and other related companies mainly consist of:

- €18.0 million due from the related party G.A.B.I.RE. s.r.l., unchanged from 31 December 2017;
- €2.2 million due from Salini Costruttori S.p.A., relating to its participation in the VAT consolidation scheme. At 31 December 2017, this item amounted to €7.0 million.

Derivative include the reporting-date fair value of currency hedges that did not meet the criteria for application of hedge accounting for cash flow hedges under the IFRS.

This item is analysed below:

(€'000)	31 December 2017	31 December 2018
Forward currency purchases and sales - FVTPL	-	602
Total current derivatives shown in the net financial position	**-**	**602**

Forward currency purchases and sales - FVTPL

	Agreement date	Expiry date	Currency	Notional amount (€/000)	Fair value (€/000)
Salini Impregilo	19/12/2018	22/01/2019	USD	20,199	(148)
Salini Impregilo	24/12/2018	24/01/2019	USD	17,446	(13)
Salini Impregilo	26/11/2018	28/01/2019	USD	20,464	12
Salini Impregilo	30/10/2018	11/01/2019	USD	13,505	20
Salini Impregilo	10/12/2018	10/01/2019	USD	19,332	(134)
Salini Impregilo	20/12/2018	24/01/2019	USD	260,632	865
Total					**602**

17. Current tax assets and other current tax assets

Current tax assets amount to €112.1 million as follows:

(€'000)	31 December 2017	31 December 2018	Variation
Direct taxes	52,932	48,973	(3,959)
IRAP	1,118	2,046	928
Foreign direct taxes	78,990	61,083	(17,907)
Total	**133,040**	**112,102**	**(20,938)**

The 31 December 2018 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 decreased by €18.5 million to €146.2 million at the reporting date as follows:

(€'000)	31 December 2017	31 December 2018	Variation
VAT	148,487	132,114	(16,373)
Other indirect taxes	16,164	14,052	(2,112)
Total	**164,651**	**146,166**	**(18,485)**

VAT assets include €99.7 million due from the Italian taxation authorities and €32.7 million from foreign taxation authorities.

18. Other current assets

Other current assets of €640.3 million show an increase of €23.8 million on the previous year end and may be analysed as follows:

(€'000)	31 December 2017	31 December 2018	Variation
Other	236,687	235,737	(950)
Advances to suppliers	252,926	281,806	28,880
Unconsolidated group companies and other related parties	39,289	22,216	(17,073)
Prepayments and accrued income	87,525	100,510	12,985
Total	**616,427**	**640,269**	**23,842**

Specifically, “Other” includes:

- €71.4 million (substantially unchanged from 31 December 2017) 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;
- €28.9 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;
- €65.5 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);
- €11.4 million related to Lane mainly for insurance policies taken out for key management personnel.

Advances to suppliers increased by €28.9 million over 31 December 2017, due to the advances made mostly for the high speed/capacity Milan - Genoa railway contract, the Al Bayt Stadium in Qatar and the section of the transit way across two islands in Abu Dhabi in the United Arab Emirates. The increase was partly offset by the use of advances made in previous years for the hydroelectric projects in Tajikistan and Georgia, the road works in Poland, the works for the hospital in Turkey and the environmental remediation project in the Buenos Aires province.

The item “Unconsolidated group companies and other related parties” decreased by €17.1 million to €22.2 million at the reporting date due to the reduction in the amounts due from the US and Argentine investees engaged in the performance of works in California and Buenos Aires, respectively.

Prepayments and accrued income of €100.5 million show an increase of €13.0 million on 31 December 2017. 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. The increase, shown in the following table, is mainly due to the new projects in Australia (pending

definition), the new works for the Paris Metro and the Koysha Dam in Ethiopia.

(€'000)	31 December 2017	31 December 2018	Variation
Accrued income:			
- Other	547	294	(253)
Total accrued income	**547**	**294**	**(253)**
Prepayments:			
- Insurance	43,702	50,900	7,198
- Sureties	6,180	6,556	376
- Other contract costs	37,096	42,760	5,664
Total prepayments	**86,978**	**100,216**	**13,238**
Total	**87,525**	**100,510**	**12,985**

19. Cash and cash equivalents

At 31 December 2018, cash and cash equivalents amount to €1,107.3 million, down by €212.9 million, as shown below:

(€'000)	31 December 2017	31 December 2018	Variation
Cash and cash equivalents	1,320,192	1,107,340	(212,852)

A breakdown by geographical segment is as follows:

(€'000)	31 December 2017	31 December 2018	Variation
Italy	151,703	51,507	(100,196)
EU (excluding Italy)	60,294	36,489	(23,805)
Other European (non-EU) countries	21,048	16,803	(4,245)
Asia/Middle East	606,754	533,222	(73,532)
Africa	242,597	244,082	1,485
America	167,447	171,511	4,064
Oceania	70,349	53,726	(16,623)
Total	**1,320,192**	**1,107,340**	**(212,852)**

The balance includes bank account credit balances at the end of the period 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. In this respect, the liquidity in Africa mainly comprises local currency that cannot be exported and will be used for the Ethiopian projects.

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 €86.3 million and mainly refer to the entities carrying out the work on the Red

Line North Underground and the Al Bayt Stadium in Al Khor City, Qatar, the Riyadh metro, motorway works in the United Arab Emirates and Lane Group entities.

The item comprises tied-up amounts of approximately €30.8 million.

20. Non-current assets held for sale and discontinued operations, liabilities directly associated with non-current assets held for sale and profit from discontinued operations

Non-current assets held for sale are shown in the following table with the associated liabilities:

(€'000)	31 December 2017	31 December 2018	Variation
Non-current assets held for sale	5,683	5,683	-
Total	**5,683**	**5,683**	**-**

A breakdown of this item is as follows:

31 December 2017 (€'000)	USW Campania	Total
Non-current assets	5,683	5,683
Non-current assets held for sale	**5,683**	**5,683**
Total	**5,683**	**5,683**

31 December 2018 (€'000)	USW Campania	Total
Non-current assets	5,683	5,683
Non-current assets held for sale	**5,683**	**5,683**
Total	**5,683**	**5,683**

Lane Industries Inc. - Plants & Paving division

On 12 December 2018, after receipt of authorisation from the competent regulators, the sale of the Plants & Paving Division to Eurovia SAS (Vinci Group) was completed. As a result, this division's profit for the year is shown under "Profit from discontinued operations".

The profit from discontinued operations for the reporting period and 2017 is mostly attributable to the Plants & Paving Division of Lane Industries Inc., as described earlier.

A breakdown of this item is as follows:

2017			
(€'000)	**USW Campania**	**LANE**	**Total**
Revenue			
Operating revenue	-	547,725	547,725
Total revenue	**-**	**547,725**	**547,725**
Operating expenses			
Raw materials and consumables	-	(186,480)	(186,480)
Subcontracts	-	(133,919)	(133,919)
Services	(1,908)	(40,075)	(41,983)
Other operating expenses	-	(1,814)	(1,814)
Personnel expense	-	(126,770)	(126,770)
Amortisation, depreciation, provisions and impairment losses	-	(17,615)	(17,615)
Total operating expenses	**(1,908)**	**(506,673)**	**(508,581)**
Operating profit (loss)	**(1,908)**	**41,052**	**39,144**
Financing income (costs) and gains (losses) on equity investments			
Profit (loss) before tax	**(1,908)**	**41,052**	**39,144**
Income taxes	-	2,140	2,140
Profit (loss) from discontinued operations	**(1,908)**	**43,192**	**41,284**

2018			
(€'000)	**USW Campania**	**LANE**	**Total**
Revenue			
Operating revenue	-	550,334	550,334
Total revenue	**-**	**550,334**	**550,334**
Operating expenses			
Raw materials and consumables	-	(211,170)	(211,170)
Subcontracts	-	(138,924)	(138,924)
Services	(374)	(41,741)	(42,115)
Other operating expenses	-	(1,928)	(1,928)
Personnel expense	-	(121,075)	(121,075)
Amortisation, depreciation, provisions and impairment losses	-	(8,545)	(8,545)
Total operating expenses	**(374)**	**(523,383)**	**(523,757)**
Operating profit (loss)	**(374)**	**26,951**	**26,577**
Financing income (costs) and gains (losses) on equity investments			
Profit (loss) before tax	**(374)**	**26,951**	**26,577**
Income taxes	-	(7,023)	(7,023)
Gain on sale of P&P Division		95,248	95,248
Profit (loss) from discontinued operations	**(374)**	**115,176**	**114,802**

21. Equity

Equity decreased to €932.1 million at 31 December 2018 from €945.6 million at the end of 2017 as follows:

(€'000)	31 December 2017	31 December 2018	Variation
Equity attributable to the owners of the parent			
Share capital	544,740	544,740	-
Share premium reserve	120,798	120,798	-
- Legal reserve	106,551	106,551	-
- Reserve for share capital increase related charges	(3,970)	(3,970)	-
- Reserve for treasury shares	(7,677)	(3,291)	4,386
- LTI reserve	6,344	-	(6,344)
- Inflation reserve	-	24,764	24,764
- Extraordinary and other reserves	136	136	-
Total other reserves	101,384	124,190	22,806
Other comprehensive expense			
- Translation reserve	(68,835)	(100,768)	(31,933)
- Hedging reserve	138	(4,036)	(4,174)
- Actuarial reserve	(5,232)	(1,110)	4,122
Total other comprehensive expense	(73,929)	(105,914)	(31,985)
Retained earnings	238,731	97,698	(141,033)
Profit (loss) for the year	(117,233)	54,197	171,430
Equity attributable to the owners of the parent	**814,491**	**835,709**	**21,218**
Share capital and reserves attributable to non-controlling interests	104,128	109,236	5,108
Profit (loss) for the year attributable to non-controlling interests	26,933	(12,882)	(39,815)
Share capital and reserves attributable to non-controlling interests	131,061	96,354	(34,707)
Total	**945,552**	**932,063**	**(13,489)**

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 30 April 2018, the parent's shareholders resolved the following:

- to cover the loss for the year of €91,188,206.95 (which due to the restatements required by IFRS 15 amounts to €103,059,493) by using all the retained earnings of €60,074,558.27 and part of the negative goodwill of €31,113,648.68;
- to distribute €26,098,308.49 as a dividend to the holders of ordinary and savings shares, equal to €0.053 per share, including the legal withholding, for each share with dividend rights.

At 31 December 2018, the reserve for treasury shares decreased after allocation of shares as part of the 2015 performance share plan. At the reporting date, the parent had 1,330,845 shares for €3,291,089.72. It no longer has a share repurchase plan as the plan approved by the shareholders on 19 September 2014 expired on 19 March 2016 and was not renewed.

The LTI (long-term incentive plan) reserve was used for the above plan as the beneficiaries exercised their options.

On 23 March 2018, the board of directors defined a new two-year long-term cash incentive plan starting on 1 January 2018 and ending on 31 December 2019, as proposed by the compensation and nominating committee. At the end of the plan period and should the set objectives be met, the beneficiaries will receive a cash bonus.

The inflation reserve was set up following application of IAS 29 to the Argentine group companies (more information is available in note 4 and the Directors' report in the "Main risk factors and uncertainties" section).

The main variation in other comprehensive expense items relates to the effect of fluctuations in exchange rates (mostly the Argentine peso's depreciation versus the Euro related to the equity-accounted associate Autopistas del Sol S.A.) as shown below:

(€'000)	2017	2018
Opening balance	48,530	(68,835)
Equity-accounted investees	(16,282)	(32,861)
Increase (decrease)	(101,083)	929
Total changes	(117,365)	(31,932)
Closing balance	**(68,835)**	**(100,767)**

The effect of changes in the hedging reserve due to fair value gains (losses) on financial instruments is detailed below:

(€'000)	2017	2018
Opening balance	(532)	138
Reclassification of fair value gains/losses on settled transactions to profit or loss	232	(183)
Reclassification from comprehensive income	(4,077)	-
Net fair value gains (losses)	2,892	(3,991)
Net exchange gains (losses) and other changes	277	-
Net gains for equity-accounted investees	1,346	
Total changes	670	(4,174)
Closing balance	**138**	**(4,036)**

At 31 December 2018, the hedging reserve referred to the equity-accounted Turkish associate Gaziantep Hastane Saglik.

The actuarial reserve underwent the following changes:

(€'000)	2017	2018
Opening balance	(909)	(5,232)
Net actuarial gains (losses) recognised in OCI	(4,323)	4,122
Closing balance	**(5,232)**	**(1,110)**

Retained earnings

This item may be analysed as follows:

(€'000)	2017	2018
Opening balance	268,126	238,731
Allocation of loss	(3,230)	(117,233)
Dividend distribution	(26,341)	(26,099)
Allocation of LTI shares		1,958
Reclassifications		
Change in consolidation scope	176	341
Closing balance	**238,731**	**97,698**

Share capital and reserves attributable to non-controlling interests

Share capital and reserves attributable to non-controlling interests are as follows:

(€'000)	2017	2018
Opening balance	148,373	131,061
Merger		
Capital increase	970	1,605
Profit (loss) attributable to non-controlling interests	26,933	(12,882)
Dividend distribution to non-controlling interests	(33,238)	(28,374)
Change in consolidation scope	(1,392)	166
Other changes	-	6,890
Components of comprehensive expense	(10,585)	(2,112)
Closing balance	**131,061**	**96,354**

The “Other changes” chiefly refer to the application of IAS 29 to the Argentine company Mercovia S.A. and the Riachuelo contract.

At the reporting date, the Group has the following investments deemed significant by management in subsidiaries which have non-controlling investors as follows:

	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	Non-controlling interests
Salerno-Reggio Calabria S.c.p.a.	Italy	Construction	51%	51%	49%	24.5
Reggio Calabria - Scilla S.c.p.a.	Italy	Construction	51%	51%	49%	17.2
Società Autostrada Broni - Mortara S.p.A. (SA.BRO.M)	Italy	Concessions	60%	60%	40%	10.2
Impregilo-SK E&C-Galfar al Misnad J.V.	Qatar	Construction	41.25%	41.25%	58.75%	9.7
Galfar - Salini Impregilo - Cimolai J.V.	Qatar	Construction	40%	40%	60%	(21.3)
Salini Saudi Arabia	Saudi Arabia	Construction	51%	51%	49%	9.4
Western Station	Saudi Arabia	Construction	51%	51%	49%	17.9
Other						28.7
Total non-controlling interests						**96.3**

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 Italian law consortia and consortium companies 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 tables summarise the financial information of each company in which the Group has an investment that has significant non-controlling interests:

Salerno-Reggio Calabria S.c.p.a.

(€'000)

Statement of financial position	31 December 2017	31 December 2018	Variation
Assets			
Non-current assets	38	27	(11)
Current assets	213,541	211,692	(1,849)
Total assets	**213,579**	**211,719**	**(1,860)**
Total equity and liabilities			
Equity	50,000	50,000	-
Non-current liabilities	17	19	2
Current liabilities	163,562	161,700	(1,862)
Total equity and liabilities	**213,579**	**211,719**	**(1,860)**

Statement of profit or loss	2017	2018	Variation
Revenue	11,753	3,915	(7,838)
Profit (loss) before tax	(17)	181	198
Income taxes	17	(181)	(198)

Statement of cash flows	2018
Net cash flows used in operating activities	(3,106)
Net cash flows generated by financing activities	8
Net increase in cash and cash equivalents and current account overdrafts	**(3,098)**
Opening cash and cash equivalents and current account overdrafts	**3,917**
Closing cash and cash equivalents and current account overdrafts	**819**

Reggio Calabria - Scilla S.c.p.a.

(€'000)

Statement of financial position	31 December 2017	31 December 2018	Variation
Assets			
Non-current assets	7	4	(3)
Current assets	99,602	95,492	(4,110)
Total assets	**99,609**	**95,496**	**(4,113)**
Total equity and liabilities			
Equity	35,000	35,000	-
Non-current liabilities	223	43	(180)
Current liabilities	64,386	60,453	(3,933)
Total equity and liabilities	**99,609**	**95,496**	**(4,113)**

Statement of profit or loss	2017	2018	Variation
Revenue	9,306	2,952	(6,354)
Profit before tax	8	37	29
Income taxes	(8)	(37)	(29)

Statement of cash flows	2018
Net cash flows used in operating activities	(4,623)
Net cash flows used in financing activities	(11)
Net increase in cash and cash equivalents and current account overdrafts	**(4,634)**
Opening cash and cash equivalents and current account overdrafts	**7,536**
Closing cash and cash equivalents and current account overdrafts	**2,902**

Società Autostrade Broni - Mortara S.p.A.

(€'000)

Statement of financial position	31 December 2017	31 December 2018	Variation
Assets			
Non-current assets	43,809	43,967	158
Current assets	1,424	658	(766)
Total assets	**45,233**	**44,625**	**(608)**
Total equity and liabilities			
Equity	25,961	25,417	(544)
Current liabilities	19,272	19,208	(64)
Total equity and liabilities	**45,233**	**44,625**	**(608)**
Statement of profit or loss	**2017**	**2018**	**Variation**
Revenue	4	-	(4)
Loss before tax	(1,365)	(731)	634
Income taxes	227	187	(40)
Loss for the year	**(1,138)**	**(544)**	**594**
Comprehensive expense	**(1,138)**	**(544)**	**594**
Comprehensive expense attributable to non-controlling interests	**(455)**	**(218)**	**237**
Statement of cash flows			**2018**
Net cash flows used in operating activities			(446)
Net cash flows used in investing activities			(158)
Net cash flows generated by financing activities			268
Net increase in cash and cash equivalents and current account overdrafts			**(336)**
Opening cash and cash equivalents and current account overdrafts			**555**
Closing cash and cash equivalents and current account overdrafts			**219**

Impregilo-SK E&C-Galfar al Misnad J.V. (Qatar)

(€'000)

Statement of financial position	31 December 2017 (*)	31 December 2018	Variation
Assets			
Non-current assets	15,380	9,819	(5,561)
Current assets	158,292	100,120	(58,172)
Total assets	**173,672**	**109,939**	**(63,733)**
Total equity and liabilities			
Equity	20,593	16,537	(4,056)
Non-current liabilities	1,838	1,130	(708)
Current liabilities	151,241	92,272	(58,969)
Total equity and liabilities	**173,672**	**109,939**	**(63,733)**
Statement of profit or loss	**2017 (*)**	**2018**	**Variation**
Revenue	327,300	204,323	(122,977)
Loss before tax	(6,516)	(4,879)	1,637
Loss for the year	**(6,516)**	**(4,879)**	**1,637**
Other comprehensive income (expense)	(3,409)	824	4,233
Comprehensive expense	**(9,820)**	**(4,055)**	**5,765**
Comprehensive expense attributable to non-controlling interests	**(5,769)**	**(2,382)**	3,387
Statement of cash flows			**2018**
Net cash flows used in operating activities			(69,834)
Net cash flows used in investing activities			(174)
Net cash flows generated by financing activities			16,795
Net increase in cash and cash equivalents and current account overdrafts			**(53,213)**
Opening cash and cash equivalents and current account overdrafts			**81,335**
Closing cash and cash equivalents and current account overdrafts			**28,122**

(*) The 2017 statements of financial position and profit or loss figures have been restated to comply with IFRS 15.

Galfar - Salini Impregilo - Cimolai J.V. (Qatar)

(€'000)

Statement of financial position	31 December 2017 (*)	31 December 2018	Variation
Assets			
Non-current assets	3,616	2,674	(942)
Current assets	162,803	151,591	(11,212)
Total assets	**166,419**	**154,265**	**(12,154)**
Deficit and liabilities			
Deficit	(3,234)	(35,563)	(32,329)
Non-current liabilities	599	746	147
Current liabilities	169,054	189,082	20,028
Total deficit and liabilities	**166,419**	**154,265**	**(12,154)**
Statement of profit or loss	**2017 (*)**	**2018**	**Variation**
Revenue	253,782	258,650	4,868
Loss before tax	(3,137)	(31,196)	(28,059)
Loss for the year	**(3,137)**	**(31,196)**	**(28,059)**
Other comprehensive income (expense)	221	(1,133)	(1,354)

Total comprehensive expense	**(2,916)**	**(32,329)**	**(29,413)**
Total comprehensive expense attributable to non-controlling investors	**(1,750)**	**(19,398)**	(17,648)

Statement of cash flows	**2018**
Net cash flows generated by operating activities	16,104
Net cash flows used in investing activities	(442)
Net cash flows generated by financing activities	10,289
Net increase in cash and cash equivalents and current account overdrafts	**25,951**
Opening cash and cash equivalents and current account overdrafts	**24,378**
Closing cash and cash equivalents and current account overdrafts	**50,329**

(*)The 2017 statements of financial position and profit or loss figures have been restated to comply with IFRS 15.

Salini Saudi Arabia Ltd Co

(€'000)

Statement of financial position	**31 December 2017(*)**	**31 December 2018**	**Variation**
Assets			
Non-current assets	13,312	7,801	(5,511)
Current assets	156,857	226,013	69,156
Total assets	**170,169**	**233,814**	**63,645**
Total equity and liabilities			
Equity	37,895	10,874	(27,021)
Non-current liabilities	155	503	348
Current liabilities	132,955	222,437	89,482
Total equity and liabilities	**171,005**	**233,814**	**62,809**

Statement of profit or loss	**2017**	**2018**	**Variation**
Revenue	137,145	165,071	27,926
Profit before tax	18,601	13,237	(5,364)
Income taxes	(3,937)	-	3,937
Profit for the year	**14,664**	**13,237**	**(1,427)**
Other comprehensive expense	(2,007)	(4,281)	(2,274)
Comprehensive income	**12,657**	**8,956**	**(3,701)**
Comprehensive income attributable to non-controlling interests	**6,202**	**4,388**	**(1,814)**
Dividends paid to non-controlling interests	**17,496**	**13,145**	**(4,351)**

Statement of cash flows	**2018**

(*)The 2017 statements of financial position and profit or loss figures have been restated to comply with IFRS 15.

Westner Station Joint Venture (Saudi Arabia)

(€'000)

Statement of financial position	31 December 2017 (*)	31 December 2018	Variation
Assets			
Non-current assets	17	12	(5)
Current assets	136,175	177,090	40,915
Total assets	**136,192**	**177,102**	**40,910**
Total equity and liabilities			
Equity	26,244	36,451	10,207
Current liabilities	109,948	140,651	30,703
Total equity and liabilities	**136,192**	**177,102**	**40,910**

Statement of profit or loss	2017 (*)	2018	Variation
Revenue	146,890	129,122	(17,768)
Profit before tax	11,952	8,690	(3,262)
Profit for the year	**11,952**	**8,690**	**(3,262)**
Other comprehensive income (expense)	(2,750)	1,517	4,267
Comprehensive income	**9,202**	**10,207**	**1,005**
Comprehensive income attributable to non-controlling interests	**4,509**	**5,002**	**493**

Statement of cash flows	2018
Net cash flows generated by operating activities	19,023
Net cash flows used in financing activities	(7,161)
Net increase in cash and cash equivalents and current account overdrafts	**11,862**
Opening cash and cash equivalents and current account overdrafts	**10,354**
Closing cash and cash equivalents and current account overdrafts	**22,216**

(*) The 2017 statements of financial position and profit or loss figures have been restated to comply with IFRS 15.

Reconciliation between equity and profit of Salini Impregilo S.p.A. with consolidated equity and consolidated profit

The following table shows the reconciliation of equity and profit of the parent with the corresponding consolidated items:

€'000	Equity	Profit for the year
Equity and profit for the year of Salini Impregilo S.p.A.	**845,200**	**109,550**
Elimination of consolidated investments	(917,939)	74,819
Elimination of the provision for risks on equity investments	36,204	37,341
Equity and profit or loss of consolidated companies	841,824	(10,284)
Other consolidation entries		
Elimination of dividends from consolidated entities		(153,332)
Other consolidation entries	(286)	540
Purchase price allocation	9,236	(312)
Unrealised net exchange losses	(686)	(6,975)
Tax effects	3,474	(679)
Elimination of national tax consolidation system effects	18,683	(368)
Profit from discontinued operations (Lane)		3,896
Equity and profit for the year attributable to the owners of the parent	**835,710**	**54,196**
Equity and profit (loss) for the year attributable to non-controlling interests	96,354	(12,881)
Consolidated equity and profit for the year	**932,064**	**41,315**

22. Bank and other loans, current portion of bank loans and current account facilities

Bank and other loans and borrowings increased by €348.8 million over 31 December 2017 to €1,117.3 million at year end, as summarised below:

(€'000)	31 December 2017	31 December 2018	Variation
Non-current portion			
- Bank and other loans and borrowings	457,467	617,895	160,428
Current portion			
- Current account facilities and other loans	311,002	499,362	188,360
Total	**768,469**	**1,117,257**	**348,788**

The Group's financial indebtedness is broken down by loan type in the following table:

(€'000)	31 December 2017 Non-current	31 December 2017 Current	31 December 2017 Total	31 December 2018 Non-current	31 December 2018 Current	31 December 2018 Total
Bank corporate loans	380,489	41,997	422,486	546,774	138,874	685,648
Bank construction loans	55,798	162,725	218,523	49,046	84,352	133,398
Bank concession financing	13,319	19,124	32,443	12,613	1,046	13,659
Financing and loans of companies in liquidation	2,090	-	2,090	34	-	34
Other financing	5,710	18,222	23,932	9,428	74,431	83,859
Total bank and other loans and borrowings	**457,406**	**242,068**	**699,474**	**617,895**	**298,703**	**916,598**
Current account facilities	-	37,028	37,028	-	179,272	179,272
Factoring liabilities	61	17,958	18,019	-	5,335	5,335
Loans and borrowings - unconsolidated group companies	-	13,948	13,948	-	16,052	16,052
Total	**457,467**	**311,002**	**768,469**	**617,895**	**499,362**	**1,117,257**

Bank corporate loans

Bank corporate loans amount to €685.6 million at the reporting date (31 December 2017: €422.5 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 2018 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 Milan (€50 million)	Salini Impregilo	Euribor	2021	(1)
Banca Popolare di Milan (€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.

The increase in corporate loans is mainly due to the new River B loan of €300 million granted by a syndicate led by Banca IMI as the agent (the term facility loan).

The non-current portion of the above 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	Salini Impregilo	Italy	428,953	20,583	408,370	
BBVA	Salini Impregilo	Italy	49,899	49,899	-	-
Banca Poplare di Milan	Salini Impregilo	Italy	45,662	20,231	25,431	
Banca del Mezzogiorno	Salini Impregilo	Italy	12,260	6,095	6,165	-
Banco do Brasil	Salini Impregilo	Italy	10,000	10,000	-	-
Total			**546,774**	**106,808**	**439,966**	**-**

The fair value of the bank corporate loans, measured as set out in the "Accounting policies" section, is €689.3 million.

Bank construction loans

Bank construction loans amount to €133.4 million at the reporting date and mainly relate to:

- projects in Colombia (€44.9 million);
- projects in Qatar (€31.8 million);
- the Romanian contracts (€24.0 million);

- the Metro line B1 (€6.4 million);
- the Swiss group company (€8.3 million);
- contracts in Australia (€6.3 million);
- contracts in Argentina (€ 5.5 million).

The decrease is mostly a result of the reduction of €29.8 million related to the Australian contracts, termination of the loans of €28.0 million given to the consortium companies Ancipa, Diga di Ancipa and Pietrarossa after completion of the winding up procedure of CO.GE.I. and a decrease in Lane Group's bank loans and borrowings of €29.1 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	ICT II	Colombia	Fixed	2021
Commercial Bank Qatar	Galfar Cimolai JV	Qatar	Fixed	2019
Various banks	Romanian branch	Romania	Robor	2019
Various banks	CSC	Switzerland	Fixed	2019
Banca del Mezzogiorno	Metro B1	Italy	Fixed	2019
BNP Paribas	IS JV	Australia	Fixed	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 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	Due after 25 months but within 60	Due after 60 months
Banco de Bogotà	ICT II	Colombia	44,602		44,602	-
Various banks	Impregilo Healy UTE	Argentina	3,899		3,899	-
Various banks	Lane Industries	USA	277	277	-	-
Various banks	Pietrarossa	Italy	267	267	-	-
Total			**49,045**	**544**	**48,501**	**-**

The fair value of the construction loans, measured as set out in the "Accounting policies" section, is €133.3 million.

Bank concession financing

At 31 December 2018, bank concession financing amounts to €13.7 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 2017			31 December 2018		
	Company	Currency	Country	Total concession financing	Current	Non -current	Total concession financing	Current	Non -current
Monte dei Paschi di Siena	Corso del Popolo S.p.A.	Euro	Italy	7,807	568	7,239	7,240	466	6,774
Credito Sportivo	Piscine dello Stadio S.r.l.	Euro	Italy	6,383	303	6,080	6,152	313	5,839
Various banks	Others	Euro	Italy	18,253	18,253	-	267	267	-
Total				**32,443**	**19,124**	**13,319**	**13,659**	**1,046**	**12,613**

The conditions of the main concession financing in place at year end may be summarised 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

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	6,774	531	1,784	4,459
Credito Sportivo	Piscine dello Stadio S.r.l.	Italy	5,839	254	844	4,741
Total			**12,613**	**785**	**2,628**	**9,200**

The fair value of the concession financing, measured as set out in the “Accounting policies” section, is €13.7 million.

Financing and loans of companies in liquidation

This item decreased by €2.1 million due to the elimination of the financing of €0.9 million and €1.2 million related to the consortium companies Alia and Librino following completion of the winding-up of Realval and CO.GE.I., respectively.

Other financing

This item may be analysed as follows:

€'000			31 December 2017			31 December 2018		
	Company	Country	Total other financing	Current	Non-current	Total other financing	Current	Non-current
Jan de Nul	Salini Impregilo	Luxembourg	-	-	-	17,256	17,256	-
Cat Finance	Salini Impregilo	Italy	2,902	1,598	1,304	13,839	8,432	5,407
Various	Healy Parsons	USA	6,334	6,334	-	9,407	9,407	-
Various	Galfar	Qatar	-	-	-	9,867	9,867	-
Non-controlling interests	Sabrom	Italy	-	-	-	7,185	7,185	-
Almodon	Salini Impregilo	Saudi Arabia	-	-	-	6,412	6,412	-
Various	Lane Industries	USA	3,654	1,401	2,253	3,855	1,937	1,918
Various	Salini Impregilo	Various	-	-	-	3,011	3,011	-
Various	Abu Dhabi branch	Various	-	-	-	2,689	2,689	-
Various	Salini Kolin JV	Turkey	-	-	-	2,133	2,133	-
Various	HCE	Italy	2,440	631	1,809	1,815	591	1,224
Various	NTF JV	Turkey	1,760	1,760	-	-	-	-
Other	Other	Various	6,843	6,498	345	6,392	5,511	881
Total			**23,933**	**18,222**	**5,711**	**83,861**	**74,431**	**9,430**

The conditions of the main other financing in place at year end may be summarised as follows:

	Company	Country	Interest rate	Maturity date
Cat Finance	Salini Impregilo	Italy	Euribor	2019
Jan de Nul	Salini Impregilo	Luxembourg	Fixed rate	2019
Non-controlling interests	Sabrom	Italy	Fixed rate	2019

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	5,407	5,407	-	-
Cat Finance	HCE	Italy	1,224	603	621	-
Various banks	Lane Industries	USA	1,918	1,918		-
SPEs Project 158 S.r.l.	Ancipa	Italy	881	881		-
Total			**9,430**	**8,809**	**621**	**-**

The fair value of the other financing, measured as set out in the "Accounting policies" section, is €50.9 million.

Current account facilities

Current account facilities increased by €142.2 million to €179.3 million at the reporting date.

Factoring liabilities

(€'000)	31 December 2017	31 December 2018	Variation
Ethiopian branch (Factorit)	4,480	2,026	(2,454)
Salini Saudi Arabia	-	3,149	3,149
CMT (SACE Factoring S.p.A.)	13,317	-	(13,317)
Other	222	160	(62)
Total	**18,019**	**5,335**	**(12,684)**

Factoring liabilities relate to the factoring of receivables and decreased by €12.7 million, mainly due to the repayments made by the subsidiary CMT to SACE Factoring S.p.A. (€13.3 million) and by the Ethiopian branch to Factorit S.p.A. (€2.5 million). This decrease was offset by the amount of €3.1 million due to the factor by the subsidiary Salini Saudi Arabia.

Net financial indebtedness of Salini Impregilo Group

(€'000)	Note (*)	31 December 2017	31 December 2018	Variation
Non-current financial assets	11	188,468	235,692	47,224
Current financial assets	16	94,308	135,280	40,972
Cash and cash equivalents	19	1,320,192	1,107,340	(212,852)
Total cash and cash equivalents and other financial assets		**1,602,968**	**1,478,312**	**(124,656)**
Bank and other loans and borrowings	22	(457,468)	(617,895)	(160,427)
Bonds	23	(1,084,426)	(1,088,158)	(3,732)
Finance lease liabilities	24	(81,310)	(55,530)	25,780
Total non-current indebtedness		**(1,623,204)**	**(1,761,583)**	**(138,379)**
Current portion of bank loans and borrowings and current	22	(311,002)	(499,362)	(188,360)
Current portion of bonds	23	(302,935)	(13,295)	289,640
Current portion of finance lease liabilities	24	(48,567)	(43,206)	5,361
Total current indebtedness		**(662,504)**	**(555,863)**	**106,641**
Derivative assets	11-16	226	602	376
Derivative liabilities	25	(1,480)	-	1,480
Net financial position with unconsolidated SPEs (**)		(18,618)	(21,096)	(2,478)
Total other financial liabilities		**(19,872)**	**(20,494)**	**(622)**
Net financial indebtedness - continuing operations		**(702,612)**	**(859,628)**	**(157,016)**
Net financial indebtedness including discontinued operations		**(702,612)**	**(859,628)**	**(157,016)**

(*) 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 consortium companies operating under a cost recharging system and not included in the consolidation scope. The balance reflects the Group's share of cash and cash equivalents or debt of the SPEs. The items making up these balances are shown under trade receivables and payables, respectively, in the consolidated financial statements.

At 31 December 2018, the Group has net financial indebtedness from continuing operations of €859.6 million (indebtedness of €702.6 million at 31 December 2017).

The increase is mainly due to:

- utilisation of cash for decreases in working capital;
- return of the contract advances of €196 million previously received from the Panama Canal Authority (PCA) as per the arbitration award of 12 December 2018;
- impairment losses of approximately €58.2 million on financial assets;
- distribution of dividends of approximately €54.4 million;
- cash inflows of €505.6 million from the sale of the Plants & Paving Division.

Gross indebtedness increased by €34.2 million from 31 December 2017 to €2,338.5 million at the reporting date.

The debt/equity ratio (based on the net financial indebtedness from continuing operations) is 0.92 at group level at the reporting date.

23. Bonds

The outstanding bonds at 31 December 2018 relate to the parent, Salini Impregilo (€1,101.5 million). They are analysed in the following table:

(€'000)	31 December 2017	31 December 2018	Variation
Non-current portion	1,084,426	1,088,158	3,732
Current portion	302,935	13,295	(289,640)
Total	**1,387,361**	**1,101,453**	**(285,908)**

A breakdown of this item is set out in the following table:

(€'000)		31 December 2017			31 December 2018		
Description	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		289,640			
Salini TF 3.75% Gn 21 CALL EUR	24 June 2021	600,000	589,690	11,713	600,000	592,651	11,713
Salini TF 1.75% Ot 24 CALL EUR	26 October 2024	500,000	494,736	1,582	500,000	495,507	1,582
Total		**1,383,026**	**1,084,426**	**302,935**	**1,100,000**	**1,088,158**	**13,295**

During the second half of the year, the remaining senior unsecured bonds were redeemed as per the contract terms using the bank facilities available at 30 June 2018.

On 24 June 2016, the parent announced the placement of bonds with a nominal amount of €428 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.

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 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 issued 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.

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 €839.0 million.

24. Finance lease liabilities

Finance lease liabilities may be broken down as follows at 31 December 2018:

(€'000)	31 December 2017	31 December 2018	Variation
Non-current portion	81,310	55,530	(25,780)
Current portion	48,567	43,206	(5,361)
Total	**129,877**	**98,736**	**(31,141)**

This item includes the principal of minimum 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 2018, 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 lease payments is €98.7 million (31 December 2017: €129.9 million) as follows:

(€'000)	31 December 2017	31 December 2018
Minimum lease payments:		
Due within one year	56,304	45,422
Due between one and five years	82,262	58,296
Due after five years	3,528	76
Total	**142,094**	**103,794**
Future interest expense	(12,217)	(5,058)
Net present value	**129,877**	**98,736**
The net present value is as follows:		
Due within one year	48,567	43,206
Due between one and five years	77,850	55,455
Due after five years	3,460	75
Total	**129,877**	**98,736**

Note 2 - Changes in standards provides information about leases previously classified as operating under IAS 17 and the estimate of the possible impact of application of IFRS 16 on equity at 1 January 2019.

25. Derivatives and other current financial liabilities

These items show the fair value of the currency hedges at 31 December 2017 while the balance was nil at the reporting date as shown below:

(€'000)	31 December 2017	31 December 2018	Variation
Current portion	1,480	-	(1,480)
Total	**1,480**	**-**	**(1,480)**

The following table analyses the item:

(€'000)	31 December 2017	31 December 2018	Variation
Forward currency purchases and sales - FVTPL	1,480	-	(1,480)
Total derivatives presented in net financial indebtedness	**1,480**	**-**	**(1,480)**

This category includes derivatives that have been entered into to hedge the Group against currency risks but that did not meet the IFRS hedge accounting requirements.

26. Post-employment benefits and employee benefits

At 31 December 2018, the Group's liability due to its employees determined using the criteria set out in IAS 19 is €57.0 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 (TFR) 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 2016	Accruals	Reversals	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)	85,724

(€'000)	31 December 2017	Accruals	Reversals	Payments	Net actuarial gains	Change in consolidation scope and other changes	Contributions paid to INPS treasury and other funds	31 December 2018
Post-employment benefits and employee benefits	85,724	18,867	(30,113)	(8,779)	(4,122)	1,266	(5,818)	57,025

"Net actuarial gains" 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 exchange gains and losses.

"Reversals" of €30.1 million entirely relate to Lane Group.

On 3 December 2018, the board of directors of Lane Industries Incorporated approved amendments to the company sponsored defined benefit pension plan and supplemental retirement benefit plan to freeze the benefits for service and salary for all participants as of 31 December 2018, with the exception of certain executives in the nonqualified supplemental retirement benefit plan, who will continue to earn service and salary benefits in excess of the frozen 31 December 2018 qualified pension plan benefit. These amendments resulted in reductions in the plan obligations totalling USD20,548,911.

The post-retirement medical plan was also amended. Effective as of 1 April 2019, only participants retired by 1 July 2019 will continue to be eligible for a pre-65 company benefit, and effective 1 July 2019, the pre-65 benefit will reduce to 50% of the company's monthly premium from the medical carrier. This amendment resulted in a reduction of the plan's projected benefit obligation of USD15,014,401.

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 2018	**207,046**	**(151,287)**	**55,759**
Contribution cost	4,412	-	4,412
Interest	7,785	(5,771)	2,014
Past service cost	(30,113)	-	(30,113)
Gains on the change in the expected return on the plan assets	-	14,902	14,902
Net losses on changes in the financial assumptions	(19,612)	-	(19,612)
Net gains on changes in the demographic assumptions	(879)	-	(879)
Net gains from experience	1,686	-	1,686
Employer contributions	(1,374)	-	(1,374)
Payments	(5,443)	5,639	196
Healthcare services provided	74	-	74
Exchange differences	8,664	(6,888)	1,776
31 December 2018	**172,245**	**(143,404)**	**28,840**

The following tables show the assumptions used to calculate the liability for employee benefits:

	Pension benefits		Other benefits	
	31 December 2017	31 December 2018	31 December 2017	31 December 2018
Discount rate	3.78%	4.44%	3.57%	3.86%
Expected rate of return on plan assets	6.75%	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:

	31 December 2017	31 December 2018
Annual growth rate	7.18%	6.73%
Ultimate trend rate	4.32%	4.31%
Year in which the ultimate trend rate is expected to be reached	2039	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%	(21,241)	26,454
Salary increase rate	1.00%	471	(440)

The following table presents the plan asset categories as a percentage of total invested assets:

(€'000)	31 December 2017	%	31 December 2018	%
Common / collective trusts	150,933	99.77%	143,074	99.77%
Interest-bearing deposits	354	0.23%	330	0.23%
Total	**151,287**	**100.00%**	**143,404**	**100%**

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 2017
	Level 1	Level 2	Level 3	Total
Common / collective trusts	150,933	-	-	150,933
Interest-bearing deposits	354	-	-	354
Total	**151,287**	-	-	**151,287**

(€'000)	Listed prices	Other observable significant inputs	Other non-observable significant inputs	31 December 2018
	Level 1	Level 2	Level 3	Total
Common / collective trusts	143,074	-	-	143,074
Interest-bearing deposits	330	-	-	330
Total	**143,404**	**-**	**-**	**143,405**

The following table shows the estimated undiscounted future payments for employee benefits:

Period (€'000)	Pension benefits	Other benefits
2019	6,891	160
2020	7,192	139
2021	7,533	143
2022	7,927	147
2023	8,693	141
2024 - 2028	47,596	511

27. Provisions for risks

These provisions amount to €84.2 million at the reporting date, as follows:

(€'000)	31 December 2017	31 December 2018	Variation
Provisions for risks on equity investments	4,122	1,800	(2,322)
Other provisions	90,260	82,413	(7,847)
Total	**94,382**	**84,213**	**(10,169)**

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)	2018
Share of profit of equity-accounted investees	35
Other changes including change in the translation reserve	(2,357)
Total	**(2,322)**

Other provisions comprise:

(€'000)	31 December 2017	31 December 2018	Variation
USW Campania projects	31,160	29,246	(1,914)
Provisions set up by Imprepar and its subsidiaries	33,445	24,219	(9,226)
Other	25,655	28,948	3,293
Total	**90,260**	**82,413**	**(7,847)**

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. More information is available in the "Main risk factors and uncertainties" section in the Directors' report.

