Translation under review from the Italian original, that remains the definitive version

Interim Report on Operations at 30 September 2017

ASTALDI Società per Azioni
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Registered with the Companies Register of Rome
Tax code No.: 00398970582
R.E.A. No.: 152353
VAT No.: 0080281001
Share Capital: EUR 196,849,800.00 fully paid-in

SUMMARISED DATA

Income Statement at 30 September 2017

(Figures shown in EUR/000)

	30/09/2017 post-impairment(*)	30/09/2017 pre-impairment (**)	30/09/2016	YOY change post-impairment (*)	YOY change pre-impairment (**)
Total Operating Revenue	**2,189,329**	**2,189,329**	**2,150,805**	**+1.8%**	**+1.8%**
EBITDA	**302,127**	**302,127**	**284,782**	**+6.1%**	**+6.1%**
EBITDA margin	**13.8%**	**13.8%**	**13.2%**	—	—
Impairment(*)	(234,461)	(4,461)	(427)	NMF	NMF
EBIT	**29,375**	**259,375**	**242,226**	**NMF**	**+7.1%**
EBIT margin	**1.3%**	**11.8%**	**11.3%**	—	—
Profit (loss) attributable to owners of the Parent	**(87,689)**	**68,245**	**55,553**	**NMF**	**+22.8%**

(*) Figures include effects arising from impairment of financial assets in Venezuela, for more details see «Comment on operating performance».

(**) Figures shown without taking into account effects arising from impairment as detailed above.

Statement of Financial Position at 30 September 2017

(Figures shown in EUR/000)

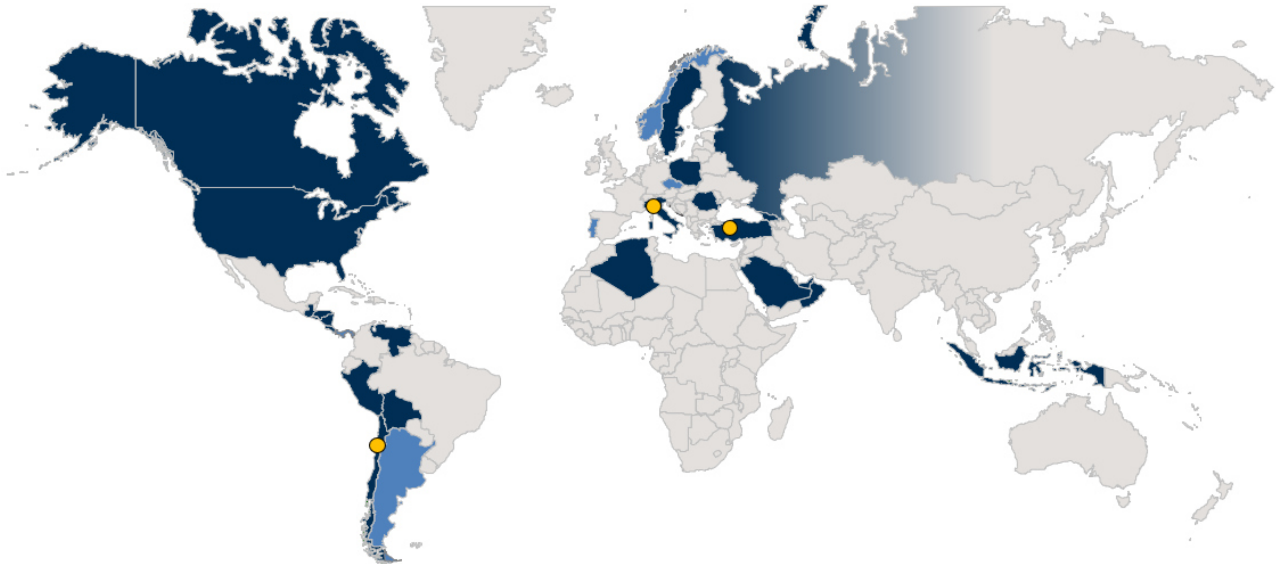
	30/09/2017 post-impairment(*)	30/09/2017 pre-impairment(**)	31/12/2016	30/09/2016
Total net non-current assets	1,352,436	1,100,199	1,007,371	948,187
Operating working capital	651,170	1,059,340	804,861	915,878
Total provisions	(34,951)	(34,951)	(21,215)	(24,610)
Net invested capital	**1,968,655**	**2,124,589**	**1,791,017**	**1,839,455**
Total bank loans and borrowings/loan assets(***)	(1,392,262)	(1,392,262)	(1,092,532)	(1,231,132)
Total Equity	**576,392**	**732,326**	**698,485**	**608,323**

(*) Figures include effects arising from impairment of financial assets in Venezuela, for more details see «Comment on operating performance».

(**) Figures shown without taking into account effects arising from impairment as detailed above.

(***) Figure shown inclusive of treasury shares on hand amounting to EUR 3 million at 30 September 2017 and EUR 3.9 million at 31 December 2016 and EUR 4.2 million at 30 September 2016.

GROUP'S INTERNATIONAL POSITION



At the draft date of this Interim Report on Operations, **Astaldi Group has operating offices and/or delegations in over 25 countries worldwide**, where it operates with a workforce of 10,571 employees (average figures at 30 September 2017), 89% of which working abroad.

Its presence in foreign markets is also guaranteed through 100%-owned companies operating under local legislation, dedicated to the development of specific countries – such as TEQ Construction Enterprise (for Canada) and Astaldi Construction Corporation (for the USA) – and specific segments – such as Astaldi Concessioni S.p.A. (concessions and O&M) and NBI S.p.A. (plant engineering and facility management).

INTRODUCTION

Reporting criteria

Astaldi Group's Interim Report on Operations at 30 September 2017 has been drafted in accordance with the provisions set forth in the Italian Stock Exchange (Borsa Italiana) Regulations for companies listed in the STAR segment (Article 2.2.3, subsection 3), which provides for the obligation of publication of the Interim Report on Operations within 45 days of the close of the third quarter of the financial year. Borsa Italiana Notification No. 7587 dated 21 April 2016 has also been taken into account herein.

This Interim Report on Operations has been drafted based on the accounting standards adopted for the Annual Financial Report at 31 December 2016 with the exception of those coming into effect as from 1 January 2017 which can be referred to in the section entitled "Endorsed standards and interpretations not adopted early by the Group" of the Annual Financial Report.

Impairment of receivables due from the Venezuelan government

Astaldi Group is currently involved in three railway projects in Venezuela together with Instituto de Ferrocarriles del Estado (hereinafter IFE), which it is developing through participation in consortium projects (hereinafter Consortia) with other partners[1]. The projects refer to the Puerto Cabello-La Encrucijada section, as well as the so-called Southern Lots (corresponding to the San Juan de Los Morros-San Fernando de Apure and Chaguaramas-Cabruta sections).

It is well-known that, as regards these projects, the relative operating activities have been suspended since 2015 as a result of the economic situation the country has been experiencing for some years and the consequent slowdown in payments.

All the relative contracts were signed under the aegis of an intergovernmental agreement – «*Framework Agreement for Economic, Industrial and Infrastructure Cooperation and for Development*» (hereinafter the Agreement) – signed on 14 February 2001 between the Italian and Venezuelan states, ratified under both Venezuelan and Italian law, and which came into effect as from 1 April 2004. The Agreement, inter alia, provides for all disputes between Italian and Venezuelan companies, arising from performance of the agreement, to be settled through international arbitration regulated by the International Chamber of Commerce of Paris (hereinafter, ICC Arbitration). Since the Agreement represents the legal base of awarding of the aforementioned railway contracts to Consortia – as per, inter alia, the specific reference to the Agreement contained in the individual works contracts and as maintained in opinions drawn up by the Company's external legal consultants – the consortium companies could propose ICC Arbitration provided for in the Agreement as regards IFE and Venezuela. This is why the receivables due for these projects have the support of an instrument (hereinafter International Arbitration) which would grant their reimbursement priority and prevalence over receivables that can only be claimed through local legislative measures.

At 30 September 2017, Astaldi Group's overall exposure vis-à-vis IFE totalled EUR 433 million, as shown in the table below.

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[1] Consortia duly organised and existing under Venezuelan law, set up by Astaldi with two other Italian companies.

Astaldi Group’s overall exposure visa-vis IFE at 30 September 2017

(Figures shown in EUR/000,000)

Project name	Type of contractor	Client	Type of claim	Amount to be paid (EUR/millions)
Puerto Cabello-La Encrucijada Railway	Public	IFE	Receivable	107.2
Puerto Cabello-La Encrucijada Railway	Public	IFE	Works in progress	147.6
San Juan De Los Morros-San Fernando de Apure and Chaguaramas-Cabruta	Public	IFE	Receivable	178.2
OVERALL EXPOSURE				**433.0**

Overall exposure is listed at nominal value, hence including discounting already performed at 31 December 2016 equal to approximately EUR 25 million.

As regards said Overall Exposure, it must be noted, as already mentioned in the Annual Financial Report at 31 December 2016, that the Venezuelan Government officially acknowledged through IFE – the nominal amount of overdue receivables (EUR 285.4 million) as well as extension of the contract timeframe as regards construction of the San Juan de Los Morros-San Fernando de Apure and Chaguaramas-Cabruta railway sections.

