



ASTALDI

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17

annual
report

2017. Future and concreteness.

Construction means imagination,
design, giving shape to the future.

● OPENING

● LAYING OF THE FIRST STONE

● AWARD



11 October 2017
**Opening of the Arts and Science Centre
of Fondazione Golinelli in Bologna**
Bologna, Italy



1st May 2017
**Roll-out of the
Saida-Moulay Slissen railway**
Algeria



26 May 2017
Laying of the first stone of eso's Elt Observatory
Cerro Armazones, Chile



9 September 2017
**Laying of the first stone of phase 2 of the
Arturo Merino Benítez International Airport
in Santiago de Chile**
Santiago de Chile, Chile





7 June 2017

Pf Awards 2016 to the Third Bosphorus Bridge *Turkey*

The Third Bosphorus Bridge (built and operated by Astaldi as part of a joint venture) was recognized as the **Best Transport Deal of the Year** during the ceremony for the assignment of the project finance awards 2016 by EMEA Finance in London.



8 March 2017

Opening of the Kemalpaşa – Karasuluk section of the Gebze-Orhangazi-Izmir motorway *Turkey*



12 March 2017

Opening of the Gemlik – Bursa section of the Gebze-Orhangazi-Izmir motorway *Turkey*



4 July 2017

Opening of the Kurtkoy – Pasakoy section of the Northern Marmara Highway *Turkey*



6 April 2017

Opening of the new Hospital of Careggi *Florence, Italy*



6 June 2017

Opening of the high speed Naples-Afragola railway station *Italy*

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ASTALDI

Mission



Constructing for progress.





Our mission is to create works to make the world a place that satisfies the concrete needs of the people that live there. Because progress does not just mean creating, but doing so, focusing on quality, real needs and the future.

Not only does our work respect the area we operate in, but it is designed to improve it. We have been exporting our technology, know-how and innovative solutions for customers worldwide for almost 100 years. We work together with them to affirm an idea of excellence that embodies all the characteristics of Italian design and aims to create works that bring together functionality and aesthetics, in Italy and abroad.

Letter from the Chairman.



PAOLO ASTALDI, Chairman of Astaldi Group.



Dear Shareholders, Dear Stakeholders,

As far as our Group is concerned, the year was characterised by worsening of the crisis in Venezuela. The decline in socio-economic conditions and the difficulties in establishing a dialogue led us to perform impairment of receivables for a total value of EUR 230 million during the last part of the year.

This manoeuvre meant that the year ended with a loss of EUR 101 million. It must be noted that the year-end figures would have been positive as forecast had this not been necessary. Total revenue amounted to over EUR 3 billion and a 12% increase in EBITDA, if taking into account constant figures.

Therefore, the Company considered it necessary to start up a major capital strengthening programme in order to restore the capital and financial equilibrium needed to continue with its planned growth. This growth is based on an order backlog which stood at EUR 24 billion at year-end net of production and disposals during the year, showing an increase during the year thanks to the contribution of almost EUR 4 billion. The strengthening programme enjoys the full support of the main banks the Group has relations with.

This means a re-launch of the Group's operations, growth and image. Works completed and delivered, works obtained and works we are focusing our business activities on, all go to confirm our growth plans.

I would like to recall some of the most important works completed during 2017, such as the first phase of the Naples-Afragola Station in Italy, designed by the leading architect, Zaha Hadid and additional sections of the Northern Marmara Highway and Gebze-Orhangazi-Izmir Motorway in Turkey, as well as the Saida-Moulay Slissen Railway Line in Algeria. As well as these, there are works that have been acquired and which are currently in progress: three lots of the Frontiera-Curtici-Simeria Railway Line in Romania, part of the Pan-European Corridor IV, a section of the E-60 Motorway in Georgia, Haga Station in Gothenburg in Sweden, Barros Luco Trudeau Hospital in Santiago and Linares Hospital, also in Chile, and the first section of the Naples-Bari Line in Italy. Additional revenue will be guaranteed by new orders already secured during the first part of 2018 which will be included among the backlog during the first half of the year: Braila Bridge in Romania and, as regards Italy, Voltri Bypass of Genoa's Railway Link, Bicocca-Catenanuova Railway Line in Sicily and Monopoli Hospital in Puglia.

Concentration in the so-called core business, in other words the backlog of Construction and Operation & Maintenance activities, will focus on geographical areas and segments with a lower risk profile than in the past. A decision shared by all the company's management that, during 2017, made an even greater effort to achieve targets and quickly adjust the situations created as a result of the Venezuelan crisis.

We have continued with our commitment to young people with the Astaldi Academy, where we work to improve the value of the Group's new entries that are inserted into the various Italian and international business activities. This represents all-important lifeblood for the Group's future which looks set to celebrate its 100 years of trading with the achievement of ambitious goals.

We are confident that we can put 2017 behind us, a difficult yet constructive year which will help make Astaldi's future a stronger one in all its operating areas. And we are determined to carry out our ambitious yet solid business plan over the next five years, ready to grasp the new opportunities that may arise.

Chairman of the Board of Directors

Astaldi.

A history focused on the future.

Solid foundations are the starting point for building works of value. Our foundations are our almost one hundred years of history. But the most fascinating history for us is the one we still have to write: new challenges and real goals for a future still to be built.

We have been in the construction industry, applying Italian style to the world of infrastructures since 1922, the year when the engineer Sante Astaldi established the individual firm bearing his name: inventiveness, construction know-how and skills to create works that shape the future.

We have built a great number of works over the years, always taking into account the international scene, aware of the fact that the quality of our Italian design has no boundaries.

We construct while continuing to respect the territory, adopting the quality criteria that have always been at the heart of our company.

We are a global reality, operating in more than 30 countries, employing over 10,500 people at more than 100 sites. More than 75% of our total turnover comes from the international market, thanks to our presence in Europe (including Turkey), Canada, the USA and Latin America. We have recently inaugurated sites in Sweden and the Far East too, which together with the rest of Northern Europe and North America, represent markets of major interest for our development policies and for the construction segment in general, thanks to planned infrastructure development programmes or programmes that are already underway.

Works completed in recent years include iconic projects such as the Third Bosphorus Bridge, the longest and widest hybrid bridge in the world; the fourth longest suspension bridge of all time, built over Izmit Bay in Turkey; the Western High-Speed Diameter crossing St. Petersburg Bay; Line 2 of Warsaw Underground, one of the most modern in Europe and built using an innovative ground freezing technique; and Toledo Station on the Naples Underground, voted the most beautiful in Europe by CNN and winner of the ITA 2015 Award.



ITALY - Milan-Venice Railway,
post-war reconstruction (1947).



CHILE – ELT observatory on Cerro Armazones | Render – Credits: Swinburne Astronomy Productions/ESO.

But the new challenges are the ones that fuel our enthusiasm and allow us to look toward the future with the optimism and creative thinking that have always been a hallmark of our work.

The longest railway tunnel in the world under the Brenner, in Italy; the ESO's ELT Observatory for the world's largest optical telescope, in Chile; Europe's largest healthcare facility under construction, the Etlik Integrated Health Campus in Ankara, in Turkey; construction and operation of Arturo Merino Benítez International Airport in Santiago and the major underground development project for Chuquibambilla, the planet's largest open-pit copper mine in Chile.

These are some of the works we will focus our efforts on and dedicate ourselves to, the main stages marking out our growth. Because we are convinced that our real history is the future.

Our world amid design and development.

Our works are aimed to allow people to share projects and dreams. We work on site to ensure the best possible solutions to experience progress in a responsible, pro-active manner, with a vision focused on the future.

Transport infrastructures

Our works bring together different cultures and countries in the name of progress and economic development. Roads, bridges, railways and undergrounds are the tools we use to achieve this ambitious goal. Like the Third Bosphorus Bridge, the world's longest and widest bridge, linking Asia to Europe. But our works, such as Line 2 of the Warsaw Underground and Line 5 of the Milan Underground also help expand movements around big cities, improving the everyday life of millions of people.




ITALY – Sant'Orsola hospital in Bologna.

Plant Engineering and O&M

We are responsible for the construction and integrated operation of services and facilities with a high technological coefficient. Activities developed in the Plant Engineering and O&M segment range from maintenance and energy management to health technology services.



TURKEY
Gebze-Orhangazi-Izmir motorway
Izmit Bay bridge.



CANADA - Muskrat Falls
hydroelectric project.

Water and Energy

We are able to boast specific know-how regarding the construction of dams, aqueducts and hydroelectric plants, acknowledged and appreciated worldwide.

Our works provide a sustainable contribution to energy production, supporting the growth and economy of entire countries: Chacayes Hydroelectric Plant, the first totally eco-sustainable plant in Chile, offers an example of our innovative approach in this segment.

Civil and Industrial Construction

Our priority is to build works which improve the quality of life, blending in harmoniously with the surrounding area, and, at the same time, stand out for their high quality look. Works which distinguish themselves as buildings of global appeal, often the result of partnerships with leading international architects. Venice-Mestre Hospital (“Ospedale dell’Angelo”) – the first example of project finance applied to the healthcare segment in Italy – and Rho-Pero Trade Fair Complex in Milan are just some examples of our ability to create functional works without foregoing beauty.



ITALY - Angelini Pharmaceutical Group's
offices in Rome.


Our business model: responsibility, sharing, growth.

Our Group's business is based in its construction skills and capacities accrued during almost 100 years of experience, thanks to which we are among the leading 50 global contractors and hold the number two position in Italy.

A result achieved thanks to the value system which steers all Group decisions.

R E S P O N S I B I L I T Y

At present Astaldi works **in more than 30 different countries** and in four continents, with over **100 sites in operation**. We choose the countries we work in using in-depth risk analysis, assessing all the aspects and risks related to the macro-economic situation and construction problems.

The page features a large, light beige circle on the right side, partially overlapping a dark blue background. Inside this beige circle, the word "SHARING" is written in dark blue, uppercase letters, following the curve of the circle's edge. To the left of this, a smaller green circle overlaps the beige circle and the dark blue background. The word "GROWTH" is written in green, uppercase letters, following the curve of the green circle's edge. The text "We have expanded significantly over the last three years, not only thanks to our plant engineering, technical and organisational skills, but also thanks to an approach based on sharing of know-how, both inside the company and with our customers and partners." is positioned within the beige circle, above the "SHARING" text.

We have expanded significantly over the last three years, not only thanks to our plant engineering, technical and organisational skills, but also thanks to an approach based on **sharing** of know-how, both inside the company and with our customers and partners.

S H A R I N G

G R O W T H

The **growth** our Group has experienced in recent years can be seen in all the segments we operate in:

- Construction – in the Transport Infrastructures, Energy Production Plants, Civil and Industrial Construction and Industrial Plants segments, in Italy and abroad;
- O&M – a segment where we have decided mainly to concentrate on the integrated management of services with a high technological content;
- Involvement in Concession projects, for which the Group has adopted a development model with a lower level of capital investment than in the past (so-called capital light model).

Proof can be found in the magnitude of works performed in recent years, many of which represent genuine one-offs for the world of engineering.

People at the centre.

The safety, health and wellbeing of the men and women that work with us lie at the centre of the Group's commitment and code of ethics.

All our efforts are concentrated on achieving the "Zero accidents" goal: this is the target we have set ourselves in order to offer real proof of the extent to which people are at the centre of our work.

Everyone who works with Astaldi are representative of a great value and go to form the driving force behind our success story. Our job is to make optimal use of this, using all the instruments we have available.

Within this vision, training is the pivot which makes our commitment a real one. The professional growth of our personnel is the starting point of a process we firmly believe in. Our Astaldi Academy, the internal academy that aims at developing the managerial skills of our human resources, offers one of the clearest example of how much we invest in the future of the Group and of its people.



Environment and territory. A winning partnership.

The future is a time to be planned. But it is also a place to be improved and protected.

We build major works designed to develop the potential of the area they are located in and, at the same time, which fit in harmoniously with the surrounding environmental and social fabric.

The aim of our work is to create works which represent a real element for the area's economic development, in total respect of the environment, and we do so by maintaining an ongoing dialogue with local communities, aimed at fully sharing with the community the value generated by the works.



CHILE – Chuquicamata mine | Underground expansion.

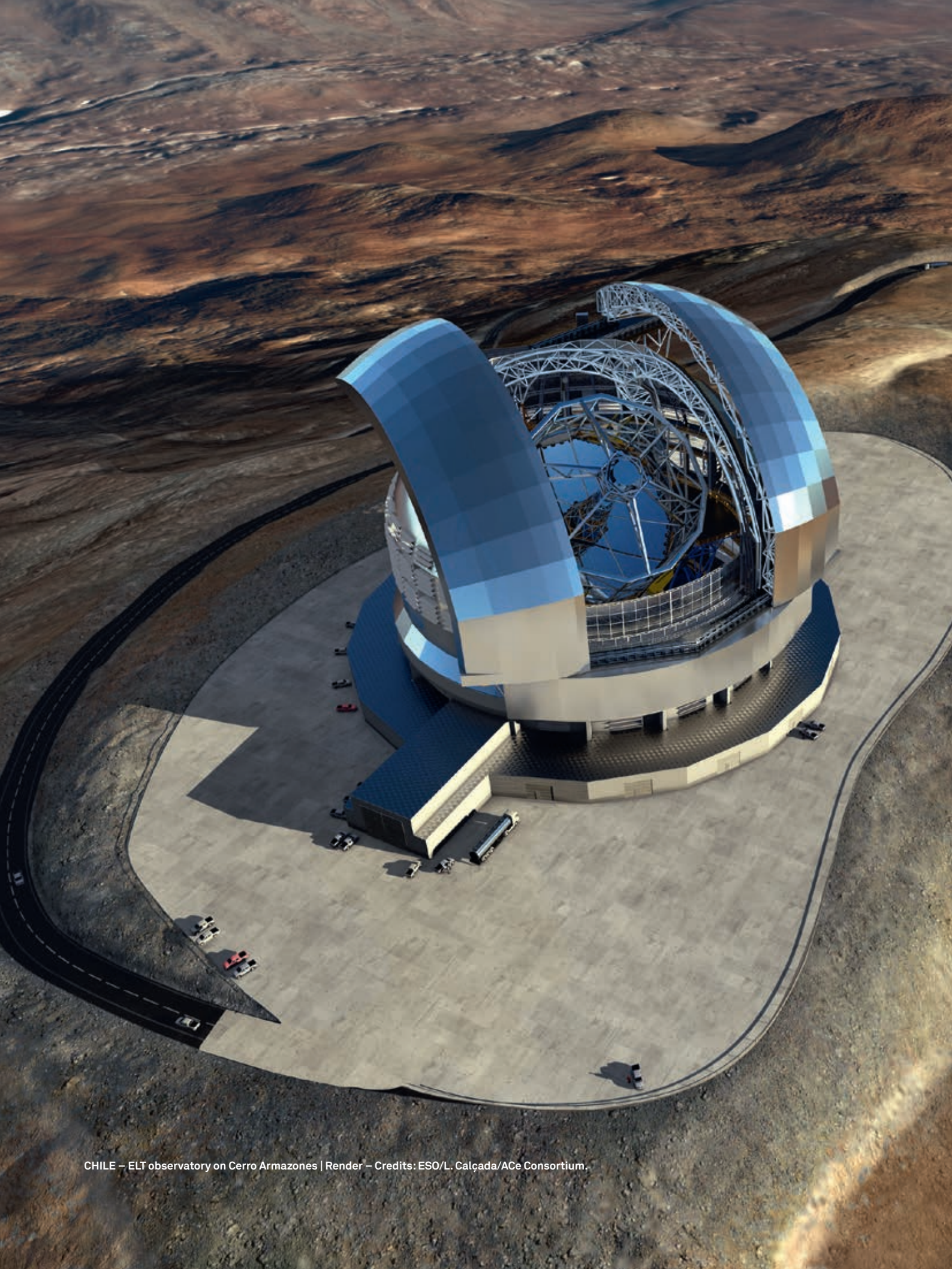


ITALY – Naples-Afragola HS/HC railway station.



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CHILE – ELT observatory on Cerro Armazones | Render – Credits: ESO/L. Calçada/ACe Consortium.

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RUSSIA - Western High-Speed Diameter in St. Petersburg.

Company bodies

Board of directors

The **board of directors**, appointed on 20 April 2016 and in office until the date of the shareholders' meeting held to approve the financial statements at 31 December 2018, is responsible for the oversight and organisational guidance of the company. It has full powers to perform all acts necessary or appropriate to allow the company to achieve its business object.



Chairman
Paolo Astaldi



Chief Executive Officer
Filippo Stinellis



Deputy chairman
Ernesto Monti



Deputy chairman
Michele Valensise

Director

Caterina Astaldi
Paolo Cuccia
Piero Gnudi
Chiara Mancini
Nicoletta Mincato

Honorary chairman

Vittorio Di Paola

Independent auditors

KPMG S.p.A.

Board secretary

Fabrizio Clemente

Control and risks committee

Nicoletta Mincato, **Chairwoman**
Paolo Cuccia
Ernesto Monti

Board of statutory auditors

Paolo Fumagalli, **Chairman**
(appointed from the lists presented by the non-controlling investors)
Lelio Fornabaio, **Standing statutory auditor**
Anna Rosa Auditori, **Standing statutory auditor**
Andrea Lorenzatti, **Alternate statutory auditor**
(appointed from the lists presented by the non-controlling investors)
Giulia De Martino, **Alternate statutory auditor**
Francesco Follina, **Alternate statutory auditor**

Appointments and remuneration committee

Piero Gnudi, **Chairman**
Ernesto Monti
Paolo Cuccia

Related parties committee

Chiara Mancini, **Chairwoman**
Paolo Cuccia
Nicoletta Mincato



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POLAND - Łódź Fabryczna station.

Organisational model

The Astaldi Group's organisation model is designed to monitor the group's operations and commercial activities around the world and to enhance those areas that, in line with its strategic plan, have been identified as new areas of interest. The model also covers the group's strategic processes to ensure the parent and its subsidiaries are correctly and carefully managed.

To this end, the group has defined six general areas, each with its own specific responsibilities and obligations: Italy, which also includes the Maghreb (Algeria, Tunisia and Morocco), Americas (Canada, the US and Latin America), Europe (which includes Russia, Georgia, Africa and the Middle East) and Turkey (which includes Iran and the Far East). These general areas are flanked by the administration and finance unit and the industrial services unit, which monitors the strategic processes checking that the group is managed properly.

General management



Paolo Citterio
GENERAL MANAGER
Administration and finance



Mario Lanciani
GENERAL MANAGER
Industrial services



Marco Foti
GENERAL MANAGER
Italy and Maghreb area



Cesare Bernardini
GENERAL MANAGER
Europe, Russia, Georgia, Africa
and Middle East



Fabio Giannelli
Turkey, Iran and Far East



Francesco M. Rotundi
Americas



ITALY - Angelini Pharmaceutical Group's offices in Rome.

Highlights

Key statement of profit or loss figures as at 31 December 2017

(thousands of Euro)	31/12/2017 post- impairment ^(*)	31/12/2017 pre- impairment ^(**)	31/12/2016	Annual variation post- impairment ^(*)	Annual variation pre- impairment ^(**)
Total revenue	3,060,733	3,060,733	3,004,255	+1.9%	+1.9%
EBITDA	366,376	366,376	379,858	(3.5%)	(3.5%)
EBITDA margin	12.0%	12.0%	12.6%	--	--
Impairment losses ^(*)	(235,529)	(5,529)	(676)	n.s.	n.s.
EBIT	76,345	306,345	316,973	n.s.	(3.4%)
EBIT margin	2.5%	10.0%	10.6%	--	--
Profit (loss) attributable to the owners of the parent	(101,175)	103,561	72,457	n.s.	+42.9%

^(*) Figures including the effects of the impairment of the assets in Venezuela - see the "Introduction" section of this report for more information.

^(**) Figures excluding the effects of the above-mentioned impairment.

Key statement of financial position figures as at 31 December 2017

(thousands of Euro)	31/12/2017 post- impairment ^(*)	31/12/2017 pre- impairment ^(**)	31/12/2016
Total non-current assets	1,292,154	1,088,990	1,007,371
Operating working capital	553,262	961,162	804,861
Total provisions	(28,925)	(28,925)	(21,215)
Net invested capital	1,816,490	2,021,227	1,791,017
Net loans and borrowings ^(***)	(1,267,049)	(1,267,049)	(1,092,532)
Equity	549,442	754,178	698,485

^(*) Figures including the effects of the impairment of the assets in Venezuela - see the "Introduction" section of this report for more information.

^(**) Figures excluding the effects of the above-mentioned impairment.