"Other" mainly comprises amounts accrued in 2018 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 2017 are shown in the following table:

(€'000)	31 December 2016	Accruals	Utilisations / Releases	Reclassific-ations	Exchange losses and other changes	31 December 2017
Total	103,239	14,865	(18,319)	(7,297)	(2,228)	90,260

Changes in the item in the year are summarised below:

(€'000)	31 December 2017	Accruals	Utilisations / Releases	Reclassific-ations	Exchange gains and other changes	31 December 2018
Total	90,260	8,027	(21,853)	1,927	4,052	82,413

Changes of the year comprise:

(i) accruals of €8.0 million mainly related to the parent (€2.0 million) and Imprepar (€3.8 million, including €1.2 million for the Todedil contract) made for future charges that may arise as a result of pending disputes;

(ii) utilisations / releases of €21.9 million, related to:

- the parent (utilisations of €1.1 million due to the non-occurrence of the events for which the provision had been set up);
- Imprepar, mainly for the Edilgi Naples contract (€8.5 million; utilisations of €4.3 million and releases of €4.2 million) and the Confermi contract (releases of €2.0 million after settlement of the related disputes);
- Fibe (releases of €1.9 million for the first payment of the tax bill for the property tax (ICI) on the Acerra waste-to-energy plant under the Italian tax collection settlement procedure);
- Lane Industries (€1.6 million due to the sale of the Plants & Paving Division).

Reference should be made to the “Main risk factors and uncertainties” section of the Directors’ report for more information on litigation.

28. Contract liabilities

This item, included in “Current liabilities”, amounts to €1,149.6 million, down €437.9 million on the figure at 31 December 2017. It comprises:

(€'000)	31 December 2017	31 December 2018	Variation
Contract work in progress	(8,447,067)	(14,482,455)	(6,035,388)
Progress payments (on approved work)	8,790,695	14,702,916	5,912,221
Advances	1,243,871	929,128	(314,743)
Total	**1,587,499**	**1,149,589**	**(437,910)**

The reduction in this item is due to the decrease of €314.7 million in advances mostly for the reclassification related to the Tajikistani project to contract assets and the change in contract liabilities for the Ethiopian and Saudi Arabian contracts.The contracts that contributed the most to contract liabilities are principally those in Ethiopia for the Koysha Dam (€378.5 million), the US for Lane's works (€138.3 million), Italy for the high speed/capacity contracts (€108.9 million), Saudi Arabia for Line 3 of the Riyadh metro (€101.2 million), Libya (€61.7 million), Peru for Line 2 of the Lima metro (€34.7 million) and Australia (€34.3 million).

The item, comprising progress payments and advances, includes claims for additional consideration, the payment of which is highly probable, based also on the legal and technical opinions of the Group's advisors (approximately €91 million). The additional consideration recognised in this item is part of the total consideration formally requested of the customers.

The advances mainly related to the high speed/capacity railway contracts (€265.6 million), the contract in Libya (€120.3 million) and the works for the Koysha Dam in Ethiopia (€167.4 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.

The following table shows a breakdown of the item by geographical segment:

(€'000)	31 December 2017	31 December 2018	Variation
Italy	49,646	102,101	52,455
EU (excluding Italy)	34,788	35,500	712
Non-EU	57,458	11,806	(45,652)
Asia/Middle East	564,822	304,860	(259,962)
Africa	654,021	475,143	(178,878)
America	151,149	185,927	34,778
Oceania	75,615	34,252	(41,363)
Total	**1,587,499**	**1,149,589**	**(437,910)**

29. Trade payables

Trade payables amount to €2,385.6 million at the reporting date, an increase of €222.2 million on 31 December 2017. They are made up as follows:

(€'000)	31 December 2017	31 December 2018	Variation
Third parties	2,046,292	2,247,988	201,696
Unconsolidated group companies and other related parties	117,140	137,622	20,482
Total	**2,163,432**	**2,385,610**	**222,178**

The increase is the result of the higher trade payables to third parties, mainly for the Thessaloniki metro contract in Greece (€86.3 million), the high speed/capacity Milan - Genoa railway section (€48.0 million), ENI's offices (€14.4 million) and Al Maktoum International Airport (€14.0 million).

Trade payables to unconsolidated group companies and other related parties increased by €20.5 million to €137.6 million at the reporting date. The item mostly consists of payables from unconsolidated SPEs accrued on work performed by them for contracts with Italian and foreign public administrations.

The balance includes €22.2 million (€18.6 million) related to the Group's liabilities with consortia and consortium companies (SPEs) that operate by recharging costs and are not included in the consolidation scope. It is equal to the Group's share of the SPEs' liabilities.

A complete list of intragroup transactions is included at the end of these notes.

30. Current tax liabilities and other current tax liabilities

Current tax liabilities amount to €144.7 million as follows:

(€'000)	31 December 2017	31 December 2018	Variation
IRES	3,537	603	(2,934)
IRAP	1,808	877	(931)
Foreign taxes	91,494	143,213	51,719
Total	**96,839**	**144,693**	**47,854**

"Foreign taxes" of €143.2 million show a €51.7 million increase on the previous year end, mainly related to taxes to be paid in the United States. The item also includes €5.0 million related to a tax dispute involving Impregilo International Infrastructures N.V. (see note 32 for more information).

Other current tax liabilities of €48.5 million increased by €3.7 million over 31 December 2017. They may be analysed as follows:

(€'000)	31 December 2017	31 December 2018	Variation
VAT	25,938	27,395	1,457
Other indirect taxes	18,873	21,126	2,253
Total	**44,811**	**48,521**	**3,710**

31. Other current liabilities

Other current liabilities of €322.1 million (€330.3 million) comprise:

(€'000)	31 December 2017	31 December 2018	Variation
State bodies	115,588	115,588	-
Other liabilities	87,984	73,224	(14,760)
Employees	67,529	72,521	4,992
Social security institutions	22,880	17,904	(4,976)
Unconsolidated group companies and other related parties	13,956	19,878	5,922
Compensation and compulsory purchases	5,785	4,078	(1,707)
Accrued expenses and deferred income	16,567	18,868	2,301
Total	**330,289**	**322,061**	**(8,228)**

"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 €73.2 million (€88.0 million) decreased by roughly €14.8 million. Such reduction is mainly attributable to the decrease in the liabilities for the Red Line project in Doha, Qatar and the high speed/capacity Milan - Genoa railway contract, as work on these contracts continued regularly, and settlement of the liabilities for the Pietrarossa contract as a result of the agreement reached on 25 July 2018 as part of the winding up procedure of COGEI S.p.A.. The item also refers to some foreign contracts (Saudi Arabia, Qatar and Venezuela) and the high speed/capacity Milan - Genoa railway contract.

"Employees" relate to accrued unpaid remuneration. The rise in the item mostly refers to the US group Lane as a result of the increase in insurance policies for key personnel.

The reduction in liabilities to social security institutions mainly relates to Lane Industries Inc. following its sale of the Plants & Paving Division towards the end of the year.

"Unconsolidated group companies and other related parties" amount to €19.9 million and increased by €5.9 million, principally due to the rise in amounts due to the Argentine group companies involved in the environmental remediation project in the Buenos Aires province and the Churchill Hospital joint venture active in the UK hospital sector.

The compensation and compulsory purchases relate to the high speed/capacity railway contracts and principally the Milan - Genoa section. The decrease in this item refers to the Bologna - Florence section.

Accrued expenses and deferred income increased by €2.3 million to €18.9 million, mainly attributable to the works for the Koysha Dam in Ethiopia as shown in the following table:

(€'000)	31 December 2017	31 December 2018	Variation
Accrued expenses:			
- Commissions on sureties	3,920	3,669	(251)
- Other	10,525	12,522	1,997
Total accrued expenses	**14,445**	**16,191**	**1,746**
Deferred income:			
- Provision of services	2,122	2,677	555
Total deferred income	**2,122**	**2,677**	**555**
Total	**16,567**	**18,868**	**2,301**

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 €11,965.4 million (including €5,404.4 million issued directly by Lane Group) 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;
- sureties for credit: they amount to €218.9 million;
- sureties granted for export credit: €155.6 million;
- other guarantees: they amount to €1,425.3 million and comprise guarantees related to customs and tax obligations (€53.6 million) and other commitments (such as environmental clean-ups and export credit) (€1,371.7 million);
- collateral related to a lien on the shares of the SPE M4 (€4.7 million).

Tax disputes

<u>Salini Impregilo S.p.A.</u>

With respect to the principal dispute with the tax authorities:

- as discussed in great 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 still pending before the Supreme Court following the appeal filed by the counterparty. Specifically, the main issue related to the sale by Impregilo S.p.A. (now Salini 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 hearing was held on 24 April 2018 and, on 14 November 2018, the parent filed a motion for the suspension of the trial to assess whether to apply for the procedure for the out-of-court settlement of tax disputes introduced by

article 6 of Decree law no. 119 of 23 October 2018, converted into Law no. 136 of 17 December 2018. The Supreme Court ordered the case be placed on the court calendar again on 29 November 2018;

- 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 while with respect to another dispute with the same subject but for 2004 (greater assessed tax base of €380,000), the Supreme Court accepted the parent's grounds and ordered the case be sent to the Lombardy Regional Tax commission which fully accepted the parent's appeal in the hearing of 14 January 2019 with its ruling of 12 February 2019. The tax authorities may present an appeal against this ruling;
- 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 described in the previous report, 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. The dispute was settled with a court-ordered settlement procedure as per article 48 of Legislative decree no. 546/1992 as proposed by the tax authorities. This included a reduction in the registration tax and the fine from €1.3 million to €204 thousand and from €1.3 million to €82 thousand, respectively;

- on 30 October 2018, the parent received an assessment notice for 2013 related to non-inclusion of fees on sureties granted to foreign subsidiaries. The notice included assessed IRES taxes of €222 thousand plus fines and interest. The proceeding was settled through a mutually-agreed settlement procedure with the related reduction of the fine by one third.

With respect to the above pending disputes, after consulting its legal advisors, the parent believes that it has acted correctly and deems that the risk of an adverse ruling is not probable.

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, as described above, 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 subsidiary deems that the tax authorities' are ungrounded and has promptly appealed to the competent tax court. The dispute was settled with in court as per article 48 of Legislative decree no. 546/1992 as proposed by the tax authorities. This included a reduction in the registration tax and the fine from €1.3 million to €204 thousand and from €1.3 million to €82 thousand, respectively.

On 18 June 2018, Imprepar received a notice to pay assessed registration tax of approximately €748 thousand. The subsidiary has appealed against the applicability of this notice to the competent tax commission which has yet to hand down its ruling.

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 assessed tax plus accrued interest on a prudent basis. On 7 March 2018, Fibe applied for the procedure for the out-of-court settlement of the positions assigned to the collection agency as per article 1 of Decree law no. 148/2017 converted with modifications into Law no. 172/2017.

Fisia Ambiente

After the 2013 IRES tax audit and the 2013, 2014 and 2015 VAT audit, the Genoa tax office inspectors identified findings for IRES purposes for 2013 related to alleged undue deductions of €1.5 million for the use of the allowance for impairment and the alleged undue deduction of VAT of €332 thousand on costs incurred for the defence of managers and other employees in criminal court proceedings in 2013, 2014 and 2015. Fisia Ambiente appealed against these assessments in fact and in law with its comments and applications filed in accordance with article 12.7 of Law no. 212/2000. The tax authorities fully accepted the inspectors' findings and notified two assessment notices for 2013, one for IRES and one for VAT. In turn, the subsidiary has filed reasoned requests for a mitigation hearing as per article 6 and following articles of Legislative decree no. 218/1997.

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:

31 December 2017 (€'000)	Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Hedging derivatives	Financial assets at fair value through other comprehensive income	Total	Fair value
Financial assets							
Derivatives and non-current financial assets	11	188,468		226		188,694	188,694
Trade receivables	15	1,881,813				1,881,813	1,881,813
Other current financial assets	16	94,308				94,308	94,308
Cash and cash equivalents	19	1,320,192				1,320,192	1,320,192
Total		**3,484,781**		**226**		**3,485,007**	**3,485,007**

31 December 2017 (€'000)	Note	Other liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging derivatives	Financial liabilities at fair value through other comprehensive income	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**

31 December 2018 (€'000)	Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Hedging derivatives	Financial assets at fair value through other comprehensive income	Total	Fair value
Financial assets							
Derivatives and non-current financial assets	11	235,692				235,692	235,692
Trade receivables	15	1,930,639				1,930,639	1,930,639
Other current financial assets	16	135,881				135,881	135,881
Cash and cash equivalents	19	1,107,340				1,107,340	1,107,340
Total		**3,409,552**				**3,409,552**	**3,409,552**

31 December 2018 (€'000)	Note	Other liabiltiies at amortised cost	Financial liabilities at fair value through profit or loss	Hedging derivatives	Financial liabilities at fair value through other comprehensive income	Total	Fair value
Financial liabilities							
Bank and other loans and borrowings	22	1,117,257				1,117,257	1,120,438
Bonds	23	1,101,453				1,101,453	839,000
Finance lease liabilities	24	98,736				98,736	98,736
Derivatives and other current financial liabilities	25						
Trade payables	29	2,385,610				2,385,610	2,385,610
Total		**4,703,056**				**4,703,056**	**4,443,784**

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 2018 mainly related to the following currencies:

- US dollar (USD)
- Ethiopian Birr (BIRR)
- Australian dollar (AUD)
- Colombian peso (COP)
- Tajikistani somoni (TJS)
- South African rand (ZAR)

The Group considers each group companies' 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 2018 and 2017 to reflect the potential effects on profit (loss) and equity.

	2017		2018	
(€m)	-5%	+5%	-5%	+5%
US dollar	18.42	(18.42)	21.15	(21.15)
Birr	10.12	(10.12)	9.75	(9.75)
Australian dollar	1.30	(1.30)	3.39	(3.39)
Peso	0.01	(0.01)	2.36	(2.36)
Somoni	0.81	(0.81)	(0.94)	0.94
Rand	(0.89)	0.89	(1.04)	1.04

Interest rate risk

Salini Impregilo Group has adopted a combined strategy of streamlining group operations by disposing of non-strategic assets and containing debt.

Considering the Group's predominantly fixed rate debt structure in 2018, had interest rates increased or decreased by an average 75 basis points in 2018, the profit before tax would have been respectively smaller or greater by a maximum of €5.7 million (2017: €4.3 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 2017	31 December 2018
Italy	398,798	173,667
Other EU countries	156,367	246,749
Other non-EU countries	(18,335)	1,970
America (Lane and other group contracts)	301,408	132,253
Asia/Middle East	(533,195)	(420,090)
Africa	(118,014)	160,543
Australia	(20,338)	144,823
Total	**166,691**	**439,915**

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	Contract assets	Contract liabilities	Total	Allowances
31 December 2017					
Italy	565,958	296,728	(49,646)	813,038	74,273
Other EU countries	46,282	94,170	(34,788)	105,665	-
Other non-EU countries	41,446	101,836	(57,458)	85,824	-
America	458,050	224,075	(151,149)	530,976	157,716
Asia/Middle East	141,148	492,909	(564,822)	69,235	1,581
Africa	626,435	192,362	(654,020)	164,778	16,058
Australia	2,494	87,996	(75,616)	14,874	
Total	**1,881,813**	**1,490,076**	**(1,587,499)**	**1,784,390**	**249,628**
31 December 2018					
Italy	596,924	147,201	(102,101)	642,024	74,069
Other EU countries	82,818	452,455	(35,500)	499,773	
Other non-EU countries	94,331	17,861	(11,806)	100,386	
America	294,117	209,557	(185,926)	317,748	239,344
Asia/Middle East	247,048	311,730	(304,860)	253,918	1,845
Africa	609,069	295,080	(475,143)	429,006	19,155
Australia	6,332	78,982	(34,252)	51,062	
Total	**1,930,639**	**1,512,866**	**(1,149,588)**	**2,293,917**	**334,413**

The "Main risk factors and uncertainties" section of the Directors' report provides information about country risk for Libya, Venezuela, Nigeria and Ukraine.

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..

The prior year figures are given below for comparative purposes:

(€'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**	**236,471**	**823,417**	**678,849**	**2,419,691**
Trade payables	2,163,432				2,163,432
Total	**2,844,386**	**236,471**	**823,417**	**678,849**	**4,583,123**

A breakdown of financial liabilities by composition and due date (based on undiscounted future cash flows) is set out below:

(€'000)	31 December 2019	31 December 2020	31 December 2021	After	Total
Current account facilities	179,272				179,272
Bonds	31,250	31,336	631,250	526,274	1,220,110
Bank loans and borrowings	240,981	170,840	94,533	422,502	928,856
Finance lease liabilities	45,433	31,422	17,659	9,280	103,794
Gross financial liabilities	**496,936**	**233,598**	**743,442**	**958,056**	**2,432,032**
Trade payables	2,385,610				2,385,610
Total	**2,882,546**	**233,598**	**743,442**	**958,056**	**4,817,642**

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 2019 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 2019	Cash and cash equivalents (*)	Difference
Salini Impregilo (head office and branches)	306,067	296,584	(9,483)
Subsidiaries	215,795	282,329	66,534
SPEs	229,452	237,143	7,691
Joint operations	140,990	260,512	119,522
Total	**892,304**	**1,076,568**	**184,264**

(*) net of tied-up liquidity.

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	-	602	-
Derivative liabilities	25	-	-	-
Total		**-**	**602**	**-**

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	Other non-monetary items	Change in exchange rates	Changes in fair value	Other changes	**Total changes**
Non-current financial assets	(55,946)	28,679	(3,949)		(80,676)	**(55,946)**
Derivatives and other current financial assets	(41,573)	6,304			(47,877)	**(41,573)**
Financial liabilities - related parties and other unconsolidated group companies	2,104	224			1,880	**2,104**
Derivatives and other current financial liabilities	(1,480)				(1,480)	**(1,480)**
	(96,895)	**35,207**	**(3,949)**	**-**	**(128,153)**	**(96,895)**

Statement of profit or loss

34. Revenue

Revenue for 2018 amounts to €5,197.7 million, down 6.5% on the previous year:

(€'000)	2017	2018	Variation
Revenue from contracts with customers	5,286,834	4,864,142	(422,692)
Other income	274,056	333,518	59,462
Total revenue and other income	**5,560,890**	**5,197,660**	**(363,230)**

The principal contributors to revenue for the year were some large projects like Lane Group's ongoing projects, the Grand Ethiopian Renaissance Dam and the Koysha Hydroelectric Project in Ethiopia, Line 3 of the Riyadh metro in Saudi Arabia, the Rogun Dam in Tajikistan and the Meydan One Mall in Dubai, United Arab Emirates. The "Performance by geographical segment" section in the Directors' report provides details about the status of these projects.

The decrease is chiefly due to the reduction in revenue on contracts nearing completion.

A breakdown of revenue is given in the following table:

(€'000)	2017	2018	Variation
Works invoiced to customers	5,118,763	4,722,762	(396,001)
Services	131,112	118,348	(12,764)
Sales	37,359	25,598	(11,761)
Real estate projects	(400)	(2,566)	(2,166)
Total	**5,286,834**	**4,864,142**	**(422,692)**

A breakdown of revenue by geographical segment is as follows:

(€'000)	2017	Percentage of total	2018	Percentage of total
Italy	**509,573**	**9%**	**492,309**	**9%**
Middle East	1,622,591	29%	1,736,016	33%
Africa	816,476	15%	735,109	14%
EU (excluding Italy)	772,174	14%	664,284	13%
Asia	255,769	5%	293,833	6%
Oceania	298,614	5%	192,103	4%
Americas (excluding Lane)	168,713	3%	161,640	3%
Non-EU	147,635	3%	134,460	3%
Abroad	**4,081,971**	**73%**	**3,917,445**	**76%**
Lane	**969,346**	**17%**	**787,906**	**15%**
Total	**5,560,890**	**100%**	**5,197,660**	**100%**

Variable consideration was equal to 15.5% of revenue from contracts with customers during the year and was recognised using the guidance set out in note 2.

The transaction price of ongoing contracts allocated to the unsatisfied performance obligations amounts to €22,295.0 million at the reporting date. The Group will recognise this amount as revenue in future periods in line with its business plan forecasts as set out below.

(€m)	Revenue related to unsatisfied (or partially satisfied) performance obligations which will be recognised in future years	of which: from 2019 to 2021	of which: after
Total	22,295.0	12,289.8	9,328.4

Ongoing contracts include contracts with customers if they meet the criteria of IFRS 15.9[3]. The item includes variable consideration when its realisation is highly probable.

A breakdown of other income is given in the following table:

(€'000)	2017	2018	Variation
Recharged costs	85,024	133,101	48,077
Other income from joint ventures and consortia	106,791	92,783	(14,008)
Gains on the disposal of non-current assets	20,542	34,585	14,043
Prior year income	27,265	18,698	(8,567)
Insurance compensation	2,789	623	(2,166)
Other income	31,645	53,728	22,083
Total	**274,056**	**333,518**	**59,462**

35. Operating expenses

Operating expenses for the year amount to €5,129.6 million compared to €5,582.5 million for 2017.

The item may be broken down as follows:

(€'000)	2017	2018	Variation
Purchases	930,201	861,756	(68,445)
Subcontracts	1,581,663	1,658,505	76,842
Services	1,488,632	1,346,115	(142,517)
Personnel expenses	863,808	774,416	(89,392)
Other operating expenses	173,207	143,603	(29,604)
Amortisation, depreciation, provisions and impairment losses	544,982	345,170	(199,812)
Total	**5,582,493**	**5,129,565**	**(452,928)**

The variations in the individual items compared to 2017 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

[3] a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations; b) the entity can identify each party's rights regarding the goods or services to be transferred; c) the entity can identify the payment terms for the goods or services to be transferred; d) the contract has commercial substance (i.e., the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

depending on the contract and the year, while not affecting the total percentage of operating expenses of total revenue.

35.1 Purchases

The cost of raw materials and consumables incurred in 2018 decreased by €68.4 million to €861.8 million compared to the previous year:

(€'000)	2017	2018	Variation
Purchases of raw materials and consumables	907,394	831,940	(75,454)
Change in raw materials and consumables	22,807	29,816	7,009
Total	**930,201**	**861,756**	**(68,445)**

The decrease in the cost of raw materials and consumables is mainly related to the Ethiopian branch's contracts (€37.4 million) and the contracts in Qatar (€36.1 million).

35.2 Subcontracts

Costs of subcontracts increased to €1,658.5 million, up €76.8 million on the previous year, as shown in the following table:

(€'000)	2017	2018	Variation
Subcontracts	1,581,663	1,658,505	76,842
Total	**1,581,663**	**1,658,505**	**76,842**

The €76.8 million increase is due to the South Al Mutla contract in Kuwait (€77.0 million) and the Thessaloniki metro contract in Greece (€54.1 million), which are fully operational. It was partly offset by the decrease in costs for the Red Line project of Impregilo SK E&C Galfar al Misnad J.V in Qatar.

35.3 Services

This item decreased to €1,346.1 million, down €142.5 million on the previous year, as shown in the following table:

(€'000)	2017	2018	Variation
Consultancy and technical services	649,551	648,746	(805)
Rent and leases	241,041	195,030	(46,011)
Recharging of costs by consortia	219,239	196,648	(22,591)
Transport and customs	100,975	89,179	(11,796)
Insurance	57,225	54,223	(3,002)
Maintenance	25,284	28,406	3,122
Fees to directors, statutory auditors and independent	11,997	11,080	(917)
Other	183,320	122,803	(60,517)
Total	**1,488,632**	**1,346,115**	**(142,517)**

"Other" decreased by €60.5 million over 2017 principally due to the Danish contract (Cityringen project) and the Sydney Metro Northwest contract in Australia, both of which are nearing completion.

"Consultancy and technical services" decreased by €0.8 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)	2017	2018	Variation
Design and engineering services	407,137	346,632	(60,505)
Legal, administrative and other services	94,805	128,501	33,696
Testing	1,425	1,290	(135)
Construction	146,184	172,323	26,139
Total	**649,551**	**648,746**	**(805)**

35.4 Personnel expenses

Personnel expenses for the year amount to €774.4 million, down €89.4 million on 2017. The item is made up as follows:

(€'000)	2017	2018	Variation
Wages and salaries	664,127	613,558	(50,569)
Social security and pension contributions	134,904	116,161	(18,743)
Post-employment benefits and employee benefits	18,819	(11,246)	(30,065)
Other	45,958	55,943	9,985
Total	**863,808**	**774,416**	**(89,392)**

The decrease mostly relates to Lane Group (see note 26 on post-employment benefits) and the smaller volume of work carried out for contracts nearing completion.

"Other" mainly relates to termination benefits and reimbursements of travel expenses.

35.5 Other operating expenses

Other operating expenses amount to €143.6 million, down €29.6 million on 2017.

This item is made up as follows:

(€'000)	2017	2018	Variation
Other operating costs	67,075	64,488	(2,587)
Commissions on sureties	56,804	55,840	(964)
Bank charges	9,743	5,556	(4,187)
Losses on the disposal of property, plant and equipment	16,836	7,038	(9,798)
Other non-recurring costs	1,948	2	(1,946)
Other prior year expense	20,801	10,679	(10,122)
Total	**173,207**	**143,603**	**(29,604)**

This item's decrease is chiefly due to the reduction in losses on the disposal of property, plant and equipment and other prior year expense, which is mainly due to non-recurring prior year expense.

35.6 Amortisation, depreciation, provisions and impairment losses

This item of €345.2 million shows a decrease on the previous year figure of €199.8 million. It may be analysed as follows:

(€'000)	2017	2018	Variation
Provisions and impairment losses	**334,923**	**189,121**	**(145,802)**
Amortisation of intangible assets	1,466	922	(544)
Depreciation of property, plant and equipment	178,379	131,992	(46,387)
Amortisation of rights to infrastructure under concession	891	1,148	257
Amortisation of contract costs	29,323	21,987	(7,336)
Total amortisation and depreciation	**210,059**	**156,049**	**(54,010)**
Total	**544,982**	**345,170**	**(199,812)**

"Provisions and impairment losses" decreased by €145.8 million in 2018.

This item of €189.1 million (€334.9 million) mainly comprises the provisions and impairment losses of €165.5 million for the Venezuelan projects as a result of the impairment test performed at the reporting date (reference should be made to the "Venezuela" paragraph of the "Main risk factors and uncertainties" section of the Directors' report and note 15 "Trade receivables" - paragraph on "Impairment - Venezuela"), the impairment losses of €4.9 million on the Group's exposure to Nigerian government agencies recognised at the reporting date and the impairment losses of €22.8 million on receivables from South American customers and the tax credit from the Icelandic tax authorities. The impairment losses and provisions recognised for the Venezuelan contracts in 2017 amounted to €292.5 million.

Amortisation and depreciation of €156.0 million refer to property, plant and equipment (€132.0 million, down €46.4 million on 2017) and contract costs (€22.0 million) and are in line with the progress made on the related contracts. The decreases refer to contracts nearing completion in Qatar (Doha Red Line metro),

Ethiopia (Gibe III) and Italy (high speed/capacity Milan - Genoa railway section) while the increases refer to contracts for which production is now at 100%. These include the Perth metro project in Australia and the shopping mall in the United Arab Emirates.

36. Net financing costs

Net financing costs amount to €72.9 million compared to €192.9 million for 2017.

The item may be broken down as follows:

(€'000)	2017	2018	Variation
Financial income	64,822	55,754	(9,068)
Financial expense	(134,886)	(141,918)	(7,032)
Net exchange gains (losses)	(122,838)	13,306	136,144
Net financing costs	**(192,902)**	**(72,858)**	**120,044**

36.1 Financial income

Financial income totals €55.8 million (€64.8 million) and is made up as follows:

(€'000)	2017	2018	Variation
Income from inflation adjustment	**-**	**141**	**141**
Gains on securities	**5,115**	**1,794**	**(3,321)**
Interest and other income from unconsolidated group companies and other related parties	**10,706**	**12,630**	**1,924**
- Interest income	10,706	12,626	1,920
- Financial income	-	4	4
Interest and other financial income	**49,001**	**41,189**	**(7,812)**
- Interest on receivables	30,097	15,014	(15,083)
- Bank interest	11,610	17,348	5,738
- Other	7,294	8,827	1,533
Total	**64,822**	**55,754**	**(9,068)**

The €9.1 million decrease is mainly due to the smaller interest on the parent's receivables from mostly foreign customers (€15.1 million) offset by the increase in interest income from banks (€5.7 million).

36.2 Financial expense

Financial expense totals €141.9 million (€134.9 million) and is made up as follows:

(€'000)	2017	2018	Variation
Intragroup interest and other expense	**(727)**	**(224)**	**503**
- Interest expense	(2,843)	(1,030)	1,813
- Financial expense	2,116	806	(1,310)
Interest and other financial expense	**(134,159)**	**(141,694)**	**(7,535)**
- Other	(14,289)	(53,925)	(39,636)
- Interest on bonds	(45,564)	(45,703)	(139)
- Bank interest on accounts and financing	(50,083)	(30,086)	19,997
- Bank fees	(3,472)	(4,709)	(1,237)
- Factoring and leases	(5,392)	(4,213)	1,179
- Interest on tax liabilities	(15,359)	(1,725)	13,634
- Expense for inflation adjustments	-	(1,333)	(1,333)
Total	**(134,886)**	**(141,918)**	**(7,032)**

The €7.0 million rise in financial expense is mostly due to the increase in "Other", following the impairment losses on loan assets of the subsidiary carrying out road works in Poland (€17.8 million) and the loan assets and securities of the operator Yuma (approximately €11.0 million), offset by the smaller bank interest expense of €20.0 million, chiefly due to the debt refinancing transaction finalised in the second half of 2017, which led to a reduction in bank loans and borrowings against the issue of bonds at more favourable interest rates than those previously applied.

The decrease in interest on tax liabilities is due to the fact that the Group recognised interest expense in 2017 on the settlement of a tax bill received by the Ethiopian branch.

In addition:

- interest on bank accounts and financing of €30.1 million includes €2.0 million (€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 €45.7 million includes the effect of the amortised cost method for €4.3 million (€4.1 million).

36.3 Net exchange gains

The net exchange rate gains amount to €13.3 million compared to net losses of €122.8 million for 2017.

Net exchange gains of €13.3 million reflect mainly the Euro's performance against the US dollar and the Ethiopian birr. The net losses of 2017were significantly affected by the performance in the opposite direction of these currencies.

37. Net losses on equity investments

Net losses on equity investments amount to €29.5 million compared to net gains of €99.9 million in 2017.

The decrease in this item is mostly due to the Group's share of losses of equity-accounted investees, which were profits for 2017, especially the Argentine associate Autopistas del Sol S.A..

The following table provides a breakdown of this item:

(€'000)	2017	2018	Variation
Share of profit (loss) of equity-accounted investees	100,203	(29,951)	(130,154)
Dividends	223	164	(59)
Gain on the disposal of equity investments	(1,104)	-	1,104
Loss on the disposal of equity investments	(342)	(60)	282
Other income	948	397	(551)
Total	**99,928**	**(29,450)**	**(129,378)**

The following table provides a breakdown of "Share of profit (loss) of equity-accounted investees":

(€'000)	2017	2018	Variation
Gaziantep Hastane Saglik	(5,423)	6,398	11,821
Fisia Abeima LLC	3,606	883	(2,723)
Metro de Lima Linea 2 S.A.	1,011	1,127	116
Agua Azul	1,001	1,120	119
Yacilec	1,305	(207)	(1,512)
Wolverhampton	(74)	-	74
Impregilo Arabia	(942)	(467)	475
Yuma Concessionaria	(785)	(9,344)	(8,559)
Ochre Holding Solution	(855)	(730)	125
Gupc	7,220	(8,280)	(15,500)
Autopistas del Sol S.A.	90,082	(7,281)	(97,363)
Other	(127)	(191)	(64)
Sub-total	**96,019**	**(16,972)**	**(112,991)**
Lane Group companies:			
Unionport Bridge	257	2,187	1,930
Fluor Lane South Caroline	1,391	1,853	462
Constructors LLC	-	1,419	1,419
SGL Leasing	228	292	64
Lane Cabot Yard JV	-	178	178
Gemma Lane Patriot	155	77	(78)
Interstate Healy JV	160	71	(89)
AGL Constructor Jv	(4,923)	24	4,947
Gemma Lane Liberty	176	8	(168)
Flatiron Lane Jv	-	(233)	(233)
Skanska Granite Lane Jv	1,364	(18,855)	(20,219)
Fluor Lane I/95	4	-	(4)
Fluor Lane I-495	387	-	(387)
Purple Lane	4,985	-	(4,985)
Total Lane Group joint ventures	**4,184**	**(12,979)**	**(17,163)**
Total	**100,203**	**(29,951)**	**(130,154)**

38. Income taxes

The Group's income taxes for the year are €39.3 million as follows:

(€'000)	2017	2018	Variation
Current taxes (income taxes)	62,350	57,400	(4,950)
Net deferred taxes	(69,819)	(27,476)	42,343
Prior year taxes	19,352	4,568	(14,784)
Total	**11,883**	**34,492**	**22,609**
IRAP	5,126	4,782	(344)
Total	**17,009**	**39,274**	**22,265**

The net deferred taxes for 2018 are mainly the result of the deferred taxes recognised during the year on the impairment losses on some assets related to the construction of infrastructure in Venezuela and other temporary differences including principally those related to the unrealised exchange losses.

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	
	€m	%
Loss before tax	(34.2)	
Theoretical tax expense	(8.2)	n.a.
Effect of permanent differences	25.5	n.a.
Net effect of foreign taxes	20.3	n.a.
Prior year and other taxes	(3.1)	n.a.
Total	**34.5**	**n.a.**

The effective tax expense is affected by the following:

- permanent differences;
- taxes paid abroad where the parent's 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;
- non-recognition of deferred tax assets by foreign SPEs.

An analysis and reconciliation of the theoretical IRAP tax rate and the effective tax rate are set out below:

	IRAP	
	€m	%
Operating profit	68.1	
Personnel expenses	774.4	
Provisions and impairment losses	189.1	
Revenue	**1,031.6**	
Theoretical tax expense	40.2	n.a.
Tax effect of foreign companies' production	(14.7)	n.a.
Tax effect of foreign production	(18.5)	n.a.
Tax effect of permanent differences	(2.2)	n.a.
Total	**4.8**	**n.a.**

Net deferred taxes contribute to the consolidated profit for €27.5 million as shown below:

(€'000)	
Deferred tax expense for the year	(48,533)
Use of deferred tax liabilities recognised in previous years	26,636
Deferred tax income for the year	100,319
Use of deferred tax assets recognised in previous years	(50,945)
Total	**27,477**

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 costs**	**Net financing costs (income)**
C.Tiburtino	76					20		
Casada S.r.l.	82			147		19	246	
CEDIV S.p.A.	1,864	3,241				18		49
Corso del Popolo Immobiliare S.r.l	1,629							
Dirlan	43					27		
G.A.B.I.RE S.r.l.	1,242	18,001				20		18
Galla Placida	77					22		
Imm. Agricola San Vittorino	126					25		
Infernetto	9					10		
Iniziative Immobiliari Italiane S.p.A.				263			1,053	
Madonna dei Monti S.r.l	9			9		18	59	
Nores	53					9		
Plus	50					32		
Salini Costruttori S.p.A.	90	2,194	11,956		8,156	166	2	(37)
Salini Simonpietro & C.	41					14		
Studio Avv. Grazia Volo Associazione Professionale				11			605	
Studio Morganti & Associati							78	
Todini Finanziaria	1,495			164				
Zeis		1,631		91		232	155	40
Total	**6,886**	**25,067**	**11,956**	**685**	**8,156**	**632**	**2,198**	**70**

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 their 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)	2017 Fees and remuneration	2017 Termination benefits and post-employment benefits	2017 Total	2018 Fees and remuneration	2018 Termination benefits and post-employment benefits	2018 Total
Directors and statutory auditors	7,192		7,192	7,522		7,522
Key management personnel	8,016		8,016	6,449		6,449
Total	**15,208**	**-**	**15,208**	**13,971**	**-**	**13,971**

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:

31 December 2017

(€'000)	Non-current loans and receivables (1)	Current loans and receivables (2)	Current liabilities (3)	Revenue	Costs	Financial income	Financial expense
Total - group companies	84,928	206,145	145,045	210,369	292,544	10,706	727
Total financial statements item	1,718,282	5,941,483	4,886,854	5,560,890	5,582,493	64,822	134,885
% of financial statements item	4.9%	3.5%	3.0%	3.8%	5.2%	16.5%	0.5%

31 December 2018

(€'000)	Non-current loans and receivables (1)	Current loans and receivables (2)	Current liabilities (3)	Revenue	Costs	Financial income	Financial expense
Total - group companies	111,747	192,011	173,544	95,430	244,461	12,631	224
Total financial statements item	1,669,344	5,777,567	4,606,336	5,197,660	5,129,565	55,753	141,918
% of financial statements item	6.7%	3.3%	3.8%	1.8%	4.8%	22.7%	0.2%

(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 per share

Earnings per share are disclosed at the foot of the statement of comprehensive income.

Basic earnings 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.

At 31 December 2018, the reserve for treasury shares decreased after allocation of shares as part of the 2015 performance share plan. Therefore, at the reporting date, the parent had 1,330,845 shares.

(€'000)	2017 (§)	2018
Loss from continuing operations	(131,585)	(73,487)
Non-controlling interests	(26,932)	12,882
Loss from continuing operations attributable to the owners of the parent	**(158,517)**	**(60,605)**
Profit (loss) from continuing and discontinued operations	(90,301)	41,315
Non-controlling interests	(26,932)	12,882
Profit (loss) from continuing and discontinued operations attributable to the owners of the parent	**(117,233)**	**54,197**
Profit earmarked for holders of savings shares	**588**	**588**
Average outstanding ordinary shares	489,069	490,842
Average outstanding savings shares	1,615	1,615
Average number of shares	**490,684**	**492,457**
Dilutive effect	2,329	-
Average number of diluted shares	**493,013**	**492,457**
Basic loss per share (from continuing operations)	**(0.32)**	**(0.12)**
Basic earnings (loss) per share (from continuing and discontinued operations)	**(0.24)**	**0.11**
Diluted loss per share (from continuing operations)	**(0.32)**	**(0.12)**
Diluted earnings (loss) per share (from continuing and discontinued operations)	**(0.24)**	**0.11**

(§) The 2017 statement of profit or loss figures have been restated to comply with IFRS 5 and IFRS 15.

Article 1.125/127 of Law no. 124 of 4 August 2017 - Disclosure of government grants

With respect to Law no. 124 of 4 August 2017 and related interpretations about the disclosure requirement in the notes to the separate and consolidated financial statements of companies that receive subsidies, grants, paid positions or other financial benefits of any kind from the public administration and similar bodies, it should be noted that the Group received reimbursements of €38.5 thousand from Fondo Impresa for funding training courses (€26 thousand and €12.5 thousand on 17 April 2018 and 11 December 2018, respectively).

Other relations with the public administration or similar bodies are part of the Group's bilateral contracts and, therefore, do not fall under the scope of the above law.

41. Events after the reporting date

February 2019

Contract awarded in the Czech Republic worth €225 million

On 6 February 2019, the Group was awarded a contract to build a motorway section in the south of this country worth €225 million. Salini Impregilo and its joint-venture partner Doprastav of Slovakia will build Lot 2 of a section of the D3 motorway, which bypasses the town of Ceskie Hodejovice near the Austrian border.

Bid for Cossi Costruzioni

On 13 February 2019, Salini Impregilo entered into agreements with Società Italiana Condotte d'Acqua S.p.A. under extraordinary administration and Ferfina S.p.A. under extraordinary administration for the sale of their equity investments in Cossi Costruzioni S.p.A. of 75.01% and roughly 4.99%, respectively. These agreements are subject to conditions precedent to be met by 31 March 2019.

Salini Impregilo presents a bid for Astaldi with a continuity plan

On 14 February 2019, the Group presented a bid for a potential investment in Astaldi S.p.A. (the "YES bid" and "Astaldi"). If accepted by Astaldi, the YES bid will support its "direct continuity plan" with which Astaldi will file for deed of arrangement (the "deed of arrangement proposal"). This proposal will envisage (i) a financial plan to support the restructuring and continuity of Astaldi's EPC (engineering, procurement and construction) activities; (ii) separation of non-core assets, including the concessions arm that includes the Third Bosphorus Bridge project, the Gebze-Orhangazi-Izmi highway, the Etlik integrated health campus in Turkey, the Santiago airport and the Felix Bulnes hospital in Chile, the Venezuelan financial assets, and the real estate related to the headquarters in Rome, Italy which would be moved into a unit to be liquidated with the proceeds intended for the sole benefit of unsecured creditors; (iii) a cash capital increase of €225 million for 65% of Astaldi (after the capital increase), reserved to Salini Impregilo, partly dedicated to the payment of secured and pre-deductible debts, and partly supporting the continuity plan, which would result in Salini Impregilo taking a controlling stake in Astaldi following the completion of the procedure; (iv) a partial settlement of unsecured creditors, both in the form of shares – which would benefit from continuity of the EPC business – and other participatory financial instruments, which would benefit from proceeds of the sale of non-core assets. As a result, Astaldi would file its proposal with the Court. Upon the Court's approval, the

proposal will be subject to the creditors' vote. If approved, it will be submitted again to the Court for final approval. The YES bid is subject, among other things, to the approval of Astaldi's proposal, and obtaining the necessary authorisations. It also depends on there being no events that would put the feasibility of the continuity plan at risk, the support of long-term investors through their participation in the capital increase using their own financial resources, and the support of the banking system to provide Astaldi with cash and bonding lines. This is necessary to ensure the financial and operational stability of the company as envisaged in the deed of arrangement plan. The structure of the transaction does not require any commitment or burden for Salini Impregilo ahead of the final Court approval of the deed of arrangement plan and proposal. It assumes that, pending the procedure, Astaldi would have sufficient interim funds and would implement certain interim management arrangements – including the appointment of a highly qualified chief restructuring officer – to the benefit of all stakeholders, monitoring the feasibility of the transaction in line with best market practices in similar situations. The aim of the transaction is to shore up the large works and construction sector and ensure its stability and growth and the continuity of works (including those of a strategic nature) as well as to strengthen the Group's design and industrial capabilities so as to enable this stronger entity to take on a leading role in Italy and abroad. Salini Impregilo's support of Astaldi's deed of arrangement plan represents an opportunity to create one of the largest global operators with a combined EPC (construction) order backlog worth approximately €33 billion and a workforce of over 45 thousand employees. The two companies' geographical bases and infrastructure segments are complementary and would strengthen the new group's foreign standing and risk-return profile. The new group would achieve commercial and operating synergies by enhancing the technical and commercial skills of the two original companies. In addition, the successful bid would ensure continuity of Astaldi's ongoing projects, the preservation of Astaldi's value chain, contributing to stabilising the sector and the Italian large works sector. Astaldi's proposal requires approval by the court and subsequently by the majority of its creditors as well as the court's authorisation for the deed of arrangement. During this process, the commissioners could ask Astaldi to make changes to its proposal. Salini Impregilo is free to assess the content and consistency of these changes with the key terms and conditions of its YES bid. As is normal practice for this type of transaction, there is no certainty that Astaldi's proposal will be authorised or that the YES bid will be accepted. Similarly, it is not possible to give a timeline for the performance of the potential transaction, which however is expected to take place during the first half of 2020.