However, even if this means that the works and relative payment obligations have been approved and acknowledged by the Venezuelan Government, this condition is no longer a guarantee as regards the fact that payment can be made in the short-term, following the key events of HY2 2017 which saw a worsening of the country’s political, economic and social situation. Specifically: (i) recent measures introduced by the US President regarding the limiting of financial transactions and investment by Venezuela with US financial institutions have made relations with the USA extremely tense and complicated; (ii) Venezuela’s credit rating has dropped drastically insofar as S&P’s and Fitch reviewed the country’s rating twice during HY2 2017, cutting it respectively to C and CC, thus reflecting a situation with a high risk of default; (iii) the statements issued by Venezuelan authorities at the beginning of November 2017 regarding possible restructuring of its public debt; (iv) the measure taken by EU Foreign Ministers resulting in sanctions against Venezuela, aimed at pushing the President Nicolas Maduro’s government to enter into a dialogue with the opposition, and lastly (v) recently formulated current and forecast macroeconomic data which provide confirmation of the expected critical factors as regards the South American country’s socio-economic future.

Indeed, in relation to these recent negative and serious developments, and in light of the findings of studies conducted with the help of an independent expert and international network, the Group while making a conservative assessment and adopting a cautious attitude, calculated the value of said exposure to be approximately EUR 203 million, thus reporting impairment of approximately EUR 230 million, even if it does not feel that the conditions are such as to presume complete loss of its claims.

Application Criteria and Methodologies

Taking into account that given Venezuela's current economic and social situation, all measurement methodologies have specific limits, it was considered appropriate to evaluate the recoverable value of the aforementioned receivables with a number of criteria widely applied in professional practice, in other words through (i) a market benchmark analysis, and (ii) a Discounted Cash-Flow Model-based analysis.

(i) Market benchmark analysis

In this context, the value of receivables was calculated by referring to the following:

- Return and market prices of bonds issued by the Venezuelan state in the period prior to the reference date;
- Market value of spread of Credit Default Swaps (CDS) involving Venezuela's default;
- Recovery prices observed with reference to default of sovereign debt during the period from 1983 to 2016.

The following must be noted with regard to the results of analyses performed on market benchmarks:

Market findings regarding CDS and Venezuela's government bonds

It was considered reasonable in this context to calculate the reduction coefficient of the nominal value of receivables at 58%, as can be seen from the table below:

03/11/2017		Risk spread		PD		LGD	Discount. Coeff.		Expected Loss	
Start Date	Per.	CDS	Bond	CDS	Bond	1 - RR	CDS	Bond	CDS	Bond
27/10/2017	1w	63.26%	38.93%	98.53%	98.76%	60.0%	0.990	0.987	58.53%	58.46%
19/10/2017	2w	59.64%	39.08%	98.12%	98.78%	60.0%	0.990	0.987	58.29%	58.47%
03/10/2017	1m	55.04%	38.42%	97.45%	98.68%	60.0%	0.990	0.987	57.89%	58.41%
05/09/2017	2m	53.37%	37.72%	97.15%	98.57%	60.0%	0.990	0.987	57.71%	58.35%
Average		**57.83%**	**38.54%**	**97.81%**	**98.70%**				**58.10%**	**58.42%**

Source: Processing of data obtained on Bloomberg (November 2017).

Analysis of recovery prices observed with reference to default of sovereign debt during the period from 1983 to 2016

Three different scenarios were defined in order to identify an average reduction coefficient of receivables calculated based on the arithmetical average:

- issuer-weighted of recovery prices related to: (i) all default sovereign debt; (ii) default sovereign debt issued in USD by South American states (Argentina, Ecuador or Uruguay) only; and
- value weighted of recovery prices related to (iii default sovereign debt issued in USD by South American states (Argentina, Ecuador or Uruguay) only, with weightings equal to the value of default debt.

An analysis of these recovery prices made it possible to directly obtain the reduction coefficient of the nominal value of receivables, estimated within a range from 46% to 62.6%.

(ii) DCF – Discounted Cash-Flow Model

In order to allow for application of the measurement methodology in question, it was necessary to formulate a series of hypotheses which concerned, in particular, the quantity and timeframe of future payment flows.

Specifically, the management felt that the Venezuelan State will be able to recommence payment of its debts to the Parent (hereinafter, the Company) upon achievement and possible surpassing of a break-even level of the market price of oil, equal to a value close to that seen at the end of 2014 - the last financial year when the Venezuelan State (hereinafter, the State) paid its debts to the Company.

Forecasts performed by a group of financial analysts – comprising banks, brokers and specialist consultants – made it possible to suppose that the oil price will reach break-even level between 2020 and 2021. In light of this, it was presumed that the State will be able to recommence payment of its debts to the Company as from the second half of 2020.

Moreover, forecast future cash flows were calculated by presuming that the total amount of annual payments which the State will make to the Company in order to repay debts will be equal to the average value of payments made in strong currency to the Company by Venezuela during the period from 2009 to 2014.

Application of the DCF method, based on the assumptions listed above and on the financial instrument's actual interest rate (14.21%), made it possible to estimate the recoverable amount of receivables at EUR 205 million. Given the total nominal value of the latter, equal to EUR 433 million, the result is impairment of EUR 228 million, equal to approximately 53% in percentage terms compared to the nominal value.

A sensitivity analysis was performed in order to check the consistency of estimates made in relation to changes of the main parameters the estimate is made on. The analysis was aimed at calculating the impairment of receivables in a series of alternative measurement scenarios, defined on the basis of various hypotheses regarding the temporal placement of estimated cash flows and of the discounting rate.

Specifically, as regards the base scenario, impairment of receivables was calculated for each combination of scenarios listed below.

i\Δa	-1.0	-0.5	0.0	+0.5	+1.0
11.37%	171.2	184.9	198.0	210.3	222.0
14.21%	199.0	214.0	**228.1**	241.2	253.6
17.05%	222.7	238.6	253.4	266.9	279.6

Conclusions

In light of the results obtained from analyses performed and taking into account the current and future conditions of Venezuela and the oil market, the company's management considered it reasonable to estimate the value of receivables at approximately EUR 203 million. This value took into account a reduction percentage of approximately 53% of the relative nominal value included within the value intervals identified using the methodologies described above.

Alternative Performance Indicators (API)

The financial performance of Astaldi Group and its business segments are also assessed on the basis of Alternative Performance Indicators (API) not provided for in IFRSs, the specific components of which are listed below.

EBITDA. This is calculated by subtracting production costs, personnel expenses and other operating costs from total operating revenue. It also contains the share of profits/losses of joint ventures and associates operating in the Group's core business segment.

EBIT. This is calculated by excluding amortisation and depreciation, impairment losses and provisions and internal costs capitalised from EBITDA as calculated above.

Profit from continuing operations. This is calculated like EBT excluding taxation for the period.

Book-to-bill ratio. This is calculated as the ratio between total new orders included among the backlog and total revenue.

Debt/Equity Ratio. This is calculated as the ratio between the net financial position as numerator and equity as denominator, excluding treasury shares in portfolio.

Non-recourse financial debt. This is defined as the form of financing dedicated to projects in the Concessions segment, that is not guaranteed by the Parent, but rather by financial flows linked to development of these projects that will be attributed to the SPVs during the period of operation of the related infrastructures.

Net financial debt. This is obtained by subtracting non-current loan assets and financial assets from concession activities from the net financial debt, as well as specific components such as treasury shares, calculated as required under CONSOB Communication DEM/6064293 dated 28 July 2006 that refers to European Securities and Markets Authority (ESMA, formerly CESR) Recommendation dated 10 February 2005 and provisions contained in CONSOB Communication dated 28 July 2006.

Total financial debt. This is obtained by subtracting the total of non-current financial receivables and financial assets from concession activities from net financial debt, calculated as required under CONSOB Communication DEM/6064293 dated 28 July 2006 that refers to European Securities and Markets Authority (ESMA, formerly CESR) Recommendation dated 10 February 2005 and provisions contained in CONSOB Communication dated 28 July 2006.

Net non-current assets. These are to be taken as the total of non-current assets; specifically, intangible assets, the Group's property, plant and equipment, equity investments as well as other non-current assets not included in those referred to above.

Operating working capital. This is the result of the total of current loans and receivables and liabilities linked to the core business (trade receivables and payables, inventories, contract work in progress, tax assets, progress payments/billings from customers and other current assets and liabilities).

Net invested capital. This is the total of net non-current assets, operating working capital, provisions for risks and employee benefits.

COMMENT ON OPERATING PERFORMANCE

Astaldi Group's financial statements at 30 September 2017 reflect the **effects of a conservative and cautious assessment of the Group's overall exposure as regards Venezuela**. In relation to recent negative and serious developments in the country, and in light of the findings of studies conducted with the help of a high standing advisor and international network, the **Company while making a conservative assessment and adopting a cautious attitude, calculated the value of said exposure to be approximately EUR 203 million (from the nominal figure of EUR 433 million at 31 December 2016), reporting impairment of approximately EUR 230 million, even if it does not feel that the conditions are such as to presume complete loss of its claims** – for an overview of the phenomenon, see «Introduction», «Impairment of receivables vis-à-vis the Venezuelan Government»).

