DIRECTORS' REPORT PART I

Financial highlights

The following tables show the Group's adjusted key financial indicators for 2017 compared to the previous year.

Adjustments are not provided for by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union. The Group deems that these adjusted figures and data provide information useful to management and investors to assess the Group's performance and compare it to other companies active in the same sector. They also provide an additional picture of the results excluding elements that are unusual or atypical.

As a result, at 31 December 2017, the Group has adjusted its IFRS accounting figures to reflect the inclusion of the results of joint ventures not controlled by Lane Group and to sterilise the effects of the impairment losses recognised on some assets related to the construction of infrastructure in Venezuela.

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

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

ADJUSTED RECLASSIFIED STATEMENT OF PROFIT OF LOSS OF SALINI IMPREGILO GROUP

(In millions of Euros)	2016 Adjusted				2017 Adjusted			
	Salini Impregilo Group (*)	JV not controlled by Lane	Impairment Venezuela	Total Adjusted	Salini Impregilo Group (*)	JV not controlled by Lane	Impairment Venezuela	Total Adjusted
Revenue	5,883.8	240.7	-	6,124.5	6,107.2	240.6	-	6,347.8
Gross operating profit (EBITDA)	**552.8**	**24.4**	**-**	**577.2**	**580.1**	**4.2**	**-**	**584.3**
Gross operating profit margin (EBITDA) %	*9.4%*	*10.1%*		*9.4%*	*9.5%*	*1.7%*		*9.2%*
Operating profit (EBIT)	**275.5**	**24.4**	**13.6**	**313.5**	**25.2**	**4.2**	**292.5**	**321,9**
R.o.S. %	*4.7%*	*10.1%*		*5.1%*	*0.4%*	*1.7%*		*5.1%*
Net financing costs	(86.5)	-	-	(86.5)	(192.9)	-	-	(192.9)
Net gains (losses) on equity investments	9.1	(24.4)	-	(15.3)	100.1	(4.2)	-	95.9
Profit (loss) before tax (EBT)	**198.1**	**-**	**13.6**	**211.7**	**(67.6)**	**-**	**292.5**	**224.9**
Income tax expense	(78.0)	-	(3.3)	(81.3)	(14.5)	-	(68.2)	(82.7)
Profit (loss) from continuing operations	**120.1**	**-**	**10.3**	**130.4**	**(82.1)**	**-**	**224.3**	**142.2**
Loss from discontinued operations	(20.7)	-	-	(20.7)	(1.9)	-	-	(1.9)
Loss attributable to non-controlling interests	(39.6)	-	-	(39.6)	(22.9)	-	-	(22.9)
Profit (loss) attributable to the owners of the parent	**59.8**	**-**	**10.3**	**70,1**	**(106.9)**	**-**	**224.3**	**117.4**

(*) Reclassified IFRS statement of profit or loss of Salini Impregilo Group.

Adjusted revenue for the year is €6,347.8 million compared to €6,124.5 million for 2016. It includes revenue of the unconsolidated joint ventures of Lane of €240.6 million and €240.7 million, respectively. The main factors driving the growth in adjusted revenue are some large projects and, specifically, Lane's ongoing projects, the Rogun dam in Tajikistan, the Forrestfield Airport Link metro in Australia as well as the Meydan One Mall project in Dubai, United Arab Emirates.

Adjusted revenue for the year, restated using constant exchange rates, would have been approximately €6.5 billion, up around €358 million, up 5.8% on 2016[1].

The adjusted gross operating profit amounts to €584.3 million, up 1.2% on €577.2 million for 2016 while the adjusted operating profit of €321.9 million shows an improvement of about 2.7% on the previous year's figure of €313.5 million.

The adjusted gross operating profit is equal to 9.2% (9.4%) of revenue and the adjusted R.o.S. is 5.1% (5.1%).

Net financing costs approximate €192.9 million compared to €86.5 million for 2016. The item comprises financial expense of €134.9 million (€146.5 million) and net exchange losses of €122.8 million (net gains of €15.5 million) partly offset by financial income of €64.8 million (€44.5 million).

The €20.3 million increase in financial income is mainly due to the recognition of interest on receivables due to the Group from mainly foreign customers.

The reduction of €11.6 million in interest and other financial expense is a result of the debt refinancing transaction finalised in 2017, which

[1] The exchange effect on 2017 revenue was calculated by applying the average 2016 exchange rate to contract revenue accrued in 2017 in currencies other than the Euro. With respect to contracts with consideration agreed in more than one currency, the related contractually-provided for breakdown was used for simplicity purposes.

led to a decrease in bank loans and borrowings against the issue of bonds at more favourable interest rates to those previously applied. The decrease is partly offset by the recognition of interest after the settlement of a tax bill received by the Ethiopian branch during the year.