^(***) Figures shown inclusive of treasury shares in portfolio (€3.1 million and €3.9 million at 31 December 2017 and 2016, respectively).



POLAND – Line 2 of Warsaw underground (Phase 2).

Positioning

The Astaldi Group is an **internationally renowned group**, one of the main contractors in Italy and a growing player in the European and global construction sector. The group is the second largest Italian contractor, one of the top 20 in Europe and **one of the top 100 global operators** in terms of revenue. Considering the revenue generated by the specific sectors in which it operates, Astaldi ranks **number three worldwide for bridge construction** and **number four for hydroelectric plants**. It is the tenth largest operator in the mining sector, thirteenth in the mass transit & rail sector (railways and metros) and healthcare buildings sector and fifteenth in the motorway sector.¹

Active for more than 95 years on the international stage and **listed on the stock exchange since 2002**, the Astaldi Group mostly works as an EPC contractor around the world. It develops complex and integrated projects in the fields of design, construction and operation of public infrastructure and large civil engineering works, mostly for the transportation infrastructure, energy generation plants, civil and industrial construction and plant engineering sectors. More recently, the group has developed its Operation & Maintenance (O&M) line of business, drawing on skills honed over the years in the concessions sector. At the date of preparation of this report, the group had investments in projects mainly developed in the healthcare building sector.

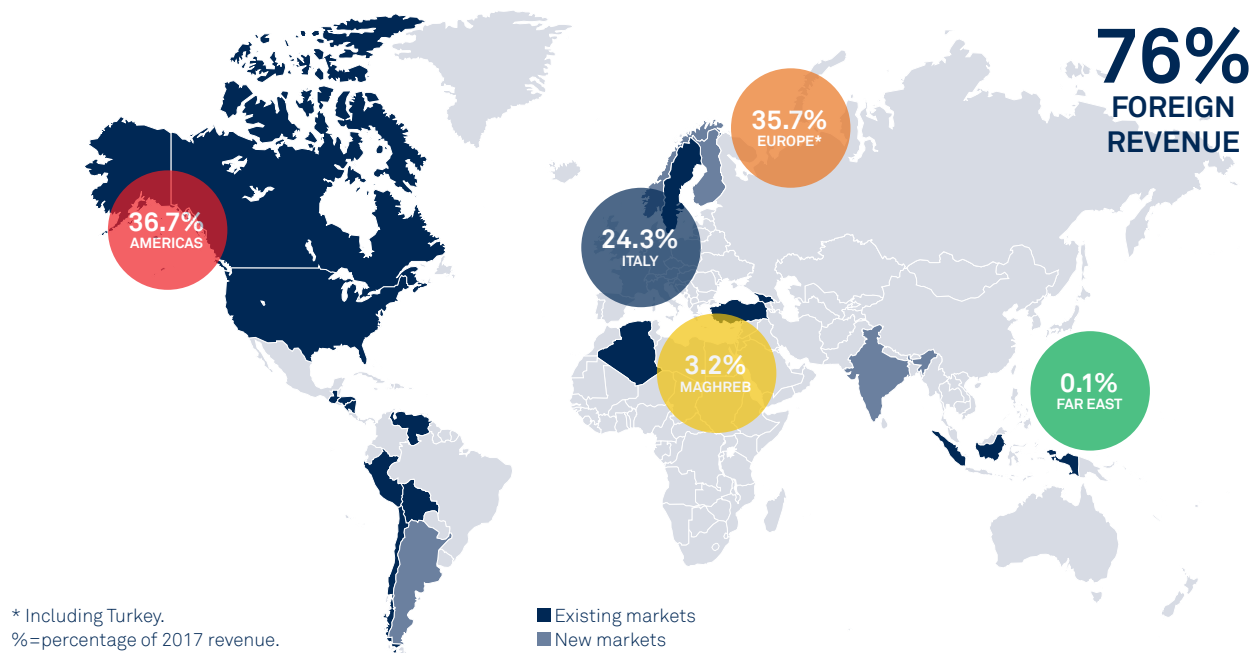
The group **has built works in more than 40 countries around the world** and currently **has roughly 100 active work sites in over 30 countries in four different continents**. Some of its main construction projects include the **Third Bosphorus Bridge in Turkey (the longest and widest hybrid bridge in the world)**, the high speed/capacity Rome-Naples railway line in Italy (the first of its kind to use ETCS-level 2 traffic control and management technology), the Toledo metro station in Naples, Italy (**one of the twelve most beautiful stations in Europe² and winner of the ITA 2015 award**), the Chacayes hydroelectric power plant in Chile (the first completely environmentally-friendly system built in the country and nominated as the Best Hydro Project of the Year at the Renewable Energy Projects of the Year Awards of 2012), the Pont-Ventoux hydroelectric power plant in Italy (the biggest underground station in Italy) and the new exhibition centre in Milan, Italy (one of the largest in the world, with an imposing glass structure designed by the Italian starchitect Massimiliano Fuksas) as well as the **scenographic WHSD motorway ring road in St. Petersburg, Russia** and the **high speed/capacity Naples-Afragola Station in Italy (designed by the Iraqi starchitect Zaha Hadid)**.

Drawing on its engineering, technical and organisational expertise, the group has grown significantly in the last three years, expanding its international base. At 31 December 2017, the group generated 24% of its operating revenue in Italy and the other 76% abroad.

¹ Source: «ENR – The Global Sourcebook», of ENR Engineering News Record, 11/18 December 2017 – classifications based on 2016 turnover.

² Source: CNN – CNN Travel, published on 4 February 2014.

Over the years, the group has extended and diversified its foreign operations. At the date of preparation of this report, it was present in **Italy, Europe** (Poland, Romania, Sweden, France, Czech Republic, Russia, Georgia, including Turkey), **Americas** (Canada, the US, Chile, Peru, Central America, Argentina, Bolivia and Venezuela), **Africa** (Maghreb) and **Asia** (Middle East, Iran and the Far East). It selects the countries in which it operates after an in-depth analysis of their political, macro-economic and legal situation and their potential in terms of future infrastructure spending.³



The Astaldi Group operates in the **construction sector**, which is broken down into various sub-sectors, and the **O&M** sector. It also has **equity investments in concession operators** (the concessions sector).

It is active in the following **construction** sub-sectors:

- **Transport infrastructure** – where it operates as an EPC⁴ contractor in the rail and metro, roads and motorways and airports and ports sectors;
- **Energy generation plants** – where it designs, builds and operates energy generation plants, such as, for example, hydro-electric power plants and waste-to-energy plants, dams, aqueducts and waste water treatment systems;
- **Civil and industrial construction** – where it works as an EPC contractor, mainly in the healthcare building and car park sectors;
- **Industrial plants** – where it designs, assembles, installs and manages engineering, electrical, HVAC and other systems for projects performed as part of the transport infrastructure, energy generation plants and civil and industrial construction sub-sectors. This line of business is complementary to the rest of the construction sector, where it mainly operates through its subsidiary NBI (100% owned).

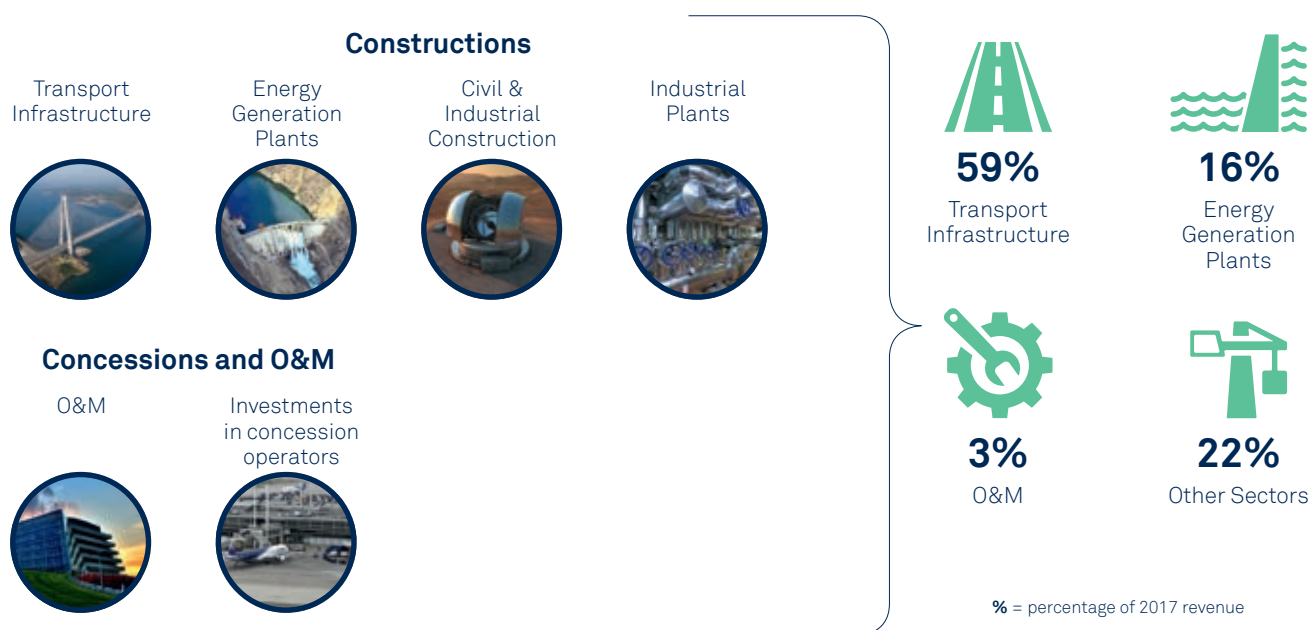
The group operates in the **O&M** sector as a spin-off of its concessions business. This line of business includes routine maintenance services, repair, replacement and spare part management for plants and their equipment. Specifically, the group **focuses on the integrated management of high tech structure services**, such as in the hospital sector (hospitality services, structural maintenance, heat or energy management, health technology services, electro-medical products and healthcare services). The group intends to benefit from the plan to exit the concessions sector and develop the O&M sector

³ The "Reference scenario" section of this report provides more information on the related macro-economic situations and opportunities identified in the countries of most interest. The "Main risks and uncertainties" section describes the group's risk management model.

⁴ EPC = Engineering, Procurement, Construction.

using a development model whereby it will acquire control over those activities alongside the sale of equity investments in SPVs set up for the currently existing projects.

The group has been active in the **concessions** sector for more than ten years and has built up an impressive skill-set in Italy and abroad, although it is mainly involved in this sector to develop its EPC contracts. Over the last five years, the Astaldi Group has directed and managed a large variety of infrastructure, usually through long-term concession agreements. These relate to **motorways, airports, metros, energy generation plants, healthcare facilities, car parks and other industrial projects**. Some of its main projects developed on a concession basis and which were still in place at the date of preparation of this report are the Ospedale dell'Angelo in Venezia-Mestre, Line 5 of the Milan Metro and the four Tuscan hospitals (Lucca, Massa Carrara, Pistoia and Prato) in Italy, the Third Bosphorus Bridge, the Gebze-Orhangazi-Izmir motorway, the more recent Menemen-Aliaga-Çandarli motorway as well as the Etlik Integrated Health Campus in Ankara in Turkey, the West Metropolitan Hospital and the Arturo Merino Benítez international airport in Santiago as well as the Relaves mining project in Chile. The group's current growth plan includes **adoption of a development model with a smaller capital requirement than in the past** for the concessions line of business (the capital light model). This will allow it to expand its foothold in the sector with a smaller investment base although it will keep a significant share of the O&M market. As part of this strategy and starting from 2016, the Group has started to steadily dispose of its concession assets (the asset disposal plan)⁵. It will continue to invest in this type of asset in the future but solely to rotate its assets under the capital light model with the end purpose of increasing its share in the construction and O&M sectors.



The Astaldi Group has operating and/or representative offices in more than 25 countries around the world with an average workforce of 10,500 employees, 89% of whom are based abroad, given the considerable revenue the group earns outside Italy. The group's stronghold in foreign markets is also ensured by local wholly-owned companies, set up to develop a specific country and sector, like TEQ Construction Enterprise (TEQ) for Canada and Astaldi Construction Corporation (ACC) for the US or Astaldi Concessioni (for concessions and O&M) and NBI (for plant and engineering and facility management).

⁵ For more information about the asset disposal plan, see "Focus on the concessions line of business" section ("Progress on the asset disposal plan - Key events of the year" paragraph) of this report.

Introduction

Foreword

The Astaldi Group's 2017 Annual Report comprises a directors' report, the consolidated financial statements, the separate financial statements of the parent, Astaldi S.p.A., the report on corporate governance and ownership structure and the related annexes.

Pursuant to Legislative decree no. 32 of 2 February 2007 and given the group's structure, the parent decided to present the information previously contained in two directors' reports (one for the group and one for the parent) in just one report - this directors' report.

Management has prepared the 2017 financial statements applying the same basis of preparation used to draw up the 2016 financial statements except for the standards and interpretations that have become applicable since 1 January 2017 - see the "Newly-issued and endorsed standards and interpretations applicable to annual periods beginning on or after 1 January 2017" section in the consolidated financial statements which accompany this directors' report.

Impairment of receivables from the Venezuelan government

The Astaldi Group has three railway projects in Venezuela with Instituto de Ferrocarriles del Estado ("IFE"), which it is carrying out with other companies through special purpose vehicles (the "consortia")⁶. These projects relate to the Puerto Cabello-La Encrucijada section and the South lots (the San Juan de Los Morros-San Fernando de Apure and the Chaguaramas-Cabruta sections).

Considering the country's situation and its consequent slow-down in payments, the works were substantially stopped in 2015.

All related contracts are protected by an intergovernmental agreement, the "Master Agreement for Economic, Industrial, Infrastructure and Development Cooperation" (the "Agreement"), signed by the Italian and Venezuelan governments on 14 February 2001 and ratified by the Venezuelan and Italian laws, which entered into force on 1 April 2004. The Agreement provides, inter alia, that all disputes between Italian and Venezuelan companies, deriving from the performance of the Agreement itself are to be subjected to international arbitration governed by the International Chamber of Commerce of Paris (the "ICC Arbitration"). Since the Agreement constitutes the legal basis for the awarding of the railway contracts mentioned above to the consortia - which, moreover, is confirmed by the express reference to the Agreement contained in the individual contracts and by the opinions of the parent's external legal consultants - the companies involved in the consortia may start the ICC Arbitration proceeding provided for by the Agreement against IFE and the Venezuela govern-

⁶ Venezuelan-based consortia set up by Astaldi with another two Italian companies.

ment. The arbitration proceeding would give payment of the receivables relating to these projects priority and precedence compared to claims filed before local courts.

The Group's exposure to IFE totalled €433 million at 31 December 2017, as detailed below.

Astaldi Group's exposure to IFE at 31 December 2017

Project	Type of contractor	Customer	Type of claim	Amount to be received (€m)
Puerto Cabello-La Encrucijada railway line	Public	IFE	Receivable	107.2
Puerto Cabello-La Encrucijada railway line	Public	IFE	Contract work in progress	147.6
San Juan De Los Morros-San Fernando de Apure and Chaguaramas-Cabruta railway line	Public	IFE	Receivable	178.2
TOTAL EXPOSURE				433.0

The total exposure is stated above at its nominal amount, therefore gross of the discounting applied in the previous year (approximately €25 million).

Moreover, as already mentioned in the 2016 Annual Report, through IFE, the Venezuelan government officially confirmed the nominal amount of the past due receivables (€285.4 million) and the extension of the contractual deadlines for the construction of the San Juan De Los Morros-San Fernando de Apure and Chaguaramas-Cabruta sections.

However, the fact that the works and related payment obligations have been approved and confirmed by the Venezuelan government does not guarantee that the receivables will be collected in the short term, due to the significant events that took place in the second half of 2017, leading to a further worsening in the country's political, economic and social conditions:

- the recent measures imposed by the US president, Donald J. Trump, about Venezuela's possibility to carry out financial and investing transactions with US financial institutions, the relationships between the two countries have become tense and complicated;
- the Venezuelan authorities' statements in early November 2017 about a possible restructuring of its public debt;
- the EU Foreign Ministers' measure imposing sanctions on Venezuela, in order to encourage President Nicolas Maduro to commence talks with the opposition;
- Venezuela's credit rating plummeted in the second half of 2017 when it failed to pay two coupons on its sovereign debt and two leading rating agencies (S&P's and Fitch) announced its selective default in mid November; and lastly
- Fitch's recent statements about the country's lack of the political and financial conditions necessary to cope with the sanctions imposed by the US and resume relations with its international creditors in the medium term.

Precisely in relation to these recent seriously negative developments and in light of the results of the analyses carried out with the assistance of independent experts⁷, even if it does not believe there are grounds for assuming the full loss of its claims, on a prudent and precautionary basis, the Group estimated its total exposure at around €203 million, thus recognising an impairment loss of around €230 million.

Valuation techniques

Considering that any valuation technique poses specific limits given Venezuela's current economic and social conditions, the Group held it appropriate to estimate the recoverable amount of the receivables mentioned above using various techniques commonly used in valuation practice, i.e., (i) a market benchmark analysis and (ii) the discounted cash flow (DCF) model.

⁷ A highly reputable advisor and an international network

i. Market benchmark analysis

In this analysis, the receivables were valued with reference to the following parameters:

- market returns and prices of the Venezuelan government bonds in the period prior to the reference date;
- market value of the spread of the credit default swaps (CDS), with the Venezuelan government's default as the underlying;
- recovery prices observed with reference to sovereign debt default events that have occurred from 1983 to 2016.

The outcome of the market benchmark analysis is summarised below.

Market evidence for CDS and Venezuelan government bonds

The impairment rate to be applied to the receivables' nominal amount was reasonably determined to be 59%, as follows:

Start date	Period	Risk spread		PD		LGD 1 – RR	Discount rate		Expected Loss	
		CDS	Bonds	CDS	Bonds		CDS	Bonds	CDS	Bonds
25/01/2018	1w	-	54.72%	100.00%	99.79%	60.0%	0.990	0.987	59.40%	59.1%
17/01/2018	2w	-	53.50%	100.00%	99.76%	60.0%	0.990	0.987	59.40%	59.1%
02/01/2018	1m	-	53.16%	100.00%	99.75%	60.0%	0.990	0.987	59.40%	59.0%
01/12/2017	2m	-	55.48%	100.00%	99.81%	60.0%	0.990	0.987	59.40%	59.1%
Average		-	54.11%	100.00%	99.78%				59.40%	59.06%

Source: Processing of data obtained from Bloomberg (February 2018).

Venezuelan sovereign CDS trading stopped in mid November 2017. Therefore, the Group's management held it opportune to assume that the Venezuelan government's default was equal to one unit, as implicitly estimated by market operators.

Analysis of the recovery prices observed with reference to sovereign debt default events that have occurred from 1983 to 2016

Three different scenarios were defined in order to identify an average impairment rate applicable to receivables calculated based on the arithmetical average:

- issuer-weighted recovery prices related to: (i) all default sovereign debt; (ii) default sovereign debt issued in USD by South American countries (Argentina, Ecuador or Uruguay) only; and
- value-weighted recovery prices related to (iii) default sovereign debt issued in USD by South American countries (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 impairment rate applicable to the receivables' nominal amount, estimated at between 46% and 63%.

ii. DCF – discounted cash flow model

This model required management to formulate a series of assumptions about, in particular, the quantity and timeframe of future payment flows.

Specifically, management believed that the Venezuelan government will be able to recommence payment of its payables to the parent upon achievement and possible surpassing of a break-even level of oil's market price, equal to a price close to that observed at the end of 2014 – the last year when the Venezuelan government (the "government") paid its payables to the parent.

Forecasts developed by a group of financial analysts – comprising banks, brokers and specialist consultants – made it possible to assume that the price of oil will reach break-even level between 2020 and 2021. Therefore, management assumed that the government will be able to recommence payments to the parent starting from the second half of 2020. Moreover, the expected future cash flows were calculated by assuming that the government's annual payments of the

receivables to the parent will be equal to the average payments made in hard currency to the parent by Venezuela during the period from 2009 to 2014.

The receivables' estimated recoverable amount resulting from the application of the DCF model, based on the assumptions summarised above and on the financial instrument's actual interest rate (14.21%), is €212 million. Since their total nominal amount is €433 million, the resulting impairment loss is €221 million, equal to approximately 51.1% of the nominal amount.

A sensitivity analysis was performed in order to check the estimates' consistency in relation to changes in the main underlying parameters. The analysis aimed at calculating the impairment loss on the receivables in a series of alternative valuation scenarios, defined on the basis of various assumptions about the timing of the estimated cash flows and the discount rate.