Arbitration award for the Panama Canal

On 18 February 2019, the parties reached an agreement, ratified by an order of the London Court, on the advances for the variation orders for which the Panama Canal Authority had commenced legal proceedings before the London Courts. They agreed to return the advances to the Panama Canal Authority. They agreed to return the advances of approximately USD127 million to the Panama Canal Authority.

Yuma

With respect to the bridge loan of COP450,000 million (approximately €152 million) granted to the operator Yuma, as already described in the "Main risk factors and uncertainties" section, approximately €24.2 million was repaid to Banco Davivienda S.A. and Banco De Occidente, related to Salini Impregilo's share, in January and February 2019.

42. Significant non-recurring events and transactions

Sale of Lane Group's Plants & Paving Division

On 12 December 2018, after approval from the competent regulators, Lane completed the sale of its Plants & Paving Division to Eurovia SAS of the Vinci Group for USD573.6 million plus the contingent consideration with the subsequent collection of the definitive consideration.

Reference should be made to section 3 "Sale of Lane Group's Plants & Paving Division of these notes for more information.

Arbitration award for the Panama Canal

Reference should be made to the "Main risk factors and uncertainties" section of the Directors' report for information about this award and the advances received from Grupo Unidos por el Canal (GUPC).

Impairment - Venezuela

Salini Impregilo calculated the recoverable amount of its total exposure with Venezuelan government agencies outstanding at the reporting date to reflect the recent negative developments caused by the significant deterioration in the country's credit standing.

More information is available in the "Main risk factors and uncertainties" section of the Directors' report and note 15 "Trade receivables" (paragraph on "Impairment - Venezuela").

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 above Consob communication no. DEM/6064293[4].

On behalf of the board of directors

Chairperson

(signed on the original)

[4] 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

]x

Assets and liabilities at 31 December 2018

]x	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Total assets	Trade payables	Current portion of bank loans and current account facilities	Other current liabilities	Total liabilities	Net balance
A.Constructor J.V Kallidromo	445,109	86,360	-	-	531,469	-	-	-	-	531,469
ACE Chiasso 2	19,700	-	-	-	19,700	-	-	-	-	19,700
Aegek - Impregilo - Alstom J.V.	-	-	-	-	-	-	-	746	746	(746)
Agua AZ	26,935	-	-	-	26,935	6,505	-	-	6,505	20,430
Agua BA	28,303	-	-	-	28,303	12,559	-	-	12,559	15,744
Arge Haupttunnel Eyholz	479,950	-	-	-	479,950	455,347	-	-	455,347	24,603
Arge Sisto N8	395,298	-	-	-	395,298	243,757	-	-	243,757	151,541
Aurelia 98 S.c.r.l.	-	-	-	-	-	16,121	-	-	16,121	(16,121)
Autopistas del Sol S.A.	-	-	-	-	-	-	-	13	13	(13)
Barnard	-	-	-	2,184,442	2,184,442	-	965,186	-	965,186	1,219,256
Cagliari 89 S.c.r.l.	1,511,006	-	561,692	-	2,072,698	1,902,820	-	-	1,902,820	169,878
Churchill Consortium	6,719	-	-	-	6,719	-	-	-	-	6,719
Churchill Hospital J.V.	5,366	-	-	-	5,366	-	-	2,745,193	2,745,193	(2,739,827)
CMC Consorzio Monte Ceneri lotto 851	501,945	-	-	-	501,945	-	-	-	-	501,945
Cons. Astaldi Federici Todini Kramis	3,667,773	2,584,250	-	-	6,252,023	1,403,804	-	-	1,403,804	4,848,219
Consorcio Cigla-Sade	157,596	1,634,534	-	-	1,792,130	1,208,462	-	-	1,208,462	583,668
Consorcio Contuy Medio	899	-	528,018	-	528,917	-	-	42,945	42,945	485,972
Consorcio Federici/Impresit/Ice Cochabamba	100,000	-	-	-	100,000	-	100,921	-	100,921	(921)
Consorcio Grupo Contuy-Proyectos y Ob. De F.	-	-	-	-	-	-	179,667	-	179,667	(179,667)
Consorcio OIV-TOCOMA	93,082	29,435,863	407,627	-	29,936,572	-	-	3,759,887	3,759,887	26,176,685
Consorcio VIT Tocoma	-	-	3,476,244	-	3,476,244	-	-	-	-	3,476,244
Consorio.Kallidromo	146,604	-	-	-	146,604	-	38,232	-	38,232	108,372
Consortium Zuttion Constructions-CSC-Orrlati	88,894	-	-	-	88,894	-	-	-	-	88,894
Consorzio 201 Quintai	1,528,902	-	-	-	1,528,902	34,521	-	-	34,521	1,494,381
Consorzio 202 Quintai	914,764	-	-	-	914,764	-	141,982	-	141,982	772,782
Consorzio CEMS	-	-	-	-	-	21,869	-	-	21,869	(21,869)
Consorzio Costruttori TEEM	57	-	-	-	57	11	-	-	11	46
Consorzio CPR 3	7,602	-	-	-	7,602	11,696	-	-	11,696	(4,094)
Consorzio CPR 2	-	-	-	-	-	278,789	-	-	278,789	(278,789)
Consorzio del Sinni	-	-	-	-	-	29,672	29,672	-	59,344	(59,344)
Consorzio EPC	1,073,286	-	-	-	1,073,286	891,848	-	-	891,848	181,438
Consorzio Ferrofir	111,038	-	-	-	111,038	146,943	-	-	146,943	(35,905)
Consorzio Galliera Roveredo	123,589	-	-	-	123,589	-	-	-	-	123,589
Consorzio H20 Morobbia	395,992	-	-	-	395,992	-	-	-	-	395,992
Consorzio Imprese Lavori FF.SS. di Saline - FEIC	5,055	-	-	-	5,055	-	-	-	-	5,055
Consorzio Iniziative Ferroviarie - INFER	3,044	-	-	-	3,044	2,643	-	-	2,643	401
Consorzio Iricav Due	3,380,357	-	-	-	3,380,357	21,228,506	-	-	21,228,506	(17,848,149)

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Assets and liabilities at 31 December 2018

]x	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Total assets	Trade payables	Current portion of bank loans and current account facilities	Other current liabilities	Total liabilities	Net balance
Consorzio MM4	346,105	-	-	-	346,105	406,066	-	-	406,066	(59,961)
Consorzio MPC	38,656	-	-	-	38,656	26,115	-	-	26,115	12,541
Consorzio NOG.MA	-	-	-	-	-	75,289	-	-	75,289	(75,289)
Consorzio Pedelombarda 2	2,318	-	-	-	2,318	-	-	-	-	2,318
Consorzio Piottino	89,371	-	-	-	89,371	46,656	-	-	46,656	42,715
Consorzio Portale Vezia	14,601	-	-	-	14,601	-	-	-	-	14,601
Consorzio Probin	-	-	-	-	-	657,667	-	-	657,667	(657,667)
Consorzio San Cristoforo	-	-	-	-	-	35,609	-	-	35,609	(35,609)
Consorzio Sarda Costruzioni Generali	-	-	7,549	-	7,549	42,524	-	-	42,524	(34,975)
Consorzio Sardo d'Imprese	-	-	-	-	-	5,501	-	-	5,501	(5,501)
Consorzio SI.VI.CI.CA.	332,926	-	-	-	332,926	1,885	-	-	1,885	331,041
Consorzio SIVICICA 3	18,600	-	-	-	18,600	-	-	-	-	18,600
Consorzio Sivicica 4	-	-	-	-	-	67,943	-	-	67,943	(67,943)
Consorzio Tre Esse	-	-	-	-	-	10,933	-	-	10,933	(10,933)
Consorzio Trevi - S.G.F. INC per Napoli	298,461	-	-	-	298,461	784	-	-	784	297,677
Consorzio VIT Caroni Tocoma	-	-	-	-	-	-	1,356,432	-	1,356,432	(1,356,432)
Depurazione Palermo S.c.r.l.	-	-	-	-	-	-	-	3,615	3,615	(3,615)
E.R. Impregilo/Dumez y Asociados para Yaciretê	14,712,539	-	761,824	-	15,474,363	21,525	-	11,063,674	11,085,199	4,389,164
Emittenti Titoli S.p.A.	-	-	-	-	-	-	247,575	-	247,575	(247,575)
Enecor	665	-	-	48,657	49,322	-	-	-	-	49,322
Eurolink S.c.p.a.	9,935,261	-	-	-	9,935,261	16,027,203	-	-	16,027,203	(6,091,942)
Executive J.V. Impregilo S.p.A. Terna S.A.	-	-	9,991	-	9,991	-	-	-	-	9,991
Fisia Muhendislik VE Insaat Anonim Sirketi	-	-	19,250	-	19,250	-	-	-	-	19,250
Forum S.c. a r.l.	-	-	-	-	-	721,600	-	-	721,600	(721,600)
Gaziantep Hastane Saglik	-	-	-	-	-	715	-	-	715	(715)
Gaziantep Hastanesi Isletme Ve Bakim Hizmetleri	-	-	1,394	-	1,394	-	-	-	-	1,394
Group. d'entreprises Salini Strabag (Guinea)	-	-	208,953	-	208,953	498,095	-	-	498,095	(289,142)
Grupo Empresas Italianas - GEI	-	-	190,435	-	190,435	-	-	-	-	190,435
GUP CANAL	33,914,237	-	(1)	-	33,914,236	3,429	-	-	3,429	33,910,807
IGL Arabia	474,317	-	-	-	474,317	541,965	-	-	541,965	(67,648)
Irina Srl in liquidazione	62,400	-	-	-	62,400	-	4,161	-	4,161	58,239
Isarco S.c.r.l.	6,365,679	-	-	-	6,365,679	15,883,156	-	-	15,883,156	(9,517,477)
Joint Venture Aktor Ate - Impregilo S.p.A.	12,063	-	-	-	12,063	-	-	-	-	12,063
Joint Venture Aktor S.A. - Impregilo S.p.A.	-	-	332	-	332	-	-	-	-	332
Joint Venture Impregilo S.p.A. - Empedos S.A. - Aktor	-	-	3,003	870,199	873,202	-	-	-	-	873,202
KAYI - Salini - Samsung - JV	77,097	-	168	-	77,265	-	-	-	-	77,265
La Quado S.c.a.r.l.	72	-	243,780	-	243,852	-	-	-	-	243,852

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Assets and liabilities at 31 December 2018

]x	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Total assets	Trade payables	Current portion of bank loans and current account facilities	Other current liabilities	Total liabilities	Net balance
Lambro Scrl	6,482	-	134	-	6,616	447	-	-	447	6,169
Lane International B.V.	343,823	-	-	-	343,823	8,508	-	-	8,508	335,315
Line 3 Metro Stations	90,986	-	215,000	-	305,986	-	-	210,287	210,287	95,699
Metroo Blu	18,951,141	-	-	-	18,951,141	22,080,508	-	-	22,080,508	(3,129,367)
Metrogenova S.c.r.l.	20,944	-	-	-	20,944	325,472	-	-	325,472	(304,528)
Napoli Cancello Alta Velocità S.c.r.l.	1,292,626	-	200,271	-	1,492,897	2,501,317	-	-	2,501,317	(1,008,420)
Ochre Holding	-	12,614,818	-	-	12,614,818	-	-	-	-	12,614,818
Ochre Solutions Ltd	321,407	-	-	-	321,407	-	-	-	-	321,407
Olbia 90 S.c.r.l.	117,471	-	-	-	117,471	87,451	-	-	87,451	30,020
Pantano S.C.R.L.	54,790	-	-	-	54,790	-	-	-	-	54,790
Passante di Mestre S.c.p.A.	608,278	-	-	-	608,278	139,254	-	-	139,254	469,024
Passante Dorico S.p.A.	23,137	-	36,643	-	59,780	-	-	-	-	59,780
Pedelombarda S.c.p.a.	2,170,458	-	308	-	2,170,766	1,742,332	-	-	1,742,332	428,434
Pedemontana Veneta S.p.A.	75,130	-	392,236	-	467,366	-	-	-	-	467,366
Puentes	1,526	-	-	-	1,526	-	-	-	-	1,526
S.Agata	557,073	-	1,791,948	-	2,349,021	1,943,425	-	-	1,943,425	405,596
S.I.MA. GEST 3 S.c.r.l.	-	-	-	-	-	162,355	-	-	162,355	(162,355)
S.Ruffillo S.c.a.r.l.	-	-	-	-	-	17,878,405	-	-	17,878,405	(17,878,405)
San Benedetto S.c.r.l.	-	-	-	-	-	45,520	-	26	45,546	(45,546)
Sclafani S.c.r.l.	413,085	-	-	-	413,085	-	-	-	-	413,085
Sedi scarl	63,921	57,608	-	-	121,529	16,858	-	-	16,858	104,671
Segrate	611,068	-	24,134	-	635,202	2,494,572	-	-	2,494,572	(1,859,370)
Seveso S.c.a.r.l.	-	-	-	-	-	748	-	-	748	(748)
SFI leasing	-	-	-	-	-	-	-	475,649	475,649	(475,649)
SHIMMICK	15,290,059	-	-	724,317	16,014,376	-	-	-	-	16,014,376
Sibar Arge	1,168,800	-	319,460	-	1,488,260	4,504	-	-	4,504	1,483,756
Sirjo S.c.p.A.	3,840,607	-	150,291	-	3,990,898	15,058,188	-	-	15,058,188	(11,067,290)
Sistranyac S.A.	347	-	4,657	-	5,004	-	-	-	-	5,004
Sivicica 2	-	-	-	-	-	273,516	-	-	273,516	(273,516)
Soingit S.c.r.l.	233,130	-	-	-	233,130	96,222	96,929	-	193,151	39,979
SPV Linea M4 Spa	121,069	19,410,216	-	-	19,531,285	24,849	-	-	24,849	19,506,436
Techint S.A.C.I.- Hochtief A.G.- Impregilo S.p.A	-	-	-	6,431,721	6,431,721	-	4,727,929	1,575,976	6,303,905	127,816
Thessaloniki Metro	795	-	-	-	795	843	-	-	843	(48)
Todedil scarl	534	-	3,208	-	3,742	62,982	-	-	62,982	(59,240)
Yacilec	4,674	-	-	-	4,674	-	-	-	-	4,674
Yuma	3,226,275	42,682,418	-	-	45,908,693	9,018,161	-	-	9,018,161	36,890,532
Total - group companies	**131,523,869**	**108,506,067**	**9,558,549**	**10,259,336**	**259,847,821**	**136,936,970**	**7,888,686**	**19,878,011**	**164,703,667**	**95,144,154**

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Assets and liabilities at 31 December 2018

]x	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Total assets	Trade payables	Current portion of bank loans and current account facilities	Other current liabilities	Total liabilities	Net balance
C. Tiburtino	75,630	-	-	-	75,630	-	-	-	-	75,630
Casada S.r.l.	82,476	-	-	-	82,476	147,337	-	-	147,337	(64,861)
CEDIV SPA	1,863,752	3,241,000	-	-	5,104,752	-	-	-	-	5,104,752
Corso del Popolo Immobiliare Srl	1,629,465	-	-	-	1,629,465	-	-	-	-	1,629,465
Dirlan	42,569	-	-	-	42,569	-	-	-	-	42,569
G.A.B.I.RE. Srl	1,241,850	-	18,001,297	-	19,243,147	-	-	-	-	19,243,147
Galla Placidia	77,490	-	-	-	77,490	-	-	-	-	77,490
Imm. Agricola San Vittorino	126,251	-	-	-	126,251	-	-	-	-	126,251
Infernetto S.r.l.	9,321	-	-	-	9,321	-	-	-	-	9,321
Iniziative Immobiliari	-	-	-	-	-	262,811	-	-	262,811	(262,811)
Madonna dei Monti Srl	8,459	-	-	-	8,459	9,200	-	-	9,200	(741)
Nores	52,660	-	-	-	52,660	-	-	-	-	52,660
Plus	50,298	-	-	-	50,298	-	-	-	-	50,298
Salini Costruttori	90,013	-	2,193,894	11,956,443	14,240,350	-	8,155,687	-	8,155,687	6,084,663
SALINI SIMONPIETRO & C. S.A.P.A.	40,517	-	-	-	40,517	-	-	-	-	40,517
Studio Avv. Grazia Volo	-	-	-	-	-	10,472	-	-	10,472	(10,472)
Todini Finanziaria	1,495,073	-	-	-	1,495,073	164,151	-	-	164,151	1,330,922
Zeis	80	-	1,631,224	-	1,631,304	91,081	-	-	91,081	1,540,223
Total - other related parties	6,885,904	3,241,000	21,826,415	11,956,443	43,909,762	685,052	8,155,687	-	8,840,739	35,069,023
Total	138,409,773	111,747,067	31,384,964	22,215,779	303,757,583	137,622,022	16,044,373	19,878,011	173,544,406	130,213,177

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Revenue and costs for 2018

]x	Revenue	Other revenue and income	Subcontracts	Services	Personnel expense	Other operating expenses	Amortisation, depreciation, provisions and impairment losses	Financial income	Financial expense
ACE CHIASSO 2	316,190	-	-	296,970	-	-	-	-	-
Aegek - Impregilo - Alstom J.V.	2,214	-	-	2,214	-	-	-	-	-
Agua AZ	269,727	7,600	-	60,832	3,084	-	-	-	-
Agua BA	17,339	-	-	3,395	-	-	-	-	-
ANM	-	96,593	-	1,272,339	-	-	-	-	-
Arge Haupttunnel Eyholz	145,227	-	-	-	-	-	-	-	-
Arge Sisto N8	17,996	-	-	436,227	-	-	-	-	-
ARGE T.PF.	-	510,111	-	127,101	-	-	-	17,579	-
BARNARD	244,563	-	-	45,269	-	-	-	-	-
Churchill Consortium	13,564	-	-	-	-	-	-	-	-
Churchill Hospital J.V.	27,128	-	-	2,541,876	-	-	-	-	-
CIVIL WORK	-	791,454	-	13,363	-	-	-	-	-
CMC Consorzio Monte Ceneri lotto 851	3,220	-	-	174,111	-	-	-	-	-
CMC-MAVUNDLA-IGL JV	-	-	-	18,470	-	-	-	-	-
Consorcio Cigla-Sade	149,349	-	-	252,891	-	-	-	46,021	-
Consorcio Contuy Medio	-	-	-	31,916	-	-	-	-	-
Consorcio Grupo Contuy-Proyectos y Ob. De F.	260,237	-	-	853,297	-	-	-	-	-
Consorcio OIV-TOCOMA	1,369,716	-	-	1,275,910	-	-	22,977,911	-	-
Consorcio VIT Tocoma	371,875	-	-	-	-	-	-	-	-
Consorzio 201 Quintai	3,359,907	-	-	2,891,249	-	-	-	-	-
Consorzio 202 Quintai	1,697,663	-	-	1,729,084	-	-	-	-	-
Consorzio ACE Chiasso	5,590,801	-	-	5,048,918	-	-	-	-	-
CONSORZIO CASERTANO	-	-	-	-	-	-	263	-	-
Consorzio CEMS	4,266	-	-	10,006	-	-	-	-	-
Consorzio CPR 3	-	-	-	1,466	-	-	-	-	-
Consorzio CPR 2	-	-	-	21,678	-	-	-	-	-
Consorzio CRS9	10,905	-	-	10,715	-	-	-	-	-
Consorzio del Sinni	-	-	-	29,672	-	-	-	-	-
Consorzio EPC	24,570,141	14,522	-	1,294,130	-	-	-	-	-
Consorzio Felce BP	1,530	-	-	-	-	-	-	-	-
Consorzio Ferrofir	-	-	-	40,873	-	-	-	-	-
Consorzio Galliera Roveredo	110,359	-	-	-	-	-	-	-	-
Consorzio H20 Morobbia	1,912,997	-	-	1,442,251	-	-	-	-	-
Consorzio Iricav Due	-	25,493	-	2,112,901	-	-	-	-	-
Consorzio MM4	182,335	290,139	-	1,196,828	-	-	-	-	-
Consorzio NOG.MA	-	-	-	22,891	-	-	-	-	-
Consorzio Piottino	2,887	-	-	7,504	-	-	-	-	-
Consorzio Portale Vezia	1,350	-	-	44,541	-	-	-	-	-

]x

Revenue and costs for 2018

]x	Revenue	Other revenue and income	Subcontracts	Services	Personnel expense	Other operating expenses	Amortisation, depreciation, provisions and impairment losses	Financial income	Financial expense
Consorzio Probin	381,039	-	-	430,135	-	-	-	-	-
Consorzio Stazione Mendrisio	1,729	-	-	1,806	-	-	-	-	-
Consorzio Tre Esse	-	40	-	31,559	-	-	-	-	-
Consorzio Trevi - S.G.F. INC per Napoli	-	-	-	-	-	4,586	-	-	-
Consorzio Umbria Sanità in liquidazione	-	-	-	3,653	-	-	-	-	-
Consorzio VIT Caroni Tocoma	-	-	-	1,356,364	-	-	-	-	-
E.R. Impregilo/Dumez y Asociados para Yaciretê	63,949	-	-	5,735,225	-	-	3,873,508	693,303	3,996
Enecor	6,139	-	-	-	-	-	-	-	-
Eurolink S.c.p.a.	29,628	151,365	-	321,400	-	-	-	-	-
FISIA ABEIMA LCC	-	1,512	-	-	-	-	-	-	-
Fisia Abeima Salalah J.V.	-	170,363	-	-	-	-	-	-	-
Forum S.c. a r.l.	-	-	-	417,767	-	-	-	-	-
Galileo scarl	-	-	-	91	-	-	-	-	-
Gaziantep Hastane Saglik	-	-	-	-	-	424	-	-	-
GHAZI JV	-	8,602	-	-	-	-	-	-	-
Groupment Todini Hamila'	-	-	-	-	-	-	229,200	-	-
Grupo Empresas Italianas - GEI	-	-	-	75,819	-	-	-	-	-
GUP CANAL	800,358	32,200	-	-	-	29	-	9,995,012	-
HEALY-PARSONS	1,341,970	-	-	569	-	-	-	-	5,135
IGL Arabia	611	4,720	92,163	-	-	-	-	-	-
Isarco S.c.r.l.	897,634	642,505	-	27,727,072	-	-	-	-	-
Joint Venture Impregilo S.p.A. - Empedos S.A. - Aktor	705,056	-	-	-	-	-	-	-	-
KAYI - Salini - Samsung - JV	-	732,653	-	-	-	-	-	-	-
La Quado S.c.a.r.l.	208	59	-	15,554	-	-	-	-	-
Lambro Scrl	-	-	-	821	-	-	-	-	-
Line 3 Metro Stations	256	-	-	7,347	-	-	-	-	-
METRO BLU	51,670	461,757	-	80,062,349	-	-	-	-	-
Metrogenova S.c.r.l.	-	18,131	-	99,688	-	-	-	-	-
Metropolitana di Napoli S.p.A.	-	-	-	-	-	-	85,245	-	-
Napoli Cancello Alta Velocità S.c.r.l.	40,370	935,036	-	4,083,135	-	-	-	271	-
OCHRE HOLD	-	-	-	-	-	-	-	901,744	-
Ochre Solutions Ltd	48,939	-	-	-	-	-	-	-	-
Passante di Mestre S.c.p.A.	1,282	6,000	-	179,980	-	-	-	-	-
Passante Dorico S.p.A.	15,555	3,513	-	-	-	-	-	-	-
Pedelombarda S.c.p.a.	47,220	34,333	-	52,458	-	-	-	-	-
Perugia 219 Scarl in liquidazione			-	89	-	-	-	-	-
Puentes	16,785	-	-	-	-	-	8,815,028	-	-
S. Anna Palermo S.c.r.l.	-	-	-	20,632	-	-	-	-	-

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Revenue and costs for 2018

]x	Revenue	Other revenue and income	Subcontracts	Services	Personnel expense	Other operating expenses	Amortisation, depreciation, provisions and impairment losses	Financial income	Financial expense
S.AGATA	2,363	565,562	-	3,083,425	-	-	-	1,891	-
Salini Bulgaria AD	-	-	-	-	-	43,072	(43,072)	-	-
Sclafani S.c.r.l.	-	1,291	-	-	-	-	-	-	-
Sedi scarl	-	466	-	649	-	-	-	-	-
Segrate	128,810	617,552	-	5,100,618	-	-	-	11,458	-
SFI leasing	870,177	-	-	1,030,024	-	-	-	-	-
SHIMMICK	37,443,142	-	-	46,352,775	-	-	-	-	-
Sibar Arge	3,000,665	-	-	2,069,815	-	-	-	-	-
Sirjo S.c.p.A.	-	281,385	-	2,614,820	-	-	-	291	-
Sistranyac S.A.	3,203	-	-	-	-	234	-	-	-
Soci Terzi	-	-	-	-	-	-	-	-	697
South Al Mutlaa Joint Venture	-	2,374	-	-	-	-	-	-	-
SPV Linea M4 Spa	-	203,689	-	-	-	-	-	678,984	-
Techint S.A.C.I.- Hochtief A.G.- Impregilo S.p.A	832,920	-	-	451,671	-	-	-	-	-
Thessaloniki Metro	-	-	-	490	-	-	-	-	-
Todedil scarl	-	-	-	62,982	-	-	-	-	-
Yacilec	24,859	-	-	-	-	1,346	-	-	-
Yuma	234,652	322	-	1,009,175	-	-	-	-	-
Zuttion-CSC-Orrlati	541,708	-	-	467,532	-	-	-	-	-
Total - group companies	**88,186,383**	**6,611,342**	**92,163**	**206,178,377**	**3,084**	**49,691**	**35,938,083**	**12,346,554**	**9,828**
C. Tiburtino	16,904	3,506	-	-	-	-	-	-	-
Casada S.r.l.	16,176	2,949	-	243,423	-	3,618	-	-	-
CEDIV SPA	17,272	966	-	-	-	-	-	48,615	-
Dirlan	23,828	2,946	-	-	-	-	-	-	-
G.A.B.I.RE. Srl	17,119	2,898	-	-	-	-	-	18,001	-
Galla Placidia	19,472	2,896	-	-	-	-	-	-	-
Imm. Agricola San Vittorino	22,168	2,946	-	-	-	-	-	-	-
Infernetto S.r.l.	7,220	2,950	-	-	-	-	-	-	-
Iniziative Immobiliari	-	-	-	1,053,117	-	-	-	-	-
Madonna dei Monti Srl	10,872	7,585	-	56,778	-	2,375	-	-	-
Nores	6,272	2,946	-	-	-	-	-	-	-
Plus	28,908	2,946	-	-	-	-	-	-	-
Salini Costruttori	148,094	17,528	-	2,000	-	-	-	177,160	214,363
SALINI SIMONPIETRO & C. S.A.P.A.	14,394	50	-	-	-	-	-	-	-
Studio Avv. Grazia Volo	-	-	-	605,450	-	-	-	-	-
Studio Morganti & Associati	-	-	-	-	-	78,009	-	-	-
Zeis	129,746	100,917	-	146,381	-	8,613	-	40,581	-
Total - other related parties	**478,445**	**154,029**	**-**	**2,107,149**	**-**	**92,615**	**-**	**284,357**	**214,363**

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Revenue and costs for 2018

]x	Revenue	Other revenue and income	Subcontracts	Services	Personnel expense	Other operating expenses	Amortisation, depreciation, provisions and impairment losses	Financial income	Financial expense
Total	88,664,828	6,765,371	92,163	208,285,526	3,084	142,306	35,938,083	12,630,911	224,191

Consolidated financial statements of Salini Impregilo Group - Equity investments

Salini Impregilo Group - Equity investments with positive carrying amounts at 31 December 2018

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	31 December 2017	Change in consolidation method	Acquisitions	Capital transactions	(Disinvestments and liquidations)	Other gains (losses) in profit or loss	Share of profit or loss of equity-accounted	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 investee recognised in	Reclassifications	IFRS 5	Other changes	31 December 2018
A.Constructor J.V Kallidromo	6,277															6,277
Acqua Campania S.p.A.	9,607															9,607
AGL JV	5,039,095		-	1,693,205	-	24,346			-		292,973		-			7,049,620
Agua AZ - Legal	6,092,563					1,120,151			(1,088,298)		41,839					6,166,255
Autopistas del Sol S.A.	83,551,705					(7,280,733)			(8,407,441)		(39,012,894)				12,626,504	41,477,140
Cabot Yard	-			206,625		178,067			-		(201,026)		-			183,666
Calpark S.p.A.	4,664				(4,664)											-
Cons Pizzarotti Todini .Keff-Eddir	1															1
Cons. A.F.T. Taksebt	15,495															15,496
Cons. IECAF	129				(129)											-
Consorcio Federici/Impresit/Ice Cochabamba	15,818															15,818
Consorzio Casale Nei	775															775
Consorzio Consavia S.c.n.c.	1,714				(1,714)											-
Consorzio Costral in liquidazione	9,526				(9,526)											-
Consorzio CPR 3	747															747
Consorzio CPR 2	37															37
Consorzio del Sinni	12,395															12,395
Consorzio Ferrofir	182.569															182.569
Consorzio Ferroviario Milanese	28,276															28,276
Consorzio Imprese Lavori FF.SS. di Saline - FEIC	5,165															5,165
Consorzio Iniziative Ferroviarie - INFER	14,461															14,461
Consorzio Iricav Due	176,060															176,060
Consorzio MM4	64,270															64,270
Consorzio Nazionale Imballaggi - CO.NA.I.	5															5
Consorzio NOG.MA	83,307															83,307
Consorzio Sarda Costruzioni Generali	2,582															2,582
Consorzio Sardo d'Imprese	1,078															1,078
Consorzio Trevi - S.G.F. INC per Napoli	4,500															4,500
Consorzio Umbria Sanità in liquidazione	3.202				(3.202)											-
Depurazione Palermo S.c.r.l.	3,615															3,615
Emittenti Titoli S.p.A.	10,832															10,832

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	31 December 2017	Change in consolidation method	Acquisitions	Capital transactions	(Disinvestments and liquidations)	Other gains (losses) in profit or loss	Share of profit or loss of equity-accounted	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 investee recognised in	Reclassifications	IFRS 5	Other changes	31 December 2018
EUROLINK	16,875,000															16,875,000
FISIA ABEIMA LCC	57,838					883,453					36,745		124,788			1,102,824
FLATIRON-LANE JV	30,987		-	201,948	-	(233,415)			-		480					-
FLUOR-LANE SOUTH CAROLINA	1,228,894		-	-	-	1,852,704			-		116,529					3,198,127
Forum S.c. a r.l.	10,329															10,329
Gaziantep Hastane Saglik	17,521					6,398,542				(1,201,481)					(1,477,641)	3,736,941
Gaziantep Hastanesi Isletme Ve Bakim Hizmetleri	307,648			379,771												687,419
GEMMA-LANE LIBERTY PARTNERS	8,510		-	-	-	7,825			(16,466)		131		-			(1)
Grassetto S.p.A.	7,747															7,747
Grupo Unidos por el canal	100,264,034			266,950,479		(8,280,365)					4,192,076					363,126,224
I_Faber S.p.A.	583,317				(583,317)											-
I4 LEASING LLC	16,776,445		-	-	(2,540,220)	292,355			-		724,924					15,253,503
IGL Arabia - Legal	3,756,627			1,143,046		(466,636)					(62,597)					4,370,440
Immobiliare Golf Club Castel D'Aviano S.r.l.	20,190															20,190
Inter-Healy	22,795					70,956					3,312					97,063
Irina Srl in liquidazione	308,344															308,344
ISARCO	41,000															41,000
Istituto per lo Sviluppo Edilizio ed Urbanistico	34,086															34,086
Istituto per lo Sviluppo Edilizio ed Urbanistico	22,750															22,750
Istituto Promozionale per l'Edilizia S.p.A.	330				(330)											-
Joint Venture Salini-Acciona (Etiopia)	9,430				(9,430)											-
LA QUADO	3,500															3,500
Lambro Scrl	20															20
Manifesto S.p.A.	10,846					(6,546)										4,300
Markland S.r.l.	1,269															1,269
Metro de Lima Linea 2 S.A.	21,238,930					1,127,805					1,042,685					23,409,421
Metrogenova S.c.r.l.	8,257															8,257
Napoli Cancello Alta Velocità S.c.r.l.	6,000															6,000
Nomisma spa	27,015															27,015
OCHRE HOLD	4,184,212					(385,252)		(345,000)			28,098					3,482,059
Olbia 90 S.c.r.l.	2,531															2,531
PANTANO S.C.R.L.(10,5%)	4,258															4,258
Parco Scientifico e Tecnologico della Sicilia	5,165				(5,165)											-
Passante Dorico S.p.A.	2,820,000					(82,428)										2,737,572
PDM	2,730,000			(396,680)												2,333,320
PEDELOMBARDA	2,350,000															2,350,000
Pedemontana Veneta S.p.A.	1,238,052															1,238,052

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	31 December 2017	Change in consolidation method	Acquisitions	Capital transactions	(Disinvestments and liquidations)	Other gains (losses) in profit or loss	Share of profit or loss of equity-accounted	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 investee recognised in	Reclassifications	IFRS 5	Other changes	31 December 2018
PERGENOVA	-			25,000												25,000
PURPLE LINE TRANSIT CONSTRUCTORS LLC	8,538,815		-	-	-	1,418,742			(7,620,660)		209,946					2,546,843
Rimini Fiera S.p.A.	1,563,977			(103,425)												1,460,552
S. Anna Palermo S.c.r.l.	18,592				(18,592)											-
S.AGATA	-			12,000												12,000
S.I.MA. GEST 3 S.c.r.l.	5															5
S.Ruffillo S.c.a.r.l.	21,000															21,000
San Benedetto S.c.r.l.	9,622															9,622
Scat 5 scarl in liquidazione	6,455				(6,455)											-
Sedi scarl	3,400				(3,400)											-
Segrate	3,500															3,500
Seveso S.c.a.r.l.	400															400
Sirjo S.c.p.A.	3,000,000															3,000,000
Sistranyac S.A.	149,965															149,965
SKANSKA-GRANITE-LANE	(87,788)		-	25,402,202	-	(18,855,288)			-		125,466		(2,423,976)			4,160,616
Skiarea Valchiavenna S.p.A.	98,370															98,370
SPV Linea M4 Spa	18,667,600															18,667,600
Tangenziale Esterna di Milano S.p.A.	100															100
Techint S.A.C.I.- Hochtief A.G.- Impregilo S.p.A	3,944															3,944
Todedil scarl	8,780			1,530												10,310
Unionport Bridge	2,309,802			1,066,892		2,187,475			-		211,860		-			5,776,029
VE.CO. S.c.r.l.	2,582															2,582
Wolverhampton	(1)															-
Yacilec - Legal	941,851					(207,781)			(493,248)		(317,923)				482,467	405,364
Yuma - Legal	11,063,488					(9,343,907)					169,182					1,888,763
	316,678,806	**-**		**-296,582,592**	**(3,186,145)**	**(29,579,931)**	**-**	**(345,000)**	**(17,626,113)**	**(1,201,481)**	**(32,398,194)**	**-**	**(2,299,188)**		**11,631,330**	**538,256,679**

Salini Impregilo Group - Equity investments with negative carrying amounts at 31 December 2018

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Investee	31 December 2017	Change in consolidation method	Acquisitions	(Disinvestments and liquidations)	Capital transactions	Share of profit or loss of equity-accounted investees	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	Reclassifications	Other changes	31 December 2018
Cagliari 89 S.c.r.l.	(132,850)													(132,850)
Cons. Astaldi Federici Todini Kramis	(1,308,000)													(1,308,000)
Consorzio Aree Industriali Potentine	(666)													(666)
Fisia Muhendislik VE Insaat Anonim Sirketi	-					(12,865)								(12,865)
FLUOR-LANE LLC	(68)									(2)				(71)
FLUOR-LANE95 LLC	(56,726)									(2,690)				(59,416)
Galileo scarl	(4,110)			4,110										-
GEMMA-LANE PATRIOT PARTNERS	(32,759)					77,373		(44,107)		(507)				-
Imprese Riunite Genova Irg S.c.r.l.	(13,209)			13,209										-
Normetro - Agrupamento Do Metropolitano Do P.	(441)													(441)
Sclafani S.c.r.l.	(135,866)													(135,866)
Sedi scarl	-					(100,000)								(100,000)
SKANSKA-GRANITE-LANE	(2,386,989)									21,890		2,365,099		-
Soingit S.c.r.l.	(50,000)													(50,000)
Total equity investments with negative carrying amounts	**(4,121,684)**	**-**	**-**	**17,319**	**-**	**(35,492)**	**-**	**(44,107)**	**-**	**18,691**	**-**	**2,365,099**		**(1,800,175)**

List of Salini Impregilo Group 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 J.V.	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 (florianopolis)	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.			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	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
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
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
CSI Simplon Consorzio	Switzerland			100	0.01	99.99	CSC S.A.	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	22,422,000,000	65	65			line-by-line
Empresa Constructora Metro 6 L..t.d.a.	Chile	CLP	23,025,000,000	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

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	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Fisia Italimpianti S.p.A.	Italy	Euro	3,400,000	100	100			line-by-line
Fisia LLC	Oman	OMR	250,000	70		70	Fisia Italimpianti S.p.A.	line-by-line
Fisia Muhendislik VE Insaat Anonim Sirketi	Turkey			100		100	Fisia Italimpianti S.p.A.	line-by-line
Fisia-Alkatas-Alke J.V.	Turkey			48		48	Fisia Italimpianti S.p.A.	line-by-line
Galfar - Salini Impregilo - Cimolai J.V.	Qatar			40	40			line-by-line
Generalny Wykonawca Salini Polska - Impregilo - Kobylarnia	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	Algeria	DZD	1,000,000	98		98	HCE Costruzioni S.p.A.	line-by-line
Grupo ICT II SAS	Colombia	COP	9,745,180,000	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 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 J.V.	Qatar			41.25	41.25			line-by-line
Impregilo-Terna SNFCC J.V.	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			24.5		24.5	Lane Mideast Contracting LLC	line-by-line
Lane Industries Incorporated	USA	USD	5	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 Mideast Contracting LLC	United Arab	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
Lane Power Energy Solutions	USA	USD	100	100		100	Lane Industries Incorporated	line-by-line
Lane Securety Paving J.V.	USA			60		60	Lane Construction Corporation	line-by-line
Lane Worldwide Infrastructure	USA	USD	10	100		100	Lane Industries Incorporated	line-by-line

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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	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
Salerno-Reggio Calabria	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 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.	USA			100	30	70	Lane Construction Corporation	line-by-line
Salini Impregilo - NRW Joint Venture	Australia			80	80			line-by-line
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			60	60			line-by-line
Salini Impregilo - US Holdings	USA	USD	1,100	100	100			line-by-line
Salini Impregilo S.p.A. - S.A. Healy Company Jose J	Argentina	ARS	10,000	75	73	2	Lane Construction Corporation	line-by-line
Salini India Private L.t.d. (in	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	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

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						0.01	HCE Costruzioni S.p.A.	
Salini Polska L.t.d. Liability Co	Poland	PLN	393,450	100	100			line-by-line
Salini Saudi Arabia Company	Saudi Arabia	SAR	1,000,000	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
Suramericana de Obras Publicas C.A.- Suropca C.A.	Venezuela	VEB	2,874,118,000	100	99	1	CSC S.A.	line-by-line
TB Metro S.r.l. (in liq.)	Italy	Euro	100,000	51	51			line-by-line
The Lane Blythe Construction	USA			50		50	Lane Construction Corporation	line-by-line
Thessaloniki Metro CW J.V. (AIS JV)	Greece			50	50			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	100		100	Imprepar S.p.A.	line-by-line
Western Station J.V,	Saudi Arabia			51	51			line-by-line
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
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	10,329	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
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
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

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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 -	Venezuela			35	35			equity
Consorcio V.S.T. (in liq.)	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
Consortium Zuttion Constructions-CSC-Orrlati	Switzerland			40		40	CSC S.A.	equity
Consorzio 201 Quintai	Switzerland			60		60	CSC S.A.	equity
Consorzio 202 Quintai	Switzerland			30		30	CSC S.A.	equity
Consorzio ACE Chiasso	Switzerland			50		50	CSC S.A.	equity
Consorzio ACE Chiasso 2	Switzerland			50		50	CSC S.A.	equity
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 Coltum	Switzerland			50		50	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.	Italy	Euro	46,481	10		10	Imprepar S.p.A.	equity
Consorzio EPC	Peru			18.25	18.25			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	16.767		16.767	Imprepar S.p.A.	equity
Consorzio Piottino	Switzerland			25		25	CSC S.A.	equity
Consorzio Pizzarotti Todini-Kef-Eddir. (in 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

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Consorzio Probin	Switzerland			50		50	CSC S.A.	equity
Consorzio Sarda Costruzioni Generali - SACOGEN	Italy			25		25	Imprepar S.p.A.	equity
Consorzio Sardo d'Imprese (in	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 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 -	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
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
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.	Italy	Euro	51,000		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	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
Grupo Empresas Italianas -	Venezuela	VEB	10,500,000	33.333	33.333			equity
Grupo Unidos Por El Canal	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
Impresit Bakolori Plc	Nigeria	NGN	100,800,000	50.707	50.707			equity
Interstate Healy Equipment	USA			45		45	Lane Construction Corporation	equity
IRINA S.r.l. (in liq.)	Italy	Euro	103,300	36		36	Imprepar S.p.A.	equity
Isarco S.c.r.l.	Italy	Euro	10,000	41	41			equity
Isibari S.c.r.l. (in liq.)	Italy	Euro	15,300	100		100	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

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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
Lane Civil Works Canada Inc.	USA			100		100	Lane Power Energy Solutions Inc.	equity
Lane GHIB GP Inc.	USA			100		100	Lane Civil Works Canada Inc.	equity
Lane Infrastructure Canada	Canada			100		100	Lane Construction Corporation	equity
Line 3 Metro Stations	Greece			50	50			equity
LMH_lane Cabot Yard J.V.	USA			50		50	Lane Construction Corporation	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	Italy	Euro	6,500,000	42.424		42.424	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
Pedemontana Veneta S.p.A. (in liq.)	Italy	Euro	6,000,000	21.345		21.345	Imprepar S.p.A.	equity
PerGenova S.c.p.a.	Italy	Euro	50,000	50	50			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
S. Agata FS S.c.r.l.	Italy	Euro	20,000	60	60			equity
S. Anna Palermo S.c.r.l. (in	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
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	Euro	41,317	29.489		29.489	Imprepar S.p.A.	equity
SPV Linea M4 S.p.A.	Italy	Euro	49,345,500	9.634	9.634			equity

List of Salini Impregilo Group companies

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Techint S.A.C.I.- Hochtief A.G.- Impregilo S.p.A.-Iglys S.A.	Argentina			35	26.25	8.75	Iglys S.A.	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
Yuma Concessionaria S.A.	Colombia	COP	26,000,100,000	48.326	40	8.326	Impregilo Intern. Infrastruc. N.V.	equity
Abeinsa Infr. e Fisia Italimpianti UTE Salalah	Spain			51		51	Fisia Italimpianti S.p.A.	joint oper.
Arge Tulfes Pfons	Austria	Euro	1,000	49	49			joint oper.
Arriyad New Mobility	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	South Africa			39.2	39.2			joint oper.
Consorcio Amancae	Peru			40	40			joint oper. (a)
Consorcio Contuy Medio Grupo A C.I. S.p.A. Ghella	Venezuela			36.4	36.4			joint oper.
Consorzio Constructor M2	Peru			25.5	25.5			joint oper.
Fisia Abeima Salalah J.V.	Oman	OMR		35.7		35.7	Fisia LLC	joint oper.
Ghazi-Barotha Contractors J.V.	Pakistan			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	Turkey	Euro		33	33			joint oper.
Nathpa Jhakri J.V.	India	USD	1,000,000	60		60	Imprepar S.p.A.	joint oper.
NGE Genie Civil S.a.s. - Salini Impregilo S.p.A.	France			50	50			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			40	40			joint oper.
UTE Abeima Fisia Shoaibah	Saudi Arabia			50		50	Fisia Italimpianti S.p.A.	joint oper.
Acqua Campania S.p.A.	Italy	Euro	4,950,000	0.1		0.1	Impregilo Intern. Infrastruc. N.V.	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	27,888	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	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			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
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			8.829		8.829	Imprepar S.p.A.	cost

List of Salini Impregilo Group companies

	Country	Currency	Share/quota capital subscribed	Investment %	% direct	% indirect	Investment held by	Consolidation or measurement method
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	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	0.119		0.119	ILIM Srl	cost
Italian Exhibition Group S.p.A.	Italy	Euro	52,214,897	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
Lane Solid - Tadmur Joint	Qatar			0.49		0.49	Lane Mideast Qatar LLC	cost (*)
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
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
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-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

(*) No longer included in the consolidation scope (HFM) but still in the list of companies.

