

The Group's financial position

Table 2 - Reclassified consolidated statement of financial position

(€'000)	Note (*)	31 December 2016	31 December 2015 (\$)	Variation
Non-current assets	7-8-10	1,173,270	919,440	253,830
Goodwill	9	175,188	-	175,188
Net non-current assets held for sale	20	6,032	41,594	(35,562)
Provisions for risks	27	(105,765)	(106,361)	596
Post-employment benefits and employee benefits	26	(91,930)	(25,412)	(66,518)
Net tax assets	12-17-30	118,342	136,066	(17,724)
- Inventories	13	270,579	268,073	2,506
- Contract work in progress	14	2,367,263	1,775,791	591,472
- Progress payments and advances on contract work in progress	28	(2,455,632)	(1,862,759)	(592,873)
- Loans and receivables (**)	15	2,357,251	1,543,172	814,079
- Liabilities (**)	29	(2,337,406)	(1,630,437)	(706,969)
- Other current assets	18	591,270	518,642	72,628
- Other current liabilities	31	(356,315)	(334,198)	(22,117)
Working capital		437,010	278,284	158,726
Net invested capital		1,712,147	1,243,611	468,536
Equity attributable to the owners of the parent		1,205,005	1,116,000	89,005
Non-controlling interests		156,326	100,860	55,466
Equity	21	1,361,331	1,216,860	144,471
Net financial indebtedness		350,816	26,751	324,065
Total financial resources		1,712,147	1,243,611	468,536

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

(**) These items show loans and receivables of €2.0 million and liabilities of €7.3 million (loans and receivables of €17.5 million) classified in net financial indebtedness and related to the Group's net amounts due from/to consortia and/or 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 figures in this column do not include Lane acquired on 4 January 2016.

Net invested capital

This item increased by €468.5 million on the previous year end to €1,712.1 million at 31 December 2016 principally as a result of Lane's consolidation, which led to an increase of €417.8 million. The main changes are due to the factors listed below.

Non-current assets

Non-current assets increased by €253.8 million. They may be analysed as follows:

(€'000)	31 December 2016	31 December 2015	Variation
Property, plant and equipment	803,039	594,365	208,674
Intangible assets	168,763	193,821	(25,058)
Equity investments	201,468	131,254	70,214
Total non-current assets	1,173,270	919,440	253,830

Property, plant and equipment increased by €208.7 million, mostly as a result of:

- the change in the consolidation scope of €234.3 million due to the acquisition of Lane;
- investments of €257.6 million, principally for the high speed/capacity Milan - Genoa railway section in Italy and the Ruta del Sol contract in Colombia, the projects in Ethiopia, Lane Group's contracts and the Riyadh Metro Line 3 in Saudi Arabia abroad;
- depreciation of the year of €226.8 million;
- disposals of €63.2 million.

Intangible assets show a net decrease of €25.1 million, mainly due to amortisation of €34 million, partly offset by the change in the consolidation scope following the acquisition of Lane.

The €70.2 million increase in equity investments is mostly due to the following factors:

- acquisitions of interests in joint ventures through Lane's inclusion in the consolidation scope (€37.6 million);
- the increase in the Group's interest in Grupo Unidos Por el Canal as a result of the capital injections (€44.7 million).

Goodwill

This item refers to the acquisition of Lane Group (€148 million) and assets from Asphalt Roads and Materials Company Inc. (€27.2 million). The Group calculated these balances after completion of the purchase price allocation procedure as required by (revised) IFRS 3.

Net non-current assets held for sale

Net non-current assets held for sale amount to €6 million and mainly include the net assets of the USW Campania projects of €5.7 million, unchanged from 31 December 2015.

At 31 December 2015, the item also included Todini Costruzioni Generali's net assets of €35.9 million (sold in the second quarter of 2016).

Provisions for risks

These provisions of €105.8 million are substantially unchanged from the previous year end.

Employees' leaving entitlement and employee benefits

This item's variation is mostly due to the consolidation of Lane Group.

Net tax assets

The following table analyses the item:

(€'000)	31 December 2016	31 December 2015	Variation
Deferred tax assets	121,925	64,064	57,861
Deferred tax liabilities	(108,493)	(55,857)	(52,636)
Net deferred tax assets	13,432	8,207	5,225
Current tax assets	135,987	114,577	21,410
Current tax liabilities	(109,991)	(68,273)	(41,718)
Net current tax assets	25,996	46,304	(20,308)
Other current tax assets	146,503	142,652	3,851
Other current tax liabilities	(67,589)	(61,097)	(6,492)
Net other current tax assets	78,914	81,555	(2,641)
Net tax assets	118,342	136,066	(17,724)

The reduction in this item is due to the Group's taxable profit for the year, also considering the changes attributable to the foreign operations and the change in the consolidation scope.

Working capital

Working capital increased by €158.7 million from €278.3 million at 31 December 2015 to €437.0 million at the reporting date.

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

- inventories increased by €2.5 million to €270.6 million due to the consolidation of Lane, partly offset by the consumption of materials for the Group's main contracts;
- the rise in contract work in progress of €2,367.3 million (€1,775.8 million) is due to Italian contracts (€452.2 million) and foreign contracts (€1,915.1 million, including €263.2 million for the Venezuelan railway projects).

