

# 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 2016 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 2016 on a going concern basis. As required by Regulation 1606/2002 issued by the European Parliament and Council, implemented in Italy by Legislative decree no. 38/2005, these consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

The format and content of these consolidated financial statements comply with the disclosure requirements of article 154-ter of the Consolidated Finance Act.

The accounting policies adopted to draw up these consolidated financial statements at 31 December 2016 are consistent with those used to prepare the 2015 annual consolidated financial statements, to which reference should be made except for the changes summarised in Note 2.

### **Translation of the assets and liabilities in foreign currency related to Venezuela**

At the end of the first half of 2014, the Group had to update the estimates for its industrial operations in Venezuela. In line with that already disclosed in previous reports, made available to the public as required by the current legal provisions, the deterioration of the country’s economic conditions, seen since early 2014 were such that it became necessary to review the time and financial parameters according to which the Group’s net assets can be realised in this area. Moreover, in light of the current general framework of the local currency/financial market situation, stemming from the conditions of the above-mentioned local economic system, and consistently with the changes to the currency regulations of the country during 2014, the Group considered it reasonable, *inter alia*, to adopt, with effect from 30 June 2014, a new reference exchange rate for the translation of both the present values of working capital denominated in the Venezuelan currency and the prospective assets/liabilities over the entire estimated life of the railway contract work in progress. Since then, the Venezuelan monetary authorities have amended the local currency conversion systems on several occasions up until the most recent change approved on 10 March 2016, introducing two new exchange rates:

- DIPRO (fixed), only to be used for imports of basic necessities (i.e., medicines, food, etc.);

- DICOM (floating), to be applied to all commercial transactions.

Given the nature of its business, the Group has decided that the DICOM is the exchange rate to be used to translate Bolivar balances as it best represents the rate at which future cash flows, expressed in the local currency, may be settled assuming that they are still valid at the measurement date, also considering the possibility to access the local currency market and the Group's need to obtain a currency other than its functional currency.

As a result of adoption of the DICOM rate in 2016, the Group recorded a decrease of approximately €1.8 million in the carrying amount of its net assets in local currency. The reduction in its net assets in local currency recognised in previous years amounted to €59 million.

## 2. Changes in standards

The following standards, amendments and interpretations have been applied since 1 January 2016:

- amendments to IFRS 10 - Consolidated financial statements, IFRS 12 - Disclosure of interests in other entities and IAS 28 - Investments in associates and joint ventures about applying the consolidation exemption;
- amendment to IFRS 11 - Joint arrangements for the accounting of acquisitions of interests in joint operations;
- amendment to IAS 1 - Presentation of financial statements for the disclosure initiative;
- amendments to IAS 16 - Property, plant and equipment and IAS 38 - Intangible assets clarifying acceptable methods of depreciation and amortisation;
- amendments to IAS 16 - Property, plant and equipment and IAS 41 - Agriculture about bearer plants;
- amendment to IAS 19 - Employee benefits about employee contributions to defined benefit plans;
- amendments as part of the annual improvements to IFRS cycles 2010-2012 and 2012-2014.

Adoption of the above amendments did not significantly affect the Group's consolidated financial statements.

This section lists the standards, amendments and interpretations published by the IFRS and endorsed by the European Union but which will become applicable after 31 December 2016:

<b>Standard, amendment or interpretation</b>	<b>Status</b>
IFRS 15 - Revenue from contracts with clients, issued in May 2014, including the deferral of standard's effective date, issued in September 2015	Endorsed in September 2016 and applicable to annual periods beginning on or after 1 January 2018
IFRS 9 - Financial instruments, issued in July 2014	Endorsed in November 2016 and applicable to annual periods beginning on or after 1 January 2018

The Group has not adopted the above standards in advance.

The standards, amendments and interpretations published by the IASB and the International Financial Reporting Standards Interpretations Committee (IFRS-IC) but not yet endorsed by the competent EU bodies at the reporting date are set out below:

<b>Standard, amendment or interpretation</b>	<b>Status</b>
IFRS 14 - Regulatory deferral accounts issued in January 2014	The European Commission has decided not to commence the endorsement process of the draft standard until the final document has been issued
IFRS 16 - Leases issued in January 2016	Endorsement expected by the end of 2017
Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses issued in January 2016	Endorsement expected during the first half of 2017
Amendments to IAS 7 - Disclosure initiative issued in January 2016	Endorsement expected by the first half of 2017
Clarifications to IFRS 15: Revenue from contracts with clients issued in April 2016	Endorsement expected by the first quarter of 2017
Amendments to IFRS 2 - Classification and measurement of share-based payment transactions, issued in June 2016	Endorsement expected by the third quarter of 2017
Amendments to IFRS 4: Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts, issued in September 2016	Endorsement expected by the third quarter of 2017
Annual Improvements to IFRS Standards 2014-2016 Cycle, issued in December 2016	Endorsement expected by the third quarter of 2017
IFRIC 22 - Foreign currency transactions and advance consideration, issued in December 2016	Endorsement expected by the third quarter of 2017
Amendments to IAS 40: Transfers of investment property issued in December 2016	Endorsement expected by the third quarter of 2017

Adoption of the above standards will not significantly affect the Group's consolidated financial statements, except for IFRS 9, IFRS 15 and IFRS 16, for which brief information is provided below.

The parent has started the process to implement these standards, defining the organisational methods and timing therefor.

During the year, the parent held training courses about IFRS 15 and IFRS 16 in particular for managers of various internal departments (procurement, IT, planning and controls, tax and accounting) who are involved in implementing the new standards.

The Group is currently assessing the effects of adopting these new standards on its consolidated financial statements. Moreover, the new standards will significantly change the disclosures provided in the notes.

### **IFRS 9 - Financial instruments**

The IASB published the final version of IFRS 9 - Financial instruments in July 2014. The standard is applicable to annual reporting periods beginning on or after 1 January 2018. Early adoption is allowed.

IFRS 9 introduces new rules for the classification and measurement of financial instruments, especially financial assets, based on the business model under which they are held and their cash flow characteristics. The standard classifies financial assets into three main categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The categories envisaged by IAS 39, i.e., held-to-maturity, loans and receivables and available-for-sale have been eliminated.

The standard introduces the measurement of impairment losses using the expected credit loss model rather than the incurred loss model provided for under IAS 39. The new model entails a significant degree of judgement about the impact of changes in economic factors on the expected credit losses, which are weighted by probability.

IFRS 9 also introduces a new hedge accounting model aligned to the entity's risk management policies. The exemption from application of the fair value measurement to unlisted equity investments has been eliminated. The standard also requires new and more detailed disclosures about hedge accounting, credit risk and expected credit losses.

The standard is applicable to annual reporting periods beginning on or after 1 January 2018 and shall be applied retrospectively, with the possibility to use some simplifications.

### **IFRS 15 - Revenue from contracts with clients**

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 - Contract work in progress and IFRIC 13 - Customer loyalty programmes).

IFRS 15 provides that revenue is to be recognised using a five-step model as set out below:

1. identify the contract with a customer
2. identify the performance obligations (distinct elements that are part of a single contract but are separated for accounting purposes) in the contract
3. determine the transaction price
4. allocate the transaction price to the performance obligations in the contract
5. recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also covers contractual costs, contract modifications and financial statements disclosures.

IFRS 15 is applicable to the annual periods beginning on or after 1 January 2018. Early adoption is allowed. The original version of the standard was approved in September 2016 while some amendments published in the same year should be endorsed by the EU in 2017.

### **IFRS 16 - Leases**

The IASB issued this standard in January 2016. It introduces a single method to account for leases in the financial statements of the lessee, eliminating the distinction between operating and finance leases, so that the lessee recognises an asset for the right to use an underlying asset and a lease liability. The standard includes exemptions when the lease term is 12 months or less or the underlying asset has a low value.

IFRS 16 replaces the current standards on leases, including IAS 17 - Leases, IFRIC 4 - Determining whether an arrangement contains a lease, SIC 15 - Operating leases - Incentives and SIC 27 - Evaluating the substance of transactions in the legal form of a lease.

IFRS 16 is applicable to the annual periods beginning on or after 1 January 2019. Early application is permitted if IFRS 15 has also been applied. Endorsement by the EU is expected in 2017.

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

#### **USW Campania**

Based on information that came to light in previous years and like in previous financial statements, the Group decided that the conditions for application of IFRS 5 - Non-current assets held for sale and discontinued operations continued to exist. Therefore, it has recognised the USW Campania project net assets and operations separately in the statement of financial position and income statement.

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 as described in the Annual Report 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.

### **Todini Group**

The parent completed the sale of Todini Costruzioni Generali to Prime System Kz Ltd., set up and organised under Kazakstani law, for about €51 million on 4 April 2016.

In March 2016, before the sale, Todini Costruzioni Generali's assets not sold to third parties were transferred to a newco HCE Costruzioni S.p.A. ("HCE"), which was subsequently sold to Salini Impregilo.

Therefore, at the transaction date, Todini Costruzioni Generali solely consisted of the assets and liabilities of the foreign business unit, i.e., the projects and branches operating in Georgia, Azerbaijan, Belarus and Kazakhstan, including the carrying amount of the investments in the subsidiaries carrying out the relevant projects, JV Todini Takenaka and Todini Central Asia, as well as some operating assets either owned directly by the Group or leased.

The assets transferred to HCE included those belonging to Business unit A - Contracts in Italy, which include the Metrocampania (Naples Alifana and Secondigliano) contracts, the Valico crossing and Naples Sarno River contracts and the plant and machinery at the Lungavilla depot.

The activities that Todini Costruzioni Generali transferred to HCE (Business A) were classified as assets held for sale in the consolidated financial statements at 31 December 2015 based on the expressions of interest received at that date. Given the status of the negotiations, the HCE assets have been classified under continuing operations in the 2016 consolidated financial statements. Therefore, it was necessary to restate the comparative figures for 2015 to be consistent with this approach used in 2016 pursuant to IFRS 5.

### **Impregilo International Infrastructures NV**

At the reporting date, the Group has accrued €6.6 million for this subsidiary's tax disputes related to operations classified as discontinued in previous years.

## 4. Basis of presentation

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

The financial statements at 31 December 2016 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 2016 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 income statement gives a classification of costs by nature and shows the profit or loss before "Financing income (costs) and gains (losses) on equity investments" and income taxes. The profit or loss from continuing operations, the profit or loss from discontinued operations and the profit or loss attributable to non-controlling interests and that attributable to the owners of the parent are also presented.
- The statement of comprehensive income shows all non-owner changes in equity.
- The statement of cash flows presents the cash flows from operating, investing and financing activities separately. The indirect method is used.

## **Basis of consolidation**

The consolidated financial statements have been prepared by consolidating the financial statements at 31 December 2016 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 income statement 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 income statement 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:

<b>Currency</b>	<b>Closing rate 31 December 2016</b>	<b>2016 average rate</b>	<b>Closing rate 31 December 2015</b>	<b>2015 average rate</b>
ZAR South Africa Rand	14.457	16.264484	16.953	14.172251
BRL Brazilian Real	3.4305	3.856143	4.3117	3.700435
COP Colombian Peso	3,169.492188	3,376.933171	3,456.00972	3,048.527066
PEN Nuevo Sol	3.540195	3.735626	3.708331	3.532373
AED United Arab Emirates Dirham	3.869601	4.063441	3.996618	4.073341
ARS Argentine Peso	16.748806	16.342012	14.09723	10.259927
AUD Australian Dollar	1.4596	1.488282	1.4897	1.47766
BGN Bulgarian New Lev	1.9558	1.9558	1.9558	1.955799
DZD Algerian Dinar	116.378965	121.09718	116.702336	111.361305
INR Indian Rupee	71.5935	74.371691	72.0215	71.195605
LYD Libyan Dinar	1.515532	1.530435	1.510124	1.51826
MYR Malaysian Ringgit	4.7287	4.583548	4.6959	4.337333
NGN Nigerian Naira	332.305025	285.446874	216.703013	219.515233
PES Chilean Peso	704.945187	748.476663	772.712673	726.406162
PLN Polish Zloty	4.4103	4.363207	4.2639	4.184118
RUB Russian Ruble	64.3	74.144565	80.6736	68.072032
SAR Saudi Riyal	3.954456	4.151666	4.086239	4.162014
SGD Singapore Dollar	1.5234	1.527539	1.5417	1.525491
TRY Turkish Lira (new)	3.7072	3.343253	3.1765	3.025457
USD US Dollar	1.0541	1.106903	1.0887	1.109512
NAM Namibian Dollar	14.457	16.264484	16.953	14.172251
CHF Swiss Franc	1.0739	1.090155	1.0835	1.067857
GBP British Pound	0.85618	0.819483	0.73395	0.72585
DOP Dominican Peso	49.185993	50.897019	49.502209	49.850272
PKR Pakistani Rupee	110.46968	115.915499	114.117781	113.998882
QAR Qatari Riyal	3.836924	4.029127	3.962868	4.039028
DICOM Venezuela	709.605822	709.605822	217.078221	217.078221

Reference should be made to the information provided earlier about the use of the DICOM (formerly the SIMADI) as the exchange rate for the Venezuelan currency.

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 income statement.
- Investments in associates and joint ventures are measured using the equity method whereby the carrying amount of the investment is adjusted to consider:
  - 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;
  - standardisation to comply with the group accounting policies, where necessary.
- 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 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 2016 comply with the IFRS and are consistent with those used to prepare the 2015 consolidated financial statements, except for the standards enacted after 1 January 2016 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:

<b>Category</b>	<b>Depreciation rate</b>
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 income statement, and the principal repayment, offset against the financial liability.

The carrying amount of the leased asset is determined considering its fair value or, if lower, the present value of the minimum future lease payments.

The depreciation method and subsequent measurement are consistent with those applied to non-leased assets.

Leases where the lessor retains all the risks and rewards of ownership are treated as operating leases. The initial negotiation costs incurred for this type of lease increase the value of the related lease and are recognised over the lease term in order to match the revenue generated by the leased asset.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

### **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 IAS 11 - Construction contracts and the revenue from management of the infrastructure in line with IAS 18 - Revenue.

The grantor pays the operator a consideration for the construction/upgrade services, to be recognised at fair value, which may consist of rights to:

- (a) 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 IAS 11 - Construction contracts.
- 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 an increase in the intangible asset as the construction services are provided for these construction and/or upgrade services to be recognised under IAS 11 - Construction contracts.
- 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 split 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".

The excess of the purchase cost compared to the Group's share of the net fair value of the business units acquired in the past is classified as other intangible assets and mainly refers to acquisition costs of the business units purchased. The related amortisation is calculated in line with the stage of completion and duration of the work.

### **Other non-current assets (recognised in Other assets)**

Other non-current assets mainly consist of loans and receivables and claims related to completed or nearly completed contracts and companies in liquidation when their liquidation plan provides for the realisation of the assets after twelve months from the reporting date.

These assets are measured at their estimated realisable value, by recognising allowances to adjust their carrying amount accordingly. Claims are only recognised for the amounts matured and that part which is held to be reasonably recoverable. The estimated realisable value is discounted if the time value of money is material depending on when settlement is expected to take place.

### **Impairment of non-financial assets**

If there is any indication that an intangible asset or an item of property, plant and equipment is impaired, the recoverable amount of the asset is estimated to determine the amount of the impairment loss. Goodwill is tested at least annually for impairment.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

If a binding sales agreement does not exist, fair value is estimated using the observable prices of an active market, recent transactions or the best information available to reflect the amount the entity could obtain by disposing of the asset.

Value in use is determined by discounting the estimated future cash flows expected to arise from the continuing use of an asset, net of taxes, and, if reasonably determinable, from its disposal at the end of its useful life. Discounting is applied by using a post-tax discount rate which reflects the current market assessments of the time value of money and the risks specific to the asset.

The assessment is made for individual assets or the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets from its continuing use (cash-generating unit). An impairment loss is recognised when the recoverable amount is lower than the carrying amount.

If the reasons for the impairment loss are no longer valid, the impairment loss (except in the case of goodwill) is reversed and the adjustment is taken to profit or loss as a reversal of impairment losses. A reversal of impairment losses is recognised to the extent of the lower of the recoverable amount and original carrying amount less depreciation/amortisation that would have been recognised had the impairment loss not been recognised.

### **Inventories of goods**

Inventories of goods are measured at the lower of average purchase cost and net realisable value. Cost includes the directly related costs and estimated realisable value is determined using the replacement cost of the asset or similar assets.

Any write-downs are eliminated in subsequent years when the reasons therefor are no longer valid.

### **Contract work in progress and revenue from construction contracts**

Contract work in progress consists of work performed net of progress billings issued to clients. When final payment of the consideration is made, the related progress billings and advances are recognised under "Operating revenue" in the income statement, with the related variation in inventories. The provision for contractual risks directly offsets inventories and is set up to cover possible charges and losses on contracts performed either directly by the company or as part of a joint venture.

Contract work in progress is measured considering the consideration agreed with the customer and the stage of completion of the work.

Revenue related to contract work in progress is recognised using the stage of completion method.

The stage of completion is determined using the cost to cost method whereby the percentage of completion (the ratio between costs incurred and total estimated costs) is applied to the total estimated revenue.

Given the technical complexity, size and length of time involved in completing contracts, the additional considerations are measured before an agreement is reached with the customer. Claims for additional considerations are considered when measuring contract work in progress if they have been substantially approved by the customer, or, if not yet approved by the customer, are supported by appraisals made by third party consultants and/or documentation prepared by contractual bodies (arbitration tribunals, dispute review boards, dispute adjudication boards, etc.).

In the case of events that take place after the reporting date but before the consolidated financial statements are approved, which provide additional information about expected profits or losses on the contract, this additional information is considered when determining the contractual revenue or costs to be incurred to complete the contract and for the recognition of any profits or losses.

When total contract costs exceed total contract revenue, the loss to complete the contract is recognised as an expense immediately.

The contract costs, included in the cost to cost calculation, may be classified as:

- pre-operating costs, which include costs incurred during the start-up stage of the contract, before construction starts, such as the costs of design and specific studies carried out for the contract; organisation and production start-up costs and building site start-up costs. These pre-operating costs are included in the stage of completion calculation and in the cost to cost calculation once they have been incurred. During the initial stage of the contract, they are included in the carrying amount of contract work in progress, if recoverable, without recognising any contract output when the contract profit or loss cannot be reliably estimated;
- contract operating costs, which include those directly attributable to the contract (e.g., materials, subcontracting, labour, amortisation and depreciation, compulsory purchases, any directly attributable borrowing costs, etc.). They are recognised on an accruals basis and included in the calculation of the stage of completion;
- post-operating costs, which include site dismantlement costs generally incurred after the contract has been closed to remove the installations (or entire sites) and to return the machinery or plant to the Group's premises or transfer them to another site. This category also includes losses on abandoned materials and the cost of transporting unused materials. They are included in the contract estimate and, therefore, if incurred during the

contract term, they are comprised in the calculation of the progress billings. Therefore, no specific accruals are made to the income statement;

- costs for services to be rendered after completion of the contract, which mainly relate to services rendered after the contract has been completed. They may include assistance and supervision provided in the early stages of use of the plant or scheduled maintenance. If the contract does not include specific additional considerations for these services and the contract may be “closed” for accounting purposes (contracts are usually closed once work is completed and the customer has accepted the end result), the costs to be incurred to render these services when the contract is closed in the accounting records should be estimated and provided for in the specific items. These costs are included in the calculation to determine the contract revenue.

### **Real estate projects**

Closing inventories of real estate projects are those real estate areas developed with a view to selling them. They are measured at the lower of cost and estimated realisable value.

Costs incurred consist of the consideration paid for purchasing the areas and related charges, construction costs and borrowing costs related to the project up to and not exceeding its completion.

### **Financial assets and liabilities**

Measurement and presentation of financial instruments are covered by IAS 39 and IAS 32, respectively. The Group introduced the disclosure required by IFRS 7 in 2007.

The financial instruments used by the Group are classified as follows: financial assets or financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

### **Financial assets or financial liabilities at fair value through profit or loss**

This category includes derivatives that do not meet hedge accounting requirements.

Fair value gains or losses on derivatives in this category are recognised as “Financing income (costs)” in profit or loss when they arise.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are measured at amortised cost, as detailed further on, and any gains or losses arising therefrom are recognised as “Financing income (costs)” in profit or loss.

This category includes the following items:

- *Trade receivables and payables and other assets and liabilities*

Trade receivables and other assets are recognised at amortised cost, net of impairment losses determined on the basis of their estimated recoverable amount calculated by analysing each position and the total non-collection risk.

If the collection date is postponed and exceeds normal collection times for the sector, these receivables are discounted.

All factored receivables that do not meet the requirements for derecognition under IAS 39 continue to be recognised in the Group's consolidated financial statements even when they have been legally transferred. They are thus included as assets and a financial liability of the same amount is recognised.

Trade payables and other liabilities are recognised at amortised cost, allocating interest to the income statement based on the effective interest rate, being the rate that exactly discounts estimated future cash payments through to the carrying amount of the related asset.

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term, highly liquid investments with a term of less than three months. This item is shown in the statement of cash flows net of bank borrowings at the reporting date.

- *Loans and borrowings and bonds*

Loans and borrowings and bonds are initially recognised at cost, being the fair value of the consideration received less transaction costs.

After initial recognition, loans are measured at amortised cost, whereby repayments are determined using the effective interest method with a rate which matches, at initial recognition, the expected cash flows with the initial carrying amount.

Loan transaction costs are classified under liabilities decreasing the loan; amortised cost is calculated considering these costs and any discounts or premiums expected at settlement.

The effects arising from the recognition at amortised cost are taken to "Financing income (costs)".

### **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. They are recognised at amortised cost and interest accrued thereon is taken to profit or loss under "Financial income" using the effective interest method.

**Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial instruments that are not classified in the other categories.

They include the following items:

- *Equity investments*

Investments in entities other than subsidiaries, associates, joint operations and joint ventures (reference for which should be made to the section on “Consolidation scope”) are classified as “Equity investments” at the time of their acquisition and are included in the available-for-sale financial assets category required by IAS 39.

Since they mainly relate to consortia and consortium companies of which the Group holds less than 20%, in accordance with IAS 39, such investments are stated as non-current assets measured at cost, adjusted for impairment, since their fair value cannot be determined.

Investments in listed companies belonging to this category are measured at fair value and the related fair value gains or losses are recognised in equity. Material or prolonged decreases in their fair value that are evidence of impairment are, therefore, transferred from equity to profit or loss and offset against the relevant reserve.

Dividend income from such financial instruments is recognised in profit or loss under financial income when the group companies holding the investments are given the right to such dividend.

**Fair value of financial instruments**

The fair value of financial instruments has been estimated as follows:

- The fair value of financial instruments traded on an active market is based on the market price at the reporting date. This method has been applied especially to listed financial instruments classified as “Available-for-sale financial assets” and financial instruments classified as “Held-to-maturity investments”.
- The fair value of the derivatives classified as “Hedging derivatives” and “Financial assets and financial liabilities at fair value through profit or loss” is measured using the Discounted Cash Flow Model. With respect to interest rate swaps, future cash flows are estimated using the implicit forward rate of the market Euro curve at 31 December 2016 and 2015, while the forward exchange rate market prices at the relevant reporting date are used for currency forward transactions.
- The fair value of loans and receivables is determined, for disclosure purposes in the notes, on the basis of the present value of their future cash flows discounted at a rate equal to the current interest rates applicable in

the relevant markets and the average spread agreed by the Group. The fair value measurement of loans takes account of the Group's credit risk and uses the rate curves in the different currencies with reference to the reporting date.

### **Derecognition of financial assets and liabilities**

#### (a) Financial assets.

A financial asset (or, where applicable, part of a financial asset or parts of a group of similar financial assets) is derecognised when:

- (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.

### **Impairment of financial assets**

If there is any indication that a financial asset is impaired, the recoverable amount of the asset is estimated to determine the amount of the impairment loss.

### **Derivatives and hedging transactions**

Salini Impregilo Group has derivatives recognised at fair value when the related agreement is signed and for subsequent fair value changes. The treatment of the related fair value gains or losses changes depending on whether the conditions for hedge accounting are met, as described below.

Salini Impregilo Group has derivatives to hedge currency and financial risks. At the inception of the transaction, it documents the hedging relationship, its risk management and strategy objectives in entering into the transaction, the hedging instrument and hedged item or transaction and the nature of the hedged risk.

Moreover, at the inception of the transaction and thereafter on an ongoing basis, the Group documents whether or not the hedge meets the effectiveness requirements to offset its exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk.

Based on the above-mentioned documentation, derivatives used for specific hedging purposes are classified and recognised as follows:

**(a) Fair value hedge** - If a derivative is designated as a hedge of exposure to changes in the fair value of an asset or liability due to a specific risk that may affect profit or loss, the gain or loss deriving from the subsequent measurement of the fair value of the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item, related to the hedged risk, changes the carrying amount of this item and is recognised in profit or loss.

**(b) Cash flow hedge** - If a derivative is designated as a hedge of exposure to changes in cash flows of an asset or liability or a highly probable transaction that could affect profit or loss, the effective part of the gains or losses on the financial instrument is recognised in equity. The cumulative gain or loss is reclassified from equity to profit or loss in the same period in which the hedged transaction is recognised. The gain or loss related to a hedge or part of a hedge which has become ineffective is taken to profit or loss immediately. If a hedging instrument or a hedging relationship is closed, but the hedged transaction has not yet taken place, the cumulative gains and losses, recognised in equity up to then, are reclassified to profit or loss when the transaction takes place. If it is unlikely the hedged transaction will take place, the unrealised gains and losses recognised in equity are immediately reclassified to profit or loss.

“Hedging purposes” are assessed in strategic terms. When they do not meet the requirements of IAS 39 for hedge accounting, the derivatives are classified as “Financial assets or financial liabilities at fair value through profit or loss”.



## Employee benefits

- *Defined benefit plans and defined contribution plans*

The Group has pension plans for its employees that are classified either as defined benefit plans or defined contribution plans depending on their characteristics. Defined benefit plans include the benefits the employees will receive when they retire and which are usually dependent on one or more factors such as age, years of service and remuneration.

The Group recognises a liability for these defined benefits equal to the present value of its obligation at year end, including any adjustments for unrecognised costs related to past service less the fair value of the plan assets. The Group calculates its liability once a year using the projected unit credit method. Present value is calculated by discounting the future outlays using the interest rate applied to high quality corporate bonds with a currency and term consistent with the currency and estimated term of the post-employment benefit obligations.

Actuarial gains and losses on defined benefit plans arising from changes in the underlying assumptions or in the plan conditions are recognised in other comprehensive income in the period in which they arise. Past service cost is expensed immediately. The Group pays benefits to public and private pension funds on an 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*

The Group has adhered to the guidelines of IFRS 2 - Share-based payments.