If we are to exclude the consequences of impairment, the Group was able to confirm a good performance of business and earnings trends. **Production** at 30 September 2017 **increased by 2% to EUR 2.2 billion** (EUR 2.1 billion at 30 September 2016) and included **the first benefits of diversification in the O&M segment** which accounted for revenue of EUR 56 million (mainly in the hospital sector). **EBITDA increased by over 6% to EUR 302.1 million** (EUR 284.8 million at 30 September 2016), **with an EBITDA margin of 13.8%** (13.2% at 30 September 2016). **If we are to exclude the effects of impairment as regards Venezuela, EBIT increased by over 7% to EUR 259.4 million, with an EBIT margin of 11.8%** (EUR 242.2 million in absolute terms and a margin of 11.3% at 30 September 2016 respectively), while net profit increased by approximately 23% to EUR 68.2 million with a net margin of 3.1% (EUR 55.5 million in absolute terms and a margin of 2.6% at 30 September 2016 respectively). **Following impairment, these values translate into EBIT of EUR 29.4 million with an EBIT margin of 1.3% and in a loss attributable to owners of the Parent of approximately EUR 88 million.**

More generally speaking, the financial statements for the first nine months of 2017 show **the effects of decisive action to improve the overall risk profile of business activities (so-called strategic de-risking)**, which the Company is carrying out in keeping with the Strategic Plan and which has involved:

(i) the Group's commercial profile, with the **opening of new areas (Sweden, Georgia, Czech Republic), consolidation of more stable and less complex markets (Chile, Poland, Canada, USA)**, closure of countries no longer of strategic interest (Qatar), and **gradual repositioning of the order backlog onto EPC contracts and O&M activities**;

(ii) the earning profile, with the **start-up of important works for the achievement of planned growth targets** (specifically, in Poland, Chile, USA), but also with the **re-planning of production activities in Canada** (following positive settlement of the main difficulties linked to the Muskrat Falls hydroelectric project last December);

(iii) the financial profile, with **progressive progress of the asset disposal programme** and, more generally, **of the overall long-term corporate debt refinancing plan**. Specifically, at the draft date of this document, **approximately 40% of what was scheduled to be disposed of by 2018 had already been disposed of**; **activities to reposition medium/long-term corporate debt on more staggered due dates** were also started up, with the placement in June of EUR 140 million of non-guaranteed equity-linked bonds falling due in 2024 and contextual repurchase of those already in circulation falling due in 2019;

(iv) the financial position profile, with **improvement of the quality of assets** resulting from the previously mentioned reduction of exposure vis-à-vis Venezuela, with consequent **rescaling of the overall risk related to assets.**

The total order backlog remained solid, totalling over EUR 26 billion; **EUR 15 billion of quarterly figure is to be attributed to the industrial backlog, the so-called core backlog** (of which EUR 12.7 billion for construction and EUR 2.3 billion for O&M activities) and **over EUR 11 billion to concession investments, the so-called total concessions backlog**.

In keeping with the Strategic Plan, the Group's commercial action confirmed the **gradual focus of activities on geographical and business segments with a lower risk profile than in the past**, showing an **increasing incidence of EPC/construction contracts with independent financial profiles**. **New orders for the period totalled EUR 2.2 billion**, approximately **80% of which referring to construction** and with **60% referring to countries of greater strategic interest** for the Company, in other words Chile, North America (Canada and USA), Northern and Central-Eastern Europe (Sweden, Georgia, Poland and Romania), and Italy. **The total concessions backlog showed a reduction of EUR 1.6 billion further to progress of the asset disposal programme, to the partial benefit of O&M activities which accounted for EUR 453 million**. An additional **EUR 1.4 billion of first classifieds in the Construction and O&M segments** was also recorded (mainly in Romania, Italy, Canada, Panama and the Czech Republic), which it is felt can translate into new orders in the short-term further to completion of the relative award procedures. The book-to-bill ratio stood at 1.1x (calculated without taking into account first classifieds).

Operating working capital totalled EUR 651.2 billion (EUR 917.9 million at 30 June 2017 and EUR 804.9 million at 31 December 2016 and EUR 915.9 million at 30 September 2016). The figure **reflects the reduction in exposure as regards Venezuela** which, following impairment, means reclassification of EUR 203 million referring to receivables net of impairment, from operating working capital to fixed assets by virtue of their nature of items considered collectable in the long-term on the reporting date. If we are to exclude this non-recurring change, note must be taken of the inclusion among working capital of some slow-moving items, mainly referable to Romania, Algeria and Italy, which the Group feels it will be able to free up in the short-term, also thanks to a dedicated task force. The working capital also includes receivables and works in progress accrued in Turkey – referring to the construction of additional sections of the Northern Marmara Highway (Third Bosphorus Bridge). Said additional works are regulated financially over a medium-term timeframe, compared to what is provided for in the basic contract, based on cash flow arising from the guaranteed minimums on additional kilometres. The Company is examining an operation to collect these amounts in advance through possible non-recourse assignment. Excluding all the items mentioned and the seasonal factors that are typical of the third quarter, operating working capital showed a regular trend which serves to confirm the improved financial profile of contracts in progress. This makes it possible to forecast a reduction of this item by the fourth quarter, also in light of the trend traditionally recorded in the last part of the year, as well as the disinvestment expected for some of the items detailed above and the collection of additional contract advances for recently-acquired contracts (mainly abroad).

The disposal programme is also going ahead, with regard to which, as previously mentioned, **over 40% of what was scheduled for disposal by 2018 has already been disposed of**. The 2017 disposals already carried out refer to the investment in Pacific Hydro Chacayes S.A. (concession holder for the Chacayes plant in Chile), to 49% of SCMS (concession holder for the West Metropolitan Hospital in Santiago in Chile) and to 36.7% of M5 S.p.A. (concession holder for Line 5 of the Milan underground in Italy). These are in addition to those already performed in previous years

referring to Re.Consult (holder of an investment in A4 Holding S.p.A., the concession holder for the Brescia-Verona-Vicenza-Padua Motorway) and the car parks division. Moreover, as regards assets in Turkey, powers were granted to the financial advisors (leading banks of international standing) that will assist the Group with disposal, also in light of institutional investors' renewed interest in the country. Specifically, as regards the Third Bosphorus Bridge, it must be noted that disposal is scheduled by the end of the first half of 2018, with forecast collection of approximately EUR 200 million for transfer of the sole shareholder loan. Moreover, other activities are also being performed prior to the transfer of investments in additional concession projects, especially in the healthcare segment.

The Group's net financial exposure totalled EUR 1,389.2 million, compared to EUR 1,272 million at 30 June 2017 (EUR 1,088.7 million at 31 December 2016 and EUR 1,226.9 million at 30 September 2016). The figure listed reflects the effects of support provided for production and the significant commercial efforts the Group is making, as well as the effect arising from EUR 47 million of positive impact recorded at a total net financial debt level following the transfer of concession assets.

INCOME STATEMENT AT 30 SEPTEMBER 2017

Main financial results at 30 September 2017

(Figures shown in EUR/000)

	30/09/2017 post-impairment(*)	30/09/2017 pre-impairment (**)	30/09/2016	YOY change post-impairment (*)	YOY change pre-impairment (**)
Total Operating Revenue	**2,189,329**	**2,189,329**	**2,150,805**	**+1.8%**	**+1.8%**
EBITDA	**302,127**	**302,127**	**284,782**	**+6.1%**	**+6.1%**
EBITDA margin	**13.8%**	**13.8%**	**13.2%**	—	—
Impairment(*)	(234,461)	(4,461)	(427)	NMF	NMF
EBIT	**29,375**	**259,375**	**242,226**	**NMF**	**+7.1%**
EBIT margin	**1.3%**	**11.8%**	**11.3%**	—	—
Profit (loss) attributable to owners of the Parent	**(87,689)**	**68,245**	**55,553**	NMF	**+22.8%**

(*) Figures include effects arising from impairment of financial assets in Venezuela, for more details see «Comment on operating performance».

(**) Figures shown without taking into account effects arising from impairment as detailed above.

Production

Total revenue at 30 September 2017 **increased by 2% to approximately EUR 2.2 billion** (EUR 2.15 billion for the first nine months of 2016), with **revenue accounting for 94.7%** and **other operating revenue for the remaining 5.3%**. The quarterly figure was penalised in a YOY comparison following the completion of some major contracts such as the Third Bosphorus Bridge

and key sections of the Gebze-Orhangazi-Izmir Motorway in Turkey (respectively in August and November 2016), the Western High-Speed Diameter in St. Petersburg, Russia (December 2016) and the Saida-Moulay Slissen Railway Line in Algeria (June 2017).

Revenue increased by 1% to EUR 2.1 billion (EUR 2 billion at 30 September 2016), mainly thanks to the progress of construction projects (totalling EUR 2 billion), as well as O&M activities in Italy (Venice-Mestre Hospital for EUR 43.7 million and Four Tuscan Hospitals for EUR 10.5 million) and Chile (Relaves Project for EUR 2 million).

Other operating revenue increased by 23.5% to EUR 115.5 million (EUR 93.6 million for the first nine months of 2016), thanks to the good performance of ancillary activities to the Group's core business (in Italy, Russia and Canada), to full consolidation of Veneta Sanitaria Finanza di Progetto S.p.A. (concession holder of Venice-Mestre Hospital in Italy) further to its aggregation, as well as to the capital gains generated by the asset disposal programme. Specifically, **the positive effects from disposals totalled approximately EUR 25 million,** approximately EUR 8 million of which referring to M5 S.p.A. (concession holder of Line 5 of the Milan Underground, Italy), approximately EUR 9 million of which to Pacific Hydro Chacayes S.A. (concession holder of the Chacayes Hydroelectric Plant in Chile) and approximately EUR 7 million to SCMS S.A. (concession holder of the West Metropolitan Hospital in Santiago in Chile).