(a) Not yet active and, therefore, excluded from consolidation scope (HFM)

The following companies have been included in the list since 1 January 2018:

	Country	Currency	Share/ quota capital subscribed	Invest-ment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Consorcio Amancae	Peru			40	40			joint oper. (a)
Consortium Zuttion Constructions-CSC-Orrlati	Switzerland			40		40	CSC S.A.	equity
Consorzio ACE Chiasso 2	Switzerland			50		50	CSC S.A.	equity
CSI Simplon Consorzio	Switzerland			100	0.01	99.99	CSC S.A.	line-by-line
Fisia Abeima Salalah J.V.	Oman	OMR		35.7		35.7	Fisia LLC	joint oper.
Fisia LLC	Oman	OMR	250,000	70		70	Fisia Italimpianti S.p.A.	line-by-line
Fisia Muhendislik VE Insaat Anonim Sirketi	Turkey			100		100	Fisia Italimpianti S.p.A.	line-by-line (a)
Fisia-Alkatas-Alke J.V.	Turkey			48		48	Fisia Italimpianti S.p.A.	line-by-line
Lane Civil Works Canada Inc.	USA			100		100	Lane Power Energy Solutions Inc.	equity
Lane GHIB GP Inc.	USA			100		100	Lane Civil Works Canada Inc.	equity
Lane Infrastructure Canada Inc.	Canada			100		100	Lane Construction Corporation	equity
Lane-Securety Paving J.V.	USA			60		60	Lane Construction Corporation	line-by-line
LMH_lane Cabot Yard J.V.	USA			50		50	Lane Construction Corporation	equity
NGE Genie Civil S.a.s. - Salini Impregilo S.p.A.	France			50	50			joint oper.
PerGenova S.c.p.a.	Italy	Euro	50,000	50	50			equity
S. Agata FS S.c.r.l.	Italy	Euro	20,000	60	60			equity
The Lane Blythe Construction J.V.	USA			50		50	Lane Construction Corporation	line-by-line

The following companies have been excluded from the list since 1 January 2018:

	Country	Currency	Share/ quota capital subscribed	Invest-ment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Consorzio/Vianini lavori/Impresit/Dal Canton/Icis/Siderbeton - VIDIS (in liq.)	Italy	Euro	25,822	60		60	Imprepar S.p.A.	line-by-line
Impregilo Colombia SAS	Colombia	COP	6,455,000,000	100	100			line-by-line
Lanecon Corporation	USA			100		100	Lane Construction Corporation	line-by-line
Lane International B.V.	USA	USD	18,000	100		100	Impregilo Intern. Infrastruc. N.V.	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
Sti Abwicklungs Gmbh	Germany	Euro	25,000	100		100	Impregilo Intern. Infrastruc. N.V.	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
CE.S.I.F. S.c.p.a. (in liq.)	Italy	Euro	250,000	24.175	24.175			equity
Con. Sal S.c.n.c. (in liq.)	Italy	Euro	15,494	30		30	Imprepar S.p.A.	equity
Consorzio CGMR	Switzerland			40		40	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 Felce BP	Switzerland			33.34		33.34	CSC S.A.	equity
Consorzio Pedelombarda 2 (in liq.)	Italy	Euro	10,000	40		40	Imprepar S.p.A.	equity
Consorzio Stazione Mendrisio	Switzerland			25		25	CSC S.A.	equity
Edil.Gi. S.c.r.l. (in liq.)	Italy	Lit	20,000,000	50		50	Imprepar S.p.A.	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
Imprese Riunite Genova Irg S.c.r.l. (in liq.)	Italy	Euro	25,500	26.3		26.3	Imprepar S.p.A.	equity
RCCF Nodo di Torino S.c.p.a. (in liq.)	Italy	Euro	102,000	26		26	Imprepar S.p.A.	equity
S. Leonardo Due S.c.r.l. (in liq.)	Italy	Euro	40,800	60		60	Imprepar S.p.A.	equity
San Giorgio Caltagirone S.c.r.l. (in	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
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
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
I_Faber S.p.A.	Italy	Euro	5,652,174	8	8			cost
Parco Scientifico e Tecnologico della Sicilia S.c.p.a.	Italy	Euro	7,626,773	0.038		0.038	Imprepar S.p.A.	cost
Sarmento S.c.r.l. (in liq.)	Italy	Euro	10,200	0.01		0.01	Imprepar S.p.A.	cost
Todini Diekat J.V.	Greece			10		10	HCE Costruzioni S.p.A.	cost

The percentages of the following companies have changed since 1 January 2018:

	Country	Currency	Share/quota capital subscribed	Invest-ment %	% direct	% indirect	Investment held by	Consolidation or measurement method
Lane Solid - Tadmur Joint Venture	Qatar			0.49		0.49	Lane Mideast Qatar LLC	line-by-line
Trincerone Ferroviario S.c.r.l. (in liq.)	Italy	Euro	45,900	100		100	Imprepar S.p.A.	line-by-line
Consorzio NOG.MA (in liq.)	Italy	Euro	600,000	16.767		16.767	Imprepar S.p.A.	equity
Isibari S.c.r.l. (in liq.)	Italy	Euro	15,300	100		100	Imprepar S.p.A.	equity
Passante di Mestre S.c.p.A. (in liq.)	Italy	Euro	10,000,000	42.424		42.424	Imprepar S.p.A.	equity

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 2018 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 2019

Chief executive officer	Manager in charge of financial reporting
Pietro Salini	Massimo Ferrari
(signed on the original)	(signed on the original)

Separate financial statements of Salini Impregilo S.p.A. as at and for the year ended 31 December 2018

Statement of financial position

ASSETS (Euro)	Note	31 December 2017 (§)	of which: related parties	31 December 2018	of which: related parties
Non-current assets					
Property, plant and equipment	4	185,557,426		169,526,879	
Intangible assets	5	140,381,781		123,755,715	
Equity investments	6	1,132,840,253		1,324,130,165	
Non-current financial assets	7	80,490,043	67,140,999	116,394,035	93,163,031
Deferred tax assets	8	160,563,716		195,000,665	
Total non-current assets		**1,699,833,219**		**1,928,807,459**	
Current assets					
Inventories	9	164,072,251		143,267,848	
Contract assets	10	443,967,573		717,156,596	
Trade receivables	11	1,325,651,439	539,195,676	1,420,387,000	715,301,166
Derivatives and other current financial assets	12	638,336,128	584,742,084	710,943,057	665,609,926
Current tax assets	13	114,337,712		94,302,501	
Other current tax assets	13	78,971,565		62,651,612	
Other current assets	14	252,280,350	74,011,492	290,088,663	76,396,031
Cash and cash equivalents	15	660,899,486		547,730,061	
Total current assets		**3,678,516,504**		**3,986,527,338**	
Total assets		**5,378,349,723**		**5,915,334,797**	

(§) The statement of financial position figures at 31 December 2017 have been restated to comply with IFRS 15.

EQUITY AND LIABILITIES (Euro)	Note	31 December 2017 (§)	of which: related parties	31 December 2018	of which: related parties
Equity					
Share capital		544,740,000		544,740,000	
Share premium reserve		120,798,000		120,798,000	
Other reserves		248,060,852		188,890,745	
Other comprehensive expense		(3,562,789)		343,383	
Losses carried forward		(48,794,877)		(119,122,812)	
Profit (loss) for the year		(103,059,493)		109,550,415	
Total	16	**758,181,693**		**845,199,731**	
Non-current liabilities					
Bank and other loans and borrowings	17	381,854,736		552,180,275	
Bonds	18	1,084,425,602		1,088,157,682	
Finance lease liabilities	19	28,922,536		16,596,304	
Post-employment benefits and employee benefits	21	11,431,836		11,666,922	
Deferred tax liabilities	8	19,273,498		18,993,887	
Provisions for risks	22	59,617,402		48,604,752	
Total non-current liabilities		**1,585,525,610**		**1,736,199,822**	
Current liabilities					
Current portion of bank loans and borrowings and current account facilities	17	311,029,249	184,654,195	931,774,630	584,347,225
Current portion of bonds	18	302,934,763		13,294,521	
Current portion of finance lease liabilities	19	22,453,566		17,113,249	
Derivatives and other current financial liabilities	20	1,480,515		-	
Contract liabilities	23	981,942,390		626,680,545	
Trade payables	24	1,217,598,067	549,072,045	1,514,679,805	708,726,041
Current tax liabilities	25	72,837,048		76,886,916	
Other current tax liabilities	25	19,254,533		15,896,736	
Other current liabilities	26	105,112,289	25,738,704	137,608,842	55,202,441
Total current liabilities		**3,034,642,420**		**3,333,935,244**	
Liabilities directly associated with non-current assets held for sale					
Total equity and liabilities		**5,378,349,723**		**5,915,334,797**	

(§) The statement of financial position figures at 31 December 2017 have been restated to comply with IFRS 15.

Statement of profit or loss

(Euro)	Note	2017 (§)	of which: related parties	2018	of which: related parties
Revenue					
Revenue	29	2,786,304,061	188,844,748	2,916,439,069	90,495,394
Other income	29	105,127,755	48,791,276	151,860,081	42,422,273
Total revenue		**2,891,431,816**		**3,068,299,150**	
Operating expenses					
Purchases	30.1	(353,949,176)	(43,116)	(391,830,409)	(8,981)
Subcontracts	30.2	(384,311,387)	(43,953,412)	(507,679,607)	(53,624,791)
Services	30.3	(1,413,018,552)	(537,865,636)	(1,383,905,587)	(514,159,583)
Personnel expenses	30.4	(305,109,077)	(2,821,096)	(319,624,087)	(2,607,279)
Other operating expenses	30.5	(74,449,709)	(345,447)	(62,641,115)	(426,832)
Amortisation, depreciation, provisions and impairment losses	30.6	(391,969,164)	(59,193,714)	(270,113,217)	(35,764,469)
Total operating expenses		**(2,922,807,065)**		**(2,935,794,022)**	
Operating profit (loss)		**(31,375,249)**		**132,505,128**	
Financing income (costs) and gains (losses) on equity investments					
Financial income	31.1	67,598,826	21,440,155	58,471,893	28,071,404
Financial expense	31.2	(115,864,935)	(6,733,680)	(95,601,331)	(6,088,354)
Net exchange gains (losses)	31.3	(153,166,441)		31,342,936	
Net financing costs		(201,432,550)		(5,786,502)	
Net gains on equity investments	32	129,416,643		41,627,560	
Net financing costs and net gains on equity investments		**(72,015,907)**		**35,841,058**	
Profit (loss) before tax		**(103,391,156)**		**168,346,186**	
Income taxes	33	331,663		(58,795,771)	
Profit (loss) for the year		**(103,059,493)**		**109,550,415**	

(§) The 2017 statement of profit or loss figures have been restated to comply with IFRS 15.

Statement of comprehensive income

(€'000)		2017 (§)	2018
Profit (loss) for the year (a)		**(103,059)**	**109,550**
- items that may be subsequently reclassified to profit or loss, net of the tax effect:			
Change in the translation reserve		(15,892)	3,791
Net gains on cash flow hedges, net of the tax effect	16	2,667	
- items that may not be subsequently reclassified to profit or loss, net of the tax effect:			
Net actuarial gains on defined benefit plans	16	146	114
Other comprehensive income (expense) (b)		**(13,079)**	**3,905**
Comprehensive income (expense) (a) + (b)		**(116,138)**	**113,455**

(§) The 2017 statement of comprehensive income figures have been restated to comply with IFRS 15.

Statement of cash flows

(€'000)	Note	2017 (*)	2018
Cash and cash equivalents	15	852,552	660,899
Current account facilities	17	(1,230)	(8,869)
Total opening cash and cash equivalents		**851,322**	**652,030**
Operating activities			
Profit (loss) for the year		(103,059)	109,550
Amortisation of intangible assets	30	21,714	16,648
Depreciation of property, plant and equipment	30	78,543	63,108
Net impairment losses and provisions	30	291,712	193,722
Accrual for post-employment benefits and employee benefits	21	7,873	9,136
Net gains on the sale of assets	29 - 30	(694)	(5,357)
Deferred taxes	33	(88,893)	(38,714)
Net gains on equity investments	32	(130,256)	(34,768)
Income taxes	33	88,561	97,509
Net exchange gains and losses	31	153,819	(31,343)
Net interest paid during the year	31	48,266	37,129
Other non-monetary items		23,422	2,410
Cash flows generated by operating activities		**391,008**	**419,030**
Increase in inventories and contract assets	9 - 10	(163,766)	(305,350)
Decrease (increase) in trade receivables	11	259,531	(179,723)
(Decrease) increase in contract liabilities	23	197,934	(354,017)
(Decrease) increase in trade payables	24	(270,086)	298,354
Increase in other assets/liabilities		(20,037)	(10,112)
Total changes in working capital		**3,576**	**(550,848)**
Increase in other items not included in working capital		(37,799)	(12,336)
Income taxes		(77,081)	(55,455)
Interest expense paid		(78,416)	(63,105)
Financial income collected		7,499	16,794
Cash flows generated by (used in) operating activities		**208,787**	**(245,920)**
Investing activities			
Net investments in intangible assets	5	(157)	
Investments in property, plant and equipment	4	(52,122)	(53,024)
Proceeds from the sale or reimbursement value of property, plant and		11,517	12,198
Investments in non-current financial assets		(96,171)	(301,326)
Dividends distributed by subsidiaries		21,000	130,298
Proceeds from the sale or reimbursement value of non-current financial	6	11,231	987
Acquisitions and/or sales of subsidiaries and business units net of cash and		4,221	-
Cash flows used in investing activities		**(100,481)**	**(210,867)**

(€'000)	Note	2017 (*)	2018
Financing activities			
Share capital increase			
Dividends distributed	16	(26,341)	(26,099)
Repurchase of treasury shares			
Increase in bank and other loans	17	1,587,609	1,275,605
Decrease in bank and other loans	17	(1,513,310)	(1,296,375)
Change in other financial assets/liabilities		(307,380)	276,374
Cash flows generated by (used in) financing activities		**(259,422)**	**229,505**
Net exchange gains (losses) on cash and cash equivalents		**(48,173)**	**10,646**
Decrease in cash and cash equivalents		**(199,289)**	**(216,636)**
Cash and cash equivalents	15	660,899	547,730
Current account facilities	17	(8,869)	(112,335)
Total closing cash and cash equivalents		**652,030**	**435,395**

(*) The 2017 statement of cash flows figures have been restated to comply with IFRS 15.

Statement of changes in equity

				Other reserves						Other comprehensive income (expense)						
(€'000)		Share capital	Share premium reserve	Legal reserve	Share capital increase related charges	Extraordinary and other reserves	Treasury shares	LTI reserve	Total other reserves	Translation reserve	Hedging reserve	Actuarial reserve	Total other comprehensive income (expense)	Losses carried forward	Profit (loss) for the year	Equity
As at 1 January 2017	**16**	**544,740**	**120,798**	**103,321**	**(3,970)**	**146,813**	**(7,677)**	**4,241**	**242,728**	**12,681**	**(2,667)**	**(497)**	**9,517**	**(19,224)**	**-**	**898,559**
Allocation of profit and reserves	16			3,230					3,230				-	(3,230)	-	-
Dividend distribution	16								-				-	(26,341)		(26,341)
Allocation of stock options	16							2,103	2,103				-			2,103
Loss for the year	16								-				-		(103,059)	(103,059)
Other comprehensive expense	16								-	*(15,893)*	*2,667*	*146*	*(13,080)*			(13,080)
Comprehensive expense	16								-	*(15,893)*	*2,667*	*146*	*(13,080)*	-		(116,139)
31 December 2017 (§)	**16**	**544,740**	**120,798**	**106,551**	**(3,970)**	**146,813**	**(7,677)**	**6,344**	**248,061**	**(3,212)**	**-**	**(351)**	**(3,563)**	**(48,795)**	**(103,059)**	**758,182**
As at 1 January 2018 (§)	**16**	**544,740**	**120,798**	**106,551**	**(3,970)**	**146,813**	**(7,677)**	**6,344**	**248,061**	**(3,212)**	**-**	**(351)**	**(3,563)**	**(48,795)**	**103,059**	**758,182**
Allocation of loss and reserves	16					(31,114)			(31,114)				-	(71,945)	(103,059)	
Dividend distribution	16					(26,099)			(26,099)				-			(26,099)
Allocation of stock options	16						4,387	(6,344)	(1,957)				-	1,957		-
Other changes	16								-				-	(340)		(340)
Profit for the year	16								-				-		109,550	109,551
Other comprehensive income	16								-	*3,792*		*114*	*3,906*			3,906
Comprehensive income	16								-	*3,792*	-	*114*	*3,906*	-		113,457
31 December 2018	**16**	**544,740**	**120,798**	**106,551**	**(3,970)**	**89,600**	**(3,290)**	**-**	**188,891**	**580**	**-**	**(237)**	**343**	**(119,123)**	**109,551**	**845,200**

(§) The statement of changes in equity figures for 2017 have been restated to comply with IFRS 15.

Notes to the separate financial statements

1. Basis of preparation

Salini Impregilo S.p.A. (the "company" or "Salini Impregilo") has prepared its 2018 separate financial statements on a going concern basis. The directors have checked that events that could affect the company's ability to meet its commitment in the near future and, specifically, in the next 12 months do not exist. Preparation of separate financial statements requires management to make judgements and complex estimates about the company's future profitability and financial position, based also on its sector. These complex estimates underpin assumptions about going concern and the carrying amounts of assets, liabilities, revenue and costs. They do not consider non-recurring events that management cannot foresee at the date of preparation of the separate financial statements.

As required by Regulation 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 2018. 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

Changes in standards

This section lists the standards, amendments and interpretations published by the IFRS, endorsed by the European Union and applicable since 1 January 2018:

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 (and Amendment to IFRS 9 - Prepayment features with negative compensation)	1 January 2018

Amendments to IFRS 2 Share-based payment - Classification and measurement of share-based payments	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
IFRIC 22 - Foreign currency transactions and advance consideration	1 January 2018

The standards, amendments and interpretations published by the IASB and endorsed by European Union which become applicable after the reporting date are listed below:

Standard/Interpretation	**IASB application date**
IFRS 16 - Leases	1 January 2019
IFRIC 23 - Uncertainty over income tax treatment	1 January 2019
Amendments to IAS 28 - Long-term interests in associates and joint ventures	1 January 2019

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
Annual improvements to IFRS Standards 2015-2017 cycle (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	1 January 2019
Amendments to IAS 19: Plan amendment, curtailment or settlement	1 January 2019
Amendments to References to the conceptual framework in IFRS Standards	1 January 2020
Amendments to IFRS 3 Business combinations	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of material	1 January 2020

Adoption of the above standards will not significantly affect the company's separate financial statements, except for IFRS 16, for which the company has commenced a specific adoption project.

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.

The company is currently engaged in the project to implement the new standard and has completed the gap analysis with IAS 17. It has mapped the leases within the scope of IFRS 16. The company has also developed systems and processes for the accounting of these in-scope leases.

Specifically, Salini Impregilo has elected to apply IFRS 16 retrospectively by recognising the cumulative effect of the FTA at 1 January 2019 (the date of transition). Therefore, it will not restate the comparative figures at 31 December 2018 and it will recognise the FTA cumulative effect as an adjustment to the opening balance of retained earnings.

The company has elected to use the following practical expedients to restate the opening balances:

a) it has applied a single discount rate to portfolios of leases with similar characteristics and a similar remaining lease term for a similar class of underlying assets in a similar economic environment;

b) leases that expire before 31 December 2019 have been classified as short-term;

c) it has excluded initial direct costs from the measurement of the right-of-use asset;

d) it has used hindsight to assess contract variables (specifically the lease term).

The carrying amount of the right-of-use asset and the lease liability of leases classified as finance leases under IAS 17 is equal to the carrying amount of the leased asset and the lease liability measured in accordance with that standard at 31 December 2018.

In addition to the practical expedients set out above for transition, the company also elected to use the practical expedients for low-value assets and leases with a term of less than 12 months. Therefore, when the value of the underlying new, individual asset is less than €5,000 or the lease term is less than 12 months, it will expense the lease payments on a straight-line basis and when incurred.

The company elected not to separate non-lease components from lease components for vehicles, office furniture and equipment and other assets. It elected to separate non-lease components from lease components for land and buildings, plant and machinery and industrial and commercial equipment.

As part of the ongoing IFRS 16 project, the company has performed a preliminary estimate of the effects of applying IFRS 16 for the first time on its separate financial statements as required by IAS 8.

It has estimated the effects on equity at 1 January 2019 considering the valuations made to date and summarised below. The actual effects of adoption of IFRS 16 at 1 January 2019 may be different as, inter alia:

- the procedure to implement IFRS 16 is ongoing; specifically, the company is finalising the information systems and processes necessary to measure, recognise and present the in-scope leases;
- the company is analysing the methods used by the entities included in the scope of its separate financial statements to determine the discount rates;
- it is finalising implementation of the necessary changes in the contract revenue and cost estimation process to comply with the modifications introduced by the standard to the cost structure. Replacement of the operating lease costs recognised under IAS 17 with the related costs to be

amortised for the right-of-use asset and financial expense accrued on the lease liability, as required by IFRS 16, has an indirect impact on the measurement of contract assets and liabilities due to the measurement of contract work in progress using the percentage of completion method. The company has not considered these effects in its preliminary estimates of the effects presented herein.

The company has estimated the lease liability and the right-of-use asset for leases previously classified as operating leases under IAS 17 and considering the elections made about the transition method and the practical expedients as follows:

- the lease liability at 1 January 2019 has been estimated at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application;
- estimation of a right-of-use asset using two methods defined on a lease-by-lease basis and, specifically, at:
  - its carrying amount as if the standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at 1 January 2019;
  - an amount equal to the lease liability at 1 January 2019, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018 under IAS 17.

The significant judgements made to apply IFRS 16 that had a material impact on the estimate of the assets and liabilities related to the discount rate and the lease term:

- the lessee's incremental borrowing rate was used to discount the lease payments, estimated using the lease's reference currency, economic context and class of underlying asset;
- the lease term was estimated considering firstly the contract clauses to identify the non-cancellable period of the lease; the company considered the contracts in which the leased assets are used for the termination and renewal options;

The following table shows the company's estimate of the possible effect on opening equity at 1 January 2019 of application of IFRS 16, gross of the tax effect:

(€m)	**1 January 2019**
Equity at 31 December 2018	845.2
Estimate of IFRS 16 effect	(0.7)
Equity at 1 January 2019	844.5

The implementation project allowed the company to estimate the following greater differences compared to IAS 17, currently applied by the company:

(€m)	**1 January 2019**
Increase in non-current assets due to recognition of right-of-use assets	50.5
Increase in financial liabilities due to recognition of lease liabilities	(51.2)
Total effect on equity	(0.7)

The minimum lease payments for the leases considered in the above analysis are shown below:

	€m at 1 January 2018
Minimum lease payments	
Due within one year	11.4
Due between one and five years	23.6
Due after five years	23.3
Total	**58.3**
Future interest expense	(7.1)
Net present value	**51.2**
The net present value is as follows:	
Due within one year	11.0
Due between one and five years	21.0
Due after five years	19.2
Total	**51.2**

Effects of the application of the new standards

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.

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 investments, loans and receivables and available-for-sale financial assets 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 of occurrence.

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 has not significantly affected the company's current measurement methods. This is based on the fact that the indicators used to quantify credit risk previously 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.

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 government bodies)should be assessed together with the related working capital items, especially those reflecting the net exposure to customers in relation to contract work in progress as a whole.

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 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 date of the opening comparative figures). It has opted to use one of the practical expedients provided for in paragraph C5(a)(ii) whereby contracts completed at the beginning of the earliest period presented (1 January 2017) need not be restated. The effects of application of this practical expedient are not significant.

As part of the IFRS 15 project, the company has defined the effects of applying IFRS 15 for the first time on its separate financial statements as required by IAS 8.

The implementation project has led to identification of the following key differences compared to the provisions of IAS 11 and IAS 18 previously 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).

   The effect on equity at 1 January and 31 December 2017 of the different method of combining contracts is set out below:

	Equity at 1 January 2017	Profit or Loss for 2017	Equity at 31 December 2017
Total adjustment	(2,682)	1,493	(1,189)

2. **Identify the performance obligations in the contract**. The performance obligation is usually the entire project, as provided for in the contract, given that the different services are highly interdependent 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 Salini Impregilo 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.

This did not affect the company's equity at 1 January or 31 December 2017.

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 recognised 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 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 effect on equity at 1 January and 31 December 2017 of the different requirements for accounting for contract modifications and variable consideration is as follows:

	Equity at 1 January 2017	Profit or Loss for 2017	Equity at 31 December 2017
Total adjustment	(78,000)	(13,349)	(91,328)

4. **Allocate the transaction price to the performance obligations in the contract.** This is closely related to point 2. It is not expected to give rise to 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 Salini Impregilo has the right to collect the consideration for the services over the contract term.

The company recognised revenue in accordance with IAS 11 using the percentage of completion approach and the cost-to-cost method. It did not believe this method needed 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 effect on equity at 1 January and 31 December 2017 of the change in the input data calculation method is as follows:

	Equity at 1 January 2017	Profit or Loss for 2017	Equity at 31 December 2017
Total adjustment	(17,660)	(1,950)	(19,751)

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 effect on equity at 1 January and 31 December 2017 of the different accounting treatment of contract costs is as follows:

	Equity at 1 January 2017	Profit or Loss for 2017	Equity at 31 December 2017
Total adjustment	(10,527)	1,936	(8,494)

The following table shows the effect on equity at 1 January and 31 December 2017 of application of IFRS 15, net of the tax effect:

	Equity at 1 January 2017	Profit or Loss for 2017	Equity at 31 December 2017
Total equity and loss before introduction of the new standard	**1,007,428**	**(91,188)**	**878,945**
Effects of the application of the new standards			
- Identify the contract with a customer	(2,682)	1,493	(1,189)
- Identify the performance obligations (distinct elements that are part of a single contract but are separated for accounting purposes) in the contract			
- Determine the transaction price	(78,000)	(13,349)	(91,328)
of which: claims	*(76,979)*	*(14,269)*	*(91,248)*
- Recognise revenue	(17,660)	(1,950)	(19,751)
- Contract costs	(10,527)	1,936	(8,494)
Total adjustments	**(108,869)**	**(11,870)**	**(120,762)**
Equity and loss after introduction of the new	**898,559**	**(103,058)**	**758,183**

The effect of the above adjustments on earnings per share is not significant.

Significant judgements made in applying IFRS 15

This section sets out the significant judgements made in applying IFRS 15. Specifically, it describes the judgements that have had a significant effect on the calculation of the amount and timing of revenue from contracts with customers.

1. Identify the contract with a customer

The company identifies and measures contracts with customers in line with IFRS 15 after they have been signed and are binding, creating enforceable rights and obligations for the company and the customer. It considers the criteria of IFRS 15.9 set out below to identify the contract:

a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;

b) the entity can identify each party's rights regarding the goods or services to be transferred;

c) the entity can identify the payment terms for the goods or services to be transferred;

d) the contract has commercial substance (i.e., the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and

e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

2. Identifying performance obligations and allocating the transaction price

IFRS 15 identifies a performance obligation as a promise included in the contract with a customer to transfer: a) a good or service (or a bundle of goods or services) that is distinct; or b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

In the company's case, its performance obligation is usually the entire project. In fact, although the individual performance obligations provided for in the contract are distinct, they are highly interdependent and integrated as the contract provides for the transfer of the entire infrastructure to the customer.

However, certain contractual items include additional services that should be considered as distinct performance obligations. For example, these may be post-completion maintenance services after final inspection and additional or different contract warranties compared to those provided for by law or normal sector practices.

When a contract has more than one performance obligation, the appropriate portion of the transaction price should be allocated to each distinct performance obligation based on the guidance of IFRS 15. The company's contracts with customers usually specify the price of each contractual item (detailed in the contract).

3. Determining the criteria for satisfaction of the performance obligations and recognition of the revenue

IFRS 15 provides that revenue shall be recognised when (or as) the performance obligation is satisfied transferring the promised good or service (or asset) to the customer. An asset is transferred when (or as) the customer obtains control.

The company's contracts with customers are usually long-term contracts that include obligations to be satisfied over time based on the progress towards completion and transfer of control of the asset to the customer over time.

The reasons why recognition of revenue over time is considered the correct approach are:

- the customer controls the asset as it is constructed (the asset is built directly in the area made available by the customer);
- the asset under construction does not have an alternative use and the company has an enforceable right to payment for its performance completed to date over the contract term.

IFRS 15 requires that progress towards satisfaction of a performance obligation be measured using the method that best represents the transfer of control of the asset under construction to the customer. The objective when measuring progress is to depict an entity's performance in transferring control of goods or services promised to a customer. The company considers its market sector and the complex mix of goods and services it provides when it selects the appropriate revenue recognition method. IFRS 15 provides for two alternative methods to recognise revenue over time:

a) output method;

b) input method.

Output methods recognise revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to the date relative to the remaining goods or services promised under the contract (e.g., surveys of performance completed to date, milestones reached, units delivered, etc.). Input

methods recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation (e.g., resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the satisfaction of that performance obligation.

The most appropriate method for measuring revenue is the cost-to-cost method calculated by applying the percentage of completion (the ratio of costs incurred to total estimated costs) to contract revenue. The calculation of the ratio of costs incurred to estimated costs only considers costs that contribute to the actual transfer of control of the goods and/or services. This method allows the objective measurement of the transfer of control to the customer as it considers quantitative variables related to the contract as a whole.

When choosing the appropriate method for measuring the transfer of control to the customer, the company did not adopt the output method (e.g., surveys of performance completed to date) for its ongoing contracts as it considered that although this output method would allow a direct measurement of progress, it would also lead to operating difficulties in managing and monitoring progress considering all the resources necessary to satisfy the obligation.

In addition, an output method would entail the application of criteria and measurement inputs that are not directly observable and the incurring of excessive costs to obtain useful information.

Finally, in the company's reference sector, the objective of contractual outputs (milestones) refers to, inter alia, modulation of cash flows to obtain financial resources useful to perform the contract and the definition of technical specifications of the works and related performance timing.

4. Determining the transaction price

Given the engineering and operating complexities, the size and length of time involved in completing the contracts, in addition to the fixed consideration agreed in the contract, the transaction price also includes additional consideration, whose conditions need to be assessed. A claim is an amount that the contractor seeks to collect as reimbursement for costs incurred (and/or to be incurred) due to reasons or events that could not be foreseen and are not attributable to the contractor, for more work performed (and/or to be performed) or variations that were not formalised in riders.

The measurement of the additional consideration arising from claims is subject to a high level of uncertainty, given its nature, both in terms of the amounts that the customer will pay and the collection times, which usually depend on the outcome of negotiations between the parties or decisions taken by judicial/arbitration bodies.

This type of consideration is regulated by IFRS 15 as "contract modifications". The standard provides that a contract modification exists if it is approved by the parties to the contract. IFRS 15 provides that a contract modification could be approved in writing, by oral agreement or implied by customary business practices. A contract modification may exist even though the parties to the contract have a dispute about the scope or price (or both) of the modification. The rights to the consideration shall be provided for contractually generating an enforceable right. Once the enforceable right has been identified, in order to recognise the claims and amount of the additional consideration requested, the company shall apply the guidance about the variable consideration given in IFRS 15. Therefore, in order to adjust the transaction price to include the

additional consideration arising from the claims, the company shall decide whether it is highly probable that the revenue will not be reversed in the future.

The company considers all the relevant aspects and circumstances such as the contract terms, business and negotiating practices of the sector or other supporting evidence when taking the above decision.

4.a Optional works

The consideration for optional works is additional consideration for future works that have not yet been agreed and/or ordered by the customer when it signs the contract.

The consideration for optional works is provided for in the contracts with the customer as it represents potential future work interrelated with the main contract object. However, most of the contracts provide that the additional works shall be specifically defined and approved by the customer before they start. Otherwise, the contractor does not have an enforceable right to payment for this performance.

Accordingly and based on sector practices, this type of consideration is a contract modification and, under IFRS 15, shall be considered when measuring the transaction price if approved by both parties to the contract. In this case, the enforceable right can only be identified after specific approval or instructions from the customer in line with its customary business practices or operating methods.

4.b Penalties

Contracts with customers may include penalties due to non-compliance with certain contract terms (such as, for example, non-compliance with delivery times).

When the contract penalties are "reasonably expected", the transaction price is reduced accordingly. The company analyses all the indicators available at the reporting date to assess the probability of a contract default that would lead to the application of penalties.

4.c Significant financing component

It is normal practice in the construction and large-scale infrastructure sector that the transaction price for the project (which is usually completed over more than one year) is paid in the form of an advance and subsequent progress billing (based on progress reports).

This method of allocating cash flows is often defined in the calls for tenders. The customer's payment flows (advances and subsequent progress billing) are usually organised to make construction of the project by the contractor feasible, limiting its financial exposure. Constructors in the large-scale infrastructure sector build projects for large amounts of money and the initial outlay is usually high.

The contract advance is used for the following reasons:

- to finance the initial contract investments and pay the related advances to subcontractors;
- as a form of guarantee to cover any risks of contractual breach by the customer.

The advance is reabsorbed by the subsequent progress billing in line with the stage of completion of the contract.

Furthermore, the company's operating cycle is generally several years. Therefore, it considers the correct time-scale of its works to determine whether its contracts include a significant financing component.

Based on the above, it has not identified significant financing components in the transaction price for the contracts that include changes in the advances or progress billings in line with sector practices and/or of amounts that are suitable as guarantees and have a timeframe in line with the cash flows required to complete the contract.

5. Losses to complete

The new standard does not specifically cover the accounting treatment of loss-making contracts but refers to IAS 37, which regulates the measurement and classification (previously covered by IAS 11) of onerous contracts. IAS 37 provides that an onerous contract is one in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The present obligation under the contract shall be recognised and measured as a provision when the loss is probable based on the most recent forecasts prepared by management.

The unavoidable costs are all those costs that:

- are directly proportionate to the contract and increase the performance obligation transferred to the customer;
- do not include those costs that will be incurred regardless of satisfaction of the performance obligation;
- cannot be avoided by the company through future actions.

Measurement of any loss-making contracts (the onerous test) is performed at individual performance obligation level. This approach best represents the different contract profits or losses depending on the nature of the goods and services transferred to the customer.

6. Contract costs

6.a Incremental costs of obtaining a contract

IFRS 15 allows an entity to recognise the incremental costs of obtaining a contract as an asset if it expects to recover those costs through the future economic benefits of the contract. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred (costs not explicitly chargeable to the customer). The incremental costs are recognised as an asset (contract costs) and amortised on a systematic basis that is consistent with the pattern of transfer of control of the goods or services to the customer.

6.b Costs to fulfil a contract

Under IFRS 15, an entity shall recognise an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract;

- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

It is the practice of the company's sector that these costs usually consist of pre-operating costs that are recognised by customers and included in precise contract items or are not explicitly recognised and are covered by the contract profit. Formal recognition of these costs implies that, when they are incurred, control of the asset provided for in the contract is transferred. Therefore, they cannot be recognised as assets and contribute to the stage of completion.

When the contract provides for their explicit recognition and the above three criteria are met, the pre-operating costs are recognised as assets and amortised on a systematic basis that is consistent with the pattern of transfer of control of the goods and/or services to the customer.

In addition, IFRS 15 defines all those costs that, by their nature, do not contribute to the stage of completion as, although they are referred to in the contract and can be recovered, they do not contribute to generating or enhancing the resources that will be used to satisfy the performance obligations or to transfer control of the good and/or service to the customer.

7. *Presentation in the separate financial statements*

Following introduction of the new standards, the company has modified its statement of financial position and statement of profit or loss to present its financial position and performance in compliance with IFRS 15.

Specifically, the statement of financial position includes a new asset item "Contract costs" which includes the costs capitalised under the criteria described in points 9 and 10 of this section. Amortisation of these costs is included in the statement of profit or loss item "Amortisation, depreciation, provisions and impairment losses".

The contract assets and liabilities are presented in the statement of financial position items "Contract assets" and "Contract liabilities", respectively under assets and liabilities. The classification in line with IFRS 15 depends on the relationship between the company's performance obligation and payment by the customer. These items show the sum of the following components analysed individually for each customer:

(+) Amount of work performed calculated using the cost-to-cost method pursuant to IFRS 15

(-) Progress payments and advances received

(-) Contractual advances.

When the total is positive, the net balance is recognised as a "Contract asset". If it is negative, it is recognised as a "Contract liability". When the amounts represent an unconditional right to payment of the consideration, they are recognised as financial assets.

The company's statement of profit or loss includes a revenue item "Revenue from contracts with customers" to comply with IFRS 15. This revenue is presented and measured in accordance with the new standard. The item "Other income" includes income from transactions other than contracts with customers and is

measured in line with other standards or the company's specific accounting policy elections. It includes income related to gains on the sale of non-current assets, income on cost recharges, prior year income and income from the recharging of costs of Italian consortia and consortium companies.

With respect to the last item, Salini Impregilo'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. As this income does not arise on the performance of the contract obligations or contract negotiations, it is recognised as "Other income".

Separate financial statements

Statement of financial position at 31 December 2017

ASSETS (Euro)	Published	Effects of IFRS 15	Restated after introduction of the new standards
Non-current assets			
Property, plant and equipment	185,557,426	-	185,557,426
Intangible assets	65,028,268	(64,359,739)	668,529
Contract costs	-	139,713,252	139,713,252
Equity investments	1,142,505,039	(9,664,786)	1,132,840,253
Derivatives and non-current financial assets	80,490,043	-	80,490,043
Deferred tax assets	125,722,931	34,840,785	160,563,716
Total non-current assets	**1,599,303,707**	**100,529,512**	**1,699,833,219**
Current assets			
Inventories	164,072,251	-	164,072,251
Contract assets	1,125,828,682	(681,861,109)	443,967,573
Trade receivables	1,325,552,935	98,504	1,325,651,439
Derivatives and other current financial assets	638,336,128	-	638,336,128
Current tax assets	114,337,712	-	114,337,712
Other current tax assets	78,971,565	-	78,971,565
Other current assets	252,428,289	(147,939)	252,280,350
Cash and cash equivalents	660,899,486	-	660,899,486
Total current assets	**4,360,427,048**	**(681,910,544)**	**3,678,516,504**
Total assets	**5,959,730,755**	**(581,381,031)**	**5,378,349,724**

Separate financial statements

Statement of financial position at 31 December 2017

EQUITY AND LIABILITIES	Published	Effects of IFRS 15	Restated after introduction of the new standards
Equity			
Share capital	544,740,000	-	544,740,000
Share premium reserve	120,798,000	-	120,798,000
Other reserves	248,060,852	-	248,060,852
Other comprehensive expense	(3,540,114)	(22,675)	(3,562,789)
Retained earnings (losses carried forward)	60,074,558	(108,869,435)	(48,794,877)
Loss for the year	(91,188,207)	(11,871,286)	(103,059,493)
Total equity	**878,945,089**	**(120,763,396)**	**758,181,693**
Non-current liabilities			
Bank and other loans and borrowings	381,854,736	-	381,854,736
Bonds	1,084,425,602	-	1,084,425,602
Finance lease liabilities	28,922,537	-	28,922,537
Post-employment benefits and employee benefits	11,431,836	-	11,431,836
Deferred tax liabilities	19,297,946	(24,448)	19,273,498
Provisions for risks	58,902,402	715,000	59,617,402
Total non-current liabilities	**1,584,835,059**	**690,552**	**1,585,525,610**
Current liabilities			
Current portion of bank loans and borrowings and current account facilities	311,029,249	-	311,029,249
Current portion of bonds	302,934,763	-	302,934,763
Current portion of finance lease liabilities	22,453,566	-	22,453,566
Derivatives and other current financial liabilities	1,480,515	-	1,480,515
Contract liabilities	1,444,481,236	(462,538,846)	981,942,390
Trade payables	1,217,598,067	-	1,217,598,067
Current tax liabilities	72,837,048	-	72,837,048
Other current tax liabilities	19,254,533	-	19,254,533
Other current liabilities	103,881,631	1,230,658	105,112,289
Total current liabilities	**3,495,950,608**	**(461,308,188)**	**3,034,642,420**
Liabilities directly associated with non-current assets held for sale			
Total equity and liabilities	**5,959,730,756**	**(581,381,033)**	**5,378,349,722**

Separate financial statements

Statement of profit or loss for 2017

(Euro)	Published	Reclassifications as per IFRS 15	Restated after introduction of the new standards
Revenue			
Revenue	2,782,126,971	4,177,090	2,786,304,061
Other income	104,810,575	317,180	105,127,755
Total revenue	**2,886,937,546**	**4,494,270**	**2,891,431,816**
Operating expenses			
Purchases	(353,949,176)	-	(353,949,176)
Subcontracts	(384,311,387)	-	(384,311,387)
Services	(1,412,960,405)	(58,147)	(1,413,018,552)
Personnel expenses	(305,109,077)	-	(305,109,077)
Other operating expenses	(74,449,709)	-	(74,449,709)
Amortisation, depreciation, provisions and impairment	(384,927,882)	(7,041,282)	(391,969,164)
Total operating expenses	**(2,915,707,636)**	**(7,099,429)**	**(2,922,807,065)**
Operating loss	**(28,770,090)**	**(2,605,158)**	**(31,375,248)**
Financing income (costs) and gains (losses) on equity investments			
Financial income	67,598,826	-	67,598,826
Financial expense	(115,864,935)	-	(115,864,935)
Net exchange losses	(153,840,726)	674,285	(153,166,441)
Net financing costs	(202,106,835)	674,285	(201,432,550)
Net gains on equity investments	139,796,429	(10,379,786)	129,416,643
Net financing costs and net gains on equity investments	**(62,310,406)**	**(9,705,501)**	**(72,015,907)**
Loss before tax	**(91,080,496)**	**(12,310,660)**	**(103,391,156)**
Income taxes	(107,711)	439,374	331,663
Loss from continuing operations			
Loss for the year	**(91,188,207)**	**(11,871,286)**	**(103,059,493)**

3. Basis of presentation

Separate financial statements

Salini Impregilo opted to present its separate financial statements at 31 December 2018 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 2018 comply with the IFRS and are consistent with those used to prepare the 2017 separate financial statements, except for the standards enacted after 1 January 2018, 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 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.

