Notes to the condensed interim consolidated financial statements

1. Basis of preparation

Salini Impregilo S.p.A. (the “parent” or “Salini Impregilo”) has its registered office in Italy. These condensed interim consolidated financial statements at 30 June 2017 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 condensed interim consolidated financial statements at 30 June 2017 on a going concern basis and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), endorsed by the European Union as required by Regulation 1606/2002 issued by the European Parliament and Council, implemented in Italy by Legislative decree no. 38/2005. Specifically, these condensed interim consolidated financial statements have been drawn up pursuant to IAS 34 - Interim financial reporting and should be read in conjunction with the 2016 Annual Report. They do not include all the information required for a full set of IFRS-compliant financial statements although they comprise certain disclosures to present significant events and transactions useful to understand variations in the Group’s financial position and performance of the period.

The format and content of these condensed interim 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 condensed interim consolidated financial statements at 30 June 2017 are consistent with those used to prepare the 2016 annual consolidated financial statements, to which reference should be made, except for the changes summarised in note 2.

Seasonality

The results for the period are affected by the seasonality of Lane Group’s activities and, specifically, its Plant & Paving segment, which contributes a significant portion of its revenue. Its activities are limited during the winter and it is the most active in the second half of the year.

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 19 May 2017, introducing a complementary floating market exchange rate (DICOM).

Adoption of this exchange rate in 2017 led to a decrease of approximately €2.8 million in the carrying amount of the net assets expressed in local currency. This decrease had been €63.7 million in previous years.

2. Changes in standards

This section lists the standards, amendments and interpretations published by the IASB and endorsed by the European Union but which will become applicable after 30 June 2017:

Standard, amendment or interpretation	Status
IFRS 15 - Revenue from contracts with customers, issued in May 2014, including the deferral of the 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:

Standard, amendment or interpretation	Status
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
IFRS 17 - Insurance contracts, issued in May 2017	Applicable to annual periods beginning on or after 1 January 2021. The endorsement date is not yet known.
Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses, issued in January 2016	Endorsement expected by the end of 2017
Amendments to IAS 7 - Disclosure initiative, issued in January 2016	Endorsement expected by the end of 2017
Clarifications to IFRS 15: Revenue from contracts with customers, issued in April 2016	Endorsement expected by the end of 2017
Amendments to IFRS 2 - Classification and measurement of share-based payment transactions, issued in June 2016	Endorsement expected by the end of 2017
Amendments to IFRS 4: Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts, issued in	Endorsement expected by the end of 2017

Standard, amendment or interpretation	Status
September 2016	
Annual Improvements to IFRS Standards 2014-2016 Cycle, issued in December 2016	Endorsement expected by the end of 2017
IFRIC 22 - Foreign currency transactions and advance consideration, issued in December 2016	Endorsement expected by the end of 2017
Amendments to IAS 40: Transfers of investment property, issued in December 2016	Endorsement expected by the end of 2017
IFRIC 23 - Uncertainty over income tax treatments, issued in June 2017	Endorsement expected in 2018

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 the Group has commenced a specific adoption project. Brief information thereon is provided below.

The following paragraphs summarise the diagnostic phase of the Group's project for the implementation of the new standards, which it deems best represents the substance of its operations. However, it cannot be excluded that different interpretations may be made in the next few months leading to other conclusions. The effects arising from this diagnostic phase can only be quantified after the new standards have been implemented, as is currently the case, and this quantification will be completed within the timeframe established for the first-time application of the standards.

IFRS 9 - Financial instruments

The IASB published the final version of IFRS 9 - Financial instruments in July 2014. The standard is applicable to annual reporting periods beginning on or after 1 January 2018. 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 development of judgement about the impact of changes in economic factors on the expected credit losses, which are weighted by probability.

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

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

IFRS 15 - Revenue from contracts with customers

The IASB issued the new standard in May 2014 to unify in one standard the rules for revenue recognition previously included in several standards and interpretations (including IAS 18 - Revenue, IAS 11 – Construction Contracts and IFRIC 13 - Customer loyalty programmes).

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

- Identify the contract with a customer
- Identify the performance obligations (distinct elements that are part of a single contract but are separated for accounting purposes) in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation

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

The diagnostic phase of the ongoing implementation project led to identification of the following key differences compared to the provisions of IAS 11 and IAS 18 currently applied by the Group, based on the five-step model set out above:

1. **Identify the contract with a customer**. The concept of a contract matches that of a construction contract. Some ancillary services mainly related to the Group's transactions with its partners of the SPEs set up to perform the contracts are being analysed.

2. **Identify the performance obligations (distinct elements that are part of a single contract but are separated for accounting purposes) in the contract**. The performance obligation is usually the entire project, as provided for in the contract, as the different services are strongly inter-dependent and integrated and are aimed at transferring the project as a whole. Despite this, some services are currently being analysed, especially those provided after the project has been delivered as they could qualify as a separate performance obligation.

3. **Determine the transaction price**. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the infrastructure to the customer. To determine this amount, the Group considers various factors including:

   - variable consideration;
   - significant financing components;
   - consideration payable to a customers; and
   - non-cash consideration.

The Group is currently assessing the variable consideration which, together with that provided for by IFRS 15 about contract modifications, includes the issue of additional consideration. Under IAS 11, the Group recognises additional consideration if it has been substantially approved by the customer or, if not yet approved, when supported by valuations made by external consultants and/or documentation presented by contractual bodies. IFRS 15 provides that revenue recognition is tied to enforceable rights and that it must be highly probable that the revenue shall not be reversed in the future. This "highly probable" requirement strengthens the conditions required for recognition of the additional consideration with possible fallout on the Group's accounting policies which it is currently evaluating.

4. **Allocate the transaction price to the performance obligations**. Based on that set out in point 2, this should not give rise to particularly significant difficulties.

5. **Recognise revenue when (or as) the entity satisfies a performance obligation.** In the Group's case, revenue shall be recognised over time as it satisfies the performance obligations given that:

   - the customer controls the contract work as it is being built; and
   - the construction work creates an asset (infrastructure) for which an alternative use to that for which it is being constructed does not exist and the Group has the right to collect the consideration for the services over the contract term.

   The Group currently recognises revenue in accordance with IAS 11 using the percentage of completion approach and the cost-to-cost method. It does not believe this method needs to be changed following introduction of IFRS 15 as it is one of the input-based methods envisaged by the new standard. The Group currently deems that this is the most appropriate method as it best reflects the transfer of control of the contract work in progress to the customer.

The Group is analysing the effects of the new provisions about contract costs introduced by IFRS 15 with respect to the costs incurred to obtain the contract and the costs to fulfil the contract, which shall be recognised as an asset, when the standard's conditions are met, and amortised on a systematic basis over the contract term.

IFRS 15 is applicable to annual periods beginning on or after 1 January 2018 and it will not be adopted early.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 annual periods beginning on or after 1 January 2019. Early application is permitted if IFRS 15 has also been applied, but the Group does not currently plan to avail of this option. Endorsement by the EU is expected in 2017.

3. Business combinations

The 12-month period allowed by (revised) IFRS 3 for completion of the PPA procedure for the acquisitions of Lane Industries Incorporated and Asphalt Roads and Material Company Inc. (Virginia Beach) ended during the reporting period.

Reference should be made to the 2016 Annual Report for information about this procedure.

Other changes in the consolidation scope

No significant changes in the consolidation scope took place during the six months.

4. 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 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 Lane Group on 4 January 2016).

Costs relating to activities which are carried out centrally at the parent, Salini Impregilo, called "Corporate" costs, are attributed to the Italy segment and relate to:

- planning of human and financial resources;
- coordination and assistance with the group companies' administrative, tax, legal/corporate and institutional and business communications requirements.

These costs amounted to €75.9 million in the period compared to €58.7 million for the corresponding period of the previous year.

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

It measures their equity structure using their net invested capital.

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

Statement of profit or loss by geographical segment
1st half 2017

(€'000)	Italy (*)	Abroad	LANE Group	Total
Revenue	210,336	1,997,977	648,813	2,857,126
Other income	12,227	59,228	1,710	73,165
Total revenue	**222,563**	**2,057,205**	**650,523**	**2,930,291**
Costs				
Production costs	(181,370)	(1,434,126)	(449,518)	(2,065,014)
Personnel expenses	(86,425)	(208,868)	(204,851)	(500,144)
Other operating expenses	(21,362)	(62,748)	(4,547)	(88,657)
Total costs	**(289,157)**	**(1,705,742)**	**(658,916)**	**(2,653,815)**
Gross operating profit (loss)	**(66,594)**	**351,462**	**(8,392)**	**276,476**
Gross operating profit (loss) margin %	*-29.9%*	*17.1%*	*-1.3%*	*9.4%*
Amortisation, depreciation, provisions and impairment losses	(31,286)	(97,843)	(17,786)	(146,915)
Operating profit (loss)	**(97,880)**	**253,619**	**(26,178)**	**129,561**
Return on Sales				*4.4%*
Net financing costs and net gains on equity investments				(76,166)
Profit before tax				**53,395**
Income tax expense				(20,824)
Profit from continuing operations				**32,571**
Loss from discontinued operations				(1,280)
Profit for the period				**31,291**

(*) The operating profit includes the costs of the central units and other general costs of €75.9 million.

The figures for Lane Group in the above table are its IFRS-compliant figures. They do not include the non-controlling investments in joint ventures included under "Work Under Management" as presented in the Directors' report.

The Group monitors the key figures of Lane Group for management purposes adjusting the IFRS figures prepared for consolidation purposes to present the results of the joint ventures not controlled by Lane which are consolidated on a proportionate basis. These figures show the progress made on the contracts managed directly by Lane or through its non-controlling investments in joint ventures. Reference should be made to the section on "Initial considerations on the comparability of data" of the Directors' report for more information.

Statement of profit or loss by geographical segment (°)
1st half 2016

(€'000)	Italy (*)	Abroad	LANE Group	Total
Revenue	213,757	1,838,939	509,885	2,562,581
Other income	28,430	35,992	6,519	70,941
Total revenue	**242,187**	**1,874,931**	**516,404**	**2,633,521**
Costs				
Production costs	(168,925)	(1,385,284)	(347,314)	(1,901,523)
Personnel expenses	(81,649)	(167,912)	(170,861)	(420,422)
Other operating expenses	(24,592)	(44,510)	(4,047)	(73,149)
Total costs	**(275,166)**	**(1,597,706)**	**(522,223)**	**(2,395,094)**
Gross operating profit (loss)	**(32,979)**	**277,225**	**(5,819)**	**238,427**
Gross operating profit (loss) margin %	*-13.6%*	*14.8%*	*-1.1%*	*9.1%*
Amortisation, depreciation, provisions and impairment losses	(25,806)	(89,342)	(11,521)	(126,6468)
Operating profit (loss)	**(58,785)**	**187,883**	**(17,340)**	**111,759**
Return on Sales				*4.2%*
Net financing costs and net gainson equity investments				(37,543)
Profit before tax				**74,216**
Income tax expense				(31,769)
Profit from continuing operations				**42,447**
Loss from discontinued operations				(13,197)
Profit for the period				**29,250**

(*) The operating profit includes the costs of the central units and other general costs of €58.7 million.

(°) The statement of profit or loss for the first half of 2016 was restated to present the different classification of assets held for sale and the new method used to calculate the gross operating profit which excludes provisions and impairment losses.