Share-based payments are measured at fair value of the option at the grant date. This amount is recognised in the income statement 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.

Beginning from 1 January 2004, the parent, Salini Impregilo, and 16 of its Italian subsidiaries have joined the national tax consolidation system pursuant to article 117 and subsequent articles of Presidential decree no. 917/86, 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 income statement;

- non-monetary assets 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 income statement 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 income statement. As required by paragraph 34 of IFRS 5 - Non-current assets held for sale and discontinued operations, the corresponding prior year figures are reclassified accordingly.

## Revenue recognition

- *Operating and other revenue*

Revenue is measured to the extent it is probable that the economic benefits will flow to the Group and the related amount can be determined reliably. Revenue from the sale of goods is recognised when the Group has shipped the goods and has transferred all the material risks and rewards of ownership to the buyer. Revenue from construction contracts is recognised as provided for in the related Standard, described below.

When the outcome of a construction contract can be estimated reliably, contract revenue is recognised by reference to the stage of completion of the contract activity at the reporting date based on the ratio of the costs incurred up to the reporting date to the total estimated contract costs, unless this is held to not represent the stage of completion of the contract.

Changes in the contract and price revisions are recognised to the extent that they are reasonably certain. Revenue is recognised only to the extent of contract costs incurred that it is probable will be recovered. Contract costs are recognised as an expense in the year in which they are incurred.

- *Interest income*

Interest income is recognised on an accruals basis, considering the principal and applicable effective interest rate, i.e., the rate that discounts the estimated future inflows over the expected life of the financial asset to return it to its carrying amount.

- *Dividends*

Dividends are recognised when the investors' right to receive payment arises in line with local ruling legislation.

## Earnings per share

Basic earnings per share are calculated as the ratio of the profit or loss for the year attributable to the holders of the ordinary shares of the parent to the weighted number of ordinary shares outstanding during the year. Diluted earnings per share are calculated considering the potential diluting effect of

exercise of their rights by the holders of rights that potentially have a diluting effect on shares when calculating the number of outstanding shares.

### **Operating segments**

The operating segments comply with the reporting system provided to group management which is in charge of allocating the resources and assessing the results obtained by the segments.

The Group's management and organisational structure presents the segments according to a geographic breakdown in macro-areas, on the basis of the three segments (Italian, foreign and Lane Group). The intrasegment transfer prices related to the exchange of goods and services are agreed at normal market conditions.

### **Significant accounting estimates**

Preparation of financial statements and the related notes in accordance with the IFRS requires 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 work in progress and revenue from construction contracts” paragraph of the “Accounting policies” section). A significant part of the Group's activities is typically performed on the basis of contracts which provide that a specific consideration is agreed when the contract is awarded. This implies that the profits on these contracts may undergo change compared to the original estimates depending on the recoverability of greater expenses and/or costs the Group may incur during performance of such contracts.

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 which gives an analysis of the risk areas of each segment.

## 5. Business combinations

### Acquisition of Lane Industries Incorporated

On 4 January 2016, the parent finalised the acquisition of 100% of Lane Industries Incorporated ("Lane Group"). Lane Group is one of the major highway contractors and is the top private asphalt producer in the United States. It is a family-owned business with more than 100 years of experience specialised in civil construction and in the transportation infrastructure sector. The company has three divisions: asphalt production, road projects and other infrastructure projects in both domestic and international markets.

Lane's acquisition represents another step in Salini Impregilo's expansion into the US infrastructure market and will bring significant growth opportunities, increasing the diversification of the portfolio and improving the balance of its exposure between developed and developing markets.

Lane Industries has been included in the consolidation scope since 4 January 2016 and its contribution is presented in the Group's consolidated financial statements.

The agreed consideration was USD455 million, which generated provisional goodwill of USD238 million (which the Group recognised in its condensed interim consolidated financial statements as at and for the six months ended 30 June 2016 for €229 million).

The following table summarises the provisional carrying amount of goodwill recognised at the acquisition date:

(thousand)	USD	EURO
<b>Acquisition price</b>	<b>455.5</b>	<b>428.8</b>
Debt repayment	(107.0)	(98.3)
Deferred compensation repayment	(7.8)	(7.1)
<b>Liabilities assumed</b>	<b>(114.8)</b>	<b>(105.4)</b>
Equity	(121.3)	(111.4)
Equity attributable to non-controlling interests	14.7	13.5
Impairment losses on capitalised borrowing costs	3.8	3.5
<b>Equity - Lane Industries</b>	<b>(102.8)</b>	<b>(94.4)</b>
<b>Provisional goodwill</b>	<b>238.0</b>	<b>228.9</b>

The Group determined the fair value of the main assets as part of the PPA procedure as follows:

- *Land*: **market method** (*guideline transactions*);
- *Buildings*: **cost method** (*replacement cost*);
- *Plant and machinery*: **market method** (*guideline transactions*);
- *Quarries*: **income method** (*with-or-without*);
- *Order backlog*: **income method** (*with-or-without*);
- *Workforce not separable from goodwill*: **cost method** (*replacement cost*).

The Group recognised the acquisition costs in the following items:

- **Services**: they include the consultancy fees paid for the Lane acquisition;
- **Financial expense**: they include the cost of the loan recognised in profit or loss using the amortised cost method starting from the loan agreement date.

No contingent liabilities were recognised during the PPA procedure.

Salini Impregilo availed of the option allowed by (revised) IFRS 3 to provisionally allocate the acquisition cost to the fair value of the assets acquired, the liabilities assumed and contingent liabilities. During 2016, the Group finalised the purchase price allocation procedure and reflected its effects retrospectively starting from the acquisition date as per (revised) IFRS 3.

The following table summarises Salini Impregilo's share of the assets and liabilities of Lane Group at the acquisition date and their fair value determined before such date for the PPA procedure:



(€'000)	Carrying amount	Fair value
Non-current assets	162,242	419,569
<i>of which:</i>		
- Property, plant and equipment	115,088	225,355
- Intangible assets	5,094	8,089
- Goodwill	-	144,065
- Equity investments	42,060	42,060
Inventories	22,147	22,147
Trade receivables	176,078	176,078
Cash and cash equivalents	87,898	87,898
Contract work in progress	22,615	13,863
Other current assets	24,811	61,981
<b>Total assets</b>	<b>495,791</b>	<b>781,535</b>
Post-employment benefits and employee benefits	83,397	113,418
Deferred tax liabilities	-	15,386
Non-current bank loans and borrowings	95,119	330
Other non-current liabilities	6,363	6,363
Trade payables	106,013	106,013
Other current liabilities	14,908	14,908
Current bank loans and borrowings	2,294	2,294
Progress payments and advances on contract work in progress	76,327	80,560
<b>Total liabilities</b>	<b>384,421</b>	<b>339,273</b>
<b>Net assets acquired</b>	<b>111,370</b>	<b>442,263</b>
Less non-controlling interests	(13,489)	(13,489)
<b>Net assets acquired (net of non-controlling interests)</b>	<b>97,881</b>	<b>428,774</b>

The cash used for the acquisition, net of cash acquired, is set out below:

(€'000)	
Cash and cash equivalents	87,898
Non-current assets	419,569
Other current assets	274,068
Non-current liabilities	(135,497)
Current liabilities	(203,775)
<b>Total net assets acquired</b>	<b>442,263</b>
Less non-controlling interests	(13,489)
<b>Total net assets acquired attributable to the owners of the parent</b>	<b>428,774</b>
Less cash acquired	(87,898)
<b>Cash and cash equivalents net of cash acquired and used for the acquisition</b>	<b>340,876</b>

Lane has been included in the consolidation scope since 4 January 2016 and its contribution is presented in the Group's consolidated financial Statements.

### Acquisition of assets of Asphalt Roads and Materials Company Inc. (Virginia Beach)

On 21 March 2016, Lane signed an agreement for the acquisition of some assets of Asphalt Roads and Materials Company Inc, active in road construction and asphalt production in Virginia Beach (Virginia). These assets include machinery, equipment, buildings, land, inventories, rights and commitments to complete existing contracts. The acquisition was closed on 4 April 2016 for USD39 million. The assets' carrying amount was USD4.8 million.

The following table shows the assets acquired by Lane at the transaction date and their fair value, calculated definitively after the PPA procedure. The Euro/US dollar exchange rate used on 4 April 2016 was 1.138.

(€'000)	Carrying amount	Fair value
Non-current assets	4,107	33,901
of which:		
- Intangible assets/goodwill		25,167
Current assets		176
Other current assets	175	202
<b>Net assets acquired</b>	<b>4,282</b>	<b>34,279</b>

The following table shows the cash and cash equivalents used to acquire the assets:

(€'000)	Carrying amount	Fair value
Inventories		202
Contract work in progress		176
Property, plant and equipment		8,734
Goodwill		25,167
<b>Cash and cash equivalents used in the acquisition</b>		<b>34,279</b>

### Other business combinations

The 12-month period allowed by the (revised) IFRS 3 to define the PPA procedure expired during the first half of 2016 for the acquisitions of Co.Ge.Fin S.r.l., acquired from the related party Todini Finanziaria, and Seli Tunneling Denmark ApS, acquired from third parties (described in the 2015 Annual Report).

Completion of the above procedure did not identify fair values different to those calculated provisionally and published in the 2015 Annual Report.

### Other changes in the consolidation scope

In addition to completion of the sale of Todini Costruzioni Generali S.p.A. and acquisition of Lane Group, the other changes in the consolidation scope that took place in the year are described below:

(i) Acquisition of Salini Saudi Arabia Co. Ltd

On 23 April 2016, the Group finalised its acquisition of 51% of Salini Saudi Arabia Co. Ltd for SAR421,066 (equivalent to €99,687 using the transaction date exchange rate) from the related party Salini Costruttori S.p.A. and Compagna Gestione Macchinari - CO.GE.MA S.p.A.. The acquiree coordinates the Group's activities in Saudi Arabia. The acquisition has not significantly affected the Group's consolidated financial statements.

(ii) Acquisition of 30% of Consorcio OHL

In May 2016, the Group finalised its acquisition of 30% of this Colombian consortium from third parties, obtaining full control thereover. The consortium is engaged in the El Quimbo project.

(iii) Sale of 25% of the Riachuelo contract (Argentina)

On 3 February 2016, the Group completed its sale of 25% of Salini Impregilo S.p.A. - S.A. Healy Company Jose J Chediack S.A. UTE, a SPE set up to construct an underwater effluent diffuser in Buenos Aires, Argentina. Accordingly, it had a 75% interest in this SPE at year end. Pursuant to IFRS 10, the effects of this sale have been recognised directly in equity.

(iv) Transfer of 14% of the joint operation CWG to Salini Saudi Arabia

As per the previously-signed agreements with the Saudi partner, Salini Impregilo transferred 14% of Civil Work Group JV to its subsidiary Salini Saudi Arabia Ltd. Co. (SSA) on 30 November 2016. As a result, it now holds 52% of the joint operation. Pursuant to IFRS 10, the effects of the transfer were recognised directly in equity.

## 6. Segment reporting

Impregilo Group's combination with Salini Group has meant, inter alia, both the concentration of the Group's industrial operations in its core business of the construction of complex large-scale infrastructure and the gradual disposal of assets no longer deemed strategic, as well as a comprehensive review of the Group's organisation and business management processes.

As a result, segment reporting is presented according to macro geographical regions, based on the management review approach adopted by senior management, for the three geographical segments: "Italy", "Abroad" and "LANE Group" (following acquisition of the US Group on 4 January 2016).

Costs relating to activities carried out by the parent, called "Corporate" costs, are attributed to the Italy segment and relate to:

- planning and management of human and financial resources;

- coordination and assistance with administrative, tax, legal/corporate and institutional communications requirements to group companies.

These costs amounted to €158.4 million for 2016 compared to €143.2 million for the previous year.

Management measures the segments' results by considering their operating profit.

The geographical segments are measured based on net invested capital.

Disclosures on the Group's performance by business segment are set out in the Directors' report. The consolidated financial statements figures are summarised below by geographical segment.

(€'000)	Italy (*)	Abroad	LANE Group	Total Group
Revenue	455,685	4,007,094	1,297,579	5,760,358
Other income	83,894	33,624	5,932	123,451
<b>Total revenue</b>	<b>539,579</b>	<b>4,040,718</b>	<b>1,303,512</b>	<b>5,883,809</b>
Costs				
Production costs	(385,963)	(2,939,307)	(897,200)	(4,222,470)
Personnel expenses	(187,148)	(352,469)	(346,621)	(886,237)
Other operating expenses	(61,995)	(150,545)	(9,724)	(222,264)
Provisions and impairment losses	(7,869)	(7,010)	(1,623)	(16,503)
<b>Total costs</b>	<b>(642,975)</b>	<b>(3,449,331)</b>	<b>(1,255,167)</b>	<b>(5,347,475)</b>
<b>Gross operating profit (loss) (EBITDA)</b>	<b>(103,396)</b>	<b>591,387</b>	<b>48,345</b>	<b>536,334</b>
<i>EBITDA %</i>	<i>-19.2%</i>	<i>14.6%</i>	<i>3.7%</i>	<i>9.1%</i>
Amortisation and depreciation	(57,021)	(169,599)	(34,201)	(260,821)
<b>Operating profit (loss) (EBIT)</b>	<b>(160,418)</b>	<b>421,788</b>	<b>14,144</b>	<b>275,513</b>
<i>Return on Sales</i>				<i>4.7%</i>
Financing income (costs) and gains (losses on equity investments)				(77,384)
<b>Profit before tax (EBT)</b>				<b>198,130</b>
Income tax expense				(77,952)
<b>Profit from continuing operations</b>				<b>120,178</b>
Loss from discontinued operations				(20,662)
<b>Profit for the year</b>				<b>99,515</b>

(\*) The operating profit includes the costs of the central units and other general costs of €158.4 million.

The figures in the above table for Lane Group are its IFRS-compliant figures and they do not include the non-controlling investments in joint ventures included in the “Work Under Management” figures as presented in the Directors’ report.

The Group monitors the key figures of Lane Group for management account purposes adjusting the IFRS figures prepared for consolidation purposes to present the results of the non-subsidiary joint ventures consolidated on a proportionate basis. These figures show the status of contracts managed directly by Lane or through non-controlling investments in joint ventures. Reference should be made to the section on “Initial considerations on the comparability of data” of the Directors’ report for more information).

#### **Income statement by geographical segment - 2015 (\$)**

(€'000)	Italy (*)	Abroad	Total
Revenue	667,449	3,956,617	4,624,066
Other income	74,827	71,402	146,229
<b>Total revenue</b>	<b>742,276</b>	<b>4,028,019</b>	<b>4,770,295</b>
Costs			
Production costs	(563,385)	(3,000,651)	(3,564,036)
Personnel expenses	(165,333)	(373,431)	(538,764)
Other operating expenses	(73,619)	(88,448)	(162,067)
Provisions and impairment losses	(31,020)	8,237	(22,783)
<b>Total costs</b>	<b>(833,357)</b>	<b>(3,454,293)</b>	<b>(4,287,650)</b>
<b>Gross operating profit (loss) (EBITDA)</b>	<b>(91,081)</b>	<b>573,726</b>	<b>482,645</b>
<i>EBITDA %</i>	<i>-12.3%</i>	<i>14.2%</i>	<i>10.1%</i>
Amortisation and depreciation	(40,654)	(174,405)	(215,059)
<b>Operating profit (loss) (EBIT)</b>	<b>(131,735)</b>	<b>399,321</b>	<b>267,586</b>
<i>Return on Sales</i>			<i>5.6%</i>
Financing income (costs) and gains (losses) on equity investments			(90,089)
<b>Profit (loss) before tax (EBT)</b>			<b>177,497</b>
Income tax expense			(84,576)
<b>Profit (loss) from continuing operations</b>			<b>92,921</b>
Loss from discontinued operations			(10,690)
<b>Profit for the year</b>			<b>82,231</b>

(\$)

The 2015 income statement was restated to comply with IFRS 5 given the new disposal scope of Todini Costruzioni Generali. The figures in this column do not include Lane acquired on 4 January 2016.

(\*) The operating profit includes the costs of the central units and other general costs of €143,3.

**Statement of financial position as at 31 December 2016 by geographical segment**

(€'000)	Italy	Abroad	LANE Group	Total
Non-current assets	431,911	447,928	468,619	<b>1,348,457</b>
Assets held for sale, net	6,032	0	-	<b>6,032</b>
Provisions for risks	(83,663)	(16,297)	(5,805)	<b>(105,765)</b>
Post-employment benefits and employee benefits	(14,444)	(12,762)	(64,724)	<b>(91,930)</b>
Net tax assets (liabilities)	219,177	(73,073)	(27,762)	<b>118,342</b>
Working capital	190,899	200,351	45,761	<b>437,012</b>
<b>Net invested capital</b>	<b>749,911</b>	<b>546,147</b>	<b>416,089</b>	<b>1,712,148</b>
Equity				<b>1,361,330</b>
Net financial position				<b>350,818</b>
<b>Total financial resources</b>				<b>1,712,148</b>

**Statement of financial position as at 31 December 2015 by geographical segment**

(€'000)	Italy	Abroad	Total
Non-current assets	253,050	666,390	<b>919,440</b>
Assets (liabilities) held for sale, net	62,169	(20,575)	<b>41,594</b>
Provisions for risks	(97,091)	(9,270)	<b>(106,361)</b>
Post-employment benefits and employee benefits	(14,195)	(11,217)	<b>(25,412)</b>
Net tax assets	83,561	52,505	<b>136,066</b>
Working capital	355,518	(77,234)	<b>278,284</b>
<b>Net invested capital</b>	<b>643,012</b>	<b>600,599</b>	<b>1,243,611</b>
Equity			<b>1,216,860</b>
Net financial position			<b>26,751</b>
<b>Total financial resources</b>			<b>1,243,611</b>

## Statement of financial position

### 7. Property, plant and equipment

Property, plant and equipment amount to €803.0 million, up from the 31 December 2015 figure by €208.7 million. Their historical cost and carrying amount are given in the following table:

(€'000)	31 December 2016			31 December 2015		
	Cost	Acc. depreciation	Carrying amount	Cost	Acc. depreciation	Carrying amount
Land	60,107	-	60,107	5,354	-	5,354
Buildings	145,914	(62,920)	82,994	152,726	(74,056)	78,670
Plant and machinery	1,287,576	(733,247)	554,329	1,084,534	(634,156)	450,378
Industrial and commercial equipment	114,007	(98,026)	15,981	112,781	(93,979)	18,802
Other assets	103,439	(47,918)	55,521	57,771	(44,812)	12,959
Assets under const. and payments on account	34,106	-	34,106	28,202	-	28,202
<b>Total</b>	<b>1,745,149</b>	<b>(942,111)</b>	<b>803,039</b>	<b>1,441,368</b>	<b>(847,003)</b>	<b>594,365</b>

Changes during the year are summarised below:

(€'000)	31 December 2015	Increases	Deprec. (Imp. losses)/Reversals of losses	Reclass.	Disposals	Exchange rate gains (losses) and other changes	Change in consolidation scope	31 December 2016
Land	5,354	376	-	-	(793)	1,408	53,763	60,107
Buildings	78,670	21,518	(20,581)	(22,173)	(3,970)	1,199	28,330	82,994
Plant and machinery	450,378	210,763	(188,974)	25,199	(54,805)	2,963	108,806	554,329
Industrial and commercial equipment	18,802	9,832	(11,429)	252	(1,146)	(82)	(248)	15,981
Other assets	12,959	3,941	(5,828)	191	(546)	1,190	43,614	55,521
Assets under const. and payments on account	28,202	11,203	-	(3,469)	(1,903)	249	(176)	34,106
<b>Total</b>	<b>594,365</b>	<b>257,633</b>	<b>(226,813)</b>	<b>-</b>	<b>(63,163)</b>	<b>6,927</b>	<b>234,089</b>	<b>803,039</b>

Prior year changes are summarised below:

(€'000)	31 December 2014	Increases	Deprec. (Imp. losses)/Reversals of losses	Reclass.	Disposals	Exchange rate gains (losses) and other changes	Change in consolidation scope	31 December 2015
Land	2,014	3,207	-	-	-	133	-	5,354
Buildings	68,034	25,692	(18,497)	2,926	(4,399)	4,401	514	78,670
Plant and machinery	430,568	166,048	(152,220)	7,201	(29,721)	(2,757)	31,675	450,378
Industrial and commercial equipment	25,813	14,721	(14,231)	(6,508)	(809)	(184)	-	18,802
Other assets	13,229	4,444	(4,342)	(331)	(535)	20	475	12,959
Assets under const. and payments on account	28,261	1,274	-	(419)	(1,942)	356	672	28,202
<b>Total</b>	<b>567,919</b>	<b>215,386</b>	<b>(189,290)</b>	<b>(417)</b>	<b>(37,406)</b>	<b>1,969</b>	<b>33,336</b>	<b>594,365</b>

The most significant changes include:

- increases of €257.6 million, mainly related to investments for foreign contracts including the Ethiopian branch (€20 million, principally relating to the Gibe IV project), the Riyadh Metro Line 3 (Saudi Arabia) (€10.5 million), the Lima Metro 2 (€9.5 million), Consorzio Collegamenti Integrati Veloci (CO.C.I.V.) (€90.1 million) and the Ruta del Sol project (€51.2 million);
- depreciation for the year of €226.8 million;
- disposals of €63.2 million, principally related to plant and machinery. These disposals mostly refer to contracts nearing completion and the Line North Underground (Qatar) (€15.9 million);
- the change in the consolidation scope, mostly referring to the acquisitions of Lane (€225.3 million) and assets from Asphalt Roads and Materials Company (€8.7 million). These amounts have been calculated using the PPA procedure described in Note 5;
- the closing balance at 31 December 2016 includes leased assets of €203 million recognised under “Buildings” (€0.2 million), “Plant and machinery” (€201.5 million), “Industrial and commercial equipment” (€1.2 million) and “Other assets” (€0.1 million).

## 8. Intangible assets

Intangible assets amount to €168.8 million, down from the 31 December 2015 figure by €25.1 million. Their historical cost and carrying amount are given in the following table:

(€'000)	31 December 2016			31 December 2015		
	Cost	Acc. amortisation	Carrying amount	Cost	Acc. amortisation	Carrying amount
Rights to infrastructure under concession	72,718	(9,469)	63,249	73,984	(9,098)	64,886
Contract acquisition costs	200,154	(97,511)	102,643	193,923	(66,209)	127,714
Other	8,526	(5,655)	2,871	3,331	(2,110)	1,221
<b>Total</b>	<b>281,398</b>	<b>(112,635)</b>	<b>168,763</b>	<b>271,238</b>	<b>(77,417)</b>	<b>193,821</b>

The rights to infrastructure under concession of €63.2 million decreased compared to the previous year-end balance. Changes of the year are detailed in the following table:

(€'000)	31 December 2015	Increases	Amortisation	Exchange rate losses	Change in consolidation scope	31 December 2016
SA.BRO.M.	43,491	738	-	-	-	44,229
Parking Glasgow	19,452	-	(962)	(1,276)	-	17,214
Mercovia	1,943	543	(382)	(298)	-	1,806
<b>Total</b>	<b>64,886</b>	<b>1,281</b>	<b>(1,344)</b>	<b>(1,574)</b>	<b>-</b>	<b>63,249</b>



The increase in this item for SA.BRO.M. mainly comprises design costs, 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.

No indications of impairment were identified during the year and, therefore, the Group did not perform the impairment test.

For comparative purposes, prior year changes are as follows:

(€'000)	31 December 2014	Increases	Amortisation	Exchange rate losses	Change in consolidation scope	31 December 2015
SA.BRO.M.	42,552	939				43,491
Parking Glasgow	19,913		(1,016)	555		19,452
Mercovia	2,915	165	(477)	(660)		1,943
<b>Totale diritti su infrastrutture in concessione</b>	<b>65,380</b>	<b>1,104</b>	<b>(1,493)</b>	<b>(105)</b>	<b>-</b>	<b>64,886</b>

Contract acquisition costs amount to €102.6 million and are analysed in the following table:

(€'000)	31 December 2015	Increases	Amortisation	Exchange rate gains	Change in consolidation scope	31 December 2016
Cociv (Milan-Genoa railway section)	44,366	-	(3,791)	-	-	40,575
Riyadh Metro - Saudi Arabia	56,551	-	(17,719)	-	-	38,832
Iricav Due (Verona-Padua railway section)	12,510	-	-	-	-	12,510
Thessalonica Metro - Greece	1,130	-	(501)	-	-	629
Yarull - Dom. Republic	3,037	-	(32)	-	-	3,005
Vegas Tunnel - USA	307	-	(307)	-	-	-
Gerald Desmond Bridge - USA	5,264	-	(1,715)	-	-	3,549
Stavros Niarchos - Greece	710	-	(710)	-	-	-
Seli Tunnelling Denmark A.p.S.	3,839	-	(2,756)	-	-	1,083
Lane	-	-	(3,590)	19	6,031	2,460
<b>Total</b>	<b>127,714</b>	<b>-</b>	<b>(31,121)</b>	<b>19</b>	<b>6,031</b>	<b>102,643</b>

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.

The change in the consolidation scope refers to the acquisition of Lane. The Group calculated this amount using the PPA procedure described in Note 5.

With respect to the Verona - Padua section, amortisation of the acquisition cost will commence when work starts.

Prior year changes are as follows:

(€'000)	31 December 2014	Increases	Amortisation	Disposals	Change in consolidation scope	31 December 2015
Cociv (Milan-Genoa railway section)	48,623	-	(4,257)	-	-	44,366
Riyadh Metro - Saudi Arabia	25,394	38,748	(7,591)	-	-	56,551
Iricav Due (Verona-Padua railway section)	-	12,510	-	-	-	12,510
Thessalonica Metro - Greece	1,202	-	(72)	-	-	1,130
Yarull - Dom. Republic	3,083	-	(46)	-	-	3,037
Vegas Tunnel - USA	4,687	-	(4,380)	-	-	307
Gerald Desmond Bridge - USA	7,235	-	(1,971)	-	-	5,264
Stavros Niarchos - Greece	3,108	-	(2,398)	-	-	710
Seli Tunnelling Denmark A.p.S.	-	-	(1,968)	-	5,807	3,839
<b>Total</b>	<b>93,332</b>	<b>51,258</b>	<b>(22,683)</b>	<b>-</b>	<b>5,807</b>	<b>127,714</b>

There are no indicators of impairment for the contracts to which the acquisition costs refer.