Net exchange losses of €122.8 million mainly arose on the performance of the US dollar and Ethiopian birr vis-à-vis the Euro.

Net gains on equity investments increased by €111.2 million to €95.9 million, due to the higher profits recognised by the equity-accounted investees for 2017, mainly the associate Autopista del Sol S.A. as a result of the compensation recognised as part of the renegotiation contract with the Argentine government.

The adjusted profit before tax amounts to €224.9 million, an improvement on the 2016 balance of €211.7 million.

The adjusted income tax expense amounts to €82.7 million (€81.3 million) and the tax rate is 36.8% (38.4%).

The loss from discontinued operations amounts to €1.9 million (€20.7 million) and relates to the costs of the USW Campania business unit. The balance for the previous year included the exchange losses of €13.9 million accumulated in the translation reserve related to the foreign operations of Todini Costruzioni Generali sold on 4 April 2016.

Non-controlling interests amount to €22.9 million (€39.6 million), mainly related to the group companies working in Saudi Arabia on the construction of the Riyadh Metro Line 3 (roughly €13.8 million) and some of Lane's subsidiaries (€9.3 million).

ADJUSTED NET FINANCIAL INDEBTEDNESS OF SALINI IMPREGILO GROUP

(In millions of Euros)	31 December 2016	31 December 2017 Adjusted		
	Salini Impregilo Group (*)	Salini Impregilo Group (*)	Impairment Venezuela	Total Adjusted
Non-current financial assets	62.5	188.5	56.6	245.1
Current financial assets	323.4	94.3	-	94.3
Cash and cash equivalents	1,602.7	1,320.2	-	1,320.2
Total cash and cash equivalents and other financial assets	**1,988.6**	**1,603.0**	**56.6**	**1,659.6**
Bank and other loans and borrowings	(866.4)	(457.5)	-	(457.5)
Bonds	(868.1)	(1,084.4)	-	(1,084.4)
Finance lease liabilities	(119.7)	(81.3)	-	(81.3)
Total non-current indebtedness	**(1,854.2)**	**(1,623.2)**	**-**	**(1,623.2)**
Current portion of bank loans and borrowings and current account facilities	(398.6)	(311.0)	-	(311.0)
Current portion of bonds	(18.9)	(302.9)	-	(302.9)
Current portion of finance lease liabilities	(55,3)	(48.6)	-	(48.6)
Total current indebtedness	**(472.8)**	**(662.5)**	**-**	**(662.5)**
Derivative assets	0.1	0.2	-	0.2
Derivative liabilities	(7.2)	(1.5)	-	(1.5)
Net financial position with unconsolidated SPEs	(5.3)	(18.6)	-	(18.6)
Total other financial liabilities	**(12.4)**	**(19.9)**	**-**	**(19.9)**
Net financial indebtedness - continuing operations	**(350.8)**	**(702.6)**	**56.6**	**(646.0)**
Net financial indebtedness including discontinued operations	**(350.8)**	**(702.6)**	**56.6**	**(646.0)**

(*) Figures taken from the IFRS statement of financial position of Salini Impregilo Group.

Adjusted net financial indebtedness is €646.0 million compared to € 350.8 million at 31 December 2016.
The increase in this item is mainly a result of:

- a decrease of €329 million in cash and cash equivalents and financial assets;
- a €28 million reduction in total financial indebtedness.

The Group's net financial indebtedness at 31 December 2017 using constant exchange rates would have been €457 million compared to the adjusted €646 million (reduction of approximately €189 million).

Performance

This section presents the reclassified statement of profit or loss and statement of financial position of the Group and the parent and a breakdown of their financial position at 31 December 2017. It also provides an overview of the main changes in the Group's and the parent's financial position and results of operations compared to the previous year.

Unless indicated otherwise, figures are provided in millions of Euros and those shown in brackets relate to the previous year.

The "Alternative performance indicators" paragraph gives a definition of the financial statements indicators used to present the Group's financial position and results of operations for the year.

Initial considerations on the comparability of data

Management accounts presentation of the figures for 2017 and 2016 (adjusted)

The Group's statement of profit or loss figures for 2017 and 2016 and its net financial indebtedness at 31 December 2017 have been adjusted as explained below in detail.

Joint ventures not controlled by Lane

The Group monitors the key figures of Lane Group for management purposes adjusting the IFRS figures prepared for consolidation purposes to present the results of the joint ventures not controlled by Lane which are consolidated on a proportionate basis. These figures show the progress made on contracts managed directly by Lane or through its non-controlling investments in joint ventures.