Statement of financial position as at 30 June 2017 by geographical segment

(€'000)	Italy	Abroad	LANE Group	Total
Non-current assets	343,225	489,712	433,217	**1,266,154**
Assets held for sale, net	6,032	3,233	-	**9,265**
Provisions for risks	(82,579)	(12,279)	(5,614)	**(100,472)**
Post-employment benefits and employee benefits	(14,872)	(13,360)	(65,148)	**(93,380)**
Net tax assets (liabilities)	229,082	(33,145)	(21,081)	**174,856**
Working capital	*109,765*	*655,068*	38,922	**803,755**
Net invested capital	**590,653**	**1,089,230**	**380,296**	**2,060,179**
Equity				**1,275,426**
Net financial indebtedness				**784,753**
Total financial resources				**2,060,179**

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	**1,348,457**
Assets held for sale, net	6,032	-	-	**6,032**
Provisions for risks	(83,663)	(16,297)	(5,805)	**(105,765)**
Post-employment benefits and employee benefits	(14,444)	(12,762)	(64,724)	**(91,930)**
Net tax assets (liabilities)	219,177	(73,073)	(27,762)	**118,342**
Working capital	*190,899*	*200,351*	45,761	**437,012**
Net invested capital	**749,911**	**546,147**	**416,089**	**1,712,148**
Equity				**1,361,330**
Net financial indebtedness				**350,818**
Total financial resources				**1,712,148**

Statement of financial position

5. Property, plant and equipment

Property, plant and equipment amount to €755.0 million, down from the 31 December 2016 figure by €48.1 million. The historical cost and carrying amount are given in the following table:

	30 June 2017			31 December 2016		
(€'000)	Cost	Acc. depreciation	Carrying amount	Cost	Acc. depreciation	Carrying amount
Land	55,816	-	55,816	60,107	-	60,107
Buildings	148,063	(64,754)	83,309	145,914	(62,920)	82,994
Plant and machinery	1,235,944	(740,592)	495,352	1,287,576	(733,247)	554,329
Industrial and commercial equipment	118,088	(97,493)	20,595	114,007	(98,026)	15,981
Other assets	100,147	(49,415)	50,732	103,440	(47,918)	55,522
Assets under const. and payments on account	49,169	-	49,169	34,106	-	34,106
Total	**1,707,227**	**(952,254)**	**754,973**	**1,745,150**	**(942,111)**	**803,039**

Changes during the period are summarised below:

(€'000)	31 December 2016	Increases	Depreciation	Reclassific-ations	Disposals	Exchange differences and other movem.	30 June 2017
Land	60,107	7	-	(2,016)	(59)	(2,223)	55,816
Buildings	82,994	11,051	(7,027)	(793)	(587)	(2,329)	83,309
Plant and machinery	554,329	74,068	(83,290)	6,961	(31,878)	(24,838)	495,352
Industrial and commercial equipment	15,981	10,788	(4,525)	(682)	(345)	(622)	20,595
Other assets	55,522	2,300	(3,222)	(3,470)	(143)	(256)	50,732
Assets under const. and payments on account	34,106	24,696	-	-	(8,738)	(895)	49,169
Total	**803,039**	**122,910**	**(98,064)**	**-**	**(41,750)**	**(31,163)**	**754,973**

The most significant changes include:

- increases of €122.9 million, mainly related to investments for foreign contracts including the Ethiopian branch (€2.9 million, principally relating to the Koysha project), the Forrestfield - Airport Link - Perth (Australia) (€37.6 million), the Lima Metro 2 (€7.5 million), Consorzio Collegamenti Integrati Veloci (CO.C.I.V.) (€10 million), the South Al-Mutlaa project (Kuwait) (€4.7 million) and Lane Group (€11.5 million);
- depreciation for the period of €98.1 million;
- disposals of €41.8 million, principally related to plant and machinery. These disposals mostly refer to contracts nearing completion;
- the closing balance at 30 June 2017 includes leased assets of €172.4 million recognised under "Buildings" (€0.5 million), "Plant and machinery" (€171.0 million), "Industrial and commercial equipment" (€0.8 million) and "Other assets (€0.1 million).

6. Intangible assets

Intangible assets amount to €137.7 million, down from the 31 December 2016 figure by €31.1 million. The historical cost and carrying amount are given in the following table:

(€'000)	30 June 2017 Cost	Acc. amortisation	Carrying amount	31 December 2016 Cost	Acc. amortisation	Carrying amount
Rights to infrastructure under concession	48,977	(2,758)	46,219	72,718	(9,469)	63,249
Contract acquisition costs	199,853	(110,567)	89,286	200,154	(97,510)	102,643
Other	8,251	(6,049)	2,202	8,526	(5,655)	2,871
Total	**257,081**	**(119,374)**	**137,707**	**281,398**	**(112,634)**	**168,763**

The rights to infrastructure under concession of €46.2 million decreased compared to the previous year-end balance. Changes of the period are detailed in the following table:

(€'000)	31 December 2016	Increases	Amortisation	Exchange differences	Reclassific-ations	30 June 2017
SA.BRO.M.	44,229	378				44,607
Parking Glasgow	17,214		(471)	(197)	(16,546)	-
Mercovia	1,806	220	(233)	(181)		1,612
Total	**63,249**	**598**	**(704)**	**(378)**	**(16,546)**	**46,219**

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.

The balance of €16.5 million for Parking Glasgow was reclassified to “Non-current assets held for sale and discontinued operations and associated liabilities” after its sale finalised on 14 July 2017.

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

Contract acquisition costs amount to €89.3 million and are analysed in the following table:

(€'000)	31 December 2016	Increases	Amortisation	Exchange losses	30 June 2017
Cociv (Milan - Genoa railway section)	40,575		(1,983)		38,592
Riyadh Metro - Saudi Arabia	38,832		(5,623)		33,209
Iricav Due (Verona - Padua railway section)	12,510				12,510
Thessalonica Metro - Greece	629		(213)		416
Yarull - Dom. Republic	3,005		(3,005)		-
Gerald Desmond Bridge - USA	3,549		(661)		2,888
Seli Tunnelling Denmark A.p.S.	1,083		(591)		492
Lane	2,460		(1,243)	(37)	1,180
Total	**102,643**	**-**	**(13,319)**	**(37)**	**89,287**

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 balance for Lane was calculated considering the PPA procedure when the US investee was acquired.

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

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

Other intangible assets amount to €2.2 million, down €0.7 million from the 31 December 2016 figure. The historical cost and carrying amount are given in the following table:

	30 June 2017			31 December 2016		
(€'000)	Cost	Acc. amortisation	Carrying amount	Cost	Acc. amortisation	Carrying amount
Industrial patents	144	(66)	78	75	(61)	14
Concessions	64	(64)	-	64	(64)	-
Software	7,138	(5,141)	1,997	7,292	(4,699)	2,593
Other	905	(778)	127	1,095	(831)	264
Total	**8,251**	**(6,049)**	**2,202**	**8,526**	**(5,655)**	**2,871**

Changes during the period are set out below:

(€'000)	31 December 2016	Increases	Amortisation	Other changes	Disposals	Exchange lossses	Change in consolidation scope	30 June 2017
Industrial patents	14	70	(6)					78
Software	2,593	221	(720)			(97)		1,997
Other intangible assets	264		(42)		(95)			127
Total	**2,871**	**291**	**(768)**	**-**	**(95)**	**(97)**	**-**	**2,202**

7. Goodwill

Goodwill of €162.6 million at the reporting date entirely relates to the acquisition of Lane Group finalised in 2016.

Note 5 - Business combinations in the 2016 Annual Report describes how goodwill is recognised.

Changes during the period are set out below:

(€'000)	31 December 2016	Exchange losses	30 June 2017
Lane Group (04/01/16)	148,018	(10,541)	137,477
Asphalt Roads and Materials Co. assets (04/04/16)	27,170	(2,073)	25,097
Total	**175,188**	**(12,614)**	**162,574**

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

8. Equity investments

Equity investments increased by €9.4 million to €210.9 million.

(€'000)	30 June 2017	31 December 2016	Variation
Investments in subsidiaries	47	47	-
Investments in equity-accounted investees	194,292	183,509	10,783
Other investments	16,561	17,912	(1,351)
Total	**210,900**	**201,468**	**9,432**

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

(€'000)	1st half 2017
Change in consolidation scope	1,839
Capital transactions	28,781
Acquisitions, capital injections and disinvestments	(86)
Share of profit of equity-accounted investees	4,540
Dividends from equity-accounted investees	(12,808)
Reclassifications to comply with IFRS 5	(3,225)
Other changes including change in the translation reserve	(9,609)
Total	**9,432**

"Capital transactions" mainly relate to the recapitalisation of the SPE Grupo Unidos por el Canal (Panama).

The Group's share of profit of equity-accounted investees totals €4.5 million, considering also the figures shown in note 25, detailing the changes in the provision for risks on equity investments. The effect on profit or loss is analysed in note 34.

Dividends from equity-accounted investees refer to the non-consolidated joint ventures of Lane Group.

The item "Reclassifications to comply with IFRS 5" comprises the carrying amount of the investment in the English operator Impregilo Wolverhampton Ltd, measured using the equity method and classified in "Assets held for sale" to reflect its sale which was completed on 14 July 2017.

The key figures of the equity-accounted investees are set out below:

(€'000)						IFRS				
Entity	Country	Business	%	Carrying amount	Equity under local GAAP	Total assets	Net financial position (indebtedness)	Equity	Revenue	Profit (loss) for the period
Metro de Lima 2	Peru	Concession, construction and operation of Line 2 of the Lima Metro	18.25%	21,783	21,783	56,932	6,312	21,783	39,717	489
Cons Agua Azul S.A.	Peru	Operator - Water cycle	25.50%	6,608	6,608	7,221	939	6,608	1,682	558
Yuma	Colombia	Operator - Motorways	48.33%	12,603	12,603	129,517	(76,309)	12,603	31,494	509
Gaziantep Hastane Sanglik	Turkey	Operator - Hospital sector	24.50%	5,715	5,715	50,610	(41,413)	5,715	136	189
Ochre Solutions Ltd.	GB	Operator - Hospitals	40.00%	4,469	(2,815)	73,815	2,989	(2,815)	2,463	(426)
Grupo Unidos por el Canal	Panama	Construction work - Panama Canal extension project	38.40%	70,577	(202,513)	528,652	(188,572)	(202,513)	17,513	(4,425)
AGL Constructor JV	USA	Construction work	20.00%	2,217	2,217	14,233	4,742	2,217	25,814	(2,853)
Skanka Granite JV	USA	Motorway construction	30.00%	3,109	3,109	37,964	20,988	3,109	73,046	7,342
SGL I4 Leasing	USA	Lease services	30.00%	17,470	17,470	17,546	2,838	17,470	1,383	68
Fluor-Lane	USA	Motorway construction	35.00%	(384)	(384)	123	123	(384)	-	-
Fluor-Lane 95 LLC	USA	Motorway construction	35.00%	11	11	967	963	11	2	2
Flatiron- Lane	USA	Motorway construction	45.00%	33	33	144	144	33	-	-
GLLP Gemma Liberty	USA	Civil works construction	25.00%	(159)	(159)	22	22	(159)	30	6
GLPP Gemma Patriot	USA	Civil works construction	25.00%	(188)	(188)	23	23	(188)	-	-
Fluor-Lane South Carolina	USA	Motorway construction	45.00%	935	935	8,020	6,738	935	6,653	501
Purple Line	USA	Motorway construction	30.00%	6,888	6,888	43,885	39,717	6,888	22,726	2,470

9. Derivatives and non-current financial assets

Non-current financial assets of €123.0 million are analysed in the following table:

(€'000)	30 June 2017	31 December 2016	Variation
Other financial assets	14,973	17,877	(2,904)
Loans and receivables - unconsolidated group companies and other related parties	18,472	19,005	(533)
Loans and receivables - third parties	89,453	25,576	63,877
Derivatives	60	156	(96)
Total	**122,958**	**62,614**	**60,344**

The other financial assets include unlisted guaranteed-return securities which mature after one year. They amount to €15.0 million at period end (31 December 2016: €17.9 million) and mainly comprise units in the fund financing Yuma.

Loans and receivables - unconsolidated group companies and other related parties of €18.5 million (31 December 2016: €19 million) chiefly relate to loans granted to the UK associate Ochre Holding (€11.5 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 €89.4 million increased by €63.9 million on 31 December 2016 and principally include:

- €67.9 million related to the CAV.TO.MI. Consortium for the amounts paid as a result of the Appeal Court ruling of 23 September 2015. This receivable was reclassified from current to non-current as the timeframe for the settlement of the dispute has been extended. Reference should be made to the “Main risk factors and uncertainties” section of the Directors’ report for more information;
- €21.5 million related to the concessions of the indirect subsidiaries Corso del Popolo S.p.A. and Piscine dello Stadio S.r.l..