Other intangible assets amount to €2.9 million, up €1.6 million from the 31 December 2015 figure. Their historical cost and carrying amount are given in the following table:

(€'000)	31 December 2016			31 December 2015		
	Cost	Acc. amortisation	Carrying amount	Cost	Acc. amortisation	Carrying amount
Industrial patents	74	(60)	14	921	(908)	13
Concessions	64	(64)	-	64	(62)	2
Software	7,292	(4,699)	2,593	1,447	(487)	960
Other	1,095	(831)	264	899	(653)	246
<b>Total</b>	<b>8,525</b>	<b>(5,654)</b>	<b>2,871</b>	<b>3,331</b>	<b>(2,110)</b>	<b>1,221</b>

Changes during the year are set out below:

(€'000)	31 December 2015	Increases	Amortisation	Other changes	Disposals	Exchange rate gains (losses)	Change in consolidation scope	31 December 2016
Industrial patents	13	21	(20)	-	-	-	-	14
Concessions	2	-	-	-	-	(18)	16	-
Software	960	929	(1,333)	-	-	(3)	2,040	2,593
Other	246	191	(174)	-	-	(17)	18	264
<b>Total</b>	<b>1,221</b>	<b>1,141</b>	<b>(1,545)</b>	<b>-</b>	<b>-</b>	<b>(4)</b>	<b>2,058</b>	<b>2,871</b>

The change in the consolidation scope refers to the acquisition of Lane on 4 January 2016. Reference should be made to Note 5 - Business combinations for more information on the acquisition.

Prior year changes are as follows:

(€'000)	31 December 2014	Increases	Amortisation	Reclassifications	Disposals	Exchange rate gains (losses)	Change in consolidation scope	31 December 2015
Industrial patents	42	-	(29)	-	-	-	-	13
Concessions	4	-	(2)	-	-	-	-	2
Software	954	375	(271)	(61)	-	(37)	-	960
Other	302	29	(85)	-	-	-	-	246
<b>Total</b>	<b>1,302</b>	<b>404</b>	<b>(387)</b>	<b>(61)</b>	<b>-</b>	<b>(37)</b>	<b>-</b>	<b>1,221</b>

## 9. Goodwill

Goodwill of € 175.2 million at the reporting date solely relates to the acquisition of Lane Group finalised during the 2016.

Its recognition is detailed in Note 5 - Business combinations.

Changes during the year are set out below:

(€'000)	31 December 2015	4 January 2016 acquisition of Lane	4 April 2016 acquisition of Virginia Beach	Exchange rate gains	31 December 2016
Lane Group	-	144,065	-	3,953	148,018
Asphalt Roads and Materials Co. assets	-	-	25,167	2,003	27,170
<b>Total</b>	<b>-</b>	<b>144,065</b>	<b>20,468</b>	<b>5,956</b>	<b>175,188</b>

The recoverability of the carrying amounts was checked by comparing Lane Group's net invested capital, 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 of zero on a prudent basis;
- post-tax discount rate: 7.5%.

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 2017-2019 three-year plan prepared and approved by management. The terminal value is based on a sustainable profit assumption, from which stable long-term operating cash flows have been estimated, on a going concern basis.

The Group tested goodwill for impairment at the reporting date, which showed that the CGU's recoverable amount exceeds its carrying amount (net invested capital) by 50%.

Moreover, given the materiality of the above difference, a possible reasonable change in the assumptions described above adopted in the calculation of the recoverable amount (a 0.5% increase or decrease in the growth rate and in the discount rate, respectively), would not lead to a significantly different outcome.

## 10. Equity investments

Equity investments increased by €70.2 million to €201.5 million.

(€'000)	31 December 2016	31 December 2015	Variation
Investments in subsidiaries	47	124	(77)
Investments in equity-accounted investees	183,509	114,990	68,519
Other investments	17,912	16,140	1,772
<b>Total</b>	<b>201,468</b>	<b>131,254</b>	<b>70,214</b>

The main changes that led to differences in the carrying amounts of the equity investments are summarised below:

(€'000)	31 December 2016	31 December 2015
Change in consolidation method	42,087	(9,095)
Capital transactions	51,159	36,739
Acquisitions, capital injections and disinvestments	(4,855)	673
Share of profit of equity-accounted investees	5,545	81
Dividends from equity-accounted investees	(26,855)	(925)
Other changes including change in the translation reserve	3,133	(641)
<b>Total</b>	<b>70,214</b>	<b>26,832</b>

The change in consolidation method refers to the new consolidation scope with the inclusion of the Lane Group joint ventures measured using the equity method.

“Capital transactions” mainly refer to the subscription of shares of the company that will develop the concession project for the Milan Metro 4 for €3.5 million, the recapitalisation of the SPE Grupo Unido por el Canal (Panama) for €44.7 million and the subscription of additional shares of Gaziantep (Turkey) for €1.9 million.

The Group’s share of profit of equity-accounted investees totals €5.5 million, considering also the figures shown in Note 27, detailing the changes in the provision for risks on equity investments. The effect on profit or loss is analysed in Note 37.

The carrying amount of the investment in Ochre Solutions Holdings Ltd was tested for impairment using the English operator’s 2017-2038 business plan. Its cash flows were discounted using a rate of 5.3% (2015: 5.7%) 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 performed a similar test for Consorcio Agua Azul S.A. based on the Peruvian operator’s 2017-2027 business plan. Its cash flows were discounted using a rate of 8.4% (2015: 8.8%).

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, showing that it was not impaired.

### Investments in equity-accounted investees and other equity investments

Investments in equity-accounted investees and other equity investments increased by €70.3 million to €201.4 million:

(€'000)	31 December 2016	31 December 2015	Variation
Investments in associates	112,017	103,847	8,170
Investments in jointly controlled entities	86,643	22,831	63,812
Investments in other companies	2,761	4,452	(1,691)
<b>Total</b>	<b>201,421</b>	<b>131,130</b>	<b>70,291</b>

The increase is principally due to the Lane Group joint ventures included this year.

Investments in associates, jointly controlled entities and other companies with a negative carrying amount, provided for in the provision for risks on equity investments (see Note 27), increased to €2.5 million by €0.3 million compared to 31 December 2015.

(€'000)	31 December 2016	31 December 2015	Variation
Investments in associates	(1,744)	(1,691)	(53)
Investments in jointly controlled entities	(415)	0	(415)
Investments in other companies	(367)	(499)	132
<b>Total</b>	<b>(2,526)</b>	<b>(2,190)</b>	<b>(336)</b>

The amount recognised in profit or loss is as follows:

(€'000)	2016	2015	Variation
Investments in associates	646	222	424
Investments in jointly controlled entities	5,964	(103)	6,067
Investments in other companies	(1,201)	343	(1,544)
<b>Total</b>	<b>5,409</b>	<b>462</b>	<b>4,947</b>

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 2016 and 2015, only those entities not incorporated into legal entities and structured as separate vehicles that guarantee transparency of the rights and obligations of the parties are classified as joint operations.

Salini Impregilo Group's activities involve its participation in numerous SPEs that, especially in Italy, use the consortium structure, which works using a cost recharging system. Under IFRS 10 and IFRS 11, these entities have been classified as subsidiaries, associates and joint ventures, according to the guidelines set out above.

Although the investments in the consortium entities classified as associates and joint ventures are measured using the equity method, their revenue is 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 under "Services". Therefore, since the significant effects concerning consortium entities are already shown in the consolidated financial statements, they are not detailed in the following section.

#### Financial highlights of the significant associates

The group associates at 31 December 2016 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.

	Head office	Registered office (if different to the head office)	Investment %	Nature of the relationship	Measurement method
Consortio Agua Azul S.A.	Peru	n/a	25.5%	(1)	Equity
Metro de Lima 2 S.A.	Peru	n/a	18.25%	(2)	Equity
Yuma Concessionaria S.A.	Colombia	n/a	48.33%	(3)	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. Information about the concession's term is provided in the paragraph on "Concessions" of the "Abroad" section of the Directors' report.

- (2) 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 paragraph on “Concessions” of the “Abroad” section of the Directors’ report provides a description of this concession. The governance system requires majority resolutions and Salini Impregilo’s investment percentage means it can be classified as an associate.
- (3) The company is held directly by Salini Impregilo S.p.A. and has a concession contract for the third motorway lot of the Ruta del Sol project in Colombia. The contract expires in 2036. The section on “Concessions” in the Directors’ report provides a description of this concession. The governance system requires majority resolutions and Salini Impregilo’s investment percentage means it can be classified as an associate. Information about the concession’s term is provided in the paragraph on “Concessions” of the “Abroad” section of the Directors’ report.

The financial information relating to individually significant associates accounted for using the equity method is shown below. In addition, the financial information of the associates is reconciled with the carrying amount of the related investments.

The information shown reflects the carrying amounts in the associates’ financial statements, adjusted to comply with group accounting policies.



<b>Agua Azul (Peru)</b> (€'000)	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>Variation</b>
<b>Non-current assets</b>			
Property, plant and equipment and intangible assets	21,365	22,107	(742)
Other non-current assets	-	2,900	(2,900)
<b>Total non-current assets</b>	<b>21,365</b>	<b>25,007</b>	<b>(3,642)</b>
<b>Current assets</b>			
Cash and cash equivalents and other financial assets	2,746	3,583	(837)
Other current assets	4,313	1,286	3,027
<b>Total current assets</b>	<b>7,059</b>	<b>4,869</b>	<b>2,190</b>
<b>Total assets</b>	<b>28,424</b>	<b>29,876</b>	<b>(1,452)</b>
<b>Equity</b>	<b>27,021</b>	<b>27,473</b>	<b>(452)</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	-	-	-
Other non-current liabilities	11	-	11
<b>Total non-current liabilities</b>	<b>11</b>	<b>-</b>	<b>11</b>
<b>Current liabilities</b>			
Current financial liabilities		248	(248)
Other current liabilities	1,392	2,155	(763)
<b>Total current liabilities</b>	<b>1,392</b>	<b>2,403</b>	<b>(1,011)</b>
<b>Total liabilities</b>	<b>28,424</b>	<b>29,876</b>	<b>(1,452)</b>

<b>Agua Azul (Peru)</b> (€'000 Group share)	<b>31/12/2016</b>	<b>31/12/2015</b>
<b>Opening equity</b>	<b>7,005</b>	<b>6,779</b>
Comprehensive income attributable to the owners of the parent	1,356	992
Dividends distributed	(1,470)	(766)
Capital increases and other variations	-	-
<b>Closing equity</b>	<b>6,891</b>	<b>7,005</b>
<b>Carrying amount</b>	<b>6,891</b>	<b>7,005</b>

<b>Agua Azul (Peru)</b> (€'000)	<b>2016</b>	<b>2015</b>	<b>Variation</b>
Revenue	12,488	12,591	(103)
Costs	(6,435)	(6,449)	14
<b>Operating profit</b>	<b>6,053</b>	<b>6,142</b>	<b>(89)</b>
Net financing income (costs)	(112)	45	(157)
<b>Profit before tax</b>	<b>5,941</b>	<b>6,187</b>	<b>(246)</b>
Income tax expense	(1,811)	(1,895)	84
<b>Profit from continuing operations</b>	<b>4,130</b>	<b>4,292</b>	<b>(162)</b>
Other comprehensive income (expense)	1,184	(399)	1,583
<b>Profit for the year</b>	<b>5,314</b>	<b>3,893</b>	<b>1,421</b>

<b>Yuma (Colombia)</b> (€'000)	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>Variation</b>
<b>Non-current assets</b>			
Property, plant and equipment and intangible assets	184,759	141,017	43,742
Other non-current assets	876	-	876
<b>Total non-current assets</b>	<b>185,635</b>	<b>141,017</b>	<b>44,618</b>
<b>Current assets</b>			
Cash and cash equivalents and other financial assets	8,167	2,179	5,988
Other current assets	58,398	61,142	(2,744)
<b>Total current assets</b>	<b>66,565</b>	<b>63,321</b>	<b>3,244</b>
<b>Total assets</b>	<b>252,200</b>	<b>204,338</b>	<b>47,862</b>
<b>Equity</b>	<b>27,568</b>	<b>23,286</b>	<b>4,282</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	37,517	38,897	(1,380)
Other non-current liabilities	31,421	802	30,619
<b>Total non-current liabilities</b>	<b>68,938</b>	<b>39,699</b>	<b>29,239</b>
<b>Current liabilities</b>			
Current financial liabilities	141,979	130,208	11,771
Other current liabilities	13,715	11,145	2,570
<b>Total current liabilities</b>	<b>155,694</b>	<b>141,353</b>	<b>14,341</b>
<b>Total liabilities</b>	<b>252,200</b>	<b>204,338</b>	<b>47,862</b>

<b>Yuma (Colombia)</b> (€'000 Group share)	<b>31/12/2016</b>	<b>31/12/2015</b>
<b>Opening equity</b>	<b>11,253</b>	<b>8,868</b>
Comprehensive income attributable to the owners of the parent	2,071	83
Dividends distributed	-	-
Other comprehensive income	-	2,302
<b>Closing equity</b>	<b>13,324</b>	<b>11,253</b>
<b>Carrying amount</b>	<b>13,324</b>	<b>11,253</b>

<b>Yuma (Colombia)</b> (€'000)	<b>2016</b>	<b>2015</b>	<b>Variation</b>
Revenue	77,138	86,714	(9,576)
Costs	(80,234)	(87,199)	6,965
<b>Gross operating loss</b>	<b>(3,096)</b>	<b>(485)</b>	<b>(2,611)</b>
Net financing income	3,497	7,953	(4,456)
<b>Profit before tax</b>	<b>401</b>	<b>7,468</b>	<b>(7,067)</b>
Income tax income/expense	1,643	(2,764)	4,407
<b>Profit from continuing operations</b>	<b>2,044</b>	<b>4,704</b>	<b>(2,660)</b>
Other comprehensive income (expense)	2,239	(4,533)	6,772
<b>Profit for the year</b>	<b>4,283</b>	<b>171</b>	<b>4,112</b>

<b>Metro de Lima 2 S.A. (Peru)</b> (€'000)	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>Variation</b>
<b>Non-current assets</b>			
Property, plant and equipment and intangible assets	291	39,136	(38,845)
<b>Total non-current assets</b>	<b>291</b>	<b>39,136</b>	<b>(38,845)</b>
<b>Current assets</b>			
Cash and cash equivalents and other financial assets	80,304	59,433	20,871
Other current assets	198,987	100,144	98,843
<b>Total current assets</b>	<b>279,291</b>	<b>159,577</b>	<b>119,714</b>
<b>Total assets</b>	<b>279,582</b>	<b>198,713</b>	<b>80,869</b>
<b>Equity</b>	<b>126,470</b>	<b>118,064</b>	<b>8,406</b>
<b>Non-current liabilities</b>			
Other non-current liabilities	3,023	77,877	(74,854)
<b>Total non-current liabilities</b>	<b>3,023</b>	<b>77,877</b>	<b>(74,854)</b>
<b>Current liabilities</b>			
Other current liabilities	150,089	2,772	147,317
<b>Total current liabilities</b>	<b>150,089</b>	<b>2,772</b>	<b>147,317</b>
<b>Total liabilities</b>	<b>279,582</b>	<b>198,713</b>	<b>80,869</b>

<b>Metro de Lima 2 S.A. (Peru)</b> (€'000 Group share)	<b>31/12/2016</b>	<b>31/12/2015</b>
<b>Opening equity</b>	<b>21,547</b>	<b>8,567</b>
Comprehensive income attributable to the owners of the parent	1,534	3,065
Capital increases and other variations	-	9,915
<b>Closing equity</b>	<b>23,081</b>	<b>21,547</b>
<b>Carrying amount</b>	<b>23,081</b>	<b>21,547</b>

<b>Metro de Lima 2 S.A. (Peru)</b> (€'000)	<b>2016</b>	<b>2015</b>	<b>Variation</b>
Revenue	349,448	181,702	167,746
Costs	(344,596)	(174,363)	(170,233)
<b>Operating profit</b>	<b>4,852</b>	<b>7,339</b>	<b>(2,487)</b>
Net financing income	1,739	208	1,531
<b>Profit before tax</b>	<b>6,591</b>	<b>7,547</b>	<b>(956)</b>
Income tax expense	(2,277)	-	(2,277)
<b>Profit from continuing operations</b>	<b>4,314</b>	<b>7,547</b>	<b>(3,233)</b>
Other comprehensive income	4,091	9,248	(5,157)
<b>Profit for the year</b>	<b>8,405</b>	<b>16,795</b>	<b>(8,390)</b>

**Significant restrictions**

At the date of preparation of this Report, there were no restrictions on the associates' ability to transfer dividends, repay loans or make advances to the parent.

**Contingent liabilities**

At the date of preparation of this Report, there were no contingent liabilities related to the Group's investments in associates. Any related risk areas are described in the paragraph on "Concessions" of the "Abroad" section of the Directors' report.

**Interests in joint ventures**

The most significant joint ventures are listed below:

	Head office	Registered office (if different to the head office)	Investment %	Nature of the relationship	Measurement method
Grupo Unidos Por El Canal S.A.	Panama	n/a	48%	(1)	Equity
AGL JV	United States	n/a	20%	(2)	Equity
Gemma Lane Liberty Partners	United States	n/a	10%	(2)	Equity
Gemma Lane Patriot Partners	United States	n/a	10%	(2)	Equity
Purple Line Transit Constructors LLC	United States	n/a	30%	(2)	Equity
Skanska Granite Lane	United States	n/a	30%	(2)	Equity
I4 Leasing LLC	United States	n/a	30%	(2)	Equity

(1) The company is held directly by Salini Impregilo S.p.A. and is engaged in building the new system of locks on the Panama Canal. Reference should be made to the "Main risk factors and uncertainties" section of the Directors' report on for further information. The governance system requires qualified majority resolutions passed with the favourable vote of two members, including Salini Impregilo.

(2) The joint ventures are held by the newly-acquired sub-holding company Lane and are active in the construction segment. Reference should be made to the Directors' report for additional information.

**Financial highlights of the joint ventures**

The financial information related to the joint ventures measured using the equity method is set out below with a reconciliation of such information with the carrying amount of the Group's interest in the joint venture as per the shareholder agreements.

The information shown reflects the carrying amounts in the joint venture's financial statements, adjusted to comply with group accounting policies.

<b>Gemma Lane Liberty Partners</b> (€'000)	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>Variation</b>
<b>Non-current assets</b>			
<b>Current assets</b>			
Cash and cash equivalents and other financial assets	4,189	n.a.	n.a.
Other current assets	61	n.a.	n.a.
<b>Total current assets</b>	<b>4,250</b>	-	-
<b>Total assets</b>	<b>4,250</b>	-	-
<b>Equity</b>	<b>1,282</b>	-	-
<b>Non-current liabilities</b>			
<b>Current liabilities</b>			
Other current liabilities	2,968	n.a.	n.a.
<b>Total current liabilities</b>	<b>2,968</b>	-	-
<b>Total liabilities</b>	<b>4,250</b>	-	-

<b>Gemma Lane Liberty Partners</b> (€'000 Group share)	<b>31/12/2016</b>	<b>31/12/2015</b>
<b>Opening equity</b>	<b>1,831</b>	-
Comprehensive income attributable to the owners of the parent	2,103	n.a.
Dividends distributed	(3,614)	n.a.
<b>Closing equity</b>	<b>320</b>	-
<b>Carrying amount</b>	<b>320</b>	-

<b>Gemma Lane Liberty Partners</b> (€'000)	<b>2016</b>	<b>2015</b>	<b>Variation</b>
Revenue	31,669	n.a.	n.a.
Costs	(23,203)	n.a.	n.a.
<b>Operating profit</b>	<b>8,466</b>	-	-
<b>Profit before tax</b>	<b>8,466</b>	-	-
<b>Profit from continuing operations</b>	<b>8,466</b>	-	-
<b>Profit for the year</b>	<b>8,466</b>	-	-
Other comprehensive expense	(52)	n.a.	n.a.
<b>Profit for the year</b>	<b>8,414</b>	-	-

<b>Gemma Lane Patriot Partners</b> (€'000)	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>Variation</b>
<b>Non-current assets</b>			
<b>Current assets</b>			
Cash and cash equivalents and other financial assets	7,642	n.a.	n.a.
Other current assets	-	n.a.	n.a.
<b>Total current assets</b>	<b>7,642</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>7,642</b>	<b>-</b>	<b>-</b>
<b>Equity</b>	<b>1,855</b>	<b>-</b>	<b>-</b>
<b>Non-current liabilities</b>			
<b>Current liabilities</b>			
Other current liabilities	5,787	n.a.	n.a.
<b>Total current liabilities</b>	<b>5,787</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>7,642</b>	<b>-</b>	<b>-</b>

<b>Gemma Lane Patriot Partners</b> (€'000 Group share)	<b>31/12/2016</b>	<b>31/12/2015</b>
<b>Opening equity</b>	<b>229</b>	<b>-</b>
Net expense for the year	5,204	n.a.
Dividends distributed	(4,969)	n.a.
<b>Closing equity</b>	<b>464</b>	<b>-</b>
<b>Carrying amount</b>	<b>464</b>	<b>-</b>

<b>Gemma Lane Patriot Partners</b> (€'000)	<b>2016</b>	<b>2015</b>	<b>Variation</b>
Revenue	72,173	n.a.	n.a.
Costs	(51,434)	n.a.	n.a.
<b>Operating profit</b>	<b>20,739</b>	<b>-</b>	<b>-</b>
<b>Profit before tax</b>	<b>20,739</b>	<b>-</b>	<b>-</b>
<b>Profit from continuing operations</b>	<b>20,739</b>	<b>-</b>	<b>-</b>
<b>Profit for the year</b>	<b>20,739</b>	<b>-</b>	<b>-</b>
Other comprehensive income	74	n.a.	n.a.
<b>Profit for the year</b>	<b>20,813</b>	<b>-</b>	<b>-</b>

<b>Purple Line Tr. Constr. (Lane)</b> (€'000)	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>Variation</b>
<b>Non-current assets</b>			
Property, plant and equipment and intangible assets	-	n.a.	n.a.
<b>Total non-current assets</b>	-	-	-
<b>Current assets</b>			
Cash and cash equivalents and other financial assets	53,510	n.a.	n.a.
Other current assets	9,067	n.a.	n.a.
<b>Total current assets</b>	<b>62,577</b>	-	-
<b>Total assets</b>	<b>62,577</b>	-	-
<b>Equity</b>	<b>16,400</b>	-	-
<b>Non-current liabilities</b>			
Non-current financial liabilities	289	n.a.	n.a.
<b>Total non-current liabilities</b>	<b>289</b>	-	-
<b>Current liabilities</b>			
Other current liabilities	45,888	n.a.	n.a.
<b>Total current liabilities</b>	<b>45,888</b>	-	-
<b>Total liabilities</b>	<b>62,577</b>	-	-

<b>Purple Line Tr. Constr. (Lane)</b> (€'000 Group share)	<b>31/12/2016</b>	<b>31/12/2015</b>
<b>Opening equity</b>	-	-
Comprehensive income attributable to the owners of the parent	4,920	n.a.
Dividends distributed	-	n.a.
<b>Closing equity</b>	<b>4,920</b>	-
<b>Carrying amount</b>	<b>4,920</b>	-

<b>Purple Line Tr. Constr. (Lane)</b> (€'000)	<b>2016</b>	<b>2015</b>	<b>Variation</b>
Revenue	146,196	n.a.	n.a.
Costs	(130,573)	n.a.	n.a.
<b>Operating profit</b>	<b>15,623</b>	-	-
Net financing costs	(4)	n.a.	n.a.
<b>Profit before tax</b>	<b>15,619</b>	-	-
<b>Profit from continuing operations</b>	<b>15,619</b>	-	-
<b>Profit for the year</b>	<b>15,619</b>	-	-
Other comprehensive income	782	n.a.	n.a.
<b>Profit for the year</b>	<b>16,401</b>	-	-

<b>Skanska Granite Lane</b> (€'000)	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>Variation</b>
<b>Non-current assets</b>			
Property, plant and equipment and intangible assets	51	n.a.	n.a.
<b>Total non-current assets</b>	<b>51</b>	<b>-</b>	<b>-</b>
<b>Current assets</b>			
Cash and cash equivalents and other financial assets	138,987	n.a.	n.a.
Other current assets	74,321	n.a.	n.a.
<b>Total current assets</b>	<b>213,308</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>213,359</b>	<b>-</b>	<b>-</b>
<b>Equity</b>	<b>24,021</b>	<b>-</b>	<b>-</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	-	n.a.	n.a.
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>			
Other current liabilities	189,338	n.a.	n.a.
<b>Total current liabilities</b>	<b>189,338</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>213,359</b>	<b>-</b>	<b>-</b>

<b>Skanska Granite Lane</b> (€'000 Group share)	<b>31/12/2016</b>	<b>31/12/2015</b>
<b>Opening equity</b>	<b>2,811</b>	<b>-</b>
Comprehensive income attributable to the owners of the parent	9,816	n.a.
Dividends distributed	(5,421)	n.a.
<b>Closing equity</b>	<b>7,206</b>	<b>-</b>
<b>Carrying amount</b>	<b>7,206</b>	<b>-</b>

<b>Skanska Granite Lane</b> (€'000)	<b>2016</b>	<b>2015</b>	<b>Variation</b>
Revenue	336,274	n.a.	n.a.
Costs	(305,727)	n.a.	n.a.
<b>Operating profit</b>	<b>30,547</b>	<b>-</b>	<b>-</b>
Net financing income	1,173	n.a.	n.a.
<b>Profit before tax</b>	<b>31,720</b>	<b>-</b>	<b>-</b>
<b>Profit from continuing operations</b>	<b>31,720</b>	<b>-</b>	<b>-</b>
<b>Profit for the year</b>	<b>31,720</b>	<b>-</b>	<b>-</b>
Other comprehensive income	1,001	n.a.	n.a.
<b>Profit for the year</b>	<b>32,721</b>	<b>-</b>	<b>-</b>



<b>I4 Leasing (Lane)</b> (€'000)	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>Variation</b>
<b>Non-current assets</b>			
Property, plant and equipment and intangible assets	50,155	n.a.	n.a.
<b>Total non-current assets</b>	<b>50,155</b>	-	-
<b>Current assets</b>			
Cash and cash equivalents and other financial assets	12,972	n.a.	n.a.
Other current assets	1,362	n.a.	n.a.
<b>Total current assets</b>	<b>14,334</b>	-	-
<b>Total assets</b>	<b>64,489</b>	-	-
<b>Equity</b>	<b>62,810</b>	-	-
<b>Non-current liabilities</b>			
<b>Current liabilities</b>			
Current financial liabilities	-	n.a.	n.a.
Other current liabilities	1,679	n.a.	n.a.
<b>Total current liabilities</b>	<b>1,679</b>	-	-
<b>Total liabilities</b>	<b>64,489</b>	-	-