Impairment - Venezuela

The Group calculated the recoverable amount of its total exposure to Venezuelan government agencies at 31 December 2017 to reflect the recent negative developments caused by the deterioration in the country's credit standing.

The tests performed with independent experts showed that the exposure's recoverable amount is approximately €314.2 million, therefore, the Group recognised an additional impairment loss of €273.4 million, which added to the impairment loss recognised in the first six months of 2017, gives a total loss of €292.5 million.

More information is available in the “Main risk factors and uncertainties” section of this report and section 4 “Impairment - Venezuela” in the notes to the consolidated financial statements.

Gross operating profit performance indicator EBITDA

Given the Group’s optimisation of its geographical and commercial positioning, which led to its repositioning on the international market, and considering that other sector operators use a calculation method for gross operating profit different to that used previously by the Group, in order to facilitate a comparison with the figures of its key competitors, including on new markets, the Group decided to change the composition of this indicator to exclude provisions and impairment losses as, in some cases, they have a non-recurring nature. The Group deems that this new calculation method assists an understanding and the comparability of its performance indicators.

The new composition of the gross operating profit indicator required restatement of the figures for 2016. This led to an increase in the gross operating profit of roughly €16.5 million for the Group in 2017 and of approximately €15.2 million for the parent in the reclassified statements of profit or loss. Both these increases are mainly caused by the accruals to the allowance for impairment for the Venezuelan receivables made in 2016.

The “Alternative performance indicators” paragraph gives a definition of the financial statements indicators used to present the Group’s highlights.

The effects of the restatement of the statement of profit or loss are shown in the following table (“Gross operating profit performance indicator EBITDA”):

RECLASSIFIED STATEMENT OF PROFIT OR LOSS OF THE GROUP

(In millions of Euros)	2016 Restated	2016 Published	Variation
Total revenue	**5,883.8**	**5,883.8**	**-**
Operating expenses	**(5,331.0)**	**(5,347.5)**	**16.5**
Gross operating profit (EBITDA)	**552.8**	**536.3**	**16.5**
Gross operating profit margin (EBITDA) %	*9.4%*	*9.1%*	
Amortisation, depreciation, provisions and impairment losses	(277.3)	(261)	(16.5)
Operating profit (EBIT)	**275.5**	**275.5**	**-**
Return on Sales	*4.7%*	*4.7%*	
Profit before tax	**198.1**	**198.1**	**-**
Profit for the year attributable to the owners of the parent	**59.9**	**59.9**	**-**

RECLASSIFIED STATEMENT OF PROFIT OR LOSS OF THE PARENT

(In millions of Euros)	2016 Restated	2016 Published	Variation
Total revenue	**3,076.7**	**3,076.7**	**-**
Operating expenses	**(2,691.8)**	**(2,707.0)**	**15.2**
Gross operating profit (EBITDA)	**384.9**	**369.7**	**15.2**
Gross operating profit margin (EBITDA) %	*12.5%*	*12.0%*	
Amortisation, depreciation, provisions and impairment losses	(140.1)	(124.9)	(15.2)
Operating profit (EBIT)	**244.8**	**244.8**	**-**
Return on Sales	*8.0%*	*8.0%*	
Profit before tax	**127.9**	**127.9**	**-**
Profit for the year	**64.6**	**64.6**	**-**

Group performance

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

TABLE 1 - RECLASSIFIED STATEMENT OF PROFIT OR LOSS

(€'000)	Note (*)	2016 (§)	2017	Variation
Revenue		5,760,358	5,939,976	179,618
Other income		123,451	167,265	43,814
Total revenue	34	**5,883,809**	**6,107,241**	**223,432**
Operating expenses	35	(5,330,972)	(5,527,089)	(196,117)
Gross operating profit (EBITDA)		**552,837**	**580,152**	**27,315**
Gross operating profit margin (EBITDA) %		9.4%	9.5%	
Amortisation, depreciation, provisions and impairment losses	35,6	(277,324)	(554,972)	(277,648)
Operating profit (EBIT)		**275,513**	**25,180**	**(250,333)**
Return on Sales %		4.7%	0.4%	
Financing income (costs) and gains (losses) on equity investments				
Net financing costs	36	(86,506)	(192,902)	(106,396)
Net gains on equity investments	37	9,122	100,109	90,987
Net financing costs and net gains on equity investments		**(77,384)**	**(92,793)**	**(15,409)**
Profit (loss) before tax (EBT)		**198,129**	**(67,613)**	**(265,742)**
Income tax expense	38	(77,952)	(14,534)	63,418
Profit (loss) from continuing operations		**120,177**	**(82,147)**	**(202,324)**
Loss from discontinued operations	20	(20,662)	(1,908)	18,754
Profit (loss) before non-controlling interests		**99,515**	**(84,055)**	**(183,570)**
Non-controlling interests		(39,594)	(22,862)	16,732
Profit (loss) for the year attributable to the owners of the parent		**59,921**	**(106,917)**	**(166,838)**

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

(§) The reclassified statement of profit or loss for 2016 was restated to reflect the different method used to calculate gross operating profit (EBITDA) which excludes provisions and impairment losses.