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

This item is analysed below:

(€'000)	30 June 2017	31 December 2016
Interest rate swaps - Cash flow hedges	60	156
Total non-current derivatives shown in the net financial position	**60**	**156**

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

'000

Company	Agreement date	Expiry date	Currency	Notional amount (USD)	Fair value (€)
Lane Industries	07/10/2016	08/04/2021	USD	30,000	60
Total					**60**

10. Deferred tax assets and liabilities

Deferred tax assets and liabilities amount to €66.4 million and €36.3 million at 30 June 2017, respectively. Changes of the period, shown in the following table, reflect adjustments made on the basis of the information available at the reporting date:

(€'000)	30 June 2017	31 December 2016	Variation
Deferred tax assets	66,394	121,925	(55,531)
Deferred tax liabilities	(36,329)	(108,493)	72,164

11. Inventories

Inventories total €253.1 million at the reporting date, as shown in the following table:

	30 June 2017			31 December 2016			
(€'000)	Gross amount	Allowance	Carrying amount	Gross amount	Allowance	Carrying amount	Variation
Real estate projects	22,059	(8,597)	13,462	22,059	(8,597)	13,462	-
Finished products and goods	3,865		3,865	3,475		3,475	390
Raw materials, consumables and supplies	238,465	(2,646)	235,819	256,225	(2,583)	253,642	(17,823)
Total	**264,389**	**(11,243)**	**253,146**	**281,759**	**(11,180)**	**270,579**	**(17,433)**

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 €3.9 million and €235.8 million, respectively, and mainly relates to materials and goods to be used for foreign contracts, including those in Ethiopia (€124.8 million), for Lane

Industries Incorporated (€24.0 million), in Venezuela (€16.9 million), Colombia (€7.5 million) and Nigeria (€7.1 million).

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

(€'000)	31 December 2016	Accruals	Utilisations	Reversals	Other changes	Exchange differences	30 June 2017
Allowance - raw materials	(2,583)	(135)				72	(2,646)
Total	**(2,583)**	**(135)**	**-**	**-**	**-**	**72**	**(2,646)**

12. Contract work in progress

Contract work in progress totals €2,578.4 million at the reporting date, up €211.2 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)	30 June 2017	31 December 2016	Variation
Contract work in progress	32,308,440	34,079,424	(1,770,984)
Progress payments and advances received (on approved work)	(29,730,019)	(31,712,161)	1,982,142
Total	**2,578,421**	**2,367,263**	**211,158**

The most significant work in progress relates to railway work in Venezuela (€236.4 million), the hydroelectric plants in Ethiopia (€180.9 million), the high speed/capacity railway work in Italy (€262.2 million), the hydroelectric, road and civil building works in Nigeria (€71.8 million), the Copenhagen Cityringen Metro in Denmark (€255.1 million), the Doha Metro and the Al Bayt Stadium in Al Khor, Qatar (€243.7 million), the design and construction of motorways in Romania (€72.6 million), the construction of the new metro line as part of the Sydney Metro Northwest Project in Australia (€142.3 million), road and motorway projects in Poland (€82.2 million), the hydroelectric plant in Tajikistan (€84.1 million), the Ruta del Sol road project in Colombia (€ 97.0 million) and work in progress in Libya (€146.2 million). With respect to the works in Libya, the subsidiary Lidco collected contractual advances in previous years amounting to €173.1 million at the reporting date, recognised as "Advances for contract work in progress" under liabilities in the statement of financial position.

The item shows an increase over 31 December 2016 mainly due to continuation of production on the contracts in Qatar (€26.9 million, mainly referred to construction of the Al Bayt Stadium in Al Khor and the Red Line North Underground), Tajikistan (€53.9 million, relating to the construction of an hydroelectric plant), Ethiopia (€65.7 million, for construction of hydroelectric plants) and Poland (€63.0 million, related to the road construction projects).

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)	30 June 2017	31 December 2016	Variation
Italy	535,644	453,529	82,115
EU (excluding Italy)	456,305	462,173	(5,868)
Non-EU	117,308	124,420	(7,112)
Asia	127,906	75,017	52,889
Middle East	310,533	284,562	25,971
Africa	513,795	458,331	55,464
North America	33,749	30,412	3,337
Latin America	340,900	373,465	(32,565)
Oceania	142,281	105,354	36,927
Total	**2,578,421**	**2,367,263**	**211,158**

13. Trade receivables

At 30 June 2017, trade receivables amount to €2,404.3 million, a net increase of €45.0 million compared to 31 December 2016. The item includes receivables of €162.0 million from unconsolidated group companies and other related parties.

It is analysed in the following table:

(€'000)	30 June 2017	31 December 2016	Variation
Third parties	2,242,326	2,203,645	38,681
Unconsolidated group companies and other related parties	161,990	155,628	6,362
Total	**2,404,316**	**2,359,273**	**45,043**

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

(€'000)	30 June 2017	31 December 2016	Variation
Trade receivables	2,377,158	2,316,580	60,578
Allowance for impairment	(134,832)	(112,935)	(21,897)
Total	**2,242,326**	**2,203,645**	**38,681**

The balance relates to amounts due from customers for invoices issued and for work performed and approved by clients but still to be invoiced. It is substantially in line with that at 31 December 2016.

The item also includes €208.5 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). In addition, it comprises trade receivables from Venezuelan customers for railway works, which the Group expects to collect after one year.

Retentions amount to €118.5 million at the reporting date compared to €126 million at 31 December 2016.

The allowance for impairment increased by €21.9 million to €134.8 million at the reporting date and includes impairment losses on trade receivables of €80.1 million (mostly for the Venezuelan branch) and on default interest of €54.8 million (mainly related to Fibe).

Impairment losses recognised during the period approximated €36.3 million and are mainly attributable to the Venezuelan branch for delays in payments by clients and receivables deemed non-recoverable related to the Cetim Dam contract in Turkey. More information is available in the paragraphs on Venezuela and Turkey 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 2016	Impairment losses	Utilisations	Reversals	Change in consolidation scope	Reclassific-ations and ther changes	Exchange differences	30 June 2017
Trade receivables	58,130	36,341	(411)	(22,911)	(2)	9,075	(160)	80,062
Default interest	54,806			(17)		(19)		54,770
Total	**112,936**	**36,341**	**(411)**	**(22,928)**	**(2)**	**9,056**	**(160)**	**134,832**

Trade receivables from unconsolidated group companies and other related parties increased by €6.4 million to €162 million at 30 June 2017.

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 €2.1 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 increase is mostly due to the rise in the receivable from the Swiss consortia.

14. Derivatives and other current financial assets

At 30 June 2017, this item of €234.4 million (31 December 2016: €323.4 million) includes the following:

(€'000)	30 June 2017	31 December 2016	Variation
Government bonds and insurance shares	12,254	6,846	5,408
Loans and receivables - third parties	55,438	138,155	(82,717)
Loans and receivables - unconsolidated group companies and related parties	166,741	178,392	(11,651)
Total	**234,433**	**323,393**	**(88,960)**

The government bonds and insurance shares amount to €12.3 million compared to €6.8 million at 31 December 2016. The item includes unlisted guaranteed-return securities with maturities of less than one year. The increase in the period 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:

- €9.7 million related to the Danish subsidiary CMB for the amounts tied-up as part of the agreements with the subcontractor which will be used and/or released by 2017. Reference should be made to the section on the “Main risk factors and uncertainties” of the Directors’ report for more information;

- €13.5 million due from the Romanian Ministry of Infrastructure and Transport related to the surety enforced during the previous period as a result of the disputes with the client 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 risk factors and uncertainties” in the Directors’ report provides more information;

- €4.0 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 the fixed rate of 9.50% and collections have been regular to date in line with the contractual terms.

  The amount due from the Cordoba provincial authorities, which amounted to €1.9 million at 31 December 2016, was collected during the reporting period.

The receivable of €67.9 million due from the CAV.TO.MI Consortium related to the amounts paid as a result of the Appeal Court ruling of 23 September 2015 was reclassified from current to non-current loans and receivables as the timeframe for the settlement of the dispute has been extended. Reference should be made to the section on the “Main risk factors and uncertainties” in the Directors’ report for more information.

The Group collected €15.1 million of the current amount due from Prime System Kz Ltd for the sale of Todini Costruzioni Generali S.p.A. during the period; at 31 December 2016, this receivable amounted to €16.1 million.

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

- €118.7 million due from Consorzio OIV Tocoma, the SPE in charge of a hydroelectric project in Venezuela;

- €10.2 million due from the SPE Linea M4 S.p.A. for the financing granted to it; 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;
- €7.2 million due from Salini Costruttori S.p.A., principally relating to its participation in the VAT consolidation scheme. At 31 December 2016, this item amounted to €6.0 million.

15. Current tax assets and other current tax assets

Current tax assets amount to €133.3 million as follows:

(€'000)	30 June 2017	31 December 2016	Variation
Direct taxes	51,921	53,118	(1,197)
IRAP	4,830	957	3,873
Foreign direct taxes	76,518	81,912	(5,394)
Total	**133,269**	**135,987**	**(2,718)**

The 30 June 2017 balance mainly consists of:

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

Other current tax assets decreased by €4.5 million to €142.0 million at the reporting date as follows:

(€'000)	30 June 2017	31 December 2016	Variation
VAT	125,543	129,590	(4,047)
Other indirect taxes	16,428	16,913	(485)
Total	**141,971**	**146,503**	**(4,532)**

VAT assets include €87.0 million due from the Italian tax authorities and €38.5 million from foreign tax authorities.

16. Other current assets

Other current assets of €660.0 million show an increase of €68.7 million on the previous year end and may be analysed as follows:

(€'000)	30 June 2017	31 December 2016	Variation
Other	293,042	275,177	17,865
Advances to suppliers	229,047	197,414	31,633
Other - unconsolidated group companies and other related parties	38,787	35,623	3,164
Prepayments and accrued income	99,100	83,057	16,043
Total	**659,976**	**591,271**	**68,705**

"Other" increased by €17.8 million, mainly as a result of the greater amounts due from the Group's partners.

Specifically, this item includes:

- €71.4 million (substantially unchanged from 31 December 2016) due from the public bodies involved in managing the waste emergency in Campania to Fibe. The section on the "USW Campania projects" and related assessments in the section of the Directors' report on the "Main risk factors and uncertainties" provides more information about these projects;
- €35.4 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;
- €76.3 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;
- €13.8 million related to Lane mainly for insurance policies taken out for key management personnel.

Advances to suppliers increased by €31.6 million over 31 December 2016, due to the advances made mostly for the Milan - Genoa section of the high speed/capacity contracts, the road contracts in Poland and the Al Bayt Stadium in Qatar. In addition, this item was offset in part during the period by the use of advances made in previous years for the new hydroelectric project in Tajikistan, the Lima metro line in Peru, as well as for works in Turkey and Colombia.

Other - unconsolidated group companies and other related parties increased by €3.2 million to €38.8 million, as a result of an increase in the amount due from the US investees engaged in the projects in California.

Prepayments and accrued income of €99.1 million show an increase of €16.0 million on 31 December 2016. The item mainly consists of insurance premiums, commissions on sureties and other contract costs which will be recognised in profit or loss in future periods based on the stage of completion of the related contracts. The increase, shown in the following table, is mainly due to Lane's new contracts in America and the Rogun hydroelectric plant in Tajikistan.

This item is summarised in the following table:

(€'000)	30 June 2017	31 December 2016	Variation
Accrued income:			
- Insurance	456	-	456
- Sureties	83	-	83
- Other	2,813	409	2,404
Total accrued income	**3,352**	**409**	**2,943**
Prepayments:			
- Insurance	52,038	43,912	8,126
- Sureties	9,593	5,722	3,871
- Other contract costs	34,117	33,014	1,103
Total prepayments	**95,748**	**82,648**	**13,100**
Total	**99,100**	**83,057**	**16,043**

17. Cash and cash equivalents

At 30 June 2017, cash and cash equivalents amount to €1,331.6 million, down by €271.1 million, as shown below:

(€'000)	30 June 2017	31 December 2016	Variation
Cash and cash equivalents	1,331,602	1,602,721	(271,119)

A breakdown by geographical segment is as follows:

(€'000)	30 June 2017	31 December 2016	Variation
Italy	130,468	259,273	(128,805)
EU (excluding Italy)	63,500	101,865	(38,365)
Non-EU	27,061	15,569	11,492
Asia	35,607	42,281	(6,674)
Middle East	583,681	790,000	(206,319)
Africa	190,222	116,037	74,185
North America	147,795	160,487	(12,692)
Latin America	62,395	71,209	(8,814)
Oceania	90,873	46,000	44,873
Total	**1,331,602**	**1,602,721**	**(271,119)**

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

The statement of cash flows shows the reason for the decrease in the item and changes in current account facilities (note 20).