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

iΔa	(1.0)	(0.5)	0.0	0.5	1.0
11.37%	164.0	178.1	191.5	204.1	216.2
14.21%	191.0	206.5	221.1	234.7	247.5
17.05%	214.2	230.7	246.1	260.2	273.4

Conclusions

In the light of the outcome of the analyses performed and taking into account the current and future conditions of Venezuela and the oil market, the parent's management considered it reasonable to estimate the receivables' carrying amount at approximately €203 million. This amount considers the application of an impairment rate of roughly 53% to the receivables' nominal amount, which falls within the range identified using the methods described above.

Alternative performance indicators

The group assesses its financial performance and that of its line of business using alternative performance indicators (API), which are not defined by the International Financial Reporting Standards (IFRS). Management identifies these indicators as they reflect the group's results and can be used to monitor the performance of the group and the parent. The related calculation methods are set out below to assist an understanding of the analysis.

EBITDA. Indicator of the operating performance calculated by deducting operating costs, personnel expense and other operating costs from revenue. It includes the group's share of the profits or losses of joint ventures and associates active in the group's core business.

EBIT (net operating profit (loss)). Indicator of the operating performance calculated by deducting amortisation, depreciation, impairment losses and provisions as well as capitalised internal costs from EBITDA.

EBT (pre-tax profit (loss)). Indicator of the operating performance calculated by deducting net financial income (expense) from EBIT.

Profit from continuing operations. Calculated as EBT net of income tax.

Book-to-bill ratio. Ratio of total new orders included in the order backlog as the numerator to total revenue as the denominator.

Non-recourse financial debt. Form of financing specific to concession operators, which is not secured by the parent but rather by the cash flows generated by the projects performed by the SPVs over the concession operation period.

Net financial exposure. Obtained by deducting from net financial debt, calculated as per CONSOB (the Italian commission for listed companies and the stock exchange) communication no. 6064293 of 28 July 2006, which refers to the ESMA (former CESR) recommendation of 10 February 2005, non-current loan assets, subordinated loans and financial assets from concession activities, as well as other specific components like treasury shares.

Total net financial debt. Obtained by deducting from total financial debt, calculated as per CONSOB communication no. 6064293 of 28 July 2006, which refers to the ESMA (former CESR) recommendation of 10 February 2005, non-current loan assets, subordinated loans and financial assets from concession activities.

Total non-current assets (also, Total net non-current assets). The sum of non-current assets; specifically, this includes intangible assets, technical equipment, equity investments and other non-current items (such as non-current assets held for sale and directly associated liabilities).

Operating working capital. The sum of current loans and receivables and liabilities arising from the Group's core business (trade receivables and payables, inventories, contract work in progress, tax assets, progress payments/billings from customers and other current assets).

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

Main changes in consolidation scope

The group's consolidation scope underwent change during the year. Reference should be made to the "Consolidation scope" section (in the "Main changes in the consolidation scope" paragraph) of the consolidated financial statements accompanying this directors' report.



ITALY – Line C of Rome underground | San Giovanni station.

The group's performance

The group's consolidated financial statements at 31 December 2017 **reflect the prudent and precautionary valuation of its exposure to Venezuela**. Given the recent negative developments in the country's performance and in the light of the results of the analyses carried out with the assistance of independent experts⁸, even if it does not believe there are grounds for assuming the full loss of its claims, on a prudent and precautionary basis, the Group estimated its total exposure at around €203 million, thus recognising an **impairment loss of approximately €230 million** starting from 30 September 2017.⁹

Apart from this non-recurring item, the 2017 consolidated financial statements show the group's **strong commitment to its production and commercial activities over the last 18 months** and the **hard work put in place to implement its financial strategy**. This can clearly be seen from, for example, the works opened in the last 18 months like the Third Bosphorus Bridge, the Izmit Bay Bridge in Turkey, the WHSD motorway ring road in St. Petersburg in Russia, the hydroelectric power plant in Cerro del Águila, Peru, Łódź-Fabryczna Station in Poland, the Saida-Moulay Slissen railway line in Algeria and the high speed/capacity Naples-Afragola Station (phase 1) as well as the head office of the pharmaceutical group Angelini in Italy. Moreover, the group's sizeable commercial projects and the positive outcome of the many calls to tender in which it participated are also worthy of mention. These took place in markets where it already has a base as well as in new areas of interest. The group also achieved very positive financial results.

In 2017, **revenue shows an increase of roughly 2% to €3.1 billion** (2016: €3 billion) and reflects, inter alia, the **initial benefits of the diversification into the Operation & Maintenance (O&M) sector**, which generated revenue of €86 million for the year. Revenue is adversely affected by the gradual completion of some large works (Turkey, Russia and Algeria) and the US dollar's depreciation in 2017 while it concurrently does not fully show the positive effects of the boost from all the more recently acquired contracts, which will partly be seen from the first half of 2018. **EBITDA amounts to €366.4 million** (2016: €379.9 million) and the **EBITDA margin to 12%** (2016: 12.6%). This shows a year-on-year decrease of 3.5% in line with forecasts and reflects the group's repositioning over a mix of areas and products to ensure a more contained risk exposure profile compared to previous years which should also translate into a more compatible funding of projects in line with the planned-for growth objectives. **Excluding the effects of the impairment loss on the Venezuelan receivables, EBIT comes to €306.3 million with an EBIT margin of 10%** (€317 million and 10.6%, respectively, for 2016). **If the impairment loss is included, EBIT amounts to €76.3 million and the EBIT margin is 2.5%**, giving rise to a **loss for the year attributable to the owners of the parent of €101.2 million**.

This loss is due to non-recurring factors and does not cast doubt as to the **validity of the group's growth drivers**, as confirmed by the positive outcome of the subsequently-adopted measures.

During 2017, the **strategic de-risking project improved the group's overall risk profile**, with its entry into new areas (Swe-

⁸ Highly reputable advisor and an international network.

⁹ More information about this is available in the "Introduction" section ("Impairment of receivables from the Venezuelan government" paragraph) of this directors' report.

den, Georgia and Panama), strengthening of its foothold in more stable and less complex markets (Chile, Poland, Canada and the US), its steady disengagement from areas no longer of strategic interest (Middle East) and the portfolio's move towards EPC and O&M contracts. Therefore, the **total order backlog is stronger and is worth more than €24 billion**, boosted by, inter alia, **new orders of €3.7 billion and contract variations** for the construction and O&M line of business for the entire year (this figure does not include an **additional €534 million of contracts acquired in early 2018 and over €6 billion of commercial options and tender awards** held by the group¹⁰ but it does reflect a **decrease of €2.8 billion for the concessions order backlog that was eliminated due to the steady progress on the asset disposal plan**¹¹). The **'book-to-bill is 1.3x** (2016: 1.6x), which is adequate given the group's planned growth and **order acquisition flows are also in line with the group's strategy to reposition its business in geographical and business segments with a lower risk profile than in the past**, which will allow the faster conversion of orders into revenue.

During the year, the **boost given to the group's industrial growth** led to the **commencement of important projects** (especially in Poland, Chile and the US) that, with the **reorganisation of the production activities in Canada** (after the satisfactory resolution of the main issues related to the Muskrat Falls hydroelectric project in December 2016) and the **start of the more recent acquisitions in the near future**, will ensure the group meets its growth targets.

With respect to the group's **stronger financial position**, it **continued its asset disposal plan in 2017** as well as, more generally, its **long-term corporate debt refinancing plan** provided for in its business plan. At the date of preparation of this report, the group had **already disposed of (or had assigned a mandate for disposal) of more than half the entire plan amount for the 2016-2018 period**. Specifically, disposals finalised in 2017 related to: (i) the investment in **Pacific Hydro Chacayes** (operator of the Chacayes hydroelectric power plant, Chile), (ii) 49% of **SCMS** (operator of the West Metropolitan Hospital in Santiago, Chile), (iii) 36.7% of **M5** (operator of Line 5 of the Milan metro, Italy). During the year, the group also increased – from 37% to 60.4% – its investment in **Veneta Sanitaria Finanza di Progetto** (VSFP, operator of Ospedale dell'Angelo, Venezia-Mestre, Italy). Moreover, the group finalised the sale of most of its investment in **SAT** (operator of the four Tuscan hospitals in Italy, in which it had a 5% stake at the date of preparation of this report) to an investment fund and concurrently acquired a majority interest in **GE.SAT** (the project's O&M company, in which it now has an investment of 53.85%). This allows it to maintain direct management of the project's O&M activities. The transactions described for VSFP, SAT and GE.SAT are in line with the group's strategic plan as they allow it to continue its **development model designed to enhance the group's expertise in the integrated services management sector in high tech structures and the O&M sector without having to disburse extra capital**. With respect to the **Turkish assets**, the group has engaged financial advisors (leading international banks) to assist it, given also institutional investors' renewed interest in the Turkish market. Specifically, the disposal of the assets related to the **Third Bosphorus Bridge** is expected to take place in the next few months.¹² In June, the group **placed unsecured equity-linked bonds for €140 million, redeemable in 2024** (with the concurrent repurchase of those already outstanding and redeemable in 2019)¹³ and **agreed a committed credit facility of €120 million in December** with a syndicate of major banks.

With respect to the group's plan to **strengthen its asset base**, it **improved its asset quality during the year thanks to a reduction in its exposure to Venezuela** (described earlier) with the related reduction in the underlying risk.

At 31 December 2017, **operating working capital amounts to €553.3 million** (€651.2 million and €804.9 million at 30 September 2017 and 31 December 2016, respectively; the latter figure did not include the Venezuela effect). This balance reflects (i) the **reduction in the group's exposure to Venezuela** which, after the impairment loss, led to the reclassification of receivables net of the impairment loss of more than €203 million from operating working capital to non-current assets (given their nature, they are deemed to be of a non-current nature), and (ii) the existence of **some slow-moving items**, mainly related to Romania and Algeria that the group believes it can free up in the short term, thanks to the measures taken by the special task force. These items had already been identified at 30 September 2017 and the group collected the

¹⁰ Commercial options are usually contracts acquired but for which conditions precedent have to be met (finalisation of financing, approval from various bodies, etc.) and, therefore, they cannot be recognised in the order backlog until the conditions are met.

¹¹ More information about the asset disposal plan is available in the "Focus on the concessions line of business" section ("Progress on the asset disposal plan – Key events of the year" paragraph) of this report.

¹² More information about the asset disposal plan is available in the "Focus on the concessions line of business" section ("Progress on the asset disposal plan – Key events of the year" paragraph) of this report.

¹³ The new bond issue allows subscribers to redeem them early at the end of the fifth year (2022). If they do not exercise this option, the next redemption date is upon the bonds' maturity in 2024.

amounts due from Ferrovie dello Stato Italiane for the high speed/capacity Bologna Central Station in the fourth quarter of the year; it also includes (iii) **receivables and work in progress for Turkey** (for the additional sections of the Northern Marmara Highway (Third Bosphorus Bridge) that will be **settled in the medium term, as provided for contractually, using the cash flows generated by the minimum guaranteed amount of additional kilometres**. This has enabled extension of the motorway sections without the sponsor having to inject more capital. Net of all these non-recurring items, operating working capital would have confirmed the better financial profile of the group's ongoing contracts benefitting from, inter alia, the collection of additional contractual advances for the more recently acquired contracts (mainly abroad).

The group's net financial exposure (net of treasury shares) is €1,264 million compared to €1,389.2 million and €1,088.7 million at 30 September 2017 and 31 December 2016. The **decrease of €125 million in the last quarter of the year** is due to the collection of contractual advances and achievement of project financial milestones, demonstrating the wisdom of the group's industrial strategy for its commercial repositioning. The amount also shows the effects of the **support given to production** and the group's **considerable commercial projects**, partly offset by contract work in progress and the positive impact of the disposal of the assets under concession seen in the group's net financial debt.

With respect to the group's **organisational restructuring**, it continued to **develop strategic processes to monitor and control activities** – project control, procurement, engineering and, more generally, industrial services. This approach, together with **training courses provided as part of the Astaldi Academy**, ensures the increasing consolidation of control standards, analyses of the group's trends and an overview of the market and production processes, right from when the group presents its bids in calls to tender.



ITALY - New hospital in Venice-Mestre (Ospedale dell'Angelo).

The group's results

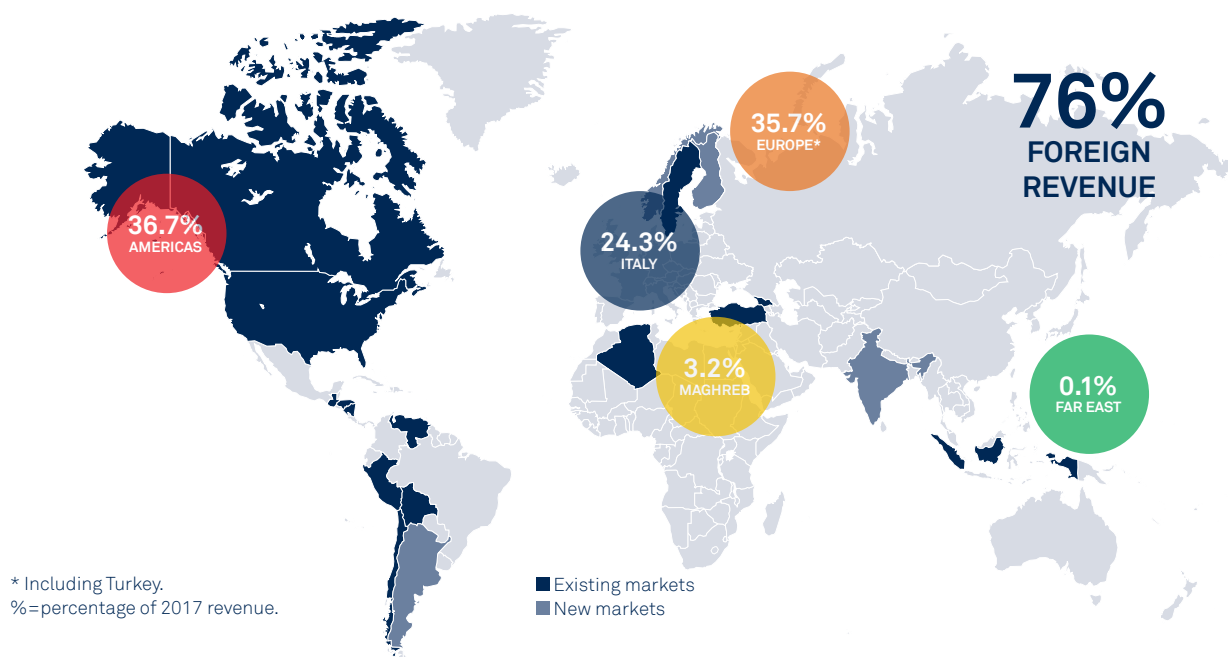
Reclassified statement of profit or loss

(thousands of Euro)	Note no.	31/12/2017	% Total Revenue	31/12/2016	% Total Revenue
Revenue	1	2,888,319	94.4%	2,851,826	94.9%
Other operating revenue	2	172,414	5.6%	152,429	5.1%
Total revenue		3,060,733	100.0%	3,004,255	100.0%
Operating costs	3-4	(2,072,980)	(67.7%)	(2,054,253)	(68.4%)
Added value		987,752	32.3%	950,003	31.6%
Personnel expenses	5	(633,865)	(20.7%)	(616,203)	(20.5%)
Other operating costs	6	(34,708)	(1.1%)	(41,702)	(1.4%)
Share of profits (losses) of joint ventures and associates	7	47,196	1.5%	87,760	2.9%
EBITDA		366,376	12.0%	379,858	12.6%
Amortisation and depreciation	8	(49,404)	(1.6%)	(58,210)	(1.9%)
Provisions	9	(5,097)	(0.2%)	(3,999)	(0.1%)
Impairment losses	8	(235,529)	(7.7%)	(676)	0.0%
EBIT		76,345	2.5%	316,973	10.6%
Net financial expense	10-11	(192,180)	(6.3%)	(187,877)	(6.3%)
EBT		(115,835)	(3.8%)	129,096	4.3%
Tax expense (benefit)	12	18,108	0.6%	(31,654)	(1.1%)
Profit (loss) from continuing operations		(97,727)	(3.2%)	97,442	3.2%
Profit / (Loss) from discontinued operations		--	0.0%	(24,811)	(0.8%)
Profit (loss) for the year		(97,727)	(3.2%)	72,631	2.4%
(Profit) / loss attributable to non-controlling interests		(3,448)	(0.1%)	(174)	0.0%
Profit (loss) attributable to the owners of the parent		(101,175)	(3.3%)	72,457	2.4%

Total revenue increased by roughly 2% on a year-on-year basis to €3.1 billion for the year (2016: €3 billion), comprising **revenue for 94.4%** and **other operating revenue for the other 5.6%**. **A year-on-year comparison is penalised by completion of some important contracts**, namely the Third Bosphorus Bridge and significant portions of the Gebze-Orhangazi-Izmir motorway in Turkey (in August and November 2016, respectively), the WHSD motorway ring road in St. Petersburg, Russia (December 2016) and the Saida-Moulai Slissen railway line in Algeria (June 2017) and the US dollar's less favourable performance. Beginning from the first half of 2018, completion of these projects will be offset by the scheduled milestones for the contracts acquired in 2017.

Revenue increased by 1.3% on a year-on-year basis to €2.9 billion (2016: €2.8 billion) and includes **progress on construction contracts (€2.8 billion, in line with 2016) as well as the contribution of the O&M line of business** (€86 million compared to €20 million in 2016), active in the hospital sector in Italy (Ospedale dell'Angelo in Venezia-Mestre, €58.1 million, and four Tuscan hospitals, €22.2 million) and the mining sector in Chile (Relaves project, €5.1 million). **Other operating revenue increased by 13.1% to €172.4 million** (2016: €152.4 million). This amount includes (i) the **positive results achieved by the activities related** to the group's core business (mainly in Italy, Russia and Canada), (ii) the **positive effect of the consolidation of VSFP** (operator of the Ospedale dell'Angelo in Venezia-Mestre, Italy) after its combination, as well as (iii) **the positive effects for approximately €31 million of continuation of the asset disposal plan** involving M5 (operator of line 5 of the Milan metro, Italy, €8 million), Pacific Hydro Chacayes (operator of the Chacayes hydroelectric power plant, €9.3 million), SCMS (operator of the West Metropolitan Hospital in Santiago, Chile, €7.0 million) and SAT (four Tuscan hospitals, Italy, for €6.1 million).

The breakdown of revenue shows the **foreign business' strong contribution** (mainly the Americas and Europe) plus a **bigger contribution from Italy**. In line with the group's strategies, the involvement of the areas more important for the derisking project has increased.



In geographical terms, **Italy grew by 55.2% and contributed 24.3% of the group's revenue**, mainly due to the early delivery of the first stage of the works to complete the high speed/capacity Naples-Afragola Station, progress on Line 4 of the Milan metro, the Brenner Base Tunnel, maxi lot 2 of the Qaudrilatero Marche-Umbria road network and the container terminal in the port of Taranto as well as the O&M activities for the Ospedale del Angelo in Venezia-Mestre and the four Tuscan hospitals. **Europe (including Turkey) generated 35.7% of revenue** despite recording a 17.5% decrease on a year-on-year basis (mainly due to completion of some works in Turkey and Russia), showing the satisfactory progress on works in that geographical segment, mostly in Poland (mainly Line 2 of the Warsaw metro, the Naprawa-Skomienna Biata section of the S-7 Expressway and the Zakopianka tunnel). **The Americas segment grew 7.1%**, accounting for **36.7% of revenue**, thanks to the speeding up of work in Canada (for the Muskrat Falls hydroelectric project after the agreements signed in November 2016 as well as the operations of TEQ Construction Enterprise), in addition to the **positive contribution of its projects**, specifically in Chile (the Arturo Merino Benítez international airport in Santiago, where the first stone of the new terminal was laid in September, and the Chuquicamata mining project, partly as a result of the impetus given by the review of the related contractual agreements in November 2016). **Africa (Maghreb) generated 3.2% of the group's revenue**, with a **36.2% reduction** on a year-on-year basis, due to **Algeria's smaller contribution** (as a result of completion of the Saida-Moulay Slissen railway line in June). **Asia at 0.1% of revenue (-79.7% on a year-on-year basis) shows the effects of the programmed closure of the Middle East segment**, not yet offset by the commercial projects in Iran and the Far East. To conclude the analysis of the geographical segments that contributed to the group's revenue for the year, the following table provides a breakdown of revenue by geographical segment:

Revenue by geographical segment

(million of Euro)	31.12.2017	%	31.12.2016	%	Annual Variation (%)
ITALY	700	24.3%	452	15.8%	54.9%
ABROAD	2,188	75.7%	2,400	84.2%	(8.8%)
Rest of Europe	1,032	35.7%	1,250	43.8%	(17.4%)
Americas	1,060	36.7%	989	34.7%	7.2%
Asia (Middle East)	3	0.1%	15	0.5%	(80.0%)
Africa (Algeria)	93	3.2%	146	5.1%	(36.3%)
TOTAL	2,888	100.0%	2,852	100.0%	1.3%

An analysis of revenue by business segment confirmed the **construction line of business as the biggest contributor** generating **more than 97% of total revenue** (2016: 99.3%), with the other 3% (2016: 0.7%) provided by the O&M activities, which benefit from the ongoing reconversion of the concession contracts that are being disposed of¹⁴.