The revenue structure confirmed a **major contribution from international activities** (especially the Americas and Europe), **accompanied by a renewed contribution from Italy**. There was an increase in the contribution from areas that are most functional for implementing strategic de-risking, in line with the Strategic Plan: (i) **Italy increased by 36.7% and generated 21.4% of revenue** (mainly due to the advance release of a first phase of works to complete Naples-Afragola HS/HC Station, progress on Line 4 of Milan Underground and the Brenner Base Tunnel, as well as full consolidation of O&M revenue from Venice-Mestre Hospital and inauguration of the Trauma Centre at Careggi Hospital in Florence and the Golinelli Arts and Science Centre in Bologna – the latter two projects were performed through the company, NBI); **Europe (including Turkey) generated 37% of revenue**, while recording an 18.2% drop compared to 2016, to be attributed to the previously mentioned completion of works in Turkey and Russia, only partially offset by the progress of works in Turkey (Etlik Integrated Health Campus in Ankara), Russia (M-11 Moscow-St. Petersburg Motorway) and Poland (Line 2 of Warsaw Underground, S-7 Expressway Naprawa-Skomielna Biała section and Zakopianka Tunnel) and by the start-up of new projects in Turkey (Menemen-Aliağa-Çandarli Motorway). **The Americas saw an 18.3%** increase accounting for **38% of revenue**, thanks to the **acceleration of works in Canada** (for the Muskrat Falls Hydroelectric Project following the agreements signed in November 2016, as well as for the positive operating performance of TEQ Construction Enterprise), and the **positive contribution from the USA** (for the start-up of works on the I-405, one of the leading highway projects being carried out to date in California) **and Chile** (Arturo Merino Benítez International Airport in Santiago, which saw the laying of the first stone of the new terminal in September, the ELT Observatory at Cerro Armazones which saw a similar ceremony taking place in May and the Chuquicamata Mining Project). **Africa (Maghreb) generated 3.6% of revenue**, with a **34.2%** YOY drop, to be attributed to the **smaller contribution from Algeria** (mainly as a result of completion of the Saida-Moulay Slissen Railway Line in June 2017). **Asia reflected the effects of the planned reorganisation of activities in the Middle East** (and consequent lack of orders to be translated into turnover, compared to the previous year, still to be offset by the results of commercial efforts in Iran and the Far East (Indonesia, Vietnam, Singapore): Asia generated 0.05% of revenue (0.73% at 30 September 2016).

From a segment viewpoint, the greater contribution from Construction was confirmed, accounting for 97.3% of revenue (99.4% in September 2016) with O&M accounting for the remaining 2.7% (0.6% at 30 September 2016) which benefitted from the reconversion of concession contracts. As regards the Construction segment, the greatest contribution came from Transport Infrastructures (56.8% of revenue compared to 65.1% at 30 September 2016), which, however, saw a 12.1% drop YOY following the completion of some major projects, as mentioned above. Energy Production Plants (18.8% of revenue) increased by 31% mainly thanks to the acceleration of production in Canada (Muskrat Falls Hydroelectric Plant). Civil and Industrial Construction generated 9.5% of revenue (10.3% at 30 September 2016), further to results linked to the performance of construction of Ankara Hospital, activities performed by the subsidiary T.E.Q. in Canada and progress of activities linked to the ELT Observatory at Cerro Armazones in Chile. Plant Engineering accounted for 12.2% of revenue (9.6% at 30 September 2016), up by 28.9% compared to the same period of 2016 as a result of NBI's operating performance and the good progress recorded as regards mining plants in Chile.

Please find below a breakdown of revenue according to geographical and business segments.

Breakdown of operating revenue by geographical segment

(Figures shown in EUR/000,000)

	30/09/2017	% of revenue	30/09/2016	% of revenue	*YOY change %*
Italy	**443**	**21.4%**	**324**	**15.8%**	***+36.7%***
International	**1,631**	**78.6%**	**1,733**	**84.2%**	***-5.9%***
Rest of Europe	767	37.0%	938	45.6%	*-18.2%*
Americas	788	38.0%	666	32.4%	*+18.3%*
Asia (Middle East)	1	0.0%	15	0.7%	*-93.3%*
Africa (Maghreb)	75	3.6%	114	5.5%	*-34.2%*
Revenue	**2,074**	**100.0%**	**2,057**	**100.0%**	***+0.8%***

Breakdown of operating revenue by business segment

(Figures shown in EUR/000,000)

	30/09/2017	% of revenue	30/09/2016	% of revenue	*YOY change %*
Construction	**2,018**	**97.3%**	**2,045**	**99.4%**	***-1.3%***
Transport Infrastructures	1,178	56.8%	1,340	65.1%	*-12.1%*
Railways and undergrounds	*357*	*17.2%*	*335*	*16.3%*	*+6.6%*
Roads and motorways	*755*	*36.4%*	*972*	*47.3%*	*-22.3%*
Ports and airports	*66*	*3.2%*	*33*	*1.6%*	*+100.0%*
Energy Production Plants	389	18.8%	297	14.4%	*+31.0%*
Civil and Industrial Construction	197	9.5%	211	10.3%	*-6.6%*
Plant Engineering	254	12.2%	197	9.6%	*+28.9%*
O&M	**56**	**2.7%**	**12**	**0.6%**	NMF
Revenue	**2,074**	**100.0%**	**2,057**	**100.0%**	***+0.8%***

The cost structure reflected the geographical repositioning of activities in countries where contract performance typically provides for a greater use of partnerships (consortia and joint ventures), subcontracts and consulting, with consequent benefits, inter alia, in terms of sharing of the overall risk of individual projects and better financial elasticity as a result of specific back-to-back clauses.

Production costs decreased by 2.6% to EUR 1.4 billion (EUR 1.44 billion at 30 September 2016), **with a drop in the incidence of revenue** from 66.8% **to 64%**. This result was due, on the one hand, to the decrease in purchase costs for the completion of directly-performed production, and on the other to the increased use of subcontracting and/or partnerships. Specifically, there was an increase in Italy in consortia costs (especially for progress of the Brenner Base Tunnel) and subcontracting costs (mainly for full consolidation of the concession holder for Venice-Mestre Hospital further to its aggregation). At an international level the same cost items decreased in specific areas (due to substantial or actual completion of the Saida-Moulay Slissen Railway Line in Algeria, Cerro de Águila Hydroelectric Project in Peru, Jedda and KAEC HS Stations in Saudi Arabia and Northern Marmara Highway in Turkey), against, however, an increase in some other countries (especially due to acceleration of M-11 Moscow-St. Petersburg Motorway in Russia and Line 2 of Warsaw Underground in Poland).

Personnel expenses increased by 9.9% to EUR 496.9 million (EUR 452.1 million at 30 September 2016), with a 22.7% incidence on revenue (21% at 30 September 2016). The quarterly figure reflects the support guaranteed for production and commercial activities (for the opening of new areas or consolidation of areas where traditionally present). Specifically, Italy saw a 6.3% increase in personnel expenses against a 36.7% increase in production. International projects saw a 10.6% increase as a result of the combined effect of the drop in Europe (due to the completion of key projects, e.g. in Turkey and Russia) and the significant increase in the Americas (due to the 18.4% growth in production and greater use of own workers to perform direct production). As regards the Muskrat Falls Hydroelectric Project in Canada, it must be noted that an acceleration of activities in 2017 was guaranteed by an approximately 13% increase in the directly-employed workforce (in other words, 245 extra units in terms of average number of employees).

Other operating costs decreased by 3.5% to EUR 31.9 million (EUR 33 million at 30 September 2016), with a **1.5% incidence of revenue and in line with quarterly standards**.

The **share of profits (losses) of joint ventures and associates dropped by 26.6% to EUR 41.8 million** (EUR 56.9 million at 30 September 2016), mainly due to reclassification among non-current assets held for sale of values referring to the investment in the concession holder for the Third Bosphorus Bridge (Turkey), as from 30 June 2017. The quarterly figure also included the results of equity accounting of additional investments in concessions in Turkey (Gebze-Orhangazi-Izmir Motorway, Etlik Integrated Health Campus in Ankara). At the same time, it included the EUR 13.3 million negative effect of the net balance of the cash flow reserve of M5 S.p.A. (concession holder for Line 5 of Milan Underground in Italy).

EBITDA increased by over 6% to EUR 302.1 million (EUR 284.8 million at 30 September 2016), with an **EBITDA margin of 13.8%** (EUR 13.2% at 30 September 2016). The quarterly figure reflected the aforementioned trends, generally showing good cost management at a corporate level.

Amortisation and depreciation totalled EUR 34.4 million (+4.3%, EUR 33 million at 30 September 2016), largely in line with the first nine months of 2016. This item was also affected by the net balance between investments and disposal of assets which saw a slight increase of EUR 4 million at 30 September 2017.

Provisions totalled EUR 3.8 million (-57.7%, EUR 9.1 million at 30 September 2016).

Impairment amounted to EUR 234.4 million (EUR 427,000 at 30 September 2016). As mentioned previously, **EUR 230 million** of the quarterly figure **can be attributed to impairment of financial assets (receivables and works in progress) related to railway projects in Venezuela**. In relation to recent negative and serious developments in the country, and in light of the findings of studies conducted with the help of a high standing advisor and international network, the Group while making a conservative assessment and adopting a cautious attitude, calculated the value of said overall exposure to be approximately EUR 203 million (from EUR 433 million) reporting the previously mentioned impairment among the quarterly accounts, even if it does not feel that the conditions are such as to presume complete loss of its claims.

EBIT – which without the effect of impairment for Venezuela increased by 7.1%, amounting to EUR 259.4 million with an EBIT margin of 11.8% (EUR 242.2 million and a margin of 11.3% at 30 September 2016, respectively) **– totalled EUR 29 million with an EBIT margin of 1.3%.**

Financial operations basically reflected the average levels of debt and support for production and commercial activities, ensured also in the form of sureties and guarantees. **Net financial expense totalled EUR 145.3 million** (+6.6%, EUR 136.2 million at 30 September 2016), with an **incidence on revenue largely in line with 2016** (6.6% compared to 6.3% at 30 September 2016). The quarterly figure also included, inter alia, EUR 4.3 million of net effects arising from the measurement of cash settlement options related to the equity-linked bond loan issued in June 2017, as well as the one falling due in 2019 which was repurchased at the same time, and the negative balance of derivatives linked to the West Metropolitan Hospital Project in Santiago in Chile, which was disposed of during HY1 2017.

EBT – which without the effects of impairment for Venezuela totalled EUR 89.3 million, with an EBT margin of 4.1% (EUR 106 million of EBT and a margin of 4.9% at 30 September 2016, respectively) **– totalled EUR (115.9,) million**.