At the reporting date, the cash and cash equivalents attributable to non-controlling interests of the consolidated SPEs amount to €205.2 million and mainly refer to the entities carrying out work on the Metro di Ryhad in Saudi Arabia, the Red Line North Underground, the Al Bayt Stadium in Al Khor, Qatar and Lane Group entities.

The deposits of Galfar – Salini Impregilo – Cimolai J.V. comprise a term deposit account of €5.3 million which will be released when the works in Qatar are completed, Imprepar's deposits include €5.5 million collected by it on behalf of third parties while Impregilo International Infrastructures N.V.'s deposits include €4.0 million tied up for 31 days.

18. Non-current assets and liabilities held for sale and discontinued operations and loss from discontinued operations

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

(€'000)	30 June 2017	31 December 2016	Variation
Non-current assets held for sale	29,736	6,032	23,704
Liabilities directly associated with non-current assets held for sale	(20,471)	-	(20,471)
Total	**9,265**	**6,032**	**3,233**

The increase of €3.2 million is basically due to classification of the net assets of Impregilo Parking Glasgow and Impregilo Wolverhampton following their sale completed on 14 July 2017 as well as the increase in liabilities related to some of the Campania-based activities of HCE Group and Salini Impregilo in the light of the sale expected to take place in the next few months.

A breakdown of this item is as follows:

30 June 2017

(€'000)	Parking Glasgow	Wolver-hampton	HCE (*)	USW Campania	Total
Non-current assets	16,553	4,298	6	5,683	26,540
Current assets	1,163	11	2,021	-	3,195
Non-current assets held for sale	**17,716**	**4,310**	**2,027**	**5,683**	**29,735**
Non-current liabilities	(14,385)	-	(24)	-	(14,409)
Current liabilities	(876)	-	(5,185)	-	(6,061)
Liabilities directly associated with non-current assets held for sale	**(15,262)**	**-**	**(5,209)**	**-**	**(20,470)**
Total	**2,454**	**4,310**	**(3,182)**	**5,683**	**9,265**
- including net financial indebtedness	*(11,042)*	*676*	*3*		*(10,363)*

(*) The Campania-based assets of HCE Group and Salini Impregilo (Alifana 1 and Alifana 2 contracts), given the sale planned to take place in the next few months.

31 December 2016

(€'000)	HCE	RSU Campania	Total
Non-current assets	349	5,683	6,032
Non-current assets held for sale	**349**	**5,683**	**6,032**
Total	**349**	**5,683**	**6,032**

The loss from discontinued operations in the first six months of 2017 and 2016 is analysed in the following table:

1st half 2017

(€'000)	USW Campania
Revenue	
Costs	
Services	(1,280)
Total costs	**(1,280)**
Operating loss	**(1,280)**
Financing income (costs) and gains (losses) on equity investments	
Loss before tax	**(1,280)**
Loss from discontinued operations	**(1,280)**

1st half 2016

(€'000)	Business unit B Todini	USW Campania	Total
Revenue			
Other revenue	1,523	-	1,523
Total revenue	**1,523**	**-**	**1,523**
Costs			
Amortisation, depreciation, provisions and impairment losses	(120)	(744)	(864)
Total costs	**(120)**	**(744)**	**(864)**
Operating profit (loss)	**1,403**	**(744)**	**659**
Financing (costs)			
Financial expense	(13,856)	-	(13,856)
Net financial expense	(13,856)	-	(13,856)
Net financing costs	**(13,856)**	**-**	**(13,856)**
Loss before tax	**(12,453)**	**(744)**	**(13,197)**
Loss from discontinued operations	**(12,453)**	**(744)**	**(13,197)**

19. Equity

Equity increased to €1,275.4 million at 30 June 2017 from €1,361.3 million at the end of 2016 as follows:

(€'000)	30 June 2017	31 December 2016	Variation
Equity attributable to the owners of the parent			
Share capital	544,740	544,740	-
Share premium reserve	120,798	120,798	-
- Legal reserve	106,551	103,321	3,230
- Reserve for share capital increase related charges	(3,970)	(3,970)	-
- Reserve for treasury shares	(7,677)	(7,677)	-
- LTI reserve	4,155	4,242	(87)
- Extraordinary and other reserves	136	136	-
Total other reserves	99,195	96,052	3,143
Other comprehensive income (expense)			
- Translation reserve	(22,625)	48,530	(71,155)
- Hedging reserve	1,002	(533)	1,535
- Actuarial reserve	(2,052)	(909)	(1,143)
Total other comprehensive income (expense)	(23,675)	47,088	(70,763)
Retained earnings	368,625	336,406	32,219
Profit for the period/year	16,640	59,921	(43,281)
Equity attributable to the owners of the parent	**1,126,323**	**1,205,005**	**(78,682)**
Share capital and reserves attributable to non-controlling interests	134,452	116,733	17,719
Profit for the period/year attributable to non-controlling interests	14,651	39,593	(24,942)
Share capital and reserves attributable to non-controlling interests	149,103	156,326	(7,223)
TOTAL EQUITY	**1,275,426**	**1,361,331**	**(85,905)**

Changes of the period in the different equity items are summarised in the relevant schedule of the condensed interim consolidated financial statements. Specifically, in their meeting held on 27 April 2017, the parent's shareholders resolved to allocate the profit for 2016 as follows:

- €3,230,154.26, equal to 5% of the profit for the year, to the legal reserve;
- €25,920,620.64 as a dividend to the holders of ordinary shares, equal to €0.053 per share, including the legal withholding, for each share with dividend rights and, therefore, excluding the 3,104,377 treasury shares currently held by the parent;
- €420,027.66 as a dividend to the holders of savings shares, equal to €0.26 per share, as per article 33.b) of the by-laws, including the legal withholding;
- €35,032,282.68 to be carried forward.

The reserve for treasury shares is unchanged from 31 December 2016. The Group launched the repurchase programme on 6 October 2014 and has bought back 3,104,377 shares for €7,676,914.46.

The LTI (long term incentive plan) reserve shows the fair value of €4.2 million of this plan rolled out in 2015. 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	569,573.00	2,198,551.78	17/12/2015	30/4/2018	3.86	1,012,375.91
Key management personnel	812,414.00	3,142,417.35	22/12/2015	30/4/2018	3.87	1,442,442.64
Other managers	958,732.00	3,708,375.38	22/12/2015	30/4/2018	3.87	1,699,020.26
Total	**2,340,719.00**	**9,049,344.51**				**4,153,838.81**

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

(€'000)	1st half 2017	1st half 2016
Opening balance	48,530	(11,194)
Reclassification to profit or loss		13,857
Equity-accounted investees	(7,442)	228
Decrease	(63,713)	(20,610)
Total changes	(71,155)	(6,525)
Closing balance	**(22,625)**	**(17,719)**

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

(€'000)	1st half 2017	1st half 2016
Opening balance	(533)	(8,085)
Reclassification of fair value gains/losses on settled transactions to profit or loss	137	335
Reclassification from comprehensive income		9,920
Net fair value gains (losses)	1,159	(4,056)
Net exchange gains (losses) and other changes	108	494
Net gains (losses) for equity-accounted investees	131	(75)
Total changes	1,535	6,618
Closing balance	**1,002**	**(1,467)**

The actuarial reserve underwent the following changes:

(€'000)	1st half 2017	1st half 2016
Opening balance	(909)	(5,273)
Net actuarial gains (losses) recognised in OCI	(1,143)	6,973
Closing balance	**(2,052)**	**1,700**

Retained earnings

This item may be analysed as follows:

(€'000)	1st half 2017	1st half 2016
Opening balance	336,406	324,259
Allocation of profit	56,691	58,805
Dividend distribution	(26,341)	(19,982)
Change in consolidation scope	1,869	-
Closing balance	**368,625**	**363,082**

Share capital and reserves attributable to non-controlling interests

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

(€'000)	1st half 2017	1st half 2016
Opening balance	156,326	100,860
Capital increase	1,895	56
Profit attributable to non-controlling interests	14,651	18,026
Dividend distribution to non-controlling interests	(19,325)	(4,136)
Change in consolidation scope	(1,869)	9,544
Comprehensive income (expense)	(2,575)	(643)
Closing balance	**149,103**	**123,707**

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

Bank and other loans and borrowings increased by €161.9 million over 31 December 2016 to €1,426.8 million at the period end, as summarised below:

(€'000)	30 June 2017	31 December 2016	Variation
Non-current portion			
- Bank and other loans and borrowings	829,699	866,362	(36,663)
Current portion			
- Current account facilities and other loans	597,117	398,589	198,528
Total	**1,426,816**	**1,264,951**	**161,865**

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

	30 June 2017			31 December 2016		
(€'000)	Non-current	Current	Total	Non-current	Current	Total
Bank corporate loans	740,711	190,500	931,211	753,740	45,031	798,771
Bank construction loans	67,753	177,056	244,809	82,056	88,886	170,942
Bank concession financing	13,724	19,257	32,981	22,253	19,337	41,590
Financing and loans of companies in liquidation	2,136	-	2,136	2,136		2,136
Other financing	5,294	7,762	13,056	5,827	11,937	17,764
Total bank and other loans and borrowings	**829,618**	**394,575**	**1,224,193**	**866,012**	**165,191**	**1,031,203**
Current account facilities	-	121,019	121,019	-	51,297	51,297
Factoring liabilities	81	28,013	28,094	350	123,207	123,557
Loans and borrowings - unconsolidated group companies	-	53,510	53,510	-	58,894	58,894
Total	**829,699**	**597,117**	**1,426,816**	**866,362**	**398,589**	**1,264,951**

Bank corporate loans

Bank corporate loans amount to €931.2 million at the reporting date (31 December 2016: €798.8 million) and refer to the parent.

They have been granted by major banks and have repayment plans which provide for payment of the last

	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 Milan	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	2021	
BBVA	Salini Impregilo	Fixed	2020	

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

During the period, the Group agreed financing with BBVA (€50.0 million) and Banca del Mezzogiorno (€30.0 million).

Bank construction loans

Construction loans of €244.8 million at 30 June 2017 mainly relate to the contracts in Colombia (€47.8 million), North America (€39.1 million), Australia (€37.4 million), Romania (€28.3 million), Qatar (€19.4

million), the Metro B1 contract (€12.8 million), Switzerland (€8.5 million) and Nigeria (€4.4 million). The net increase is mostly due to the increase recorded for the contracts in Australia (€37.4 million), Romania (€28.2 million) and Qatar (€19.4 million) and the decrease on the contracts in Colombia (€14.8 million) and those of the American Lane Group companies (€14.2 million).

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

	Company	Country	Interest rate	Expiry date
Banco de Bogotà	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 Bogotà	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.

Bank concession financing

At 30 June 2017, bank concession financing amounts to €33.0 million and refers to the Piscine dello Stadio and Corso del Popolo concessions and the Broni-Mortara (SA.BRO.M.) motorway concession.

€'000				30 June 2017			31 December 2016		
	Company	Currency	Country	Total concession	Current	Non-current	Total concession	Current	Non-current
Unicredit	S.A.BRO.M	Euro	Italy	18,150	18,150		18,152	18,152	
Monte dei Paschi di Siena	Corso del Popolo S.p.A.	Euro	Italy	8,337	808	7,529	8,337	529	7,808
Credito Sportivo	Piscine dello Stadio S.r.l.	Euro	Italy	6,494	298	6,196	6,601	293	6,308
Royal Bank of Scotland	Impregilo Parking Glasgow	Sterling	UK	-	-	-	8,500	363	8,137
Total				**32,981**	**19,256**	**13,725**	**41,590**	**19,337**	**22,253**

The outstanding financing from Royal Bank of Scotland at 31 December 2016 related to the operator Impregilo Parking Glasgow and, therefore, it was reclassified to liabilities held for sale at 30 June 2017, in accordance with IFRS 5.