<b>I4 Leasing (Lane)</b> (€'000 Group share)	<b>31/12/2016</b>	<b>31/12/2015</b>
<b>Opening equity</b>	<b>17,969</b>	-
Comprehensive income attributable to the owners of the parent	873	n.a.
Dividends distributed	-	n.a.
Capital increases and other variations	-	n.a.
<b>Closing equity</b>	<b>18,842</b>	-
<b>Carrying amount</b>	<b>18,842</b>	-

<b>I4 Leasing (Lane)</b> (€'000)	<b>2016</b>	<b>2015</b>	<b>Variation</b>
Revenue	6,810	n.a.	n.a.
Costs	(6,028)	n.a.	n.a.
<b>Operating profit</b>	<b>782</b>	-	-
Net financing income	59	n.a.	n.a.
<b>Profit before tax</b>	<b>841</b>	-	-
<b>Profit from continuing operations</b>	<b>841</b>	<b>n.a.</b>	<b>n.a.</b>
Other comprehensive income	2,071	n.a.	n.a.
<b>Profit for the year</b>	<b>2,912</b>	-	-

<b>AGL Constructors JV (Lane)</b> (€'000)	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>Variation</b>
<b>Non-current assets</b>			
Property, plant and equipment and intangible assets	26,238	n.a.	n.a.
<b>Total non-current assets</b>	<b>26,238</b>	-	-
<b>Current assets</b>			
Cash and cash equivalents and other financial assets	23,950	n.a.	n.a.
Other current assets	50,136	n.a.	n.a.
<b>Total current assets</b>	<b>74,086</b>	-	-
<b>Total assets</b>	<b>100,324</b>	-	-
<b>Equity</b>	<b>26,474</b>	-	-
<b>Non-current liabilities</b>			
<b>Current liabilities</b>			
Current financial liabilities	76	n.a.	n.a.
Other current liabilities	73,774	n.a.	n.a.
<b>Total current liabilities</b>	<b>73,850</b>	-	-
<b>Total liabilities</b>	<b>100,324</b>	-	-

<b>AGL Constructors JV (Lane)</b> (€'000 Group share)	<b>31/12/2016</b>	<b>31/12/2015</b>
<b>Opening equity</b>	<b>7,012</b>	-
Comprehensive income attributable to the owners of the parent	(19)	n.a.
Dividends distributed	(1,807)	n.a.
Capital increases and other variations	110	n.a.
<b>Closing equity</b>	<b>5,296</b>	-
<b>Carrying amount</b>	<b>5,296</b>	-

<b>AGL Constructors JV (Lane)</b> (€'000)	<b>2016</b>	<b>2015</b>	<b>Variation</b>
Revenue	286,238	n.a.	n.a.
Costs	(285,811)	n.a.	n.a.
<b>Operating profit</b>	<b>427</b>	-	-
Net financing income	(525)	n.a.	n.a.
<b>Profit before tax</b>	<b>(98)</b>	-	-
<b>Profit from continuing operations</b>	<b>(98)</b>	<b>n.a.</b>	<b>n.a.</b>
Other comprehensive income	-	n.a.	n.a.
<b>Profit for the year</b>	<b>(98)</b>	-	-

<b>Gupc (Panama)</b> (€'000)	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>Variation</b>
<b>Non-current assets</b>			
Property, plant and equipment and intangible assets	48,301	80,079	(31,778)
<b>Total non-current assets</b>	<b>48,301</b>	<b>80,079</b>	<b>(31,778)</b>
<b>Current assets</b>			
Cash and cash equivalents and other financial assets	14,428	30,296	(15,868)
Other current assets	1,420,801	1,357,931	62,870
<b>Total current assets</b>	<b>1,435,229</b>	<b>1,388,227</b>	<b>47,002</b>
<b>Total assets</b>	<b>1,483,530</b>	<b>1,468,306</b>	<b>15,224</b>
<b>Deficit</b>	<b>(559,114)</b>	<b>(492,519)</b>	<b>(66,595)</b>
<b>Non-current liabilities</b>			
Other non-current liabilities	421	1,141	(720)
<b>Total non-current liabilities</b>	<b>421</b>	<b>1,141</b>	<b>(720)</b>
<b>Current liabilities</b>			
Current financial liabilities	508,241	472,832	35,409
Other current liabilities	1,533,982	1,486,852	47,130
<b>Total current liabilities</b>	<b>2,042,223</b>	<b>1,959,684</b>	<b>82,539</b>
<b>Total liabilities</b>	<b>1,483,530</b>	<b>1,468,306</b>	<b>15,224</b>

<b>Gupc (Panama)</b> (€'000 Group share)	<b>31/12/2016</b>	<b>31/12/2015</b>
<b>Opening deficit</b>	<b>(189,127)</b>	<b>(169,499)</b>
Comprehensive expense attributable to the owners of the parent	(25,573)	(19,657)
Capital increases and other variations	-	29
<b>Closing deficit</b>	<b>(214,700)</b>	<b>(189,127)</b>
Loan asset	263,721	211,928
<b>Carrying amount</b>	<b>49,021</b>	<b>22,801</b>

<b>Gupc (Panama)</b> (€'000)	<b>2016</b>	<b>2015</b>	<b>Variation</b>
Revenue	305,380	913,265	(607,885)
Costs	(329,809)	(895,765)	565,956
<b>Operating profit (loss)</b>	<b>(24,429)</b>	<b>17,500</b>	<b>(41,929)</b>
Net financing costs	(23,490)	(17,727)	(5,763)
<b>Loss before tax</b>	<b>(47,919)</b>	<b>(227)</b>	<b>(47,692)</b>
Income tax expense	(104)	(116)	12
<b>Loss from continuing operations</b>	<b>(48,023)</b>	<b>(343)</b>	<b>(47,680)</b>
Other comprehensive expense	(18,572)	(50,847)	32,275
<b>Loss for the year</b>	<b>(66,595)</b>	<b>(51,190)</b>	<b>(15,405)</b>

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. Any related risk areas are described in the paragraph on "Concessions" of the "Abroad" section of the Directors' report and, with respect to GUPC, the paragraph on the "Main risk factors and uncertainties".

### Risks associated with the Group's investments in associates and joint ventures

#### Commitments

The Group has the following commitments vis-à-vis its associates and joint ventures:

(€'000)	31 December 2016	31 December 2015	Variation
Commitments	1,727,707	1,156,741	570,966

The increase is mainly due to guarantees issued on behalf of the non-consolidated joint ventures of Lane Group (€601.4 million), net of the decrease in the guarantees issued on behalf of Pedelombarda S.c.p.A. (€41.1 million), partially offset by the increase in the guarantees issued on behalf of Iricav 2 Consorzio, which is constructing the high speed/capacity Verona - Padua railway section.

### Joint operations

The Group is involved in the following main joint operations: CMC - Mavundla - Impregilo (South Africa), Civil Work Group (Saudi Arabia), Arge Tulfes Pfon (Austria) and South Al Mutlaa (Kuwait).

Salini Impregilo S.p.A. has a direct 39.2% interest in CMC - Mavundla - Impregilo, which is engaged in works for the hydroelectric plant in Ingula. The Civil Work Group, which is engaged in the civil works for the Riyadh metro, is directly owned by the parent (52%) and indirectly through Salini Saudi Arabia (for a total of 66%), in which the group has a 51% interest.

The Arge Tulfes Pfon is 49% held directly by Salini Impregilo S.p.A. and is engaged in the construction of the last section of the Brenner-Innsbruck tunnel. The South Al Mutlaa was incorporated during the year and is directly held by Salini Impregilo S.p.A. (55%).

It will construct primary urbanisation works to build a new residential area in a 12 thousand hectares site located 40 km northwest of Kuwait City as part of the South Al Mutlaa Housing Project.

The above operations are governed by joint control arrangements as resolutions of the governing bodies require a unanimous vote. They are structured as separate vehicles, guaranteeing transparency of their rights and obligations with respect to Salini Impregilo S.p.A..

## 11. Derivatives and non-current financial assets

Non-current financial assets of €62.6 million are analysed in the following table:

(€'000)	31 December 2016	31 December 2015	Variation
Other financial assets	17,877	19,638	(1,761)
Loans and receivables - unconsolidated group companies and other related parties	19,005	19,986	(981)
Loans and receivables - third parties	25,576	28,208	(2,632)
Derivatives	156	-	156
<b>Total</b>	<b>62,614</b>	<b>67,832</b>	<b>(5,218)</b>

The other financial assets include unlisted guaranteed-return securities which mature after one year. They amount to €18.0 million at year end (31 December 2015: €19.6 million) and mainly comprise units in the fund financing Yuma.

Loans and receivables - unconsolidated group companies and other related parties of €19.0 million (31 December 2015, €20 million) mainly relate to loans granted to the UK associates Ochre Holding (€11.3 million) and Impregilo Wolverhampton (€0.7 million) and the Swiss associates CSC (€3.8 million) and CEDIV (€3.2 million), owned by Salini Costruttori S.p.A.

Loans and receivables - third parties of €25.6 million decreased by €2.6 million on 31 December 2015 and mainly include:

- €21.5 million related to the concessions of the indirect subsidiaries Corso del Popolo S.p.A. and Piscine dello Stadio S.r.l.;
- €3.7 million due from Prime System as a result of the sale of Todini during the year.

The decrease in loans and receivables - third parties is mainly due to the reclassification of amounts due before 31 December 2017 from Caminos de Las Sierras and the Cordoba provincial authorities and the recognition of the amount due from Prime System, as mentioned above.

“Derivatives” show the reporting-date fair value of the interest rate hedges.

They are broken down below:

(€'000)	31 December 2016
Interest rate swaps - Cash flow hedges	156
<b>Total</b>	<b>156</b>

### Interest rate hedging derivatives with positive fair value and fair value gains or losses recognised in the hedging reserve

Company	Agreement date	Expiry date	Currency	Notional amount	Fair value (€)
Lane	10/07/2016	04/08/2021	USD	40,000,000	155,931
<b>Totale</b>					<b>155,931</b>

## 12. Deferred tax assets and liabilities

Deferred tax assets and liabilities amount to €121.9 million and €108.5 million at 31 December 2016, respectively, as shown in the following table:

(€'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)

Changes in deferred tax assets and liabilities are set out below:

(€'000)	31 December 2015	Increases	Decreases	Exchange rate gains (losses)	Change in consolidation scope	Change in tax rate	Re-classifications	Other changes	31 December 2016
Deferred tax assets	227,841	28,808	(20,092)	(374)	33,508	-	-	21,739	291,430
Offsetting	(163,778)	-	-	-	-	-	-	(5,727)	(169,505)
<b>Net deferred tax assets</b>	<b>64,063</b>	<b>28,808</b>	<b>(20,092)</b>	<b>(374)</b>	<b>33,508</b>	<b>-</b>	<b>-</b>	<b>16,012</b>	<b>121,925</b>
Deferred tax liabilities	(219,635)	(17,745)	14,791	5,169	(35,409)	-	-	(25,169)	(277,998)
Offsetting	163,778	-	-	-	-	-	-	5,727	169,505
<b>Net deferred tax liabilities</b>	<b>(55,857)</b>	<b>(17,745)</b>	<b>14,791</b>	<b>5,169</b>	<b>(35,409)</b>	<b>-</b>	<b>-</b>	<b>(19,442)</b>	<b>(108,493)</b>

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively, and are netted at company level when this is allowed.

Changes in 2015 were as follows:

(€'000)	31 December 2014	Increases	Decreases	Exchange rate gains (losses)	Change in consolidation scope	Change in tax rate	Re-classifications	Other changes	31 December 2015
Deferred tax assets	215,127	149,184	(82,483)	(202)	(6,943)	(5,856)	2,266	(43,250)	227,843
Offsetting	(76,725)	621	-	-	1,648	-	(621)	(88,702)	(163,779)
<b>Net deferred tax assets</b>	<b>138,402</b>	<b>149,805</b>	<b>(82,483)</b>	<b>(202)</b>	<b>(5,295)</b>	<b>(5,856)</b>	<b>1,645</b>	<b>(131,952)</b>	<b>64,064</b>
Deferred tax liabilities	(157,160)	(149,722)	52,489	501	(8,251)	2,330	(1,655)	41,832	(219,636)
Offsetting	76,725	-	-	-	(1,648)	-	-	88,702	163,779
<b>Net deferred tax liabilities</b>	<b>(80,435)</b>	<b>(149,722)</b>	<b>52,489</b>	<b>501</b>	<b>(9,899)</b>	<b>2,330</b>	<b>(1,655)</b>	<b>130,534</b>	<b>(55,857)</b>

### 13. Inventories

Inventories total €270.6 million at the reporting date, as shown in the following table:

(€'000)	31 December 2016			31 December 2015			Variation
	Gross amount	Allowance	Carrying amount	Gross amount	Allowance	Carrying amount	
Real estate projects	22,059	(8,597)	13,462	22,085	(8,597)	13,488	(26)
Finished products and goods	3,475	-	3,475	3,448	-	3,448	27
Raw materials, consumables and supplies	256,225	(2,583)	253,642	252,666	(1,529)	251,137	2,505
<b>Total</b>	<b>281,759</b>	<b>(11,180)</b>	<b>270,579</b>	<b>278,199</b>	<b>(10,126)</b>	<b>268,073</b>	<b>2,506</b>

#### Real estate projects

Real estate projects amount to €13.5 million, substantially unchanged from the previous year end. They mainly relate to the real estate project of €11.6 million (net of the related allowance of €7.8 million) for the construction of a trade point in Lombardy for which a dispute is pending about the zoning provisions of the area on which the property stands.

Based also on its legal advisors' opinion, 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 €3.5 million and €253.6 million, respectively, and mainly relates to materials and goods to be used for foreign contracts, including those in Ethiopia (€125.0 million), those of Lane Industries Incorporated (€23.5 million), those in Venezuela (€17.6 million), Colombia (€9.9 million) and Nigeria (€7.6 million).

The carrying amount of raw materials, consumables and supplies is net of an allowance of €2.6 million, analysed below:

(€'000)	31 December 2015	Write-downs	Utilisations	Reversals	Other changes	Exchange rate losses	31 December 2016
Allowance - raw materials	(1,529)	(432)	1,961	399	(2,957)	(25)	(2,583)
<b>Total</b>	<b>(1,529)</b>	<b>(432)</b>	<b>1,961</b>	<b>399</b>	<b>(2,957)</b>	<b>(25)</b>	<b>(2,583)</b>

Changes in the prior year are shown in the next table:

(€'000)	31 December 2014	Write-downs	Utilisations	Reversals	Other changes	Exchange rate losses	31 December 2015
Allowance - raw materials	(1,553)	(814)	832	-	-	6	(1,529)
<b>Total</b>	<b>(1,553)</b>	<b>(814)</b>	<b>832</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>(1,529)</b>

## 14. Contract work in progress

Contract work in progress totals €2,367.3 million at the reporting date, up €591.5 million on the previous year-end figure. The increase includes ongoing production calculated using the most recent estimates of the current contracts' profitability.

The following table shows contract work in progress calculated using the stage of completion method, net of losses realised or estimated at the reporting date and progress billings:

(€'000)	31 December 2016	31 December 2015	Variation
Contract work in progress	34,079,424	27,960,191	6,119,233
Progress payments and advances received (on approved work)	(31,712,161)	(26,184,400)	(5,527,761)
<b>Total</b>	<b>2,367,263</b>	<b>1,775,791</b>	<b>591,472</b>

The most significant work in progress relates to railway work in Venezuela (€270.1 million), the hydroelectric plants in Ethiopia (€115.2 million), the high speed/capacity railway work in Italy (€187.9 million), the hydroelectric, road and civil building works in Nigeria (€64.5 million), the Copenhagen Cityringen Metro in Denmark (€297.6 million), the Doha Metro and the Al Bayt Stadium in Al Khor, Qatar (€216.7 million), the design and construction of motorways in Romania (€102.6 million), the construction of the new metro line as part of the Sydney Metro Northwest Project in Australia (€105.3 million) and work in progress in Libya (€151.2 million).

With respect to the works in Libya, the subsidiary Lidco collected contractual advances in previous years amounting to €182.6 million at the reporting date, recognised as "Advances for contract work in progress" under liabilities in the statement of financial position.



The item shows an increase over 31 December 2015 mainly due to continuation of production on the contracts in Denmark (€152.5 million, due to the Copenhagen Cityringen Metro contract), Qatar (€146.7 million, mainly referred to construction of the Al Bayt Stadium in Al Khor and the Red Line North Underground), Tajikistan (€30.1 million, relating to the construction of an hydroelectric plant), Australia (€91.0 million, to build the Sydney Metro Northwest Project - Design and Construction of Surface and Viaduct Civil Works) and the US (€41.5 million, mainly as a result of the work carried out by Lane).

The section on the “Main risk factors and uncertainties” in the Directors’ report provides information on pending disputes and assets exposed to country risk.

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 work in progress by geographical segment is as follows:

(€'000)	31 December 2016	31 December 2015	Variation
Italy	453,529	399,625	53,904
EU (excluding Italy)	462,173	247,378	214,795
Non-EU	124,420	106,464	17,956
Asia	75,017	16,310	58,707
Middle East	284,562	115,991	168,571
Africa	458,331	546,857	(88,526)
North America	30,412	613	29,799
Latin America	373,465	328,251	45,214
Oceania	105,354	14,302	91,052
<b>Total</b>	<b>2,367,263</b>	<b>1,775,791</b>	<b>591,472</b>

## 15. Trade receivables

At 31 December 2016, trade receivables amount to €2,359.3 million, a net increase of €798.6 million compared to 31 December 2015. The item includes receivables of €155.6 million from unconsolidated group companies and other related parties.

It is analysed in the following table:

(€'000)	31 December 2016	31 December 2015	Variation
Third parties	2,203,645	1,380,098	823,547
Unconsolidated group companies and other related parties	155,628	180,585	(24,957)
<b>Total</b>	<b>2,359,273</b>	<b>1,560,683</b>	<b>798,590</b>

Trade receivables - third parties may be broken down as follows:

(€'000)	31 December 2016	31 December 2015	Variation
Trade receivables	2,316,580	1,479,741	836,839
Allowance for impairment	(112,935)	(99,643)	(13,292)
<b>Total</b>	<b>2,203,645</b>	<b>1,380,098</b>	<b>823,547</b>

The balance relates to amounts due from clients for invoices issued and for work performed and approved by clients but still to be invoiced. The net increase is mainly due to a result of the change in the consolidation scope following Lane's acquisition on 4 January 2016 (€176.1 million) and the rise in the Ethiopian branch's trade receivables (€598.5 million). The Ethiopian branch recorded a related increase in trade payables for works performed (€278.4 million). Settlement of the trade receivables and trade payables takes place concurrently on the basis of the agreements between the parties.

The item also includes €228.9 million due to Fibe by the Campania municipalities for its management services provided under contract until 15 December 2005 and the subsequent transition period (reference should be made to the "Main risk factors and uncertainties" section in the Directors' report for more information about this complicated situation and the directors' related assessments).

Retentions amount to €126 million at the reporting date compared to €87.3 million at 31 December 2015.

The allowance for impairment increased by €13.3 million to €112.9 million at the reporting date and includes impairment losses on trade receivables of €58.1 million (mostly for the Venezuelan branch, the Sierra Leone branch and the head office) and on default interest of €54.8 million (mainly related to Fibe).

Impairment losses recognised during the year totalled €20.3 million and are mainly attributable to the Venezuelan branch for delays in payments by clients, described in the paragraph on Venezuela in the section on the "Main risk factors and uncertainties" in the Directors' report.

Changes in the allowance are shown in the next table:

(€'000)	31 December 2015	Impairment losses	Utilisations	Reversals	Change in consolidation scope	Other changes	Exchange rate gains	31 December 2016
Trade receivables	43,817	20,375	(1,272)	(7,671)	2,677	(73)	278	58,130
Default interest	55,826	-	-	(1,073)	-	14	38	54,806
<b>Total</b>	<b>99,643</b>	<b>20,375</b>	<b>(1,272)</b>	<b>(8,744)</b>	<b>2,677</b>	<b>(59)</b>	<b>316</b>	<b>112,936</b>

Changes in the previous year are as follows:

(€'000)	31 December 2015	Impairment losses	Utilisations	Reversals	Change in consolidation scope	Other changes	Exchange rate gains	31 December 2016
Trade receivables	41,098	5,269	(6,722)	(950)	-	2,999	2,123	43,817
Default interest	59,798	86	(3,079)	-	-	(1,014)	35	55,826
<b>Total</b>	<b>100,896</b>	<b>5,355</b>	<b>(9,801)</b>	<b>(950)</b>	<b>-</b>	<b>1,985</b>	<b>2,158</b>	<b>99,643</b>

Trade receivables from unconsolidated group companies and other related parties decreased by €25 million to €155.6 million at 31 December 2016.

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 €2 million equal to the Group's share of the SPEs' cash and cash equivalents. It is shown in the item "Net financial position with unconsolidated SPEs" in the schedule of the Group's net financial indebtedness.

The decrease is principally attributable to the reduction in the receivable due from the consortium company Metro Blu s.c.r.l. which is involved in constructing Line 4 of the Milan Metro.

## 16. Derivatives and other current financial assets

At 31 December 2016, this item of €323.4 million (31 December 2015, €312.1 million) includes the following:

(€'000)	31 December 2016	31 December 2015	Variation
Government bonds and insurance shares	6,846	2,815	4,031
Loans and receivables - third parties	138,155	164,693	(26,538)
Loans and receivables - unconsolidated group companies and related parties	178,392	144,596	33,796
<b>Total</b>	<b>323,393</b>	<b>312,104</b>	<b>11,289</b>

The government bonds and insurance shares amount to €6.8 million compared to €2.8 million at 31 December 2015. The item includes unlisted guaranteed-return securities with maturities of less than one year. The increase in the year is principally due to the investment in securities by the Argentine subsidiary Impregilo Healy Ute, which was awarded the Riachuelo contract in Argentina.

Loans and receivables - third parties mainly consist of:

- €67.9 million due from the CAV.TO.MI Consortium related to the amounts paid as a result of the Appeal Court ruling of 23 September 2015. The Group deems this receivable to be recoverable, also based on its legal advisors' opinion and the ongoing negotiations with the counterparty. The section on the "Main risk factors and uncertainties" in the Directors' report provides more information;
- €16.1 million, which is the current portion of the amount due from Prime System Kz Ltd for the sale of Todini Costruzioni Generali S.p.A.;
- €13.5 million due from the Romanian Ministry for Infrastructure and Transportation related to the surety enforced during the year as a result of the disputes with the customer about the Orastie-Sibiu motorway contract. The Group is confident that it will recover this amount, based also on the opinion of its legal advisors assisting it with the disputes. The section on the "Main risks and uncertainties" in the Directors' report provides more information;
- €9.6 million, relating to the subsidiary Impregilo International Infrastructures N.V., which is the current portion of the amount due for the sale of the investment in the Argentine operator Caminos de Las Sierras to the Cordoba provincial authorities (Argentina) in 2010. This amount bears interest at 9.50% and is comprised as follows:
  - the amount due from Caminos de Las Sierras, related to the loan granted by Impregilo International Infrastructures to the Argentine operator in the past, which was restructured as part of the sales agreements. The outstanding balance due within one year at the reporting date is €7.8 million;
  - the amount due from the Cordoba provincial authorities, which also refers to the sale of the investment in Caminos de Las Sierras and amounts to €1.8 million due within one year.

To date, these amounts have been currently regularly collected in accordance with the related contractual terms.

During the second half of 2016, the Group collected €29.9 million and €18.4 million, which were outstanding at 31 December 2015 due to the surety enforced in 2014 for the delay in the Metro 6 (Chile) works and for the sale of TEEM S.p.A., respectively.

Loans and receivables with unconsolidated group companies and other related companies mainly consist of:

- €130.0 million due from Consorzio OIV Tocoma, the SPE in charge of a hydroelectric project in Venezuela;
- €14.4 million due from the owners of Salerno – Reggio Calabria S.c.p.A and Cociv Consortium;
- €6.0 million due from Salini Costruttori S.p.A., principally relating to its participation in the VAT consolidation scheme. At 31 December 2015, this item amounted to €14.5 million;
- €4.3 million due from the SPE Linea M4 S.p.A. for the loan granted to it in January 2016; this SPE was set up to design, build, maintain and operate the M4 line of the Milan metro under concession from the Milan municipality and to provide the related public service.

## 17. Current tax assets and other current tax assets

Current tax assets amount to €136.0 million as follows:

(€'000)	31 December 2016	31 December 2015	Variation
Direct taxes	53,118	56,387	(3,269)
IRAP	957	863	94
Foreign direct taxes	81,912	57,327	24,585
<b>Total</b>	<b>135,987</b>	<b>114,577</b>	<b>21,410</b>

The 31 December 2016 balance mainly consists of:

- direct tax assets for excess taxes paid in previous years, which the Group has correctly claimed for reimbursement and which bear interest;
- foreign direct tax assets for excess taxes paid abroad by the foreign group companies which will be recovered as per the relevant legislation.

Other current tax assets increased by €3.9 million to €146.5 million at the reporting date as follows:

(€'000)	31 December 2016	31 December 2015	Variation
VAT	129,590	107,035	22,555
Other indirect taxes	16,913	35,617	(18,704)
<b>Total</b>	<b>146,503</b>	<b>142,652</b>	<b>3,851</b>

VAT assets include €93.7 million due from the Italian taxation authorities and €35.9 million from foreign taxation authorities.

## 18. Other current assets

Other current assets of €591.3 million show an increase of €72.6 million on the previous year end and may be analysed as follows:

(€'000)	31 December 2016	31 December 2015	Variation
Other	275,177	217,636	57,541
Advances to suppliers	197,414	179,268	18,146
Other - unconsolidated group companies and other related parties	35,623	33,882	1,741
Prepayments and accrued income	83,057	87,856	(4,799)
<b>Total</b>	<b>591,271</b>	<b>518,642</b>	<b>72,629</b>

“Other” increased by €57.5 million, mainly due to the different consolidation scope following acquisition of Lane and the larger amounts due from the Group’s partners.

Specifically, they include:

- €71.4 million (substantially unchanged from 31 December 2015) 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;
- €37.2 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;

- €55.5 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) and hydroelectric works in South Africa;
- €22.1 million related to Lane mainly for insurance policies taken out for key management personnel and a new project being developed in Qatar.

Advances to suppliers increased by €18.1 million over 31 December 2015, due to the advances made for the Tajikistani contract for the construction of a new hydroelectric power plant and the Australian contract for the construction of a railway line in Perth. They were partially offset by the use of advances made in previous years for the metro lines in Copenhagen, Denmark and Doha, Qatar, as well as for road works in Colombia.

Other - unconsolidated group companies and other related parties increased by €1.7 million to €35.6 million, as a result of a reduction in the amount due from OIV Tocoma Consortium, offset by an increase in the amount due from the Argentine investee engaged in the construction of two prisons in the Buenos Aires area.