The quarterly tax trend saw **a positive impact estimated at EUR 30.2 million** (tax burden of EUR 27.1 million at 30 September 2016), mainly following the entry of prepaid taxes on the impairment performed for Venezuela.

The **result of continuing operations** – **which without the effects of impairment for Venezuela totalled EUR 70.2 million** (EUR 78.8 million at 30 September 2016) – **amounted to EUR (86) million**. The result is a **loss attributable to owners of the Parent of EUR 88 million which, without the effects of impairment for Venezuela, translates into a profit attributable to owners of the Parent of EUR 68.2 million** (EUR 55.2 million of profit at 30 September 2016), hence showing a marked growth of over 22%.

BREAKDOWN OF STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2017

Statement of Financial Position

(Figures shown in EUR/000)

	30/09/2017 post-impairment(*)	30/09/2017 pre-impairment(**)	31/12/2016	30/09/2016
Total net non-current assets	1,352,436	1,100,199	1,007,371	948,187
Operating working capital	651,170	1,059,340	804,861	915,878
Total provisions	(34,951)	(34,951)	(21,215)	(24,610)
Net invested capital	**1,968,655**	**2,124,589**	**1,791,017**	**1,839,455**
Total bank loans and borrowings/loan assets(***)	(1,392,262)	(1,392,262)	(1,092,532)	(1,231,132)
Total Equity	**576,392**	**732,326**	**698,485**	**608,323**

(*) Figures include effects arising from impairment of financial assets in Venezuela, for more details see «Comment on operating performance».
(**) Figures shown without taking into account effects arising from impairment as detailed above.
(***) Figure shown inclusive of treasury shares on hand amounting to EUR 3 million at 30 September 2017 and EUR 3.9 million at 31 December 2016 and EUR 4.2 million at 30 September 2016.

The Group's financial position at 30 September 2017 reflected both recurring trends which follow the ordinary performance of business and non-recurring trends which made major changes to its composition.

Recurring trends included the financial support lent to production (especially, in Russia for the M-11 Moscow-St. Petersburg Motorway, in Canada for the Muskrat Falls Hydroelectric Project, in Italy for the Marche-Umbria Quadrilatero Road Network and Line 4 of Milan Underground, in Poland for motorway works and extension of Line 2 of Warsaw Underground, and in Turkey for the Third Bosphorus Bridge) as well as the contract advances trend.

As regards non-recurring trends, note must be taken of impairment of approximately EUR 230 million of financial assets referable to previously mentioned projects in Venezuela which affected some asset items – for more information, see «Comment on operating performance». The asset disposal process also went ahead, seeing the disposal of 49% of the investment held in the concession holder for the West Metropolitan Hospital in Santiago in Chile in February, of the investment in the concession holder for Chacayes Hydroelectric Plant in Chile in March and of the investment in the concession holder for Line 5 of Milan Underground (which the Group has kept a 2% interest in) in June.

Total net non-current assets at 30 September 2017 **totalled EUR 1,352.4 million** (EUR 948.2 million at 30 September 2016 and EUR 1,007.4 million at 31 December 2016). The quarterly figure is the result of capital expenditure made mainly in Canada, Poland and Italy and equity payments referring to concession projects for construction of Etlik Integrated Health Campus in Ankara (Turkey) and Line 4 of Milan Underground (Italy). It must also be noted that, considering its especially extended collection profile, the Company also reclassified residual asset items linked to project in Venezuela among «Total net non-current assets» for a total of approximately EUR 203 million, as from the reporting date. This item also contains the changes related to «Non-current assets held for

sale» which, as regards the first nine months of 2017, included balances linked to Four Tuscan Hospitals (Italy), West Metropolitan Hospital in Santiago (Chile) and the Third Bosphorus Bridge (Turkey), for a total of EUR 186 million (EUR 52.1 million at the end of 2016).

Operating working capital totalled EUR 651.2 million (EUR 804.9 million at 31 December 2016). The quarterly figure is the result of the trend of **contract work in progress recorded further to production performance** (in Canada for the Muskrat Falls Hydroelectric Project, in Poland for motorway works and extension of Line 2 of Warsaw Underground, in Russia for the M-11 Moscow-St. Petersburg Motorway, and in Italy for Marche-Umbria Quadrilatero Road Network and Line 4 of Milan Underground). **Amounts due from customers totalled EUR 511 million** (EUR 666 million at 31 December 2016), showing an increase mainly referable to Europe (Poland and Romania), North America and Italy (the latter above all following the change in the consolidation method used for the concession holder of Venice-Mestre Hospital following its aggregation). While, **payables to suppliers** held more or less steady compared to the figure recorded at the end of 2016, showing the particular attention lent to Group partners.

Net invested capital totalled EUR 1,969 million (EUR 1,791 million at 31 December 2016), as per the aforementioned items.

Equity attributable to owners of the Parent totalled EUR 544.7 million (EUR 692.4 million at 31 December 2016), as can be seen from the quarter's operating result which was clearly affected by changes in asset items connected to Venezuelan projects, as well as penalising yet temporary changes linked to the translation reserve.

Equity attributable to non-controlling interests increased to EUR 32 million (EUR 6.1 million at 31 December 2016) as a result of full consolidation of Veneta Sanitaria Finanza di Progetto S.p.A. (concession holder for Venice-Mestre Hospital in Italy), which the Group acquired a controlling interest in during the quarter in question.

The result is **total equity amounting to approximately EUR 576 million** (EUR 698.5 million at 31 December 2016).

Group net financial debt

The financial trend of the first nine months of 2017 reflects the support lent to the main projects in progress, mainly in North America, Europe and Italy which also had specific effects at a working capital level, as detailed above. Specifically, as regards items related to the Third Bosphorus Bridge in Turkey, it must be noted that receivables and works in progress accrued in Turkey referring to construction of additional sections of the Northern Marmara Highway - are also included within working capital. With regard to what is provided for in the base contract, these extra works are financially regulated over a medium-term time, on the basis of cash flow arising from the guaranteed minimums on additional kilometres. This results in temporary financial inefficiency of the project which the Group is working to amend through an ad-hoc transaction involving advance collection of these sums through possible assignment of debt without recourse.

As regards the gross debt trend, in addition to the increase linked to industrial operating performance, the quarterly figure was also affected by consolidation of the non-recourse debt linked to the concession holder for Venice-Mestre Hospital further to its aggregation (full consolidation thanks to acquisition of the controlling interest during HY1 2017). The non-recourse debt, whose

very nature is closely linked to the cash flows of project finance initiatives, totals approximately EUR 80 million (EUR 11 million at 31 December 2016).

The Group's net financial debt totalled EUR 1,389 million at 30 September 2017 (EUR 1,089 million at 31 December 2016), showing a similar trend to that of the first nine months of 2016 which saw net financial exposure go from approximately EUR 1,000 million at the end of 2015 to approximately 1,226 million at the end of 2016.

Breakdown of Group Net Financial Debt

(Figures shown in EUR/000)

		30/09/2017	30/06/2017	31/03/2017	31/12/2016	30/09/2016
Cash		533,558	478,054	417,218	506,470	388,995
Securities held for trading		249	355	670	848	1,126
Cash and cash equivalents	**A**	**533,807**	**478,408**	**417,888**	**507,318**	**390,121**
Current loan assets		46,099	46,244	34,477	25,227	16,965
Current portion of financial assets from concession activities		9,793	9,751	—	—	—
Current loan assets	**B**	**55,892**	**55,995**	**34,477**	**25,227**	**16,965**
Short-term loans and borrowings		(604,654)	(691,108)	(449,905)	(336,408)	(471,276)
Current portion of bonds		(14,864)	(18,112)	(15,980)	(4,294)	(16,142)
Current portion of non-current debt		(213,854)	(185,805)	(171,354)	(152,594)	(190,283)
Other current loans and borrowings		(6,123)	(5,656)	(6,312)	(6,601)	(6,420)
Total short-term financial liabilities	**C**	**(839,495)**	**(900,680)**	**(643,551)**	**(499,897)**	**(684,121)**
Non-current portion of bank loans and borrowings		(559,178)	(310,734)	(444,209)	(577,006)	(356,824)
Bonds		(879,161)	(878,503)	(874,883)	(874,333)	(873,799)
Other non-current financial liabilities		(17,087)	(18,386)	(19,962)	(20,991)	(20,017)
Total long-term financial liabilities	**D**	**(1,455,426)**	**(1,207,623)**	**(1,339,054)**	**(1,472,330)**	**(1,250,640)**
Gross financial debt	**E=C+D**	**(2,294,920)**	**(2,108,303)**	**(1,982,605)**	**(1,972,227)**	**(1,934,761)**
Gross non-recourse debt	**F**	**(79,919)**	**(82,732)**	**(10,416)**	**(10,839)**	**(101,835)**
Total Financial Debt	**G=A+B+E+F**	**(1,785,140)**	**(1,656,632)**	**(1,540,655)**	**(1,450,521)**	**(1,629,510)**
Net financial position of disposal groups	**H**	191,882	186,296	41,271	76,743	—
Total Financial Debt	**I=G+H**	**(1,593,259)**	**(1,470,336)**	**(1,499,384)**	**(1,373,778)**	**(1,629,510)**
Non-current loan assets		39,507	39,620	45,299	36,440	33,295
Subordinated loans		41,313	36,902	227,942	240,416	261,072
Financial assets from concession activities		120,176	118,771	6,757	4,390	104,011
Non-current loan assets	**L**	**200,997**	**195,292**	**279,998**	**281,246**	**398,379**
Total Financial Debt	**M=I+L**	**(1,392,262)**	**(1,275,043)**	**(1,219,386)**	**(1,092,532)**	**(1,231,132)**
Treasury shares in portfolio	**N**	3,008	3,073	3,801	3,864	4,192
Total Net Financial Debt	**O=M+N**	**(1,389,255)**	**(1,271,970)**	**(1,215,585)**	**(1,088,667)**	**(1,226,940)**

Investments

Capital expenditure during the nine-month period totalled approximately EUR 17 million (approximately 1% of total revenue), to be attributed mainly to projects in progress in Canada, Poland and Italy.