The main conditions of the bank concession financing in place at 30 June 2017 are as follows:

	Company	Country	Interest rate	Expiry date
Monte dei Paschi di Siena	Corso del Popolo S.p.A.	Italy	Euribor	2028
Credito Sportivo	Piscine dello Stadio	Italy	IRS	2035
Unicredit	SA.BRO.M.	Italy	Euribor	2017

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

Financing and loans of companies in liquidation

This item of €2.1 million is substantially unchanged from 31 December 2016. 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			30 June 2017			31 December 2016		
	Company	Country	Total other financing	Current	Non-current	Total other financing	Current	Non-current
Cat Finance	Salini Impregilo	Italy	4,373	2,283	2,090	6,977	4,096	2,881
Various	HCE	Italy	3,523	1,013	2,510	3,320	822	2,498
Various	Lane Industries	USA	3,357	3,006	351	2,585	2,480	105
Other	Other	Various	1,803	1,460	343	4,884	4,539	345
Total			**13,056**	**7,762**	**5,294**	**17,766**	**11,937**	**5,829**

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

	Company	Country	Interest rate	Expiry date
Cat Finance	Salini Impregilo	Italy	Fixed rate	2019

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

Current account facilities

Current account facilities increased by €69.7 million to €121.0 million at the reporting date. The increase mainly refers to the larger bank overdrafts of HCE (€23.4 million), the subsidiary CMT (€24.9 million) and the parent (€22.9 million).

Factoring liabilities

(€'000)	30 June 2017	31 December 2016	Variation
CMT (SACE Factoring S.p.A.)	19,342	15	19,327
Ethiopian branch (Factorit)	8,510	9,957	(1,447)
Sierra Leone branch (Factorit)	160	160	
Venezuelan branch (various)	81	349	(268)
Salini Impregilo S.p.A. (SACE Factoring S.p.A.)	-	53,794	(53,794)
Impregilo-SK E&C-Galfar al Misnad J.V. (SACE Factoring S.p.A.)	-	42,205	(42,205)
Salini Namibia PTY (SACE Factoring S.p.A.)	-	14,893	(14,893)
Salini Impregilo S.p.A. (Unicredit)	-	2,176	(2,176)
JV Mukorsi (Factorit)	-	9	(9)
Total	**28,094**	**123,557**	**(95,462)**

Factoring liabilities related to the factoring of receivables and decreased by €95.5 million, mainly due to the repayments made by the subsidiary Impregilo-SK E&C-Galfar al Misnad J.V. and the parent to SACE Factoring S.p.A. (€42.2 million and €53.8million, respectively).

Net financial indebtedness of Salini Impregilo Group

(€'000)	Note (*)	30 June 2017	31 December 2016	Variation
Non-current financial assets	9	122,898	62,458	60,440
Current financial assets	14	234,433	323,393	(88,960)
Cash and cash equivalents	17	1,331,602	1,602,721	(271,119)
Total cash and cash equivalents and other financial assets		**1,688,933**	**1,988,572**	**(299,639)**
Bank and other loans and borrowings	20	(829,699)	(866,361)	36,662
Bonds	21	(870,097)	(868,115)	(1,982)
Finance lease liabilities	22	(98,700)	(119,742)	21,042
Total non-current indebtedness		**(1,798,496)**	**(1,854,218)**	**55,722**
Current portion of bank loans and borrowings and current account facilities	20	(597,117)	(398,589)	(198,528)
Current portion of bonds	21	(16,185)	(18,931)	2,746
Current portion of finance lease liabilities	22	(53,075)	(55,281)	2,206
Total current indebtedness		**(666,377)**	**(472,801)**	**(193,576)**
Derivative assets	14	60	156	(96)
Derivative liabilities	23	(2,843)	(7,180)	4,337
Net financial position with unconsolidated SPEs (**)		(6,030)	(5,345)	(685)
Total other financial liabilities		**(8,813)**	**(12,369)**	**3,556**
Net financial indebtedness - continuing operations		**(784,753)**	**(350,816)**	**(433,937)**
Net financial indebtedness - discontinued operations		(10,363)	-	(10,363)
Net financial indebtedness including discontinued operations		**(795,116)**	**(350,816)**	**(444,300)**

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

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

At 30 June 2017, the Group has net financial indebtedness from continuing operations of €784.8 million (indebtedness of €350.8 million as at December 31, 2016), while its indebtedness from discontinued operations is €10.4 million (nil) following definition of the new IFRS 5 scope.

The increase in the Group's net financial indebtedness is mainly due to the rise in current bank loans and borrowings following the use of liquidity generated by operations, especially related to the increase in working capital.

Gross indebtedness increased by €138.5 million from 31 December 2016 to €2,470.9 million at the reporting date.

The debt/equity ratio (based on the net financial indebtedness from continuing operations) is 0.62 at group level at the reporting date.

21. Bonds

The outstanding bonds at 30 June 2017 relate to the parent, Salini Impregilo (€886.3 million). They are analysed in the following table:

(€'000)	30 June 2017	31 December 2016	Variation
Non-current portion	870,097	868,115	1,982
Current portion	16,185	18,931	(2,746)
Total	**886,282**	**887,046**	**(764)**

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

		30 June 2017			31 December 2016		
(€'000)	Expiry date	Nominal amount	Non-current portion (net of related charges)	Current portion (accrued interest)	Nominal amount	Non-current portion (net of related charges)	Current portion (accrued interest)
€ 400,000,000 6.125%	1 August 2018	283,026	281,899	15,816	283,026	281,385	7,219
€ 600,000,000 3.75%	24 June 2021	600,000	588,198	369	600,000	586,730	11,712
Total		**883,026**	**870,097**	**16,185**	**883,026**	**868,115**	**18,931**

On 23 July 2013, Salini S.p.A. (now part of Salini Impegilo S.p.A.) issued senior unsecured bonds for a nominal amount of €400 million to be redeemed on 1 August 2018, intended for international institutional investors. The bonds, which have a minimum denomination of €100,000 and an annual gross coupon of 6.125%, were placed with primary international institutional investors at a price of €99.477. 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 Interim Financial 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 Group. The Group assessed the continuity of the previous bonds (exchanged) with the bonds placed on 24 June 2016. On 11 July 2016, the parent placed more bonds with institutional investors for a total nominal amount of roughly €172 million. The new bonds are part of a single series with the previous €428 million issued on 24 June 2016 and redeemable on 24 June 2021, bringing the total bond issue to €600 million. The transaction has strengthened the Group's debt profile, extended its average debt repayment dates by more than one year and increased its fixed rate debt component.

No bonds were issued during the reporting period.

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 Interim Financial Report are fully respected.

22. Finance lease liabilities

Finance lease liabilities may be broken down as follows at 30 June 2017:

(€'000)	30 June 2017	31 December 2016	Variation
Non-current portion	98,700	119,742	(21,042)
Current portion	53,075	55,281	(2,206)

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 30 June 2017, the effective average rate ranged between 2% to 5% for the Italian companies.

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

The present value of the minimum future lease payments is €151.8 million (31 December 2016: €175 million) as follows:

(€'000)	30 June 2017	31 December 2016
Minimum lease payments:		
Due within one year	60,451	62,110
Due between one and five years	101,613	122,863
Due after five years	3,019	3,607
Total	**165,083**	**188,580**
Future interest expense	(13,308)	(13,557)
Net present value	**151,775**	**175,023**
The net present value is as follows:		
Due within one year	53,075	55,281
Due between one and five years	95,814	116,348
Due after five years	2,886	3,394
Total	**151,775**	**175,023**

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

Estimated commitments for future non-cancellable lease payments (€m) - June 2017			
Within one year	Between one and five years	Due after five years	Total
41	52	3	**96**

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

23. 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)	30 June 2017	31 December 2016	Variation
Non-current portion	-	4,429	(4,429)
Current portion	2,843	2,751	92
Total	**2,843**	**7,180**	**(4,337)**

The following table analyses the item:

(€'000)	30 June 2017	31 December 2016	Variation
Interest rate swaps - Cash flow hedges	1,720	7,096	(5,376)
Forward currency purchases and sales - FVTPL	1,123	84	1,039
Total derivatives presented in net financial indebtedness	**2,843**	**7,180**	**(4,337)**

Interest rate swaps - Cash flow hedges: negative fair values

Company	Agreement date	Expiry date	Currency	Notional amount	Fair value (€)
Salini Impregilo	24/05/2017	24/08/2017	EUR	75,000,000	(859,703)
Salini Impregilo	24/05/2017	24/08/2017	EUR	75,000,000	(859,703)
Total					**(1,719,406)**

This item includes the reporting-date fair value of 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 19).

At 31 December 2016, the balance included the derivatives entered into by the subsidiary Impregilo Parking Glasgow which were reclassified to "Liabilities held for sale" during the reporting period following redefinition of IFRS 5. More information is available in note 18 "Non-current assets and liabilities held for sale and discontinued operations and loss from discontinued operations".

Forward currency purchases and sales - FVTPL

Company	Agreement date	Expiry date	Currency	Notional amount	Fair value (€)
Salini Impregilo S.p.A. (Tajikistan)	19/06/2017	19/07/2017	USD	17,000,000	(337,467)
Salini Impregilo S.p.A. (Tajikistan)	19/06/2017	19/07/2017	USD	20,000,000	(397,019)
Salini Impregilo S.p.A. (Tajikistan)	22/06/2017	24/07/2017	USD	20,000,000	(388,523)
Total					**(1,123,009)**

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

24. Post-employment benefits and employee benefits

At 30 June 2017, the Group's liability due to its employees determined using the criteria set out in IAS 19 is €93.4 million.

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.

Changes in the item are as follows:

(€'000)	31 December 2016	Accruals	Payments	Net actuarial losses	Change in consolidation scope and other changes	Contributions paid to INPS treasury and other funds	30 June 2017
Post-employment benefits and employee benefits	**91,931**	**9,847**	**(13,441)**	**(1,452)**	**12,165**	**(5,670)**	**93,380**

"Net actuarial losses" include the actuarial gains and losses recognised in the actuarial reserve as per the revised IAS 19 while the "Change in consolidation scope and other changes" mainly relate to Lane as well as exchange gains and losses.

Lane Construction Corporation Defined Benefit Pension Plan

Through its US subsidiary Lane Industries Inc., the Group contributes to a pension plan that qualifies as a defined benefit plan, The Lane Construction Corporation Defined Benefit Pension Plan, which pays benefits to employees or former employees who met the related vesting conditions when they retire. The subsidiary also pays benefits to a supplementary pension plan for some senior executives. In addition, it provides employees who have reached retirement age with healthcare benefits. These employees were hired before 31 December 1992 and reached retirement age after at least 20 years' service and are also beneficiaries of The Lane Construction Corporation Defined Benefit Pension Plan.