% = percentage of 2017 revenue

With respect to the construction line of business, the **transport infrastructure subsegment contributed the most revenue (59%** compared to 63.1% in 2016) although it saw a 5.2% reduction on a year-on-year basis following completion of some large contracts (Russia, Turkey and Algeria). The **energy generation plants subsegment (15.9% of revenue** compared to 14.2% for 2016) **grew 12.8% thanks to the acceleration of activities in Canada** (due to progress on the Muskrat Falls hydroelectric power plant). The **civil and industrial construction subsegment generated 9.9% of revenue** (in line with 2016), an improvement of 1.1% on a year-on-year basis following continuation of work on the Etlik Health Integrated Campus in Ankara, Turkey and activities carried out by TEQ in Canada, as well as progress on the ESO ELT observatory in Cerro Armazones in Chile. The **plant and engineering subsegment contributed 12.2% of revenue** (in line with the previous year), showing an **improvement of 2.6%** on a year-on-year basis due to the activities of NBI and the satisfactory progress at the mines in Chile.

The following table provides a breakdown of revenue by line of business:

¹⁴ More information about the asset disposal plan is available in the "Focus on the concessions line of business" section ("Progress on the asset disposal plan – Key events of the year" paragraph) of this report.

Revenue by line of business

(million of Euro)	31.12.2017	%	31.12.2016	%	Annual Variation (%)
CONSTRUCTION	2,802	97.0%	2,832	99.3%	(1.1%)
Transport infrastructure	1,705	59.0%	1,799	63.1%	(5.2%)
Railways and metros	506	17.5%	460	16.1%	10.0%
Roads and motorways	1,078	37.3%	1,282	45.0%	(15.9%)
Ports and airports	121	4.2%	57	2.0%	112.3%
Hydraulic and energy generation plants	458	15.9%	406	14.2%	12.8%
Civil and industrial buildings	286	9.9%	283	9.9%	1.1%
Industrial plants	353	12.2%	344	12.1%	2.6%
O&M	86	3.0%	20	0.7%	330.0%
TOTAL	2,888	100.0%	2,852	100.0%	1.3%

The **composition of costs reflects the location of the group's operations** in areas where the performance of contracts usually takes the form of partnerships (consortia and joint ventures), subcontracts and consultancy contracts with the related benefits of sharing the contract risk and better cash flows trends due to specific back-to-back clauses. The costs also include the effects of starting up the more recently acquired contracts.

Costs are almost unchanged at just over €2 billion, showing a decrease as a percentage of revenue to 67.7% from 68.4% for 2016, even though revenue grew 1.3%. The 2017 costs include a reduction in purchase costs (due to completion of work performed directly by the group) with more resort to subcontracts and/or partnerships. Consortium costs increase in Italy (mainly due to progress on the Brenner Base Tunnel) as did subcontracting costs (mostly as a result of consolidation of the operator of the Ospedale dell'Angelo in Venezia-Mestre after its combination and progress on the maxi lot 2 of the Quadrilatero Marche-Umbria road system, the Infraclegrea project and Line 4 of the Milan metro). This cost component decreased in certain areas abroad (mainly due to completion of the Saida-Moulay Slissen railway line in Algeria, the Cerro del Águila hydroelectric project in Peru and the Third Bosphorus Bridge in Turkey) offset by an increase in other countries (specifically, Poland, Turkey, the US and Honduras).

Personnel expenses increased by 2.9% to €633.9 million (2016: €616.2 million) equal to a stable 20.7% of revenue (2016: 20.5%) despite once again the rise in total revenue of 1.9%. The caption reflects the **support guaranteed to production and commercial activities** (to enter new areas and strengthen the group's foothold in existing areas). From a geographical viewpoint, Italy saw a 6% increase in personnel expenses, compared to a 55.2% rise in production volumes, while personnel expenses increased by 2% outside Italy due to the combined effect of the reduction in Europe and Africa (due to completion of the large contracts described earlier in Turkey, Russia and Algeria) and the rise in the Americas (for the greater support guaranteed at commercial and production level and increased production volumes of 7.1% on a year-on-year basis).

Other operating costs decreased by 16.8% to €34.7 million (2016: €41.7 million), **equal to 1.1% of revenue compared to 1.4%** for 2016, mainly due to completion of the WHSD motorway ring road in St. Petersburg, Russia and the Saida-Moulay Slissen railway line in Algeria.

The group's **share of profits (losses) of joint ventures and associates amounts to €47.2 million** (2016: €87.8 million), showing a 46.2% contraction as, starting from June 2017, the profits of the operator of the Third Bosphorus Bridge in Turkey are no longer included in this caption given the reclassification of the related assets to non-current assets held for sale. The 2017 balance also reflects (i) the measurement of additional investments in concession operators in Turkey using the equity method (Gebze-Orhangazi-Izmir motorway, Etlik Integrated Health Campus, Ankara and, up until 30 June 2017, the Third Bosphorus Bridge) and (ii) the loss of €16.7 million recognised in the hedging reserve of M5 (the operator of the Milan metro line, Italy) and SAT (operator of the four Tuscan hospitals, Italy) sold in 2017.

EBITDA amounts to €366.4 million (-3.5%, compared to €379.9 million for 2016) with an **EBITDA margin of 12%** (2016: 12.6%). The year-on-year decrease is in line with the budget and, as programmed, reflects the steady restructuring of the business to a product/country mix that has a smaller margin than in the past but guarantees greater stability, contract cash flows in line with the group's targeted growth and, in general, a more contained risk profile.

Amortisation and depreciation decreased by 15.1% to €49.4 million (2016: €58.2 million), mainly as a result of completion of some foreign contracts (the WHSD motorway ring road in St. Petersburg and the Cerro del Águila hydroelectric project in Peru). **Provisions amount to €5.1 million** (+27.5%, compared to roughly €4 million for 2016). **Impairment losses total €235.5 million** (2016: €676 thousand), mostly due to the impairment of assets related to the Venezuelan railway projects.¹⁵

Net of the impairment losses, EBIT amounts to €76.3 million with an EBIT margin of 2.5%. Excluding the Venezuela effect, EBIT would have exceeded €306 million and the EBIT margin would have been 10% (2016: €317 million and 10.6%, respectively), reflecting the already-mentioned product/country remix which also has a positive effect on the group's finances.

Net financial expense is affected by the average debt levels and the support given to production and commercial activities in areas, for example, like the US and Canada where there is greater use of sureties and guarantees. **Net financial expense amounts to €192.2 million** (+2.3%, 2016: €187.9 million), **equal to a stable 6.3% of revenue.** The caption also includes (i) €4.9 million arising from the measurement of the cash settlement options for the equity-linked bonds issued in June 2017 and the cost of the bonds maturing in 2019 which the group repurchased, as well as (ii) the net balance of derivatives agreed for the West Metropolitan Hospital in Santiago, Chile, recognised after the loss of control of the operator SCMS.

Net of the impairment losses, the group made a **pre-tax loss of €115.8 million** that would have been a pre-tax profit of €89 million excluding the Venezuela effect, with an EBT margin of 2.9% (2016: €129.1 million and 4.3%, respectively).

The **income tax benefit for the year amounts to €18.1 million** compared to an expense of €31.6 million for 2016. After the impairment losses, the loss from continuing operations amounts to €98 million for a **loss attributable to the owners of the parent of €101.2 million.**



RUSSIA - Moscow-St. Petersburg M-11 motorway.

¹⁵ More information about Venezuela is available in the "Introduction" section ("Impairment of receivables from the Venezuelan government" paragraph) of this directors' report.

Analysis of the group's financial position

Reclassified statement of financial position

(thousands of Euro)	Note no.	31/12/2017	31/12/2016
Intangible assets	17	79,187	74,026
Property, plant and equipment	15-16	179,073	208,251
Equity investments	18	390,527	523,631
Other non-current assets, net	12-19-20	463,403	149,378
Non-current assets held for sale	26	179,964	69,973
Liabilities directly associated with non-current assets held for sale		--	(17,888)
TOTAL non-current assets (A)		1,292,154	1,007,371
Inventories	21	48,906	50,008
Contract work in progress	22	1,704,498	1,555,110
Trade receivables	23	29,055	57,327
Amounts due from customers	23	447,798	666,449
Other assets	19-20	238,408	199,632
Tax assets	24	82,565	94,537
Progress payments from customers	22	(520,777)	(492,856)
Sub total		2,030,453	2,130,206
Trade payables	20-31	(62,326)	(61,352)
Amounts payable to suppliers	20-31	(1,056,770)	(934,748)
Other liabilities		(358,096)	(329,245)
Sub total		(1,477,191)	(1,325,346)
Operating working capital (B)		553,262	804,861
Employee benefits	30	(7,145)	(7,506)
Provisions for risks and charges	33	(21,781)	(13,709)
Total provisions (C)		(28,925)	(21,215)
Net invested capital (D) = (A) + (B) + (C)		1,816,490	1,791,017
Cash and cash equivalents	25	576,401	506,470
Current loan assets	19-20	50,733	25,227
Current portion of financial assets from concession activities	19	10,194	--
Securities	19	303	848
Current financial liabilities	28	(818,883)	(499,897)
Non-current financial liabilities	28	(1,391,415)	(1,472,330)
Non-recourse financial debt	28	(81,425)	(10,839)
Net financial debt of disposal groups	26	183,763	76,743
Net financial liabilities (E)		(1,470,328)	(1,373,778)
Financial assets from concession activities	19	120,945	4,390
Non-current loan assets	19	82,335	276,856
Total net financial liabilities (F)		(1,267,049)	(1,092,532)
Equity attributable to the owners of the parent	27	(518,740)	(692,384)
Equity attributable to non-controlling interests	27	(30,702)	(6,101)
Equity (G) = (D) - (F)		549,442	698,485

The group's year-end financial position was affected by **ordinary and non-recurring factors**.

As already noted, **it was affected by a non-recurring event** tied to the **partial impairment of receivables for the Venezuelan railway contracts**. This impairment loss led to, inter alia, reductions of roughly €78 million and roughly €152 million in contract work in progress and trade receivables, respectively (for a total of approximately €230 million recognised in profit or loss). The group reclassified the remaining items of about €69 million for contract work in progress and trade receivables of circa €134 million to other non-current assets, net given their deferred recoverability.

The ordinary factors were included in the individual captions, as shown below:

- **property, plant and equipment** decreased from €208 million to €179 million, due to depreciation as well as investments made in Italy and Chile to start up new contracts and disposals, mostly in Russia for contracts that are no longer active;
- the decrease in **equity investments** from €524 million to €391 million should be read alongside the increase in non-current assets held for sale from €70 million to €180 million. The latter includes the reclassification pursuant to IFRS 5 of the carrying amount of the equity investments to be sold in the near future (the Third Bosphorus Bridge and the West Metropolitan Hospital in Santiago, Chile) as well as the derecognition of the carrying amounts of assets sold during the year related to M5 (June), SCMS (February) and Pacific Hydro Chacayes (March), SAT (November). The increase in equity investments is due to the capital injections for the Turkish SPVs for the Ankara Hospital and the Gebze-Orhangazi-Izmir motorway projects as well as those made in Italy for Line 4 of the Milan metro and the undistributed profits net of transfers of reserves;
- **contract work in progress** amounts to €1,704 million (31 December 2016: €1,555 million) thanks to the production ramp-up in Italy (maxi lot 2 of the Quadrilatero Marche-Umbria road system, Line 4 of the Milan metro and the container terminal in the port of Taranto), Poland (motorways works and Line 2 of the Warsaw metro), Russia (the Moscow – St. Petersburg M-11 motorway), Chile (the Arturo Merino Benitez international airport in Santiago and the Chuquicamata mining project). Conversely, contract work in progress decreased for the Muskrat Falls hydroelectric project thanks to achievement of large financial milestones. This caption also includes works still to be invoiced for the motorway extension fee (MEF) for the additional kilometres for the Third Bosphorus Bridge which, for contractual reasons, is collected over the operating period. Compared to the base contract, the MEF is paid over the medium term based on the cash flows generated by the minimum guaranteed amount for the additional kilometres, which allowed extension of the sections without the group having to inject additional capital (this condition is temporary as the group is studying a financial transaction to collect this fee in advance);
- **amounts due from customers** amount to €448 million (31 December 2016: €666 million) as a result of operations tied to production volumes (this includes the full collection of the receivables for amounts invoiced for the Moscow – St. Petersburg M-11 motorway, Russia) and increases due to the consolidation of the operator Veneta Sanitaria Finanza di Progetto and O&M company GE.SAT;
- **progress payments from customers** amount to €521 million (31 December 2016: €493 million) due to collections for new railway lines in Romania and Poland, the second instalment for the Arturo Merino Benitez international airport in Santiago, Chile. The group's entry into new areas (Georgia and Sweden) also contributed to the increase in this caption, confirming the wisdom of the group's new commercial strategy. On the other hand as the normal recovery of the previous advances, items were reimbursed for the Brenner Base Tunnel in Italy, the Muskrat Falls hydroelectric power plant in Canada and the Chuquicamata mining project in Chile;
- **trade payables** increased to €1,057 million (31 December 2016: €935 million) partly due to the extension of the consolidation scope to include the operator Veneta Sanitaria Finanza di Progetto and the O&M company GE.SAT, as well as an increase in this caption for Poland and Chile, only partly offset by the decrease in Algeria.

As a result of the above factors, **operating working capital amounts to €553 million** (31 December 2016: €805 million) and **net invested capital to €1,816 million** (31 December 2016: €1,791 million).

Equity attributable to the owners of the parent amounts to €519 million (31 December 2016: €692 million) and includes the loss for the year, which was clearly affected by variations in the assets related to the Venezuelan contracts and the temporary exchange losses of approximately €106 million recognised in the translation reserve.

Equity attributable to non-controlling interests increased to €31 million (31 December 2016: €6 million) due to consolidation of the operator Veneta Sanitaria Finanza di Progetto, which the Group acquired control of during the year. As a result, **total equity approximates €549 million** (31 December 2016: €698 million).

Analysis of the group's net financial debt

Net financial debt

(thousands of Euro)	31/12/2017	30/09/2017	30/06/2017	31/03/2017	31/12/2016
Cash	576,401	533,558	505,590	417,218	506,470
Securities held for trading	303	249	355	670	848
Cash and cash equivalents A	576,704	533,807	505,445	417,888	507,318
Current loan assets	50,733	46,099	46,244	34,477	25,227
Current portion of financial assets from concession activities	10,194	9,793	9,751		
Current loan assets B	60,927	55,892	55,995	34,477	25,227
Current bank loans and borrowings	(542,522)	(604,654)	(718,145)	(449,905)	(336,408)
Current portion of bonds	(1,584)	(14,864)	(18,112)	(15,980)	(4,294)
Current portion of non-current debt	(268,426)	(213,854)	(185,805)	(171,354)	(152,594)
Other current loans and borrowings	(6,351)	(6,123)	(5,656)	(6,312)	(6,601)
Total current loans and borrowings C	(818,883)	(839,495)	(927,717)	(643,551)	(499,897)
Non-current portion of bank loans and borrowings	(495,228)	(559,178)	(310,734)	(444,209)	(577,006)
Bonds	(879,294)	(879,161)	(878,503)	(874,883)	(874,333)
Other non-current financial liabilities	(16,893)	(17,087)	(18,386)	(19,962)	(20,991)
Total non-current loans and borrowings D	(1,391,415)	(1,455,426)	(1,207,623)	(1,339,054)	(1,472,330)
Total gross debt E=C+D	(2,210,298)	(2,294,920)	(2,135,340)	(1,982,605)	(1,972,227)
Gross non-recourse debt F	(81,425)	(79,919)	(82,732)	(10,416)	(10,839)
Total net financial debt G=A+B+E+F	(1,654,091)	(1,785,140)	(1,656,632)	(1,540,655)	(1,450,521)
Net financial position of discontinued operations	183,763	191,882	186,296	41,271	76,743
Total financial debt I=G+H	(1,470,328)	(1,593,259)	(1,470,336)	(1,499,384)	(1,373,778)
Non-current loan assets	31,503	39,507	39,620	45,299	36,440
Subordinated loans	50,832	41,313	36,902	227,942	240,416
Financial assets from concession activities	120,945	120,176	118,771	6,757	4,390
Non-current loan assets L	203,279	200,997	195,292	279,998	281,246
Total net financial debt M=I+L	(1,267,049)	(1,392,262)	(1,275,043)	(1,219,386)	(1,092,532)
Treasury shares in portfolio	3,079	3,008	3,073	3,801	3,864
Net financial exposure of the group O=M+N	(1,263,970)	(1,389,255)	(1,271,970)	(1,215,585)	(1,088,667)

The group's **financial performance during the year reflects the support given to production activities** in Italy and abroad (North America, Eastern Europe and South America) that also affected working capital, as described earlier. This was particularly true of Turkey for the Third Bosphorus Bridge, which is however temporarily encountering cash flow inefficiencies due to the deferred payment method for receivables related to the motorway extension fee (MEF)¹⁶. This condition is temporary as the group is studying a financial transaction to collect this fee in advance.

Gross debt is incurred on the active contracts and includes the non-recourse debt for the operator of the Ospedale dell'Angelo in Venezia-Mestre, Italy (approximately €74 million).

The about-turn in the fourth quarter of the year, which led to the a decrease of roughly €131 million in total net financial

¹⁶ Reference should be made to the "The group's performance" section ("Analysis of the group's financial position" paragraph) of this report for information on the motorway extension fee for the Third Bosphorus Bridge.

debt (item "G" in the above table) from €1,785 million at 30 September 2017 to €1,654 million at year end, is due to the collection of receivables (e.g., for the high speed/capacity Bologna Central Station, Italy), contractual advances and financial milestones, demonstrating the wisdom of the group's industrial strategy for its commercial repositioning.

The **net financial exposure of the group amounts to €1,264 million** compared to €1,089 million at the end of 2016.

Statement of cash flows

(thousands of Euro)	2017	2016
A) Net cash flows used in operating activities	(220,848)	(101,118)
B) Cash flows generated from/(used in) investing activities	75,981	(116,707)
C) Cash flows generated from financing activities	207,643	120,188
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	62,776	(97,637)
Opening cash and cash equivalents	513,625^(*)	611,263
Closing cash and cash equivalents	576,401	513,625^(*)

^(*) The amount includes cash and cash equivalents referable to disposal groups, equal to €7,155 thousand.

Cash flows for 2017, including the decrease in the bank deposits of disposal groups (€7.1 million), led to an increase of €62.8 million in net cash and cash equivalents compared to a €97.6 million reduction in the previous year.

Net cash flows used in operating activities

Net cash flows used in operating activities of €220.8 million (2016: €101.1 million) were mainly affected by:

- the group's thrust to develop ongoing activities in Poland (motorways and Line 2 of the Warsaw metro) and Italy (Quadrilatero Marche-Umbria maxi lot 2 road system, Infralegrea project, Line 4 of the Milan metro and the Brenner Base Tunnel);
- the slower achievement and collection of some financial milestones for the Saida-Tiaret railway line in Algeria and the Chuquicamata mining project in Chile;
- timing of payments for some contractual items related to the Third Bosphorus Bridge in Turkey (MEF) which have been deferred compared to the average timing for the other items of the same contract¹⁷;
- advances given to suppliers and subcontractors mainly for the ongoing projects in Chile (Arturo Merino Benitez International Airport, Santiago), Turkey (Etlik Integrated Health Campus, Ankara) and Romania (Frontiera-Curtici-Simeria Lots 2A and 2B railway line);
- increase in receivables on the disposal of goods and services mainly related to projects in progress in Europe (Russia, Romania and Poland).