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 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 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 assets and liabilities

Contract assets and liabilities are presented in the statement of financial position items "Contract assets" and "Contract liabilities", respectively under assets and liabilities. The classification in line with IFRS 15 depends on the relationship between the Group's performance obligation and payment by the customer. These items show the sum of the following components analysed individually for each customer:

(+) Amount of work performed calculated using the cost-to-cost method pursuant to IFRS 15

(-) Progress payments and advances received

(-) Contractual advances.

When the total is positive, the net balance is recognised as a "Contract asset". If it is negative, it is recognised as a "Contract liability". When the amounts represent an unconditional right to payment of the consideration, they are recognised as financial assets.

More information about the new standard and its application effects is given in the section "Effects of the application of the new standards - IFRS 15 - Revenue from contracts with customers".

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 instruments

Financial assets - Debt instruments

Debt instruments are classified in the following three categories depending on their contractual cash flow characteristics and the business model for managing them:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI);
- financial assets at fair value through profit or loss (FVTPL).

They are initially recognised at fair value. Trade receivables that do not contain a significant financing component are measured at their transaction price.

After initial recognition, financial assets that generate contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost if they are held within a business model whose objective is to hold them in order to collect contractual cash flows (hold to collect business model). Under the amortised cost method, the financial assets' amount at initial recognition is decreased by principal repayments, any loss allowance and cumulated amortisation of the difference between that initial amount and the maturity amount.

Amortisation is calculated using the effective interest rate that exactly discounts the expected future cash flows to their initial carrying amount.

Loans and receivables and other financial assets at amortised cost are recognised net of the related loss allowance.

Debt instruments held within a business model whose objective is to collect contractual cash flows and sell financial assets (hold to collect and sell model) are measured at fair value through other comprehensive income. Fair value gains and losses on these financial assets are recognised in other comprehensive income (OCI). The cumulative fair value gains and losses previously recognised in OCI are reclassified to profit or loss when the financial asset is derecognised. Interest income calculated using the effective interest method, exchange differences and impairment losses are recognised in profit or loss.

Debt instruments that are not measured at amortised cost or FVTOCI are measured at fair value through profit or loss.

Financial assets that are transferred are derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred to third parties.

Impairment losses on financial assets

The Group tests the recoverable amount of debt instruments not measured at fair value through profit or loss using the expected credit loss model.

More information about the new standard and its application effects is given in the section "Effects of the application of the new standards - IFRS 9 - Financial instruments".

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)”.

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.

"Hedging purposes" are assessed considering risk management objectives. When they do not meet the requirements of IFRS 9 for hedge accounting, the derivatives are classified as "Financial assets or financial liabilities at fair value through profit or loss".

Employee benefits

Post-employment 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 rate 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 from contracts with customers

Revenue from contracts with customers is recognised using the five-step model: (i) identify the contract with a customer; (ii) identify the performance obligations (distinct elements that are part of a single contract but are separated for accounting purposes) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; (v) recognise revenue when (or as) the entity satisfies a performance obligation, which is when the customer obtains control of the good or service which can take place over time or at a point in time.

More information about the new standard and its application effects is given in the section "Effects of the application of the new standards - IFRS 15 - Revenue from contracts with customers".

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.

Complex 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 assets and liabilities” 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.

Scope of the separate financial statements

Joint operations

The company is involved in the following main joint operations: Civil Work Group (Saudi Arabia), Arge Tulfes Pfons (Austria), South Al Mutlaa (Kuwait) and NGE Genie Civil S.a.s. - Salini Impregilo S.p.A..

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.

NGE Genie Civil S.a.s. - Salini Impregilo S.p.A.. is 50% held by Salini Impregilo and is engaged in the civil works for the Paris metro as part of Gran Paris Express (Line 16, Lot 2 and Line 14, Lot 4).

The above operations are governed by joint control arrangements as resolutions of the governing bodies require a unanimous vote. While they are separate vehicles, they are structured to guarantee transparency of their rights and obligations with respect to Salini Impregilo.

Statement of profit or loss by operating segment - 2017 (§)

(€'000)	Italy	Abroad	Total
Revenue from contracts with customers	453,881	2,332,423	2,786,304
Other income	27,255	77,873	105,128
Total revenue	**481,136**	**2,410,296**	**2,891,432**

(§) The statement of profit or loss figures have been restated to comply with IFRS 15.

Statement of profit or loss by operating segment - 2018

(€'000)	Italy	Abroad	Total
Revenue from contracts with customers	349,050	2,567,389	2,916,439
Other income	14,440	137,420	151,860
Total revenue	**363,490**	**2,704,809**	**3,068,299**

Statement of financial position by operating segment - 31 December 2017 (§)

(€'000)	Italy	Abroad	Total
Net non-current assets	395,735	1,063,044	**1,458,779**
Provision for risks	(29,624)	(29,993)	**(59,617)**
Post-employment benefits and employee benefits	(7,646)	(3,786)	**(11,432)**
Net tax assets	203,090	39,418	**242,508**
Working capital	**261,079**	**(361,142)**	**(100,063)**
Net invested capital	**822,634**	**707,541**	**1,530,175**
Equity			**758,182**
Net financial indebtedness			**771,993**
Total financial resources			**1,530,175**

(§) The statement of financial position figures have been restated to comply with IFRS 15.

Statement of financial position by operating segment - 31 December 2018

(€'000)	Italy	Abroad	Total
Net non-current assets	751,239	866,173	**1,617,413**
Provision for risks	(10,944)	(37,661)	**(48,605)**
Post-employment benefits and employee benefits	(6,424)	(5,243)	**(11,667)**
Net tax assets (liabilities)	279,874	(39,696)	**240,178**
Working capital	**85,066**	**227,961**	**313,026**
Net invested capital	**1,098,811**	**1,011,534**	**2,110,345**
Equity			**845,200**
Net financial indebtedness			**1,265,145**
Total financial resources			**2,110,345**

Statement of financial position

4. Property, plant and equipment

Property, plant and equipment amount to €169.5 million, down from the 31 December 2017 figure by €16.0 million. The historical cost and carrying amount are given in the following table:

(€'000)	31 December 2017 Cost	Acc. depreciation	Carrying amount	31 December 2018 Cost	Acc. depreciation	Carrying amount
Buildings	49,484	(25,386)	24,098	50,024	(29,043)	20,981
Plant and machinery	575,894	(444,056)	131,838	586,230	(464,352)	121,878
Industrial and commercial equipment	82,223	(77,328)	4,895	83,203	(78,122)	5,081
Other assets	21,293	(16,301)	4,992	21,440	(18,200)	3,240
Assets under const. and payments on account	19,734	-	19,734	18,347	-	18,347
Total	**748,628**	**(563,071)**	**185,557**	**759,244**	**(589,717)**	**169,527**

Prior year changes are as follows:

(€'000)	31 December 2016	Increases	Deprec.	Imp. losses / Reversals of imp. losses	Reclas. 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**

Changes during the year are summarised below:

(€'000)	31 December 2017	Increases	Deprec.	Imp. losses / Reversals of imp. losses.	Reclas. and other changes	Disposals	Net exchange gains	Change in scope	31 December 2018
Buildings	24,098	2,161	(4,488)	-	-	(851)	58	2	20,981
Plant and machinery	131,838	48,603	(53,508)	-	(90)	(5,409)	447	(4)	121,878
Industrial and commercial equipment	4,895	3,051	(2,889)	-	215	(193)	3	(1)	5,081
Other assets	4,992	615	(2,223)	-	(60)	(104)	17	3	3,240
Assets under const. and payments on account	19,734	(1,405)	-	-	(65)	(284)	367	-	18,347
Total	**185,557**	**53,024**	**(63,107)**	**-**	**-**	**(6,841)**	**893**	**-**	**169,527**

The most significant changes include:

- increases of €53.0 million, mainly related to investments for the Rogun hydroelectric project in Tajikistan, the Meydan One Mall project in Dubai, United Arab Emirates, and the Koysha project in Ethiopia;
- depreciation for the year of €63.1 million, calculated as described in the "Accounting policies" section;

- disposals of €6.8 million, mainly referring to sales to third parties and the disposal of assets related to the Georgian branch and the company's head office;

The closing balance at 31 December 2018 includes leased assets of €37.2 million recognised under "Plant and machinery" (€36.7 million), "Industrial and commercial equipment" (€0.4 million) and "Other assets" (€0.1 million).

5. Intangible assets

Intangible assets amount to €123.8 million, down €16.6 million from the 31 December 2017 figure. The historical cost and carrying amount of the intangible assets are given in the following table:

(€'000)	31 December			31 December 2018		
	Cost	Acc. amortisation	Carrying amount	Cost	Acc. amortisation	Carrying amount
Software	1,610	(941)	669	1,623	(1,364)	259
Contract costs:	**225,793**	**(86,080)**	**139,713**	**205,424**	**(81,927)**	**123,497**
- Contract acquisition costs	149,262	(85,727)	63,535	128,865	(75,500)	53,365
- Costs to fulfil contracts	76,531	(353)	76,178	76,559	(6,427)	70,132
Total	**227,403**	**(87,021)**	**140,382**	**207,047**	**(83,291)**	**123,756**

Changes during the previous year are set out below:

(€'000)	31 December 2016	Increases	Amortisation	Reclass.	Disposals	Net exchange losses	Other changes	31 December 2017
Software	929	156	(416)					669
Contract costs	161,216		(21,299)			(204)		139,713
Total	**162,145**	**156**	**(21,715)**	**-**	**-**	**(204)**	**-**	**140,382**

Changes during the year are set out below:

(€'000)	31 December 2017	Increases	Amortisation	Reclass.	Disposals	Net exchange losses	Other changes	31 December 2018
Software	669	13	(423)					259
Contract costs	139,713	-	(16,225)	-	-	9		123,497
Total	**140,382**	**13**	**(16,648)**	**- -**	**-**	**9**	**- -**	**123,756**

Contract costs of €123.5 million decreased by €16.2 million on 31 December 2017. They comprise contract acquisition costs, the incremental costs of obtaining a contract and costs to fulfil the contract.

On 1 January 2018, the company adopted IFRS 15 with retrospective effect. This standard introduced new guidance for the recognition of contract costs with the recognition of the incremental costs of obtaining a contract and the costs to fulfil the contract under assets. These costs are amortised in line with the percentage of completion of the related contracts. Note 2 "Changes in standards" sets out this guidance.

Prior year changes are as follows:

Contract acquisition costs

(€'000)	31 December 2016	Amortisation	Net exchange gains (losses)	Reclass.	31 December 2017
Cociv (Milan - Genoa railway section)	34,294	(3,085)			31,209
Riyadh metro (Saudi Arabia)	23,805	(6,742)			17,063
Iricav Due (Verona - Padua railway section)	12,510	-			12,510
Gerald Desmond Bridge - USA	3,549	(1,106)			2,443
Thessaloniki Metro	629	(319)			310
Yarull - Dom. Republic	3,005	(3,005)			-
Total	**77,792**	**(14,257)**	**-**		**63,535**

Incremental costs of obtaining a contract

(€'000)	31 December 2016	Depreciation	Net exchange gains (losses)	Reclass.	31 December 2017
Riyadh metro - Saudi Arabia	-	163		(163)	-
Total	**-**	**163**	**-**	**(163)**	**-**

Costs to fulfil a contract

(€'000)	31 December 2016	Depreciation	Net exchange losses	Reclass.	31 December 2017
Cociv (Milan - Genoa railway section)	83,039	(7,104)			75,935
Riyadh metro - Saudi Arabia	385	(101)	(204)	163	243
Total	**83,424**	**(7,205)**	**(204)**	**163**	**76,178**

A breakdown of the item and changes of the year are shown below:

Contract acquisition costs

(€'000)	31 December 2017	Increases	Amortisation	Net exchange gains (losses)	Reclass..	31 December 2018
Cociv (Milan - Genoa railway section)	31,209		(2,450)			28,759
Riyadh metro (Saudi Arabia)	17,063		(6,641)			10,422
Iricav Due (Verona - Padua railway section)	12,510					12,510
Gerald Desmond Bridge - USA	2,443		(966)			1,477
Thessaloniki metro	310		(113)			197
Total	**63,535**		**(10,170)**			**53,365**

Costs to fulfil a contract

(€'000)	31 December 2017	Increases	Amortisation	Net exchange gains (losses)	Reclass.	31 December 2018
Cociv (Milan - Genoa railway section)	75,935		(5,960)			69,975
Riyadh metro - Saudi Arabia	243		(96)	9		156
Total	**76,178**		**(6,056)**	**9**		**70,131**

Contract acquisition costs include considerations paid to acquire high speed/capacity railway 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.

With respect to the 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.

6. Equity investments

Equity investments increased by €191.3 million to €1,324.1 million.

(€'000)	31 December 2017	31 December 2018	Variation
Investments in subsidiaries	949,829	884,880	(64,949)
Investments in associates	174,213	433,969	259,756
Other equity investments	8,798	5,281	(3,517)
Total	**1,132,840**	**1,324,130**	**191,290**

Changes during the year are summarised below:

(€'000)	31 December 2017	31 December 2018
Capital transactions	77,584	292,949
Acquisitions and capital injections	1,266	1,750
Disinvestments and liquidations	(11,231)	(987)
Net impairment losses	(8,378)	(86,922)
Net exchange gains (losses)	(34,981)	13,078
Reclassifications	(11,600)	(28,578)
Total	**12,660**	**191,290**

The increase in "Capital transactions" is principally due to coverage of the losses of the SPE Grupo Unidos por el Canal, Panama (€267.0 million) and the injection for Empresa Constructora Metro 6 Ltda (€31.6

million). The carrying amount of the investment in the SPE results from the offsetting of the provision relating to the investment in Grupo Unidos por el Canal with the injections for the same company made during the year.

"Acquisitions and capital injections" show the injections made for the new joint venture in Greece engaged in building the Thessaloniki metro (€1.7 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.

"Net impairment losses" mainly include the impairment losses on the investments in the Dutch subsidiary Impregilo International infrastrutures (€35.6 million), the Colombian subsidiary Grupo ICT II (€11.7 million), the subsidiary HCE (€5.3 million) and the SPE Grupo Unidos por el Canal (€17.2 million). These impairment losses have been offset by the reversals of impairment losses, mainly on the investment in Angostura (€1.4 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 2017	31 December 2018	Variation
Investments in SPEs	227,227	481,699	254,472
Other investments	905,613	842,431	(63,182)
Total	**1,132,840**	**1,324,130**	**191,290**

Special purpose entities (SPEs) are legal entities set up specifically and solely to carry out 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 company's accounting policies, are considered as they show the entity's estimated cash flows.

The company adjusted the impairment losses in 2018 through the provision for risks on equity investments related to the SPEs performing the GUPC (Panama) contract (€17.2 million), the Constructora Ariguani (Colombia) contracts (€7.8 million), Grupo ICT II (€11.7 million) and Salini Australia Pty (€4.8 million). This allowed recognition of the positive results of the SPE Constructora Angostura in Colombia (€1.4 million) by reversing part of the impairment losses recognised in previous years.

In 2018, the company recognised an additional impairment loss on the investment in HCE Costruzioni S.p.A. (€5.3 million, including its loss for the year).

Fisia Italimpianti substantially broke even in 2018, with equity of €1.7 million, compared to the investment's carrying amount of €40.2 million. Its order backlog approximated €104 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 2019-2023 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 2017);
- discount rate (WACC): 11.8% (10.5% in 2017).

The company also performed sensitivity analyses considering the possible effect of changes in the discount rate (+/-2%). They did not identify any elements that would have required recognition of an impairment loss.

The directors adopted the following hypothetical assumptions in the 2019-2023 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 helped Fisia to identify its targets, especially in South America, where it 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 €1.7 million for 2018, while its equity was €35.8 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 was aligned with its equity at the reporting date, recognising an impairment loss of €1.6 million.

The subsidiary Salini Impregilo US Holding INC recorded a profit of €0.3 million for 2018 and equity of approximately €293.5 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 2019-2023 five-year plan prepared and approved by the subsidiary's management.
The main valuation parameters used were:

- long-term growth rate: 2.0%;
- post-tax discount rate: 7.7%

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 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, supported by independent experts who carried out an independent business review, which showed that the CGU's recoverable amount exceeds the equity investment's carrying amount.

The company also performed sensitivity analyses to determine the recoverable amount considering the possible effect of changes in the parameters used to calculate the discount rate (+6.8%) and the terminal value (reduction of 66%).

The subsidiary Impregilo International Infrastructures NV showed equity of €95.2 million at the reporting date, while the investment's carrying amount is €168.7 million. The company tested certain equity investments and related loan assets (which make up the subsidiary's actual investment in the tested companies) recognised in the subsidiary's separate financial statements at 31 December 2018 for impairment, in order to test the subsidiary's carrying amount in Salini Impregilo's separate financial statements. The investment's

recoverable amount was €133.1 million, €35.6 million smaller than its carrying amount. Accordingly, Salini Impregilo recognised an impairment loss of €35.6 million to align the investment's carrying amount with its recoverable amount at the reporting date. During the last two years, the subsidiary has paid dividends of € 145.0 million (€20.0 million for 2018 and €125.0 million for 2017).

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 2018 to reflect impairment. These impairment losses, totalling €14.4 million, specifically affected CSC Impresa Costruzioni Sa (€3.4 million) and Salini Polska SP Zoo Ltd (€8.7 million), the latter recognised in the provision for risks on equity investments.

The statements of financial position of the investees used for measurement purposes sometimes include claims for additional consideration as its payment is highly probable, based also on the legal and technical opinions of the company's advisors. The "Main risk factors and uncertainties" section of the Directors' report provides more information about this.

7. Non-current financial assets

This item and related changes may be broken down as follows:

(€'000)	31 December 2017	31 December 2018	Variation
Loans and receivables - group companies	67,141	93,163	26,022
Loans and receivables - third parties	450	13,567	13,117
Other financial assets	12,899	9,664	(3,235)
Total	**80,490**	**116,394**	**35,904**

The other financial assets decreased by €3.2 million to €9.7 million at the reporting date due to impairment losses and exchange differences recognised during the year. They are made up of unlisted guaranteed-return securities which mature after one year, which include units of the fund financing Yuma (Colombia). More information is available in the "Main risk factors and uncertainties" section of the Directors' report.Loans and receivables - group companies increased by €26.0 million, mainly comprise:

- €19.4 million, up €8.9 million on 31 December 2017, related to a loan granted to the SPE M4 S.p.A. which is building Line 4 of the Milan metro;
- €29.4 million due from the Venezuelan branch (€117.7 million gross at 31 December 2018, net of a loss allowance of €88.3 million); the "Main risk factors and uncertainties" section in the Directors' report and note 11 "Trade Receivables" -(paragraph on "Impairment - Venezuela") provide more information;
- €42.7 million due from Yuma (more information is available in the "Main risk factors and uncertainties" section in the Directors' report).

At 31 December 2017, loans and receivables - third parties of €0.5 million increased by €13.1 million mainly due to the reclassification to non-current of the amount 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 company is confident that it will recover this amount, based also on the opinion of its legal advisors assisting it with the disputes. The receivable was reclassified from current to non-current given the different timing involved in the settlement of the dispute. The "Main risk factors and uncertainties" section in the Directors' report provides more information.

8. Deferred tax assets and liabilities

Deferred tax assets and liabilities amount to €195.0 million and €19.0 million, respectively.

(€'000)	31 December 2017	31 December 2018	Variation
Deferred tax assets	160,564	195,001	34,437
Deferred tax liabilities	(19,273)	(18,994)	279

Deferred tax assets of €195.0 million at 31 December 2018 rose by €34.4 million principally in relation to the impairment losses recognised on some assets related to the construction of infrastructure in Venezuela and other temporary differences including principally those related to the unrealised exchange losses.

Deferred tax liabilities of €19.0 million include €18.7 million for 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 2017 were as follows:

(€'000)	31 December 2016	Increases	Decreases	Change in tax rate	Reclass.	Other	31 December 2017
Deferred tax assets	242,683	100,965	(11,635)	-	-	(145,252)	186,761
Offsetting	(169,394)	-	-	-	-	143,197	(26,197)
Net deferred tax assets (a)	**73,289**	**100,965**	**(11,635)**			**(2,055)**	**160,564**
Deferred tax liabilities	(169,804)	(2,738)	2,301	-	-	143,811	(26,430)
Offsetting	169,394	-	-	-	-	(143,197)	26,197
Net deferred tax liabilities (b)	**(410)**	**(2,738)**	**2,301**	**-**	**-**	**614**	**(233)**

Changes in deferred tax assets and liabilities are set out below:

(€'000)	31 December 2017	Increases	Decreases	Change in tax rate	Reclass.	Other	31 December 2018
Deferred tax assets	186,761	78,095	(37,446)	-	-	(4,276)	223,134
Offsetting	(26,197)	-	-	-	-	(1,936)	(28,133)
Net deferred tax assets	**160,564**	**78,095**	**(37,446)**	**-**	**-**	**(6,212)**	**195,001**
Deferred tax liabilities	(26,430)	(20,474)	18,538	-	-	(88)	(28,454)
Offsetting	26,197	-	-	-	-	1,936	28,133
Net deferred tax liabilities	**(233)**	**(20,474)**	**18,538**	**-**	**-**	**1,848**	**(321)**

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively, and are netted when this is allowed.

9. Inventories

This item is analysed in the following table:

	31 December 2017			31 December 2018			
(€'000)	Gross amount	Allowance	Carrying amount	Gross amount	Allowance	Carrying amount	Variation
Real estate projects	19,334	(7,772)	11,562	19,334	(10,334)	9,000	(2,562)
Finished products and goods	1,117	-	1,117	1,209	-	1,209	92
Raw materials, consumables and supplies	153,567	(2,174)	151,393	135,909	(2,850)	133,059	(18,334)
Total	**174,018**	**(9,946)**	**164,072**	**156,452**	**(13,184)**	**143,268**	**(20,804)**

Real estate projects

Real estate projects amount to €9.0 million. They mainly relate to the real estate project (net of the related allowance of €10.3 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 company 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 €134.3 million (€152.5 million) and mainly relates to goods to be used for foreign contracts, including those in Ethiopia (€98.6 million), Venezuela (€13.0 million), Tajikistan (€10.3 million) and Sierra Leone (€5.3 million).

Changes in the allowance in 2017 are shown below:

(€'000)	31 December 2016	Accruals	Utilisations	Reversals	Other changes	Net exchange losses	31 December 2017
Allowance - raw materials	2,192					(18)	2,174
Total	**2,192**	**-**	**-**	**-**	**-**	**(18)**	**2,174**

Changes in the allowance in 2018 are shown below:

(€'000)	31 December 2017	Accruals	Utilisations	Reversals	Reclass./ Merger	Net exchange losses	31 December 2018
Allowance - raw materials	2,174	805				(129)	2,850
Total	**2,174**	**805**	**-**	**-**	**-**	**(129)**	**2,850**

10. Contract assets

Contract assets amount to €717.2 million at year end, up on the previous year-end figure of €444.0 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 and advances:

(€'000)	31 December 2017	31 December 2018	Variation
Contract work in progress	18,010,061	14,126,631	(3,883,430)
Progress payments (on approved work)	(17,273,078)	(12,802,122)	4,470,956
Advances	(293,015)	(607,353)	(314,338)
Total contract assets	**443,968**	**717,156**	**273,188**

The item shows an increase of €273.2 million over 31 December 2017.

The increase mainly relates to continuation of the industrial operations carried out for the new contracts for the construction of the Rogun Dam in Tajikistan, the investments in the Meydan infrastructure project in the United Arab Emirates, the motorway in Slovakia, the "Grand Ethiopian Renaissance Dam" (GERD) project in Ethiopia and the road works in Poland. The increase is partially offset by the reduction in works on the high speed/capacity railway project in Italy and the impairment losses recognised on some assets related to the construction of infrastructure in Venezuela.

The item, comprising progress payments and advances, includes claims for additional consideration as its payment is highly probable, based also on the legal and technical opinions of the company's advisors (approximately €775 million). The additional consideration recognised in this item is part of the total consideration formally requested of the customers.

The advances mainly refer to the contracts in Tajikistan (€266.6 million), reclassified from contract liabilities, and the GERD contract in Ethiopia (€207.4 million).

The "Main risk factors and uncertainties" section in the Directors' report and note 11 "Trade receivables" (paragraph on "Impairment - Venezuela") provide more information about Venezuela.

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 2017	31 December 2018	Variation
Italy	148,180	125,263	(22,917)
EU (excluding Italy)	138,111	251,542	113,431
Other European (non-EU) countries	322	-	(322)
Asia/Middle East	26,014	172,030	146,016
Africa	24,073	115,320	91,247
America	107,268	53,001	(54,267)
Total	**443,968**	**717,156**	**273,188**

11. Trade receivables

Trade receivables amount to €1,420.4 million (€1,325.6 million), of which €715.3 million (€539.2 million) from group companies and other related parties.

This item may be analysed as follows:

(€'000)	31 December 2017	31 December 2018	Variation
Third parties	786,456	705,086	(81,370)
Group companies and other related parties	539,195	715,301	176,106
Total	**1,325,651**	**1,420,387**	**94,736**

Trade receivables from third parties may be broken down as follows:

(€'000)	31 December 2017	31 December 2018	Variation
Third parties	963,115	965,002	1,887
Loss allowance	(176,659)	(259,916)	(83,257)
Total	**786,456**	**705,086**	**(81,370)**

Trade receivables from third parties of €705.1 million, net of the loss allowance (€259.9 million), show a net decrease of €81.4 million. The balance includes amounts due from customers for invoices issued and for work performed and approved by customers but still to be invoiced. It mainly refers to Ethiopian customers (€444.3 milllion).

The €83.3 million increase in the loss allowance mainly includes impairment losses on receivables from Venezuelan customers of €79.5 million.

The next paragraph and the "Main risk factors and uncertainties" section in the Directors' report provide more information.

Impairment - Venezuela

Assisted by its independent experts, the company estimated the impairment losses on the Venezuelan assets in line with the approach taken in the 2017 separate financial statements starting from IFRS 9 and remodelling the amount and due dates of payments and estimating the effective interest rate (EIR). Specifically, the company considered the following parameters to estimate amortised cost under IFRS 9:

- the nominal amount reduction;
- the total repayment delay and the repayment structure (equal or increasing instalments);
- the effective interest rate (IER).

The interval for the nominal amount reduction (best scenario: 37% vs worst scenario: 51%) was defined using the sample obtained from last year's impairment test (2017). Specifically, the company selected

comparable cases from Professor Trebesch's database (187 cases of sovereign state default), considering the following drivers:

- geographical segment (Central and South America);
- private restructuring (exclusion of default events due to the restructuring of government bonds);
- intervention by international organisations, such as the IMF (no donor funded);
- episodes with a nominal amount reduction > 0%, as those with a zero impairment factor were mainly observed in far-off historical periods (usually before 1990).

The resulting 12-case sample shows an average nominal amount reduction of 22.2% and a standard deviation of 14.3%. In order to normalise the results, the lowest and highest nominal amount reductions of the sample have been excluded.

Given the: (i) the outlook for the main macroeconomic variables for Venezuela (IMF - World Economic Outlook 2017 vs 2018); (ii) the dramatic volatility of oil prices in the last 12 months and current price levels; (iii) Moody's downgrade in March 2018; and (iv) the country's uncertain political situation and social tensions, the company defined confidence intervals, using the higher levels of these intervals to estimate the nominal impairment factors of its total exposure.

Specifically, considering a normal (truncated) nominal amount reduction sample, the company calculated a range based on the following higher confidence intervals:

  - best scenario: average + 1 x standard deviation = 22.2% + 1 x 14.3% = 37%;
  - worst scenario: average + 2 x standard deviation = 22.2% + 2 x 14.3% = 51%.

In line with the assessments made in 2017, the repayment assumptions were based on:

- empirical data in Professor Trebesch's analyses, which indicate an interval of around 1.5 - 2.5 years for the time necessary to restructure the country's outstanding national debt;
- a recent study of Moody's (2018) on repayment delays, which are expected to be around 4.5-5.5 years.

The company considered two repayment plans: equal instalments or increasing instalments.

The EIR is 10.3% which, pursuant to IFRS 9 and the company's calculation of amortised cost, is "the effective interest rate computed at initial recognition" of the total exposure. The company adopted a build-up approach to estimate the EIR based on US treasury bonds, adjusted by the reference currency (Euro) and increased by Venezuela's country risk, analysing these inputs over the entire 2008-2018 ten-year period.

Specifically, based on the temporal stratification of the overall exposure from 2008 to 2018, the company calculated the total EIR as the weighted average EIR of each year, using the annual ratios of exposures to

the total outstanding amount at 31 December 2018 as the weights. Accordingly, the calculation of the above EIR only considers those current changes in risk premiums and interest rates that affect recently-originated exposures.

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.

The directors also considered market variables such as the price of the international bonds issued by Venezuela in hard currency (US dollars) when making their assessments in addition to the above technical approach.

Changes in the loss allowance during 2017 are shown in the following table:

(€'000)	31 December 2016	Impairment losses	Utilisations	Reversals	Change in scope	Reclass. /Other changes	Net exchange gains (losses)	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**

Changes in the loss allowance in 2018 are shown in the next table:

(€'000)	31 December 2017	Impairment losses	Utilisations	Reversals	Mergers	Reclass. /Other changes	Net exchange losses	31 December 2018
Trade receivables	171,328	79,674	(286)	(1,925)	-	5,623	(922)	253,492
Default interest	5,331	1,071	(35)	-	-	-	58	6,425
Total	**176,659**	**80,745**	**(321)**	**(1,925)**	**-**	**5,623**	**(864)**	**259,917**

Current trade receivables - group companies and other related parties amount to €715.3 million at the reporting date compared to €539.2 million at 31 December 2017. They mainly refer to commercial transactions.

The following table shows the main group companies to which these receivables refer:

(€'000)	31 December 2017	31 December 2018	Variation
Cociv	54,398	226,791	172,393
Salini - Impregilo Joint Venture for Mukorsi	77,953	79,268	1,315
Salerno Reggio Calabria	74,762	76,260	1,498
Consorzio Cavtomi	60,142	60,279	137
Salini Polska L.t.d.	78,203	46,388	(31,815)
Grupo Unidos por el Canal	31,776	33,914	2,138
Rc Scilla	22,973	23,387	414
Metro Blu	3,328	18,932	15,604
E.R. Impregilo/Dumez y Asociados para Yaciretê	16,013	13,839	(2,174)
Eurolink	9,935	9,935	-
Salini Namibia	6,374	5,103	(1,271)
Pedelombarda	2,077	2,169	92
Other	101,261	119,036	17,775
Total	**539,195**	**715,301**	**176,106**

12. Derivatives and other current financial assets

Other current financial assets amount to €710.9 million compared to €638.3 million at 31 December 2017. This item is broken down as follows:

(€'000)	31 December 2017	31 December 2018	Variation
Loans and receivables - group companies and other related parties	584,742	665,609	80,867
Loans and receivables - third parties	52,696	39,472	(13,224)
Government bonds and insurance shares	898	5,260	4,362
Derivatives	-	602	602
Total	**638,336**	**710,943**	**72,607**

Loans and receivables include loans given to group companies and other related 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 loans and receivables with third parties of €39.5 million, which in turn, comprises a loan of €19.1 million given to the non-controlling investors of Civil Works, a loan of €6.8 million given to the non-controlling investors of Healy Parsons and a loan of €5.8 million given by South Al Mutlaa to its partner/subcontractor.

After enforcement of the surety in 2017 as a result of the disputes with the customer about the Orastie-Sibiu motorway contract, the amount of €13.5 million due from the Romanian Ministry of Infrastructure and Transportation was reclassified from current to non-current given the changed timeline for settlement of the dispute. The "Main risk factors and uncertainties" section in the Directors' report provides more information.

Derivatives include the reporting-date fair value of currency hedges that did not meet the criteria for application of hedge accounting for cash flow hedges under the IFRS.

This item is analysed below:

(€'000)	31 December 2017	31 December 2018
Forward currency purchases and sales - FVTPL	-	602
Total current derivatives shown in the net financial position	**-**	**602**

13. Current tax assets and other current tax assets

Current tax assets amount to €94.3 million as follows:

(€'000)	31 December 2017	31 December 2018	Variation
Direct taxes	46,932	44,829	(2,103)
IRAP	487	1	(486)
Foreign direct taxes	66,919	49,473	(17,446)
Total	**114,338**	**94,303**	**(20,035)**

Direct taxes show the taxes already claimed for reimbursement. The foreign direct taxes relate to the Saudi Arabian branch (€15.6 million) and the Ethiopian branch (€8.6 million).

The other current tax assets amount to €62.7 million as follows:

(€'000)	31 December 2017	31 December 2018	Variation
VAT	74,789	59,300	(15,489)
Other indirect taxes	4,183	3,351	(832)
Total	**78,972**	**62,651**	**(16,321)**

14. Other current assets

Other current assets of €290.1 million increased by €37.8 million over the previous year end. The composition of this item and changes during the year are shown below:

(€'000)	31 December 2017	31 December 2018	Variation
Other	90,714	115,797	25,083
Advances to suppliers	60,929	55,476	(5,453)
Group companies and other related parties	73,592	76,396	2,804
Prepayments and accrued income	27,045	42,420	15,375
Total	**252,280**	**290,089**	**37,809**

“Other” increased by €25.1 million to €115.8 million, mainly due to the larger amounts due from some of the company’s partners of joint ventures in Kuwait and South Africa.

The item includes:

- €28.9 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 Buenos Aires S.A. in liquidation (operator) against the Argentine Republic;
- €60.0 million due from some of the company's partners of joint ventures around the world, mainly for the works for the housing project in South Al Mutlaa (Kuwait).

Advances to suppliers decreased by a net €5.5 million to €55.5 million, mainly due to absorption of advances made in previous years for the hydroelectric plants contracts in Tajikistan and Georgia, partly offset by advances made for the works in Ethiopia and Dubai (United Arab Emirates).

The item "Group companies and other related parties" increased by €2.8 million to €76.4 million at the reporting date, mainly as a result of the rise in amounts due from the Argentine entity Impregilo Healy UTE and the joint venture Western Station engaged in the environmental restoration in the Buenos Aires area and the construction of Line 3 of the Riyadh metro respectively, offset by the decrease in the amount due from the entities operating in California and Qatar.

Prepayments and accrued income amount to €42.4 million, up €15.4 million on the prior year-end balance, principally relating to the new projects in Australia (pending definition), the hydroelectric works in Ethiopia and Tajikistan and the new works for the Paris metro.

They are broken down in the following table:

(€'000)	31 December 2017	31 December 2018	Variation
Accrued income:			
- Other	26	5	(21)
Total accrued income	**26**	**5**	**(21)**
Prepayments:			
- Insurance	13,630	18,951	5,321
- Sureties	1,473	1,102	(371)
- Other contract costs	11,916	22,362	10,446
Total prepayments	**27,019**	**42,415**	**15,396**
Total	**27,045**	**42,420**	**15,375**

15. Cash and cash equivalents

At 31 December 2018, cash and cash equivalents amount to €547.7 million, down by €113.2 million, as shown below:

(€'000)	31 December 2017	31 December 2018	Variation
Cash and cash equivalents	**660,899**	**547,730**	**(113,169)**

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. In this respect, the liquidity in Africa mainly comprises local currency that cannot be exported and will be used for the Ethiopian projects. 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 2017	31 December 2018	Variation
Italy	25,184	5,935	(19,249)
EU (excluding Italy)	12,814	7,656	(5,158)
Other European (non-EU) countries	715	163	(552)
Asia/Middle East	346,825	256,398	(90,427)
Africa	215,998	220,462	4,464
America	38,220	24,471	(13,749)
Oceania	21,143	32,645	11,502
Total	**660,899**	**547,730**	**(113,169)**

16. Equity

Equity increased to €845.2 million at 31 December 2018 from €758.2 million at the end of 2017. Changes of the year in the different equity items are summarised in the schedule attached to the separate financial statements.

(€'000)	31 December 2017	31 December 2018	Variation
Share capital	544,740	544,740	-
Share premium reserve	120,798	120,798	-
- Legal reserve	106,551	106,551	-
- Reserve for treasury shares	(7,677)	(3,291)	4,386
- Reserve for share capital increase related charges	(3,970)	(3,970)	-
- LTI reserve	6,344	-	(6,344)
- Extraordinary and other reserves	146,813	89,601	(57,212)
Total other reserves	248,061	188,891	(59,170)
- Actuarial reserve	(352)	(236)	116
- Translation reserve	(3,211)	580	3,791
Total other comprehensive income (expense)	(3,563)	344	3,907
Losses carried forward	(48,795)	(119,123)	(70,328)
Profit (loss) for the year	(103,059)	109,550	212,609
Total	**758,182**	**845,200**	**87,018**

In their meeting held on 30 April 2018, the company's shareholders resolved the following:

- to cover the loss for the year of €91,188,206.95 (which due to the restatements required by IFRS 15 amounts to €103,059,493) by using all the retained earnings of €60,074,558.27 and part of the negative goodwill of €31,113,648.68;
- to distribute €26,098,308.49 as a dividend to the holders of ordinary and savings shares, equal to €0.053 per share, including the legal withholding, for each share with dividend rights.

Disclosures about the individual items are set out below.

Share capital

At 31 December 2018, 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 separate 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	Other
Share capital	**544,740**				
Income-related reserves:					
Share premium reserve	120,798	**A, B**	120,798		
Other reserves:					
Legal reserve	106,551	B	106,551		
Reserve for treasury shares	(3,291)				
Share capital increase related charges	(3,970)				
Unavailable actuarial reserve	(236)				
Translation reserve	580				
Negative goodwill	89,601	A, B, C	83,625		
Total other reserves	**189,235**				
Losses carried forward	**(119,123)**	**A, B, C**	**(119,123)**		
Total	**735,650**		**191,851**		
Non-distributable portion			**108,948**		
Residual distributable portion			**82,903**		

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 2017	31 December 2018	Variation
Legal reserve	106,551	106,551	-
Negative goodwill	146,813	89,601	(57,212)
Reserve for treasury shares	(7,677)	(3,291)	4,386
LTI reserve	6,344	-	(6,344)
Reserve for share capital increase related charges	(3,970)	(3,970)	-
Total	**248,061**	**188,891**	**(59,170)**

Legal reserve

This reserve underwent the following changes:

(€'000)	
31 December 2016	103,321
Allocation of profit	3,230
31 December 2017	**106,551**

(€'000)	
31 December 2017	106,551
Merger effects	
Allocation of loss	
31 December 2018	**106,551**

Reserve for treasury shares

At 31 December 2018, the reserve for treasury shares decreased after allocation of shares as part of the 2015 performance share plan. At the reporting date, the parent had 1,330,845 shares for €3,291,089.72. It no longer has a share repurchase plan as the plan approved by the shareholders on 19 September 2014 expired on 19 March 2016 and was not renewed.

LTI reserve

The LTI (long-term incentive plan) reserve was used for the above plan as the beneficiaries exercised their options.

On 23 March 2018, the board of directors defined a new two-year long-term cash incentive plan starting on 1 January 2018 and ending on 31 December 2019, as proposed by the compensation and nominating committee. At the end of the plan period and should the set objectives be met, the beneficiaries will receive a cash bonus.

Other comprehensive income (expense)

The main variation in other comprehensive income (expense) items relates to the translation reserve as shown below:

(€'000)	
31 December 2016	12,681
Decrease	(15,892)
Total changes	(15,892)
31 December 2017	**(3,211)**

(€'000)	
31 December 2017	(3,211)
Reclassification to profit or loss	
Increase	3,791
Total changes	3,791
31 December 2018	**580**

Changes in the actuarial reserve, which includes the actuarial gains and losses as required by IAS 19, are as follows:

(€'000)	
31 December 2016	(497)
Net actuarial gains recognised in OCI	145
31 December 2017	**(352)**

(€'000)	
31 December 2017	(352)
Net actuarial gains recognised in OCI	116
31 December 2018	**(236)**

17. Bank and other loans, current portion of bank loans and current account facilities

Bank and other loans and borrowings and factoring liabilities increased by €791.1 million to €1,484.0 million at the reporting date.