Prepayments and accrued income of €83.1 million show a decrease of €4.8 million on 31 December 2015. 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 decrease, shown in the following table, is mainly due to the Riyadh Metro Line 3 contract in Saudia Arabia, partly offset by the increase generated by the Australian works on the railway line and Lane's new contracts in America.

This item is summarised in the following table:

(€'000)	31 December 2016	31 December 2015	Variation
Accrued income:			
- Other	409	301	108
<b>Total accrued income</b>	<b>409</b>	<b>301</b>	<b>108</b>
Prepayments:			
- Insurance	43,912	41,024	2,888
- Sureties	5,722	6,180	(458)
- Other contract costs	33,014	40,351	(7,337)
<b>Total prepayments</b>	<b>82,648</b>	<b>87,555</b>	<b>(4,907)</b>
<b>Total</b>	<b>83,057</b>	<b>87,856</b>	<b>(4,799)</b>

## 19. Cash and cash equivalents

At 31 December 2016, cash and cash equivalents amount to €1,602.7 million, up by €191.9 million, as shown below:

(€'000)	31 December 2016	31 December 2015	Variation
Cash and cash equivalents	1,602,721	1,410,775	191,946

A breakdown by geographical segment is as follows:

(€'000)	31 December 2016	31 December 2015	Variation
Italy	259,273	253,922	5,351
EU (excluding Italy)	101,865	138,975	(37,110)
Non-EU	15,569	26,715	(11,146)
Asia	42,281	33,388	8,893
Middle East	790,000	771,495	18,505
Africa	116,037	65,808	50,229
North America	160,487	45,044	115,443
Latin America	71,209	47,051	24,158
Oceania	46,000	28,377	17,623
<b>Total</b>	<b>1,602,721</b>	<b>1,410,775</b>	<b>191,946</b>

The balance includes bank account credit balances at the end of the current year and the amounts of cash, cheques and valuables at the registered offices, work sites and foreign subsidiaries. Liquidity management is designed to ensure the financial independence of ongoing contracts, considering the structure of the consortia and SPEs, which may limit the availability of financial resources to achievement of the related projects. Liquidity management also considers the existence of constraints to the transfer of currency imposed by certain countries.

The statement of cash flows shows the reason for the increase in the item and changes in current account facilities (Note 22).

Imprepar's deposits include €5.5 million collected by it on behalf of third parties. Parking Glasgow's cash and cash equivalents are tied to specific claims for €0.5 million.

At the reporting date, the cash and cash equivalents attributable to non-controlling interests of the consolidated SPEs amount to €210.5 million and mainly refer to the Red Line North Underground and the Al Bayt Stadium in Al Khor, Qatar.



## 20. Non-current assets (liabilities) held for sale and discontinued operations and profit from discontinued operations

Non-current assets held for sale are shown in the following table with the associated liabilities:

(€'000)	31 December 2016	31 December 2015	Variation
Non-current assets held for sale	6,032	147,606	(141,574)
Liabilities directly associated with non-current assets held for sale	-	(106,012)	106,012
<b>Total</b>	<b>6,032</b>	<b>41,594</b>	<b>(35,562)</b>

The €35.6 million reduction in this caption is due to the sale of Todini Costruzioni Generali to Prime System Kz Ltd on 4 April 2016.

A breakdown of this item is as follows:

<b>31 December 2016</b>	<b>Business unit B Todini</b>	<b>Business unit A HCE (*)</b>	<b>USW Campania</b>	<b>Total</b>
(€'000)				
Non-current assets	348	-	5,683	6,032
<b>Non-current assets held for sale</b>	<b>348</b>	<b>-</b>	<b>5,683</b>	<b>6,032</b>

<b>31 December 2015</b>	<b>Business unit B Todini</b>	<b>Business unit A HCE (*)</b>	<b>USW Campania</b>	<b>Total</b>
(€'000)				
Non-current assets	31,746	545	5,683	37,974
Current assets	80,330	29,302	-	109,632
<b>Non-current assets held for sale</b>	<b>112,076</b>	<b>29,847</b>	<b>5,683</b>	<b>147,606</b>
Non-current liabilities	(30,485)	-	-	(30,485)
Current liabilities	(45,679)	(29,849)	-	(75,528)
<b>Liabilities directly associated with non-current assets held for sale</b>	<b>(76,164)</b>	<b>(29,849)</b>	<b>-</b>	<b>(106,013)</b>
<b>Total</b>	<b>35,912</b>	<b>(2)</b>	<b>5,683</b>	<b>41,593</b>
<i>- including net financial indebtedness</i>	<i>(7,274)</i>	<i>(11,665)</i>	<i>-</i>	<i>(18,939)</i>

(\*) Assets belonging to the Todini Costruzioni Generali business unit identified as Business unit A - Italian operating contracts. These assets were contributed by Todini Costruzioni Generali to HCE Costruzioni S.p.A. in the first quarter of 2016, HCE was subsequently sold to Salini Impregilo S.p.A.

The loss from discontinued operations in 2016 and 2015 is analysed in the following tables:

<b>2016</b> (€'000)	<b>Business unit B Todini</b>	<b>I INT IN.</b>	<b>USW Campania</b>	<b>Total</b>
<b>Revenue</b>				
Operating revenue	17,359	-	-	17,359
Other revenue	1,522	-	-	1,522
<b>Total</b>	<b>18,881</b>	<b>-</b>	<b>-</b>	<b>18,881</b>
<b>Costs</b>				
Costi per servizi	-	-	(1,072)	(1,072)
Other operating expenses	(701)	-	-	(701)
Personnel expense	(17,321)	-	-	(17,321)
<b>Total costs</b>	<b>(18,022)</b>	<b>-</b>	<b>(1,072)</b>	<b>(19,094)</b>
<b>Operating profit (loss)</b>	<b>859</b>	<b>-</b>	<b>(1,072)</b>	<b>(213)</b>
<b>Financing income (costs) and gains (losses) on equity investments</b>				
Financial income	994	-	-	994
Financial expense	(14,890)	-	-	(14,890)
Net financing costs	(13,896)	-	-	(13,896)
<b>Net financing costs and net gains (losses) on equity investments</b>	<b>(13,896)</b>	<b>-</b>	<b>-</b>	<b>(13,896)</b>
<b>Loss before tax</b>	<b>(13,037)</b>	<b>-</b>	<b>(1,072)</b>	<b>(14,109)</b>
Income tax expense	-	(6,555)	-	(6,555)
<b>Loss from discontinued operations</b>	<b>(13,037)</b>	<b>(6,555)</b>	<b>(1,072)</b>	<b>(20,664)</b>
<b>2015</b> (€'000)				
	<b>Business unit B Todini</b>		<b>USW Campania</b>	<b>Total</b>
<b>Revenue</b>				
Operating revenue		179,328	-	179,328
Other revenue		13,363	-	13,363
<b>Total</b>		<b>192,692</b>	<b>-</b>	<b>192,692</b>
<b>Costs</b>				
Raw materials and consumables		(46,536)	-	(46,536)
Subcontracts		(75,946)	-	(75,946)
Services		(24,396)	(542)	(24,938)
Personnel expense		(2,328)	-	(2,328)
Other operating expenses		(16,926)	-	(16,926)
Amortisation, depreciation, provisions and impairment losses		(31,931)	(4,505)	(36,436)
<b>Total costs</b>		<b>(198,063)</b>	<b>(5,047)</b>	<b>(203,110)</b>
<b>Operating loss</b>		<b>(5,371)</b>	<b>(5,047)</b>	<b>(10,418)</b>
<b>Financing income (costs) and gains (losses) on equity investments</b>				
Financial income		28	-	28
Financial expense		(22)	-	(22)
Net exchange rate gains		2,870	-	2,870
Net financing income		2,876	-	2,876
Net gains on equity investments		1	-	1
<b>Net financing income and net gains on equity investments</b>		<b>2,877</b>	<b>-</b>	<b>2,877</b>
<b>Loss before tax</b>		<b>(2,494)</b>	<b>(5,047)</b>	<b>(7,541)</b>
Income tax expense		(3,149)	-	(3,149)
<b>Loss from discontinued operations</b>		<b>(5,643)</b>	<b>(5,047)</b>	<b>(10,690)</b>

## 21. Equity

Equity increased to €1,361.3 million at 31 December 2016 from €1,216.9 million at the end of 2015 as follows:

(€'000)	31 December 2016	31 December 2015	Variation
Equity attributable to the owners of the parent			
Share capital	544,740	544,740	-
Share premium reserve	120,798	120,798	-
- Legal reserve	103,321	101,535	1,786
- Reserve for share capital increase related charges	(3,970)	(3,970)	-
- Reserve for treasury shares	(7,677)	(7,677)	-
- LTI reserve	4,241	139	4,102
- Extraordinary and other reserves	136	136	-
Total other reserves	96,051	90,163	5,888
Other comprehensive income (expense)			
- Translation reserve	48,529	(11,194)	59,723
- Hedging reserve	(533)	(8,085)	7,552
- Actuarial reserve	(909)	(5,273)	4,364
Total other comprehensive income (expense)	47,087	(24,552)	71,639
Retained earnings	336,406	324,259	12,147
Profit for the year	59,921	60,592	(671)
<b>Equity attributable to the owners of the parent</b>	<b>1,205,003</b>	<b>1,116,000</b>	<b>89,003</b>
Share capital and reserves attributable to non-controlling interests	116,733	79,221	37,512
Profit for the year attributable to non-controlling interests	39,593	21,639	17,954
Share capital and reserves attributable to non-controlling interests	156,326	100,860	55,466
<b>Total equity</b>	<b>1,361,329</b>	<b>1,216,860</b>	<b>144,469</b>

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 28 April 2016, the parent's shareholders resolved to allocate the profit for 2015 as follows:

- €1,786,530.08, equal to 5% of the profit for the year, to the legal reserve;
- €19,562,732.56 as a dividend to the holders of ordinary shares, equal to €0.04 per share;
- €420,027.66 as a dividend to the holders of savings shares, equal to €0.26 per share;
- €13,961,311.27 to retained earnings.

At 31 December 2016, the parent's fully paid-up share capital amounts to €544,740,000. It comprises 493,798,182 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 parent'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 parent'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 parent, 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 nominal value), the above fixed amount shall be adjusted accordingly.

Profit for the year as per the financial statements is allocated as follows:

- a) 5% to the legal reserve, up to the legally-required amount;
- b) to savings shares, to the extent of 5% of €5.2 per share (i.e., €0.26 per share). If a dividend lower than 5% of €5.2 per share (i.e., €0.26 per share) is paid one year, the difference is taken as an increase in the preferred dividend of the following two years;
- c) the residual amount, to all shareholders in such a way as to allocate to savings shares a total dividend which is 2% of €5.2 per share (i.e., €0.104 per share) greater than that distributed to ordinary shares, except when the shareholders decide to allocate an amount to the extraordinary reserves or for other uses.

The reserve for treasury shares is unchanged from 31 December 2015. The Group launched the repurchase programme on 6 October 2014 and has bought back 3,104,377 shares for €7,676,914.46.

The LTI (long term incentive plan) reserve shows the fair value of €4.2 million of this plan rolled out in 2015. The section on the accounting policies describes how the reserve is treated. The following table provides a breakdown of the reserve:

(Euro)	No. of shares	Amount	Start date	End date	Average price	Fair value
Chief executive officer	569,573	2,198,551.78	17/12/2015	30/4/2018	3.8600	965,837.78
Key management personnel	983,286	3,803,350.25	22/12/2015	30/4/2018	3.8680	1,658,437.61
Other managers	958,732	3,708,375.38	22/12/2015	30/4/2018	3.8680	1,617,024.15
<b>Total</b>	<b>2,511,591</b>	<b>9,710,277.41</b>				<b>4,241,299.54</b>

The main variation in other comprehensive income items relates to the effect of fluctuations in exchange rates as shown below:

(€'000)	2016	2015
Opening balance	(11,194)	15,575
Reclassification to profit or loss	13,171	-
Equity-accounted investees	1,511	228
Increase (decrease)	45,041	(26,997)
Total changes	59,723	(26,769)
<b>Closing balance</b>	<b>48,529</b>	<b>(11,194)</b>

The effect of changes in the hedging reserve due to fair value gains (losses) on financial instruments is detailed below:

(€'000)	2016	2015
Opening balance	(8,085)	1,987
Reclassification of fair value gains/losses on settled transactions to profit or loss	522	583
Net fair value losses	(3,490)	(10,113)
Change in consolidation scope	628	-
Net exchange rate losses and other changes	9,920	(299)
Net losses for equity-accounted investees	(28)	(243)
Total changes	7,552	(10,072)
<b>Closing balance</b>	<b>(533)</b>	<b>(8,085)</b>

The actuarial reserve underwent the following changes:

(€'000)	2016	2015
Opening balance	(5,273)	(5,447)
Reclassifications	-	744
Net actuarial gains (losses) recognised in OCI	4,364	(570)
<b>Closing balance</b>	<b>(909)</b>	<b>(5,273)</b>

**Retained earnings**

This item may be analysed as follows:

(€'000)	2016	2015
Opening balance	324,259	249,988
Allocation of profit	58,806	92,237
Dividend distribution	(19,983)	(19,983)
Reclassifications	-	(651)
Change in consolidation scope	(26,676)	2,668
<b>Closing balance</b>	<b>336,406</b>	<b>324,259</b>

**Share capital and reserves attributable to non-controlling interests**

Share capital and reserves attributable to non-controlling interests are as follows:

(€'000)	2016	2015
Opening balance	100,860	76,513
Capital increase (decrease)	(73)	11,295
Profit attributable to non-controlling interests	39,594	21,639
Dividend distribution to non-controlling interests	(23,672)	(2,938)
Change in consolidation scope	35,562	(4,306)
Other changes	524	-
Comprehensive expense	3,531	(1,343)
<b>Closing balance</b>	<b>156,326</b>	<b>100,860</b>

At the reporting date, the Group's significant not wholly owned subsidiaries are:

(€m)	Head office	Business	% of ordinary shares held directly by the parent	% of ordinary shares held by the Group	% of ordinary shares held by non-controlling investors	% of preference shares held by the Group	Non-controlling interests
Salerno-Reggio Calabria S.c.p.A.	Italy	Construction	51%	51%	49%	0%	24.5
Reggio Calabria - Scilla S.c.p.A.	Italy	Construction	51%	51%	49%	0%	17.1
Società Autostrada Broni - Mortara S.p.A. (SA.BRO.M)	Italy	Concessions	60%	60%	40%	0%	10.9
Impregilo-SK E&C-Galfar al Misnad JV	Qatar	Construction	41.25%	41.25%	58.75%	0%	19.4
Lane Industries Incorporated (*)	USA	Construction	100%	100%	n.a.	0%	14.7
Salini Saudi Arabia	Saudi Arabia	Construction	51%	51%	49%	0%	30.4
Other							39.3
<b>Total non-controlling interests</b>							<b>156.3</b>

(\*) Lane Group has interests in joint operations, mainly Lane-Ds-Ns Consortium (€4.2 million), Lane Corman (€3.3 million), Lane Abrams (€3.8 million) and Lane-National Contracting Jv (Sharjah) (€2.1 million).

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 table summarises the financial information of each company in which the Group has an investment that has significant non-controlling interests:

<b>Salerno-Reggio Calabria S.c.p.A.</b> (€'000)	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>Variation</b>
<b>Statement of financial position</b>			
<b>Assets</b>			
Non-current assets	66	179	(113)
Current assets	247,184	277,753	(30,569)
<b>Total assets</b>	<b>247,250</b>	<b>277,932</b>	<b>(30,682)</b>
<b>Equity and liabilities</b>			
Equity	50,000	50,000	-
Non-current liabilities	17	20	(3)
Current liabilities	197,233	227,912	(30,679)
<b>Total equity and liabilities</b>	<b>247,250</b>	<b>277,932</b>	<b>(30,682)</b>
<b>Income statement</b>			
	<b>2016</b>	<b>2015</b>	<b>Variation</b>
Revenue	18,567	38,070	(19,503)
Profit before tax	130	459	(329)
Income taxes	(130)	(391)	261
<b>Profit for the year</b>	<b>-</b>	<b>67</b>	<b>(67)</b>
<b>Comprehensive income</b>	<b>-</b>	<b>68</b>	<b>(68)</b>
<b>Comprehensive income attributable to non-controlling interests</b>	<b>-</b>	<b>33</b>	<b>(33)</b>
<b>Statement of cash flows</b>			
			<b>2016</b>
Net cash flows used in operating activities			(12,479)
Net cash flows used in financing activities			(1,940)
<b>Net increase in cash and cash equivalents and current account overdrafts</b>			<b>(14,419)</b>
<b>Opening cash and cash equivalents and current account overdrafts</b>			<b>25,040</b>
<b>Closing cash and cash equivalents and current account overdrafts</b>			<b>10,621</b>

<b>Reggio Calabria - Scilla S.c.p.A.</b> (€'000)	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>Variation</b>
<b>Statement of financial position</b>			
<b>Assets</b>			
Non-current assets	89	499	(410)
Current assets	123,796	130,760	(6,964)
<b>Total assets</b>	<b>123,885</b>	<b>131,259</b>	<b>(7,374)</b>
<b>Equity and liabilities</b>			
Equity	35,000	35,000	-
Non-current liabilities	299	374	(75)
Current liabilities	88,587	95,885	(7,298)
<b>Total equity and liabilities</b>	<b>123,886</b>	<b>131,259</b>	<b>(7,373)</b>
<b>Income statement</b>			
	<b>2016</b>	<b>2015</b>	<b>Variation</b>
Revenue	14,963	34,940	(19,977)
Profit before tax	371	262	109
Income taxes	(371)	(262)	(109)
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income attributable to non-controlling interests</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Statement of cash flows</b>			
			<b>2016</b>
Net cash flows used in operating activities			(19,093)
Net cash flows used in investing activities			(251)
Net cash flows used in financing activities			8,065
<b>Net increase in cash and cash equivalents and current account overdrafts</b>			<b>(11,279)</b>
<b>Opening cash and cash equivalents and current account overdrafts</b>			<b>16,732</b>
<b>Closing cash and cash equivalents and current account overdrafts</b>			<b>5,453</b>

<b>Società Autostrada Broni - Mortara S.p.A.</b> (€'000)	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>Variation</b>
<b>Statement of financial position</b>			
<b>Assets</b>			
Non-current assets	44,229	43,491	738
Current assets	2,127	5,044	(2,917)
<b>Total assets</b>	<b>46,356</b>	<b>48,535</b>	<b>(2,179)</b>
<b>Equity and liabilities</b>			
Equity	27,099	27,128	(29)
Non-current liabilities	19,257	21,407	(2,150)
<b>Total equity and liabilities</b>	<b>46,356</b>	<b>48,535</b>	<b>(2,179)</b>
<b>Income statement</b>			
	<b>2016</b>	<b>2015</b>	<b>Variation</b>
Revenue	1	1	-
Profit before tax	(55)	(393)	338
Income taxes	25	126	(101)
<b>Profit for the year</b>	<b>(30)</b>	<b>(267)</b>	<b>237</b>
<b>Comprehensive income</b>	<b>(30)</b>	<b>(267)</b>	<b>237</b>
<b>Comprehensive income attributable to non-controlling interests</b>	<b>(12)</b>	<b>(107)</b>	<b>95</b>
<b>Statement of cash flows</b>			
			<b>2016</b>
Net cash flows used in operating activities			(651)
Net cash flows used in financing activities			(2,107)
<b>Net increase in cash and cash equivalents and current account overdrafts</b>			<b>(2,758)</b>
<b>Opening cash and cash equivalents and current account overdrafts</b>			<b>3,552</b>
<b>Closing cash and cash equivalents and current account overdrafts</b>			<b>794</b>



<b>Salini-Kolin-GCF joint venture (Turkey)</b> (€'000)	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>Variation</b>
<b>Statement of financial position</b>			
<b>Assets</b>			
Non-current assets	82	121	(39)
Current assets	13,826	45,902	(32,076)
<b>Total assets</b>	<b>13,908</b>	<b>46,023</b>	<b>(32,115)</b>
<b>Equity and liabilities</b>			
Equity	4	19,202	(19,198)
Non-current liabilities	-	3,038	(3,038)
Current liabilities	13,904	23,783	(9,879)
<b>Total equity and liabilities</b>	<b>13,908</b>	<b>46,023</b>	<b>(32,115)</b>
<b>Income statement</b>			
	<b>2016</b>	<b>2015</b>	<b>Variation</b>
Revenue	3,145	13,925	(10,780)
Profit before tax	(567)	7,438	(8,005)
Income taxes	3,038	-	3,038
<b>Profit for the year</b>	<b>2,471</b>	<b>7,438</b>	<b>(4,967)</b>
Other comprehensive income	390	103	287
<b>Comprehensive income</b>	<b>2,861</b>	<b>7,541</b>	<b>(4,680)</b>
<b>Comprehensive income attributable to non-controlling interests</b>	<b>1,774</b>	<b>4,675</b>	<b>(2,901)</b>
<b>Dividends paid to non-controlling interests</b>	<b>13,676</b>	<b>-</b>	<b>13,676</b>
<b>Statement of cash flows</b>			
			<b>2016</b>
Net cash flows used in operating activities			5,772
Net cash flows used in investing activities			(3)
Net cash flows used in financing activities			(19,979)
<b>Net increase in cash and cash equivalents and current account overdrafts</b>			<b>(14,210)</b>
<b>Opening cash and cash equivalents and current account overdrafts</b>			<b>15,573</b>
<b>Closing cash and cash equivalents and current account overdrafts</b>			<b>1,363</b>

<b>Impregilo-SK E&amp;C-Galfar al Misnad J.V. (Qatar)</b> (€'000)	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>Variazione</b>
<b>Statement of financial position</b>			
<b>Assets</b>			
Non-current assets	41,872	74,993	(33,121)
Current assets	294,908	171,645	123,263
<b>Total assets</b>	<b>336,780</b>	<b>246,638</b>	<b>90,142</b>
<b>Equity and liabilities</b>			
Equity	33,060	24,632	8,428
Non-current liabilities	2,276	-	2,276
Current liabilities	301,443	222,006	79,437
<b>Total equity and liabilities</b>	<b>336,779</b>	<b>246,638</b>	<b>90,141</b>
<b>Income statement</b>			
	<b>2016</b>	<b>2015</b>	<b>Variation</b>
Revenue	427,427	339,719	87,708
Profit before tax	7,257	13,852	(6,595)
<b>Profit for the year</b>	<b>7,257</b>	<b>13,852</b>	<b>(6,595)</b>
Other comprehensive income	1,172	865	307
<b>Comprehensive income</b>	<b>8,429</b>	<b>14,717</b>	<b>(6,288)</b>
<b>Comprehensive income attributable to non-controlling interests</b>	<b>4,952</b>	<b>8,646</b>	<b>(3,694)</b>
<b>Statement of cash flows</b>			
			<b>2016</b>
Net cash flows used in operating activities			6,313
Net cash flows generated by investing activities			8,213
Net cash flows used in financing activities			42,204
<b>Net increase in cash and cash equivalents and current account overdrafts</b>			<b>56,730</b>
<b>Opening cash and cash equivalents and current account overdrafts</b>			<b>94,219</b>
<b>Closing cash and cash equivalents and current account overdrafts</b>			<b>150,949</b>

<b>Salini Saudi Arabia Ltd Co</b> (€'000)	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>Variation</b>
<b>Statement of financial position</b>			
<b>Assets</b>			
Non-current assets	6,234	-	6,234
Current assets	167,316	-	167,316
<b>Total assets</b>	<b>173,550</b>	<b>-</b>	<b>173,550</b>
<b>Equity and liabilities</b>			
Equity	46,129	-	46,129
Non-current liabilities	32	-	32
Current liabilities	127,389	-	127,389
<b>Total equity and liabilities</b>	<b>173,550</b>	<b>-</b>	<b>173,550</b>
<b>Income statement</b>			
	<b>2016</b>	<b>2015</b>	<b>Variation</b>
Revenue	30,056	-	30,056
Profit before tax	8,284	-	8,284
Income taxes	(1,086)	-	(1,086)
<b>Profit for the year</b>	<b>7,198</b>	<b>-</b>	<b>7,198</b>
Other comprehensive income	581	-	581
<b>Comprehensive income</b>	<b>7,779</b>	<b>-</b>	<b>7,779</b>
<b>Comprehensive income attributable to non-controlling interests</b>	<b>3,812</b>	<b>-</b>	<b>3,812</b>
<b>Statement of cash flows</b>			
			<b>2016</b>
Net cash flows generated by operating activities			37,726
Net cash flows used in investing activities			(2,844)
Net cash flows generated by financing activities			84,252
<b>Net increase in cash and cash equivalents and current account overdrafts</b>			<b>119,134</b>
<b>Closing cash and cash equivalents and current account overdrafts</b>			<b>119,134</b>

### 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

(€'000)	<b>Equity</b>	<b>Profit for the year</b>
<b>Equity and profit for the year of Salini Impregilo S.p.A.</b>	<b>1,007,428</b>	<b>64,603</b>
Elimination of consolidated investments	(1,053,278)	34,127
Elimination of the provision for risks on equity investments	57,660	83,233
Equity and profit or loss of consolidated companies	1,132,712	(68,796)
<b>Other consolidation entries</b>		
Elimination of dividends of consolidated entities	-	(44,082)
Other consolidation entries	23	363
Gains (losses) on intragroup sales	(4,229)	2,256
Purchase Price Allocation	20,600	(185)
Unrealised net exchange rate gains (losses)	500	(8,255)
Tax effects	19,865	(3,589)
Elimination of national tax consolidation system effects	23,723	248
<b>Equity and profit for the year attributable to the owners of the parent</b>	<b>1,205,004</b>	<b>59,923</b>
Equity and profit for the year attributable to non-controlling interests	156,325	39,592
<b>Consolidated equity and profit for the year</b>	<b>1,361,329</b>	<b>99,515</b>

## 22. Bank and other loans, current portion of bank loans and current account facilities

Bank and other loans and borrowings decreased by €19.4 million over 31 December 2015 to €1,265.0 million at year end, as summarised below:

(€'000)	31 December 2016	31 December 2015	Variation
<b>Non-current portion</b>			
- Bank and other loans and borrowings	866,361	745,554	120,807
<b>Current portion</b>			
- Current account facilities and other loans	398,589	538,802	(140,213)
<b>Total</b>	<b>1,264,950</b>	<b>1,284,356</b>	<b>(19,406)</b>

The Group's financial indebtedness is broken down by loan type in the following table:

(€'000)	31 December 2016			31 December 2015		
	Non-current	Current	Total	Non-current	Current	Total
Bank corporate loans	753,740	45,031	798,771	667,328	202,733	870,061
Bank constructions loans	82,056	88,886	170,942	38,954	76,520	115,474
Bank concession financing	22,253	19,337	41,590	24,776	21,301	46,077
Financing and loans of companies in liquidation	2,136	-	2,136	2,136	-	2,136
Other financing	5,827	11,937	17,764	7,782	53,036	60,818
<b>Total bank and other loans and borrowings</b>	<b>866,012</b>	<b>165,191</b>	<b>1,031,203</b>	<b>740,976</b>	<b>353,590</b>	<b>1,094,566</b>
Current account facilities	-	51,297	51,297	-	115,615	115,615
Factoring liabilities	349	123,207	123,556	944	58,763	59,707
Loans and borrowings - unconsolidated group companies	-	58,894	58,894	3,634	10,834	14,468
<b>Total</b>	<b>866,361</b>	<b>398,589</b>	<b>1,264,950</b>	<b>745,554</b>	<b>538,802</b>	<b>1,284,356</b>

### Bank corporate loans

Bank corporate loans amount to €798.8 million at the reporting date (31 December 2015: €870.1 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 2021. The interest rates have floating spreads depending on the loan term and conditions. The decision to apply the Euribor (1, 2, 3 or 6 months) has been contractually provided for to the benefit of Salini Impregilo.