The increase of €591.5 million in this item reflects the production progress calculated using the most recent estimates of the ongoing projects' profitability and is due to:

- the rise in contract work in progress abroad of €538.9 million, mostly related to the contracts in Denmark (€152.5 million), Qatar (€146.7 million) and Australia (€91 million). The variation also includes €41.4 million for Lane following its inclusion in the consolidation scope;
- the €52.6 million increase in contract work in Italy, mainly due to work on the high speed/capacity Milan - Genoa railway section;
- progress payments and advances on contract work in progress include both advances and negative work in progress (i.e., progress billings in excess of the cumulative value of the works built) and amount to €2,455.6 million, up €592.9 million on 31 December 2015. This increase is mainly the result of:
 - the €113.3 million increase in advances, mainly due to the amounts received for the contracts in Denmark (€163 million) and Tajikistan (€92.5 million), partly offset by the variation in the balance for contracts in Saudi Arabia (€136 million);
 - the €479.6 million increase in negative work in progress, due to the Koyscha contract in Ethiopia (€318.9 million), consolidation of Lane's contracts (€106.7 million) and the Australian contracts (€52.3 million);
- current loans and receivables, which increased by €814.1 million. The item includes amounts of €2,203.6 million with third parties (€1,381.6 million) and of €153.6 million with unconsolidated group companies and other related parties (€179.1 million). The receivables from Venezuelan clients for railway contracts amount to €236.4 million, mostly denominated in hard currency (Euros and US dollars).

The increase is mainly a result of:

- higher amounts from third parties of €823.5 million, including €215.1 million for Lane and €598.5 million for the increase in receivables from the branch's clients in Ethiopia;
- a reduction of €9.5 million in receivables from unconsolidated group companies and other related parties, following collections from non-consolidated Italian consortia;
- current liabilities, which increased by €707.0 million and include liabilities with third parties of €2,233.6 million (€1,501.7 million) and unconsolidated group companies and other related parties of €103.8 million (€128.8 million).

The increase in the item is mainly due to:

- higher liabilities with third parties of €731.9 million, including €137.8 million for Lane, €278.4 million for the Ethiopian contracts and other increases related to production progress on recently commenced contracts in the Middle East and Asia (specifically, the Al Bayt Stadium in Qatar, the Riyadh Metro in Saudi Arabia and the Rogun Hydropower Project in Tajikistan);
- the €24.9 million decrease in liabilities with unconsolidated group companies and other related parties, including the variation in the balances with Pedelombarda S.c.p.A. following completion of the works;
- other assets increased by €72.6 million, mainly due to the consolidation of Lane.

Net financial indebtedness

At 31 December 2016, the Group has net financial indebtedness from continuing operations of €350.8 million (indebtedness of €26.8 million), while its indebtedness from discontinued operations is nil (indebtedness of €18.9 million) following the new IFRS 5 scope.

The increase in the Group's net financial indebtedness is mainly a combination of:

- the financing taken out to acquire Lane, which entailed an outlay of €429 million, and to acquire some assets of the US company Asphalt Roads and Material Company Inc. for €33.9 million;
- cash inflows generated in 2016.

Gross indebtedness increased by €512.2 million from 31 December 2015 to €2,332.4 million at the reporting date.

The debt/equity ratio (based on the net financial indebtedness from continuing operations) is 0.26 at group level at the reporting date.

Salini Impregilo has given guarantees of €329.3 million in favour of unconsolidated group companies securing bank loans.

The Group's net financial indebtedness at 31 December 2016 is summarised in the following table.

Table 3 - Net financial indebtedness of Salini Impregilo Group

(€'000)	Note (*)	31 December 2016	31 December 2015 (\$)	Variation
Non-current financial assets	11	62,458	67,832	(5,374)
Current financial assets	16	323,393	312,104	11,289
Cash and cash equivalents	19	1,602,721	1,410,775	191,946
Total cash and cash equivalents and other financial assets		1,988,572	1,790,711	197,861
Bank and other loans and borrowings	22	(866,361)	(745,554)	(120,807)
Bonds	23	(868,115)	(396,211)	(471,904)
Finance lease liabilities	24	(119,742)	(79,789)	(39,953)
Total non-current indebtedness		(1,854,218)	(1,221,554)	(632,664)
Current portion of bank loans and borrowings and current account facilities	22	(398,589)	(538,802)	140,213
Current portion of bonds	23	(18,931)	(10,203)	(8,728)
Current portion of finance lease liabilities	24	(55,281)	(49,617)	(5,664)
Total current indebtedness		(472,801)	(598,622)	125,821
Derivative assets	16	156	-	156
Derivative liabilities	25	(7,180)	(14,798)	7,618
Net financial position with unconsolidated SPEs (**)		(5,345)	17,512	(22,857)
Total other financial assets (liabilities)		(12,369)	2,714	(15,083)
Net financial indebtedness - continuing operations		(350,816)	(26,751)	(324,065)
Net financial position (indebtedness) - discontinued operations		-	(18,939)	18,939
Net financial indebtedness including discontinued operations		(350,816)	(45,690)	(305,126)

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

(**) This item shows the Group's net amounts due from/to unconsolidated consortia and/or consortium companies 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.

(§) The figures in this column do not include Lane acquired on 4 January 2016.