Cash flows generated from/(used in) investing activities

Cash flows generated from investing activities totalled €76 million (cash flows used in investing activities of -€116.7 million in 2016) and are mainly due to:

- the consideration of €115.8 million for the sale of investments (share capital and shareholder loan) in the SPV Pacific Hydro Chacayes (€41.5 million), Metro 5 S.p.A. (€64.5 million) and Sat S.p.A. (€13.7 million), net of the related transaction costs of €4 million;
- payments of -€68.8 million for capital injections and shareholder loans to the SPV Ankara Etlik Hastane A.S. (-€19.2

¹⁷ Reference should be made to the "The group's performance" section ("Analysis of the group's financial position" subsection) of this report for information on the motorway extension fee for the Third Bosphorus Bridge.

million), Ica Ic Ictas Astaldi Kuzey Marmara Otoyolu (-€23.7 million), M4 S.p.A. (-€11.4 million), Sociedad Concesionaria Nuevo Pudahuel S.A. (-€11.5 million) and SCMS (-€3 million);

- investments of -€6.9 million in concession projects in progress in Chile (the "La Punilla" hydroelectric project);
- cash acquired of €67.1 million, net of the total consideration paid, as part of the acquisitions of control of VSFP and Ge. SAT.;
- investments of -€27.4 million in the Construction line of business, mainly in relation to the payment of contractual rights acquired from third parties to perform works for the Infraclegrea project (-€14.4 million).

Cash flows generated from financing activities

Cash flows generated from financing activities during 2017 totalled €207.6 million (€120.2 million in 2016). They are mainly due to the use of committed and uncommitted credit lines, net of the payment of dividends to the owners of the parent (€19.6 million).

Investments

Capital expenditure, net of disposals made during the year, amount to approximately €8 million and mostly refer to ongoing projects in Chile and Italy.

Gross investments in concession contracts made during the year as equity and quasi equity (shareholder loans) approximate €46 million and mainly refer to the projects in Turkey (Etlik Integrated Health Campus in Ankara), Chile (the Arturo Merino Benitez international airport and the West Metropolitan Hospital in Santiago) and Italy (Line 4 of the Milan Metro). Investments in concession contracts at the date of preparation of this report (i.e., equity and quasi equity attributable to Astaldi injected into the related operators of the concessions and the related working capital) thus amount to €780 million. This figure includes €131 million for the Ospedale dell'Aneglo in Venezia-Mestre, Italy and the La Punilla hydroelectric project in Chile as financial assets from concession activities (the investments covered by guaranteed cash flows as provided for by IFRIC 12. At the date of preparation of this report, roughly 32% of the above €780 million (i.e., approximately €249 million) relates to assets classified as held for sale.



RUSSIA - Western High-Speed Diameter di San Pietroburgo.

Order backlog

The **total order backlog is worth more than €24 billion**, thanks to **new orders and contract variations of €3.7 billion for the construction and O&M line of business** for the entire year (this figure does not include the contracts acquired in early 2018 for €534 million and over €6 billion of commercial options and tender awards¹⁸. It comprises **construction contracts for €3 billion and O&M activities for €674 million** (mostly in the hospital sector). The new orders acquired are in line with the group's strategy to reposition its business in geographical and business segments with a lower risk profile than in the past, which will allow the faster conversion of orders into revenue. The **book-to-bill is 1.3x** (2016: 1.6x), which is adequate given the group's programmed growth.

The **total order backlog may be broken down** as follows: (i) **ongoing core orders worth €12.6 billion** (i.e., construction and O&M contracts, whose performance generates revenue for the group without considering options); (ii) **concession orders for €4.9 billion** (which the group recognises as dividends as this revenue is earned by the operators in which Astaldi usually has a non-controlling investment), and (iii) **commercial options and tender awards as well as orders acquired after the reporting date for €6.8 billion**, as described earlier. The year-end balance reflects a **decrease of €2.8 billion due to the elimination of concession contracts as a result of progress made on the asset disposal plan**¹⁹. The group's business development model provides that once the concession projects have been developed (usually during the final stages of construction), the O&M activities (which continue to be performed by the group) are separated and the SPV is subsequently sold (with significantly lower operational risks and, therefore, with a more efficient enhancement of the asset). At year end, this model had already been applied to the Ospedale dell'Angelo in Venezia-Mestre and the four Tuscan hospitals in Italy, the West Metropolitan Hospital in Santiago and the Relaves industrial plant in Chile, as well as to

The **total order backlog includes core activities for over €15.1 billion** (construction and O&M, including options, the "**industrial portfolio**") while the **other €9.2 billion refers to activities related to investments in concession operators** (the "**concessions portfolio**").

In turn, the **industrial portfolio** comprises work in progress of €12.6 billion (including construction work for €10.1 billion and O&M activities for €2.5 billion) and orders acquired after the reporting date worth €2.5 billion, as well as commercial options and tender awards²⁰ for the construction sector.

The **concessions portfolio** includes ongoing projects for €4.9 billion and other concession projects for which the financial closing has not yet taken place and/or finalisation of the tender procedure for €4.3 billion.

¹⁸ Commercial options are usually contracts acquired but for which conditions precedent have to be met (finalisation of financing, approval from various bodies, etc.) and, therefore, they cannot be recognised in the order backlog until the conditions are met.

¹⁹ More information about the asset disposal plan is available in the "Focus on the concessions line of business" section ("Progress on the asset disposal plan – Key events of the year" paragraph) of this report.

²⁰ Commercial options are usually contracts acquired but for which conditions precedent have to be met (finalisation of financing, approval from various bodies, etc.) and, therefore, they cannot be recognised in the order backlog until the conditions are met.

Key new orders of the year²¹

ROMANIA – FRONTIERĂ-CURTICI-SIMERIA RAILWAY LINE (Lots 2A and 2B) (construction) – €776 million (Astaldi's share: 42%), for the rehabilitation of roughly 80 km of the Frontieră-Curtici-Simeria railway section, which is part of the Pan European Corridor IV. The contract also includes the construction of 11 stations, 30 bridges and a tunnel as well as the installation of an ERTMS signalling and telecommunications system. Construction work will take 36 months. The customer is CFR (the Romanian National Railways Company). The works are 75% funded by the EU as part of the POIM programme and 25% by the state.

ROMANIA – FRONTIERĂ-CURTICI-SIMERIA RAILWAY LINE (Lot 3) (construction) – €600 million (Astaldi's share: 49.5%), for the rehabilitation of roughly 40 km of the Frontieră-Curtici-Simeria railway line and specifically, the line between Gurasada and Simeria of the 614 km Radna-Simeria section. The scope of the contract also includes the construction of 17 bridges, electrification, the installation of the ERTMS signalling and telecommunications system, the renovation of eight railway stations and some minor works. Construction work will take three years. The customer is CFR (the Romanian National Railways Company). The works are 75% funded by the EU as part of the POIM programme and 25% by the state.

POLAND – N-7 WARSAW WSCHODNIA OSOBOWA-DOROHUSK RAILWAY LINE (construction) – over €170 million (Astaldi Group's share, as main contractor: 95%), for the upgrading of the N-7 Warsaw Wschodnia Osobowa-Dorohusk railway line. The contract scope includes the demolition, reconstruction and extension of the 68 km-long N-7 railway line (Lot C, from km 107.283 to km 175.850) along with Lublin Station. It also involves the construction of level crossings and new service and access roads with related works. Construction work will take two years. The customer is PKP (Polskie Linie Kolejowe, the state company that manages the Polish railway infrastructure). The works are financed by European funds and the Polish state budget funds.

POLAND – E-59 WARSAW-POZNAŃ RAILWAY LINE (construction) – €82 million, for the reconstruction of track systems for 35 km on the existing line for the section from the border with the Lower Silesia Province to Leszno (Lot IV). It also includes construction of two railway stations (Rawicz and Bojanowo), refurbishment of the line's viaduct system, as well as the construction of two additional viaducts and related works. The works, which will be carried out without interruption of the railway traffic on the line, are expected to take slightly more than two years to complete. The customer is PKP (Polskie Linie Kolejowe, the state company that manages the Polish railway infrastructure). The works are financed by European funds and the state budget.

SWEDEN – GOTHENBURG RAILWAY LINK (Haga Station) (construction) – €241 million (SEK2.3 billion). The ECI (Early Contractor Involvement) contract includes the design and construction of a new underground station of the railway link and a 1.5 km service tunnel. The works will be carried out by Astaldi, as part of a joint venture with Gülemark (Turkey, 40%) and NRC (Sweden, 20%). The customer is Trafikverket, the Swedish transport authority. The works are financed by European funds and the state budget. They are expected to take roughly eight years.

POLAND – WASTE-TO-ENERGY PLANT TO TREAT URBAN WASTE OF THE DGANSK-GDYNIA-SOPOT METROPOLITAN AREA (construction and O&M) – approximately €280 million (PLN1.2 billion), including roughly €110 million for the design and construction (Astaldi's share: 51%) and the other €170 million for the O&M activities over 25 years (Astaldi's share: 10%). The works are expected to take 48 months, of which 12 for design and 36 for construction. The contract was awarded to a consortium including Astaldi (lead contractor, 51%) and Termomeccanica Ecologia (Italy, 49%). An SPV will be set up for the O&M activities by Astaldi (10%), Termomeccanica Ecologia (10%) and Tirù (France, 80%). The customer is Zakład Utylizacyjny Sp. z o.o. in Gdańsk (the municipal waste collection company). The works are financed entirely by the customer using European funds and the state budget.

GEORGIA – E-60 MOTORWAY (ZEMO OSIAURI-CHUMATELETI SECTION, LOT 2) (construction) – over €100 million (GEL300

²¹ Non-exhaustive list which, however, is representative of the orders acquired in which Astaldi has a share greater than €50 million.

million, Astaldi's share: 100%) for the construction of roughly 8 km of the Zemo Osiauri to Chumateleti section of the E-60 motorway, which is part of the corridor linking Tbilisi to the Black Sea. The main works include seven viaducts for roughly 2.25 km, two twin-tube tunnels of 1.5 km and 0.4 km and one single-tube tunnel of 0.5 km. The customer is the Road Department of the Ministry of Regional Development and Infrastructure of Georgia (RDMRDI). The works are funded by the World Development Bank and are expected to take 36 months.

TURKEY – ISTANBUL METRO (MAHMUTBEY-BAHÇEŞEHİR-ESENYURT SECTION) (construction) – LIT3 billion (roughly €753 million) (Astaldi's share: 12%). The contract provides for the construction of an 18.5 km twin-tube tunnel with 11 underground stations and 550 metres of viaducts as well as the electromechanical works. The works will be performed by the Astaldi Group in a joint venture with Makyol (Turkey, 44%) and IC İçtaş (Turkey, 44%). The customer is the Municipality of Istanbul. The works are expected to take roughly three years.

TURKEY – ISTANBUL METRO (TATTA KIRAZLI-HALKALI SECTION) (construction) – €627 million (Astaldi Group's share: 15%), for the carrying out of the civil works and installation of the electromechanical systems for the new section of the Istanbul metro. The contract includes construction of 10 km of twin-tube tunnels, including 7 km using TBMs, nine stations and related works. The works are expected to take 34 months. The customer is the Municipality of Istanbul.

TURKEY – MENEMEN-ALIAĞA-ÇANDARLI MOTORWAY (concession – construction and O&M) – €392 million, including €333 million for just the construction work (Astaldi's share: 33%). The BOT contract includes the construction and operation of 80 km of new motorway sections in the İzmir Province (including 14 junctions, three service areas, seven motorway toll booths, 10 viaducts and 11 bridges) and all the O&M work. The concession term is roughly 10 years, with 36 months for construction and the remaining period for operation. The customer is KGM, the General Directorate of Motorways of Turkey's Ministry of Transport. The return on the investment is based on the forecast minimum turnover guaranteed by the customer of €45 million/year.

CHILE – BARROS LUCO TRUDEAU HOSPITAL IN SANTIAGO DE CHILE (construction) – approximately €270 million (CLP200 billion, Astaldi's share: 100%), for the design and construction of a new healthcare facility in the city centre beside the existing Barros Luco Hospital, which is still being used. The new hospital will have 967 beds and 28 operating rooms in a surface area of 200 thousand square metres, split into two 10-floor buildings (with one underground floor to house the nuclear medicine department). The works will take seven years, with work site start-up once the design activities have been completed. The customer is the Chilean Ministry of Health and the works are financed using state funds.

CHILE – NEW LINARES HOSPITAL (construction) – approximately €140 million (CLP103 billion, Astaldi's share: 100%), for the construction of the New Linares Hospital. The EPC contract includes the design and construction of a new healthcare facility in central Linares in the Maule region. The new facility will have 329 beds and 11 operating rooms in a surface area of 87 thousand square metres in a eight-floor building, including one underground. The plants will be built by NBI (Astaldi Group) and will take just over six years, with construction work starting once the design activities have been completed. The customer is the Chilean Ministry of Health and the works are financed using state funds.

CANADA – TEQ – roughly €110 million (CAD155 million, Astaldi's share), for new contracts, mainly in the civil construction sector in the Montreal area and Quebec, awarded to TEQ (Astaldi Group).

PANAMA – CARRETERA OMAR-TORRIJO (construction) – over €70 million (USD89 million, Astaldi's share), to expand the Omar-Torrijó motorway in Panama. The EPC contract includes the design and performance of the works to expand 7 km of the motorway to four lanes. The works will be performed by Astaldi (main contractor, 60%) with MCM (Panama, 40%). The customer is the MOP (Ministry of Public Works in Panama) and the contract term is roughly 18 months.

ITALY – HIGH SPEED/CAPACITY NAPLES-BARI RAILWAY LINE (NAPLES-CANCELLO SECTION) (construction) – €397 million (Astaldi's share: 40%), for the design and construction of the first section of the high speed/capacity Naples-Bari railway

line. The project, commissioned by Italferr S.p.A. for completion by 2022, covers the first section of 15.5 km of the Naples-Bari line and is of strategic importance to the entire railway line. The works on the line between Naples and Cancelli will lengthen the service tracks to the new Naples-Afragola Station, that Astaldi has already built, which will become a passenger interchange station between regional and high speed services.

ITALY – HVDC ITALY-FRANCE “PIEMONTE-SAVOIA” INTERCONNECTION PROJECT (UPPER AND LOWER SECTIONS) (construction) – €54 million (Astaldi’s share: 100%), for the civil works to build the Italian section of the HVDC (high voltage direct current) interconnection project between Italy and France. The cable system to be built in the Italian section lies between the Piosasco conversion station to the Fréjus tunnel, mainly along the A-32 Turin – Bardonecchia motorway section. Starting from the East Avigliana junction, Astaldi will build the Lower section (26 km) and the Upper section (19 km of planimetric development) lots. The works include digging the trenches and laying the high density polyurethane (PEAD) pipes and underground tunnelling using microtunnelling technology to subsequently lay the systems and all the related works. The works will take place without closing the motorway to traffic and will take two years. The customer is Terna Rete Italia S.p.A., the Italian transmission network operator.

ITALY – OSPEDALE DELL’ANGELO IN VENEZIA-MESTRE (O&M) – roughly €500 million (Astaldi’s share) following the increase in the group’s investment in Veneta Sanitaria Finanza di Progetto (VSFP) from 37% to 60.4% following the acquisition of shares from Mantovani. VSFP is the operator of the Ospedale dell’Angelo built by Astaldi using project financing and under operation since 2008. The acquisition of the additional investment during the year is in line with the group’s strategic plan to apply the development model to the project to enhance the expertise acquired by Astaldi in the integrated management of services to high tech structures and in the O&M sector without having to invest additional capital. The healthcare facility has 680 beds and 1,240 parking spaces in a surface area of 127 thousand square metres (plus another five thousand square metres for the attached Eye Bank. The concession includes assistance with the healthcare and commercial activities and O&M activities (works and plant maintenance, technical and administration services in the radiology and analysis laboratories, energy and heat management, green area management, IT system, waste, electro-medical equipment management and training courses, catering, cleaning, laundry and automated transport management).

ITALY – FOUR TUSCAN HOSPITALS (O&M) – roughly €400 million (Astaldi’s share) following the increase in the group’s investment in GE.SAT (53.85% at the date of preparation of this report) as a result of the acquisition of shares from Techint. GE.SAT is the O&M operator for the four Tuscan hospitals (Ospedale San Jacopo in Pistoia, Ospedale Santo Stefano in Prato, Ospedale San Luca in Lucca and Ospedale delle Apuane in Massa Carrara) built by Astaldi on a concession basis and currently under operation. The acquisition of the additional investment during the year is in line with the group’s strategic plan to apply the development model to the project to enhance the expertise acquired by Astaldi in the O&M sector. The healthcare facilities have 2,019 beds, 49 operating rooms and 4,450 parking spaces in a surface area of over 200 thousand square metres. The concession includes hospital and commercial services and O&M activities.²²

Main acquisitions formalised after the reporting date

ROMANIA – BRAILA BRIDGE (construction) – €435 million (Astaldi’s share: 60%) to build a suspension bridge over the Danube River in the Braila area in Romania. The contract will be included in the new orders for 2018 after it has been awarded. It covers the design and construction of a 1,975 metre suspension bridge with a main span of 1,120 metres and two side spans of 490 and 365 metres. The contract also includes the construction of two viaducts to access the bridge of 110 metres and roughly 23 km of access roads. The design stage will take one year and construction works three years. The customer is CNAIR, the state company owned by the Romanian Ministry of Transport and Infrastructure. The works are included in the country’s transport master plan and are financed using EU funds as part of the POIM programme. Design and construction will be performed as a joint venture between Astaldi (main contractor, 60%) and IHI (Japan, 40%).

²² More information about the asset disposal plan is available in the “Focus on the concessions line of business” section (“Progress on the asset disposal plan – Key events of the year” paragraph) of this report.

USA (FLORIDA) – WEKIWA PARKWAY (construction) – USD108 million (€90 million, Astaldi's share: 100%) to build a section of the Wekiva Parkway in Florida, USA. The contract will be included in the new orders for 2018 after it has been awarded. It covers the construction of 8 km of new highway along the State Road 429-State Road 46 (Wekiva Parkway, Section 7A), including 12 bridges and all related works. The works are scheduled to take just over five years with commencement slated for the first quarter of 2018. The customer is the Florida Department of Transportation (FDOT – District 5, the US government agency charged with developing the transport infrastructure system in the State of Florida). The works will be financed with FDOT funds and performed by ACC (Astaldi Group).

ITALY – BICOCCA-CATENANUOVA RAILWAY LINE (construction) – €186 million (Astaldi's share: 34.226%) to double the track of the Bicocca-Catenanuova railway section, which is part of the Palermo-Catania line in Italy. The contract will be included in the new orders for 2018 after the related agreement was signed in February 2018. It includes the executive design and performance of the works along a section of roughly 38 km. The customer is RFI and the contract term is 54 months, including six months for the design stage.

ITALY – NUOVO OSPEDALE DEL SUD-EST BARESE DI MONOPOLI-FASANO (construction) – €73 million (Astaldi's share: 70%). The construction contract covers all the civil works and systems for the new healthcare facility in Puglia, which will have 299 beds and nine operating rooms in a surface area of 178,000 square metres. The customer is the local health authority of the Bari Province. The works are expected to take roughly three years and the contract will be signed once the tender procedures have been completed, as is normal practice.

ITALY – ACTIVITIES AS PART OF THE PROJECT TO UPGRADE THE GENOA RAILWAY JUNCTION (construction) – €67 million (Astaldi's share: 100%), for the work to complete the Colombo, San Tommaso and Polcevera tunnels as part of the project to upgrade the Genova railway junction. Specifically, this includes completion of the excavation and lining of the Colombo and San Tommaso tunnels in the urban area (Lot 1) and work to extend the Voltri connector in the western part of the city (Polcevera Tunnel, Lot 2) for 5.5 km of new railway tracks mostly underground. The works are expected to take 27 months. The customer is RFI S.p.A. (Ferrovie dello Stato Italiane Group). The contract will be included in the new orders for 2018 once the related agreement has been signed.

Main other options and contracts to be formalised/financed at the date of preparation of this report

VERONA-PADUA HIGH SPEED/CAPACITY RAILWAY LINE (Vicenza-Padua, second and third functional lots) (construction) – The project relates to the contract stages for the design and construction of the high speed/capacity railway line between Verona and Padua (Astaldi's share: 37.49% through IRICAV DUE consortium, the general contractor for the contract). Specifically, the commercial options include the second and third functional lots for the infrastructure while reference should be made to the "Focus on the construction sector" section ("Main ongoing contracts" paragraph) for information about the first functional lot.