The main conditions of the bank corporate loans in place at 31 December 2016 are as follows:

	Company	Interest rate	Expiry date	Note
Bank syndicate - Refinancing Facility A	Salini Impregilo	Euribor	2019	(1)
Bank syndicate - Refinancing Facility B	Salini Impregilo	Euribor	2020	(1)
Banca Popolare dell'Emilia Romagna	Salini Impregilo	Euribor	2019	
Monte dei Paschi di Siena	Salini Impregilo	Fixed	2019	(1)
Banca Popolare di Bergamo	Salini Impregilo	Fixed	2019	
Banca Popolare di Milano	Salini Impregilo	Euribor	2021	(1)
Banca IMI (€102 million)	Salini Impregilo	Euribor	2021	(1)
Banca IMI (€150 million)	Salini Impregilo	Euribor	2020	(1)
Banca del Mezzogiorno	Salini Impregilo	Euribor	2017	

(1) The loans are backed by covenants that establish the requirement for the borrower to maintain certain financial and equity ratios, which at the date of this Annual Report are fully respected.

During the year, the Group negotiated loans with Banca IMI (€150.0 million and €102.0 million), Monte dei Paschi di Siena (€70.0 million), Banca Popolare di Milano (€50 million) and Banca Popolare di Bergamo (€40.0 million).

The Banca IMI loan of €400.0 million agreed in January 2016 was taken out to acquire Lane Group and the Group repaid it in full after the bond issue described in Note 23.

The non-current portion of the above loans will be repaid at their 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 Refinancing (Facility B)	Salini Impregilo	Italy	162,640	-	162,640	-
Banca IMI (€150 million)	Salini Impregilo	Italy	148,468	-	148,468	-
Banca IMI Refinancing (Facility A)	Salini Impregilo	Italy	126,212	123,440	2,772	-
Banca IMI (€102 million)	Salini Impregilo	Italy	91,630	20,420	71,210	-
Monte dei Paschi di Siena	Salini Impregilo	Italy	119,543	-	119,543	-
Banca Popolare di Milano	Salini Impregilo	Italy	40,344	9,754	30,590	-
Banca Popolare di Bergamo	Salini Impregilo	Italy	39,904	-	39,904	-
BPER	Salini Impregilo	Italy	25,000	12,500	12,500	-
<b>Total</b>			<b>753,740</b>	<b>166,115</b>	<b>587,626</b>	<b>-</b>

The fair value of the bank corporate loans, measured as set out in the "Accounting policies" section, is €821.2 million.

**Bank construction loans**

Construction loans of €170.9 million at 31 December 2016 mainly relate to the contracts in Colombia (€34.3 million), North America (€53.4 million), the Metro B1 contract (€19.9 million) and the contracts in Nigeria (€5.9 million).

The rise is mostly due to the increase recorded for Lane's contracts (€53.4 million) and those in Colombia (€47.6 million) and the decrease on the subsidiary HCE's projects (€10.9 million), the projects in the United Arab Emirates (€10.3 million) and Morocco (€5.9 million).

The conditions of the main construction loans in place at year end may be summarised as follows:

	Company	Country	Interest rate	Expiry date
Banco de Bogotá	Consorzio OHL	Colombia	DTF	2017
Banco Stato del Ticino	CSC	Switzerland	Fixed	2017
UniCredit	Lane Industries	USA	Prime	2021
Doha Bank S.A.	Lane Industries	Qatar	Fixed	2017
Skye Bank	Salini Nigeria	Nigeria	Fixed	2017
Banco de Bogotá	Ariguani	Colombia	IBR	2017
Banca del Mezzogiorno	Metro B1	Italy	Euribor	2019

The interest rates shown in the table have floating spreads depending on the term and conditions of the loans.

The non-current portion of the above construction loans will be repaid at its contractual maturity, based on the following time bands:

(€'000)	Company	Country	Total non-current portion	Due after 13 months but within 24 months	Due after 25 months but within 60 months	Due after 60 months
Various banks	Lane Industries		33,906	10,189	23,717	-
Various banks	Ancipa	Italy	20,505	20,505	-	-
Banca del Mezzogiorno	Metro B1	Italy	19,895	19,895	-	-
Various banks	Pietrrossa	Italy	6,506	6,506	-	-
Various banks	Diga di Ancipa	Italy	1,232	1,232	-	-
Various banks	Venezuelan branch	Venezuela	12	11	-	-
<b>Total</b>			<b>82,056</b>	<b>58,339</b>	<b>23,717</b>	<b>-</b>

The fair value of the construction loans, measured as set out in the "Accounting policies" section, is €171.0 million.

**Bank concession financing**

At 31 December 2016, bank concession financing amounts to €41.59 million and refers to the Piscine dello Stadio, Corso del Popolo and Parking Glasgow concessions and the Broni-Mortara (SA.BRO.M.) motorway concession.

(€'000)	Company	Currency	Country	31 December 2016			31 December 2015		
				Total loans	Current	Non-current	Total loans	Current	Non-current
UniCredit	S.A.BRO.M	Euro	Italy	18,152	18,152		20,160	20,160	-
Royal Bank of Scotland	Impregilo Parking Glasgow	Sterling	UK	8,500	363	8,137	10,280	364	9,916
Monte dei Paschi di Siena	Corso del Popolo S.p.A.	Euro	Italy	8,337	529	7,808	8,828	491	8,337
Credito Sportivo	Piscine dello Stadio S.r.l.	Euro	Italy	6,601	293	6,308	6,808	286	6,523
<b>Total</b>				<b>41,590</b>	<b>19,337</b>	<b>22,253</b>	<b>46,076</b>	<b>21,301</b>	<b>24,776</b>

The outstanding financing from Royal Bank of Scotland is included in the construction loans category and is secured by the revenue flows arising from the activities carried out under the related concessions. An interest rate hedge has been agreed for this financing (see Note 25).

The financing agreement includes a number of covenants, all of which the operator had complied with at the reporting date.

The main conditions of the bank concession financing in place at 31 December 2016 are as follows:

	Company	Country	Interest rate	Expiry date
Royal Bank of Scotland	Impregilo Parking Glasgow	GB	Libor	2029
Monte dei Paschi di Siena	Corso del Popolo S.p.A.	Italy	Euribor	2028
Credito Sportivo	Piscine dello Stadio	Italy	IRS	2035
UniCredit	SA.BRO.M.	Italy	Euribor	2017

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 their 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	
	Royal Bank of Scotland	Impregilo Parking Glasgow	UK	8,137	419	1,381	6,337
	Monte dei Paschi di Siena	Corso del Popolo S.p.A.	Italy	7,808	568	1,563	5,676
	Credito Sportivo	Piscine dello Stadio S.r.l.	Italy	6,308	229	1,043	5,036
	<b>Total</b>			<b>22,253</b>	<b>1,217</b>	<b>3,987</b>	<b>17,049</b>

The fair value of the concession financing, measured as set out in the "Accounting policies" section, is €41.2 million.

### Financing and loans of companies in liquidation

This item of €2.1 million is substantially unchanged from 31 December 2015. The related repayment plans are linked to the liquidation procedures of the companies to which the financing and loans refer.

### Other financing

This item may be analysed as follows:

(€'000)	Company	Country	31 December 2016			31 December 2015			
			Total other financing	Current	Non-current	Total other financing	Current	Non-current	
	Cat Finance	Salini Impregilo	Italy	6,977	4,096	2,882	11,996	5,057	6,938
	Various	HCE	Italy	3,321	822	2,499	667	193	475
	Various	Lane Industries	USA	2,585	2,480	105	-	-	-
	Various	Salini Impregilo	Italy	1,677	1,677	-	-	-	-
	Various	Ariguani	Colombia	974	974	-	869	869	-
	Various	ANM	Riyadh	772	772	-	948	948	-
	Bunte	Salini Impregilo	Italy	559	559	-	-	-	-
	Various	Imprepar	Italy	393	393	-	413	413	-
	Various	Pietrarossa	Italy	343	-	343	343	-	343
	Various	Lec Consortium	Libya	113	113	-	150	150	-
	Cat Finance	Co.Ge.Ma.	Italy	26	26	-	84	59	25
	Various	Inc Algeria	Algeria	22	22	-	-	-	-
	Various	Salini Impregilo - Argentine branch	Argentina	5	5	-	-	-	-
	Nesma Riyad	Salini Impregilo	Italy	-	-	-	25,076	25,076	-
	Bethar Al Amal	Salini Impregilo	Italy	-	-	-	15,303	15,303	-
	Sace	Salini Namibia	Namibia	-	-	-	4,112	4,112	-
	AFCO	Salini Impregilo - Healy Parsons	Cleveland	-	-	-	841	841	-
	Various	Nepalese branch	Nepal	-	-	-	15	15	-
	<b>Total</b>			<b>17,766</b>	<b>11,937</b>	<b>5,829</b>	<b>60,818</b>	<b>53,036</b>	<b>7,782</b>



The conditions of the main existing financing may be summarised as follows:

	Company	Country	Interest rate	Expiry date
CAT Finance	Salini Impregilo	Italy	Fixed rate	2019
CAT Finance	Co.Ge.Ma.	Italy	Fixed rate	2019

The interest rates shown in the table have floating spreads depending on the term and conditions of the financing.

The non-current portion of the above other financing will be repaid at its contractual maturity, based on the following time bands:

(€'000)	Company	Country	Total non-current portion	Due after 13 months but within 24 months	Due after 25 months but within 60 months	Due after 60 months
Cat Finance	Salini Impregilo	Italy	2,882	1,577	1,304	
Cat Finance	Todini	Italy	2,499	690	1,809	
Various banks	Pietrarossa	Italy	343	343		
Various banks	Lane Industries	USA	105	105		
<b>Total</b>			<b>5,829</b>	<b>2,715</b>	<b>3,113</b>	<b>-</b>

The fair value of the other financing, measured as set out in the “Accounting policies” section, is €17.9 million.

#### Current account facilities

Current account facilities decreased by €64.3 million to €51.3 million at the reporting date. The decrease mainly refers to the smaller bank overdrafts of the parent (€37.7 million), the subsidiaries Salini Nigeria (€9.8 million), HCE (€9.1 million), Corso del Popolo S.p.A. (€4.5 million) and Piscine dello Stadio S.c.a.r.l. (€1.9 million).

#### Factoring liabilities

(€'000)	31 December 2016	31 December 2015	Variation
Salini Impregilo S.p.A. (SACE Factoring S.p.A.)	53,794	43,776	10,018
Impregilo-SK E&C-Galfar al Misnad JV (SACE Factoring S.p.A.)	42,205	-	42,205
Salini Namibia PTY (SACE Factoring S.p.A.)	14,893	-	14,893
Ethiopian Branch (Factorit)	9,957	14,553	(4,596)
Salini Impregilo S.p.A. (UniCredit Pro-soluto)	2,176	-	2,176
Venezuelan Branch (various)	349	944	(595)
Sierra Leone Branch (Factorit)	160	433	(273)
CMT (SACE Factoring S.p.A.)	15	-	15
JV Mukorsi (Factorit)	8	-	8
<b>Total</b>	<b>123,557</b>	<b>59,706</b>	<b>63,851</b>

Factoring liabilities related to the factoring of receivables and increased by €63.8 million, mainly due to the factoring of receivables by the subsidiary Impregilo-SK E&C-Galfar al Misnad J.V. during the second half of the year (€42.2 million) and the increase in the parent's liabilities to SACE Factoring S.p.A. (€10.0 million).

### 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
<b>Total cash and cash equivalents and other financial assets</b>		<b>1,988,572</b>	<b>1,790,711</b>	<b>197,861</b>
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)
<b>Total non-current indebtedness</b>		<b>(1,854,218)</b>	<b>(1,221,554)</b>	<b>(632,664)</b>
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)
<b>Total current indebtedness</b>		<b>(472,801)</b>	<b>(598,622)</b>	<b>125,821</b>
Derivative assets	16	156	-	156
Derivative liabilities	25	(7,180)	(14,798)	7,618
Net financial position (indebtedness) with unconsolidated SPEs (**)		(5,345)	17,512	(22,857)
<b>Total other financial assets (liabilities)</b>		<b>(12,369)</b>	<b>2,714</b>	<b>(15,083)</b>
<b>Net financial indebtedness - continuing operations</b>		<b>(350,816)</b>	<b>(26,751)</b>	<b>(324,065)</b>
Net financial position (indebtedness) - discontinued operations		-	(18,939)	18,939
<b>Net financial indebtedness including discontinued operations</b>		<b>(350,816)</b>	<b>(45,690)</b>	<b>(305,126)</b>

(\*) 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. 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.

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 result 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; partly offset by 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.

## 23. Bonds

The outstanding bonds at 31 December 2016 relate to the parent, Salini Impregilo (€887.0 million). They are analysed in the following table:

(€'000)	31 December 2016	31 December 2015	Variation
Non-current portion	868,115	396,211	471,904
Current portion	18,931	10,204	8,727
<b>Total</b>	<b>887,046</b>	<b>406,415</b>	<b>480,631</b>

A breakdown of this item is set out in the following table:

(€'000)	Expiry date	31 December 2016			31 December 2015			
		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)	
€400,000,000	6.125%	1 August 2018	283,026	281,385	7,219	406,414	396,211	10,203
€600,000,000	3.75%	24 June 2021	600,000	586,730	11,712	-	-	-
<b>Total</b>			<b>883,026</b>	<b>868,115</b>	<b>18,931</b>	<b>406,414</b>	<b>396,211</b>	<b>10,203</b>

On 23 July 2013, Salini S.p.A. (now part of Salini Impregilo S.p.A.) issued senior unsecured bonds for a nominal amount of €400 million to be redeemed on 1 August 2018, intended for international institutional investors.

The bonds, which have a minimum denomination of €100,000 and an annual gross coupon of 6.125%, were placed with primary international institutional investors at a price of €99.477.

The issue is secured by covenants that establish the requirement for the borrower to maintain certain financial and equity ratios which, at the date of this Annual Report, are fully respected.

On 24 June 2016, the parent announced the placement of bonds with a nominal amount of €428.3 million reserved for institutional investors. They have a fixed rate coupon of 3.75%.

The bonds are listed on the Irish Stock Exchange in Dublin with a redemption date of 24 June 2021. Part of the bonds, with a nominal amount of €128.3

million, was assigned to the holders of the senior unsecured bonds that adhered to the parent's offer. The exchange rate applied to the existing bonds was 109.75%. After the exchange, the outstanding senior unsecured bonds amounted to €283 million.

The parent used the proceeds of €300 million from the new issue, not used for the bond exchange, to repay part of the bridge financing taken out to acquire Lane and commented on in Note 22.

The Group assessed the continuity of the previous bonds (exchanged) with the bonds placed on 24 June 2016. On 11 July 2016, the parent placed more bonds with institutional investors for a total nominal amount of roughly €172 million. The new bonds are part of a single series with the previous €428 million issued on 24 June 2015 and redeemable on 24 June 2021, bringing the total bond issue to €600 million.

The transaction has strengthened the Group's debt profile, extended its average debt repayment dates by more than one year and increased its fixed rate debt component.

The bonds issued in 2016 are backed by covenants that require the parent to maintain certain financial and equity ratios, which at the date of this report are fully respected.

The fair value of the bonds at the reporting date, measured as set out in the "Accounting policies" section, is €947.3 million.

## 24. Finance lease liabilities

Finance lease liabilities may be broken down as follows at 31 December 2016:

(€'000)	31 December 2016	31 December 2015	Variation
Non-current portion	119,742	79,789	39,953
Current portion	55,281	49,617	5,664

This item includes the principal of future lease payments at the reporting date for the purchase of plant, machinery and equipment with an average life of between 3 to 8 years.

At 31 December 2016, the effective average rate ranged between 2% to 5% for the Italian companies.

Liabilities for these leases are guaranteed to the lessor via rights to the leased assets.

The present value of the minimum future lease payments is €175 million (31 December 2015: €129.4 million) as follows:

(€'000)	31 December 2016	31 December 2015
<b>Minimum lease payments:</b>		
Due within one year	62,110	43,553
Due between one and five years	122,863	92,134
Due after five years	3,607	4,780
<b>Total</b>	<b>188,580</b>	<b>140,467</b>
Future interest expense	(13,557)	(11,060)
<b>Net present value</b>	<b>175,023</b>	<b>129,407</b>
<b>The net present value is as follows:</b>		
Due within one year	55,281	49,617
Due between one and five years	116,348	75,418
Due after five years	3,394	4,372
<b>Total</b>	<b>175,023</b>	<b>129,407</b>

The Group's future commitments for non-cancellable operating leases are as follows:

#### Estimated commitments for future non-cancellable lease payments (€m) - December 2016

Within one year	Between one and five years	Due after five years	Total
24	52	4	80

The above figures do not reflect the impact that adoption of IFRS 16 from 1 January 2019 could have.

## 25. Derivatives and other current financial liabilities

These items show the reporting-date fair value of the currency and interest rate hedges. They may be broken down as follows:

(€'000)	31 December 2016	31 December 2015
Non-current	4.429	4.113
Current	2.751	10.685
<b>Total</b>	<b>7.180</b>	<b>14.798</b>

The following table analyses the item:

(€'000)	31 December 2016	31 December 2015
Interest rate swaps - Cash flow hedge	7,096	14,798
Currency swaps - FVTPL	84	-
<b>Total derivatives presented in net financial indebtedness</b>	<b>7,180</b>	<b>14,798</b>

The following tables set out the characteristics of the derivative liabilities existing at 31 December 2016, showing the company owning the contract and the related fair value at the reporting date:

#### Interest rate swap - Cash flow hedge: Fair value passivi

Company	Agreement date	Expiry date	Currency	Notional amount	Fair value (€)
Impregilo Parking Glasgow	09/27/2004	30/06/2029	GBP	7,456,299	(2,880,562)
Impregilo Parking Glasgow	06/01/2003	30/06/2029	GBP	810,726	(1,548,629)
Salini Impregilo	11/24/2016	24/02/2017	EUR	75,000,000	(1,333,906)
Salini Impregilo	11/24/2016	24/02/2017	EUR	75,000,000	(1,333,906)
<b>Total</b>					<b>(7,097,003)</b>

This category includes derivatives that have been entered into to hedge the Group against interest rate risks and that meet IFRS hedge accounting requirements. To check compliance with these requirements, the effectiveness of the hedges has been verified and confirmed and, therefore, their fair value changes have been recognised in the hedging reserve (see Note 21).

#### Forward currency purchases and sales - FVTPL

Company	Agreement date	Expiry date	Currency	Notional amount	Fair value (€)
Salini Impregilo S.p.A. (Tajikistan)	11/23/2016	25/01/2017	EUR	20,000,000	162,102
Salini Impregilo S.p.A. (Tajikistan)	11/24/2016	27/01/2017	EUR	13,000,000	22,231
Salini Impregilo S.p.A. (Saudi Arabia)	12/16/2016	31/01/2017	EUR	16,000,000	(107,329)
Salini Impregilo S.p.A. (Saudi Arabia)	12/19/2016	30/01/2017	EUR	12,000,000	(160,574)
<b>Total</b>					<b>(83,570)</b>

This category includes derivatives that have been entered into to hedge the Group against currency risks but that do not meet hedge accounting requirements.

## 26. Post-employment benefits and employee benefits

At 31 December 2016, the Group's liability due to its employees determined using the criteria set out in IAS 19 is €91.9 million.

At 31 December 2016 and 2015, 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%;
- discount rate: 0.45%;
- 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. The valuation was performed with the assistance of an independent expert.

Changes in the item are as follows:

	31 December 2015	Accruals	Payments	Net actuarial losses	Change in consolidation scope and other changes	Contributions paid to INPS treasury and other funds	31 December 2016
(in millions of Euros)							
Post-employment benefits and employee benefits	25,412	13,813	(30,663)	(4,364)	90,945	(3,212)	91,931

	31 December 2014	Accruals	Payments	Net actuarial losses	Change in consolidation scope and other changes	Contributions paid to INPS treasury and other funds	31 December 2015
(in millions of Euros)							
Post-employment benefits and employee benefits	23,320	15,443	(11,892)	(5,536)	570	3,507	25,412

“Net actuarial losses” include the actuarial gains and losses recognised in the actuarial reserve as per the revised IAS 19 while “Change in consolidation scope and other changes” include the effects of the acquisition of Lane Industries on 4 January 2016 as well as exchange rate gains and losses. A 0.25% increase or decrease in the discount rate applied to the calculation of the liability at the reporting date would have had a positive or negative effect of €0.1 million or €0.2 million, respectively.

### 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 (at the subsidiary's acquisition date) 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
<b>4 January 2016</b>	<b>200,149</b>	<b>(131,549)</b>	<b>68,601</b>
Contribution cost	4,601	-	4,601
Interest	8,757	(6,356)	2,401
Gains on the change in the expected return on the plan assets	-	(3,987)	(3,987)
Net losses on changes in the financial assumptions	6,223	-	6,223
Net gains on changes in the demographic assumptions	(5,148)	-	(5,148)
Net gains from experience	(2,689)	-	(2,689)
Employer contributions	(1,264)	(7,589)	(8,853)
Payments	(4,901)	5,299	397
Healthcare services provided	58	-	58
Exchange rate differences	588	127	715
<b>31 December 2016</b>	<b>206,374</b>	<b>(144,056)</b>	<b>62,318</b>



The following tables show the assumptions used to calculate the liability for employee benefits:

(€'000)	Pension benefits		Other benefits	
	2016	2015	2016	2015
Discount rate	4.49%	4.69%	4.02%	4.47%
Expected rate of return on plan assets	7.25%	7.25%	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:

	2016	2015
Annual growth rate	7.00%	7.20%
Ultimate trend rate	4.50%	4.50%
Year in which the ultimate trend rate is expected to be reached	2028	2028

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%	(27,562)	34,827
Salary increase rate	1% per age bracket	9,969	(8,863)

The following table presents the plan asset categories as a percentage of total invested assets:

(€'000)	31 December 2016	%	04 January 2016	%
Common/collective trusts	143,188	99.40%	130,746	99.39%
Interest-bearing deposits	868	0.60%	389	0.30%
Other	-	-	414	0.31%
<b>Total</b>	<b>144,056</b>	<b>100.00%</b>	<b>131,549</b>	<b>100.00%</b>

The plan assets are selected to ensure a combination of returns and growth opportunity using a prudent investment strategy. Investments usually include 35% in fixed income funds, 45% in equity investments (large and small caps) and 20% in international companies. The subsidiary's management regularly revises its objectives and strategies.

A breakdown of the plan assets' fair value by asset category is as follows:

(€'000)	Listed prices	Other observable significant inputs	Other non-observable significant inputs	31 December 2016
	Level 1	Level 2	Level 3	Total
Common/collective trusts	143,188	-	-	143,188
Interest-bearing deposits	868	-	-	868
<b>Total</b>	<b>144,056</b>	<b>-</b>	<b>-</b>	<b>144,056</b>

(€'000)	Listed prices	Other observable significant inputs	Other non-observable significant inputs	4 January 2016
	Level 1	Level 2	Level 3	Total
Common/collective trusts	130,746	-	-	130,746
Interest-bearing deposits	389	-	-	389
Other	414	-	-	414
<b>Total</b>	<b>131,549</b>	<b>-</b>	<b>-</b>	<b>131,549</b>

The following table shows the estimated undiscounted future payments for employee benefits:

(€'000)	Periods	Pension benefits	Other benefits
	2017	6,493	1,124
	2018	6,704	1,114
	2019	7,238	1,112
	2020	7,729	1,119
	2021	8,154	1,123
	2022-2026	50,645	5,609

Lane pays benefits to multi-employer pension plans, as provided for by national labour agreements for its employees represented by trade unions. The risks of participating in these plans, which involve more than one employer, vary depending on the plan and are borne by each employer as follows:

- the assets contributed by an employer to a multi-employer pension plan may be used to provide benefits to the employees of the other employers involved in the plan;
- if an employer stops contributing to a multi-employer pension plan, its unmet obligations are covered by the other employers participating in the plan;

- if an employer decides to withdraw from a multi-employer pension plan, it may be required to pay the plan an amount calculated considering its possible undercapitalisation at the withdrawal date.

Pension plan	Number	Zone Status (Pension Protection Act) <sup>1</sup>		Contributions (€'000)		Plan end date; Presence of "MFA" <sup>2</sup>
		2016	2015	2016	2015	
IUOE Local 4 Pension Fund	04-6013863; 001	Green	Green	883	825	5/31/2017; No
IUOE Local 98 Benefits Funds	04-6127765; 001	Green	Green	877	893	5/31/2020; No
Operating Engineers' Constr. Ind. and Misc. Pension Fund	25-6135579; 001	Green	Green	749	1,095	12/31/2019; No
Massachusetts Laborers' Pension Fund	04-6128298; 001	Green	Green	576	768	3/31/2017; No
New England Teamsters' Fund	04-6372430; 001	Red	Red	494	474	4/30/2018; No
Western Penn Laborers' District Council Fund	25-6135576; 001	Red	Red	1,310	1,401	12/31/2019; No

Notes to the above table:

1 The "zone status" is based on information received from the plan. Plans in the "red zone" are less than 65% funded, plans in the "orange zone" are between 65% and 80% funded, plans in the "green zone" are more than 80% funded.

2 "MFA" stands for "minimum funding arrangement".