(€'000)	31 December 2017	31 December 2018	Variation
Bank and other loans and borrowings	381,855	552,180	170,325
Current account facilities and other loans	311,029	931,775	620,746
Total	**692,884**	**1,483,955**	**791,071**

The company's financial indebtedness is broken down by loan type in the following table:

	31 December 2017			31 December 2018		
(€'000)	Non-current	Current	Total	Non-current	Current	Total
Bank corporate loans	380,489	41,997	422,486	546,774	138,874	685,648
Bank construction loans		20,755	20,755		24,001	24,001
Other financing	1,304	50,112	51,416	5,406	70,032	75,438
Current account facilities		8,869	8,869		112,335	112,335
Loans and borrowings - group companies		184,654	184,654		584,347	584,347
Factoring liabilities for recourse factoring receivables	62	4,642	4,704		2,186	2,186
Total	**381,855**	**311,029**	**692,884**	**552,180**	**931,775**	**1,483,955**

Bank loans

They are broken down in the following table:

€'000		Country	31 December 2017 Total loans	Current	Non-current	31 December 2018 Total loans	Current	Non-current
Banca IMI	Salini Impregilo	Italy	167,477	20,531	146,946	450,671	21,718	428,953
Banca Popolare di Milan	Salini Impregilo	Italy	80,340	14,758	65,582	65,810	20,148	45,662
Monte dei Paschi	Salini Impregilo	Italy	49,995	27	49,968	50,009	50,009	-
BBVA	Salini Impregilo	Italy	49,926	103	49,823	50,000	101	49,899
Banca Popolare di Bergamo	Salini Impregilo	Italy	40,528	578	39,950	40,822	40,822	
Banca del Mezzogiorno	Salini Impregilo	Italy	24,124	5,904	18,220	18,258	5,998	12,260
Banco do Brasil	Salini Impregilo	Italy	10,001	1	10,000	10,002	2	10,000
Banca Popolare di Lodi	Salini Impregilo	Italy	66	66		76	76	-
BPER	Salini Impregilo	Italy	29	29	-	-	-	-
Total bank corporate loans			**422,486**	**41,997**	**380,489**	**685,648**	**138,874**	**546,774**
Various banks	Romanian branch	Romania	20,755	20,755	-	24,001	24,001	
Total bank construction loans			**20,755**	**20,755**	**-**	**24,001**	**24,001**	**-**

Bank corporate loans amount to €685.6 million at the reporting date (31 December 2017: €422.5 million). They have been granted by major banks and have repayment plans which provide for payment of the last instalments in 2022.

The increase in corporate loans is mainly due to the new River B loan of €300 million granted by a syndicate led by Banca IMI as the agent (the term facility loan).

The main conditions of the bank loans in place at 31 December 2018 are as follows:

		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 (€40 million)	Salini Impregilo	Euribor	2022	(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	428,953	20,582	408,371	-
BBVA	Salini Impregilo	Italy	49,899	49,899		
Banca Popolare di Milan	Salini Impregilo	Italy	45,662	20,231	25,431	-
Banca del Mezzogiorno	Salini Impregilo	Italy	12,260	6,095	6,165	
Banco do Brasil	Salini Impregilo	Italy	10,000	10,000		
Total bank corporate loans			**546,774**	**106,807**	**439,967**	**-**

The fair value of the bank corporate loans, measured as set out in the "Accounting policies" section, is €689.3 million.

Current account facilities

Current account facilities increased by €103.5 million to €112.3 million at the reporting date and mainly refer to the company (€72.9 million) and the Slovakian branch (€37.9 million).

Other financing

Other financing at 31 December 2018 totals €75.4 million, €30.8 million of which payable to non-controlling investors of Civil Works, financial liabilities to the partner Jan de Nul of the investee Gupc following the settlement agreement signed in the second half of 2018 and €13.8 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 €75.4 million.

Factoring liabilities

Factoring liabilities amount to €2.2 million at the reporting date and refer to the factoring of receivables by foreign branches.

Net financial indebtedness

(€'000)	Note (*)	31 December 2017	31 December 2018	Variation
Non-current financial assets	7	80,490	116,394	35,904
Current financial assets	12	638,336	710,341	72,005
Cash and cash equivalents	15	660,899	547,730	(113,169)
Total cash and cash equivalents and other financial assets		**1,379,725**	**1,374,465**	**(5,260)**
Bank and other loans and borrowings	17	(381,855)	(552,180)	(170,325)
Bonds	18	(1,084,426)	(1,088,158)	(3,732)
Finance lease liabilities	19	(28,923)	(16,596)	12,327
Total non-current indebtedness		**(1,495,204)**	**(1,656,934)**	**(161,730)**
Current portion of bank loans and borrowings and current account facilities	17	(311,029)	(931,775)	(620,746)
Current portion of bonds	18	(302,935)	(13,295)	289,640
Current portion of finance lease liabilities	19	(22,454)	(17,113)	5,341
Total current indebtedness		**(636,418)**	**(962,183)**	**(325,765)**
Derivative assets	12	-	602	602
Derivative liabilities	20	(1,481)	-	1,481
Net financial position with unconsolidated SPEs (**)		(18,618)	(21,096)	(2,478)
Total other financial liabilities		**(20,099)**	**(20,494)**	**(395)**
Net financial indebtedness including discontinued		**(771,996)**	**(1,265,146)**	**(493,150)**

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

(**) This item shows the company’s net amounts due from/to unconsolidated consortia and consortium companies operating under a cost recharging system and not included in the consolidation scope. The balance reflects the company’s share of cash and cash equivalents or debt of the SPEs. The items making up these balances are shown under trade receivables and payables, respectively, in the separate financial statements.

At 31 December 2018, the company has net financial indebtedness of €1,265.2 million compared to €772.0 million at the end of the previous year.

The €493.1 million increase in the company’s net financial indebtedness is mostly due to:

- utilisation of cash for decreases in working captial;

- return of the contract advances of €196 million previously received from the Panama Canal Authority (PCA) as per the arbitration award of 12 December 2018.

18. Bonds

The outstanding bond issues at 31 December 2018 amount to €1,101.5 million. They are analysed in the following table:

(€'000)	31 December 2017	31 December 2018	Variation
Non-current portion	1,084,426	1,088,158	3,732
Current portion	302,935	13,295	(289,640)
Total	**1,387,361**	**1,101,453**	**(285,908)**

		31 December 2017			31 December 2018		
Description	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		289,640	-	-	-
Salini TF 3.75% GIU21 CALL EUR	24 June 2021	600,000	589,690	11,713	600,000	592,651	11,712
Salini TF 1.75% OT24 CALL EUR	26 October 2024	500,000	494,736	1,582	500,000	495,507	1,583
Total		**1,383,026**	**1,084,426**	**302,935**	**1,100,000**	**1,088,158**	**13,295**

During the second half of the year, the remaining senior unsecured bonds were redeemed as per the contract terms using the bank facilities available at 30 June 2018.

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.

On 11 July 2016, the company 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 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 issued 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.

The bonds are backed by covenants that require it 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 €839.0 million.

19. Finance lease liabilities

Finance lease liabilities may be broken down as follows at 31 December 2018:

(€'000)	31 December 2017	31 December 2018	Variation
Non-current portion	28,923	16,596	(12,327)
Current portion	22,454	17,113	(5,341)
Total	**51,377**	**33,709**	**(17,668)**

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 lease payments is €33.7 million (31 December 2017: €51.4 million) as follows:

(€'000)	31 December 2017	31 December 2018
Minimum lease payments:		
Due within one year	23,358	17,401
Due between one and five years	29,629	17,215
Total	**52,987**	**34,617**
Future interest expense	(1,610)	(908)
Net present value	**51,377**	**33,709**
The net present value is as follows:		
Due within one year	22,454	17,113
Due between one and five years	28,923	16,596
Total	**51,377**	**33,709**

Note 2 - Changes in standards provides information about leases previously classified as operating under IAS 17 and the estimate of the possible impact of application of IFRS 16 on equity at 1 January 2019.

20. Derivatives and other current financial liabilities

At the reporting date, the balance of the item "Derivatives" was zero. At 31 December 2017, it included the negative fair value of the currency hedges that did not meet the IFRS hedge accounting requirements for cash flow hedges.

At year end, the company has currency hedges with a positive fair value (see note 12).

21. Post-employment benefits and employee benefits

At 31 December 2018, the company's liability due to all its employees determined using the criteria set out in IAS 19 is €11.7 million.

The balance mainly consists of the Italian post-employment benefits (TFR).

At 31 December 2018 and 2017, 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 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

(€'000)	31 December 2017	Accruals	Payments	Contributions paid to INPS treasury and other funds	Net actuarial gains	Other changes and change in scope	31 December 2018
Post-employment benefits and employee benefits	11,432	9,136	(3,748)	(5,561)	(115)	523	11,667

The net increase in post-employment benefits in 2018 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 2018 would have had a negative or positive effect of around €36 thousand or approximately €37 thousand,

respectively. A similar increase or decrease at 31 December 2017 would have had a negative or positive effect of approximately €39 thousand or €40 thousand, respectively.

22. Provisions for risks

At 31 December 2018, these provisions amount to €48.6 million, as follows:

(€'000)	31 December 2017	31 December 2018	Variation
Provisions for risks on equity investments	46,495	36,204	(10,291)
Other provisions	13,122	12,401	(721)
Total	**59,617**	**48,605**	**(11,012)**

Prior year changes are given below for comparative purposes:

(€'000)	31 December 2016	Accruals	Utilisations	Change in consolidation scope	Other changes	31 December 2017
Provisions for risks on equity investments	57,863	19,690	(16,938)	1,285	(15,405)	46,495
Other provisions	14,213	1,338	(1,732)	199	(895)	13,122
Total	**72,076**	**21,028**	**(18,670)**	**1,484**	**(16,300)**	**59,617**

Changes of the year are as follows:

(€'000)	31 December 2017	Accruals	Utilisations	Change in consolidation scope	Other changes	31 December 2018
Provisions for risks on equity investments	46,495	24,997	(6,518)	-	(28,770)	36,204
Other provisions	13,122	2,431	(3,039)	-	(113)	12,401
Total	**59,617**	**27,428**	**(9,557)**	**-**	**(28,883)**	**48,605**

The main changes in the provision for risks on equity investments are detailed below:

(€'000)	31 December 2017	31 December 2018	Variation
Mergers	(1,285)	-	1,285
Acquisitions (Disinvestments and liquidations)	241	108	(133)
Capital transactions	16,938	6,518	(10,420)
Reversals of impairment losses	4,279	83	(4,196)
Impairment losses	(19,690)	(24,997)	(5,307)
Reclassifications	11,600	28,578	16,978
Total	**12,083**	**10,291**	**(1,793)**

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 €6.5 million, related to Salini Polska L.t.d. Liability Co;
- impairment losses of €25.0 million, mostly related to Salini Polska L.t.d. Liability Co (€8.6 million) and Constructora Ariguani SAS (€7.8 million);
- reclassifications of €28.8 million, mainly related to the reclassification of the loss of €26.3 million of Empresa Constructora Metro 6 Ltda to assets after the capital injection of €31.6 million.

The €721 million decrease in other provisions is mostly a result of:

(i) accruals of €2.4 million;

(ii) utilisations/releases of €3.0 million, including €857 thousand and €643 thousand for the Nepalese and Kazakhstani branches, respectively, which are being closed;

Other provisions include the following:

(€'000)	31 December 2017	31 December 2018	Variation
Ongoing litigation	9,642	9,852	210
Building segment litigation	795	190	(605)
Tax and social security litigation	1,500	143	(1,357)
Other	1,185	2,216	1,031
Total	**13,122**	**12,401**	**(721)**

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. Contract liabilities

This item, included in “Current liabilities” amounts to €626.7 million, down €355.3 million on the figure at 31 December 2017. It comprises:

(€'000)	31 December 2017	31 December 2018	Variation
Contract work in progress	(4,203,086)	(10,592,156)	(6,389,070)
Progress payments (on approved work)	4,458,879	10,756,735	6,297,856
Advances	726,149	462,102	(264,047)
Total	**981,942**	**626,681**	**(355,261)**

The most significant contracts contributing to the contract work in progress and progress payments and advances received 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 item, comprising progress payments and advances, includes claims for additional consideration as its payment is highly probable, based also on the legal and technical opinions of the company's advisors (approximately €75 million). The additional consideration recognised in this item is part of the total consideration formally requested of the customers.

The advances mainly relate to the Koysha Dam in Ethiopia (€167.4 million), Line 3 of the Riyadh metro in Saudi Arabia (€69.8 million) and the head office, mostly for the COCIV contract and Eni's offices.

The decrease of €264.0 million is mostly the result of the reduction in advances for the Tajikistani branch (€266.6 million, reclassified to contract assets) and the Ethiopian contracts (€76.9 million), partly offset by the increase in advances for the high speed/capacity railway projects.

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. A breakdown of contract work in progress by geographical segment is as follows:

(€'000)	31 December 2017	31 December 2018	Variation
Italy	9,291	18,274	8,983
EU (excluding Italy)	22,813	24,228	1,415
Non-EU	17,260	345	(16,915)
Asia/Middle East	306,297	166,525	(139,772)
Africa	577,057	378,479	(198,578)
America	49,224	38,830	(10,394)
Total	**981,942**	**626,681**	**(355,261)**

24. Trade payables

Trade payables amount to €1,514.7 million (31 December 2017: €1,217.6 million) and include payables of €708.7 million to group companies and other related parties.

The increase of €297.1 million in this item is analysed in the following table:

(€'000)	31 December 2017	31 December 2018	Variation
Third parties	668,526	805,954	137,428
Group companies and other related parties	549,072	708,726	159,654
Total	**1,217,598**	**1,514,680**	**297,082**

The €137.4 million increase mostly relates to Line 3 of the Riyadh metro in Saudi Arabia and projects in the United Arab Emirates, Tajikistan and Kuwait.

Trade payables to group companies and other related parties increased by €159.7 million to €708.7 million.

The most significant variations are due to the Cociv consortium (€89.2 million), Salini Polska L.t.d. in Poland (€35.2 million) and Lane Construction (€25.3 million).

25. Current tax liabilities and other current tax liabilities

Current tax liabilities amount to €76.9 million as follows:

(€'000)	31 December 2017	31 December 2018	Variation
IRES	127	67	(60)
IRAP	1,191	746	(445)
Foreign taxes	71,519	76,074	4,555
Total	**72,837**	**76,887**	**4,050**

Other current tax liabilities of €15.9 million decreased by €3.4 million over 31 December 2017. They may be analysed as follows:

(€'000)	31 December 2017	31 December 2018	Variation
Witholdings	1,051	69	(982)
VAT	7,870	9,935	2,065
Other indirect taxes	10,334	5,893	(4,441)
Total	**19,255**	**15,897**	**(3,358)**

26. Other current liabilities

Other current liabilities of €137.6 million (31 December 2017: €105.1 million) increased by €32.5 million. The composition of this item and changes during the year are shown below:

(€'000)	31 December 2017	31 December 2018	Variation
Employees	38,980	39,793	813
Social security institutions	7,411	6,758	(653)
Group companies and other related parties	26,998	55,202	28,204
Other liabilities	24,782	27,085	2,303
Accrued expenses and deferred income	6,941	8,771	1,830
Total	**105,112**	**137,609**	**32,497**

These liabilities include:

- accrued unpaid remuneration to employees of €39.8 million. The increase is mainly due to the higher liabilities for the United Arab Emirates contracts offset by payments of amounts due to personnel at the operating office;
- "Group companies and other related party liabilities" of €55.2 million, up €28.2 million on the previous year end. The increase is mostly a result of the larger amounts due to the investee Galfar Salini Impregilo Cimolai JV (€14.2 million), involved in the Al Bayt Stadium project in Qatar, the joint ventures in Argentina (€10.3 million) and the investee IS JV in Australia;
- other liabilities of €27.1 million (31 December 2017: €24.8 million), up €2.3 million. The increase is chiefly due to the measurement of assets part of the Ruta del Sol motorway concession contract in accordance with IFRS 9 and payments made during the year in line with normal operations. The item mostly refers to the foreign projects in Saudi Arabia and Venezuela;
- accrued expenses and deferred income of €8.8 million, as follows:

(€'000)	31 December 2017	31 December 2018	Variation
Accrued expenses:			
- Other	1,590	5,829	4,239
Total accrued expenses	**1,590**	**5,829**	**4,239**
Deferred income:			
- Provision of services	5,351	2,942	(2,409)
Total deferred income	**5,351**	**2,942**	**(2,409)**
Total	**6,941**	**8,771**	**1,830**

Accrued expenses and deferred income mostly consist of portions of costs not yet paid for contract work in progress. The €1.8 million increase is principally attributable to the Koysha Dam contract in Ethiopia, offset by the decrease for 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 €6,495.8 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 €600.7 million and relate to subsidiaries (€362.2 million), associates (€198.6 million) and other group companies (€15.3 million). The residual amount of €24.6 million relates to sureties granted on behalf of Salini Impregilo S.p.A.;
- sureties granted for export credit: €155.6 million;
- other personal guarantees of €49.2 million consisting of guarantees related to customs and tax obligations and other commitments (€5,994.7 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 discussed in great 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 still pending before the Supreme Court following the appeal filed by the counterparty. Specifically, the main issue related to the sale by Impregilo S.p.A. (now Salini 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 hearing was held on 24 April 2018 and, on 14 November 2018, the company filed a motion for the suspension of the trial to assess whether to apply for the procedure for the out-of-court settlement of tax disputes introduced by article 6 of Decree law no. 119 of 23 October 2018, converted into Law no. 136 of 17 December 2018. The Supreme Court ordered the case be placed on the court calendar again on 29 November 2018;

- 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 while with respect to another dispute with the same subject but for 2004 (greater assessed tax base of €380,000), the Supreme Court accepted the company's grounds and ordered the case be sent to the Lombardy Regional Tax commission which fully accepted the company's appeal in the hearing of 14 January 2019 with its ruling of 12 February 2019. The tax authorities may present an appeal against this ruling;
- 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 parent filed its defence brief;
- as already described in the previous report, 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. The dispute was settled in court as per article 48 of Legislative decree no. 546/1992 as proposed by the tax authorities. This included a reduction in the registration tax and the fine from €1.3 million to €204 thousand and from €1.3 million to €82 thousand, respectively;
- on 30 October 2018, the company received an assessment notice for 2013 related to non-inclusion of fees on sureties granted to foreign subsidiaries. The notice included assessed IRES taxes of €222,000 plus fines and interest. The proceeding was settled through a mutually-agreed settlement procedure with the related reduction of the fine by one third.

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.

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:

31 December 2017 (€'000)	Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Hedging derivatives	Financial assets at fair value through other comprehensive income	Total	Fair value
Financial assets							
Non-current financial assets	7	80,490				80,490	80,490
Trade receivables	11	1,325,651				1,325,651	1,325,651
Other current financial assets	12	638,336				638,336	638,336
Cash and cash equivalents	15	660,899				660,899	660,899
Total		**2,705,376**				**2,705,376**	**2,705,376**

31 December 2017 (€'000)	Note	Other liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging derivatives	Financial liabilities at fair value through other comprehensive income	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**

31 December 2018 (€'000)	Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Hedging derivatives	Financial assets at fair value through profit or loss	Total	Fair value
Financial assets							
Non-current financial assets	7	116,394				116,394	116,394
Trade receivables	11	1,420,387				1,420,387	1,420,387
Other current financial assets	12	710,342				710,341	710,341
Derivatives	12	602				602	602
Cash and cash equivalents	15	547,730				547,730	547,730
Total		**2,795,455**				**2,795,454**	**2,795,454**

31 December 2018 (€'000)	Note	Other liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging derivatives	Financial liabilities at fair value through other comprehensive income	Total	Fair value
Financial liabilities							
Bank and other loans and borrowings	17	1,483,955				1,483,955	1,487,084
Bonds	18	1,101,453				1,101,453	839,000
Finance lease liabilities	19	33,709				33,709	33,709
Derivatives	20						
Trade payables	24	1,514,680				1,514,680	1,514,680
Total		**4,133,797**				**4,133,797**	**3,874,473**

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 2018 mainly related to the following currencies:

- US dollar (USD)
- Ethiopian Birr (BIRR)
- Australian dollar (AUD)
- Colombian peso (COP)
- United Arab Emirates dirham (AED)
- Tajikistani somoni (TJS)

The company considers 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 2018 and 31 December 2017 to reflect the potential effects on profit (loss) and equity.

(€m)	2017 -5%	2017 +5%	2018 -5%	2018 +5%
US dollar	13.75	(13.75)	(0.35)	0.35
Birr	10.12	(10.12)	9.75	(9.75)
Australian dollar	1.30	(1.30)	3.39	(3.39)
Peso	0.01	(0.01)	2.30	(2.30)
Dirham	0.96	(0.96)	1.31	(1.31)
Somoni	0.81	(0.81)	(0.94)	0.94

Interest rate risk

Salini Impregilo has adopted a combined strategy of streamlining operations by disposing of non-strategic assets and containing debt.

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 2018, the loss before tax for the year would have been respectively smaller or greater by €4.8 million (€3.0 million for 2017), 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 government 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)	31 December 2017	31 December 2018
Italy	76,543	85,066
Other EU countries	141,468	67,161
Other non-EU countries	16,071	17,922
America	211,732	101,013
Asia/Middle East	(387,617)	(166,279)
Africa	(158,931)	117,132
Australia	672	91,012
Total	**(100,062)**	**313,027**

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)	Loans and receivables	Contract assets	Contract liabilities	Total	Allowances
31 December 2017					
Italy	305,898	148,180	(9,291)	444,787	5,801
Other EU countries	115,370	138,111	(22,813)	230,668	-
Other non-EU countries	10,314	322	(17,260)	(6,624)	-
America	219,303	107,268	(49,223)	277,348	158,222
Asia/Middle East	98,816	26,014	(306,297)	(181,467)	-
Africa	567,336	24,073	(577,058)	14,351	15,951
Australia	8,614	-	-	8,614	-
Total	**1,325,651**	**443,968**	**(981,942)**	**787,677**	**179,973**
31 December 2018					
Italy	510,939	125,263	(18,274)	617,928	5,878
Other EU countries	100,660	251,542	(24,228)	327,974	
Other non-EU countries	13,001	-	(345)	12,656	
America	132,870	53,001	(38,830)	147,041	238,924
Asia/Middle East	103,118	172,030	(166,525)	108,623	1,691
Africa	554,141	115,320	(378,479)	290,982	13,993
Australia	5,658	-	-	5,658	
Total	**1,420,387**	**717,156**	**(626,681)**	**1,510,862**	**260,486**

The "Main risk factors and uncertainties" section of the Directors' report provides information about country risk for Libya, Venezuela, Nigeria and Ukraine.

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.

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)	31/12/2018	31/12/2019	31/12/2021	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	23,358	15,646	11,965	2,019	52,988
Interest rate derivatives	1,481			-	1,481
Gross financial liabilities	**440,453**	**193,526**	**831,928**	**719,077**	**2,184,984**
Trade payables	1,217,598				1,217,598
Total	**1,658,051**	**193,526**	**831,928**	**719,077**	**3,402,582**

(€'000)	31/12/2019	31/12/2020	31/12/2021	After	Total
Current account facilities	112,335				112,335
Bonds	31,250	31,336	631,250	526,274	1,220,110
Bank and other loans and borrowings	204,728	161,772	70,407	386,623	823,530
Finance lease liabilities	17,401	8,919	5,171	3,126	34,617
Gross financial liabilities	**365,714**	**202,027**	**706,828**	**916,023**	**2,190,592**
Trade payables	1,514,680				1,514,680
Total	**1,880,394**	**202,027**	**706,828**	**916,023**	**3,705,272**

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 2019 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 2019 (*)	439,819
Cash and cash equivalents (**)	547,730
Difference	**107,911**

(*) Excluding amounts due to group companies.

(**) Net of tied-up liquidity.

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 company at fair value are classified as follows:

(€'000)	Note	Level 1	Level 2	Level 3
Derivative assets	12		602	
Total		**-**	**602**	**-**

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 2018 amounts to €3,068.3 million, up 6.1% on the previous year as follows:

(€'000)	2017	2018	Variation
Revenue	2,786,304	2,916,439	130,135
Other income	105,128	151,860	46,732
Total	**2,891,432**	**3,068,299**	**176,867**

The rise in revenue is mainly due to the ongoing projects in the United Arab Emirates, the works carried out to construct the Rogun Dam in Tajikistan and the primary urbanisation works to build a new residential area in Kuwait City. The increase was partly offset by the smaller contribution of the contracts nearing completion in Qatar and Australia.

A breakdown of revenue is as follows:

(€'000)	2017	2018	Variation
Works invoiced to customers	2,635,862	2,786,494	150,632
Services	132,109	114,802	(17,307)
Sales	18,333	17,705	(628)
Real estate projects	-	(2,562)	(2,562)
Total	**2,786,304**	**2,916,439**	**130,135**

Works invoiced to customers include contractual 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.

Variable consideration was equal to 17% of revenue from contracts with customers during the year and was recognised using the guidance set out in note 2.

Reference should be made to note 34 to the consolidated financial statements for more information about the transaction price of ongoing contracts allocated to the unsatisfied performance obligations.

A breakdown of other income is given in the following table:

(€'000)	2017	2018	Variation
Recharged costs	72,171	80,722	8,551
Prior year income	11,052	10,338	(714)
Gains on the disposal of non-current assets and equity investments	1,452	6,714	5,262
Rent and leases	1,429	1,791	362
Sales services	274	46	(228)
Insurance compensation	203	-	(203)
Other	18,547	52,244	33,697
Staff services	-	5	5
Total	**105,128**	**151,860**	**46,732**

30. Operating expenses

Operating expenses for the year amount to €2,935.8 million compared to €2,922.8 million for 2017.

The item may be broken down as follows:

(€'000)	2017	2018	Variation
Purchases	353,949	391,830	37,881
Subcontracts	384,311	507,680	123,369
Services	1,413,019	1,383,906	(29,113)
Personnel expenses	305,109	319,624	14,515
Other operating expenses	74,450	62,641	(11,809)
Amortisation, depreciation, provisions and impairment losses	391,969	270,113	(121,856)
Total	**2,922,807**	**2,935,794**	**12,987**

The variations in the individual items compared to 2017 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 costs of total revenue.

30.1 Purchases

The cost of raw materials and consumables incurred in 2018 increased by €37.9 million to €391.8 million compared to the previous year:

(€'000)	2017	2018	Variation
Purchases of raw materials and consumables	336,409	369,075	32,666
Change in raw materials and consumables	17,540	22,755	5,215
Total	**353,949**	**391,830**	**37,881**

The increase in raw materials and consumables is principally due to the Dubai branch in United Arab Emirates, which became fully operational. The increase is offset by the cost reduction in certain large projects, including those in Ethiopia.

30.2 Subcontracts

Costs of subcontracts increased to €507.7 million, up €123.4 million on 2017 as summarised in the following table:

(€'000)	2017	2018	Variation
Subcontracts	384,311	507,680	123,369
Total	**384,311**	**507,680**	**123,369**

The increase in subcontracts is principally due to the South Al Mutlaa joint operation in Kuwait. It is partly offset by the reduction in works of the Tajikistani branch.

30.3 Services

This item decreased to €1,383.9 million, down €29.1 million on the previous year, as shown in the following table:

(€'000)	2017	2018	Variation
Recharging of costs by consortia	895,086	814,492	(80,594)
Consultancy and technical services	309,631	346,892	37,261
Rent and leases	89,283	93,210	3,927
Transport and customs	47,094	47,966	872
Insurance	21,767	26,794	5,027
Fees to directors, statutory auditors and independent auditors	8,946	7,520	(1,426)
Maintenance	6,659	8,566	1,907
Other	34,553	38,466	3,913
Total	**1,413,019**	**1,383,906**	**(29,113)**

The item “Recharging of costs by consortia” includes the recharging of approximately €306.0 million by the Italian consortia and consortium companies, mostly related to COCIV and Metro Blu contracts. The €80.6 million decrease is mainly due to works in Greece, Australia and Qatar.

“Consultancy and technical services” increased by €37.3 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)	2017	2018	Variation
Design and engineering services	196,174	197,240	1,066
Construction	77,413	101,579	24,166
Legal, administrative and other services	35,431	47,630	12,199
Testing	613	443	(170)
Total	**309,631**	**346,892**	**37,261**

Fees to the independent auditors, KPMG S.p.A., and other companies of its network are detailed as follows:

Services		Fees (€'000)
Audit	Salini Impregilo S.p.A.	1,430
Audit	Subsidiaries	1,542
Total audit		**2,972**
Other services	Salini Impregilo S.p.A.	184
Other services	Subsidiaries	196
Total other services		**380**
Total Salini Impregilo Group		**3,352**

30.4 Personnel expenses

Personnel expenses for the year amount to €319.6 million, up by €14.5 million on 2017. The item is made up as follows.

(€'000)	2017	2018	Variation
Wages and salaries	237,314	237,276	(38)
Social security and pension contributions	31,477	28,561	(2,916)
Post-employment benefits	7,880	9,136	1,256
Other	28,438	44,651	16,213
Total	**305,109**	**319,624**	**14,515**

The increase is mostly due to the United Arab Emirates contracts. “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.

No.	31 December 2017	31 December 2018	2017 average	2018 average
Managers	230	247	251	256
White collars	3,380	3,526	3,438	3,630
Blue collars	15,921	14,421	16,153	16,319
Total	**19,531**	**18,194**	**19,842**	**20,204**

30.5 Other operating expenses

Other operating expenses amount to €62.6 million, down €11.8 million on 2017 as follows:

(€'000)	2017	2018	Variation
Other	67,835	58,814	(9,021)
Non-recurring costs	6,615	3,827	(2,788)
Total	**74,450**	**62,641**	**(11,809)**

The decrease in "Other" is chiefly due to non-recurring costs relating to the previous year.

30.6 Amortisation, depreciation, provisions and impairment losses

This item of €270.1 million shows a decrease on the previous year figure of €392 million. It may be analysed as follows:

(€'000)	2017	2018	Variation
Provisions and impairment losses	**291,712**	**190,357**	**(101,355)**
Amortisation of intangible assets	416	423	7
Depreciation of property, plant and equipment	78,543	63,107	(15,436)
Amortisation of contract costs	21,299	16,226	(5,073)
Total amortisation and depreciation	**100,258**	**79,756**	**(20,502)**
Total	**391,970**	**270,113**	**(121,857)**

"Provisions and impairment losses" decreased by €101.4 million in 2018.

This item of €190.4 million mainly comprises the provisions and impairment losses of €165.5 million for the Venezuelan projects as a result of the impairment test performed at the reporting date (reference should be made to the "Venezuela" paragraph of the "Main risk factors and uncertainties" section of the Directors' report and note 11 "Trade receivables" – paragraph on "Impairment – Venezuela") and the impairment losses of €22.8 million on receivables from South American customers and the tax credit from the Icelandic tax authorities. The impairment losses and provisions recognised for the Venezuelan contracts in 2017 amounted to €292.5 million.

Amortisation and depreciation of €79.8 million decreased by €20.5 million on the previous year. They are in line with the progress made on the related contracts. The decreases mainly refer to contracts in Italy (the

Milan - Genoa railway line section) and Ethiopia (GIBE III), whereas the increases relate to the construction of the shopping mall in the United Arab Emirates and the Rogun hydroelectric project in Tajikistan.

31. Net financing costs

Net financing costs amount to €5.8 million compared to €201.4 million for the previous year.

The item may be broken down as follows:

(€'000)	2017	2018	Variation
Financial income	67,599	58,472	(9,127)
Financial expense	(115,865)	(95,601)	20,264
Net exchange gains (losses)	(153,166)	31,343	184,509
Net financing costs	**(201,432)**	**(5,786)**	**195,646**

31.1 Financial income

Financial income totals €58.5 million (€67.6 million) and is made up as follows:

(€'000)	2017	2018	Variation
Gains on securities	**5,115**	**1,291**	**(3,824)**
Intragroup interest and other income	**21,440**	**28,071**	**6,631**
Interest and other financial income	**41,044**	**29,110**	**(11,934)**
- Interest on financing	6	30	24
- Bank interest	9,720	15,713	5,993
- Default interest	27,910	8,303	(19,607)
- Financial discounts and allowances	740	49	(691)
- Other	2,668	5,015	2,347
Total	**67,599**	**58,472**	**(9,127)**

The decrease on the previous year is mainly due to:

- the decrease in default interest on receivables from mostly foreign customers (€19.6 million);
- the decrease of €3.8 million in financial income on securities, being the smaller gain on the sale of foreign currency securities on the US market;
- the increase of €6.0 million in bank interest, mainly related to a joint operation active in the Middle East and the Ethiopian branch;

- the increase of €6.6 million in interest from group companies, namely:

(€'000)	2017	2018	Variation
Gupc	8,110	9,995	1,885
HCE Costruzioni S.p.A.	5,759	5,327	(432)
Salini Nigeria Ltd	2,443	3,026	583
Salini Namibia	725	896	171
Salini Polska	-	1,681	1,681
ICT II	297	1,655	1,358
CMT	71	1,461	1,390
Eriday	619	-	(619)
Other	3,416	4,030	614
Total	**21,440**	**28,071**	**6,631**

31.2 Financial expense

2018 financial expense decreased by €20.3 million to €95.6 million as follows:

(€'000)	2017	2018	Variation
Intragroup interest and other expense	**(6,735)**	**(6,088)**	**647**
Interest and other financial expense	**(109,130)**	**(89,513)**	**19,617**
- Bank interest on accounts and financing	(37,550)	(18,924)	18,626
- Interest on bonds	(45,554)	(45,703)	(149)
- Factoring and leases	(1,836)	(1,223)	613
- Bank fees	(2,028)	(2,881)	(853)
- Interest on tax liabilities	(15,225)	(1,605)	13,620
- Other	(6,937)	(19,177)	(12,240)
Total	**(115,865)**	**(95,601)**	**20,264**

The decrease in financial expense is principally due to the reduction in interest on tax liabilities (€13.7 million, following the settlement of a tax bill received by the Ethiopian branch in 2017) and the decrease in interest on bank accounts and financing and interest on bonds (€18.5 million), mainly due to the debt refinancing transaction carried out in 2017, which led to a reduction in bank loans and borrowings and the issue of bonds at more favourable rates. The decrease in financial expense has partly been offset by the increase in "Other" (€12.2 million), mainly due to the impairment of loan assets and securities relating to the operator Yuma.

In addition:

- interest on bank accounts and financing of €18.9 million includes the effect of the amortised cost method of €2.0 million (2017: €14.7 million) that did not give rise to cash outlays;
- interest on bonds of €45.7 million includes the effect of the amortised cost method of €4.3 million (2017: €4.1 million) that did not give rise to cash outlays;

Intragroup interest and other expense of €6.1 million on intragroup transactions decreased by €0.6 million and relate to the following companies:

(€'000)	2017	2018	Variation
Impregilo International Infrastructures N.V.	(2,260)	-	2,260
Mukorsi Dam	(1,213)	(757)	456
Salini Namibia Proprietary L.t.d.	(158)	-	158
Fisia Italimpianti S.p.A.	(123)	(9)	114
Cociv	(788)	(2,847)	(2,059)
NRW JV	(428)	(417)	11
NTF JV	(379)	(437)	(58)
Copenhagen Metro Team I/S	(878)	-	878
Other	(508)	(1,621)	(1,113)
Total	**(6,735)**	**(6,088)**	**647**

31.3 Net exchange gains

The net exchange gains amount to €31.3 million, a considerable improvement on the previous year's net exchange losses of €153.2 million.

The 2018 net exchange gains amount to €31.3 million are due to fluctuations in the exchange rate with certain currencies, especially the US dollar and the Ethiopian Birr.

32. Net gains on equity investments

Net gains on equity investments came to €41.6 million compared to €129.4 million for the previous year. They are made up as follows:

(€'000)	2017	2018	Variation
Reversals of impairment losses	**41,665**	**3,144**	**(38,521)**
- Reversals of impairment losses	41,665	3,144	(38,521)
Impairment losses/Provisions for equity investments	**(58,736)**	**(114,980)**	**(56,244)**
- Impairment losses/Provisions for equity investments	(58,736)	(114,980)	(56,244)
Income from equity investments	**146,488**	**153,464**	**6,976**
- Dividends	146,604	153,332	6,728
- Other income	(116)	132	248
Total	**129,417**	**41,628**	**(87,789)**

Net gains on equity investments mainly reflect the following effects:

- the dividend distribution of €153.3 million approved in 2018, mainly by the subsidiaries Impregilo International Infrastructures NV (€20 million), Salini Impregilo US Holdings Inc. (€96.7 million) and Salini Malaysia (€32.5 million);

- the reversals of impairment losses of €3.1 million, mainly relating to the investments in Angostura and Co.ge.ma;
- impairment losses totalling €115.0 million, the most significant of which relate to the subsidiaries Impregilo International Infrastructures NV, HCE Costruzioni S.p.A., CSC Impresa Costruzioni S.A., Salini Polska L.t.d., Constructora Ariguani SAS, the SPE Grupo Unidos por el Canal, Grupo ICT 2 (Colombia) and Salini Australia PTY.

Notes 6 and 22 provide more information about changes in the carrying amounts of the above equity investments.

33. Income taxes

The company's income tax expense for the year is €58.8 million as shown in the following table.

(€'000)	2017	2018	Variation
Current taxes (income taxes)	73,632	90,721	17,089
Net deferred taxes	(88,893)	(38,714)	50,179
Utilisation of the provision for the national tax consolidation scheme	(2,814)	404	3,218
Prior year taxes	13,497	2,165	(11,332)
Total	**(4,578)**	**54,576**	**59,154**
IRAP	4,247	4,219	(28)
Total	**(331)**	**58,795**	**59,126**

The net deferred tax income for 2018 is mainly the result of the deferred taxes recognised during the year on the impairment losses on some assets related to the construction of infrastructure in Venezuela and other temporary differences including principally those related to the unrealised exchange losses.

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)	%
Profit before tax	**168.3**	
Theoretical tax expense	40.4	24.0%
Effect of permanent differences	0.1	0.0%
Net effect of foreign taxes	20.5	12.2%
Prior year and other taxes	(6.4)	(3.8%)
Total	**54.6**	**32.4%**

The total tax expense is affected by the following:

- permanent differences (especially impairment losses on equity investments and dividends collected), which balance each other out;
- taxes paid abroad where the company's 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 profit	132.5	
Personnel expenses	319.6	
Provisions and impairment losses	190.4	
Revenue	**642.5**	
Theoretical tax expense	25.1	3.9%
Tax effect of foreign production	(18.5)	(2.9%)
Tax effect of permanent differences	(2.4)	(0.4%)
Total	**4.2**	**0.7%**

Deferred taxes contribute positively to the company's profit for €38.7 million, specifically for the following items:

(€'000)	
Deferred tax expense for the year	(20,474)
Use of deferred tax liabilities recognised in previous years	18,538
Deferred tax income for the year	78,095
Use of deferred tax assets recognised in previous years	(37,445)
Total	**38,714**

34. Related party transactions

Transactions with related parties, as defined by IAS 24, were of an ordinary nature.

Salini Impregilo S.p.A. 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:

Related party (€'000)	Loans and receivables	Financial assets	Other assets	Trade payables	Financial liabilities	Total revenue	Total expenses	Net financing income
C.Tiburtino	76					21		
Casada S.r.l.	83			147		19	247	
CEDIV S.p.A.	716					18		
Dirlan	43					27		
G.A.B.I.RE S.r.l.	118					20		
Galla Placidia	77					22		
Imm. Agricola San Vittorino	126					25		
Infernetto	9					10		
Iniziative Immobiliari Italiane S.p.A.				263			1,053	
Madonna dei Monti S.r.l.	8			9		18	59	
Nores	53					9		
Plus	50					32		
Salini Costruttori S.p.A.	11	45				166		126
Salini Simonpietro & C. S.A.P.A.	41					14		
Studio Avv. Grazia Volo				11			31	
Studio Morganti & Associati							78	
Zeis		1,631		84		231	155	40
Total	**1,411**	**1,676**	**-**	**514**	**-**	**632**	**1,623**	**166**

Most of the company'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)	2017 Fees and remuneration	2017 Termination benefits and post-employment benefits	2017 Total	2018 Fees and remuneration	2018 Termination benefits and post-employment benefits	2018 Total
Directors and statutory auditors	7,192		7,192	7,522		7,522
Key management personnel	8,016		8,016	6,449		6,449
Total	**15,208**	**-**	**15,208**	**13,971**	**-**	**13,971**

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 "Intragroup transactions - Salini Impregilo S.p.A.".

The next table shows the impact of transactions with the above companies on the statement of financial position and the income statement (including as a percentage), while their effect on cash flows is shown in the statement of cash flows, when material:

31 December 2017 (€'000)	Non-current loans and receivables (1)	Current loans and receivables (2)	Current liabilities (3)	Revenue	Costs	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	1,699,833	3,678,516	3,034,642	2,891,432	2,922,807	67,599	115,865
% of financial statements item	3.95%	32.6%	25.0%	8.2%	22.0%	31.7%	5.8%

31 December 2018 (€'000)	Non-current loans and receivables (1)	Current loans and receivables (2)	Current liabilities (3)	Revenue	Costs	Financial income	Financial expense
Total - group companies	93,163	1,457,307	1,348,276	132,918	606,592	28,071	6,088
Total financial statements item	1,928,807	3,986,527	3,333,935	3,068,299	2,935,794	58,472	95,601
% of financial statements item	4.83%	36.6%	40.4%	4.3%	20.7%	48.0%	6.4%

(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 the company which manages and coordinates Salini Impregilo, Salini Costruttori S.p.A., at 31 December 2017, the most recently approved financial statements, are presented below. These financial statements have been prepared in accordance with the IFRS.

2017 highlights	
(€'000)	
Statement of profit or loss	
Total revenue	28,803
Operating profit	24,340
Profit before tax	11,576
Profit for the year	10,935
Statement of financial position	
Non-current assets	315,990
Current assets	90,106
Total assets	**406,096**
Equity	321,013
Non-current liabilities	1,781
Current liabilities	83,302
Total liabilities	**406,096**

Salini Costruttori S.p.A. did not have any employees at 31 December 2017.

Article 1.125/127 of Law no. 124 of 4 August 2017 - Disclosure of government grants

With respect to Law no. 124 of 4 August 2017 and related interpretations about the disclosure requirement in the notes to the separate and consolidated financial statements of companies that receive subsidies, grants, paid positions or other financial benefits of any kind from the public administration and similar bodies, it should be noted that the company received reimbursements of €38.5 thousand from Fondo Impresa for funding training courses (€26 thousand and €12.5 thousand on 17 April 2018 and 11 December 2018, respectively).

Other relations with the public administration or similar bodies are part of the company's bilateral contracts and, therefore, do not fall under the scope of the above law.

35. Events after the reporting date

February 2019

Contract awarded in the Czech Republic worth €225 million

On 6 February 2019, the Group was awarded a contract to build a motorway section in the south of this country worth €225 million. Salini Impregilo and its joint-venture partner Doprastav of Slovakia will build Lot 2 of a section of the D3 motorway, which bypasses the town of Ceskie Hodejovice near the Austrian border.

Bid for Cossi Costruzioni

On 13 February 2019, Salini Impregilo entered into agreements with Società Italiana Condotte d'Acqua S.p.A. under extraordinary administration and Ferfina S.p.A. under extraordinary administration for the sale of their equity investments in Cossi Costruzioni S.p.A. of 75.01% and roughly 4.99%, respectively. These agreements are subject to conditions precedent to be met by 31 March 2019.