Gross concession investments, made during the period for equity and semi-equity (so-called shareholder loans), **totalled approximately EUR 42 million**, mainly referring to projects in Turkey (Etlik Integrated Health Campus in Ankara), Chile (Arturo Merino Benítez International Airport and West Metropolitan Hospital in Santiago) and Italy (Line 4 of Milan Underground). This resulted in **concession investments to date** – meaning Astaldi's shares of equity and semi-equity paid into concession holders linked to projects, as well as the related working capital – **totalling EUR 798 million**. This figure included EUR 130 million referring to Venice-Mestre Hospital in Italy and La Punilla Hydroelectric Project in Chile for non-current portion of financial assets from concession activities, meaning the shares of investment covered by guaranteed cash flows, as detailed in IFRIC-12. It must also be noted that, on the reporting date, approximately 34% of the aforementioned EUR 798 million (in other words approximately EUR 270 million) refers to projects classified as available for sale.

STATEMENT OF CASH FLOWS

(Figures shown in EUR/000)

	Nine months 2017	Nine months 2016
A) Cash flows used in operating activities	(321,981)	(248,438)
B) Cash flows from (used in) investing activities	66,335	(44,609)
C) Cash flows from financing activities	275,578	70,779
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	**19,933**	**(222,268)**
Opening cash and cash equivalents	**513,625(*)**	**611,263**
Closing cash and cash equivalents	**533,558**	**388,995**

(*) The figures includes cash and cash equivalents referring to disposal groups, equal to EUR 7.1 million.

The cash flow trend for the first nine months of 2017, including the negative change in bank deposits referring to disposal groups (equal to EUR 7.1 million), showed an overall increase of net cash and cash equivalents of EUR 19.9 million against a decrease of EUR 222.3 million recorded in the same interim period of the previous year.

<u>Cash flows used in operating activities</u>

The cash flow used in operating activities during the first nine months of 2017 - equal to EUR 321.9 million compared to EUR 248.4 million at 30 September 2016 – reflected the effects of the Group's major support for activities in progress in Russia (M-11 Moscow-St. Petersburg Motorway), Canada (Muskrat Falls Hydroelectric Project), Italy (Marche-Umbria Quadrilatero Road Network, Line 4 of Milan Underground), Poland (motorway works, extension of Line 2 of Warsaw Underground) and Turkey (Third Bosphorus Bridge). This effect was partially offset by the contract advances trend.

Cash flows from investing activities

The cash flows from investing activities during the first nine months of 2017 totalled EUR 66.3 million - compared to EUR -44.6 million at 30 September 2016 -, and was mainly attributable to amounts collected in the Concessions segment for the sale of investments (equity and semi-equity) held in the concession holders Pacific Hydro Chacayes S.A. (EUR 41.5 million) and Metro 5 S.p.A. (EUR 64.5 million), in addition to what has already been said with regard to acquisition of control in the concession holder, Veneta Sanitaria Finanza di Progetto S.p.A.

These effects were partially offset (i) by investments made during the period in question in the Construction segment (EUR 19.3 million), mainly with regard to payment of contractual rights acquired from third parties to perform the Infraflegrea Project and Maxi Lot 2 of the Marche-Umbria Quadrilatero Road Network, (ii) as well as payment of equity to the concession holders for Etlik Integrated Health Campus in Ankara (EUR 9.1 million) and Line 4 of Milan Underground (EUR 5.2 million).

Cash flows from financing activities

During the first nine months of 2017, financing activities generated cash and cash equivalents of EUR 275.6 million (EUR 70.8 million at 30 September 2016). This cash flow mainly referred to net cash and cash equivalents acquired further to partial use of committed and uncommitted credit facilities in use to date and from the opposite change referring to payment of dividends to Company shareholders (EUR 19.5 million).

Q3 2017

Results of Q3 2017

(Figures shown in EUR/000)

	30/09/2017 post-impairment(*)	30/09/2017 pre-impairment (**)	30/09/2016	YOY change post-impairment (*)	YOY change pre-impairment (**)
Total revenue	**685,125**	**685,125**	**750,369**	**-8.7%**	**-8.7%**
EBITDA	**87,748**	**87,748**	**85,202**	**+3.0%**	**+3.0%**
EBITDA margin	**12.8%**	**12.8%**	**11.4%**	**—**	**—**
Impairment(*)	(231,364)	(1,634)	(425)	NMF	NMF
EBIT	**(155,326)**	74,674	**82,419**	NMF	**(9.4)%**
EBIT margin	NMF	10.9%	**11.0%**	**—**	**—**
Profit (loss) attributable to owners of the Parent	**(143,359)**	12,575	**24,044**	**NMF**	**(47.7)%**

(*) Figures include effects arising from impairment of financial assets in Venezuela, for more details, see «Comment on operating performance».

(**) Figures shown without taking into account effects arising from impairment as detailed above.

Astaldi Group's results in Q3 2017 reflect the effects of impairment of financial assets (receivables and works in progress) in Venezuela which has been fully detailed above.

Total revenue amounted to EUR 685.1 million (-8.7%, EUR 750.4 million in Q3 2016), penalised in a YOY comparison by the lack of contributions from key contracts that were actually or largely completed during 2016 and in HY1 2017, as already mentioned in the comment on the first nine months. **Revenue accounts for 94.8%** of the quarterly figure and other **operating revenue for the remaining 5.2%.**

Specifically, **revenue totalled EUR 649.6 million** (-10.3%, EUR 724.3 million in Q3 2016), as a result of the aforementioned trends. **Other operating revenue increased to EUR 35.5 million** (EUR 26 million at 30 September 2016).

The cost structure and trends echoed those for the nine-month period, basically reflecting the performance and combination of production activities. **Production costs dropped by 11% to EUR 445.6 million** (EUR 500.5 million in Q3 2016), with **a drop in the incidence on revenue** from 66.7% **to 65%**. **Personnel expenses dropped by 5.6% to EUR 165.1 million (**EUR 174.9 million in Q3 2016), with an incidence on revenue of 24.1% (23.3% in Q3 2016).

Other operating costs decreased by 61.9% to EUR 5.3 million (EUR 13.9 million in Q3 2016), with **a drop in the incidence on revenue to 0.8%** (1.9% in Q3 2016).

Profits (losses) of joint ventures and associates dropped from 22.9% to EUR 18.7 million (EUR 24.2 million in Q3 2016), mainly following the aforementioned reclassification, as from 30 June 2017, of values referring to the investment in the Third Bosphorus Bridge concession holder (Turkey) among non-current assets held for sale.

EBITDA increased by 3% to EUR 87.7 million (EUR 85.2 million in Q3 2016), with **an increase in the EBITDA margin to 12.8%** (11.4% in Q3 2016).

Amortisation and depreciation increased to EUR 11.7 million from EUR 3.5 million in Q3 2016, further to the effects of net investments made during the quarter in question.

Impairment totalled EUR 231.6 million (EUR 425,000 in Q3 2016) and included **approximately EUR 230 million of impairment in Venezuela**, as mentioned above. As a result, **EBIT totalled EUR (155.3) million** (EUR 82.4 million in absolute terms and an 11% margin respectively in Q3 2016).

Net financial expense dropped by 7.1% to EUR 37.8 million (EUR 40.7 million in Q3 2016), with an **incidence on revenue in line with the previous year** (up to 5.5% from 5.4% in Q3 2016). **EBT recorded a loss of EUR 193.1 million** (EUR 41.7 million in absolute terms and a margin of 5.6% respectively in Q3 2016).

The result of continuing operations totalled EUR (143.6) million (EUR 30 million in Q3 2016). Therefore, the result is **a loss attributable to owners of the Parent of EUR 143.3 million** (net profit of EUR 24 million in Q3 2016) **which means a profit attributable to owners of the Parent of EUR 12.6 million if we are to exclude the effects of impairment for Venezuela**.

For a comment on the income statement for Q3 2017, please refer to what has been stated above in the comment on the results at 30 September 2017 – see «Income Statement at 30 September 2017».

ORDER BACKLOG

The **total order backlog continued to be sizeable, totalling over EUR 26 billion**. As regards the quarterly figure, **EUR 15 billion is to be attributed to industrial activities, the so-called core backlog,** (EUR 12.7 billion of which to construction and EUR 2.3 billion to O&M) and **over EUR 11 billion to concession investments, the so-called total concession backlog.** The figure listed takes into account commercial options to date and orders for which the Group is classified first in the award procedure for the relative contracts. If we are to exclude these values, the **order backlog in execution totals over EUR 18 billion**, EUR 12 billion of which is the core backlog and the remaining EUR 6 billion refers to investments in concession projects.

In keeping with the Strategic Plan, the Group's commercial actions confirmed **progressive focus on geographical and business segments with a more limited risk than in the past,** with a **growing incidence of EPC/construction contracts with independent financial profiles. New orders totalled EUR 2.2 billion**, **80%** of which **referring to construction** and **60% of this to countries of greater strategic interest** for the Company, in other words Chile, North America (Canada and the USA), Northern and Central-Eastern Europe (Sweden, Georgia, Poland and Romania), as well as Italy. The **total concessions backlog showed a drop of EUR 1.6 billion following continuation of the asset disposal programme, to the partial benefit of O&M activities which accounted for EUR 453 million**. **An additional EUR 1.4 billion of first classifieds** was also recorded **in the Construction and O&M segments** (mainly in Romania, Italy, Canada, Panama and the Czech Republic), which it is felt can lead to new orders in the short-term following completion of the relative award procedures. The book-to-bill ratio stood at 1.1x (calculated without taking into account first classifieds).