## 27. Provision for risks

These provisions amount to €105.8 million at the reporting date, as follows:

(€'000)	31 December 2016	31 December 2015	Variation
Provisions for risks on equity investments	2,526	2,190	336
Other provisions	103,239	104,171	(932)
<b>Total</b>	<b>105,765</b>	<b>106,361</b>	<b>(596)</b>

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)	31 December 2016
Change in consolidation method	
Acquisitions/disinvestments	(456)
Share of profit of equity-accounted investees	441
Dividends from equity-accounted investees	415
Other changes including change in the translation reserve	(64)
<b>Total</b>	<b>336</b>

Other provisions comprise:

(€'000)	31 December 2016	31 December 2015	Variation
USW Campania projects	32,760	32,760	-
Provisions set up by Imprepar and its subsidiaries	36,327	36,452	(125)
Ongoing litigation	1,556	9,877	(8,321)
Building segment litigation	795	795	-
Tax and social security litigation	2,240	3,304	(1,064)
Other	29,561	20,983	8,578
<b>Total</b>	<b>103,239</b>	<b>104,171</b>	<b>(932)</b>

The provision for the USW Campania projects mainly consists of the estimated potential costs for the environmental clean-up. The section on the “Main risk factors and uncertainties” 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.

The provision for ongoing litigation refers to disputes involving Salini Impregilo and certain of its subsidiaries.

“Other” mainly comprises amounts accrued starting from 2015 for certain foreign contracts completed in previous years for which disputes are ongoing with the clients. Relationships with these clients are difficult and, therefore, the Group is unable to estimate exactly when the related receivables will be collected.

Changes in the item in the year are summarised below:

(€'000)	31 December 2015	Accruals	Utilisations	Reclassifications	Exchange rate gains (losses)	Discountin and other changes	31 December 2016
<b>Total</b>	<b>104,171</b>	<b>11,046</b>	<b>(15,952)</b>	<b>-</b>	<b>661</b>	<b>3,312</b>	<b>103,239</b>

Changes during 2015 are shown in the following table:

(€'000)	31 December 2014	Accruals	Utilisations	Reclassifications	Exchange rate gains (losses)	Discountin and other changes	31 December 2015
<b>Total</b>	<b>90,833</b>	<b>21,646</b>	<b>(12,809)</b>	<b>4,672</b>	<b>(244)</b>	<b>73</b>	<b>104,171</b>

Changes of the year comprise:

- accruals of €11 million, mainly related to the parent's head office for labour disputes (€2.3 million), the subsidiary Imprepar (€2.4 million), HCE Group for future costs to dismantle work sites (€3.7 million) and Lane Group (€1.3 million);
- utilisations per €15.9 million, related to the subsidiaries Imprepar, Metro 6 and Consorcio Acueducto Oriental due to the occurrence of the events for which the provision had been set up;
- changes in the consolidation scope of €3.3 million, mainly due to the acquisition of Lane Industries Incorporated on 4 January 2016.

Reference should be made to the section on the "Main risk factors and uncertainties" of the Directors' report for more information on litigation.

## 28. Progress payments and advances on contract work in progress

This item, included in "Current liabilities", amounts to €2,455.6 million, up €592.9 million on the figure at 31 December 2015. It comprises:

(€'000)	31 December 2016	31 December 2015	Variation
Contract work in progress	(5,384,910)	(4,099,585)	(1,285,325)
Progress payments and advances received (on approved work)	5,976,936	4,211,995	1,764,941
<b>Negative work in progress</b>	<b>592,026</b>	<b>112,410</b>	<b>479,616</b>
Contractual advances	1,863,606	1,750,349	113,257
<b>Total</b>	<b>2,455,632</b>	<b>1,862,759</b>	<b>592,873</b>

Work in progress recognised under liabilities (negative WIP) of €592.0 million is the negative net balance, for each contract, of work performed to date and progress billings and advances.

The following table shows the contribution by geographical segment of negative WIP and contractual advances:

(€'000)	31 December 2016	31 December 2015	Variation
Italy	147,524	114,438	33,086
EU (excluding Italy)	341,552	195,839	145,713
Non-EU	67,384	45,032	22,352
Asia	92,478	23,768	68,710
Middle East	523,676	605,830	(82,154)
Africa	965,076	735,801	229,275
North America	105,667	17,870	87,797
Latin America	129,961	121,630	8,331
Oceania	82,314	2,551	79,763
<b>Total</b>	<b>2,455,632</b>	<b>1,862,759</b>	<b>592,873</b>

The contracts that contributed the most to the negative WIP were those in the US (€105.6 million), Ethiopia for the Koyssha dam (€318.9 million), Austria (€18.9 million), Denmark (€14.3 million), Peru (€33.4 million) and Australia (€52.3 million).

The most significant contractual advances, which total €1,863.6 million, relate to the following contracts: the Koyssha dam (€85.2 million), Gibe III (€50.0 million) and the Grand Ethiopian Renaissance Dam Project (Gerd) in Ethiopia (€181.5 million), the Copenhagen Cityringer Metro in Denmark (€271.8 million), contracts in Libya (€191.2 million), the Riyadh Metro Line 3 in Saudi Arabia (€265.4 million), projects in Nigeria (€97.7 million), construction of the Ruta del Sol motorway in Colombia (€52.4 million), design and construction of the Red Line North in Doha (€33.5 million), construction of the Al Bayt Stadium in Al Khor City in Qatar (€68.1 million) and the hydroelectric project in Tajikistan (€92.5 million).

The Directors' report provides more information about the performance of these contracts and their progress.

The section on the "Main risk factors and uncertainties" in the Directors' report provides information on pending disputes and assets exposed to country risk.

## 29. Trade payables

Trade payables amount to €2,344.8 million at the reporting date, an increase of €714.4 million on 31 December 2015. They are made up as follows:

(€'000)	31 December 2016	31 December 2015	Variation
Third parties	2,233,611	1,501,680	731,931
Unconsolidated group companies and other related parties	111,162	128,757	(17,595)
<b>Total</b>	<b>2,344,773</b>	<b>1,630,437</b>	<b>714,336</b>

The net increase in trade payables is mainly due to:

- a €137.7 million increase related to the acquisition of Lane Group;
- an increase of €278.4 million related to the Ethiopian branch (see Note 15 about the related rise in trade receivables);
- the other increases are due to progress on the recently started-up 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).

Trade payables to unconsolidated group companies and other related parties decreased by €17.5 million to €111.2 million at the reporting date. The item mostly consists of payables from unconsolidated SPEs accrued on work performed by these entities for contracts with Italian and foreign public administrations.

The reduction is principally attributable to the decrease in the payable from the consortium companies Pedelombarda S.c.p.a. and La Quado following completion of the works.

The balance includes €7.4 million equal to the Group's share of the SPEs' cash and cash equivalents. It is shown in the item "Net financial position with unconsolidated SPEs" in the schedule of the Group's net financial indebtedness.

### 30. Current tax liabilities and other current tax liabilities

Current tax liabilities amount to €110.0 million as follows:

(€'000)	31 December 2016	31 December 2015	Variation
IRES	7,838	9,835	(1,997)
IRAP	2,118	687	1,431
Foreign taxes	100,035	57,751	42,284
<b>Total</b>	<b>109,991</b>	<b>68,273</b>	<b>41,718</b>

“Foreign taxes” include €9.9 million related to a tax dispute involving Impregilo International Infrastructures N.V. (see Note 32 for more information).

Other current tax liabilities of €67.6 million increased by €6.5 million over 31 December 2015. They may be analysed as follows:

(€'000)	31 December 2016	31 December 2015	Variation
Withholdings	643	284	359
VAT	48,062	39,311	8,751
Other indirect taxes	18,884	21,502	(2,618)
<b>Total</b>	<b>67,589</b>	<b>61,097</b>	<b>6,492</b>



## 31. Other current liabilities

Other current liabilities of €356.3 million (31 December 2015: €334.2 million) comprise:

(€'000)	31 December 2016	31 December 2015	Variation
Social security institutions	23,271	16,233	7,038
Employees	82,206	52,225	29,981
Compensation and compulsory purchases	5,739	7,331	(1,592)
State bodies	115,588	115,588	-
Guarantee deposits	217	198	19
Other	93,963	108,163	(14,200)
Unconsolidated group companies and other related parties	13,747	13,060	687
Accrued expenses and deferred income	21,584	21,400	184
<b>Total</b>	<b>356,315</b>	<b>334,198</b>	<b>22,117</b>

“Employees” relate to accrued unpaid remuneration. The large increase in this item during the year, like for “Social security institutions”, is mainly due to the inclusion of Lane in the consolidation scope.

“Compensation and compulsory purchases” relate to the high speed/capacity railway contracts; the decrease of €1.6 million principally refers to the Milan - Genoa section.

“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” of €94.0 million (31 December 2015: €108.2 million) decreased by roughly €14.2 million. Such reduction is mainly attributable to the decrease in the liabilities for the motorway project in Slovakia (€3.6 million) and the Red Line project in Doha, Qatar (€6.2 million), as well as the decrease in liabilities for contracts completed or nearing completion, such as the El Quimbo hydroelectric project in Colombia (€5.4 million).

“Unconsolidated group companies and other related parties” of €13.7 million increased by €0.7 million on 31 December 2015.

Accrued expenses and deferred income of €21.6 million include the ten-year post-contract guarantee of €4.1 million and are in line with the previous year end as follows:

(€'000)	31 December 2016	31 December 2015	Variation
Accrued expenses:			
- Commissions on sureties	4,267	3,594	673
- Other	11,138	12,485	(1,347)
<b>Total accrued expenses</b>	<b>15,405</b>	<b>16,079</b>	<b>(674)</b>
Deferred income:			
- Provision of services	6,179	5,321	858
<b>Total deferred income</b>	<b>6,179</b>	<b>5,321</b>	<b>858</b>
<b>Total</b>	<b>21,584</b>	<b>21,400</b>	<b>184</b>

## 32. Guarantees, commitments, risks and contingent liabilities

### Guarantees and commitments

The key guarantees given by the Group are set out below:

- contractual sureties: these total €12,490.8 million (including €4,519.2 million issued directly by Lane Group) and are given to clients as performance bonds, to guarantee advances, withholdings and involvement in tenders for all ongoing contracts. In turn, the group companies has guarantees given by its subcontractors;
- sureties for credit of €352.4 million;
- sureties granted for export credit of €159.3 million;
- other guarantees of €1,372.0 million consisting of guarantees related to customs and tax obligations (€58.4 million) and for other commitments (such as environmental clean-ups and export credit) (€1,313.5 million);
- lien on the shares of the SPE M4 (€1.9 million).

### Litigation and contingent liabilities

The Group is involved in civil and administrative proceedings that are not expected to have a significant negative effect on its consolidated financial statements, based on the information currently available and the existing provisions for risks. The section on the "Main risk factors and uncertainties" in the Directors' report provides information about the main disputes.

## Tax disputes

### Salini Impregilo S.p.A.

With respect to the principal dispute with the tax authorities:

- as described in detail in previous reports, the dispute about the assessment notice challenging the tax treatment of impairment losses and losses on the sale of assets recognised by the parent in 2003 is currently before the Supreme Court, following the tax authorities' appeal. The main issue about the sale by Impregilo S.p.A. of its investment in the Chilean operator Costanera Norte SA to Impregilo International Infrastructures NV was cancelled by the Milan Regional Tax Commission on 11 September 2009 (higher assessed tax base of €70 million);
- the parent's appeal about reimbursement of tax assets with a nominal amount of €12.3 million acquired from third parties as part of previous non-recurring transactions is still pending before the Supreme Court;
- a dispute about the technique used to "realign" the carrying amount of equity investments as per article 128 of Presidential decree no. 917/86 (greater assessed tax base of €4.2 million) is still pending before the first level court;
- with respect to another dispute again related to 2005 and the costs of a joint venture set up in Venezuela for which the greater assessed tax base is €6.6 million, the Regional Tax Commission filed its ruling entirely in the parent's favour on 19 May 2015; the tax authorities appealed to the Supreme Court on 28 December 2015 challenging the procedure while stating that the findings do not relate to the appeal. The parent has filed its defence brief;
- the parent was notified of: (i) a payment order from the tax authorities for Icelandic taxes of €4.6 million, which was cancelled after the the first and second level sentences in favour of the parent; 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;
- on 29 December 2016, the parent received two assessment notices for IRES and IRAP purposes covering 2011 and alleging unpaid IRES taxes of €21.2 million and IRAP taxes of €2.9 million. Both these notices were based on a preliminary assessment report issued by the tax police and notified to the parent on 27 September 2016. They refer to: (i) for a minimum part, the alleged applicability of the "transfer price" regulations to sureties given free of charge on behalf of foreign subsidiaries, for which the tax police asserted that the normal commission income would have been €700 thousand; (ii) the non-deductibility of costs of €36.4 million incurred to purchase goods and services to perform works for the Abu Dhabi and

Panama contracts, both of which countries have a preferential tax regime, due to the alleged insufficient evidence that the suppliers carried out commercial activities in those countries and that the related purchases were in Salini Impregilo's effective interest. To date, the parent is negotiating a settlement of the assessments and the terms for their appeal are still open.

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.

Finally, the Milan unit of the tax police is currently performing a tax audit of the IRES, IRAP and VAT paid in 2012.

### **Icelandic branch**

With respect to the completed contract for the construction of a hydroelectric plant in Karanjukar (Iceland), a dispute arose with the Icelandic tax authorities in 2004 about the party required to act as the withholding agent for the remuneration of foreign temporary workers at the building site. Salini Impregilo was firstly wrongly held responsible for the payment of the withholdings on this remuneration, which it therefore paid. Following the definitive ruling of the first level court, the parent's claims were fully satisfied. Nevertheless, the local authorities subsequently commenced a new proceeding for exactly the same issue. The Supreme Court rejected the parent's claims in its ruling handed down in February 2010, which is blatantly contrary to the previous ruling issued in 2007 on the same matter by the same judiciary authority. The parent had expected to be refunded the unduly paid withholdings of €6.9 million (at the original exchange rate).

After the last ruling, the parent took legal action at international level (appeal presented to the EFTA Surveillance Authority on 22 June 2010) and, as far as possible, again at local level as it deems that the last ruling issued by the Icelandic Supreme Court is unlawful both in respect of local legislative and international agreements regulating trade relations between the EFTA countries and international conventions which do not allow application of discriminatory treatments to foreign parties (individuals and companies) working in other EFTA countries. On 8 February 2012, the EFTA Surveillance Authority sent the Icelandic government a communication notifying the infraction of the free exchange of services and requested the government to provide its observations about this. In April 2013, the EFTA Surveillance Authority issued its documented opinion finding the Icelandic legislation to be inconsistent with the regulations covering trade relations between the member countries with respect to the regulations for the above dispute. It asked that Iceland take steps to comply with these regulations. Accordingly, the parent requested the case be re-examined locally and has engaged a leading legal firm to assess whether to take additional action at international level.. Based on the above, Salini Impregilo does not believe objective reasons currently exist to change the valuations made about this dispute.

**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 and 2007 for €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.

**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 relevant 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 Naples' Regional Tax Committee, so that the original payment orders issued were cancelled.

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.

**Impregilo International Infrastructures NV**

As described in detail in previous reports, the Milan unit of the tax police has completed a tax audit of this subsidiary, based in, and active in the Netherlands since 1999. Its preliminary assessment report, notified to the subsidiary on 12 May 2016, found that it is an Italian resident for tax purposes.

Based on the information available to it taken from the above preliminary assessment report, the subsidiary's reasonings and recent legislation, the tax authorities have assessed a different legal standing for the subsidiary compared to that set out in the preliminary assessment report by the tax police.

The tax authorities have revised the latter's statements and found that the company is not guilty of tax inversion. The authorities notified the Dutch subsidiary of assessment notices which state that the subsidiary worked in Italy through a dependent agent permanent establishment and concurrently decreased the reassessed taxes significantly.

Although the subsidiary does not agree with the tax authorities' findings, it has

deemed it appropriate to settle the issue in order to benefit from the lower fines and avoid a long and exhausting dispute. As disclosed in notes 3 and 38, the subsidiary set up a provision for this dispute, including €6,555 thousand for operations now classified as discontinued and €3,359 thousand for current income taxes.

### 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:

<b>Financial assets</b>	<b>Note</b>	<b>Loans and receivables</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Hedging derivatives</b>	<b>Held-to-maturity investments</b>	<b>Available-for-sale financial assets</b>	<b>Total</b>	<b>Fair value</b>
(€'000)								
<b>31 December 2016</b>								
Derivatives and non-current financial assets	11	44,582		156	17,876		62,614	62,614
Trade receivables	15	2,359,273		-	-		2,359,273	2,359,273
Other current financial assets	16	316,547		-	6,846		323,393	323,393
Cash and cash equivalents	19	1,602,721		-	-		1,602,721	1,602,721
<b>Total</b>		<b>4,323,123</b>		<b>156</b>	<b>24,722</b>		<b>4,348,001</b>	<b>4,348,001</b>

<b>Financial liabilities</b>	<b>Note</b>	<b>Other liabilities at amortised cost</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Hedging derivatives</b>	<b>Total</b>	<b>Fair value</b>
(€'000)						
<b>31 December 2016</b>						
Bank and other loans and borrowings	22	1,264,950	-	-	1,264,950	1,287,209
Bonds	23	887,046	-	-	887,046	947,314
Finance lease liabilities	24	175,023	-	-	175,023	175,023
Derivatives and other current financial liabilities	25	-	84	7,096	7,180	7,180
Trade payables	29	2,344,773	-	-	2,344,773	2,344,773
<b>Total</b>		<b>4,671,792</b>	<b>84</b>	<b>7,096</b>	<b>4,678,972</b>	<b>4,761,499</b>

<b>Financial assets</b>	<b>Note</b>	<b>Loans and receivables</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Hedging derivatives</b>	<b>Held-to-maturity investments</b>	<b>Available-for-sale financial assets</b>	<b>Total</b>	<b>Fair value</b>
(€'000)								
<b>31 December 2015</b>								
Derivatives and non-current financial assets	11	48,195			19,637		67,832	67,832
Trade receivables	15	1,560,684			-		1,560,684	1,560,684
Other current financial assets	16	309,289			2,815		312,104	312,104
Cash and cash equivalents	19	1,410,775			-		1,410,775	1,410,775
<b>Total</b>		<b>3,328,943</b>			<b>22,452</b>		<b>3,351,395</b>	<b>3,351,395</b>

The note column gives the section in which the relevant item is described.

<b>Financial liabilities</b>	<b>Note</b>	<b>Other liabilities at amortised cost</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Hedging derivatives</b>	<b>Total</b>	<b>Fair value</b>
(€'000)						
<b>31 December 2015</b>						
Bank and other loans and borrowings	22	1,284,356		-	1,284,356	1,297,891
Bonds	24	406,414		-	406,414	556,160
Finance lease liabilities	23	129,406		-	129,406	129,400
Derivatives and other current financial liabilities	25	-		14,798	14,798	14,798
Trade payables	29	1,630,437		-	1,630,437	1,630,437
<b>Total</b>		<b>3,450,613</b>		<b>14,798</b>	<b>3,465,411</b>	<b>3,628,686</b>

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 the risk of fluctuations in exchange rates of the Euro and the currencies of the various countries in which it operates. Currency risk at 31 December 2016 mainly related to the following currencies:

- US dollar (United States)
- DICOM (Venezuela)
- Dirham (United Arab Emirates)
- Riyal (Qatar)
- Tenge (Kazakhstan)
- Birr (Ethiopia)
- Somoni (Tajikistan)

The Group's currency risk management strategy is essentially based on the following policies:

- agreement of contractual considerations for works and projects in countries with weak currencies using a primarily multi-currency format, in which only a portion of the consideration is expressed in local currency;
- use of portions of the contractual considerations in local currency mainly to cover project expenses to be incurred in that currency;
- analysis of exposure in US dollars on a cumulative and prospective basis with consistent deadlines and setting up forward transactions in the same currency to hedge the Group's net exposure at those deadlines.

Adoption of the above-mentioned policies has contained the Group's exposure to currency risk with respect to the US dollar, the DICOM, the Dirham, the Riyal, the Teng, the Birr and the Somoni.

Had the Euro appreciated or depreciated by 5% against the US dollar at year end, the profit before tax for the year would have been respectively greater or lower by €21.3 million, assuming that all other variables remained constant, mainly due to exchange rate losses (gains) arising from the adjustment of net liabilities in US dollars. A similar change at the end of the previous year would have led to a €12.3 million decrease (increase in the case of depreciation) in the profit before tax for the year.



Had the Euro appreciated or depreciated by 15% against the Venezuelan DICOM at year end, the profit before tax for the year would have been respectively greater or lower by €0.1 million, assuming that all other variables remained constant, mainly due to exchange rate losses (gains) arising from the adjustment of net liabilities in the Venezuelan DICOM. A similar change at the end of the previous year would have led to a €0.6 million decrease (increase in the case of depreciation) in the profit before tax for the year.

Had the Euro appreciated or depreciated by 5% against the UAE Dirham at year end, the profit before tax for the year would have been respectively lower or greater by €0.1 million, assuming that all other variables remained constant, mainly due to exchange rate losses (gains) arising from the adjustment of net assets in the UAE Dirham. A similar change at the end of the previous year would have led to a €0.1 million decrease (increase in the case of depreciation) in the profit before tax for the year.

Had the Euro appreciated or depreciated by 5% against the Qatari riyal at year end, the profit before tax for the year would have been respectively lower or greater by €1.0 million, assuming that all other variables remained constant, mainly due to exchange rate losses (gains) arising from the adjustment of net assets in the Qatari currency. A similar change at the end of the previous year would have led to a €1.5 million decrease (increase in the case of depreciation) in the profit before tax for the year.

Had the Euro appreciated or depreciated by 5% against the Kazakhstani tenge at year end, the profit before tax for the year assuming that all other variables remained constant, would not have been significantly affected by exchange rate losses (gains) arising from the adjustment of net liabilities in the Kazakhstani tenge. A similar change at the end of the previous year would have led to a €0.3 million decrease (increase in the case of depreciation) in the profit before tax for the year.

Had the Euro appreciated or depreciated by 5% against the Ethiopian Birr at year end, the profit before tax for the year would have been respectively lower or greater by €6.5 million, mainly due to exchange rate losses (gains) arising from the adjustment of net assets in the Ethiopian currency. A similar change at the end of the previous year would have led to a €0.9 million decrease (increase in the case of depreciation) in the profit before tax for the year.

Had the Euro appreciated or depreciated by 5% against the Tajikistani Somoni at year end, the profit before tax for the year would have been respectively lower or greater by €1.2 million, assuming that all other variables remained constant, mainly due to exchange rate losses (gains) arising from the adjustment of net assets in the Tajikistani currency. At 31 December 2015, the Group did not have any balances in this currency.

**Interest rate risk**

Salini Impregilo group has adopted a combined strategy of streamlining group operations by disposing of non-strategic assets, containing debt and hedging interest rate risks on a portion of the non-current structured loans through interest rate swaps (IRSs).

The financial risks arising from market interest rate fluctuations to which the Group is potentially exposed and which are monitored by the relevant company personnel relate to non-current floating rate loans. Such risk is mitigated by interest accrued on short-term investments of liquidity available at the Italian-based consortia and consortium companies and foreign subsidiaries, which are used to support the Group's operations.

The Group revised its debt structure in 2016, increasing its fixed rate exposure. Had interest rates increased or decreased by an average 75 basis points in 2016, the profit before tax for the year would have been respectively lower or greater by a maximum of €8.0 million (€12.3 million for 2015), assuming that all other variables remained constant and without considering cash and cash equivalents.

The sensitivity test on the interest rate derivative of Impregilo Parking Glasgow was only performed on cash flows settled during the year; fair value was not analysed as the derivative qualifies for hedge accounting and the effects of a change in interest rates would only impact equity.

**Credit risk**

Credit risk is that deriving from the Group's exposure to potential losses arising from the clients' (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 clients, 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 clients (positive and negative work in progress, advances and payments on account) in relation to contract work in progress as a whole.

A breakdown of working capital by geographical segment is set out below:

(€'000)	31 December 2016	31 December 2015
Italy	190,899	1,219,967
Other EU countries	299,340	(87,457)
Other non-EU countries	(38,612)	8,219
America (Lane and other group contracts)	574,307	(170,822)
Asia/Middle East	(490,965)	(590,470)
Africa	(25,685)	152,934
Australia	(72,274)	(55,486)
Eliminations	-	(198,602)
<b>Total</b>	<b>437,011</b>	<b>278,283</b>

The reconciliation of the reclassified statement of financial position details the items included in working capital.

The Group's exposure to clients, broken down by contract location, is analysed below:

(€'000)	Loans and receivables	Positive WIP	Negative WIP and advances	Total	Allowances
<b>31 December 2016</b>					
Italy	595,076	453,529	(147,524)	901,081	80,639
Other EU countries	66,957	462,173	(341,552)	187,578	432
Other non-EU countries	60,607	124,420	(67,384)	117,643	-
America	488,633	403,877	(235,628)	656,882	22,600
Asia/Middle East	197,914	359,579	(616,154)	(58,661)	1,760
Africa	943,744	458,331	(965,076)	436,999	8,379
Australia	6,342	105,354	(82,314)	29,382	-
<b>Total</b>	<b>2,359,273</b>	<b>2,367,263</b>	<b>(2,455,632)</b>	<b>2,270,904</b>	<b>113,810</b>
<b>31 December 2015</b>					
Italy	740,818	399,625	(114,438)	1,026,005	78,686
Other EU countries	45,257	247,378	(195,839)	96,796	834
Other non-EU countries	89,063	106,464	(45,032)	150,495	-
America	321,296	328,864	(139,499)	510,661	8,462
Asia/Middle East	81,067	132,301	(629,598)	(416,230)	1,939
Africa	276,849	546,857	(735,801)	87,905	10,185
Australia	6,334	14,302	(2,551)	18,085	-
<b>Total</b>	<b>1,560,684</b>	<b>1,775,791</b>	<b>(1,862,758)</b>	<b>1,473,717</b>	<b>100,106</b>

The section on the “Main risk factors and uncertainties” of the Directors’ report provides information about country risk for Libya, Venezuela, Nigeria, Ukraine and Turkey.

### Liquidity risk

Liquidity risk derives from the risk that the financial resources necessary to meet obligations may not be available to the Group at the agreed terms and deadlines.

The Group’s strategy aims at ensuring that each ongoing contract is financially independent, considering the structure of the consortia and SPEs, which may limit the availability of financial resources to achievement of the related projects. Liquidity management also considers the existence of constraints to the transfer of currency imposed by certain countries. This strategy is strictly monitored centrally.