Revenue

Total revenue for the year is €6,107.2 million (€5,883.8 million), including €5,607.1 million earned abroad (€5,344.2 million), of which €1,516.0 million in the US (€1,303.5 million) and €500.2 million (€539.6 million) in Italy. The 3.8% increase on 2016 is mostly due to the higher revenue earned in the US (approximately +€212.5 million).

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

Operating profit (EBIT)

The gross operating profit for 2017 amounts to €580.2 million (€552.8 million), with the increase due to the higher contract profitability. The gross operating profit margin increased from 9.4% for 2016 to 9.5% for 2017.

The operating profit of €25.2 million decreased on the previous year due to the impairment of some assets related to the construction of infrastructure in Venezuela (see the "Main risk factors and uncertainties" section in this report and section 4 "Impairment - Venezuela" in the notes to the consolidated financial statements).

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

The Group recorded net financing costs of €192.9 million (€86.5 million) while net gains on equity investments amount to €100.1 million (€9.1 million).

Net financing costs of €70.1 million (€102 million) include financial income of €64.8 million and financial expense of €134.9 million. The €32 million reduction in this item is mostly due to the following:

- a €20.3 million increase in financial income, mainly attributable to the recognition of interest on receivables from mostly foreign clients;

- a €11.7 million decrease in interest and other financial expense as a result of the debt refinancing transaction finalised during the year, which led to a reduction in bank loans and borrowings against the issue of bonds at more favourable interest rates to those previously applied. This decrease is partly offset by the recognition of interest after the settlement of a tax bill received by the Ethiopian branch during the year.

In addition, net financing costs include the financial expense arising on application of the amortised cost method of €18.8 million (€25.4 million), mostly related to the debt refinancing transaction carried out during the year.

Net exchange losses of €122.8 million (gains of €15.5 million) mainly arose on the performance of the US dollar and Ethiopian birr vis-à-vis the Euro.

Exchange differences, which mostly arise on the adjustment to closing rates, do not necessarily impact cash flows as the realisation of foreign currency assets is reinvested/spent in the countries or for the branches where the variation took place.

The €91 million increase in net gains on equity investments is due to the larger profits recognised by the equity-accounted investees for 2017, mainly the associate Autopista del Sol S.A. as a result of the compensation recognised as part of the renegotiation contract with the Argentine government.

Income tax expense

The income tax expense for the year is €14.5 million (€78.0 million).

The decrease is mainly due to the deferred taxes recognised in 2017 following the impairment of some assets related to the construction of infrastructure in Venezuela and the US government's tax reform.

Loss from discontinued operations

The loss from discontinued operations amounts to €1.9 million (€20.7 million) and relates to the costs of the USW Campania business unit. The balance for the previous year included the exchange losses of €13.9 million accumulated in the translation reserve related to the foreign operations of Todini Costruzioni Generali sold on 4 April 2016.

Non-controlling interests

Non-controlling interests amount to €22.9 million (€39.6 million), mainly related to the group companies working in Saudi Arabia on the construction of the Riyadh Metro Line 3 (roughly €13.8 million) and some of Lane's subsidiaries (€9.3 million).

The Group’s financial position

The following table shows the Group’s reclassified IFRS statement of financial position.

TABLE 2 - RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(€’000)	Note (*)	31 December 2016	31 December 2017	Variation
Non-current assets	7-8-10	1,173,270	1,120,308	(52,962)
Goodwill	9	175,188	155,179	(20,009)
Net non-current assets held for sale	20	6,032	5,683	(349)
Provisions for risks	27	(105,765)	(101,531)	4,234
Post-employment benefits and employee benefits	26	(91,930)	(85,724)	6,206
Net tax assets	12-17-30	118,342	260,674	142,332
- Inventories	13	270,579	240,976	(29,603)
- Contract work in progress	14	2,367,263	2,668,103	300,840
- Progress payments and advances on contract work in progress	28	(2,455,632)	(2,518,557)	(62,925)
- Loans and receivables (**)	15	2,357,251	1,901,334	(455,917)
- Liabilities (**)	29	(2,337,406)	(2,144,810)	192,596
- Other current assets	18	591,270	616,549	25,279
- Other current liabilities	31	(356,315)	(330,289)	26,027
Working capital		437,010	433,307	(3,704)
Net invested capital		**1,712,147**	**1,787,896**	**75,749**
Equity attributable to the owners of the parent		**1,205,005**	**951,386**	**(253,619)**
Non-controlling interests		156,326	133,898	(22,428)
Equity	21	**1,361,331**	**1,085,284**	**(276,047)**
Net financial indebtedness		**350,816**	**702,612**	**351,796**
Total financial resources		**1,712,147**	**1,787,896**	**75,749**