28% of the total order backlog refers to projects developed in Italy and the remaining 72% to international orders, mainly in Europe and the Americas.

Main new orders

FRONTIERĂ-CURTICI-SIMERIA RAILWAY LINE (Lots 2A and 2B) | Romania (*construction*) – A total of EUR 776 million (Astaldi has a 42% interest) for the rehabilitation of approximately 80 kilometres of the Frontieră-Curtici-Simeria Railway Line forming part of the Pan-European Corridor IV. The construction of 11 stations, 30 bridges and a tunnel is also planned along with a signalling and ERTMS telecommunications system. The duration of works is 36 months, with start-up by October 2017. The works have been commissioned by CFR SA, the Romanian State Railway Company. 75% of works are financed by European funding (POIM Programme) and the remaining 25% by state funding.

FRONTIERA-CURTICI-SIMERIA RAILWAY LINE (Lot 3) | Romania (*construction*) – EUR 600 million (Astaldi has a 49.5% interest) for the rehabilitation of approximately 40 kilometres of the Frontieră–Curtici–Simeria Railway Line related to the stretch between Gurasada and Simeria of the 614 km-Radna-Simeria section. The construction of 17 bridges, electrification, signalling and ERTMS telecommunications system is also planned along with renovation of 8 railway stations and minor works. The duration of work is 3 years, with start-up by 2017. The works have been commissioned by CFR SA, the Romanian State Railway Company. 75% of works are financed by European funding (as part of the POIM Programme) and the remaining 25% by state funding.

WARSAW WSCHODNIA OSOBOWA-DOROHUSK RAILWAY LINE NO. 7 | Poland (*construction*) - EUR 171 million, (Astaldi Group has a 95% interest and is leader of a JV) for upgrading of the Warsaw Wschodnia Osobowa-Dorohusk Railway Line No. 7. The contract involves demolition, rebuilding and extension of 68 kilometres of railway line (Lot C, from 107.283 km to 175.850 km), including Lublin Station. The construction of level crossings and new services and access roads is also planned, as well as related structures and ancillary works. The duration of works is 2 years. The works have been commissioned by PKP (Polskie Linie Kolejowe S.A.), the state-owned company responsible for operating Poland's railway infrastructures. The works will be financed by European funding and state allocations.

E-59 RAILWAY | Poland (*construction*) - EUR 82 million for upgrading a section of the E-59 Warsaw-Poznań Railway Line (Lot IV). The contract involves reconstruction of the tracks for 35 kilometres of the existing line, for the section running from the border of Lower Silesia to Leszno. The construction of two railway stations (Rawicz and Bojanowo), and upgrading of the line's viaduct systems are also planned, along with the construction of two more viaducts and all related works and activities. The works will be performed without interruption of railway traffic on the line, with a planned duration of just over 2 years. The works have been commissioned by PKP (Polskie Linie Kolejowe S.A.), the state-owned company responsible for operating Poland's railway infrastructures. The works will be financed by European funding and state allocations.

ISTANBUL UNDERGROUND (Mahmutbey-Bahçeşehir-Esenyurt section) | Turkey (*construction*) – LIT 3 billion (approx. EUR 753 million) with Astaldi Group holding a 12% interest. The contract involves the construction of 18.5 km of double-tube tunnel, with 11 underground stations and 550 metres of viaducts, as well as the performance of electro-mechanical works. The works will be performed by Astaldi Group as part of a JV with the companies Makyol (Turkey, 44% interest) and IC Içtaş (Turkey, 44% interest). The works have been commissioned by Istanbul's city authority. The duration of works is approximately 3 years.

ISTANBUL UNDERGROUND (Kirazli-Halkalı section) | Turkey (*construction*) - EUR 627 million (Astaldi Group has a 15% interest) for the performance of civil works and electro-mechanical systems of the new section of the Istanbul underground. The contract involves the construction of 10 kilometres of double-tube tunnel, 7 kilometres of which bored using TBMs, as well as the construction of 9 stations and related works. Works have commenced with a planned duration of 34 months. The works have been commissioned by Istanbul's city authority. On the reporting date, site installation works were in progress along with preparation of tunnel access shafts for the TBMs.

MENEMEN-ALIAĞA-ÇANDARLI MOTORWAY | Turkey (*construction and operation concession*) - Total investment of EUR 392 million, EUR 333 million of which for construction activities (Astaldi has a 33% interest). The BOT Contract involves construction and operation of 80 kilometres of new motorway sections in İzmir province (including 14 junctions, 3 service areas, 7 motorway tollgates, 10 viaducts and 11 bridges) and the performance of all O&M activities. The concession duration is equal to approximately 10 years, with 36 months for construction and the remaining period for operation. The works have been commissioned by KGM (Turkish Ministry of Transport, Motorways General Directorate), operating in the capacity of grantor. The transaction's financial structure provides for payment of equity equal to 20% of the total investment which means EUR 26 million for Astaldi to contribute by the end of the construction phase. The return on investment is based on a forecast minimum turnover guaranteed by the grantor of EUR 45 million per year. Works commenced further to signing of the concession contract. Site installation activities, earth movement and civil works were being performed at the reporting date.

E-60 MOTORWAY (Zemo Osiauri-Chumateleti section, Lot 2) | Georgia (*construction*) – GEL 300 million for the construction of approximately 8 kilometres of the E-60 Motorway, for the section between Zemo Osiauri and Chumateleti forming part of the motorway corridor connecting Tbilisi with the Black Sea. The main works to be performed are: 7 viaducts measuring a total of approximately 2.25 kilometres in length, 2 double-tube tunnels measuring 1.5 kilometres and 0.4 kilometres respectively and 1 single-tube tunnel measuring 0.5 kilometres. The works have been commissioned by the Department of the Ministry of Regional Development and Infrastructure of Georgia (RDMRDI). The works have been financed by the World Bank. The contract was acquired during Q3 with start-up planned by the end of 2017 and a duration of 36 months.

GOTHENBURG UNDERGROUND (Haga Station) | Sweden (*construction*) – total amount of EUR 245 million (SEK 2.3 billion, with Astaldi as leader of a JV and holding a 40% interest). The EPC contract involves the design and construction of a new underground station, as well as 1.5 kilometres of access tunnel. The works will be performed by Astaldi as part of a joint venture comprising Gülemark (Turkey, 40% interest) and Segermo (Sweden, 20% interest). The works have been commissioned by Trafikverket, Sweden's national agency for transport and infrastructures. The works have been financed with EU funding and state allocations. The planned duration of works is approximately 8 years.

«PIEMONTE-SAVOIA» ITALY-FRANCE HVDC INTERCONNECTION PROJECT (Upper and Lower sections) | Italy (*construction*) - EUR 54 million for performance of civil works for the Italian section of the HVDC (High Voltage Direct Current) interconnection project in progress involving Italy and France. As regards the Italian section, the cable system route to be constructed runs from the Piossasco conversion station to the Fréjus Tunnel, mainly along the A-32 Turin-Bardonecchia motorway. Astaldi will perform the lots known as Lower Section (26 km in length) and Upper Section (running for 19 km). Works involve the construction of cuttings with installation of HDPE pipes and underground excavation using micro-tunnelling technology, for subsequent system installation, as well as all related works. The project will be performed without any interruption of road traffic. The duration of works is 2 years, with start-up by the fourth quarter of 2017. The project has been commissioned by Terna Rete Italia S.p.A., the operator of the Italian transmission network.

VENICE-MESTRE HOSPITAL | Italy (*O&M*) - over EUR 500 million following increase from 37% to 60.4% of the interest held by Astaldi Group in Veneta Sanitaria Finanza di Progetto S.p.A. (VSFP), further to purchase of the interest held by Mantovani. VSFP is the concession holder for Venice-Mestre Hospital, built by Astaldi using the project finance formula and under operation since 2008. The purchase of additional interests during the period in question is in line with the Strategic Plan insofar as it makes it possible to arrange a development model also on this project aimed at optimising Astaldi's skills and know-how in the integrated management of services within highly technological facilities and in the O&M segment, without further use of capital. The facility boasts 680 hospital beds and 1,240 parking spaces and occupies a total surface area of 127,000 m^2 (plus an additional 5,000 m^2 for the Eye Bank). The concession covers hospital and commercial services and O&M activities (radiology, testing labs, energy and heat management, maintenance of green areas, IT system, waste, maintenance, equipment supply with personnel training, catering, cleaning, internal transport).

Main options and contracts to be formalised/funded to date

CARRETERA OMAR-TORRIJO | **Panama** (*construction*) – USD 89 million, equal to EUR 79 million, for expansion of the Carrettera Omar-Torrijo in Panama. The EPC contract involves the

design and performance of works to widen 7 kilometres of road to 4 lanes. The works will be performed by Astaldi (leader of a JV and holding a 60% interest) together with MCM (Panama, 40% interest). The works have been commissioned by Panama's Ministry of Public Works. The duration is approximately 18 months. Completion of the award procedure is pending for this project.

NAPLES-BARI HS/HC RAILWAY LINE (Naples-Cancello section) | Italy (*construction*) – EUR 397 million (Astaldi has a 40% interest) for the design and construction of a first section of the Naples-Bari high-speed, high-capacity line and for connection to the Naples railway junction of the new Naples-Afragola HS station (built by Astaldi). Completion of the procedure prior to signing of the contract is pending for this project.

VERONA-PADUA HS/HC RAILWAY LINE (Vicenza-Padua, 3rd Operational Lot) | Italy (*construction*) – The project refers to the contract phase for design and construction of the Verona-Padua high-speed/high-capacity railway line which ASTALDI holds a 37.49% interest in through Consorzio IRICAV 2, the General Contractor awarded the works. Specifically, the amounts entered among commercial options refer to the Vicenza-Padua 3rd Operational Lot.