CHILE – LA PUNILLA HYDROELECTRIC PROJECT (construction and operation concession) – This includes the design, construction and operation of a multi-purpose hydroelectric power plant with a storage capacity of 625 million cubic metres and installed capacity of 94 MW. The plant will be used to improve the irrigation water storage capacity and the electrical energy generation capacity in the BioBio region and the Sistema Interconectado Central, serving the city of Santiago. Approval of the environmental impact assessment is pending after which the preliminary activities can be started to finalise the project's financing.

Summary tables

Overall order backlog

(million of Euro)	Orders 1 January 2017	New orders of the year ⁽¹⁾	Production of the year	Orders in progress	Options / Awarded tenders at the date of preparation of this report	Total orders
Construction	9,951	2,982	(2,802)	10,131	2,545	12,676
Transport infrastructure	7,740	1,974	(1,705)	8,009	1,829	9,838
Railways and metros	3,716	1,624	(506)	4,834	1,016	5,850
Roads and motorways	3,612	339	(1,078)	2,873	768	3,641
Airports and ports	412	11	(121)	302	45	347
Hydraulic works and energy generation plants	727	159	(458)	428	500	928
Civil construction	835	650	(286)	1,199	216	1,415
Industrial plants	649	199	(353)	495	0	495
O&M	1,866	674	(86)	2,454	0	2,454
Healthcare buildings	1,707	653	(81)	2,280	0	2,280
Industrial plants	159	20	(5)	174	0	174
Industrial portfolio	11,817	3,656	(2,888)	12,585	2,545	15,130
Concessions	7,686	(2,765)	0	4,921	4,271	9,192
Transport infrastructure	6,533	(1,846)	0	4,687	2,431	7,118
Railways and metros	925	(695)	0	230	0	230
Roads and motorways	5,608	(1,151)	0	4,457	688	5,145
Airports and ports	0	0	0	0	1,743	1,743
Healthcare buildings	433	(244)	0	189	0	189
Energy power plants	660	(660)	0	0	1,840	1,840
Industrial plants	60	(15)	0	45	0	45
Total orders	19,503	891	(2,888)	17,506	6,816	24,322

⁽¹⁾ New orders and contract variations, as well as eliminations due to the implementation of the asset disposal plan.

Focus on the construction line of business

This section provides a brief summary of the main construction contracts in place at year end.²³

Italy

NR-106 STATE ROAD JONICA (Lot DG-41)

Customer: ANAS.

Contractor: SIRJO (Astaldi's share: 60%, lead contractor), operating as general contractor.

Amount: approximately €960 million (including approximately €170 million mostly due to the additions recorded during the service conference and due to the design variations) .

The contract includes the construction of mega lot 3 of the NR-106 state road Jonica (also called Lot DG-41/08) using the EPC method for the new section from the intersection with SS-534 (at Sibari) to Roseto Capo Spulico. The section is 38 km with three twin-tube tunnels, 18 viaducts, 10 artificial tunnels and four junctions. In August 2017, CIPE resolution no. 41 of 10 August 2016 authorising the definitive design of the first functional section (Sibari – Trebisacce section) was published in the Italian Official Journal (general series no.178), while on 28 February 2018, CIPE approved the definitive design of the second functional section (Trebisacce – Roseto Capo Spulico section) and noted that the project is fully funded. This approval allows commencement of the executive design for the entire mega lot 3 (first and second function sections) as well as the preliminary activities and construction work.



ITALY - NR-106 state road Jonica (Lot DG-41).

HIGH SPEED/CAPACITY VERONA-PADUA RAILWAY LINE (FIRST FUNCTIONAL LOT VERONA-VICENZA JUNCTION)

Customer: R.F.I. (Ferrovie dello Stato Italiane Group).

Contractor: CONSORZIO IRICAV DUE (Astaldi's share: 37.49%).

²³ The amount shown for each contract is that referring to the stage of completion as per the contract budgets at 31 December 2017, unless indicated otherwise.

Amount: over €900 million for Astaldi, including approximately €160 million for works identified by the Ministry of Infrastructure and Transport and subsequently prescribed by CIPE – signing of the rider expected to take place in the second half of 2018. The contract includes the design (definitive and executive) and construction of the high speed Verona-Vicenza railway line for the entire Verona-Padua section, of which Astaldi has a 37.49% share through the IRICAV DUE consortium (general contractor for the works). This section was included in the order backlog after approval of the 2014 Stability Act (Law no. 147 of 27 December 2013) which included the Verona-Padua section of the high speed/capacity Milan-Venice railway line as those to be completed in construction lots with article 1.76. The entire section is split into three functional lots: the first from Verona to the Vicenza junction, the second which crosses Vicenza and the third from Vicenza to Padua. During its meeting of 22 December 2017, the CIPE approved the definitive design (prepared by IRICAV DUE) for the first functional lot: publication of its resolution in the Official Journal will allow the signing of the rider by the consortium and RFI. As a result, works are slated to begin in the second half of 2018.



ITALY - High speed/capacity Verona-Padua railway line | Render Montebello Station.

LINE 4 OF THE MILAN METRO

Customer: Milan Municipality.

Operator: SPV LINEA M4, a public-private company with the joint venture that won the contract (Astaldi's share: 9.63%) acting as the private partner.

EPC Contractor: CONSORZIO MM4 (Astaldi's share: 32.135%) for the civil works, superstructure and non-system equipment, operating through METRO BLU (Astaldi's share: 50%).

Investment: €1.5 billion (solely for the civil works, the system and non-system equipment and the rolling stock).

Value of EPC contract: €1.1 billion (Astaldi's share: 50%), including the Centro and Tricolore variations.

The EPC contract is tied to the concession for the construction and multi-year operation of the new Line 4 of the Milan metro. The construction contract includes the (definitive and executive) design and construction of all the civil works, including the superstructure, systems and supply of the rolling stock. The new infrastructure will be a light, fully automated metro along the San Cristoforo-Linate Airport line (15.2 km, 21 stations, maximum passenger capacity of 24,000 passengers/hour in both directions). The contract also includes the construction of a depot/workshop in San Cristoforo for the recovery and maintenance of rolling stock. During the year, work continued along the entire section with the commencement of activities at Sforza Policlinico Station. There are currently 50 work sites active along the line. The mechanised tunnelling using the TMBs in the East section from the Sereni shaft to Tricolore Station was completed in stages in early 2018. The contractor is currently studying the early opening of some sections with the customer following delays accumulated in the delivery of areas due to the relocation of underground utilities and archaeological finds. This project is also described in the "Focus on the concessions line of business" section of this report.



ITALY - Line 4 of the Milan metro | Tricolore Station work site.

BRENNER BASE TUNNEL (Lot “Mules 2-3”)

Customer: BBT – BRENNER BASISTUNNEL.

Contractor: BTC – BRENNERO TUNNEL CONSTRUCTION (Astaldi's share: 42.51%).

Amount: roughly €1 billion, including 42.51% for Astaldi.

The contract covers all the underground work of the Italian section of the Brenner Base Tunnel from Mezzaselva to the state border. This tunnel is part of the project to upgrade the Munich-Verona railway line which will become the **longest underground railway line in the world** once completed. Lot “Mules 2-3” includes the excavation of roughly 75 km of tunnels (an exploratory tunnel, two main line tunnels, side tunnels and other access tunnels) using traditional tunnelling methods and three TBMs. At the date of preparation of this report, the traditional tunnelling work was continuing regularly while installation of the systems for use of the TBMs was in full swing.



ITALY - Brenner Base Tunnel | Lot “Mules 2-3” work site.

LINE C OF THE ROME METRO

Customer: ROME METROPOLITANE (Rome Municipality).

Contractor: METRO C (Astaldi's share: 34.5%), which acts as the general contractor.

Contract value: €3.26 billion, including €2.6 billion (Astaldi's share: 34.5%) based on the economic framework in place at the date of preparation of this report.

The contract includes the construction, supply of rolling stock and roll-out of the new metro line (25.4 km, 29 stations) along the Monte Caompati/Patano-Clodio/Mazzini to Rome section. Work is continuing on the functional sections that have not yet been delivered. Specifically, the Monte Compatri/Pantano-Lodi section (18 km, 21 stations) has been delivered to the customer and is operational. On 31 March 2017, the museum exposition was presented to the public for San Giovanni Station, for which completion of its construction was announced on 13 May. At the date of preparation of this report, after completion of all the tests and receipt of all the authorisations for commencement of pre-operations by the customer, the early delivery of the Pantano – San Giovanni third functional phase took place pursuant to article 200 of Presidential decree no. 554/99. Work started for the T3 San Giovanni-Fori Imperiali/Colosseo section (3.6 km, two stations and two ventilation shafts) in March 2013 and is underway. At the date of preparation of this report, the mechanised tunnelling of the Pozzo 3.3 – Amba Aradam subsection was about to start while the infrastructure of Fori Imperiali Station is nearly all in place. In July 2016, the findings of the preliminary criminal investigation performed by the Rome public prosecutor on the works to build Line C of the Rome metro by the SPV METRO C on behalf of Roma Metropolitane were made public. Given the initial stages of the proceeding and considering the assessments made by the group's legal office and external advisors, management does not deem that the group is at risk. In addition, proceedings pursuant to Legislative decree no. 231/01 against the parent have not been commenced.



ITALY - Line C of the Rome metro | San Giovanni Station.

QUADRILATERO MARCHE-UMBRIA ROAD SYSTEM (MAXI LOT 2)

Customer: QUADRILATERO MARCHE UMBRIA.

Contractor: DIRPA 2, general contractor which assigned the construction work to Astaldi.

Amount: approximately €500 million.

The contract covers the upgrading and extension of the Perugia-Ancona section and the Pedemontana delle Marche road. It provides for the construction of the work to upgrade the Perugia-Ancona section on a general contracting basis by building the Fossato di Vico-Cancelli and Albacini-Serra San Quirico sections of the SS76 Val d'Esino state road (sub-lot 1.1), the Pianello-Valfabbrica section of SS-318 state road (sub-lot 1.2) and the relocation of the Pedemontana delle Marche road along the Fabriano-Muccia/Sfercia section (sub-lots 2.1 and 2.2). At the date of preparation of this report, works

on sub-lot 1.1 were continuing (commenced by the previous contractors) and were at a good stage while work is more than 40% complete on the first functional lot of the Fabriano-Matelica Nord section of the Pedemontana (commenced in September 2016 by DIRPA2). With respect to sub-lot 1.1, the variation appraisal no. 5 (VA-5) requested by the customer is under preliminary assessment. It includes, inter alia, postponement of the works completion date to March 2019. CIPE resolution no. 109/2015 was published in the Official Journal for the second functional lot of the Pedemontana delle Marche (Matelica Nord-Castelraimondo Nord section) in May 2016, approving and financing the definitive design. In 2017, MIBACT commenced the preliminary activities (which are still in progress) to check the variations have been implemented in the executive design by the customer. With respect to the third and fourth functional lots of the Pedemontana (Castelraimondo Nord-Castelraimondo Sud and Castelraimondo Sud-Sfercia/Muccia sections), CIPE published its resolution no. 64 of 1 December 2016 in the Official Journal in May 2017. This freed the outstanding financing to complete the works. As a result, DIRPA 2 prepared and sent the definitive designs, which the customer is currently assessing before forwarding them to CIPE.



ITALY - Quadrilatero Marche-Umbria motorway network | Maxi Lot 2.

INFRAFLEGREA PROJECT AND MONTE SANT'ANGELO RAILWAY CONNECTOR

Customer: President of the Campania Region as extraordinary government commissioner as per article 11.18 of Law no. 887/1984.

Contractor: Infralegrea Progetto S.p.A. (Astaldi's share: 51%), which acts as the general contractor.

Amount: over €230 million.

The contract covers a number of activities in the urban areas of the Naples and Pozzuoli municipalities (the Flegrea area). They include construction of the Monte Sant'Angelo railway connector (Soccavo-Mostra d'Oltremare section, with the related stations and interchange junctions), extension and upgrading of the port of Pozzuoli, construction of a multi-storey car park and related works in Pozzuoli, upgrading of the Lungomare Sandro Pertini park and urban road system in the town of Pozzuoli. At present, the financed works in progress relate to the first lot (Soccavo-Monte Sant'Angelo section) and the second lot (Monte Sant'Angelo-Parco San Paolo section). Monte Sant'Angelo Station, designed by the Anglo-Indian artist Anish Kapoor has two mega sculptures at the two entrances. Construction work began again in 2016 after periods of inactivity and it will be completed by 2019 (first and second lots) while Parco S. Paolo Station will be completed in 2022. Specifically, work to complete the line and Monte Sant-Angelo Station is continuing for the railway connector and assembly of one of the two large sculptures has been completed. The work site start-up activities have been finished for Parco San Paolo Station and work will commence shortly.



ITALY –Infralegrea project, Monte Sant'Angelo station | Inauguration of Anish Kapoor's sculpture – Credits: StudioF64.

HIGH SPEED/CAPACITY NAPLES-BARI RAILWAY LINE (NAPLES-CANCELLO SECTION)

Customer: R.F.I. S.p.A. (Ferrovie dello Stato Italiane Group).

Contractor: ATI Astaldi-Salini Impregilo (Astaldi's share: 40%).

Amount: roughly €397 million, including 40% for Astaldi.

The contract covers the design and construction of the first section of the high speed/capacity Naples-Bari railway section and works to connect the new high speed Naples-Afragola Station (also built by Astaldi) to the Naples railway junction. The contract, assigned by Italferr S.p.A. for completion by 2022, includes the first 15.5 km section of the Naples-Bari line and is a strategic part of the overall reorganisation of the entire railway line.

NAPLES METRO LINE 1 (Capodichino Station)

Customer: M.N. Metropolitana di Napoli

Contractor: Capodichino AS.M S.c.r.l. (Astaldi's share: 66.85%).

Amount: approximately €98 million

The contract provides for the civil works, finishings and systems to build Capodichino Station (lot D – “Capodichino Station civil works”). It is part of the concession contract for the design and construction of Line 1 of the Naples metro (Naples service centre – Capodichino central section) signed by MN Metropolitana di Napoli and the Naples Municipality. The works are located in the eastern part of the municipality and include, inter alia, a connection between the management offices (behind the FS Naples train station) with the Naples-Capodichino International Airport.

At the end of 2016, the first rider was signed by the Astaldi-Moccia Irme joint venture and the customer providing for: construction of two entrance shafts for the TBM and elimination from the original contract of the park & ride park at Ca-

podichino Station, without significantly altering the contract consideration. Work commenced in May 2015 and at the date of preparation of this report construction of the station shaft was in progress while work on excavating the station tunnels had started. Once the roof frame and two intermediate platforms had been completed, the third platform was started roughly 28 metres under the roof frame. Work for the two entrance shafts to start tunnelling activities with the TBM was completed at the start of 2018 and were carried out concurrently with the soil consolidation activities at the end of 2017 using jet grouting, as a preliminary step before excavating the station tunnels. Completion of the works is slated for the second half of 2021.



ITALY - Line 1 of the Naples Metro | Capodichino Station.

NAPLES METRO LINE 6 (San Pasquale Station)

Customer: ANSALDO STS.

Contractor: AS.M. (Astaldi's share: 75.91%).

Amount: roughly €70 million, including over €50 million for Astaldi.

The contract includes the civil works and finishings for San Pasquale Station. It is funded by the EU, the Campania Region and the Ministry of Infrastructure and Transport. The project is part of the concession agreement that the Naples Municipality (as customer) has signed with ANSALDO STS (concession operator) for the design, works management and construction of the new Line 6 of the Naples metro (Mergellina – town hall section). When the concession agreement was signed, almost all the work related to the finishings had been completed and the area around the station, Largo Pignatelli, was opened to the public on 24 January 2018.



ITALY - Line 6 of the Naples metro | San Pasquale Station.

Sweden

GOTHENBURG RAILWAY LINK (HAGA STATION)

Customer: Trafikverket.

Contractor: Astaldi-Gulermak-Segermo joint venture (Astaldi's share: 40%).

Amount: over €240 million.

The EPC contract includes the design and construction of a new underground metro station and 1.5 km of access tunnels. The works will be performed by Astaldi (in a joint venture of which it has a 40% share) with Gülemark (Turkey, 40%) and Segermo (Sweden, 20%). The customer is Trafikverket, the Swedish transport authority. The works are financed with EU funds and the state budget and are expected to take roughly eight years.

Poland

LINE 2 OF THE WARSAW METRO (Phase 2)

Customer: Warsaw Municipality.

Contractor: Astaldi.

Amount: just under €210 million.

The contract covers the eastern section of Line 2 of the Warsaw metro, for which Astaldi had already completed the central section between "Rondo Daszynskiego" and "Dworzec Wilenski". It includes construction of roughly 3 km of tunnels, three underground stations and related works along the section from Dworzec Wilenski Station to C-18 Station in the Targówek quarter. Astaldi will use two TBM to bore the tunnels. At the date of preparation of this report, the structures of the three stations and tunnels had been completed with the TBMs while the works for the finishings and plant equipment were still ongoing.



POLAND – Line 2 of Warsaw underground (Phase 2).

S-7 EXPRESSWAY (Naprawa-Skomielną Biała section and Zakopianka tunnel)

Customer: GDDKiA (Polish General Directorate for National Roads and Motorways).

Contractor: Astaldi.

Amount: approximately €165 million.

The contract covers the construction of the Naprawa-Skomielną Biała section of the S-7 Karkow-Rabka Zdrój expressway, including the Zakopianka tunnel, the longest natural road tunnel in Poland. It involves the construction of 3 km of new expressway lanes, including 2 km of twin-tube tunnels, external work, systems and environmental protection works. At the date of preparation of this report, the tunnel opening works had been completed and the boring of the two tunnels on the north side were ongoing, excavation of a tunnel from the south side had started and work to complete the south entrance were in place.



POLAND - S-7 Expressway.

S-5 BRESLAVIA-POZNAN EXPRESSWAY, Korzensko-Widawa section (Lot 3)

Customer: GDDKiA (Polish General Directorate for National Roads and Motorways).

Contractor: Astaldi.

Amount: €115 million.

The contract covers the design and construction of roughly 19 km of dual carriageway expressway and two junctions as well as the extension of an existing junction and related works. The road was opened to the public at the end of December 2017 as scheduled.

Romania

FRONTIERĂ-CURTICI-SIMERIA RAILWAY LINE (Lots 2A and 2B)

Customer: CFR.

Contractor: joint venture in which Astaldi has a 42% interest.

Financed works: €776 million, including roughly €600 million in progress 31 December 2017 (direct share).

The contract covers the rehabilitation of roughly 80 km of the Frontieră-Curtici-Simeria railway line, which is part of the Pan European Corridor IV. The contract also includes the construction of 11 stations, 30 bridges and a tunnel as well as the installation of an ERTMS signalling and telecommunications system. Construction work will take 36 months. The customer is CFR (the Romanian National Railways Company). The works are 75% funded by the EU as part of the POIM programme and 25% by the state.

FRONTIERĂ-CURTICI-SIMERIA RAILWAY LINE (Lot 3)

Customer: CFR.

Contractor: joint venture in which Astaldi has a 49.5% interest.

Financed works: approximately €600 million, including €542 million in progress 31 December 2017 (Astaldi's share: 49.5%).

The contract includes the rehabilitation of roughly 40 km of the Frontieră-Curtici-Simeria railway line and specifically, the line between Gurasada and Simeria of the 614 km Radna-Simeria section. The scope of the contract also includes the construction of 17 bridges, electrification, the installation of the ERTMS signalling and telecommunications system, the renovation of eight railway stations and some minor works. Construction work will take three years. The customer is CFR (the Romanian National Railways Company). The works are 75% funded by the EU as part of the POIM programme and 25% by the state.

LINE 5 OF THE BUCHAREST METRO (PHASE 1 – CIVIL WORKS)

Customer: METROREX (Romanian Ministry of Transport and Infrastructure).

Contractor: JV ASTALDI-FCC-DELTA ACM-AB CONSTRUCT (Astaldi's share as leader: 47.495%).

Amount: €226 million (Astaldi's share: 47.495%).

The contract covers the design and performance of the civil works for the new Line 5 of the Bucharest metro between Drumul Taberei and Pantelimon. At the date of preparation of this report, the joint venture had delivered six stations and more than 4 km of twin-tube tunnels to the customer. The contract is in its final stages with completion slated for the end of 2018.

LINE 5 OF THE BUCHAREST METRO (PHASE 2 – SYSTEMS AND ARCHITECTURAL WORKS)

Customer: METROREX (Romanian Ministry of Transport and Infrastructure).