A reconciliation between the opening balance and the closing balance of the Group's liability for employee benefits and the plan assets is as follows (€'000):

(€'000)	Liability for employee benefits	Plan assets	Variation
1 January 2017	**206,374**	**(144,056)**	**62,318**
Contribution cost	2,257	-	2,257
Interest	4,396	(3,126)	1,270
Gains on the change in the expected return on the plan assets	-	(9,663)	(9,663)
Net losses on changes in the financial assumptions	11,559	-	11,559
Net gains from experience	(74)	-	(74)
Employer contributions	(553)	-	(553)
Payments	(2,415)	2,561	146
Healthcare services provided	35	-	35
Exchange differences	(16,676)	11,647	(5,029)
30 June 2017	**204,903**	**(142,637)**	**62,266**

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

	Pension benefits		Other benefits	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Discount rate	4.12%	4.49%	3.72%	4.02%
Expected rate of return on plan assets	6.75%	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:

	30 June 2017	31 December 2016
Annual growth rate	7.18%	7.00%
Ultimate trend rate	4.32%	4.50%
Year in which the ultimate trend rate is expected to be reached	2039	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%	(27,833)	35,297
Salary increase rate	1.00%	10,570	(9,385)

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

(€'000)	30 June 2017	%	31 December 2016	%
Common / collective trusts	142,264	99.74%	143,188	99.40%
Interest-bearing deposits	373	0.26%	868	0.60%
Total	**142,637**	**100.00%**	**144,056**	**100.00%**

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

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

(€'000)	Listed prices	Other observable significant inputs	Other non-observable significant inputs	30 June 2017
	Level 1	Level 2	Level 3	Total
Common / collective trusts	142,264	-	-	142,264
Interest-bearing deposits	373	-	-	373
Total	**142,637**	**-**	**-**	**142,637**

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

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

(€'000)	Pension benefits	Other benefits
2017	5,649	1,387
2018	5,835	1,386
2019	6,336	1,377
2020	6,727	1,446
2021	7,129	1,441
2022 - 2026	39,758	9,149

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

- the assets contributed by an employer to a multi-employer pension plan may be used to provide benefits to the employees of the other employers involved in the plan;

- if an employer stops contributing to a multi-employer pension plan, its unmet obligations are covered by the other employers participating in the plan;
- if an employer decides to withdraw from a multi-employer pension plan, it may be required to pay the plan an amount calculated considering its possible undercapitalisation at the withdrawal date.

		Zone Status (Pension Protection Act) [1]		Contributions (€'000)		
Pension plan	Number	30 June 2017	31 December 2016	30 June 2017	31 December 2016	Plan end date; Presence of "MFA" [2]
IUOE Local 4 Pension Fund	04-6013863; 001	Green	Green	283	838	5/31/2017; No
IUOE Local 98 Benefits Funds	04-6127765; 001	Green	Green	337	832	5/31/2020; No
Operating Engineers' Constr. Ind. and Misc. Pension Fund	25-6135579; 001	Green	Green	252	711	12/31/2019; No
Massachusetts Laborers' Pension Fund	04-6128298; 001	Green	Green	181	547	3/31/2017; No
New England Teamsters' Fund	04-6372430; 001	Red	Red	141	468	4/30/2018; No
Western Penn Laborers' District Council Fund	25-6135576; 001	Red	Red	374	1,243	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".

25. Provisions for risks

These provisions amount to €100.5 million at the reporting date, as follows:

(€'000)	30 June 2017	31 December 2016	Variation
Provisions for risks on equity investments	2,601	2,526	75
Other provisions	97,871	103,239	(5,368)
Total	**100,472**	**105,765**	**(5,293)**

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)	1st half 2017
Change in consolidation method	
Acquisitions/disinvestments	
Share of loss of equity-accounted investees	(68)
Dividends from equity-accounted investees	
Other changes including change in the translation reserve	143
Total	**75**

Other provisions comprise:

(€'000)	30 June 2017	31 December 2016	Variation
USW Campania projects	32,760	32,760	-
Provisions set up by Imprepar and its subsidiaries	34,795	36,327	(1,532)
Ongoing litigation	871	1,556	(685)
Building segment litigation	795	795	-
Tax and social security litigation	-	2,240	(2,240)
Other	28,650	29,561	(911)
Total	**97,871**	**103,239**	**(5,368)**

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 in 2016 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 period are summarised below:

(€'000)	31 December 2016	Impairment losses	Utilisations/ Releases	Reclassific- ations	Exchange differences	Discounting and other changes	30 June 2017
Total	**103,239**	6,226	(10,875)	-	(719)	-	**97,871**

Changes of the period comprise:

- accruals of €6.2 million, mainly related to the subsidiary Imprepar (€3.4 million), HCE Group for future costs to dismantle work sites (€0.7 million) and the subsidiary Salini Insaat - NTF J.V. (€1.3 million);
- utilisations of €10.8 million, mostly related to the subsidiary Imprepar, and HCE Group due to the occurrence of the events for which the provision had been set up.

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

26. Progress payments and advances on contract work in progress

This item, included in “Current liabilities”, amounts to €2,526.2 million, up €70.5 million on the figure at 31 December 2016. It comprises:

(€'000)	30 June 2017	31 December 2016	Variation
Contract work in progress	(4,604,443)	(5,384,910)	780,467
Progress payments and advances received (on approved work)	5,265,752	5,976,936	(711,184)
Negative work in progress	**661,309**	**592,026**	**69,283**
Contractual advances	1,864,841	1,863,606	1,235
Total	**2,526,150**	**2,455,632**	**70,518**

Work in progress recognised under liabilities (negative WIP) of €661.3 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)	30 June 2017	31 December 2016	Variation
Italy	231,016	147,524	83,492
EU (excluding Italy)	251,123	341,552	(90,429)
Non-EU	69,742	67,384	2,358
Asia	205,008	92,478	112,530
Middle East	444,870	523,676	(78,806)
Africa	938,541	965,076	(26,535)
America	244,077	235,628	8,449
Oceania	141,773	82,314	59,459
Total	**2,526,150**	**2,455,632**	**70,518**

The contracts that contributed the most to the negative WIP were those in the US (€130.8 million), Ethiopia for the Koysha dam (€328.1 million), Austria (€19.7 million), Denmark (€9.8 million), Peru (€33.2 million) and Australia (€91.4 million).

The most significant contractual advances, which total €1,864.8 million, relate to the following contracts: the Koysha dam (€124.5 million), Gibe III (€49.4 million) and the Grand Ethiopian Renaissance Dam (Gerd) project in Ethiopia (€142.4 million), the Copenhagen Cityringen Metro in Denmark (€160.8 million), contracts in Libya (€181.7 million), the Riyadh Metro Line 3 in Saudi Arabia (€190.3 million), projects in Nigeria (€91.8 million), construction of the Ruta del Sol motorway in Colombia (€44.9 million), motorway projects in Poland (€ 44.6 million), the metro line in Australia (€50.4 million), design and construction of the Red Line North in Doha (€48.9 million), construction of the Al Bayt Stadium in Al Khor in Qatar (€56.6 million) and the hydroelectric project in Tajikstan (€205.0 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.

27. Trade payables

Trade payables amount to €2,245.4 million at the reporting date, a decrease of €99.4 million on 31 December 2016. They are made up as follows:

(€'000)	30 June 2017	31 December 2016	Variation
Third parties	2,115,259	2,233,611	(118,352)
Unconsolidated group companies and other related parties	130,126	111,162	18,964
Total	**2,245,385**	**2,344,773**	**(99,388)**

The net decrease is the result of opposing factors. The reduction is chiefly due to settlement of payables as part of the normal production process for the Milan - Genoa section of the high speed/capacity railway project (€33.6 million), the Metro Line 3 in Saudi Arabia (€48.2 million), the Red Line Metro in Qatar (€32.4 million) and the Cityringen metro in Denmark (€44.9 million) as well as the works being carried out in Ethiopia (€28.6 million). On the other hand, increases in trade payables mostly refer to the road works in Poland (€42.1 million), the Perth Metro in Australia (€42.1 million) and the hydroelectrical plant in Tajikistan (€8.3 million).

Trade payables to unconsolidated group companies and other related parties increased by €18.9 million to € 130.1 million at the reporting date due to the consortium company Metro Blu S.c.r.l.. The item mostly consists of payables from unconsolidated SPEs accrued on work performed by them for contracts with Italian and foreign public administrations.

28. Current tax liabilities and other current tax liabilities

Current tax liabilities amount to €85.7 million as follows:

(€'000)	30 June 2017	31 December 2016	Variation
IRES	6,703	7,838	(1,135)
IRAP	6,452	2,118	4,334
Foreign taxes	72,572	100,035	(27,463)
Total	**85,727**	**109,991**	**(24,264)**

"Foreign taxes" include €8.7 million related to a tax dispute involving Impregilo International Infrastructures N.V. (see note 30 for more information).

Other current tax liabilities of €44.7 million decreased by €22.9 million over 31 December 2016. They may be analysed as follows:

(€'000)	30 June 2017	31 December 2016	Variation
VAT	25,692	48,062	(22,370)
Other indirect taxes	19,029	19,527	(498)
Total	**44,721**	**67,589**	**(22,868)**

29. Other current liabilities

Other current liabilities of €326.6 million (€356.3 million) comprise:

(€'000)	30 June 2017	31 December 2016	Variation
Social security institutions	24,523	23,271	1,252
Employees	69,430	82,206	(12,776)
Compensation and compulsory purchases	5,835	5,739	96
State bodies	115,588	115,588	-
Other payables	75,012	94,180	(19,168)
Unconsolidated group companies and other related parties	14,548	13,747	801
Accrued expenses and deferred income	21,662	21,584	78
Total	**326,598**	**356,315**	**(29,717)**

"Employees" relate to accrued unpaid remuneration. The large decrease in this item during the period mainly refers to the parent and Lane Group.

"Compensation and compulsory purchases" relate to the high speed/capacity railway contracts and principally the Milan - Genoa and Bologna - Florence sections.

"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 €75.0 million decreased by roughly €19.2 million on the 31 December 2016 balance of €94.2 million. Such reduction is mainly attributable to the decrease in the liabilities for the Red Line project in Doha, Qatar (€5.1 million), the road works in Tunisia performed by HCE Group (€4.3 million) and the Bologna - Florence section of the high speed/capacity project (€3.2 million), as well as the decrease in liabilities for contracts completed or nearing completion, such as the Injula hydroelectric project in South Africa (€3.9 million) as work on these projects continued.

"Unconsolidated group companies and other related parties" of €14.5 million increased by €0.8 million on 31 December 2016, mainly due to the higher liabilities with Consorzio OIV Tocoma, offset by the reduction in the liability with the Argentine investee Eriday UTE.

Accrued expenses and deferred income of €21.7 million include the ten-year post-contract guarantee of €4.0 million and are in line with the previous year end as follows:

(€'000)	30 June 2017	31 December 2016	Variation
Accrued expenses:			
- Commissions on sureties	2,181	4,267	(2,086)
- Other	13,930	11,138	2,792
Total accrued expenses	**16,111**	**15,405**	**706**
Deferred income:			
- Provision of services	5,551	6,179	(628)
Total deferred income	**5,551**	**6,179**	**(628)**
Total	**21,662**	**21,584**	**78**

30. Guarantees, commitments, risks and contingent liabilities

Guarantees and commitments

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

- contractual sureties: these total €13,184.3 million (including €4,780.9 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 have guarantees given by their subcontractors;
- sureties for credit of €263.9 million;
- sureties granted for export credit of €157.7 million;
- other guarantees of €1,407.9 million consisting of guarantees related to customs and tax obligations (€ 58.3 million) and for other commitments (such as environmental clean-ups and export credit) (€1,349.6 million);
- collateral related to a lien on the shares of the SPE M4 (€3.4 million).

