33. Net financing costs

Net financing costs amount to €44.6 million compared to €26.8 million for the first half of 2015.

The item may be broken down as follows:

(€'000)	1st half 2016	1st half 2015	Variation
Financial income	21,883	19,004	2,879
Financial expense	(68,639)	(49,801)	(18,838)
Net exchange rate gains	2,144	3,999	(1,855)
Net financing costs	**(44,612)**	**(26,798)**	**(17,814)**

33.1 Financial income

Financial income totals €21.9 million (first half of 2015: €19.0 million) and is made up as follows:

(€'000)	1st half 2016	1st half 2015	Variation
Interest income on loans and receivables	-	1,145	(1,145)
Gains on securities	6,256	78	6,178
Interest and other income from unconsolidated group companies and other related parties	5,105	4,270	835
Interest and other financial income	10,522	13,511	(2,989)
- Interest income on correspondence accounts	308	9	299
- Interest on financing	1,260	275	985
- Bank interest	2,753	1,974	779
- Default interest	3,560	7,100	(3,540)
- Financial discounts and allowances	229	381	(152)
- Other	2,412	3,772	(1,360)
Total	**21,883**	**19,004**	**2,879**

The €2.9 million increase is due to the recognition of the gain on the sale of foreign currency securities on the US market and the reduction in default interest due from customers during the period.

Other financial income includes interest income of €1.0 million on loans and receivables of the Argentine operator Caminos de las Sierras.

33.2 Financial expense

Financial expense totals €68.6 million compared to €49.8 million for the corresponding period of 2015 and is made up as follows:

(€'000)	1st half 2016	1st half 2015	Variation
Intragroup interest and other expense	**(52)**	**(102)**	**50**
Interest and other financial expense	**(68,587)**	**(49,699)**	**(18,888)**
- Bank interest on accounts and financing	(41,059)	(25,129)	(15,930)
- Interest on bonds	(14,104)	(15,364)	1,260
- Interest on tax liabilities	(712)	(625)	(87)
- Default interest	(631)	(9)	(622)
- Discounting	(182)	(141)	(41)
- Bank fees	(1,400)	(1,154)	(246)
- Charges on sureties	(984)	(518)	(466)
- Other loans and borrowings	(1,383)	(999)	(384)
- Factoring and leases	(3,056)	(5,026)	1,970
- Other	(5,076)	(734)	(4,342)
Total	**(68,639)**	**(49,801)**	**(18,838)**

Financial expense increased by €18.8 million, mainly due to the increase of €15.9 million in interest expense on bank accounts and financing as a result of the Group’s higher debt following the acquisition of Lane.

Interest expense on other loans and borrowings principally refers to the financial liabilities for the factoring of tax and trade receivables. The increase relates to the high speed/capacity Milan - Genoa railway section contract.

“Other” includes the loss of €1.9 million on the securities of the Colombian company Yuma Concessionaria S.A..

In addition:

- bank interest on accounts and financing of €41.1 million includes €13.5 million arising from the application of the amortised cost method, including €5.7 million which did not entail cash outlays during the period as it was paid in full in previous years, while €7.8 million was paid in 2015 and during the period, recognised in full in profit or loss in the period in conjunction with the financing agreed to acquire Lane Group;
- interest on bonds of €14.1 million includes €1.7 million arising on the calculation of amortised cost.

33.3 Net exchange rate gains

The net exchange rate gains amount to €2.1 million (first half of 2015: €4.0 million).

The decrease of €1.9 million compared to the corresponding period of 2015 is due to negative factors such as the Group’s adoption of the new official exchange rate, DICOM, instead of the SIMADI, used since the first half of the previous year to translate its net financial assets expressed in the Venezuelan currency (Bolivar Fuerte, VEF), as well as the depreciation of the US dollar and the South African rand against the Euro, offset by the measurement of Salini Nigeria’s receivables in the hard currency rather than the naira, which lost value significantly during the period.