LA PUNILLA HYDROELECTRIC PROJECT | Chile (*construction and operation concession*) – Financial closing is pending for the project which involves the design, construction and operation of a multi-purpose hydroelectric plant with a impound capacity of 625 million m^3 and installed power of 94 MW. The plant will serve to improve the storage capacity of water for irrigation and to improve the electricity generation capacity of the BíoBío region and SIC (Sistema Interconectado Central) which powers the city of Santiago in Chile.

Summary Tables

(Figures shown in EUR/000,000)

	01/01/2017	*Net acquisitions during the quarter*	*Decreases for production*	*30/09/2017*	*Options/First classifieds*	*Total backlog*
Construction	**9,951**	**1,793**	**(2,018)**	**9,726**	**2,991**	**12,717**
Transport Infrastructures	7,740	1,559	(1,178)	8,121	1,798	9,919
Railways and undergrounds	*3,716*	*1,324*	*(357)*	*4,683*	*1,269*	*5,952*
Roads and motorways	*3,612*	*235*	*(755)*	*3,092*	*484*	*3,576*
Airports and ports	*412*	—	*(66)*	*346*	*45*	*391*
Energy Production Plants	727	24	(389)	362	549	911
Civil and Industrial Construction	**835**	***84***	**(197)**	***722***	**644**	***1,366***
Plant Engineering	**649**	***126***	**(254)**	***521***	**—**	***521***
O&M	**1,866**	**453**	**(56)**	**2,263**	**17**	**2,280**
Core backlog	**11,817**	**2,246**	**(2,074)**	**11,989**	**3,008**	**14,997**
Concessions	**7,686**	**(1,568)**	**—**	**6,118**	**5,160**	**11,278**
Progressive backlog	**19,503**	**678**	**(2,074)**	**18,107**	**8,168**	**26,275**

	01/01/2017	*Net acquisitions during the quarter*	*Decreases for production*	*30/09/2017*	*Options/First classifieds*	*Total backlog*
Italy	**5,980**	**(11)**	**(443)**	**5,526**	**1,859**	**7,385**
International	**13,523**	**689**	**(1,631)**	**12,581**	**6,309**	**18,890**
Rest of Europe	8,803	1,410	(767)	9,446	1,565	11,011
Americas	4,529	(743)	(788)	2,998	4,744	7,742
Africa (Maghreb)	123	22	(75)	70	—	70
Asia (Middle East / Far East)	68	—	(1)	67	—	67
Progressive backlog	**19,503**	**678**	**(2,074)**	**18,107**	**8,168**	**26,275**

EVENTS AFTER THE REPORTING PERIOD

The Board of Directors' meeting held on 14 November 2017 examined an important equity and financial strengthening programme for the Company, presented to the Group's main partner banks, for a total amount of EUR 400 million split into a capital increase of approximately EUR 200 million and the issue of additional financial instruments of a value of approximately EUR 200 million which will strengthen the Company's financial structure. The Share Capital Increase will be optioned to shareholders at a price to be set prior to being offered to the market. The Extraordinary Shareholders' Meeting, asked to approve the operation, will be called by the Board of Directors on a date subsequent to the end of FY 2017. The majority shareholder has already expressed its support for the operation. As part of the programme, the Company has entered into a constructive dialogue with the Group's main partner banks, also for the purpose of ensuring ongoing support for business, focused on requesting review of the financial parameters provided for in loan agreements, also further to the effects of impairment performed for Venezuela. In light of its proposed equity and financial strengthening programme, the Company is confident that it will obtain the approval needed for this request. Granting of a EUR 120 million committed credit facility by Banca Intesa San Paolo, BNP Paribas, Banco BPM, HSBC and Unicredit, subject to specific conditions of use, was also confirmed.

OUTLOOK

Impairment performed during Q3 2017 will make it impossible to meet the net profit targets forecast for year-end. Therefore, it is forecast that the year will end with a loss, albeit down on the figure for the first nine months of the year, thanks to the positive business trend which was also confirmed at an EBITDA level, also for the period examined herein.

From an industrial viewpoint, efforts will be concentrated over the coming months on the de-risking of activities, with the focus being placed on areas with a more limited risk profile than in the past and on EPC contracts providing for contract advances.

The debt refinancing programme, as described above – see «Events after the reporting period» – will involve a major commitment. At the same time, efforts will be made to disinvest slow-moving items of the working capital, and to perform the asset disposal programme and all other extraordinary actions planned in order to make working capital management more efficient.

STATEMENT BY MANAGER IN CHARGE OF FINANCIAL REPORTING

(pursuant to Article 154-bis, subsection 2, of Legislative Decree No. 58/1998)

The undersigned, Paolo Citterio, Astaldi's General Manager – Administration and Finance, in the capacity of Manager in charge of Financial Reporting, hereby declares, pursuant to subsection 2 of Article 154-bis of Legislative Decree No. 58/1998 (Consolidated Finance Act), that the accounting information contained herein tallies with accounting documents, ledgers and entries.

Rome, 14 November 2017

Signed Paolo Citterio
(*Manager in charge of financial reporting)*

ATTACHMENTS

Reclassified Income Statement

(Figures shown in EUR/000)

	30/09/2017		30/09/2016	
Revenue	2,073,784	94.7%	2,057,245	95.7%
Other operating revenue	115,544	5.3%	93,560	4.3%
Total Operating Revenue	**2,189,329**	**100.0%**	**2,150,805**	**100.0%**
Production cost	(1,400,180)	-64.0%	(1,437,805)	-66.8%
Added value	**789,149**	**36.0%**	**713,000**	**33.2%**
Personnel expenses	(496,944)	-22.7%	(452,130)	-21.0%
Other operating costs	(31,882)	-1.5%	(33,029)	-1.5%
Share of profits (losses) of joint ventures and associates	41,804	1.9%	56,941	2.6%
EBITDA	**302,127**	**13.8%**	**284,782**	**13.2%**
Amortisation and depreciation	(34,440)	-1.6%	(33,021)	-1.5%
Provisions	(3,851)	-0.2%	(9,108)	-0.4%
Impairment losses	(234,461)	-10.7%	(427)	0.0%
EBIT	**29,375**	**1.3%**	**242,226**	**11.3%**
Net financial expense	(145,279)	-6.6%	(136,250)	-6.3%
Pre-tax profit (loss)	**(115,904)**	**-5.3%**	**105,976**	**4.9%**
Tax expense	30,200	1.4%	(27,148)	-1.3%
Profit (loss) from continuing operations	**(85,704)**	**-3.9%**	**78,828**	**3.7%**
Profit (loss) from discontinued operations	**-**	**0.0%**	**(23,634)**	**-1.1%**
Profit (loss) for the period	**(85,704)**	**-3.9%**	**55,195**	**2.6%**
Profit (loss) attributable to non-controlling interests	(1,985)	-0.1%	358	0.0%
Profit (loss) attributable to owners of the Parent	**(87,689)**	-4.0%	**55,553**	2.6%

Reclassified Statement of Financial Position

(Figures shown in EUR/000)

	30/09/2017	31/12/2016	30/09/2016
Intangible assets	83,366	74,026	83,231
Property, plant, equipment and investment property	180,151	208,251	207,063
Equity investments	392,398	523,631	500,105
Other net non-current assets	510,474	149,378	156,185
Non-current assets held for sale	186,048	69,973	1,604
Liabilities directly associated with non-current assets held for sale		(17,888)	
TOTAL Non-current assets (A)	**1,352,436**	**1,007,371**	**948,187**
Inventories	49,991	50,008	71,732
Contract work in progress	1,667,419	1,555,110	1,445,396
Trade receivables	58,627	57,327	27,712
Amounts due from customers	511,301	666,449	707,212
Other assets	251,646	199,632	138,719
Tax assets	65,306	94,537	113,872
Payments on account from customers	(543,894)	(492,856)	(397,582)
Subtotal	**2,060,396**	**2,130,206**	**2,107,061**
Trade payables	(56,808)	(61,352)	(68,982)
Payables to suppliers	(960,565)	(934,748)	(783,901)
Other liabilities	(391,853)	(329,245)	(338,301)
Subtotal	**(1,409,226)**	**(1,325,346)**	**(1,191,183)**
Operating working capital (B)	**651,170**	**804,861**	**915,878**
Employee benefits	(6,932)	(7,506)	(10,610)
Provisions for risks and charges	(28,018)	(13,709)	(14,000)
Total Provisions (C)	**(34,951)**	**(21,215)**	**(24,610)**
Net invested capital (D) = (A) + (B) + (C)	**1,968,655**	**1,791,017**	**1,839,455**
Cash and cash equivalents	533,558	506,470	388,995
Current loan assets	46,099	25,227	16,965
Current portion of financial assets from concession activities	9,793		
Securities held for trading	249	848	1,126
Current financial liabilities	(839,495)	(499,897)	(684,121)
Non-current financial liabilities	(1,455,426)	(1,472,330)	(1,250,640)
Non-recourse financial debt	(79,919)	(10,839)	(101,835)
Net financial position of disposal groups	191,882	76,743	
Net financial debt (E)	**(1,593,259)**	**(1,373,778)**	**(1,629,510)**
Non-current portion of financial assets from concession activities	120,176	4,390	104,011
Non-current loan assets	80,821	276,856	294,367
Total financial debt (F)	**(1,392,262)**	**(1,092,532)**	**(1,231,132)**
Equity attributable to owners of the Parent	(544,688)	(692,384)	(602,904)
Equity attributable to non-controlling interests	(31,704)	(6,101)	(5,419)
Total Equity (G) = (D) - (F)	**576,392**	**698,485**	**608,323**