Tax disputes

<u>Salini Impregilo S.p.A.</u>

With respect to the principal dispute with the tax authorities:

- as described in detail in previous reports, the dispute about the assessment notice challenging the tax treatment of impairment losses and losses on the sale of assets recognised by the parent in 2003 is currently before the Supreme Court, following the tax authorities' appeal. The main issue about the sale by Impregilo S.p.A. of its investment in the Chilean operator Costanera Norte SA to Impregilo International Infrastructures N.V. was cancelled by the Milan Regional Tax Commission on 11 September 2009 (higher assessed tax base of €70 million);
- the parent's appeal about reimbursement of tax assets with a nominal amount of €12.3 million acquired from third parties as part of previous non-recurring transactions is still pending before the Supreme Court;

- a dispute about the technique used to “realign” the carrying amount of equity investments as per article 128 of Presidential decree no. 917/86 (greater assessed tax base of €4.2 million) is still pending before the first level court;
- with respect to another dispute again related to 2005 and the costs of a joint venture set up in Venezuela for which the greater assessed tax base is €6.6 million, the Regional Tax Commission filed its ruling entirely in the parent’s favour on 19 May 2015; the tax authorities appealed to the Supreme Court on 28 December 2015 challenging the procedure while stating that the findings do not relate to the appeal. The parent has filed its defence brief;
- the parent was notified of: (i) a payment order from the tax authorities for Icelandic taxes of €4.6 million, which was cancelled after the first and second level sentences in favour of the parent; the tax authorities appealed to the Supreme Court on 11 May 2017 and the parent has presented its defence brief, and (ii) a payment bill for the same taxes which the parent appealed. It won again both at first and second level. On 18 January 2016, the tax authorities presented their appeal to the Supreme Court and the parent filed its defence brief;
- on 29 December 2016, the parent received two assessment reports for IRES and IRAP purposes covering 2011 and alleging unpaid IRES taxes of €21.2 million and IRAP taxes of €2.9 million. Both these reports were based on a preliminary assessment report issued by the tax police and notified to the parent on 27 September 2016. They refer to: (i) for a minimum part, the alleged applicability of the “transfer price” regulations to sureties given free of charge on behalf of foreign subsidiaries, for which the tax police asserted that the normal commission income would have been €0.7 million; (ii) the non-deductibility of costs of €36.4 million incurred to purchase goods and services to perform works for the Abu Dhabi and Panama contracts, both of which countries have a preferential tax regime, due to the alleged insufficient evidence that the suppliers carried out commercial activities in those countries and that the related purchases were in Salini Impregilo’s effective interest. During the mutually-agreed settlement procedure, the tax authorities revised their position and, after the discussions, the related agreements were signed on 5 June 2017 settling the dispute with payment of €0.3 million by the parent.

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 completed its tax audit of the IRES, IRAP and VAT paid in 2012 on 27 March 2017 with notification of the related preliminary assessment report containing two findings: (i) non-compliance with transfer pricing regulations of the fees on sureties issued by the parent to third parties on behalf of foreign subsidiaries and minor issues about compliance with the accruals-based principle; and (ii) all the transactions between Salini Impregilo (former Impregilo) and suppliers resident in Black List countries (especially those with local suppliers by the Abu Dhabi and Panama branches). These are the same findings made for 2011 which, as mentioned above, were settled with the mutually-agreed settlement procedure.

After the tax audit into 2011, 2012 and 2013 for the Ethiopian branch, the inspectors reported findings about the measurement of revenue from contract work in progress and the deduction of some costs. During the audit, the branch negotiated a significant decrease in these findings and the settlement of the findings for all three years.

Icelandic branch

With respect to the completed contract for the construction of a hydroelectric plant in Karanjukar (Iceland), a dispute arose with the Icelandic tax authorities in 2004 about the party required to act as the withholding agent for the remuneration of foreign temporary workers at the building site. Salini Impregilo was firstly wrongly held responsible for the payment of the withholdings on this remuneration, which it therefore paid. Following the definitive ruling of the first level court, the parent's claims were fully satisfied. Nevertheless, the local authorities subsequently commenced a new proceeding for exactly the same issue. The Supreme Court rejected the parent's claims in its ruling handed down in February 2010, which is blatantly contrary to the previous ruling issued in 2007 on the same matter by the same judiciary authority. The parent had expected to be refunded the unduly paid withholdings of €6.9 million (at the original exchange rate). After the last ruling, the parent took legal action at international level (appeal presented to the EFTA Surveillance Authority on 22 June 2010) and, as far as possible, again at local level as it deems that the last ruling issued by the Icelandic Supreme Court is unlawful both in respect of local legislative and international agreements regulating trade relations between the EFTA countries and international conventions which do not allow application of discriminatory treatments to foreign parties (individuals and companies) working in other EFTA countries. On 8 February 2012, the EFTA Surveillance Authority sent the Icelandic government a communication notifying the infraction of the free exchange of services and requested the government to provide its observations about this. In April 2013, the EFTA Surveillance Authority issued its documented opinion finding the Icelandic legislation to be inconsistent with the regulations covering trade relations between the member countries with respect to the regulations for the above dispute. It asked that Iceland take steps to comply with these regulations. 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 related penalties for approximately €14.3 million for the years 2009-2011. The amount requested by the Municipality and challenged by Fibe was confirmed as far as its applicability but reduced in terms of its amount and penalties by the Naples Regional Tax Commission, 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.

HCE

The hearing for the appeal against the tax claims for the years from 2014 to 2016 about the assessed taxability of transferred funds used to cover costs incurred for the works tendered in Ukraine is pending. As these claims are clearly groundless, the parent has challenged the related ruling.

Statement of profit or loss

31. Revenue

Revenue for the first half of 2017 amounts to €2,930.3 million, up 11% on the corresponding period of the previous year:

(€'000)	1st half 2017	1st half 2016	Variation
Revenue	2,857,126	2,562,580	294,546
Other income	73,165	70,941	2,224
Total revenue	**2,930,291**	**2,633,521**	**296,770**

The €296.8 million growth in revenue is mainly due to the higher revenue recognised by the subsidiary Lane. The increase is due to the works carried out to construct the Rogun dam in Tajikstan and the Ruta del Sol motorway in Colombia. In addition, some smaller variations due to continuation of work on certain large foreign contracts and the completion of other contracts also contributed to the increase.

A breakdown of revenue is given in the following table:

(€'000)	1st half 2017	1st half 2016	Variation
Works invoiced to customers	2,680,371	2,399,326	281,045
Services	125,216	117,234	7,982
Sales	51,539	46,020	5,519
Total revenue	**2,857,126**	**2,562,580**	**294,546**

Services include revenue of €51.8 million for costs recharged to third party partners of fully consolidated consortia and consortium companies.

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

(€'000)	1st half 2017	1st half 2016	Variation
Recharged costs	34,971	32,919	2,052
Gains on the disposal of non-current assets	6,409	8,684	(2,275)
Prior year income	14,937	11,913	3,024
Other income	16,847	17,425	(578)
Total	**73,165**	**70,942**	**2,223**

32. Costs

Costs for the period amount to €2,800.7 million compared to €2,521.8 million for the first half of 2016. They account for 95.6% of revenue.

The item may be broken down as follows:

(€'000)	1st half 2017	1st half 2016	Variation
Purchases	544,348	515,771	28,577
Subcontracts	756,077	645,470	110,607
Services	764,590	740,283	24,307
Personnel expenses	500,144	420,423	79,721
Other operating expenses	88,656	73,148	15,508
Amortisation, depreciation, provisions and impairment losses	146,915	126,667	20,248
Total	**2,800,730**	**2,521,762**	**278,968**

The variation in the individual items compared to the corresponding period of 2016 is due to the different cost structures that vary from contract to contract and may, in some cases, entail changes in the industrial operating model for the one project 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 period, while not affecting the total percentage of operating costs of total revenue.

32.1 Purchases

The cost of raw materials and consumables incurred in the first six months of 2017 increased by €28.6 million to €544.3 million compared to the corresponding period of 2016:

(€'000)	1st half 2017	1st half 2016	Variation
Purchases of raw materials and consumables	532,333	508,967	23,366
Change in raw materials and consumables	12,015	6,804	5,211
Total	**544,348**	**515,771**	**28,577**

The rise in the cost of raw materials and consumables is attributable to Lane Group and, for €26.0 million, the fact that some large international projects (especially in Qatar and Colombia) and Italian projects (continuation of the Milan - Genoa section of the high speed/capacity project) are fully operational.

32.2 Subcontracts

Costs of subcontracts increased to €756.1 million, up €110.6 million on the corresponding period of 2016 as shown in the following table:

(€'000)	1st half 2017	1st half 2016	Variation
Subcontracts	756,077	645,470	110,607
Total	**756,077**	**645,470**	**110,607**

The €110.6 million increase is due to Lane for € 87.8 million in in line with the rise in revenue and the increase in work on Salini Polska Sp. Z.o.o.'s Polish contracts (€29.3 million), the subcontract costs of the Colombian contracts of Constructora Aiguani (the San Roque Ye de Cienaga and Valledupar motorways) (€22.0 million), the Cityringen project of CMT I/S in Copenhagen, Denmark (€15.8 million), Impregilo Sk-Galfar's contracts in

Qatar (€29.2 million) and Western Station J.V.'s contracts in Saudi Arabia (€18.9 million). These increases were offset by the reduction in the subcontract costs for the Salerno Reggio Calabria contracts as they near completion.

32.3 Services

This item increased to €764.6 million, up €24.3 million on the corresponding period of 2016, as shown in the following table:

(€'000)	1st half 2017	1st half 2016	Variation
Consultancy and technical services	300,650	283,713	16,937
Fees to directors, statutory auditors and independent auditors	5,586	6,251	(665)
Employee travel costs	2,881	2,275	606
Maintenance and testing	19,276	18,987	289
Transport and customs	52,213	61,606	(9,393)
Insurance	26,345	28,042	(1,697)
Recharging of costs by consortia	121,870	92,346	29,524
Rent and leases	126,609	114,241	12,368
Charge backs	22	34	(12)
Other	109,138	132,788	(23,650)
Total	**764,590**	**740,283**	**24,307**

"Other" decreased by €23.7 million over the first six months of 2016 due to the smaller volumes of activities carried out for the civil works of CMT IS' Danish contract (Cityringen project) and the renegotiation of some contracts for the same project leading to the related reclassification of the costs from "Other" to "Subcontracts".

"Consultancy and technical services" increased by €16.9 million and mainly consist of the design and construction costs incurred by the SPEs and legal and administrative consultancy fees. A breakdown of this item is as follows:

(€'000)	1st half 2017	1st half 2016	Variation
Design and engineering services	185,688	201,855	(16,167)
Legal, administrative and other services	39,954	33,556	6,398
Testing	577	378	199
Construction	74,431	47,924	26,507
Total	**300,650**	**283,713**	**16,937**

32.4 Personnel expenses

Personnel expenses for the period amount to €500.1 million, up by €79.7 million on the corresponding period of 2016. The item is made up as follows:

(€'000)	1st half 2017	1st half 2016	Variation
Wages and salaries	396,766	335,574	61,192
Social security and pension contributions	86,679	69,986	16,693
Post-employment benefits and employee benefits	9,882	7,211	2,671
Other	6,817	7,652	(835)
Total	**500,144**	**420,423**	**79,721**

The increase mostly relates to Lane, development of the Perth work site of Salini Australia Pty, the increase of works and, hence, labour for the Al Bayt Stadium contract in Qatar and continuation of work on the Colombian projects (the San Roque Ye de Cienaga and Valledupar della Constructora Ariguani motorways). "Other" mainly relates to termination benefits and reimbursements of travel expenses.

32.5 Other operating expenses

Other operating expenses amount to €88.7 million, up €15.5 million on the corresponding period of 2016.

This item is made up as follows:

(€'000)	1st half 2017	1st half 2016	Variation
Other operating costs	42,466	38,548	3,918
Commissions on sureties	21,858	21,105	753
Bank charges	2,870	5,449	(2,579)
Losses on the disposal of property, plant and equipment	5,667	2,331	3,336
Other non-recurring costs	-	2	(2)
Other prior year expense	15,795	5,713	10,082
Total	**88,656**	**73,148**	**15,508**

This item's increase is chiefly due to the rise in other prior year expense, mostly related to HCE due to the negative outcome of the Keiff Eddir award in Tunisia (€3.5 million), prior year expense recognised in Italy (€0.9 million) for the Todini - Akkord - Salini JV (€1.3 million) and the losses for costs referred to supplies of the Algerian subsidiary Inc II nuovo Castoro Algerie (€1.0 million) and the COCIV Consortium (€1.0 million).

32.6 Amortisation, depreciation, provisions and impairment losses

This item of €146.9 million shows an increase of €20.2 million on the balance for the corresponding period of the previous year. It may be analysed as follows:

(€'000)	1st half 2017	1st half 2016	Variation
Impairment losses	37,700	4,206	33,494
Provisions	(3,641)	(1,116)	(2,525)
Total provisions and impairment losses, net of the release of provisions	**34,059**	**3,090**	**30,969**
Amortisation of intangible assets	768	774	(6)
Depreciation of property, plant and equipment	98,065	108,053	(9,988)
Amortisation of rights to infrastructure under concession	704	666	38
Amortisation of contract acquisition costs	13,319	14,084	(765)
Total amortisation and depreciation	**112,856**	**123,577**	**(10,721)**
Total	**146,915**	**126,667**	**20,248**

"Impairment losses" increased by €33.5 million in the period, mostly as a result of the impairment losses (€ 37.7 million) recognised by the Venezuelan branch on the late payments from clients and the impairment losses on receivables deemed non-recoverable related to the Cetim Dam contract in Turkey (see the paragraphs on "Venezuela" and "Turkey" respectively in the section on the "Main risk factors and uncertainties" in the Directors' report).