Contractor: JV ASTALDI-FCC-UTI GROUP-ACTIVE GROUP (Astaldi's share as leader: 38.99%).

Amount: €160 million (Astaldi's share: 38.99%).

The contract covers the final phase of the project to build Line 5 of the Bucharest metro. It includes the architectural works, electromechanical systems and superstructure of the Drumul Taberei-Pantelimon section (Raul Doamnei-Opera section) for which Astaldi is performing the civil works. At the date of preparation of this report, six stations and part of the tunnel systems were nearly finished. Completion of the works is scheduled to take place in stages with the last stage in the first quarter of 2019.



ROMANIA – Line 5 of Bucharest underground.

LINE 4 OF THE BUCHAREST METRO

Customer: METROREX (Romanian Ministry of Transport and Infrastructure).

Contractor: JV ASTALDI-SOMET-TIAB-UTI (Astaldi's share as leader: 40%).

Amount: approximately €160 million (direct and indirect), including €42 million direct share.

The contract involves the design and construction of the structural works and systems for the new Line 4 of the Bucharest metro (Laminorului-Staulesti section) of roughly 2 km, with 1.8 km of tunnels bored using TBMs. The civil works and line work as well as the systems have been substantially completed and the line was opened to the public in April 2017. At the date of preparation of this report, the joint venture was building the depot with a logistics terminal to be completed during the first half of 2018.



ROMANIA – Line 4 of Bucharest underground.

Russia

MOSCOW – ST. PETERSBURG M-11 MOTORWAY

Customer: TWO CAPITALS HIGHWAY.

EPC Contractor: Joint Venture ASTALDI-IC ICTAS (Astaldi's share: 50%).

Amount: over RUB60 billion, including 50% for Astaldi.

The contract covers the design and construction of 140 km of the Moscow – St. Petersburg M-11 motorway. The new section will have a six-lane part and a four-lane part with a speed limit of 150 km/h. During 2017, construction continued on the roadworks from the junction with the M-10 motorway to the KAD junction in St. Petersburg and all the main bridges, which had nearly been completed at the date of preparation of this report.



RUSSIA - M-11 Moscow-St. Petersburg motorway.

Georgia

E-60 MOTORWAY (ZEMO OSIAURI-CHUMATELETI SECTION, LOT 2)

Customer: Road Department of the Ministry of Regional Development and Infrastructure of Georgia (RDMRDI).

Contractor: Astaldi.

Amount: over €100 million (GEL300 million).

The contract covers the construction of roughly 8 km of the Zemo Osiauri e Chumateleti section of the E-60 motorway, which is part of the corridor linking Tbilisi to the Black Sea. The main works include seven viaducts for roughly 2.25 km, two twin-tube tunnels of 1.5 km and 0.4 km and one single-tube tunnel of 0.5 km. The customer is the Road Department of the Ministry of Regional Development and Infrastructure of Georgia (RDMRDI). The works are funded by the World Development Bank and are expected to take 36 months.

Turkey

NORTHERN MARMARA MOTORWAY PROJECT (THIRD BOSPHORUS BRIDGE)

Customer: Turkish Ministry of Transport, which is also the concession grantor.

Operator: joint venture awarded the contract, in which Astaldi has a 20% investment.

EPC Contractor: ICA (Astaldi's share: 33.33%).

Investment: over €3 billion.

Value of EPC contract: over €3 billion (Astaldi's share: 33.33%).

The contract is part of the concession project to build and operate more than 160 km of motorway connections between the cities of Odayeri and Paşaköy and the related works, as well as the Third Bosphorus Bridge, a hybrid bridge (suspend-ed-cable-stayed) in Istanbul. Also known as the Yavuz Sultan Selim Bridge, this bridge connects Europe to Asia and has many world records as it is (i) the only bridge in the world to have road and rail traffic on the same deck; (ii) the widest hybrid bridge in the world with a main deck of 59 metres; (iii) the longest hybrid bridge in the world with a main span of 1.4 km (equal to 14 football pitches in a row), (iv) the bridge with the highest A shaped towers in the world (322 metres, higher than the Eiffel Tower). The bridge and base section have been completed and were opened to the public in August 2016 and are now in operation. Work to build the additional motorway sections is underway (the related contracts were signed subsequently) and the functional phases are slated for completion by 2018. During 2017, the project received the “Best Transport Infrastructure Deal of the year” award as part of the EMEA Finance Project Finance Awards. This project is also commented on in the “Focus on the concessions line of business” section of this report.



TURKEY – Northern Marmara Highway Project.

GEBZE-ORHANGAZI-IZMIR MOTORWAY

Customer: KGM (General Directorate of Motorways of Turkey's Ministry of Transport), which is also the concession grantor.

Operator: OTOYOL (Astaldi Group's share: 18.86%).

EPC Contractor: NOMAYG (Astaldi's share: 17.5%).

Investment: approximately USD7 billion .

Value of EPC contract: over USD5 billion (Astaldi's share: 17.5%).

The project relates to the BOT (Build-Operate-Transfer) contract for the design and construction on a concession basis of more than 400 km of motorway along the Gebze-Orhangazi-Bursa-Izmir section in Turkey. It also includes the building

of the Izmit Bay Bridge, the **fourth longest suspension bridge in the world**. The project is split into separate functional lots: Phase 1 (53 km from Gebze to Orhangazi, including the Izmit Bay Bridge) has been completed and was opened to the public in June 2016, Phase 2-A (25 km from Orhangazi to Bursa) has been completed and has been operational since March 2017 while works to complete Phase 2-B are underway. During 2017, work continued as scheduled. Completion of the project is slated for the second half of 2019. This project is also commented on in the “Focus on the concessions line of business” section of this report.



TURKEY - Gebze-Orhangazi-Izmir motorway.

MENEMEN-ALIAĞA-ÇANDARLI MOTORWAY

Customer: KGM (General Directorate of Motorways of Turkey's Ministry of Transport), which is also the concession grantor.

Operator: ATI awarded the contract (Astaldi Group's share: 33.33%).

EPC Contractor: JV in which Astaldi has a 33% investment.

Investment: €392 million.

Value of EPC contract: €333 million (Astaldi's share: 33%).

The BOT contract includes the construction and operation of 80 km of new motorway sections in the İzmir Province (including 14 junctions, three service areas, seven motorway toll booths, 10 viaducts and 11 bridges) and all the O&M work. The concession term is roughly 10 years, with 36 months for construction and the remaining period for operation. The customer is KGM, the General Directorate of Motorways of Turkey's Ministry of Transport, which is the concession grantor. The return on the investment is based on the forecast minimum turnover guaranteed by the customer of €45 million/year. This project is also commented on in the “Focus on the concessions line of business” section of this report.

ETLIK INTEGRATED HEALTH CAMPUS, ANKARA

Customer: Turkish Ministry of Health, which is also the concession grantor.

Operator: ATI awarded the contract (Astaldi Group's share: 51%).

EPC Contractor: JV ASTALDI-TURKELER (Astaldi's share: 51%).

Investment: approximately €1.1 billion.

Value of EPC contract: approximately €870 million (Astaldi's share: 51%).

The project includes the design, construction and supply of electro-medical equipment and furnishings, as well as the operation of the healthcare facility when it is up and running with 3,577 beds split over eight facilities and a hotel for a total of 1,100,000 square metres. **This project is one of the largest of its kind in Europe.** Construction activities continued during the year. Specifically, the structural works were completed and architectural work continued as did activities for the electromechanical systems. This project is also commented on in the “Focus on the concessions line of business” section of this report.



TURKEY - Etlik Integrated Health Campus, Ankara.

Algeria

SAIDA-TIARET RAILWAY LINE

Customer: Agence Nationale d'Etude et du Suivi de la Réalisation des Investissements Ferroviaires (ANESRIF, Algerian Ministry of Transport).

Contractor: GROUPEMENT ASTALDI-COSIDER TP (Astaldi's share: 60%).

Amount: approximately €330 million (Astaldi's share).

The contract awarded to a joint venture covers the design and construction of 153 km of a single track railway line along the Saida-Tiaret section with 45 railway bridges and viaducts, 35 road overpasses, four main stations and nine switching stations. It also includes installation of the signalling, telecommunications and energy systems. Astaldi is in charge of the executive design and all the railway works from km 105.5 to km 153 (including systems and related works) as well as the railway superstructure and signalling for the entire section. During the year, earthwork activities continued to build the railway platform (completed for the entire section being built by Astaldi) and the superstructure works started. Completion of the works is slated for the first quarter of 2019.



ALGERIA - Saida-Tiaret railway line.

SAIDA-MOULAY SLISSEN RAILWAY LINE

Customer: Agence Nationale d'Etude et du Suivi de la Réalisation des Investissements Ferroviaires (ANESRIF, Algerian Ministry of Transport).

Contractor: Astaldi.

Initial contract amount: over €700 million.

The contract covers the design and construction of 120 km of a new single track line (which can be modified to include a second track) along the section from Saida to Moulay Slissen. It also includes the construction of 19 viaducts, 18 overpasses, 33 underpasses, four passenger stations and one freight terminal as well as signalling, telecommunications and energy systems. The works were rolled out on 1 May 2017 and the inspection procedures will be completed in the first half of 2018.



ALGERIA - Saida-Moulay Slissen railway line.

USA

INTERSTATE-405 IN CALIFORNIA

Customer: OCTA (Orange County Transportation Authority).

Contractor: OC 405 PARTNERS (Astaldi's share: 40%).

Amount: USD1.2 billion, including 40% for Astaldi.

The contract covers the design and upgrading of 26 km of the Interstate 405 between Los Angeles and San Diego. **It is one of the most important projects currently underway in California for the infrastructure sector.** Its complexity is heightened by the need to keep the highway open throughout the duration of the works. At the date of preparation of this report, the design, traffic deviation and relocation of the underground utilities were in progress.



USA - Interstate I-405 to Los Angeles (California) | View from above (render).

Panama

CARRETERA OMAR-TORRIJO

Customer: Ministry of Public Works in Panama.

Contractor: JV ASTALDI-MCM, Astaldi's share: 60%.

Amount: over €70 million (USD89 million, Astaldi's share).

The EPC contract includes the design and performance of the works to expand 7 km of the motorway to four lanes. The works will be performed by Astaldi (main contractor, 60%) with MCM (Panama, 40%). The customer is the MOP (Ministry of Public Works in Panama) and the contract term is roughly 18 months.

Canada

MUSKRAT FALLS HYDROELECTRIC PROJECT

Customer: MUSKRAT FALLS CORP., an SPV controlled by NALCOR ENERGY (the Canadian provincial energy company for the development, transmission and supply of energy in the Province of Newfoundland and Labrador).

Contractor: Astaldi Canada Inc. (100% ASTALDI).

Amount: CAD1.8 billion.

The contract covers the performance of civil works for a hydroelectric power plant (installed capacity of 820 MW) on the Lower Churchill River in the Province of Newfoundland and Labrador. The project initially encountered operational difficulties, which adversely affected the start-up phase. The new rider agreed with the customer (effective from 1 December 2016) increased the contract consideration from the original CAD1.1 billion to CAD1.8 billion. The works completion date was postponed to June 2019. At the date of preparation of this report, works were continuing regularly.



CANADA - Muskrat Falls hydroelectric project.

Chile

ARTURO MERINO BENÍTEZ INTERNATIONAL AIRPORT OF SANTIAGO

Customer: Chilean Ministry of Public Works, which also acts as the concession grantor.

Concession operator: CONSORCIO NUEVO PUDAHUEL (Astaldi Group's share: 15%).

EPC Contractor: JV ASTALDI-VINCI CONSTRUCTION (Astaldi's share: 49.5%).

The EPC contract relates to the concession for the extension and operation of the Arturo Merino Benítez International Airport in Santiago, Chile. The concession includes: (i) modernisation and extension of the existing terminal; (ii) financing, design and building a new passenger terminal with a surface area of 198,000 square metres, giving an increased passenger handling capacity of up to 30 million passengers/year; (ii) operation of all the infrastructure for 20 years (new and existing terminals, car parks and future commercial activities). With respect to the EPC contract, at the date of preparation of this report, the detailed designs were being prepared and the preliminary activities to allow the works to start had been commenced – see the “Focus on the concessions line of business” section.



CHILE - Arturo Merino Benítez International Airport in Santiago de Chile.

CHUQUICAMATA MINE

Customer: CODELCO (Corporación Nacional del Cobre del Chile), Chilean state agency.

Contractor: Astaldi.

Amount: approximately €890 million, with €10 million related to variations approved in early 2018.

The contract is part of the project to transform the Chuquicamata mine, which is the largest open-pit copper mine in the world, into an underground mine. It is split into three lots and provides for the construction of 79 km of tunnels (for access to the future underground mining areas) and 9.2 km of vertical excavations for ventilation shafts. The works' highly technical nature is due to the fact that they will be carried out without shutting down the mine. Work continued in line with the contract schedule during 2017 and is slated for completion in the first quarter of 2020.



CHILE – Chuquicamata mine | Underground expansion.

WEST METROPOLITAN HOSPITAL IN SANTIAGO DE CHILE

Customer: Chilean Ministry of Public Works, which also acts as the concession grantor.

EPC Contractor: Astaldi.

Value of EPC contract: approximately €220 million (Astaldi's share: 100%), including the supply of electro-medical equipment and furnishings.

The EPC contract covers the project under concession to build and operate the West Metropolitan Hospital in Santiago de Chile. The healthcare facility will have 523 beds and a surface area of 130,000 square metres. At the date of preparation of this report, the percentage of completion of the construction work was 70%, in line with the contract obligations. During the first half of 2017, the group signed an agreement with Meridiam Latam Holding, an infrastructure fund, for the latter's acquisition of an investment in the operator. As a result, the group sold 49% of its investment in SCMS while it retained full title to the construction activities (to be completed by 2018) and the right to the multi-year O&M management contract (to be performed via the wholly-owned subsidiary Sociedad Austral Mantenciones y Operaciones S.p.A.. Reference should be made to the "Focus on the concessions line of business" section for more information.



CHILE - West Metropolitan Hospital in Santiago.

ESO ELT (EXTREMELY LARGE TELESCOPE) OBSERVATORY

Customer: ESO (*European Southern Observatory*).

Contractor: CONSORZIO ACE (Astaldi's share: 60%).

Amount: €400 million.

This contract will lead to the construction of the **largest optical telescope in the world** in the central section of the Atacama Desert 3,000 metres above sea level, the most important project undertaken to date by the ESO (European Southern Observatory). The contract includes the design and construction of the telescope's two main structures (the dome and main structure). Once built, the telescope will be able to focus at 100,000,000 times the human eye and, thanks to a main mirror with a 39.3 metre diameter, will collect more light than all the biggest telescopes with main mirrors of between 8 and 10 metre diameters currently existing on the planet. In May 2017, the official ceremony to lay the first stone took place with the subsequent start-up of work site activities. Design activities are also in progress. The works are slated for completion in the second quarter of 2023.



CHILE - ELT on Cerro Armazones | Render – Credits: ESO/L. Calçada/ACe Consortium.

BARROS LUCO TRUDEAU HOSPITAL IN SANTIAGO DE CHILE

Customer: Chilean Ministry of Health.

Contractor: Astaldi.

Amount: approximately €270 million.

The contract covers the design and construction of a new healthcare facility in the city centre beside the existing Barros Luco Hospital, which is still being used. The new hospital will have 967 beds and 28 operating rooms in a surface area of 200 thousand square metres, split into two 10-floor buildings (with one underground floor to house the nuclear medicine department). The works will take seven years, with work site start-up once the design activities have been completed. The customer is the Chilean Ministry of Health and the works are financed using state funds.



CHILE - Barros Luco Trudeau Hospital in Santiago de Chile | Render.

NEW LINARES HOSPITAL

Customer: Chilean Ministry of Health.

Contractor: Astaldi.

Amount: approximately €140 million.

The EPC contract includes the design and construction of a new healthcare facility in central Linares in the Maule region. The new facility will have 329 beds and 11 operating rooms in a surface area of 87,000 square metres in a seven-floor building, including one underground. The works will be built by NBI (an Astaldi Group company specialised in plant engineering) and will take just over six years, with design activities starting in 2017. The customer is the Chilean Ministry of Health and the works are financed using state funds.

Indonesia

UPPER CISOKAN PUMPED STORAGE POWER PLANT (PACKAGE 1, LOT 1A AND LOT 1B)

Customer: PT PLN (PERSERO).

Contractor: DAELIM-ASTALDI-WIKA JV (Astaldi's share: 30%).

Amount: €231 million (Astaldi's share: over €69 million).

The Upper Cisokan Pumped Storage Power Plant is the first hydroelectric power plant with a repacking station to generate electrical energy in Indonesia, with capacity of 1.040 MW. It will be plugged into the electrical distribution grid of the Java-Bali line. The project's objective is to significantly increase the peaking capacity of the Java-Bali transmission line using sustainable energy sources and maintaining a modest environmental and social impact. The customer is PLN, the state-owned electricity company, which has responsibility for planning, developing and managing the hydroelectric project, split into five lots, two of which (Lots 1A and 1B) have been assigned to Astaldi in a joint venture with Daelim and Wika. Specifically, the joint venture's activities include the works of Lot 1A (upper and lower dams), the civil works for two RCC reservoirs (900,000 cubic metres) and the works of Lot 1B (waterways, power house, switchyard and building works) to build the two forced pipeline systems and related civil works, excavate the power house, the transformer house and perform the civil works to return the water to the river. As the customer did not deliver the access roads to the site, the joint venture was unable to start work. The parties have engaged in negotiations to resolve the situation but despite the signing of a memorandum of negotiation in December 2016, it has not been possible to come to an agreement. Given the delays in starting the project, the World Development Bank withdrew the financing in May 2017. The customer subsequently informed the contractor that it intended to finance the project itself and to contract building the access roads to a third party. In November 2017, the contractor was notified that the works had been suspended. At the date of preparation of this report, no work certifications had been issued and the joint venture has solely collected the contract advance equal to 10% of the contract consideration in 2015.



ITALY – Naples-Afragola HS/HC railway station.

Focus on O&M activities

The group has decided to leverage this line of business to strengthen its foothold in the sector of integrated management of services for high tech infrastructure. As well as being complementary to the group's core business, the O&M line of business generates stable revenue over time with positive profitability and low deployment of working capital. The Astaldi Group is particularly interested in the hospital segment, where it has already honed its skills significantly thanks to its prior experience gained in the concessions line of business. It has already identified interesting opportunities for multi-year contracts for a variety of services (hard maintenance and heat/energy management, healthcare technology – electro-medical services, related services, commercial and hotel services, etc.).

At 31 December 2017, O&M projects in which the group is involved (mostly through dedicated O&M companies) are based in Italy and abroad (Chile and Turkey) in the following sectors:

- healthcare buildings in Italy, Chile and Turkey – seven hospitals for more than 6,700 beds;
- mining infrastructure in Chile – one recovery system for 3,200 t/y of copper.

At the year end, the related order backlog is worth €2.5 billion and the contracts are tied to the group's concession activities to which the group has already applied a development model in line with its new capital light strategy²⁴, i.e., the four Tuscan hospitals and the Ospedale dell'Angelo in Venezia-Mestre, Italy, the West Metropolitan Hospital in Santiago and the Relaves mining system in Chile and the Etlik Integrated Health Campus in Ankara, Turkey. The term of the O&M contracts varies from 15 to 24 years. At the date of preparation of this report, the contracts for the Ospedale dell'Angelo, the four Tuscan hospitals and the Relaves plant in Chile were all operational, while the preparation activities for the West Metropolitan Hospital in Santiago and the Etlik Integrated Health Campus in Ankara, currently under construction, are being performed. Reference should be made to the "Focus on the construction line of business" and "Focus on the concessions line of business" sections of this report for more information.

²⁴ More information about the capital light model is available in the "Positioning" section of this report.



ITALY – New hospital in Venice-Mestre (Ospedale dell'Angelo).

Focus on the concessions line of business

In 2017, projects undertaken by the group (mostly through Astaldi Concessioni) took place in Italy, Turkey and Chile in the following sectors:

- healthcare buildings – seven hospitals for a total of more than 6,700 beds and more than 21,500 parking spaces;
- transport infrastructure (metros, motorways and airports) – 572 km of motorways, roughly 28 km of metro lines, one airport with technical transportation capacity of 30 million passengers/year;
- mining infrastructure – one recovery system with capacity of 3,200 tonnes/year of copper from mining sludge.

