STRATEGIC GUIDELINES AND BP TARGETS

Group strategic guidelines

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- **Going forward the Group will focus on five strategic priorities**

Top Line

Focus on footprint

Maintain Water & Metro Worldwide leadership

Reinforce Strategic Multi-Domestic presence in US, Australia, Middle East, Italy

Step change to Lane's growth

Lane scale up to make US largest single country market within Group

Shift toward Large & Complex Projects over 2018-'19

Costs

Reduction of direct costs

Increase construction resources productivity

Increase centralization of procurement

Optimization of corporate costs

Review offices network according to T- footprint

Ensure control of HQ costs (incl. Lane)

Cash

Improvement of Cash generation

Increase monitoring of collection process of slow-moving items

Keep on implementing stock optimization initiatives

Cash flow generation drivers

Five key factors will allow Salini Impregilo to continue generating free cash flow

Project Mix	CAPEX efficiencies	NWC management	New orders	Extraordinary items
Project mix shifting towards projects with faster cash conversion cycle (e.g. Lane)	CAPEX optimization due to plants & machinery re-use. Increase use of leasing model (e.g. Lane)	NWC to be optimized by improvements in stock and suppliers management	Advance payments on new orders to improve '18-'19 cash flow for the Group	Expected cash-in of extraordinary items for ca. €150- 200M mainly from non-core asset disposals

Business Plan updated targets 2018 & 2019

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	2017	2018	2019
REVENUES	€ 6.5B	€ 6.8 – 7.0B	€ 7.6 – 8.0B
EBIT margin	5.4%	≥5 %	>5%
Book to bill	1.037 x	>1. 1 x	>1.1 x
2018-2019 FCFO	**€156M** 2016-2017	**ca. €500M** Of which €150- 200M from extraordinary items	
Gross debt reduction		**ca. €200M**	

Original BP targets reviewed for:

- **Forex effect (headwinds of approx. €1B per year)**
- **Adoption of IFRS 15**

- **Projects mix and costs saving to support margins**
- **Strong commercial pipeline to support 1.1 x book-to-bill ratio**
- **Cash flow generation expected to accelerate in 2018 and 2019 due to Lane**
- **Gross debt de-leverage supported by cash generation from non core assets**