Salini Impregilo presents a bid for Astaldi with a continuity plan

On 14 February 2019, Salini Impregilo presented a bid for a potential investment in Astaldi S.p.A. (the "YES bid" and "Astaldi"). If accepted by Astaldi, the YES bid will support its "direct continuity plan" with which Astaldi will file for deed of arrangement (the "deed of arrangement proposal"). This proposal will envisage (i) a financial plan to support the restructuring and continuity of Astaldi's EPC (engineering, procurement and construction) activities; (ii) separation of non-core assets, including the concessions arm that includes the Third Bosphorus Bridge project, the Gebze-Orhangazi-Izmi highway, the Etlik integrated health campus in Turkey, the Santiago airport and the Felix Bulnes hospital in Chile, the Venezuelan financial assets, and the real estate related to the headquarters in Rome, Italy which would be moved into a unit to be liquidated with the proceeds intended for the sole benefit of unsecured creditors; (iii) a cash capital increase of €225 million for 65% of Astaldi (after the capital increase), reserved to Salini Impregilo, partly dedicated to the payment of secured and pre-deductible debts, and partly supporting the continuity plan, which would result in Salini Impregilo taking a controlling stake in Astaldi following the completion of the procedure; (iv) a partial settlement of unsecured creditors, both in the form of shares – which would benefit from continuity of the EPC business – and other participatory financial instruments, which would benefit from proceeds of the sale of non-core assets. As a result, Astaldi would file its proposal with the Court. Upon the Court's approval, the proposal will be subject to the creditors' vote. If approved, it will be submitted again to the Court for final approval. The YES bid is subject, among other things, to the approval of Astaldi's proposal, and obtaining the necessary authorisations. It also depends on there being no events that would put the feasibility of the continuity plan at risk, the support of long-term investors through their participation in the capital increase using their own financial resources, and the support of the banking system to provide Astaldi with cash and bonding lines. This is necessary to ensure the financial and operational stability of the company as envisaged in the deed of arrangement plan. The structure of the transaction does not require any commitment or burden for Salini Impregilo ahead of the final Court approval of the deed of arrangement plan and proposal. It assumes that, pending the procedure, Astaldi would have sufficient interim funds and would implement certain interim management arrangements – including the appointment of a highly qualified chief

restructuring officer – to the benefit of all stakeholders, monitoring the feasibility of the transaction in line with best market practices in similar situations. The aim of the transaction is to shore up the large works and construction sector and ensure its stability and growth and the continuity of works (including those of a strategic nature) as well as to strengthen the Group's design and industrial capabilities so as to enable this stronger entity to take on a leading role in Italy and abroad. Salini Impregilo's support of Astaldi's deed of arrangement plan represents an opportunity to create one of the largest global operators with a combined EPC order backlog worth approximately €33 billion and a workforce of over 45 thousand employees. The two companies' geographical bases and infrastructure segments are complementary and would strengthen the new group's foreign standing and risk-return profile. The new group would achieve commercial and operating synergies by enhancing the technical and commercial skills of the two original companies. In addition, the successful bid would ensure continuity of Astaldi's ongoing projects, the preservation of Astaldi's value chain, contributing to stabilising the sector and the Italian large works sector. Astaldi's proposal requires approval by the court and subsequently by the majority of its creditors as well as the court's authorisation for the deed of arrangement. During this process, the commissioners could ask Astaldi to make changes to its proposal. Salini Impregilo is free to assess the content and consistency of these changes with the key terms and conditions of its YES bid. As is normal practice for this type of transaction, there is no certainty that Astaldi's proposal will be authorised or that the YES bid will be accepted. Similarly, it is not possible to give a timeline for the performance of the potential transaction, which however is expected to take place during the first half of 2020.

Arbitration award for the Panama Canal

On 18 February 2019, the parties reached an agreement, ratified by an order of the London Court, on the advances for the variation orders for which the Panama Canal Authority had commenced legal proceedings before the London Courts. They agreed to return the advances of approximately USD127 million to the Panama Canal Authority.

Yuma

With respect to the bridge loan of COP450,000 million (approximately €152 million) granted to the operator Yuma, as already described in the "Main risk factors and uncertainties" section, approximately €24.2 million was repaid to Banco Davivienda S.A. and Banco De Occidente, related to Salini Impregilo's share, in January and February 2019.

36. Significant non-recurring events and transactions

Arbitration award for the Panama Canal

Reference should be made to the "Main risk factors and uncertainties" section of the Directors' report for information about this award and the advances received from Grupo Unidos por el Canal (GUPC).

Impairment - Venezuela

Salini Impregilo calculated the recoverable amount of its total exposure with Venezuelan government agencies outstanding at the reporting date to reflect the recent negative developments caused by the significant deterioration in the country's credit standing.

More information is available in the "Main risk factors and uncertainties" section of the Directors' report and note 11 "Trade receivables" (paragraph on "Impairment - Venezuela").

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 above Consob communication no. DEM/6064293[5].

[5] 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.

Dear shareholders,

The draft separate financial statements at 31 December 2018 show a profit for the year of €109,550,415.18, which we propose be allocated as follows:

- €2,396,680.92 to the legal reserve so as to reach 20% of share capital;
- €840,055.32, gross, as dividend to the holders of savings shares equal to €0.52, gross of the legal withholdings, for each existing share, as per article 33.b of the company's by-laws to be distributed on 22 May 2019 with an ex-dividend date of 20 May 2019 (record date of 21 May 2019);
- €106,313,678.94 to be carried forward.

On behalf of the board of directors

Chairperson

(signed on the original)

Separate financial statements of Salini Impregilo – Intragroup transactions

Assets and liabilities at 31 December 2018

	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Total assets	Trade payables	Bank and other loans	Current portion of bank loans and current account facilities	Other current liabilities	Total liabilities	Net balance
A1F Tuszyn-Pyrzowice	16,658,066	-	150,227	-	16,808,293	49,985,430	-	-	-	49,985,430	(33,177,137)
Adiyan Water Treatment Plant	387,151	-	46,528	-	433,679	-	-	-	-	-	433,679
Aegek - Impregilo - Alstom J.V.	-	-	-	-	-	-	-	-	746	746	(746)
Agua AZ	26,935	-	-	-	26,935	6,505	-	-	-	6,505	20,430
Agua BA	11,493	-	-	-	11,493	12,559	-	-	-	12,559	(1,066)
Ancipa S.c.r.l.	8,590	-	-	-	8,590	-	-	-	-	-	8,590
Angostura	-	-	-	-	-	-	-	268,389	-	268,389	(268,389)
Ariguani	7,065,726	-	24,567,484	-	31,633,210	90,679	-	-	-	90,679	31,542,531
Aurelia 98 S.c.r.l.	-	-	-	-	-	16,121	-	-	-	16,121	(16,121)
Autostrada Al Torun - Strykow	-	-	1,895,401	-	1,895,401	-	-	-	-	-	1,895,401
Barnard	-	-	-	1,054,743	1,054,743	-	-	965,186	-	965,186	89,557
Brennero Galleriacque S.c.r.l.	732	-	-	-	732	-	-	-	-	-	732
CAVET	235,187	-	2,608,706	-	2,843,893	775,904	-	-	-	775,904	2,067,989
CAVTOMI	60,279,037	-	-	-	60,279,037	4,759,172	-	8,215,900	-	12,975,072	47,303,965
CDE	1,450,559	-	749,188	-	2,199,747	8,110,378	-	-	-	8,110,378	(5,910,631)
Cigla	-	-	133,471	-	133,471	-	-	-	320	320	133,151
CIV	163,612	-	-	-	163,612	-	-	2,901,150	-	2,901,150	(2,737,538)
CMT IS	3,397,781	-	53,450,795	-	56,848,576	522,172	-	-	-	522,172	56,326,404
Co.Ge.Ma.	-	-	-	-	-	1,934,084	-	3,207,203	-	5,141,287	(5,141,287)
COCIV	226,791,449	-	-	-	226,791,449	164,554,769	-	93,527,234	-	258,082,003	(31,290,554)
Consorcio Cigla-Sade	157,596	1,634,534	-	-	1,792,130	-	-	-	-	-	1,792,130
Consorcio Constructor Salini Impregilo - Cigla	107,032	-	7,089,275	-	7,196,307	-	-	418,879	-	418,879	6,777,428
Consorcio Contuy Medio	899	-	528,018	-	528,917	-	-	-	42,945	42,945	485,972
Consorcio Grupo Contuy-Proyectos y Ob. De F.	-	-	-	-	-	-	-	179,667	-	179,667	(179,667)
Consorcio OHL	3,745,281	-	-	-	3,745,281	-	-	-	-	-	3,745,281
Consorcio OIV-TOCOMA	93,082	29,435,863	407,627	-	29,936,572	-	-	-	3,759,887	3,759,887	26,176,685
Consorcio VIT Tocoma	-	-	3,476,244	-	3,476,244	-	-	-	-	-	3,476,244
Consorzio 201 Quintai	1,900	-	-	-	1,900	-	-	-	-	-	1,900
Consorzio EPC	1,073,286	-	-	-	1,073,286	891,848	-	-	-	891,848	181,438
Consorzio Iricav Due	3,373,747	-	-	-	3,373,747	21,227,969	-	-	-	21,227,969	(17,854,222)
Consorzio MM4	346,105	-	-	-	346,105	406,066	-	-	-	406,066	(59,961)
Consorzio Pedelombarda 2	2,318	-	-	-	2,318	-	-	-	-	-	2,318
Consorzio San Cristoforo	-	-	-	-	-	35,609	-	-	-	35,609	(35,609)
Consorzio Trevi - S.G.F. INC per Napoli	298,461	-	-	-	298,461	784	-	-	-	784	297,677
Consorzio VIT Caroni Tocoma	-	-	-	-	-	-	-	1,356,432	-	1,356,432	(1,356,432)
Constr. of Inn. Sout. Expre. (ISEX)	62,450	-	12,668	-	75,118	-	-	-	-	-	75,118

Assets and liabilities at 31 December 2018

	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Total assets	Trade payables	Bank and other loans	Current portion of bank loans and current account facilities	Other current liabilities	Total liabilities	Net balance
Constructora Mazar Impregilo-Herdoiza Crespo	-	-	-	133,089	133,089	-	-	-	-	-	133,089
Corso del Popolo	111,666	-	65,929	-	177,595	-	-	-	-	-	177,595
Corso del Popolo Engineering	698,493	-	1,442,811	-	2,141,304	-	-	-	-	-	2,141,304
CSC	131,441	-	74,479	-	205,920	84,421	-	-	-	84,421	121,499
Dev. Engin. infras. to Idu ind. area and Kar res. dist. Ab	515	-	28,756	-	29,271	-	-	-	-	-	29,271
District 1 Development	251,020	-	7,983	-	259,003	-	-	-	-	-	259,003
E.R. Impregilo/Dumez y Asociados para Yaciretê	13,838,700	-	761,824	-	14,600,524	21,525	-	-	10,046,325	10,067,850	4,532,674
Emittenti Titoli S.p.A.	-	-	-	-	-	-	-	247,575	-	247,575	(247,575)
Eurolink S.c.p.a.	9,935,261	-	-	-	9,935,261	16,027,203	-	-	-	16,027,203	(6,091,942)
Executive J.V. Impregilo S.p.A. Terna S.A.	-	-	9,991	-	9,991	-	-	-	-	-	9,991
Fibe	792,506	-	-	-	792,506	-	-	214,295	-	214,295	578,211
Fisia - Alkatas J.V.	5,700	-	-	-	5,700	-	-	-	-	-	5,700
Fisia Ambiente S.P.A	3,716	-	-	-	3,716	-	-	14,011,140	-	14,011,140	(14,007,424)
Fisia Italimpianti S.p.A	238,640	-	-	-	238,640	-	-	1,126,019	-	1,126,019	(887,379)
Fisia LLC	7,850	-	-	-	7,850	-	-	-	-	-	7,850
Forum S.c. a r.l.	-	-	-	-	-	721,600	-	-	-	721,600	(721,600)
G. W. Trans. to Fed. Cap. Ter. Lot A Dam and Aa. W.	682,845	-	38,313	-	721,158	702,800	-	-	-	702,800	18,358
Galfar Salimp Cimolai JV	1,111,747	-	-	-	1,111,747	84,299	-	-	14,225,367	14,309,666	(13,197,919)
Gaziantep Hastanesi Isletme Ve Bakim Hizmetleri	-	-	1,394	-	1,394	-	-	-	-	-	1,394
Gestione Napoli	-	-	17,520	-	17,520	-	-	-	-	-	17,520
Group. d'entreprises Salini Strabag (Guinea)	-	-	208,953	-	208,953	498,095	-	-	-	498,095	(289,142)
Grupo Empresas Italianas - GEI	-	-	190,435	-	190,435	-	-	-	-	-	190,435
GUP CANAL	33,914,237	-	(1)	-	33,914,236	3,429	-	-	-	3,429	33,910,807
HCE Italia Altre	189,288	-	13,738,840	-	13,928,128	-	-	686	-	686	13,927,442
HCE Sede	147,793	-	166,084,508	-	166,232,301	89,160	-	-	-	89,160	166,143,141
I INT IN	3,800	-	-	-	3,800	-	-	3,100,347	-	3,100,347	(3,096,547)
ICT II	9,660	-	47,713,142	-	47,722,802	6,121	-	-	-	6,121	47,716,681
IGL Arabia	474,317	-	-	-	474,317	540,800	-	-	-	540,800	(66,483)
IGL-SK-Galfar	4,659,761	-	6,928,116	6,821,620	18,409,497	504,197	-	-	-	504,197	17,905,300
Iglys	4,205	-	466	-	4,671	27,739	-	5,458	-	33,197	(28,526)
Impregilo-Healy UTE	691,898	-	-	40,305,149	40,997,047	-	-	3,059,010	12,534,964	15,593,974	25,403,073
Imprepar	75,352	-	-	-	75,352	-	-	19,619,526	-	19,619,526	(19,544,174)
INC Algeria	339,969	-	3,849,889	-	4,189,858	117,099	-	-	-	117,099	4,072,759
IS JV	4,753,884	-	47,453,672	-	52,207,556	-	-	-	11,574,890	11,574,890	40,632,666
Isarco S.c.r.l.	5,289,634	-	-	-	5,289,634	15,880,807	-	-	-	15,880,807	(10,591,173)
Joint Venture Aktor Ate - Impregilo S.p.A.	12,063	-	-	-	12,063	-	-	-	-	-	12,063
Joint Venture Aktor S.A. - Impregilo S.p.A.	-	-	332	-	332	-	-	-	-	-	332
Joint Venture Impregilo S.p.A. - Empedos S.A. - Aktor	-	-	3,003	223,931	226,934	-	-	-	-	-	226,934

Assets and liabilities at 31 December 2018

	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Total assets	Trade payables	Bank and other loans	Current portion of bank loans and current account facilities	Other current liabilities	Total liabilities	Net balance
JV Todini - Akkord - Salini	6,859,726	-	8,178,270	-	15,037,996	-	-	-	-	-	15,037,996
JV_IGL_SGF	-	-	-	-	-	-	-	-	2,232,247	2,232,247	(2,232,247)
JV_IGL_SGF	1,227,313	-	7,493,536	27,770	8,748,619	4,840	-	-	-	4,840	8,743,779
KAYI - Salini - Samsung - JV	115,069	-	251	-	115,320	-	-	-	-	-	115,320
La Quado S.c.a.r.l.	72	-	-	-	72	-	-	-	-	-	72
Lane Construction Corporation	956,597	-	434,720	-	1,391,317	29,541,616	-	345,787,583	-	375,329,199	(373,937,882)
Lane Industries Incorporated	1,084,467	-	-	-	1,084,467	-	-	-	-	-	1,084,467
Lane Mideast Contracting	12,338	-	-	-	12,338	78,479	-	-	-	78,479	(66,141)
Libyan LEC	1,135,957	-	31,236	-	1,167,193	755,525	-	-	-	755,525	411,668
Lidco	-	-	-	-	-	126,714	-	9,159,650	-	9,286,364	(9,286,364)
Line 3 Metro Stations	90,986	-	215,000	-	305,986	-	-	-	210,287	210,287	95,699
Metro 6	-	-	1,635,338	-	1,635,338	-	-	-	-	-	1,635,338
Metro B s.r.l.	277	-	-	-	277	-	-	-	-	-	277
Metro B1	6,938,769	-	2,909,116	-	9,847,885	20,398,666	-	-	-	20,398,666	(10,550,781)
METRO BLU	18,931,690	-	-	-	18,931,690	21,942,598	-	-	-	21,942,598	(3,010,908)
Metrocampania Secondigliano	138	-	-	-	138	-	-	-	-	-	138
Metrogenova S.c.r.l.	20,944	-	-	-	20,944	325,472	-	-	-	325,472	(304,528)
Millennium Park	421	-	1,458	-	1,879	-	-	-	-	-	1,879
Napoli Cancello Alta Velocità S.c.r.l.	1,276,981	-	200,271	-	1,477,252	2,501,317	-	-	-	2,501,317	(1,024,065)
New Cros	22,400	-	-	-	22,400	163,604	-	-	-	163,604	(141,204)
Nigeria Cultural Centre and Mill. Tower	274,012	-	536,739	-	810,751	-	-	-	-	-	810,751
Passante di Mestre S.c.p.A.	3,829	-	-	-	3,829	-	-	-	-	-	3,829
Passante Dorico S.p.A.	23,137	-	36,643	-	59,780	-	-	-	-	-	59,780
Pedelombarda S.c.p.a.	2,169,459	-	308	-	2,169,767	1,097,610	-	-	-	1,097,610	1,072,157
PGH Ltd	76,422	-	4,051,058	-	4,127,480	11,284	-	-	-	11,284	4,116,196
Pietrarossa S.c.r.l.	12,396	-	-	-	12,396	-	-	-	-	-	12,396
Piscine dello Stadio	32,584	-	-	-	32,584	-	-	-	-	-	32,584
Piscine dello Stadio scrl	60,532	-	-	-	60,532	-	-	-	-	-	60,532
Puentes	459	-	-	-	459	-	-	-	-	-	459
RC Scilla	23,387,040	-	740,623	-	24,127,663	41,901,681	-	-	-	41,901,681	(17,774,018)
Rimati	134,301	-	-	-	134,301	-	-	627,674	-	627,674	(493,373)
Rivigo	171,151	-	-	-	171,151	-	-	-	-	-	171,151
S.AGATA	495,625	-	1,791,948	-	2,287,573	1,943,425	-	-	-	1,943,425	344,148
S.Ruffillo S.c.a.r.l.	-	-	-	-	-	17,878,405	-	-	-	17,878,405	(17,878,405)
S3 - Nowa Sol	19,182,785	-	55,097	-	19,237,882	41,831,851	-	1,817	-	41,833,668	(22,595,786)
S7 - Checiny	8,993,842	-	198,022	-	9,191,864	35,277,308	-	-	-	35,277,308	(26,085,444)
S8 - Marki - Radzymin	991,971	-	-	-	991,971	21,513,068	-	-	-	21,513,068	(20,521,097)
SA_RC	76,260,248	-	-	-	76,260,248	93,330,162	-	-	-	93,330,162	(17,069,914)

Assets and liabilities at 31 December 2018

	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Total assets	Trade payables	Bank and other loans	Current portion of bank loans and current account facilities	Other current liabilities	Total liabilities	Net balance
Sabrom	91,720	-	10,673,724	-	10,765,444	-	-	-	-	-	10,765,444
Salimp Cleveland	12,322	-	2,358,079	-	2,370,401	-	-	64,900	-	64,900	2,305,501
Salini Australia	946	-	37,666,820	-	37,667,766	127,841	-	-	-	127,841	37,539,925
Salini Impregilo - Healy J.V. NEBT	527,428	-	-	-	527,428	-	-	-	-	-	527,428
Salini Impregilo - NRW Joint Venture	254,020	-	-	-	254,020	17,177	-	6,831,073	-	6,848,250	(6,594,230)
Salini Impregilo - Salini Insaat - NTF J.V - Branch	3,171,717	-	287,088	-	3,458,805	-	-	-	-	-	3,458,805
SALINI IMPREGILO - TRISTAR	7,064,693	-	-	-	7,064,693	2,040,056	-	-	-	2,040,056	5,024,637
Salini Ins.Taah.San.Ve Tik. Anonim Sirketi	-	-	590,181	-	590,181	-	-	-	-	-	590,181
Salini Kolin Cgf Joint Venture	-	-	-	410,568	410,568	-	-	-	-	-	410,568
Salini Malaysia Head Office	2,110	-	200,291	-	202,401	14,202	-	-	-	14,202	188,199
Salini Namibia	5,102,582	-	33,791,932	-	38,894,514	207,055	-	-	349	207,404	38,687,110
Salini Nigeria Ltd	4,319,436	-	66,325,982	-	70,645,418	-	-	-	-	-	70,645,418
Salini Polska Sp.	561,602	-	86,296,540	-	86,858,142	122,820	-	-	-	122,820	86,735,322
Salini Saudi Arabia Company Ltd	4,730,450	-	10,655,605	-	15,386,055	3,238,082	-	73,592	-	3,311,674	12,074,381
Salini-Impregilo US Holdings Inc	8,886,840	-	-	-	8,886,840	-	-	495,023	-	495,023	8,391,817
Sclafani S.c.r.l.	7,746	-	-	-	7,746	-	-	-	-	-	7,746
Sedi scarl	944	-	-	-	944	-	-	-	-	-	944
Segrate	607,503	-	24,134	-	631,637	2,494,572	-	-	-	2,494,572	(1,862,935)
Seli Tunneling	173,134	-	-	-	173,134	12,000	-	-	-	12,000	161,134
SFI leasing	-	-	-	-	-	-	-	-	475,649	475,649	(475,649)
SHIMMICK	15,290,059	-	-	724,317	16,014,376	-	-	-	-	-	16,014,376
Sirjo S.c.p.A.	3,829,981	-	150,291	-	3,980,272	15,058,188	-	-	-	15,058,188	(11,077,916)
SNFCC	-	-	-	3,281,175	3,281,175	-	-	-	-	-	3,281,175
SNFCC	69,315	-	-	-	69,315	-	-	-	-	-	69,315
Soingit S.c.r.l.	2,500	-	-	-	2,500	-	-	-	-	-	2,500
SPV Linea M4 Spa	121,069	19,410,216	-	-	19,531,285	24,849	-	-	-	24,849	19,506,436
Suleja Minna Dualisation	276,888	-	14,410	-	291,298	-	-	-	-	-	291,298
Suropca	-	-	62	-	62	-	-	803,829	-	803,829	(803,767)
TC_0206 Grecia	-	-	311	-	311	-	-	-	-	-	311
Techint S.A.C.I.- Hochtief A.G.- Impregilo S.p.A	-	-	-	4,823,718	4,823,718	-	-	4,727,929	-	4,727,929	95,789
Thessaloniki Metro	795	-	-	-	795	843	-	-	-	843	(48)
Thessaloniki Metro CW J.V. (AIS JV)	1,272,336	-	-	-	1,272,336	-	-	247,042	-	247,042	1,025,294
Todedil scarl	127	-	2,898	-	3,025	-	-	-	-	-	3,025
Todini Filiale Dubai	2,873,415	-	-	-	2,873,415	-	-	-	-	-	2,873,415
Tokwe Mukorsi Dam	79,267,577	-	-	-	79,267,577	12,461,669	-	54,930,284	-	67,391,953	11,875,624
Trincerone Ferroviario	-	-	4,544	-	4,544	-	-	-	-	-	4,544
Ute Abeima Fisia Shuaibah	-	-	-	-	-	-	-	4,520,331	-	4,520,331	(4,520,331)
Western Station JV	280,341	-	-	18,589,951	18,870,292	53,129,889	-	3,652,402	-	56,782,291	(37,911,999)

Assets and liabilities at 31 December 2018

	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Total assets	Trade payables	Bank and other loans	Current portion of bank loans and current account facilities	Other current liabilities	Total liabilities	Net balance
Yarull	15,591	-	2,645,420	-	2,661,011	-	-	-	98,465	98,465	2,562,546
Yuma	16,647	42,682,418	-	-	42,699,065	-	-	-	-	-	42,699,065
Total - group companies	**713,890,208**	**93,163,031**	**663,933,933**	**76,396,031**	**1,547,383,203**	**708,212,212**	**-**	**584,347,225**	**55,202,441**	**1,347,761,878**	**199,621,325**
C. Tiburtino	75,630	-	-	-	75,630	-	-	-	-	-	75,630
Casada S.r.l.	82,476	-	-	-	82,476	147,337	-	-	-	147,337	(64,861)
CEDIV SPA	715,957	-	-	-	715,957	-	-	-	-	-	715,957
Dirlan	42,569	-	-	-	42,569	-	-	-	-	-	42,569
G.A.B.I.RE. Srl	118,419	-	-	-	118,419	-	-	-	-	-	118,419
Galla Placidia	77,490	-	-	-	77,490	-	-	-	-	-	77,490
Imm. Agricola San Vittorino	126,251	-	-	-	126,251	-	-	-	-	-	126,251
Infernetto S.r.l.	9,321	-	-	-	9,321	-	-	-	-	-	9,321
Iniziative Immobiliari	-	-	-	-	-	262,811	-	-	-	262,811	(262,811)
Madonna dei Monti Srl	8,459	-	-	-	8,459	9,200	-	-	-	9,200	(741)
Nores	52,660	-	-	-	52,660	-	-	-	-	-	52,660
Plus	50,298	-	-	-	50,298	-	-	-	-	-	50,298
Salini Costruttori	10,831	-	44,769	-	55,600	-	-	-	-	-	55,600
SALINI SIMONPIETRO & C. S.A.P.A.	40,517	-	-	-	40,517	-	-	-	-	-	40,517
Studio Avv. Grazia Volo	-	-	-	-	-	10,472	-	-	-	10,472	(10,472)
Zeis	80	-	1,631,224	-	1,631,304	84,009	-	-	-	84,009	1,547,295
Total - other related parties	**1,410,958**	**-**	**1,675,993**	**-**	**3,086,951**	**513,829**	**-**	**-**	**-**	**513,829**	**2,573,122**
Total	**715,301,166**	**93,163,031**	**665,609,926**	**76,396,031**	**1,550,470,154**	**708,726,041**	**-**	**584,347,225**	**55,202,441**	**1,348,275,707**	**202,194,447**

Revenue and costs for 2018

	Revenue	Other revenue and income	Purchases	Subcontracts	Services	Personnel expense	Other operating expenses	Amortisation, depreciation, provisions and impairment losses	Financial income	Financial expense
A1F Tuszyn-Pyrzowice	-	646,750	-	-	49,717,875	-	-	-	-	-
Adiyan Water Treatment Plant	-	-	-	-	-	-	-	-	2,206	-
Aegek - Impregilo - Alstom J.V.	2,214	-	-	-	2,214	-	-	-	-	-
Agua AZ	269,727	7,600	-	-	60,832	3,084	-	-	-	-
Alia	-	904	-	-	-	-	-	-	-	-
Ancipa S.c.r.l.	-	8,159	-	-	-	-	-	-	-	-
ANM	-	56,671	-	-	389,471	-	-	-	-	-
Arge T.PF.	-	510,111	-	-	127,101	-	-	-	17,579	-
Ariguani	-	244,298	-	-	45,254	-	-	-	910,347	-
Barnard	125,366	-	-	-	13,127	-	-	-	-	-
CAVET	84,667	12,382	-	-	815,215	-	-	-	4,139	-
CAVTOMI	80,448	12,608	-	-	2,085,020	-	6	-	47,687	47,355
CDE	128,320	742,911	-	-	12,272,167	-	7,260	-	11,160	4,365
Cigla	-	-	-	-	-	-	-	-	6,704	-
CIV	36,985	11,483	-	-	-	-	-	-	-	33,763
CMC-Mavundla-IGL JV	-	-	-	-	18,470	-	-	-	-	-
CMT IS	5,211,188	1,760,537	-	-	-	-	-	-	1,461,301	-
Co.Ge.Ma.	197,871	70,978	-	-	2,607,979	-	-	-	23,002	2,703
COCIV	552,717	1,453,509	-	-	161,043,104	-	-	-	108,197	2,846,530
CONS. OHL	-	4,210	-	-	-	-	-	-	-	-
Consorcio Cigla-Sade	-	-	-	-	-	-	-	-	46,021	-
Consorcio Constructor Salini Impregilo - Cigla	-	658,825	-	-	23,566	18,516	1,015	-	101,066	12
Consorcio Contuy Medio	-	-	-	-	31,916	-	-	-	-	-
Consorcio Grupo Contuy-Proyectos y Ob. De F.	260,237	-	-	-	853,297	-	-	-	-	-
Consorcio OIV-TOCOMA	1,369,716	-	-	-	1,275,910	-	-	22,977,911	-	-
Consorcio VIT Tocoma	371,875	-	-	-	-	-	-	-	-	-
CONSORZIO CASERTANO	-	-	-	-	-	-	-	263	-	-
Consorzio EPC	24,570,141	14,522	-	-	1,294,130	-	-	-	-	-
Consorzio Iricav Due	-	22,963	-	-	2,112,460	-	-	-	-	-
Consorzio MM4	182,335	290,139	-	-	1,196,828	-	-	-	-	-
Consorzio Trevi - S.G.F. INC per Napoli	-	-	-	-	-	-	4,586	-	-	-
Consorzio VIT Caroni Tocoma	-	-	-	-	1,356,364	-	-	-	-	-
Constr. of Inn. Sout. Expre. (ISEX)	-	-	-	-	-	-	-	-	603	-
Corso del Popolo	20,972	3,661	-	-	-	-	-	-	1,308	-
Corso del Popolo Engineering	17,272	3,407	-	-	-	-	-	-	40,513	-
CSC	1,841	50,600	-	-	-	-	-	-	75,297	-
Dev. Engin. infras. to Idu ind. area and Kar res. dist. Ab	-	-	-	-	-	-	-	-	1,369	-
Diga Ancipa S.c.r.l.	-	2,066	-	-	-	-	-	-	-	-

Revenue and costs for 2018

	Revenue	Other revenue and income	Purchases	Subcontracts	Services	Personnel expense	Other operating expenses	Amortisation, depreciation, provisions and impairment losses	Financial income	Financial expense
District 1 Development	-	-	-	-	-	-	-	-	380	-
E.R. Impregilo/Dumez y Asociados para Yaciretê	63,949	-	-	-	5,410,598	-	-	3,873,508	687,748	-
Eurolink S.c.p.a.	29,628	151,365	-	-	321,400	-	-	-	-	-
Fibe	118,440	244,850	-	-	-	-	-	-	-	-
Fisia - Alkatas J.V.	-	3,800	-	-	-	-	-	-	-	-
FISIA ABEIMA LCC	-	1,512	-	-	-	-	-	-	-	-
Fisia Ambiente S.P.A	20,428	-	-	-	-	-	-	-	-	125,697
FISIA Italimpianti S.p.A	250,982	258,408	-	-	-	-	-	-	3,901	8,941
FISIA LLC	-	7,850	-	-	-	-	-	-	-	-
Forum S.c. a r.l.	-	-	-	-	417,767	-	-	-	-	-
G. W. Trans. to Fed. Cap. Ter. Lot A Dam and Aa. W.	-	-	-	-	-	-	-	-	1,895	-
Galfar Salimp Cimolai JV	18,311	2,425,507	741	-	42,246	27,743	585	-	-	-
Ghazi JV	-	8,602	-	-	-	-	-	-	-	-
Grupo Empresas Italianas - GEI	-	-	-	-	75,819	-	-	-	-	-
GUP CANAL	800,358	32,200	-	-	-	-	29	-	9,995,012	-
HCE Italia Altre	-	7,219	-	-	-	-	-	-	5,237,053	-
HCE Sede	785,460	2,070,574	-	-	89,160	-	-	-	-	-
Healy Parsons	-	-	-	-	5,705	-	-	-	-	-
I INT IN	-	156,928	-	-	-	-	-	-	55,399	184,335
ICT II	-	9,380	-	-	-	-	-	-	1,655,105	-
IGL Arabia	611	4,720	-	72,613	-	-	-	-	-	-
IGL-SK-Galfar	1,947,420	5,402,672	-	-	12,014	61,216	380	-	-	321,849
Iglys	-	2,808	-	-	-	-	-	-	-	-
Impregilo-Healy UTE	2,245,917	73,511	-	-	-	367,252	-	-	-	-
Imprepar	281,795	755,111	-	-	-	-	-	-	-	4,897
IS JV	893,272	528,811	-	-	28,781	-	-	-	-	-
Isarco S.c.r.l.	156,374	625,822	-	-	27,727,072	-	-	-	-	-
Joint Venture Impregilo S.p.A. - Empedos S.A. - Aktor	705,056	-	-	-	-	-	-	-	-	-
JV Todini - Akkord - Salini	-	-	-	-	-	-	-	-	230,262	-
JV_IGL_SGF	-	-	-	-	4,631	-	-	-	-	-
KAYI - Salini - Samsung - JV	-	1,093,512	-	-	-	-	-	-	-	-
La Quado S.c.a.r.l.	208	59	-	-	-	-	-	-	-	-
Lane Construction Corporation	-	172,724	8,240	357,972	2,389,968	415,444	-	-	157,361	706,156
Lane Industries Incorporated	-	30,000	-	-	-	-	-	-	-	-
Lane Mideast Contracting	-	11,812	-	-	77,168	-	-	-	-	-
Librino	-	904	-	-	-	-	-	-	-	-
Libyan LEC	62,904	24,800	-	-	24,984	-	-	-	-	-
Lidco	648	259	-	-	-	-	-	-	23,813	-

Revenue and costs for 2018

	Revenue	Other revenue and income	Purchases	Subcontracts	Services	Personnel expense	Other operating expenses	Amortisation, depreciation, provisions and impairment losses	Financial income	Financial expense
Line 3 Metro Stations	256	-	-	-	7,347	-	-	-	-	-
Metro 6	-	25,598	-	-	-	-	-	-	-	-
Metro B s.r.l.	-	813	-	-	-	-	-	-	-	-
Metro B1	35,671	93,613	-	-	(2)	-	-	-	29,076	4,273
Metro Blu	51,670	431,942	-	-	80,062,229	-	-	-	-	-
Metrogenova S.c.r.l.	-	18,131	-	-	99,688	-	-	-	-	-
Metropolitana di Napoli S.p.A.	-	-	-	-	-	-	-	85,245	-	-
Millennium Park	-	-	-	-	-	-	-	-	69	-
Napoli Cancello Alta Velocità S.c.r.l.	40,370	921,495	-	-	4,083,135	-	-	-	271	-
New Cros	-	6,400	-	-	112,116	-	-	-	-	-
Nigeria Cultural Centre and Mill. Tower	-	-	-	-	-	-	-	-	25,952	-
Passante di Mestre S.c.p.A.	1,282	6,000	-	-	-	-	-	-	-	-
Passante Dorico S.p.A.	15,555	3,513	-	-	-	-	-	-	-	-
Pedelombarda S.c.p.a.	47,220	34,333	-	-	52,458	-	-	-	-	-
PGH Ltd	-	-	-	-	-	-	-	-	90,162	-
Pietrarossa S.c.r.l.	-	2,066	-	-	-	-	-	-	-	-
Piscine dello Stadio	17,582	4,016	-	-	-	-	-	-	-	-
Piscine dello Stadio scrl	15,982	3,176	-	-	-	-	-	-	-	-
Puentes	6,200	-	-	-	-	-	-	8,815,028	-	-
RC Scilla	29,820	32,514	-	-	1,091,113	-	-	-	-	-
Rimati	-	5,829	-	-	-	-	-	-	-	-
Rivigo	-	9,418	-	-	-	-	-	-	-	-
S. Anna Palermo S.c.r.l.	-	-	-	-	20,632	-	-	-	-	-
S.Agata	2,363	484,339	-	-	3,083,425	-	-	-	1,891	-
S3 - Nowa Sol	-	1,004,831	-	-	40,243,422	-	-	-	-	-
S7 - Checiny	18,297	828,551	-	-	34,046,742	-	-	-	-	-
S8 - Marki - Radzymin	-	547,909	-	-	14,373,819	-	-	-	-	-
SA_RC	30,880	41,110	-	-	1,775,445	-	-	-	-	-
Sabrom	22,123	15,833	-	-	-	-	-	-	50,596	1,176
Salimp Cleveland	-	17,805	-	-	-	-	-	-	-	-
Salini Australia	-	952	-	-	10,570	352,938	15,107	-	111,563	-
Salini Impregilo - Healy J.V. NEBT	-	556	-	-	-	-	-	-	-	-
Salini Impregilo - NRW Joint Venture	-	5,324,935	-	-	-	56,036	3,082	-	-	417,281
Salini Impregilo - Salini Insaat - NTF J.V - Branch	-	-	-	-	3,082	-	2,666	-	-	437,474
SALINI IMPREGILO - TRISTAR	-	-	-	-	1,507,745	-	-	-	-	-
Salini Ins.Taah.San.Ve Tik. Anonim Sirketi	-	-	-	-	-	-	-	-	28,104	-
Salini Kolin Cgf Joint Venture	-	92,000	-	-	-	-	-	-	-	-
Salini Malaysia Head Office	65,153	167,107	-	-	123,596	-	-	-	334,845	84,413

Revenue and costs for 2018

	Revenue	Other revenue and income	Purchases	Subcontracts	Services	Personnel expense	Other operating expenses	Amortisation, depreciation, provisions and impairment losses	Financial income	Financial expense
Salini Namibia	2,387,145	248,726	-	-	29,075	92,713	-	-	896,162	-
Salini Nigeria Ltd	3,164,376	24,317	-	-	-	-	-	-	3,025,523	-
Salini Polska Sp.	67,796	58,100	-	-	-	1,212,337	-	-	1,680,927	-
Salini Saudi Arabia Company Ltd	-	4,611,650	-	-	2,337,998	-	-	-	-	74,181
Sclafani S.c.r.l.	-	1,291	-	-	-	-	-	-	-	-
Sedi scarl	-	466	-	-	-	-	-	-	-	-
Segrate	128,810	606,078	-	-	5,100,618	-	-	-	11,458	-
Seli Tunneling	-	-	-	-	44,907	-	299,501	-	-	-
SFI leasing	870,177	-	-	-	1,030,024	-	-	-	-	-
SHIMMICK	37,443,142	-	-	-	46,352,775	-	-	-	-	-
Sirjo S.c.p.A.	-	271,560	-	-	2,614,820	-	-	-	291	-
SNFCC	405	273,366	-	-	-	-	-	-	-	-
South Al Mutlaa Joint Venture	-	2,374	-	-	-	-	-	-	-	-
SPV Linea M4 Spa	-	203,689	-	-	-	-	-	-	678,984	-
Suleja Minna Dualisation	-	-	-	-	-	-	-	-	686	-
Suropca	-	-	-	-	-	-	-	-	-	21,847
TB Metro in liquidazione	7,207	2,948	-	-	-	-	-	12,514	26,017	-
Techint S.A.C.I.- Hochtief A.G.- Impregilo S.p.A	832,920	-	-	-	451,671	-	-	-	-	-
Thessaloniki Metro	-	-	-	-	490	-	-	-	-	-
Thessaloniki Metro CW J.V. (AIS JV)	1,299,186	2,695,000	-	-	-	-	-	-	-	-
Tokwe Mukorsi Dam	1,315,056	28,793	-	-	-	-	-	-	-	757,226
Trincerone Ferroviario	-	-	-	-	-	-	-	-	128	-
Western Station JV	-	2,414,487	-	53,194,206	-	-	-	-	-	-
Yarull	-	5,600	-	-	-	-	-	-	1,894	-
Yuma	234,652	-	-	-	-	-	-	-	-	-
Total - group companies	**90,016,949**	**42,268,244**	**8,981**	**53,624,791**	**512,628,553**	**2,607,279**	**334,217**	**35,764,469**	**27,901,027**	**6,084,474**
C. Tiburtino	16,904	3,506	-	-	-	-	-	-	-	-
Casada S.r.l.	16,176	2,949	-	-	243,423	-	3,618	-	-	-
CEDIV SPA	17,272	966	-	-	-	-	-	-	-	-
Dirlan	23,828	2,946	-	-	-	-	-	-	-	-
G.A.B.I.RE. Srl	17,119	2,898	-	-	-	-	-	-	-	-
Galla Placidia	19,472	2,896	-	-	-	-	-	-	-	-
Imm. Agricola San Vittorino	22,168	2,946	-	-	-	-	-	-	-	-
Infernetto S.r.l.	7,220	2,950	-	-	-	-	-	-	-	-
Iniziative Immobiliari	-	-	-	-	1,053,117	-	-	-	-	-
Madonna dei Monti Srl	10,872	7,585	-	-	56,778	-	2,375	-	-	-
Nores	6,272	2,946	-	-	-	-	-	-	-	-
Plus	28,908	2,946	-	-	-	-	-	-	-	-

Revenue and costs for 2018

	Revenue	Other revenue and income	Purchases	Subcontracts	Services	Personnel expense	Other operating expenses	Amortisation, depreciation, provisions and impairment losses	Financial income	Financial expense
Salini Costruttori	148,094	17,528	-	-	131	-	-	-	129,796	3,880
SALINI SIMONPIETRO & C. S.A.P.A.	14,394	50	-	-	-	-	-	-	-	-
Studio Avv. Grazia Volo	-	-	-	-	31,200	-	-	-	-	-
Studio Morganti & Associati	-	-	-	-	-	-	78,009	-	-	-
Zeis	129,746	100,917	-	-	146,381	-	8,613	-	40,581	-
Total - other related parties	**478,445**	**154,029**	**-**	**-**	**1,531,030**	**-**	**92,615**	**-**	**170,377**	**3,880**
Total	**90,495,394**	**42,422,273**	**8,981**	**53,624,791**	**514,159,583**	**2,607,279**	**426,832**	**35,764,469**	**28,071,404**	**6,088,354**

Separate financial statements of Salini Impregilo – Equity investments

Equity investments at 31 December 2018 - Salini Impregilo S.p.A.