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

(**) This item shows liabilities of €18.6 million classified in net financial indebtedness and related to the Group’s net amounts due 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 31 December 2016 balances included loans and receivables of €2.0 million and liabiltiies of €7.3 million.

Net invested capital

This item increased by €75.7 million on the previous year end to €1,787.9 million at 31 December 2017. The main changes are due to the factors listed below.

Non-current assets

Non-current assets increased by €53.0 million.
They may be analysed as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Property, plant and equipment	803,039	675,277	(127,762)
Intangible assets	168,763	127,668	(41,095)
Equity investments	201,468	317,363	115,895
Total non-current assets	**1,173,270**	**1,120,308**	**(52,962)**

Property, plant and equipment decreased by €127.8 million, mostly as a result of:

- depreciation of the year of €194.7 million;
- disposals of €58 million;
- exchange losses of €47.2 million, partly offset by
- investments of €170.4 million, mostly for the Milan - Genoa section of the high speed/capacity railway project in Italy and the Forrestfield Airport Link in Australia as well as investments made for Lane Group's contracts and the projects in Tajikistan.

Intangible assets show a net decrease of €41.1 million mainly due to:

- amortisation of the year of €23.9 million;
- the €16.6 million decrease for rights to infrastructure and concessions related to Impregilo Parking Glasgow, sold during the year.

The €115.9 million increase in equity investments is chiefly a result of the following factors:

- an increase in equity-accounted investments following recognition of the Group's share of the profit for the year of €94.8 million, mostly earned by the associate Autopista del Sol, whose results include the compensation received as part of the renegotiation contract with the Argentine government;
- the increase in the Grupo Unidos Por el Canal investment after injections of €53.4 million;

The effects are partly offset by:

- dividends from equity-accounted investees of €20.1 million;
- a €19.2 million variation in the translation reserve of the equity-accounted investees.

Goodwill

This item refers to the acquisition of Lane Group (€131.3 million) and assets from Asphalt Roads and Materials Company Inc. (€23.9 million). The variation on the previous year end is entirely due to the US dollar's depreciation vis-à-vis the Euro. The Group calculated these balances after completion of the purchase price allocation procedure as required by (revised) IFRS 3 in 2016.

Net non-current assets held for sale

Net non-current assets held for sale at 31 December 2017 amount to €5.7 million and solely comprise the net assets of the USW Campania projects.

Provisions for risks

These provisions of €101.5 million decreased by €4.2 million over 31 December 2016.

Post-employment benefits and employee benefits

This item amounts to €85.7 million and shows a €6.2 million decrease compared to 31 December 2016, mainly due to the actuarial valuations made at the reporting date.

Net tax assets

The following table provides a breakdown of this item:

(€'000)	31 December 2016	31 December 2017	Variation
Deferred tax assets	121,925	134,579	12,654
Deferred tax liabilities	(108,493)	(29,946)	78,547
Net deferred tax assets	**13,432**	**104,633**	**91,201**
Current tax assets	135,987	133,040	(2,947)
Current tax liabilities	(109,991)	(96,839)	13,152
Net current tax assets	**25,996**	**36,201**	**10,205**
Other current tax assets	146,503	164,651	18,148
Other current tax liabilities	(67,589)	(44,811)	22,778
Net other current tax assets	**78,914**	**119,840**	**40,926**
Net tax assets	**118,342**	**260,674**	**142,332**

The increase in this item is mainly due to the taxable profits of the various group companies, also considering the changes attributable to the foreign operations.

Working capital

Working capital decreased by €3.7 million from €437 million at 31 December 2016 to €433.3 million at the reporting date.
The main changes in the individual items making up net working capital are summarised below:

- Inventories decreased by €29.6 million to €241.0 million compared to the previous year end as a result of consumption of materials for the Group's main contracts.

- Contract work in progress amounts to €2,668.1 million (€2,367.3 million) and refers to Italian contracts (€526.9 million) and foreign contracts (€ 2,141.2 million of which Lane: €71.4 million).