The provisions reflect:

- releases following completion of contracts in Ukraineby HCE Group (€3.9 million);
- releases related to a dispute involving Imprepar, which was settled during the period and related to the construction of the Dschang-Bamoungoun road in the Republic of Cameroon (€2.6 million);
- accruals of €3.2 million to the provision for risks made by Imprepar for the dispute with the Ministry of Transport about the Naples Palazzo di Giustizia (court house).

This item mostly included the release of accruals made in previous years in the corresponding period of 2016 following the updated risk forecasts for the consortium active in the Dominican Republic.

Amortisation and depreciation of €112.9 million decreased by €10.7 million compared to the same period of the previous year and are in line with the progress made on the related contracts. The decrease refers to contracts nearing completion while the increases refer to contracts for which production is now at 100%.

33. Net financing costs

Net financing costs amount to €85.8 million compared to €45.0 million for the first half of 2016.

The item may be broken down as follows:

(€'000)	1st half 2017	1st half 2016	Variation
Financial income	35,984	21,883	14,101
Financial expense	(72,875)	(68,983)	(3,892)
Net exchange gains (losses)	(48,887)	2,145	(51,032)
Net financing costs	**(85,778)**	**(44,955)**	**(40,823)**

33.1 Financial income

Financial income totals €36.0 million (€21.9 million) and is made up as follows:

(€'000)	1st half 2017	1st half 2016	Variation
Gains on securities	**3,238**	**6,256**	**(3,018)**
Interest and other income from unconsolidated group companies and other related parties	**5,284**	**5,104**	**180**
- Interest income	5,284	3,781	1,503
- Financial income	-	1,323	(1,323)
Interest and other financial income	**27,462**	**10,523**	**16,939**
- Interest income on correspondence accounts	267	308	(41)
- Interest on financing	424	1,260	(836)
- Bank interest	4,918	2,753	2,165
- Interest on receivables	18,467	3,560	14,907
- Financial discounts and allowances	877	230	647
- Other	2,509	2,412	97
Total	**35,984**	**21,883**	**14,101**

The €14.1 million increase is mostly due to the recognition of interest on the amounts due from mainly foreign clients to Salini Impregilo.

Other financial income of €2.5 million is in line with the amount for the corresponding period of 2016 and includes interest income on the amounts due from the Argentine Republic (€1.0 million) and the Argentine operator Caminos de Las Sierras (€0.4 million).

33.2 Financial expense

Financial expense totals €72.9 million compared to €69.0 million for the corresponding period of 2016 and is made up as follows:

(€'000)	1st half 2017	1st half 2016	Variation
Intragroup interest and other expense	**(211)**	**(52)**	**(159)**
Interest and other financial expense	**(72,664)**	**(68,931)**	**(3,733)**
- Bank interest on accounts and financing	(24,272)	(41,397)	17,125
- Interest on bonds	(21,746)	(14,104)	(7,642)
- Interest on tax liabilities	(14,563)	(711)	(13,852)
- Bank fees	(2,392)	(1,400)	(992)
- Factoring and leases	(3,002)	(3,056)	54
- Other	(6,689)	(8,263)	1,574
Total	**(72,875)**	**(68,983)**	**(3,892)**

Financial expense increased by €3.9 million on the corresponding period of 2016. This variation is mainly due to the higher interest related to a tax bill notified to the Ethiopian branch by the local tax authorities and settled on 7 July 2017 and the reduction in interest expense on bank accounts and financing and bonds (€9.5 million) after renegotiation of the corporate finance debt in June and July 2016.

The decrease of €1.5 million in "Other" reflects the reduction in interest expense due to other financial backers on the factoring of tax and trade receivables, mostly for the Milan - Genoa section of the high capacity/speed railway project (€0.9 million) and the smaller loss on the securities of the Colombian company Yuma Concessionaria S.A. (€0.6 million)

In addition:

- interest on bank accounts and financing of €24.3 million includes €3.8 million arising from the application of the "amortised cost" method, which did not entail cash outlays during the period as it was paid in full in previous years;
- interest on bonds of €21.7 million includes the effect of the amortised cost method for €2.0 million.

33.3 Net exchange losses

The net exchange losses amount to €48.9 million compared to net gains of €2.1 million for the corresponding period of 2016.

The difference of €51.0 million is due to the fluctuations in exchange rates with certain foreign currencies, especially the Birr, recognised by the Ethiopian branch, and the US dollar, which mainly affected the parent and the Venezuelan branch.

During the first half of 2016, the net exchange gains benefitted from the positive effect (€17 million) on the measurement of Salini Nigeria's receivables in the hard currency rather than the naira, which lost value significantly during that period. This effect decreased significantly in the reporting period due to changes in the investee's credit/debit position.

34. Net gains on equity investments

Net gains on equity investments amount to €9.6 million, up €2.2 million on the corresponding period of 2016. The item may be broken down as follows:

(€'000)	1st half 2017	1st half 2016	Variation
Share of profit of investees	4,585	7,266	(2,681)
Dividends	4,323	234	4,089
Loss on the disposal of equity investments	(13)	(311)	298
Other income	716	223	493
Total	**9,611**	**7,412**	**2,199**

The variation is mainly due to the following factors:

- the dividend distribution of €4.3 million approved by the Argentine associate Autopista del Sol S.A. during the period;
- recognition of the profit for the period of the equity-accounted investees (€4.6 million), which decreased by €2.7 million mainly for the Lane Group's US joint ventures.

The following table provides a breakdown of this item:

(€'000)	1st half 2017	1st half 2016	Variation
Share of profit (loss) of investees			
Yuma Concessionaria	508	1,149	(641)
Agua Azul	558	558	-
Impregilo Arabia	(210)	(173)	(37)
Gupc	(4,425)	(4,993)	568
Ochre Holding Solution	(551)	(365)	(186)
Wolverhampton	(72)	(82)	10
Gaziantep Hastane Saglik	138	(28)	166
Interstate Healy JV	62	(18)	80
Metro de Lima Linea 2 S.A.	489	319	170
Yacilec	575	(74)	649
Edilfi scrl in liq.	-	236	(236)
Autopista del Sol	-	(12)	12
Montenero Scrl	-	68	(68)
Other	(24)	-	(24)
Sub-total	**(2,952)**	**(3,415)**	**463**
Lane Group companies:			
Agl Constructor JV	(2,853)	1,425	(4,278)
Gemma Lane Liberty	6	904	(898)
Gemma Lane Patriot	-	2,149	(2,149)
Fluor Lane 95	2	627	(625)
Purple Line	2,470	259	2,211
Skanska Granite Lane JV	7,342	5,223	2,119
SGL Leasing	68	92	(24)
Fluor Lane South Caroline	502	-	502
Total Lane Group joint ventures	**7,537**	**10,679**	**(3,142)**
Total	**4,585**	**7,264**	**(2,679)**

35. Income tax expense

The Group's income tax expense for the period is €20.8 million. It is calculated using the tax rate expected to be applied to the forecast annual profit based on updated estimates at the reporting date. The tax rate used for this reporting period was 39%.

The tax audit into 2011, 2012 and 2013 for the Ethiopian branch has been completed with settlement of the findings as described in the section on "Tax disputes".

36. 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 the first half of 2017:

- directors, statutory auditors and key management personnel, solely related to the contracts regulating their positions within the Group;
- associates and joint arrangements; these transactions mainly relate to:

  - commercial assistance with purchases and procurement of services necessary to carry out work on contracts, contracting and subcontracting;
  - services (technical, organisational, legal and administrative), carried out at centralised level;
  - financial transactions, namely loans and joint current accounts as part of cash pooling transactions and guarantees given on behalf of group companies.

  Transactions are carried out with associates in the interests of Salini Impregilo, aimed at building on existing synergies in the Group in terms of production and sales integration, efficient use of existing skills, streamlining of centralised structures and financial resources. These transactions are regulated by specific contracts and are carried out on an arm's length basis;
- other related parties: the main transactions with other related parties, identified pursuant to IAS 24, including companies managed and coordinated by Salini Costruttori S.p.A., are summarised below:

Related party (€'000)	**Loans and receivables**	**Financial assets**	**Other services**	**Trade payables**	**Financial liabilities**	**Total revenue**	**Total costs**	**Financing income (costs)**
C.Tiburtino	38					9		
Casada S.r.l.	46			8		9	136	
CEDIV S.p.A.	1,757	3,241				9		24
Corso del Popolo Immobiliare S.r.l	3,130							
Dirlan	118					13		
G.A.B.I.RE S.r.l.	1,176	18,001				10		9
Galla Placida	34					10		
Imm. Agricola San Vittorino	76					7		
Infernetto	18					3		
Iniziative Immobiliari Italiane S.p.A.	17			279			538	
Madonna dei Monti S.r.l	3					6	28	
Nores	34			9		3		
Plus	204					15		
Salini Costruttori S.p.A.	79	7,207	11,957		8,162	77	43	16
Salini Simonpietro & C.	13					7		
Studio Avv. Grazia Volo Associazione Professionale				26			58	
Todini Finanziaria	1,480							
Zeis	8	1,109		10		143	72	19
World Nature Conservation S.r.l.						194		
Total	**8,231**	**29,558**	**11,957**	**332**	**8,162**	**515**	**875**	**68**

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 statement of profit or loss are shown together with the related contract, when appropriate.

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

37. Earnings per share

Earnings per share are disclosed at the foot of the statement of profit or loss.

Basic earnings per share are calculated by dividing the profit (loss) for the period 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 30 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)	1st half 2017	1st half 2016 (*)
Profit from continuing operations	32,571	42,477
Non-controlling interests	(14,651)	(18,026)
Profit from continuing operations attributable to the owners of the parent	**17,920**	**24,451**
Profit from continuing and discontinued operations	31,229	29,250
Non-controlling interests	(14,651)	(18,026)
Profit from continuing and discontinued operations attributable to the owners of the parent	**16,640**	**11,224**
Profit earmarked for holders of savings shares	**588**	**588**
Average outstanding ordinary shares	489,069	489,069
Average outstanding savings shares	1,615	1,615
Average number of shares	**490,684**	**490,684**
Dilutive effect	2,512	-
Average number of diluted shares	**493,196**	**490,684**
Basic earnings per share (from continuing operations)	**0.04**	**0.05**
Basic earnings per share (from continuing and discontinued operations)	**0.03**	**0.02**
Diluted earnings per share (from continuing operations)	**0.04**	**0.05**
Diluted earnings per share (from continuing and discontinued operations)	**0.03**	**0.02**

(*) The statement of profit or loss for the first half of 2016 was restated to comply with IFRS 5 after redefinition of the HCE business units.

38. Events after the reporting date

Sale of Impregilo Parking Glasgow Ltd and Impregilo Wolverhampton Ltd

On 14 July 2017, Impregilo International Infrastructures N.V. completed its sale of Impregilo Parking Glasgow Ltd and Impregilo Wolverhampton Ltd to the English company Semperian (Glasgow) Limited for roughly €12 million. The transaction entailed the sale of shares and settlement of other items. Its effects will be seen in the second half of 2017 with the recognition of a gain of roughly €6 million in the statement of profit or loss and a decrease of about €23 million in net financial indebtedness.

39. Significant non-recurring events and transactions

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[1].

[1] Significant non-recurring events and transactions are those that do not frequently occur in the normal course of business.

40. Balances or transactions arising from atypical and/or unusual transactions

During the six months, Salini Impregilo Group did not carry out any atypical and/or unusual transactions, as defined in the above Consob communication no. DEM/6064293[2].

On behalf of the board of directors

Chairperson

(signed on the original)

[2] 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.