Name	% invest-ment	Registered office	Amount Salini Igl S.p.A 1.1.2018 (€)	Increases in the year	No.	Decreases in the year	No.	Amount Salini Igl S.p.A 31.12.2018 (€)	Share of equity	Diff. between investment of uncalled up share/quota capital, investment, net and equity	Date of equity
SUBSIDIARIES											
Consorzio C.A.V.E.T. - Consorzio Alta Velocità Emilia/Toscana	75.983	Pianoro	4,117,527	2,877	O	(3,453)	N	4,116,951	4,116,950	(1)	31/12/2018
Consorzio Alta Velocità Torino/Milano - C.A.V.TO.MI.	74.690	Milan	3,731,098	3,402	O	(2,908)	N	3,731,592	3,731,592	-	31/12/2018
Construtora Impregilo y Associados S.A.-CIGLA S.A.	100.000	Brazil	-					-	1,509,300	1,509,300	31/12/2017
Collegamenti Integrati Veloci C.I.V. S.p.A.	85.000	Milan	12,940,477					12,940,477	10,238,731	(2,701,746)	31/12/2017
Consorzio Cociv	64.000	Genoa	330,532					330,532	330,532	-	31/12/2018
Constructora Ariguani SAS	100.000	Colombia	-					-	(4,982)	(4,982)	31/12/2017
Constructora Mazar Impregilo-Herdoiza Crespo	70.000	Ecuador	-					-	-	-	-
Gestione Napoli S.r.l. (in liq.)	24.000	Genoa	-					-	(20,064)	(20,064)	31/12/2017
Grupo ICT II SAS	100.000	Colombia	12,742,242			(11,694,731)	N	1,047,511	26,287	(1,021,223)	31/12/2017
HCE Costruzioni Ukraine LLC	1.000	Ukraine	100					100	5	(95)	31/12/2017
Consorcio Impregilo Yarull	70.000	Dom. Republic	-					-	(68,925)	(68,925)	31/12/2018
Consorzio Libyan Expressway Contractor	58.000	Milan	5,800					5,800	5,800	-	31/12/2018
PGH Ltd	100.000	Nigeria	-					-	762	762	31/12/2016
Reggio Calabria - Scilla S.c.p.a.	51.000	Rome	17,850,000					17,850,000	17,850,000	-	31/12/2017
Salini Polska - Todini - Salini Impregilo - Pribex - S8 JV	71.240	Poland	-					-	-	-	-
Salini Polska - Todini - Salini Impregilo - Pribex - S3 JV	71.240	Poland	-					-	-	-	-
Salerno-Reggio Calabria S.c.p.a.	51.000	Rome	25,500,000					25,500,000	25,500,000	-	31/12/2017
Salini Australia PTY L.t.d.	100.000	Australia	2,126,749			(2,126,749)	L	-	2,012,151	2,012,151	31/12/2017
Salini Impregilo - Duha Joint Venture	75.000	Slovakia	-					-	-	-	-
Salini Impregilo - Salini Insaat - NTF J.V.	55.000	Turkey	-					-	281,110	281,110	31/12/2018
Salini Namibia Proprietary L.t.d.	100.000	Namibia	358					358	6,784,562	6,784,204	31/12/2017
S. Anna Palermo S.c.r.l. (in liq.)	71.600	Palermo	18,592			(18,592)	I	-	29,584	29,584	31/12/2016
TM-Salini Consortium	90.000	Malaysia	-					-	-	-	-
Metro B S.r.l.	52.520	Rome	1,291,856					1,291,856	10,422,052	9,130,196	31/12/2017
Metro B1 S.c.a.r.l.	80.700	Rome	1,952,940					1,952,940	1,952,940	-	31/12/2017
RI.MA.TI. S.c.a.r.l. (in liq.)	83.420	Rome	699,420					699,420	699,418	(2)	31/12/2017
Copenaghen Metro Team I/S	99.989	Denmark	16,922,452			(2,384,504)	N	14,537,948	34,955	(14,502,993)	31/12/2017
Salini Insaat Taahhut Sanayi Ve Ticaret Anonim Sirketi	100.000	Turkey	-					-	(343,666)	(343,666)	31/12/2017
Salini-Kolin-GCF Joint Venture	38.000	Turkey	-					-	627	627	31/12/2018
Todini Akkord Salini	25.000	Ukraine	866,081			(54,961)	N	811,120	(293)	(811,412)	31/12/2018
CDE S.c.a.r.l.	60.000	Italy	6,000					6,000	-	-	-
CSC Impresa Costruzioni S.A.	100.000	Switzerland	8,573,208	4,311,088	O	(3,362,704)	N	9,521,592	20,407,144	10,885,552	31/12/2017
Fibe S.p.A.	99.989	Naples	37,464,369			(1,647,481)	N	35,816,888	37,464,369	1,647,481	31/12/2017

Name	% invest-ment	Registered office	Amount Salini Igl S.p.A 1.1.2018 (€)	Increases in the year	No.	Decreases in the year	No.	Amount Salini Igl S.p.A 31.12.2018 (€)	Share of equity	Diff. between investment investment, net of uncalled up share/quota capital, and equity	Date of equity
Fisia Italimpianti S.p.A.	100.000	Genoa	40,219,435					40,219,435	3,364,588	(36,854,847)	31/12/2017
Fisia Ambiente S.p.A.	100.000	Genoa	21,580,565					21,580,565	38,874,154	17,293,589	31/12/2017
I.L.IM. - Iniziative Lombarde Immobiliari S.r.l. (in liq.)	100.000	Milan	-					-	-	-	-
Impregilo International Infrastructures N.V.	100.000	Netherlands	168,700,000			(35,600,000)	N	133,100,000	122,944	(132,977,056)	31/12/2017
Impregilo Lidco Libya Co	60.000	Libya	1,445,480			(595,979)	N	849,501	797,784	(51,717)	31/12/2015
Imprepar-Impregilo Partecipazioni S.p.A.	100.000	Milan	45,941,191					45,941,191	53,138,760	7,197,569	31/12/2017
Società Autostrada Broni - Mortara S.p.A.	60.000	Milan	17,342,000			(2,091,334)	N	15,250,666	15,576,302	325,636	31/12/2017
Suramericana de Obras Publicas C.A.- Suropca C.A.	99.000	Venezuela	788,614					788,614	4,337,469	3,548,855	31/12/2017
Compagnia Gestione Macchinari CO.GE.MA. S.p.A.	100.000	Rome	894,736	1,164,692	M			2,059,428	1,236,856	(822,572)	31/12/2017
TB Metro S.r.l. (in liq.)	51.000	Rome	35,754					35,754	(801,336)	(837,090)	31/12/2017
HCE Costruzioni S.p.A.	100.000	Rome	17,037,248			(5,338,445)	N	11,698,803	17,163,278	5,464,475	31/12/2017
Salini Impregilo - US Holdings Inc.	100.000	USA	468,351,670					468,351,670	-	-	-
Salini Polska L.t.d. Liability Co	100.000	Poland	-					-	(347)	(347)	31/12/2016
Salini Saudi Arabia Company L.t.d.	51.000	Saudi Arabia	16,797,941			(13,002,862)	F	3,795,079	17,668,945	13,873,867	31/12/2016
Salini India Private L.t.d. (in liq.)	95.000	India	(9)					(9)	(411,582)	(411,573)	31/03/2017
Salini Malaysia SDN BHD	90.000	Malaysia	610,468					610,468	51,832,951	51,222,483	31/12/2017
Salini Nigeria L.t.d.	99.000	Nigeria	-					-	22,622	22,622	31/12/2017
Salini Impregilo S.p.A. - S.A. Healy Company Jose J Chediack S.A. UTE	73.000	Argentina	669,470					669,470	4,714,719	4,045,248	31/12/2016
IS Joint Ventures	50.000	Australia	-					-	(7,151,321)	(7,151,321)	31/12/2017
Empresa Constructora Angostura Ltda	65.000	Chile	949,074	1,392,688	M			2,341,762	304,948	(2,036,814)	31/12/2018
Empresa Constructora Metro 6 L..t.d.a.	99.900	Chile	17,131	31,625,665	D	(26,605,800)	L,N	5,036,996	2,345,614	(2,691,382)	31/12/2018
Joint Venture Impregilo S.p.A. - S.G.F. INC S.p.A.	100.000	Greece	-					-	-	-	-
Impregilo-Terna SNFCC J.V.	51.000	Greece	51,000					51,000	3,590,452	3,539,452	31/12/2018
A1 Motorway Tuszyn-Pyrzowice lot F Joint Venture	94.990	Poland	-					-	-	-	-
Salini Polska - Todini - Salini Impregilo - S7 JV	74.990	Poland	-					-	-	-	-
Generalny Wykonawca Salini Polska - Impregilo - Kobylarnia S.A.	33.340	Poland	-					-	-	-	-
Impregilo-SK E&C-Galfar al Misnad J.V.	41.250	Qatar	-					-	8,393,300	8,393,300	31/12/2017
Galfar - Salini Impregilo - Cimolai J.V.	40.000	Qatar	-					-	352,701	352,701	31/12/2017
Salini Impregilo - Healy J.V. (Tunnel 3RPORT Indiana)	30.000	USA	1,250,730	59,314	O			1,310,044	-	-	-
Salini Hydro L.t.d.	100.000	Ireland	677			(677)	I	-	12,888	12,888	31/12/2016
Salini Russia L.t.d. Liability Company	99.000	Russia	0.01					-	-	-	-
Thessaloniki Metro CW J.V. (AIS JV)	50.000	Greece	-	1,713,388	A	(710,968)	N	1,002,420	-	-	-
CSI Simplon Consorzio	0.010	Switzerland	-					-	-	-	-
Western Station J.V,	51.000	Saudi Arabia	-					-	8,036,779	8,036,779	31/12/2016
INC - Il Nuovo Castoro Algerie S.a.r.l.	99.983	Algeria	-					-	(3,167,266)	(3,167,266)	31/12/2017
Salini - Impregilo Joint Venture for Mukorsi	99.900	Zimbabwe	-	128,591	M	(120,966)	L	7,625	-	-	-
Salini Impregilo - Tristar	60.000	United Arab Emirates	-					-	-	-	-
Salini Impregilo - Healy J.V. (Cleveland)	60.000	USA	-					-	-	-	-
Salini Impregilo - Healy J.V. NEBT	30.000	USA	-					-	-	-	-

Name	% invest-ment	Registered office	Amount Salini Igl S.p.A 1.1.2018 (€)	Increases in the year	No.	Decreases in the year	No.	Amount Salini Igl S.p.A 31.12.2018 (€)	Share of equity	Diff. between investment investment, net of uncalled up share/quota capital, and equity	Date of equity
Consorcio Constructor Salini Impregilo - Cigla (florianopolis)	60.000	Brazil	-					-	905,580	905,580	31/12/2017
Salini Impregilo - NRW Joint Venture	80.000	Australia	-					-	927,460	927,460	31/12/2016
S. Agata FS S.c.r.l.	60.000	Italy	-	12,000	A			12,000	-	-	-
Napoli Cancello Alta Velocità S.c.r.l.	60.000	Naples	6,000					6,000	-	-	-
Equity investments - Subsidiaries			**949,828,978**	**40,413,705**		**(105,363,116)**		**884,879,568**			
ASSOCIATES											
Aguas del Gran Buenos Aires S.A. (in liq.)	16.504	Milan	-			-	N	-	(14,126)	(14,126)	31/12/2015
Coincar S.A.	26.250	Argentina	-	-		-		-	357,782	357,782	30/11/2016
Consorzio EPC	18.250	Italy	-					-	-	-	-
Eurolink S.c.p.a.	45.000	Rome	16,875,000					16,875,000	67,500,000	50,625,000	31/12/2016
Gaziantep Hastanesi Isletme Ve Bakim Hizmetleri	50.000	Turkey	307,648	379,771	D			687,419	-	(687,419)	31/12/2017
Impresit Bakolori Plc	50.707	Nigeria	-					-	-	-	-
Consorzio Iricav Due	34.090	Rome	175,566					175,566	176,060	494	31/12/2016
Isarco S.c.r.l.	41.000	Bressanone	41,000					41,000	41,000	-	31/12/2017
Metrogenova S.c.r.l.	35.627	Genoa	8,257					8,257	9,200	943	31/12/2013
Consorzio MM4	32.135	Milan	64,270					64,270	64,270	-	31/12/2017
Pedelombarda S.c.p.a.	47.000	Milan	2,350,000					2,350,000	2,350,000	-	31/12/2017
Puentes del Litoral S.A. (in liq.)	22.000	Argentina	-					-	(4,476,056)	(4,476,056)	31/12/2016
Sirjo S.c.p.A.	40.000	Rome	3,000,000					3,000,000	3,000,000	-	31/12/2017
Consorzio Trevi - S.G.F. INC per Napoli	45.000	Italy	4,500					4,500	4,500	-	31/12/2016
VE.CO. S.c.r.l.	25.000	Venice	2,582					2,582	-	-	-
Forum S.c.r.l.	20.000	Rome	10,329					10,329	10,329	-	31/12/2016
S. Ruffillo S.c.r.l.	35.000	Rome	21,000					21,000	21,000	-	31/12/2016
Grupo Unidos Por El Canal S.A.	48.000	Panama	100,264,033	280,029,464	D,Q	(17,167,274)	N	363,126,223	(247,096,147)	(610,222,370)	31/12/2016
Impregilo Arabia Ltd	50.000	Saudi Arabia	4,767,815	1,143,046	D			5,910,861	-	-	-
Metro de Lima Linea 2 S.A.	18.250	Peru	18,481,628					18,481,628	-	-	-
Passante Dorico S.p.A.	47.000	Milan	2,820,000			(82,428)	N	2,737,572	11,206,420	8,468,848	31/12/2016
SPV Linea M4 S.p.A.	9.634	Milan	18,667,600					18,667,600	-	-	-
Yuma Concessionaria S.A.	40.000	Colombia	6,351,551			(4,546,000)	N	1,805,551	9,391	(3,463,160)	31/12/2016
Aegek-Impregilo-Aslom J.V.	45.800	Greece	-					-	-	-	-
Joint Venture Aktor Ate - Impregilo S.p.A. (Constantinos)	40.000	Greece	-					-	-	-	-
Line 3 Metro Stations	50.000	Greece	-					-	-	-	-
Joint Venture Terna - Impregilo	45.000	Greece	-					-	2,939,193	2,939,193	31/12/2018
Joint Venture Aegek-Impregilo-Ansaldo-Seli-Ansaldobreda (AIASA JV)	26.700	Greece	-					-	161,382	161,382	31/12/2018
Barnard Impregilo Healy J.V.	25.000	USA	-					-	1,093,375	1,093,375	30/06/2016
SFI Leasing Company	30.000	USA	-					-	-	-	-
Shimmick CO. INC. - FCC CO S.A. - Impregilo S.p.A -J.V.	30.000	USA	-					-	1,072,309	1,072,309	31/12/2013
Consorcio OIV-TOCOMA	40.000	Venezuela	-					-	(240,485)	(240,485)	31/12/2015
Equity investments - Associates			**174,212,780**	**281,552,281**		**(21,795,703)**		**433,969,359**			

Name	% invest-ment	Registered office	Amount Salini Igl S.p.A 1.1.2018 (€)	Increases in the year	No.	Decreases in the year	No.	Amount Salini Igl S.p.A 31.12.2018 (€)	Share of equity	Diff. between investment investment, net of uncalled up share/quota capital, and equity	Date of equity
OTHER COMPANIES											
Consorzio Nazionale Imballaggi - CO.NA.I.	1.000	Milan	5					5	-	-	-
Markland S.r.l. (in liq.)	1.900	Milan	1,269					1,269	-	-	-
Salini Impregilo Bin Omran J.V.	50.000	Qatar	-					-	-	-	-
Tangenziale Esterna S.p.A.	0.001	Milan	100					100	-	-	-
Todini-Impregilo Almaty Khorgos J.V.	0.010	Kazakhstan	-					-	-	-	-
Istituto per lo Sviluppo Edilizio ed Urbanistico - ISVEUR S.p.A. (in liq.)	1.000	Rome	34,086					34,086	-	-	-
Emittenti Titoli S.p.A. (in liq.)	0.244	Milan	10,832					10,832	-	-	-
Italian Exhibition Group S.p.A.	1.692	Rimini	1,563,977			(103,425)	F	1,460,552	-	-	-
Joint Venture Aktor S.A. - Impregilo S.p.A.	0.100	Greece	-					-	-	-	-
GTB Scarl (eliminata)	0.010	Naples	5					5	-	-	-
MN 6 Scarl (eliminata)	1.000	Naples	-					-	-	-	-
I_Faber S.p.A. (eliminata)	8.000	Milan	583,317			(583,317)	I	-	-	-	-
Arriyad New Mobility Consortium	33.480	Saudi Arabia	-					-	-	-	31/12/2016
Civil Works Joint Ventures	52.000	Saudi Arabia	-					-	27,472,023	27,472,023	31/12/2016
Ghazi-Barotha Contractors J.V.	57.800	Pakistan	-					-	(169,187,761)	(169,187,761)	31/12/2017
Riyadh Metro Line 3	66.000	Saudi Arabia	-					-	-	-	-
Consorcio Amancae	40.000	Lima	-					-	-	-	-
Tristar Salini Joint Venture	40.000	Emirati A.	-					-	-	-	-
Arge Tulfes Pfons	49.000	Austria	-					-	10,427,032	10,427,032	31/12/2018
Consorzio Constructor M2 Lima	25.500	Peru	-					-	1,012,164	1,012,164	31/12/2016
CMC - Mavundla - Impregilo J.V.	39.200	South Africa	-					-	19,886,513	19,886,513	31/12/2016
Impregilo-Healy-Parsons J.V.	45.000	USA	-					-	-	-	-
Consorcio Contuy Medio Grupo A C.I. S.p.A. Ghella Sogene C.A., Otaola C.A.	36.400	Venezuela	-					-	37,806	37,806	31/12/2015
NGE Genie Civil S.a.s. - Salini Impregilo S.p.A.	50.000	France	-					-	-	-	-
Kayi Salini Samsung Joint Venture	33.000	Turkey	-					-	125,579	125,579	31/12/2018
South Al Mutlaa J.V.	55.000	Kuwait	-					-	401,148	401,148	31/12/2017
Consorcio Grupo Contuy-Proyectos y Obras de Ferrocarriles	33.329	Venezuela	-					-	(24,584)	(24,584)	31/12/2014
Consorcio Contuy Medio	29.040	Venezuela	-					-	-	-	-
E.R. Impregilo/Dumez y Asociados para Yaciretê - ERIDAY	18.750	Argentina	-					-	(6,555,031)	(6,555,031)	31/12/2016
Salini Strabag Joint Ventures	50.000	Guinea	-					-	-	-	-
Consorcio Normetro	13.180	Portugal	-					-	-	-	-
Metro Blu S.c.r.l.	50.000	Italy	5,000					5,000	100,000	95,000	31/12/2017
Segrate S.c.r.l.	35.000	Italy	3,500					3,500	-	-	-
Gaziantep Hastane Sanglik Hizmetleri Isletme Yatrim Joint Stock Company	24.500	Turkey	6,583,029	1,526,362	D	(4,372,451)	N	3,736,940	3,718,442	(18,498)	31/12/2017
Techint S.A.C.I.- Hochtief A.G.- Impregilo S.p.A.-Iglys S.A. UTE	26.250	Argentina	3,944					3,944	6,657,102	6,653,157	30/11/2016
Grupo Empresas Italianas - GEI	33.333	Venezuela	-					-	749	749	31/12/2014
Consorcio V.I.T. Caroni - Tocoma	35.000	Venezuela	-					-	(1,329,756)	(1,329,756)	31/12/2016
Consorcio V.I.T. - Tocoma	35.000	Venezuela	-					-	239,199	239,199	31/05/2016

Name	% invest-ment	Registered office	Amount Salini Igl S.p.A 1.1.2018 (€)	Increases in the year	No.	Decreases in the year	No.	Amount Salini Igl S.p.A 31.12.2018 (€)	Share of equity	Diff. between investment of uncalled up share/quota capital, and equity	Date of equity
Consorcio V.S.T. Tocoma	30.000	Venezuela	-					-	85	85	31/01/2016
PerGenova S.c.p.a.	50.000	Italy	-	25,000	A			25,000	-	-	-
JV Salini - Secol	80.000	Romania	-					-	-	-	-
Salini Acciona Joint Venture (eliminata)	50.000	Ethiopia	9,430			(9,430)	I	-	-	-	-
Total - Other companies			8,798,495	1,551,362		(5,068,623)		5,281,234			
Total assets			1,132,840,254	323,517,348		(132,227,441)		1,324,130,161			

Summary of variations in equity investments

€		Increases	Decreases
Incorporations and subscriptions	A	1,750,388	
Acquisitions and increases in investments	B		
Transfers	C		
Capital increases	D	301,625,323	
Capital injections for capital increases	E		
Reimbursement of share/quota capital	F		(13,106,287)
Intragroup sales	G		
Sales to third parties	H		
Liquidation	I		(612,016)
Reclassifications due to change in investment % or other changes	L		(28,578,424)
Reversals of impairment losses to the extent of previously recognised impairment losses	M	2,685,970	
Impairment losses	N		(89,930,714)
Reconstitution of share/quota capital to cover losses	O	4,376,682	
Revaluations	P		
Exchange differences	Q	13,078,985	
Cancellations due to mergers	R		
Reclassifications of equity investments with a negative carrying amount	S		
PPA valuation	T		
Total		323,517,348	(132,227,441)

Name	% invest-ment	Registered office	Amount Salini Igl S.p.A 1.1.2018 (€)	Increases in the year	No.	Decreases in the year	No.	Amount Salini Igl S.p.A 31.12.2018 (€)	Share of equity	Diff. between investment, net of uncalled-up share/ quota capital, and equity	Date of equity
SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES, CONSOLIDATED, WITH NEGATIVE CARRYING AMOUNT											
Construtora Impregilo y Associados S.A.-CIGLA S.A.	100.000	Brazil	(1,175,114)			(298,797)	N	(1,473,911)	1,509,300	1,509,300	31/12/2017
Constructora Ariguani SAS	100.000	Colombia	(5,179,312)			(7,819,741)	N	(12,999,053)	(4,982)	(4,982)	31/12/2017
Empresa Constructora Angostura Ltda	65.000	Chile	-					-	304,948	(2,036,814)	31/12/2018
Empresa Constructora Metro 6 L..t.d.a.	99.900	Chile	(26,330,709)	26,330,709	L			-	2,345,614	(2,691,382)	31/12/2018
Grupo ICT II SAS	100.000	Colombia	-					-	26,287	(1,021,223)	31/12/2017
Grupo Unidos Por El Canal S.A.	48.000	Panama	-					-	(247,096,147)	(610,222,370)	31/12/2016
HCE Costruzioni S.p.A.	100.000	Rome	-					-	17,163,278	5,464,475	31/12/2017
Impregilo Arabia Ltd	50.000	Saudi Arabia	(1,011,188)			(529,233)	N	(1,540,421)	-	-	-
INC - Il Nuovo Castoro Algerie S.a.r.l.	99.983	Algeria	(3,112,854)			(2,163,536)	N	(5,276,390)	(3,167,266)	(3,167,266)	31/12/2017
Joint Venture Impregilo S.p.A. - S.G.F. INC S.p.A.	100.000	Greece	(17,972)					(17,972)	-	-	-
PGH Ltd	100.000	Nigeria	(392,803)			(615,134)	N	(1,007,937)	762	762	31/12/2016
Salini Australia PTY L.t.d.	100.000	Australia	-	2,126,749	L	(4,823,219)	N	(2,696,470)	2,012,151	2,012,151	31/12/2017
Salini Bulgaria A.D. (in liq.)	100.000	Bulgaria	(108,484)	108,484	I			-	12,888	12,888	31/12/2016
Salini India Private L.t.d. (in liq.)	95.000	India	-					-	(411,582)	(411,573)	31/3/2017
Salini Impregilo - Salini Insaat - NTF J.V.	55.000	Turkey	(1,485,320)	83,092	P			(1,402,228)	281,110	281,110	31/12/2018
Salini Insaat Taahhut Sanayi Ve Ticaret Anonim Sirketi	100.000	Turkey	(457,989)			(68,142)	N	(526,131)	(343,666)	(343,666)	31/12/2017
Salini - Impregilo Joint Venture for Mukorsi	99.900	Zimbabwe	(120,966)	120,966	L			-	-	-	-
Salini Polska L.t.d. Liability Co	100.000	Poland	(7,102,910)	6,518,275	O	(8,679,057)	N	(9,263,692)	(347)	(347)	31/12/2016
Total investments in subsidiaries, associates and jointly controlled entities - consolidated, with negative carrying amount			(46,495,621)	35,288,276	-	(24,996,859)	-	(36,204,206)	(227,367,654)	(610,618,939)	

Summary of variations in equity investments

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Incorporations and subscriptions	A
Acquisitions and increases in investments	B
Transfers	C

Capital increases	D		
Capital injections for capital increases	E		
Reimbursement of share/quota capital	F		
Intragroup sales	G		
Sales to third parties	H		
Liquidation	I	108,484	
Reclassifications due to change in investment % or other changes	L	28,578,424	
Reversals of impairment losses to the extent of previously recognised impairment losses	M		
Impairment losses	N		(24,996,859)
Reconstitution of share/quota capital to cover losses	O	6,518,275	
Revaluations	P	83,092	
Merger	Q		
Cancellations due to mergers	R		
Reclassifications of equity investments with a negative carrying amount	S		
PPA valuation	T		
Total		**35,288,276**	**(24,996,859)**

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 2018 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 2019

Chief executive officer	Manager in charge of financial reporting
Pietro Salini	Massimo Ferrari
(signed on the original)	(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 2018, 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 consolidated financial statements give a true and fair view of the financial position of the Salini Impregilo Group as at 31 December 2018 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 "parent") 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.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

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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.

Current and prospective analysis of the 2019 cash flows

Notes to the consolidated financial statements: notes 1 "Basis of preparation", 19 "Cash and cash equivalents", 22 "Bank and other loans, current portion of bank loans and current account facilities" and 33 "Financial instruments and risk management"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2018 show financial debt of €2,338.5 million and net financial indebtedness of €859.6 million. The net financial indebtedness rose by €157 million during 2018, mainly due to cash flows used in operating activities of €312.2 million and the repayment of contractual advances of €196 million relating to the project to widen the Panama Canal, partly offset by the cash flows generated by the sale of the Plants & Pavings division (€505.6 million). Forecasting cash flows, which is carried out also to confirm the group's ability to continue as a going concern, requires complex estimates, also considering the characteristics of the group's sector and the risk and uncertainty factors to which the group is exposed. By their very nature, these estimates are also based on assumptions about external events that are outside management's sphere of influence. Considering the above, we believe that the current and prospective analysis of the 2019 cash flows is a key audit matter.	Our audit procedures included: — understanding the process adopted by the group to prepare the business plans and to estimate expected cash flows; — checking any discrepancies between the actual and forecast figures, in order to assess the reasonableness of the estimation process; — analysing the forecast cash flows for 2019 and the key underlying assumptions; — analysing the events after the reporting date that provide information useful for an assessment of the group's financial position; — assessing the appropriateness of the disclosures provided in the notes about the directors' use of the going concern basis of accounting.

Estimate of the recoverable amount of assets relating to projects carried out in Venezuela

Notes to the consolidated financial statements: notes 11 "Derivatives and non-current financial assets", 14 "Contract assets", 15 "Trade receivables", 33 "Financial instruments and risk management", 35.6 "Amortisation, depreciation, provisions and impairment losses" and 42 "Significant non-recurring events and transactions"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2018 include contract assets, trade receivables and other non-current financial assets of €202.8 million, €318.9 million and €117.7 million, respectively, relating to projects carried out in Venezuela. They also include total impairment losses of €479.7 million relating to those assets, €165.5 million of which recognised in profit or loss in 2018. Estimating the recoverable amount of assets relating to projects carried out in Venezuela required a significant level of judgement by the directors and 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 assets, 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 assets, 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 assets, 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", 8 "Intangible assets", 10 "Equity investments", 11 "Derivatives and non-current financial assets", 14 "Contract assets", 15 "Trade receivables", 16 "Derivatives and other current financial assets", 18 "Other current assets", 27 "Provisions for risks", 28 "Contract liabilities", 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, initiated by either itself or third parties, at the reporting date, which 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. Assessing disputes entails complex estimates and a significant level of judgement by the directors about their outcome which could have a significant impact on the recoverability of financial assets, trade receivables and contract assets, as well as the calculation of provisions for risks. 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 assets affected by pending disputes; — sending written requests for information to the legal advisors assisting the group about the assessment of the risk of losing disputes initiated by third parties 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 assets and liabilities

Notes to the consolidated financial statements: notes 4 "Basis of presentation", 14 "Contract assets", 28 "Contract liabilities", 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 2018 include contract assets of €1,512.9 million, contract liabilities of €1,149.6 million and revenue for works invoiced to customers of €4,722.8 million recognised using the percentage of completion method based on the cost to cost model. Measuring contract assets and liabilities is based on complex estimates about the total contract revenue and costs and the related stage of completion that require a significant level of judgement by the directors. These estimates are affected by many factors, including: — claims for additional consideration compared to that contractually agreed, which total approximately €1,617 million at 31 December 2018; — the projects' long timeframe, size and engineering and operating complexity; — the risk profile of certain countries in which the work is carried out. For the above reasons, we believe that the measurement of contract assets and liabilities is a key audit matter.	Our audit procedures included: — understanding the process for the measurement of contract assets and liabilities and assessing the design and implementation of controls; — for a sample of ongoing contracts: – 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 assets and liabilities.

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 losses on equity investments"

Key audit matter	**Audit procedures addressing the key audit matter**
The consolidated financial statements at 31 December 2018 include investments in associates and joint ventures of €536.5 million measured using the equity method. They comprise €363.1 million relating to the SPE GUPC set up for the project to widen the Panama Canal, which was completed in June 2016. The directors have described the pending claims and arbitration proceedings relating to that project in the "Main risk factors and uncertainties" section of the directors' report, to which the notes to the consolidated financial statements make reference. Measuring investments in associates and joint ventures entails, in certain cases, complex estimates as it considers the recoverability of assets arising from claims for additional consideration compared to that contractually agreed, which are, sometimes, subject to pending claims and arbitration proceedings, as mentioned above. These estimates require a significant level of judgement by the directors. 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 and technical 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 parent's directors and board of statutory auditors ("Collegio Sindacale") 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 parent 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 April2015, the parent's shareholders 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 parent 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 parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2018 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 2018 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 group's consolidated financial statements at 31 December 2018 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, 2 April 2019

KPMG S.p.A.

(signed on the original)

Paola Maiorana
Director of Audit

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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 2018, the statements of profit or loss, other 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 2018 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 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.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

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20124 Milano MI ITALIA

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.

Current and prospective analysis of the 2019 cash flows

Notes to the separate financial statements: notes 1 "Basis of preparation", 15 "Cash and cash equivalents", 17 "Bank loans and borrowings, other loans and borrowings, bank overdrafts and current portion of loans" and 28 "Financial instruments and risk management"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2018 show current financial debt of €962.2 million, non-current financial debt of €1,656.9 million and net financial indebtedness of €1,265.1 million. The net financial indebtedness rose by €493.1 million during 2018, mainly due to cash flows used in operating activities of €245.9 million and the repayment of contractual advances of €196 million relating to the project to widen the Panama Canal. Forecasting cash flows, which is carried out also to confirm the company's ability to continue as a going concern, requires complex estimates, also considering the characteristics of the company's sector and the risk and uncertainty factors to which the company is exposed. By their very nature, these estimates are also based on assumptions about external events that are outside management's sphere of influence. Considering the above, we believe that the current and prospective analysis of the 2019 cash flows is a key audit matter.	Our audit procedures included: — understanding the process adopted by the company to prepare the business plans and to estimate expected cash flows; — checking any discrepancies between the actual and forecast figures, in order to assess the reasonableness of the estimation process; — analysing the forecast cash flows for 2019 and the key underlying assumptions; — analysing the events after the reporting date that provide information useful for an assessment of the company's financial position; — assessing the appropriateness of the disclosures provided in the notes about the directors' use of the going concern basis of accounting.

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 assets", 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 2018 include contract assets, trade receivables and other non-current financial assets of €202.8 million, €318.9 million and €117.7 million, respectively, relating to projects carried out in Venezuela. They also include total impairment losses of €479.7 million relating to those assets, €165.5 million of which recognised in profit or loss in 2018. Estimating the recoverable amount of assets relating to projects carried out in Venezuela required a significant level of judgement by the directors and 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 assets, 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 assets, 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 assets, 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 assets", 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, initiated by either itself or third parties, at the reporting date, which 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. Assessing disputes entails complex estimates and a significant level of judgement by the directors about their outcome which could have a significant impact on the recoverability of financial assets, trade receivables and contract assets, as well as the calculation of provisions for risks. 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 assets affected by pending disputes; — sending written requests for information to the legal advisors assisting the group about the assessment of the risk of losing disputes initiated by third parties 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 assets and liabilities

Notes to the separate financial statements: notes 3 "Basis of presentation", 10 "Contract assets", 23 "Contract liabilities", 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 2018 include contract assets of €717.2 million, contract liabilities of €626.7 million and revenue for works invoiced to customers of €2,786.5 million recognised using the percentage of completion method based on the cost to cost model. Measuring contract assets and liabilities is based on complex estimates about the total contract revenue and costs and the related stage of completion that require a significant level of judgement by the directors. These estimates are affected by many factors, including: — claims for additional consideration compared to that contractually agreed, which total approximately €850 million at 31 December 2018; — the projects' long timeframe, size and engineering and operating complexity; — the risk profile of certain countries in which the work is carried out. For the above reasons, we believe that the measurement of contract assets and liabilities is a key audit matter.	Our audit procedures included: — understanding the process for the measurement of contract assets and liabilities and assessing the design and implementation of controls; — for a sample of ongoing contracts: – 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 assets and liabilities.

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 2018 include equity investments of €1,324.1 million. They comprise certain investments in SPEs set up for the performance of important projects that are involved in pending claims and arbitration proceedings, which the directors have described in the "Main risk factors and uncertainties" section of the directors' report, to which the notes to the separate financial statements make reference. 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 operating cash flows, calculated by taking into account the general economic performance and that of 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 discount the above cash flows. Measuring equity investments entails, in certain cases, complex estimates as it considers the recoverability of assets arising from claims for additional consideration compared to that contractually agreed, which are, sometimes, subject to pending claims	Our audit procedures included: — 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' 2018 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; — analysing the reasonableness of the assumptions underlying the claims for additional consideration through discussions with the relevant internal departments and the legal and technical opinions of the experts specifically engaged by the company and/or the investees; — assessing the appropriateness of the disclosures provided in the annual report about the measurement of equity investments.

Key audit matter	Audit procedures addressing the key audit matter
and arbitration proceedings, as mentioned above. These estimates require a significant level of judgement by the directors. Considering the above, we believe that the measurement of equity investments is a key audit matter.	

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 company's directors and board of statutory auditors ("Collegio Sindacale") 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 company's shareholders 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 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 company's directors are responsible for the preparation of the a directors' report and a report on corporate governance and ownership structure at 31 December 2018 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 2018 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 company's separate financial statements at 31 December 2018 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, 2 April 2019

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' MEETING OF 24 APRIL 2019

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 24 April 2019 on single call to approve the separate financial statements as at and for the year ended 31 December 2018.

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.

1. Significant financial or capital transactions.

We note the following key events and transactions which took place in 2018:

- Sale of the Plants & Paving division of The Lane Construction Corporation to Eurovia SAS for approximately USD574 million (equivalent to €505.6 million) with a price adjustment for additional assets.

After year end, the company presented a bid for a potential investment in Astaldi S.p.A. to support its "direct continuity plan" with which Astaldi filed for deed of arrangement.

The directors and management 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.

Specifically, we monitored the formal and substantial aspects of the preliminary checks for the award of non-recurring, occasional and extraordinary benefits to a key manager in connection with the sale of The Lane Construction Corporation's Plants & Paving Division, which qualifies as a less important transaction pursuant to article 2.j of the company's Procedure for related party transactions.

3. Comments on and proposals about the findings and disclosures in the independent auditors' report

On 2 April 2019, 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 2018 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;*

- *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 and the Group as at and for the year ended 31 December 2018 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 2 April 2019, 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

We did not receive any complaints as per article 2408 or other complaints from third parties during the year.

The company has a whistleblowing procedure and information channels suitable to ensure the receipt, analysis and processing of reports about internal control, corporate information, the company's

administrative liability, fraud or other issues by employees, members of the company bodies or third parties, which can also be made confidentially or anonymously.

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 2018 as follows (in Euros):

Fees	
Audit of the separate financial statements (*)	€836,132
Audit of the consolidated financial statements	€301,794
Review of the interim financial report	€291,850
Total ordinary audit activities	**€1,429,776**
Other assets	
Audit of the financial statements of the Italian subsidiaries	€348,795
Attestation services	€183,500
Other services	€0
Total other services	**€532,295**
Total	**€1,962,071**

* Includes €147,142 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 approved the above fees in advance.

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	€1,193,143
KPMG network	Other attestation, administrative and tax advisory services	€196,203
Total		**€1,389,346**

We approved the above fees in advance.

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 2018, we specifically:

- 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 remuneration package for the internal audit supervisor;

- 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 a documented proposal for the integration of the audit fees, which was subsequently approved by the shareholders on 30 April 2018;

During the period from 31 December 2018 up until the date of preparation of this report, we also:

- examined and found in favour of the 2019 audit plan prepared by the internal audit supervisor approved by the board of directors;
- examined and found in favour of the payment of non-recurring, discretionary and occasional bonus to the chief executive officer approved by the board of directors in line with the 2018 remuneration policy;
- examined and found in favour of the payment of annual fee for the deputy chairperson for his statutory duties approved by the board of directors;
- reference should be made to the Final assessment of the supervisory activities and proposal to the shareholders for information on our activities carried on the separate and consolidated financial statements at 31 December 2018.

7. Frequency of attendance at company body meetings

In 2018, we attended all 16 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 20 times during 2018 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.

We attended 13 meetings of the risk and control committee, 11 meetings of the compensation and nominating committee and five meetings of the committee for related-party transactions, obtaining information on the work they performed during the year.

We also participated in the shareholders' meeting held on 30 April 2018.

During 2019 and up to the date of this report, we attended six meetings of the board of directors, four meetings of the risk and control committee, four meetings of the remuneration and appointment committee and one meeting of the related party transactions committee. We have met six 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.

Specifically, we checked that management decisions were taken in the company's interests, in line with its resources and assets and that they were adequately supported by information, analysis and checking processes, including by resort to the committees and external professionals, when necessary.

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 and its 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 of the company and its key subsidiaries as follows:

a. we regularly obtained information from the director in charge of the internal control and risk management system, the competent manager, the internal audit supervisor, the compliance supervisor, the group risk officer and the heads of the other departments involved from time to time about the activities carried out, the mapping of risks related to ongoing activities, test programmes and projects to implement internal controls; we also obtained the related documentation;

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 as well as the board of directors' meetings;

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; 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 and its key subsidiaries' characteristics and risk profile. Specifically, we expressed our favourable opinion on the organisational, administrative and accounting structure and the internal control and risk management system of the company and its key subsidiaries;

e. 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 14 November 2018 to reflect changes in the legislation about the protection of parties that report crimes or irregularities (whistleblowing, Law no. 179 of 30 November 2017) and to update the legislative references in the model mostly related to environmental crimes, following introduction of Legislative decree no. 21 of 1 March 2018;

- checked that the company has an anti-corruption model, which the board of directors last updated on 26 September 2018;

- examined the supervisory body's regular reports 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 model is suitable to prevent the crimes covered by the aforesaid regulations and has been implemented properly, 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 2018;

c) acknowledged the board of directors' positive assessment of the adequacy and effective working of internal controls and risk management in 2018.

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 2018 Annual Report and the 2018 Interim Financial Report;

c) obtaining information about the existence of the conditions required by article 15 of the Market Regulation adopted with Consob resolution no. 20249 of 28 December 2017 (formerly article 36 of the Market Regulation adopted with Consob resolution no. 16191 of 29 October 2007) 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 15.c.ii;

d) reviewing the reports prepared by the manager in charge of financial reporting and 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 15 March 2019, the board of directors approved the impairment test applied by the company during preparation of the financial statements at 31 December 2018 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

The company regulates the information provided by the subsidiaries, specially that related to more important transactions, with specific procedures.

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

During our activities related to the 2018 Annual Report, we met the independent auditors:

- 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;
- to examine and assess the procedures used to prepare the 2018 Interim Financial Report and the 2018 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;

Specifically, we:

- analysed the audit procedures performed by the auditors and, in particular, their methodology, the audit approach to key audit matters and audit planning;

- discussed issues related to the company's risks with the auditors and were favourably impressed by the adequacy of their planned approach to the structural and risk profiles of the company and the Group.

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 report 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 2018 (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.

Specifically, we examined the 2018 remuneration policy and checked that it complied with the provisions of article 6 of the Code of Conduct and the remuneration report approved by the board of directors in its meeting of 27 March 2019. We checked that the latter report included the disclosure required by article 123-ter of the TUF and article 84-quarter of Consob regulation no. 11971/1999.

We note that the board of directors examined the recommendations made by the Corporate Governance Committee in its letter dated 21 December 2018 addressed by the committee chairperson, Patrizia Grieco, to the chairpersons of the boards of directors of Italian listed companies and copied to the chief executive officers and chairpersons of the boards of statutory auditors in order to take the necessary resolutions. In turn, we examined the recommendations in so far as they extended to the board of statutory auditors.

We monitored the activities of the control and risk committee, the compensation and nominating committee and the committee for related-party transactions by attending their meetings.

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In addition to that set out above, we:

- checked the compliance of the board's composition with the law in terms of gender and its adequacy with respect to age diversity and professional experience and background of its members;
- assessed that the board had carried out its duties correctly and efficiently, considering the professional, experience and competence of its members and compliance with the regulations about the number of positions that can be held, the time dedicated to carry out their activities and the functionality and quality of the information exchanged with the board of directors, the control and risk committee, the independent auditors and other control functions;
- checked that the board of statutory auditors met the independence criteria as required by the Code of Conduct; the outcome of these checks was positive. The results of these checks are presented in the report on corporate governance and the ownership structure for 2018;
- prepared the reports summarising our control activities performed in 2018 as required by Consob communication no. 1025564 of 6 April 2001;
- checked the Report on corporate governance and the ownership structure approved by the board of directors in its meeting of 27 March 2019 and that it included the information required by article 123-bis of the TUF, complied with the format established by Borsa Italiana S.p.A. and met the related disclosure requirements;
- completed the questionnaire, prepared at European level by CEAOB (Committee of European Auditing Oversight Bodies) pursuant to article 27 of Regulation (EC) no. 537/2014 as per the specific request received from Consob. The questionnaire is designed to assist the regulators understand how audit committees (i.e., the internal control and audit committees as per article 19 of Legislative decree no. 39/2010) fulfil their duties in line with the new regulations and the practical difficulties encountered during their work. No specific issues arose.

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, checks, approval and publication of the company's separate financial statements and the preparation, checks and publication of the Group's consolidated financial statements and the directors' reports for 2018, 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 2018 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 the financial reporting process, the effectiveness of internal controls, internal audit and risk management pursuant to article 19.1 of Legislative decree no. 39/2010 and informed the board of directors of the findings of the statutory audit;
- 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 2019 and the expression by the independent auditors on 2 April 2019 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 2018 presented to you by the board of directors together with its report and the proposed dividend distribution in accordance with article 33.b) of the current bylaws.

Milan, 2 April 2019

Board of Statutory Auditors

Giacinto 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)

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