  The increase of €300.8 million in this item reflects the production progress calculated using the most recent estimates of the ongoing projects' profitability and is due to:

  - the rise in contract work in progress abroad of €226.1 million, mostly related to the contracts in Tajikistan (€142.9 million) and Ethiopia (€26.8 million);
  - the €73.4 million increase in contract work in progress in Italy, mainly due to work on the high speed/capacity Milan - Genoa railway section.

- Progress payments and advances on contract work in progress include both contractual advances and "negative" work in progress (i.e., progress billings in excess of the cumulative value of the works built) and amount to €2,518.6 million, up €62.9 million on 31 December 2016. This increase is mainly the result of the rise in contractual advances of €220.0 million, due to the Rogun Hydropower project in Tajikstan and works in Ethiopia, and the €167.2 million decrease for works in Saudi Arabia.

- Receivables decreased by €455.9 million and include €1,767 million due from third parties (€2,203.6 million) and €134.3 million due from unconsolidated group companies and other related parties (€153.6 million). The decrease is mainly a result of:

  - a reduction of €436 million in receivables from third parties, mostly relating to the Ethiopian contracts and the high speed/capacity Milan - Genova railway section contract;
  - an increase of €133.5 million in the allowance for impairment, principally attributable to the impairment loss of approximately €132 million recognised on receivables from Venezuelan clients; the outstanding balance of these receivables is €153.8 million mostly in hard currencies (Euros and US dollars);
  - a reduction of €21.4 million in receivables from unconsolidated group companies and other related parties.

- Current liabilities decreased by €192.6 million and include liabilities with third parties of €2,046.3 million (€2,233.6 million) and unconsolidated group companies and other related parties of €98.5 million (€103.8 million).

  The decrease in this item is mainly due to the reduction in liabilities with third party suppliers (€187.3 million, including €143.2 million for the contracts in progress in Ethiopia).

- Other current assets increased by €25.3 million, mainly due to the higher advances to suppliers, mostly for the high speed/capacity Milan - Genoa railway section, the Polish road projects and the Al Bayt Stadium in Qatar.

- Other current liabilities decreased by €26 million compared to 31 December 2016, mainly due to the smaller liabilities with employees and other liabilities.

Net financial indebtedness

The following table shows the Group's net financial indebtedness at 31 December 2017 and 2016:

TABLE 3 - NET FINANCIAL INDEBTEDNESS OF SALINI IMPREGILO GROUP

(€'000)	Note (*)	31 December 2016	31 December 2017	Variation
Non-current financial assets	11	62,458	188,468	126,010
Current financial assets	16	323,393	94,308	(229,085)
Cash and cash equivalents	19	1,602,721	1,320,192	(282,529)
Total cash and cash equivalents and other financial assets		**1,988,572**	**1,602,968**	**(385,604)**
Bank and other loans and borrowings	22	(866,361)	(457,468)	408,893
Bonds	23	(868,115)	(1,084,426)	(216,311)
Finance lease liabilities	24	(119,742)	(81,310)	38,432
Total non-current indebtedness		**(1,854,218)**	**(1,623,204)**	**231,014**
Current portion of bank loans and borrowings and current account facilities	22	(398,589)	(311,002)	87,587
Current portion of bonds	23	(18,931)	(302,935)	(284,004)
Current portion of finance lease liabilities	24	(55,281)	(48,567)	6,714
Total current indebtedness		**(472,801)**	**(662,504)**	**(189,703)**
Derivative assets	11	156	226	70
Derivative liabilities	25	(7,180)	(1,480)	5,700
Net financial position with unconsolidated SPEs (**)		(5,345)	(18,618)	(13,273)
Total other financial liabilities		**(12,369)**	**(19,872)**	**(7,503)**
Net financial indebtedness - continuing operations		**(350,816)**	**(702,612)**	**(351,796)**
Net financial indebtedness including discontinued operations		**(350,816)**	**(702,612)**	**(351,796)**

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

(**) This item shows the Group's net amounts due from/to unconsolidated consortia and/or consortium companies (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 items making up these balances are presented under trade receivables and trade payables, respectively, in the consolidated financial statements.

At 31 December 2017, the Group has net financial indebtedness from continuing operations of €702.6 million (€350.8 million).

The increase is mainly due to the reduction in cash and cash equivalents due to the exchange difference effect on foreign currency items.

Gross indebtedness decreased by €28.0 million over 31 December 2016 to €2,304.3 million at the reporting date.

The debt/equity ratio (based on the net financial indebtedness from continuing operations) is 0.65 at group level at the reporting date.