A breakdown of financial liabilities by composition and due date (based on undiscounted future cash flows) is set out below:

(€’000)	31 December 2017	31 December 2018	31 December 2021	After	Total
Current account facilities	51,297	-	-	-	51,297
Bonds	39,835	322,861	667,562	-	1,030,258
Bank loans and borrowings	534,688	144,232	682,890	49,157	1,410,967
Finance lease liabilities	62,111	70,742	52,121	3,606	188,580
Interest rate derivatives	2,668	-	-	4,429	7,097
<b>Gross financial liabilities</b>	<b>690,599</b>	<b>537,835</b>	<b>1,402,573</b>	<b>57,192</b>	<b>2,688,199</b>
Trade payables	2,344,773	-	-	-	2,344,773
<b>Total</b>	<b>3,035,372</b>	<b>537,835</b>	<b>1,402,573</b>	<b>57,192</b>	<b>5,032,972</b>

The prior year end figures are given below for comparative purposes:

(€’000)	31 December 2016	31 December 2017	31 December 2019	After	Total
Current account facilities	115,615	-	-	-	115,615
Bonds	24,567	24,500	412,216	-	461,283
Bank loans and borrowings	532,664	211,797	346,624	138,402	1,229,487
Finance lease liabilities	49,617	28,505	46,911	4,372	129,405
Interest rate derivatives	10,685	-	-	4,113	14,798
<b>Gross financial liabilities</b>	<b>733,148</b>	<b>264,802</b>	<b>805,751</b>	<b>146,887</b>	<b>1,950,588</b>
Trade payables	1,630,437	-	-	-	1,630,437
<b>Total</b>	<b>2,363,585</b>	<b>264,802</b>	<b>805,751</b>	<b>146,887</b>	<b>3,581,025</b>

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.

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 2017 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 2017	Cash and cash equivalents	Difference
Salini Impregilo (head office and branches)	158,425	362,833	204,408
Subsidiaries	106,415	262,715	156,300
SPEs	110,901	481,382	370,481
Joint operations	14,732	488,281	473,549
<b>Total</b>	<b>390,473</b>	<b>1,595,211</b>	<b>1,204,738</b>

### 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	-	156	-
Derivative liabilities	25	-	(7,180)	-
<b>Total</b>		-	<b>(7,024)</b>	-

There were no movements from Level 1 to Level 2 during the year or vice versa.

## Income statement

### 34. Revenue

Revenue for 2016 amounts to €5,883.8 million, up 23% on the previous year:

(€'000)	2016	2015	Variation
Revenue	5,760,358	4,624,066	1,136,292
Other income	123,451	146,229	(22,778)
<b>Total revenue</b>	<b>5,883,809</b>	<b>4,770,295</b>	<b>1,113,514</b>

The €1,113.5 million increase in revenue is mainly due to the business volumes of the subsidiary Lane, acquired by the parent in January 2016, as well as other smaller variations due to continuation of work on several large foreign contracts and the closure of completed contracts.

A breakdown of revenue is given in the following table:

(€'000)	2016	2015	Variation
Works invoiced to clients	5,404,920	4,368,128	1,036,792
Services	226,886	236,462	(9,576)
Sales	128,553	19,476	109,077
<b>Total</b>	<b>5,760,358</b>	<b>4,624,066</b>	<b>1,136,292</b>

Services include revenue of €118.4 million for costs recharged to third party partners of fully consolidated consortia and consortia companies.

A breakdown of other income is given in the following table:

(€'000)	2016	2015	Variation
Rent and leases	2,387	1,417	970
Staff services	-	123	(123)
Recharged costs	68,855	55,538	13,317
Insurance compensation	659	2,130	(1,471)
Gains on the disposal of non-current assets	7,582	13,933	(6,351)
Prior year income	28,862	24,930	3,932
Other	15,105	48,157	(33,052)
<b>Total</b>	<b>123,451</b>	<b>146,229</b>	<b>(22,778)</b>

## 35. Costs

Costs for the year amount to €5,608.3 million compared to €4,502.7 million for 2015. They account for 95.3% of revenue.

The item may be broken down as follows:

(€'000)	2016	2015	Variation
Purchases	1,161,046	815,101	345,945
Subcontracts	1,505,428	1,249,957	255,471
Services	1,555,996	1,498,977	57,019
Personnel expenses	886,237	538,764	347,473
Other operating expenses	222,264	162,067	60,197
Amortisation, depreciation, provisions and impairment losses	277,324	237,842	39,482
<b>Total</b>	<b>5,608,295</b>	<b>4,502,708</b>	<b>1,105,587</b>

The increase is mainly due to Lane Group's inclusion in the consolidation scope.

The variation in the individual items compared to 2015 is also due to the different cost structures that vary from contract to contract and may, in some cases, entail changes in the industrial operating model from one year to another. Moreover, as these are large-scale infrastructural works that take several years to complete, resort to normal production factors depends on the stage of completion of each contract in any given year. These changes may generate significant variations in the percentage of the related cost categories depending on the contract and the year, while not affecting the total percentage of operating costs of total revenue.

### 35.1 Purchases

The cost of raw materials and consumables incurred in 2016 increased by €345.9 million to €1,161.0 million compared to the previous year:

(€'000)	2016	2015	Variation
Purchases of raw materials and consumables	1,120,191	811,815	308,376
Change in raw materials and consumables	40,856	3,286	37,570
<b>Total</b>	<b>1,161,047</b>	<b>815,101</b>	<b>345,946</b>

The rise in the cost of raw materials and consumables is in line with the increase in revenue thanks to the acquisition of Lane Group and the fact that some large foreign projects (especially in Qatar and Australia) and Italian projects (continuation of the high speed/capacity Milan-Genoa section) are fully operational.

## 35.2 Subcontracts

Costs of subcontracts increased to €1,505.4 million, up €255.4 million on 2015 as shown in the following table:

(€'000)	2016	2015	Variation
Subcontracts	1,505,428	1,249,957	255,471
<b>Total</b>	<b>1,505,428</b>	<b>1,249,957</b>	<b>255,471</b>

The €255.5 million increase is due to Lane Group's acquisition and the increase for the IS JV's Australian contracts (€17.3 million) partly offset by the reduction in the subcontract costs of the Colombian contract of Constructora Ariguani (the San Roque Ye de Cienaga and Valledupar motorways), the Cityringen project of CMT I/S in Denmark and the Italian Salerno Reggio Calabria contract (nearing completion).

## 35.3 Services

This item increased to €1,556.0 million, up €57.0 million on the previous year, as shown in the following table:

(€'000)	2016	2015	Variation
Consultancy and technical services	599,639	491,740	107,899
Fees to directors, statutory auditors and independent auditors	13,321	12,637	684
Employee travel costs	5,332	2,780	2,552
Maintenance and testing	32,717	18,538	14,179
Transport and customs	121,093	136,798	(15,705)
Insurance	54,946	61,426	(6,480)
Recharging of costs by consortia	206,942	463,451	(256,509)
Rent and leases	233,911	165,891	68,020
Charge backs	579	305	274
Other	287,517	145,410	142,107
<b>Total</b>	<b>1,555,997</b>	<b>1,498,976</b>	<b>57,021</b>

"Other" increased by €142.1 million over the previous year and includes the cost of temporary workers on CMT IS' Danish contract (Cityringen project) of approximately €165.5 million compared to €69.0 million for 2015, while the remainder mostly relates to utilities, seconded personnel, security and board costs.

"Consultancy and technical services" increased by €107.8 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)	2016	2015	Variation
Design and engineering services	399,060	383,168	15,892
Legal, administrative and other services	79,014	68,487	10,527
Testing	1,368	1,493	(125)
Construction	120,197	38,592	81,605
<b>Total</b>	<b>599,639</b>	<b>491,740</b>	<b>107,899</b>

The increase in this item is mainly due to the rise in costs for “Construction” related to the Riyadh Metro Line 3 contract.

### 35.4 Personnel expenses

Personnel expenses for the year amount to €886.2 million, up by €347.5 million on 2015. The item is made up as follows:

(€'000)	2016	2015	Variation
Wages and salaries	671,272	398,776	272,496
Social security and pension contributions	147,536	75,207	72,329
Post-employment benefits and employee benefits	13,878	15,486	(1,608)
Other	53,551	49,295	4,256
<b>Total</b>	<b>886,237</b>	<b>538,764</b>	<b>347,473</b>

The increase is mostly a result of the acquisition of Lane Group and its roughly 5,000 employees. “Other” mainly relates to termination benefits and reimbursements of travel expenses.

### 35.5 Other operating expenses

Other operating expenses amount to €222.3 million, up €60.2 million on 2015.

This item is made up as follows:

(€'000)	2016	2015	Variation
Other operating costs	117,520	81,753	35,767
Commissions on sureties	44,896	47,901	(3,005)
Bank charges	15,456	5,272	10,184
Losses on the disposal of property, plant and equipment	9,459	12,741	(3,282)
Other non-recurring costs	9	1	8
Other prior year expense	34,923	14,400	20,523
<b>Other operating expenses</b>	<b>222,263</b>	<b>162,068</b>	<b>60,195</b>

This item's increase is due to the rise in the parent's other operating costs due to the arbitration award with Pizzarotti S.p.A. and assessed fines (Arabian Bemco Contracting and Co.), other charges (settlement due to the waiver of a claim by Co.Ge. Fin S.r.l.) and higher bank charges, also incurred by the parent.

The balance includes higher customs duties on the new Koyscha contract in Ethiopia.

Prior year expense includes the out-of-court settlement between the customer and Empresa Constructora Metro 6 Ltda in Chile (see the paragraph in the section on the "Main risk factors and uncertainties" in the directors' report).

### 35.6 Amortisation, depreciation, provisions and impairment losses

This item of €277.3 million shows an increase of €39.5 million on the balance for the previous year. It may be analysed as follows:

(€'000)	2016	2015	Variation
Impairment losses	14,623	10,592	4,031
Provisions	1,879	12,192	(10,313)
<b>Total provisions and impairment losses, net of the release of provisions</b>	<b>16,502</b>	<b>22,784</b>	<b>(6,282)</b>
Amortisation of intangible assets	1,545	387	1,158
Depreciation of property, plant and equipment	226,812	190,495	36,317
Amortisation of rights to infrastructure under concession	1,344	1,493	(149)
Amortisation of contract acquisition costs	31,121	22,683	8,438
<b>Total amortisation and depreciation</b>	<b>260,822</b>	<b>215,058</b>	<b>45,764</b>
<b>Total</b>	<b>277,324</b>	<b>237,842</b>	<b>39,482</b>

"Provisions and impairment losses" decreased by €6.3 million in 2016.

Specifically, impairment losses of €14.6 million mainly related to the receivables for late payments from Venezuelan clients, described in the paragraph on Venezuela in the section on the "Main risk factors and uncertainties" of the Directors' report.

The provisions of €1.9 million include accruals to the provision for risks, mainly for the parent for the potential costs of disputes in Argentina (€2.3 million), the Kazakistani branch for disputes with the local customer (approximately €1.1 million) and H.C.E. Costruzioni Group for the completion of works in Ukraine (€2.7 million), offset by the release of accruals made in previous years for projects performed in Chile (€3.6 million) and the Dominican Republic (€1.1 million).

Amortisation and depreciation of €260.8 million shows an increase of €45.8 million due to the change in the consolidation scope, following Lane's acquisition, and greater amortisation and depreciation expense for the Riyadh Metro Line 3 project.

## 36. Net financing costs

Net financing costs amount to €86.5 million compared to €90.4 million for the previous year.

The item may be broken down as follows:

(€'000)	2016	2015	Variation
Financial income	44,499	34,587	9,912
Financial expense	(146,542)	(108,336)	(38,206)
Net exchange rate gains (losses)	15,537	(16,675)	32,212
<b>Net financing costs</b>	<b>(86,506)</b>	<b>(90,424)</b>	<b>3,918</b>

## 36.1 Financial income

Financial income totalled €44.5 million (2015: €34.6 million) and is made up as follows:

(€'000)	2016	2015	Variation
<b>Interest income on loans and receivables</b>	<b>2,106</b>	<b>2,373</b>	<b>(267)</b>
<b>Gains on securities</b>	<b>10,315</b>	<b>1</b>	<b>10,314</b>
<b>Interest and other income from unconsolidated group companies and other related parties</b>	<b>9,645</b>	<b>8,729</b>	<b>916</b>
<b>Interest and other financial income</b>	<b>22,433</b>	<b>23,484</b>	<b>(1,051)</b>
- Interest income on correspondence accounts	-	6	(6)
- Interest on financing	174	581	(407)
- Bank interest	6,203	4,590	1,613
- Default interest	5,959	9,624	(3,665)
- Financial discounts and allowances	571	527	44
- Other	9,526	8,156	1,370
<b>Total</b>	<b>44,499</b>	<b>34,587</b>	<b>9,912</b>

The €9.9 million increase is due to the recognition of the gain on the sale of foreign currency securities on the US market offset the reduction in default interest due from clients during the year.

Other financial income increased by €1.4 million to €9.5 million and comprises interest income on the life insurance policy for Lane's employees (€2.2 million), reversal of the Salini-Impregilo PPA (€1.6 million) and interest income on loans and receivables of the Argentine operator Caminos de las Sierras (€1.4 million).

## 36.2 Financial expense

Financial expense totalled €146.5 million (€108.3 million) and is made up as follows:

(€'000)	2016	2015	Variation
<b>Intragroup interest and other expense</b>	<b>(517)</b>	<b>(200)</b>	<b>(317)</b>
<b>Interest and other financial expense</b>	<b>(146,025)</b>	<b>(108,136)</b>	<b>(37,889)</b>
- Bank interest	(74,711)	(53,330)	(21,381)
- Interest on bonds	(35,863)	(29,400)	(6,463)
- Interest on tax liabilities	(1,589)	(1,392)	(197)
- Default interest	(722)	(61)	(661)
- Discounting	(2,822)	(245)	(2,577)
- Bank fees	(4,830)	(3,426)	(1,404)
- Charges on sureties	(1,884)	(1,311)	(573)
- Other loans and borrowings	(2,836)	(3,218)	382
- Factoring and leases	(6,116)	(7,546)	1,430
- Other	(14,652)	(8,207)	(6,445)
<b>Total</b>	<b>(146,542)</b>	<b>(108,336)</b>	<b>(38,206)</b>

Financial expense increased by €38.2 million, mainly due to the rise of €28.6 million in bank interest expense and interest on bonds, as a result of the Group's higher debt following the acquisition of Lane.

"Discounting" mostly relates to the actuarial valuation of Lane Group's employees' pension plan.

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

"Other" includes the loss of €3.8 million on the securities of the Colombian company Yuma Concessionaria S.A.

In addition:

- bank interest of €74.7 million includes the effect of the amortised cost method of €21.7 million, including €13.9 million, which did not entail cash outlays during the year 2016 as it had already been in paid in previous years, and €7.8 million which was paid partly in 2015 and partly in the first half of 2016, but was fully recognised in profit or loss in 2016, in connection with the loan taken out to acquire Lane Group;
- interest on bonds of €35.9 million includes the effect of the amortised cost method for €3.7 million.

### 36.3 Net exchange rate gains (losses)

The net exchange rate gains amount to €15.5 million (2015: net losses of €16.7 million).

(€'000)	2016	2015	Variation
Net realised exchange rate gains (losses)	2,940	(75,607)	78,547
Net unrealised exchange rate gains	10,622	60,341	(49,719)
Net currency hedging gains (losses)	1,975	(1,409)	3,384
<b>Total</b>	<b>15,537</b>	<b>(16,675)</b>	<b>32,212</b>

The €32.2 million improvement in this item is due to the Euro's appreciation against some foreign currencies, especially the Namibian dollar, the Ethiopian Birr and the Sierra Leone currency, as well as the positive exchange rate trends for the activities carried out in Ukraine and Tunisia by HCE Group.

In order to translate its net financial assets in the Venezuelan currency (Bolívar Fuerte, VEF), the Group adopted the official DICOM exchange rate in 2016, compared to the SIMADI rate, which it started to use in 2015.

### 37. Net gains on equity investments

Net gains on investments came to €9.1 million compared to €0.3 million for the previous year.

The item may be broken down as follows:

(€'000)	2016	2015	Variation
Share of profit (loss) of investees	5,409	(142)	5,551
Dividends	234	431	(197)
Loss on the disposal of equity investments	(365)	-	(365)
Other income	3,844	47	3,797
<b>Total</b>	<b>9,122</b>	<b>336</b>	<b>8,786</b>

The share of profit of investees is €5.4 million, an increase on 2015 mainly due to the change in the consolidation scope following the acquisition of the US group Lane, which balanced the loss recognised by the investee Grupo Unidos por el Canal.

The following table provides a breakdown of this item:

(€'000)	2016	2015	Variation
<b>Share of profit (loss) of investees</b>			
Yuma Concessionaria	988	3,870	(2,882)
Agua Azul	1,053	1,094	(41)
Impregilo Arabia	(620)	(3,209)	2,589
Gupc	(18,440)	(103)	(18,337)
Ochre Holding Solution	(711)	(1,768)	1,057
Wolverhampton	(175)	(80)	(95)
Gaziantep Hastane Saglik	(247)	(496)	249
Interstate Healy JV	(33)	(120)	87
Irina S.r.l. in liquidation	(12)	(437)	425
Metro de Lima Linea 2 S.A.	787	1,377	(590)
Yacilec	(241)	(153)	(88)
Edilfi scrl in liquidation	236	-	236
Edilizia sociale	125	-	125
Montenero scrl	69	-	69
Rimini Fiera S.p.A.	(1,421)	-	(1,421)
Other	(354)	(117)	(237)
<b>Sub-total</b>	<b>(18,996)</b>	<b>(142)</b>	<b>(18,854)</b>
<i>Subsidiaries del Lane Group:</i>			
Agl Constructor JV	(19)	-	(19)
Flatiron Lane JV	1	-	1
Gemma Lane Liberty	2,116	-	2,116
Gemma Lane Patriot	5,185	-	5,185
Fluor Lane 95	2,194	-	2,194
Purple Line	4,685	-	4,685
Skanca Granite Lane JV	9,516	-	9,516
SGL Leasing	252	-	252
Fluor Lane South Caroline	475	-	475
<b>Total Lane Group joint ventures</b>	<b>24,405</b>	<b>-</b>	<b>24,405</b>
<b>Total</b>	<b>5,409</b>	<b>(142)</b>	<b>5,551</b>

## 38. Income tax expense

The Group's income tax expense for the year is €78.0 million as follows:

(€'000)	2016	2015	Variation
Current taxes (income taxes)	66,510	36,976	29,534
Net deferred tax (income) expense	(5,761)	33,436	(39,197)
Prior year taxes	10,905	9,531	1,374
<b>Total</b>	<b>71,654</b>	<b>79,943</b>	<b>(8,289)</b>
IRAP	6,298	4,634	1,664
<b>Total</b>	<b>77,952</b>	<b>84,577</b>	<b>(6,625)</b>

An analysis and reconciliation of the theoretical income tax rate, calculated under Italian tax legislation, and the effective tax rate are set out below:

	INCOME TAX EXPENSE	
	euro million	%
<b>Profit before tax</b>	<b>198.1</b>	
Theoretical tax expense	54.5	27.5%
Effect of permanent differences	(1.0)	(0.5%)
Net effect of foreign taxes	8.2	4.1%
Prior year and other taxes	10.0	5.0%
<b>Total</b>	<b>71.7</b>	<b>36.2%</b>

The effective tax expense is affected by the following in particular:

- permanent differences;
- the assets for taxes paid abroad by the consolidated companies' branches, recognised to the extent the Group believes the conditions exist for their recovery in Italy in 2016 or subsequent years,
- the taxes paid by the subsidiaries operating abroad, calculated using the related tax rates.

An analysis and reconciliation of the theoretical IRAP tax rate and the effective tax rate are set out below:

	IRAP	
	euro million	%
Operating profit	275.5	
Personnel expenses	886.2	
<b>Revenue</b>	<b>1,161.7</b>	
Theoretical tax expense	45.3	3.9%
Tax effect of foreign companies' production	(22.6)	(1.9%)
Tax effect of foreign production	(14.4)	(1.2%)
Tax effect of permanent differences	(2.0)	(0.2%)
<b>Total</b>	<b>6.3</b>	<b>0.5%</b>

The net deferred tax expense contributes to the consolidated profit for €5.8 million as shown below:

(€'000)

Deferred tax expense for the year	17,745
Utilisation of deferred tax liabilities recognised in previous years	(14,791)
Deferred tax income for the year	(28,808)
Utilisation of deferred tax assets recognised in previous years	20,093
<b>Total</b>	<b>(5,761)</b>

### 39. Related party transactions

Transactions with related parties, as defined by IAS 24, were of an ordinary nature and were carried out with the following counterparties in 2016:

- 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:

<b>Related party</b> (€'000)	<b>Loans and receivables</b>	<b>Financial assets</b>	<b>Other assets</b>	<b>Trade payables</b>	<b>Financial liabilities</b>	<b>Total revenue</b>	<b>Total costs</b>	<b>Financing income (costs)</b>
C.Tiburtino	27					18		
Casada S.r.l.	36					18	193	
CEDIV S.p.A.	1,722	3,241				18		49
Corso del Popolo Immobiliare S.r.l	3,120							
Dirlan	103					25		
G.A.B.I.RE S.r.l.	1,155	18,001				20		18
Galla Placida	23					19		
Imm. Agricola San Vittorino	65					17		
Infernetto	13					7		
Iniziative Immobiliari Italiane S.p.A.	17			257			1,008	(3)
Madonna dei Monti S.r.l	3			39		11	112	1
Nores	30					7		
Plus	185					30		
Salini Costruttori S.p.A.	110	7,069	11,956		8,062	146	2	(83)
Salini Simonpietro & C.	39					14		
Todini Finanziaria	1,480							
Zeis	12	921		7		256	150	28
<b>Total</b>	<b>8,140</b>	<b>29,232</b>	<b>11,956</b>	<b>303</b>	<b>8,062</b>	<b>606</b>	<b>1,465</b>	<b>10</b>

Most of the Group's production is carried out through SPEs, set up with other partners that have participated with Salini Impregilo in tenders. The SPEs carry out the related contracts on behalf of its partners.

The other transactions refer to costs for design and similar activities, incurred when presenting bids and for recently started contracts. They are also governed by specific agreements and carried out on an arm's length basis and, where applicable, in line with the contract terms.

Their effects on the statement of financial position and income statement are shown together with the related contract, when appropriate.

In December 2016, the parent SAPA granted Salini Costruttori S.p.A. shares free of charge, which may be converted into Salini Impregilo shares, to Salini Impregilo employees.

Transactions with Directors, Statutory Auditors and Key management personnel are show below:

(€'000)	2016		2015	
	Fees and remuneration	Total	Fees and remuneration	Total
Directors and statutory auditors	6,311	6,311	10,781	10,781
Key management personnel	5,402	5,402	5,114	5,114
<b>Total</b>	<b>11,713</b>	<b>11,713</b>	<b>15,895</b>	<b>15,895</b>

The next table shows the impact of transactions with unconsolidated group 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 2016 (€'000)	Non-current loans and receivables <sup>(1)</sup>	Current loans and receivables <sup>(2)</sup>	Current liabilities <sup>(3)</sup>	Revenue	Costs	Financial income	Financial expense
Total - group companies	19,005	369,644	138,616	222,625	221,317	9,625	361
Total financial statements item	1,532,997	7,796,990	5,809,852	5,883,809	5,608,295	44,499	146,542
% of financial statements item	1.2%	4.7%	2.4%	3.8%	3.9%	21.6%	0.2%

31 December 2015 (€'000)	Non-current loans and receivables <sup>(1)</sup>	Current loans and receivables <sup>(2)</sup>	Current liabilities <sup>(3)</sup>	Revenue	Costs	Financial income	Financial expense
Total - group companies	19,986	376,930	151,643	502,009	480,983	8,729	189
Total financial statements item	1,051,336	6,103,298	4,566,071	4,770,295	4,502,708	34,587	108,336
% of financial statements item	1.9%	6.2%	3.3%	10.5%	10.7%	25.2%	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. No shares have been subsequently issued or repurchased.

(€'000)	2016	2015
Profit from continuing operations	120,176	92,920
Non-controlling interests	(39,592)	(21,638)
Profit earmarked for holders of savings shares	588	588
<b>Profit from continuing operations attributable to the owners of the parent</b>	<b>80,584</b>	<b>71,282</b>
Profit from continuing and discontinued operations	99,514	82,231
Non-controlling interests	(39,592)	(21,638)
Profit earmarked for holders of savings shares	588	588
<b>Profit from continuing and discontinued operations attributable to the owners of the parent</b>	<b>60,510</b>	<b>61,181</b>
Average outstanding ordinary shares	489,069	489,069
Average outstanding savings shares	1,615	1,615
Average number of shares	490,684	490,684
<b>Dilutive effect</b>	<b>2,511</b>	<b>-</b>
<b>Average number of diluted shares</b>	<b>493,195</b>	<b>490,684</b>
<b>Basic earnings per share (from continuing operations)</b>	<b>0.16</b>	<b>0.14</b>
<b>Basic earnings per share (from continuing and discontinued operations)</b>	<b>0.12</b>	<b>0.12</b>
<b>Diluted earnings per share (from continuing operations)</b>	<b>0.16</b>	<b>0.14</b>
<b>Diluted earnings per share (from continuing and discontinued operations)</b>	<b>0.12</b>	<b>0.12</b>

## 41. Events after the reporting date

### Contract worth USD336 million awarded in Virginia (USA)

Lane has won new orders for €850 million in the first two months of 2017. Specifically, on 1 March 2017, it was awarded a new design-build contract worth €336 million to extend the 395 Express Lanes in Virginia, USA, where Lane has already performed other works. Preliminary work will start in March 2017.

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

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

The works will be performed by Salini Impregilo (lead contractor, 60% share) and Astaldi (40%). The contract signing will take place once the necessary checks required by the tender procedure to ensure that the two joint venturers meet the relevant participation requirements have been completed.

The contract was commissioned by ITALFERR S.p.A. and is to be completed by 2022. It covers the first segment of the Naples-Bari section and is a fundamental part of the overall restructuring of the entire railway line.

### **COCIV**

On 6 March 2017, the Rome prefecture ordered the extraordinary administration of this consortium pursuant to article 32.1.b of Law decree no. 90 of 24 June 2014, converted with amendments by Law no. 114 of 11 August 2014. It appointed an extraordinary commissioner for a six-month period which may be extended.

Apart from the acquisition of Lane and completion of the sale of Todini Costruzioni, as described earlier, the Group's financial position, performance and cash flows were not affected by significant non-recurring events and transactions, as defined by Consob communication no. DEM/6064293<sup>1</sup>.

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<sup>2</sup>.

On behalf of the board of directors  
Chairman  
(Signed on the original)

## **42. Significant non-recurring events and transactions**

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## **43. Balances or transactions arising from atypical and/or unusual transactions**

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<sup>1</sup> Significant non-recurring events and transactions are those that do not frequently occur in the normal course of business.

<sup>2</sup> 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.