Salini Impregilo has given guarantees of €262.4 million in favour of unconsolidated group companies securing bank loans.

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

TABLE 4 - RECLASSIFIED STATEMENT OF PROFIT OR LOSS

(€'000)	Note (*)	2016 (§)	2017	Variation
Revenue		2,974,148	2,782,127	(192,021)
Other income		102,512	104,811	2,299
Total revenue	**29**	**3,076,660**	**2,886,938**	**(189,722)**
Operating expenses	30	(2,691,791)	(2,530,779)	161,012
Gross operating profit (EBITDA)		**384,869**	**356,159**	**(28,710)**
Gross operating profit margin (EBITDA) % (**)		12.5%	12.3%	
Amortisation, depreciation, provisions and impairment losses	30	(140,019)	(384,929)	(244,910)
Operating profit (loss) (EBIT)		**244,850**	**(28,770)**	**(273,620)**
Return on Sales (**)		8.0%	-1.0%	
Financing income (costs) and gains (losses) on equity investments				
Net financing costs	31	(60,820)	(202,107)	(141,287)
Net gains (losses) on equity investments	32	(56,103)	139,796	195,899
Net financing costs and net gains (losses) on equity investments		**(116,923)**	**(62,311)**	**54,612**
Profit (loss) before tax (EBT)		**127,927**	**(91,081)**	**(219,008)**
Income tax expense	33	(63,323)	(108)	63,215
Profit (loss) for the year		**64,604**	**(91,189)**	**(155,793)**

(*) The note numbers refer to the notes to the separate financial statements where the items are analysed in detail.
(**) The "Other information" section gives a definition of these indicators.
(§) The reclassified statement of profit or loss for 2016 was restated to reflect the different method used to calculate gross operating profit which excludes provisions and impairment losses.

Revenue

Total revenue for the year is €2,886.9 million (€3,076.7 million), including €347.6 million (€387.7 million) earned in Italy and €2,539.3 million (€2,688.9 million) abroad.

Other income mainly refers to assistance and coordination services provided by the parent to its investees for a fee.

Operating profit (EBIT)

The operating loss of €28.8 million is mainly due to the impairment of some assets related to the construction of infrastructure in Venezuela.

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

The parent recorded net financing costs of €202.1 million (€60.8 million) while net gains on equity investments amount to €139.8 million (net losses of €56.1 million).

Net exchange losses of €153.8 million (gains of €15.3 million) mainly arose on the performance of the US dollar and Ethiopian birr against the Euro.

Exchange differences, which mostly arose on the adjustment to closing rates, do not necessarily impact cash flows as the realisation of foreign currency assets is reinvested/spent in the countries or for the branches where the variation took place.

Net gains on equity investments amount to €139.8 million (net losses of €56.1 million). The improvement is due to the larger dividends received from subsidiaries (€88.2 million), mainly Impregilo International Infrastructures which distributed €125 million (2016: €25 million). In 2016, the net losses reflected the fair value and impairment losses of €118.9 million on equity investments.

Income tax expense

The €63.2 million decrease in this item is mostly due to deferred taxes recognised in 2017 following the impairment of some assets related to the construction of infrastructure in Venezuela.

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

TABLE 5 - RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(€'000)	Note (*)	31 December 2016	31 December 2017	Variation
Non-current assets	4-5-6	1,432,783	1,393,091	(39,692)
Provisions for risks	22	(72,076)	(58,902)	13,174
Post-employment benefits and employee benefits	21	(12,802)	(11,432)	1,370
Net tax assets	8-13-25	108,909	207,644	98,735
- Inventories	9	180,810	164,072	(16,738)
- Contract work in progress	10	1,010,192	1,125,829	115,637
- Progress payments and advances on contract work in progress	23	(1,246,547)	(1,444,481)	(197,934)
- Loans and receivables (**)	11	1,712,786	1,325,549	(387,237)
- Liabilities (**)	24	(1,408,433)	(1,198,976)	209,457
- Other current assets	14	265,593	252,428	(13,165)
- Other current liabilities	26	(132,067)	(103,881)	28,186
Working capital		382,334	120,540	(261,794)
Net invested capital		**1,839,148**	**1,650,941**	**(188,207)**
Equity	**16**	**1,007,428**	**878,945**	**(128,483)**
Net financial indebtedness		**831,720**	**771,996**	**(59,724)**
Total financial resources		**1,839,148**	**1,650,941**	**(188,207)**

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

(**) This item shows liabilities of €18.6 million classified in net financial indebtedness and related to the parent's net amounts due from/to consortia and consortium companies (SPEs) operating under a cost recharging system. The balance reflects the parent's share of cash and cash equivalents or debt of the SPEs.

The 31 December 2016 balances included loans and receivables of €2.0 million and liabilities of €7.3 million.

Net invested capital

This item increased by €188.2 million on the previous year end.

The main changes are due to the factors listed below.

Non-current assets

Non-current assets decreased by €39.7 million. They may be analysed as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Property, plant and equipment	223,394	185,557	(37,837)
Intangible assets	79,544	65,029	(14,515)
Equity investments	1,129,845	1,142,505	12,660
Total non-current assets	**1,432,783**	**1,393,091**	**(39,692)**

Property, plant and equipment decreased by approximately €37.8 million, mainly due to depreciation (€78.5 million), investments (€52.1 million), disposals (€10.8 million) and exchange losses (€3.4 million).

Intangible assets mostly comprise the cost incurred to acquire contracts and decreased by €14.5 million, mostly as a result of amortisation.

Equity investments increased by €12.7 million as a result of the following changes:

- capital transactions of €77.6 million, mainly related to the injections of €53.4 million for Grupo Unidos por el Canal (Panama) and coverage of the losses of €31.5 million of HCE; partly offset by
- exchange gains of €34.9 million, mostly referred to GUPC;
- reclassification of equity investments for €11.6 million;
- disinvestments and liquidations of €11.2 million following the winding up of some Italian consortia and the related reimbursement of the parent's share of their consortium funds.

Provisions for risks

This item of €58.9 million decreased from the 2016 year end balance by €13.1 million.

Post-employment benefits and employee benefits

This item decreased by €1.4 million to €11.4 million at the reporting date.

Net tax assets

At 31 December 2017, net tax assets amount to €207.6 million (€108.9 million) and may be analysed as follows:

(€'000)	31 December 2016	31 December 2017	Variation
Deferred tax assets	38,892	125,723	86,831
Deferred tax liabilities	(24,152)	(19,298)	4,854
Net deferred tax assets	**14,740**	**106,425**	**91,685**
Current tax assets	107,788	114,338	6,550
Current tax liabilities	(72,172)	(72,837)	(665)
Net current tax assets	**35,616**	**41,501**	**5,885**
Other current tax assets	73,949	78,972	5,023
Other current tax liabilities	(15,396)	(19,255)	(3,859)
Net other current tax assets	**58,553**	**59,717**	**1,164**
Net tax assets	**108,909**	**207,643**	**98,734**

Working capital

Working capital decreased by €261.8 million to €120.5 million at the reporting date. The main changes in the individual items arose as a result of developments in the parent's operations and production on projects in Italy and abroad during the year.

Net financial indebtedness

The following table shows the parent's net financial indebtedness at 31 December 2017 and 2016:

TABLE 6 - NET FINANCIAL INDEBTEDNESS OF SALINI IMPREGILO S.P.A.

(€'000)	Note (*)	31 December 2016	31 December 2017	Variation
Non-current financial assets	7	19,800	80,490	60,690
Current financial assets	12	631,581	638,336	6,755
Cash and cash equivalents	15	852,552	660,899	(191,653)
Total cash and cash equivalents and other financial assets		**1,503,933**	**1,379,725**	**(124,208)**
Bank and other loans and borrowings	17	(756,981)	(381,855)	375,126
Bonds	18	(868,115)	(1,084,426)	(216,311)
Finance lease liabilities	19	(47,237)	(28,923)	18,314
Total non-current indebtedness		**(1,672,333)**	**(1,495,204)**	**177,129**
Current portion of bank loans and borrowings and current account facilities	17	(605,879)	(311,029)	294,850
Current portion of bonds	18	(18,931)	(302,935)	(284,004)
Current portion of finance lease liabilities	19	(30,414)	(22,454)	7,960
Total current indebtedness		**(655,224)**	**(636,418)**	**18,806**
Derivative liabilities	20	(2,751)	(1,481)	1,270
Net financial position with unconsolidated SPEs (**)		(5,345)	(18,618)	(13,273)
Total other financial assets		**(8,096)**	**(20,099)**	**(12,003)**
Net financial indebtedness including discontinued operations		**(831,720)**	**(771,996)**	**59,724**

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

(**) These items show the parent's net amounts due from/to consortia and/or consortium companies (SPEs) not controlled by any one entity and operating under a cost recharging system. The balance reflects the parent's share of cash and cash equivalents or debt of the SPEs. The items making up these balances are presented under trade receivables and trade payables, respectively, in the separate financial statements.

At 31 December 2017, the parent has net financial indebtedness of €772.0 million compared to €831.7 million at the end of the previous year.