The Astaldi Group has rolled out an asset disposal plan for the gradual divestment of some of its current concession projects, usually after the construction stage. Sales decisions are based on development models designed to provide the group with a larger share of the construction part of contracts and a smaller investment in the operator's capital, for the concurrent enhancement of its skills gained in the O&M sector applied to the hospital sector. The group's aim is to grow in the markets where it is already present (and, hence, also in the concessions sector) with, however, smaller financial outlays compared to the past.

Status of the asset disposal plan – Key events of the year

- In February 2017, the group finalised an agreement to allow Meridiam Latam Holding to acquire an investment in Sociedad Concesionaria Metropolitana de Salud (SCMS), the operator of the West Metropolitan Hospital in Santiago de Chile. Meridiam Latam Holding is an infrastructure fund specialised in, inter alia, the management of transportation and hospital infrastructure. As a result of this agreement, Astaldi sold 49% of its investment in the operator although it kept full title to the construction activities (to be completed by 2018) and the right to the O&M management contract of the wholly-owned subsidiary Sociedad Austral Mantenciones y Operaciones S.p.A. The financial effects of the sale led to deconsolidation of non-recourse debt of €100 million of the operator and collection of €10 million for the equity investment, in line with its carrying amount in December 2016 after recognition of the asset as held for sale.
- In March 2017, Astaldi sold its investment in the company that owned the Chacayes hydroelectric power plant (27.3%) to Pacific Hydro Chile, which already owned the other 72.7% and is the Chilean subsidiary of the Chinese group SPIC Overseas. The consideration paid for the equity investment, which included the subordinated loan, was USD44 million and the transaction was executed in March.
- In April 2017, after its first year of operations, the SPVs for the concession to build the Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir motorway collected the final balance of the guaranteed revenue from operation of the two Turkish assets. This completed the financial cycle of the two concessions, creating the conditions for the subsequent completion of the sales process for the related assets. In May 2017, ICA İç İċtař Astaldi Üçüncü Boğaz Köprüsü ve Kuzey Marmara Otoyolu Yatırım ve İşletme Anonim Şirketi (the operator of the Third Bosphorus Bridge) engaged leading inter-

national merchant banks to proceed with the sale. Given the great interest shown by the market and the timing of the sale as assessed by the advisors, it is expected that the transaction will be finalised around the end of June 2018. The construction work for the Third Bosphorus Bridge is nearly complete (in line with the group's strategy for development of activities under concession to increase the EPC component of its portfolio). The Turkish partner will have direct responsibility for operation of the asset while Astaldi is not interested in taking on commitments in this respect. This led the partner to convert part of its shareholder loan into equity while Astaldi preferred to maintain its investment in line with that of previous years, given the assumed sale of the related asset. The sale transaction will cover both Astaldi's investment and the shareholder loan; therefore, changes in its investment do not affect Astaldi.

- In June 2017, the agreement signed in December 2016 with Ferrovie dello Stato Italiane for Astaldi's sale of its investment in M5 S.p.A., the operator of Line 5 of the Milan metro, was executed. Astaldi sold 36.7% of its investment (share capital and shareholder loan) for €64.5 million while retaining a 2% interest to guarantee its technical and operating skills for the project should the current section be extended.
- The group increased its investment in Veneta Sanitaria Finanza di Progetto S.p.A. (VSFP) from 37% to 60.4% following the acquisition of shares from Mantovani. VSFP is the operator of the Ospedale dell'Angelo built by Astaldi using project financing and under operation since 2008. The acquisition of the additional investment during the year is in line with the group's strategic plan to apply the development model to the project to enhance the expertise acquired by Astaldi in the integrated management of services to high tech structures and in the O&M sector without having to invest additional capital. The healthcare facility has 680 beds and 1,240 parking spaces in a surface area of 127,000 thousand square metres (plus another five thousand square metres for the attached Eye Bank). The concession includes assistance with the healthcare and commercial activities and O&M activities (radiology and analysis laboratories, energy and heat management, green area management, IT system, waste, maintenance, equipment supply and personnel training courses, catering, cleaning and internal transport).
- The group finalised the sale of most of its investment in SAT (operator of the four Tuscan hospitals in Italy, in which it had a 5% stake at the date of preparation of this report) to an investment fund and concurrently acquired a majority interest in GE.SAT (the project's O&M company, in which it now has an investment of 53.85%). This allows it to maintain direct management of the project's O&M activities.

A brief description of the concession projects in place at the date of preparation of this report is given below. Reference should be made to the "Focus on the construction line of business" section of this report for the related construction contracts.

Projects under operation

VENETA SANITARIA FINANZA DI PROGETTO | Italy

Infrastructure: Ospedale dell'Angelo in Venezia-Mestre.

Project status: Under operation.

Indicators. 680 beds, 1,240 parking spaces.

Grantor: Azienda U.L.S.S. 12 Veneziana.

Operator: Veneta Sanitaria Finanza di Project (Astaldi Group's share: 60.4% after the 2017 transaction).

Astaldi built the infrastructure which has been operational since 2008. It has 680 beds and 1,240 parking spaces in a surface area of 127,000 square metres (plus another 5,000 square metres for the attached Eye Bank). The concession, which includes the construction work and the multi-year operation of the entire facility, comprises hospital and commercial services. During 2017, the operation activities continued regularly and in full compliance with the related concession contract. The appeal hearing ruling on the parties' appeal against the award handed down in 2015 is still pending. The award provided for the application of the provisions of Legislative decree no. 95/2012 (the spending review) to the con-

cession. At the date of preparation of this report, the group had acquired 23.4% of the SPV from the shareholder Impresa di Costruzioni ing. Mantovani as part of its strategic plan to increase its investment to 60.4% (from 37%). This acquisition is part of a bigger transaction to subsequently sell the majority investment to an institutional investor while keeping the O&M activities, to be transferred to an operating subsidiary.



ITALY – New hospital in Venice-Mestre (Ospedale dell'Angelo).

SAT | Italy

Infrastrutture: Four Tuscan hospitals – Ospedale San Luca di Lucca, Ospedale San Jacopo di Pistoia, Ospedale Santo Stefano di Prato, Ospedale delle Apuane di Massa-Carrara.

Project status: Under operation.

Indicators: 2,019 beds, 4,450 parking spaces, 180,000 square metres of surface area.

Grantor: competent USL (local health offices).

Operator: SAT. (Astaldi Group's share: 5% after the transaction described below).

The concession covers the project financing initiative for the construction and subsequent operation of four new hospitals in Tuscany (Ospedale San Luca di Lucca, Ospedale San Jacopo di Pistoia, Ospedale Santo Stefano di Prato, Ospedale delle Apuane di Massa-Carrara), now all under operation. The buildings were constructed by Astaldi as a joint venture in a surface area of more than 180,000 square metres for a total of 2,019 beds, 49 operating rooms and 4,450 parking spaces. The concession term is 25 years and eight months (ending on 31 July 2033) and includes a period for the operation of the non-healthcare services (roughly 20 years) starting from when each hospital becomes operational. During 2017, operation activities continued at full spate in accordance with the existing agreements with the Tuscany Centre and Tuscany North West health offices. At the date of preparation of this report and in line with the guidelines of its strategic plan, the group finalised the sale of most of its investment in SAT (the operator) while concurrently acquiring a majority stake in the operating company GE.SAT (O&M company) which gives Astaldi Concessioni control of the company and the possibility to directly manage the O&M activities and, therefore, generate stable revenue flows and profits. Reference should be made to the "Status of the asset disposal plan – Key events of the year" section for information about the disposal activities provided for in this plan.



ITALY – New hospital in Massa Carrara (Ospedale delle Apuane) | Credits: Videoproduction.

M5 | Italy

Infrastructure: Line 5 of the Milan metro (Stazione Garibaldi – Bignami and Garibaldi – San Siro sections).

Project status: Under operation.

Financial indicators: 13 km of metro line, 19 stations, maximum transportation capacity of 26,000 passengers/hour in either direction.

Grantor: Milan Municipality.

Operator: M5 S.p.A. (Astaldi Group's share: 2% at the date of this report).

The works were performed by Astaldi and the metro line is currently under operation. The concession contract included the design (executive and final), construction and subsequent multi-year operation of the public transportation service on the new line between Stazione Garibaldi and Stazione Bignami (Phase 1: 6 km, nine stations) and the Garibaldi – San Siro extension (Phase 2: 7.1 km, 10 stations). In June 2017 and in line with the agreements signed in December 2016, Astaldi sold most of its investment in the SPV (36.7%) to Ferrovie dello Stato Group, while retaining a 2% interest to guarantee its technical and operating skills for the project should the current section be extended.

CONSORCIO NUEVO PUDAHUEL | Chile

Infrastructure: Arturo Merino Benítez International Airport of Santiago (Chile).

Project status: Phase 1 (existing terminal) – Under operation. Phase 2 (new terminal) – Under construction.

Financial indicators: transportation capacity of 30,000,000 passengers/year.

Grantor: Chilean Ministry of Public Works.

Operator: CONSORCIO NUEVO PUDAHUEL (Astaldi Group's share: 15%).

The investment relates to the concession to extend and operate the Arturo Merino Benítez International Airport in Santiago de Chile. The concession includes: (i) modernisation and extension of the existing terminal; (ii) financing, design and building a new passenger terminal with a surface area of 198,000 square metres, giving an increased passenger handling capacity of up to 30,000,000 passengers/year; (iii) operation of all the infrastructure for 20 years (new and existing terminals, car parks and future commercial activities). The concession and operating activities commenced on 1 October 2015

when the joint venture that was awarded the contract took over from the previous operator of the existing structures (Phase 1). During 2017, the existing terminal handled 21 million passengers, which was above expectations. The operator Consorcio Nuevo Pudahuel is owned by Astaldi (15%, held via Astaldi Concessioni), the French company Aéroport de Paris (45%) and Vinci Airports (40%). Construction work for Phase 2 (the new terminal) has started and reference should be made to the “Focus on the construction line of business” section of this report for more information.



CHILE - Arturo Merino Benítez international airport in Santiago de Chile.

VALLE ACONCAGUA | Chile

Infrastructure: Relaves plant.

Project status: Under operation.

Grantor: CODELCO.

Operator: Valle Aconcagua S.A. (Astaldi Group's share: 81.93%).

The investment refers to the concession contract for the design, construction and subsequent operation of a system to recover minerals by treating sludge produced by the Chuquicamata mine owned by CODELCO, the Chilean state company and the leading copper producer in the world. The system was built by Astaldi and has been operational since the second half of 2013. It has a recovery capacity of roughly 2,200 tonnes/year of copper, which CODELCO is already committed to purchasing at set conditions. At the date of preparation of this report, via the subsidiary Valle Aconcagua, the group had commenced arbitration proceedings against CODELCO for its non-compliance with certain qualitative parameters for the raw material to be processed. After the first stage of the arbitration, the parties are negotiating an out-of-court settlement as provided for by the arbitration regulation. The related award should be published in 2018.

OTOYOL | Turkey

Infrastructure: Gebze-Orhangazi-Izmir motorway (including the Izmit Bay Bridge).

Project status: Phase 1 and Phase 2-A – Under operation. Phase 2-B – Under construction.

Financial indicators: more than 400 km of motorway, including a bridge over Izmit Bay.

Customer: KGM (General Directorate of Motorways of Turkey's Ministry of Transport).

Operator: OTOYOL (Astaldi Group's share: 18.86%).

Investment: approximately USD7 billion.

Value of EPC contract: over USD5 billion (Astaldi's share: 17.5%).

The investment refers to the design and construction under concession of a new motorway section in Turkey along the Gebze-Orhangazi-Izmir section for more than 400 km. The concession term is 22 years and four months, including a maximum of seven years for construction and roughly 19 years for operation of the Gebze-Orhangazi section (Phase 1, including the Izmit Bay Bridge, the fourth longest suspension bridge in the world, and Phase 2-A). During the first half of 2017, Phase 2A (to Bursa) was completed and roughly 25 km were opened to the public, in addition to the section opened in 2016. Therefore, the operating section, including Phase 1, is roughly 20% of the entire section. At the date of preparation of this report, the bridge alone has about 23,600 users a day while the daily average of equivalent vehicles that have used the entire section (including the bridge) is approximately 36,700, with a daily peak of 53,300 equivalent users on the bridge in September 2017. In April 2017, after the first period of operation, the SPV for the Gebze-Orhangazi-Izmir motorway collected the final balance of the guaranteed revenue for its operation. As provided for contractually, the minimum guaranteed amount was calculated using the base rate of contracts in US dollars (indexed to US inflation) and the guaranteed number of daily equivalent vehicles considering the kilometres of motorway available. The total minimum guaranteed amount for 2016 is TRY844 million for Phase 1 and Phase 2A of the Gebze-Orhangazi-Izmir motorway, equal to roughly €228 million using the exchange rate of 30 December 2016 (source: Turkish central bank, Türkiye Cumhuriyet Merkez Bankası). This amount covers the period from July to December 2016. Collection of this amount completes the financial process of the motorway concession and means that this important project is now fully operational. The section Phase 2-B (from Bursa to Izmir) is now under construction. Reference should be made to the “Focus on the construction line of business” section of this report for more information.



TURKEY - Gebze-Orhangazi-Izmir motorway | Izmit Bay bridge.

ICA IC ICTAS ASTALDI | Turkey

Infrastructure: Third Bosphorus Bridge and the Northern Marmara Highway.

Project status: Phase 1 (Bridge and base section) – under operation. Phase 2 (additional works) – under construction.

Financial indicators: more than 160 km of motorway, including a bridge across Bosphorus River.

Customer: KGM (General Directorate of Motorways of Turkey's Ministry of Transport).

Operator: ICA IC ICTAS ASTALDI (Astaldi Group's share: 20%).

Investment: over €3 billion.

Value of EPC contract: over €3 billion (Astaldi's share: 33.33%).

The investment refers to the concession contract for the construction and subsequent operation of a section of more than 160 km of motorway from the city of Odayeri to Paşaköy, as well as a hybrid bridge with a main span of 1,408 metres between the quarters of Poyrazköy and Garipçe in Istanbul to link Europe to Asia. This bridge has many engineering world records as it is the longest and widest hybrid bridge in the world, with A shaped towers that are higher than the Eiffel Tower. The concession term is 10 years, two months and 20 days, of which 30 months for the design and construction activities and the remainder for operation and maintenance. The concession period was extended by roughly two years and five months after variations requested by the customer. In the second half of 2017, the daily average of equivalent vehicles using the bridge approximated 43,000. The daily average of equivalent vehicles using just the motorway section in the same period was roughly 41,400, considering the guaranteed revenue per kilometre. In July 2017, another 12 km were opened to the public, increasing the project's percentage of completion to over 90%. The last part of the motorway should be operational in 2018. In addition, in April 2017, after the first period of operation, the SPV for the Third Bosphorus Bridge collected the final balance of the guaranteed revenue for the asset's operation. As provided for contractually, the minimum guaranteed amount was calculated using the base rate of contracts in US dollars (indexed to US inflation) and the guaranteed number of daily equivalent vehicles considering the kilometres of motorway available. The total minimum guaranteed amount for 2016 is TRY672 million for the Third Bosphorus Bridge, equal to roughly €181 million using the exchange rate of 30 December 2016 (source: Turkish central bank, Türkiye Cumhuriyet Merkez Bankası). This amount covers the period from September to December 2016. Collection of this amount completes the financial process of the motorway concession and means that this important project is now fully operational. Reference should be made to the "Focus on the construction line of business" section of this report for more information.



TURKEY - Northern Marmara Highway Project | Third Bosphorus Bridge.

Projects under construction

SPV LINEA M4 | Italy

Infrastructure: Line 4 of the Milan metro.

Project status: Under construction.

Financial indicators: 15.2 km of metro line, 21 stations, maximum transportation capacity of 24,000 passengers/hour in either direction.

Grantor: Milan Municipality.

Operator: SPV Linea M4 S.p.A. (Astaldi Group's share: 9.63%).

Investment: €1.5 billion (for just the civil works, the system and non-system equipment and rolling stock).

Value of EPC contract: €1.1 billion (Astaldi's share: 50%), including the Centro and Tricolore variations.

The investment refers to the construction and subsequent operation of the new Line 4 of the Milan metro to be built as a P3. The infrastructure will be light, fully automated, driverless metro train with station doors and a CBTC (communication based train control) signalling system. The concession includes the design, construction and multi-year operation of the public transport service for the entire line from San Cristoforo to Linate Airport for a total of 15.2 km and 21 stations for a maximum transportation capacity of 24,000 passengers/hour in both directions. The concession also comprises the construction of a depot/workshop in San Cristoforo for the recovery and maintenance of rolling stock (47 vehicles). The project is currently at the construction stage and, at the date of preparation of this report, the activities for the civil works were at an advanced stage of execution for the Expo section and the Sereni base, while boring activities using the TBM for the line tunnels on the East section had recommenced. More information about the construction work is available in the "Focus on the construction line of business" section of this report.



ITALY – Line 4 of Milan underground | Dateo station construction site.

ANKARA ETLIK HASTANESI | Turkey

Infrastructure: Etlik Integrated Health Campus, Ankara.

Project status: Under construction.

Financial indicators: more than 3,577 beds.

Grantor: Turkish Ministry of Health.

Operator: ANKARA ETLIK HASTANESI A.S. (Astaldi Group: 51%).

Investment: approximately €1.1 billion.

Value of EPC contract: approximately €870 million (Astaldi's share: 51%).

The project includes the construction of a healthcare facility that will be one of the largest in Europe with 3,577 beds on a surface area of 1,100,000 square metres. The concession term is 27 years and six months, including three and a half

years for the design and construction activities and the other 24 years for operation of the non-health hospital services (cleaning, internal catering, waste collection, laundry, disinfection, security, patient care, help desk, civil works maintenance, IT services and green areas) as well as clinical services (laboratories, imaging, sterilisation, rehabilitation) and commercial services (cafe, public services, car parks). Construction has started and, at the date of preparation of this report, the preliminary activities before the operation period were taking place. Ankara Etlik Hastane İşletme Ve Bakım A.Ş. (the O&M company owned by Astaldi and Turkeler with the same percentages as for the operator) will provide all the 19 services provided for in the concession contract throughout its term. They include maintenance (civil works, systems, medical equipment, etc.), health support services (healthcare IT system, laboratory, imaging, sterilisation, rehabilitation) and hotel services (catering, cleaning, laundry, waste collection, security, disinfection, etc.). More information about the construction work is available in the “Focus on the construction line of business” section of this report.

SOCIEDAD CONCESIONARIA METROPOLITANA DE SALUD | Chile

Infrastructure: West Metropolitan Hospital in Santiago de Chile.

Project status: Under construction.

Financial indicators: 523 beds, 600 parking spaces.

Grantor: Chilean Ministry of Public Works.

Operator: Sociedad Concesionaria Metropolitana de Salud s.a. (Astaldi's share: 51% at the date of preparation of this report).

Value of the EPC contract: approximately €220 million (Astaldi's share: 100%), including the supply of electro-medical equipment and furnishings.



CHILE - West Metropolitan Hospital in Santiago de Chile.

Sociedad Concesionaria Metropolitana de Salud (SCMS) is the operator for this concession contract involving the design, financing, construction and management of commercial and non-health services at the West Metropolitan Hospital in Santiago de Chile (also called the Hospital Clinico Felix Bulnes). The contract also includes the supply and maintenance of the electro-medical equipment and furnishings. The new facility will have ten floors (plus a heliport), 523 beds, 600 parking spaces and a surface area of 130,000 square metres. The concession term is 20 years with 52 months for construction and 15 years for operation. At the date of preparation of this report, construction activities were in progress in line with the contract commitments. More information about the construction work is available in the “Focus on the construction line of business” section of this report. In March 2017, Astaldi entered into a strategic partnership with the infrastructure fund MERIDIAM LATAM HOLDING for the latter's entry into SCMS shareholder structure. At the date of preparation of this

report, Astaldi had a 51% investment in SCMS. This allows it to still be actively involved in the project with the construction contract and the O&M contract. It has set up the SPV Sociedad Austral de Mantenciones y Operaciones SPA (Astaldi Concessioni Cile: 75%, NBI Cile: 25%) for the O&M activities. More information about the construction work is available in the “Focus on the construction line of business” section of this report.

MENEMEN-ÇANDARLI | Turkey

Infrastructure: Menemen – Aliğa – Çandarlı motorway.

Project status: in construction.

Customer: KGM (General Directorate of Motorways of Turkey's Ministry of Transport).

Operator: Astaldi (33%), Ic İctas (34%), Kalyon (33%).

In February 2017, the Astaldi Group was awarded the concession as part of a joint venture to build and operate the Menemen–Aliğa–Çandarlı motorway for a total investment of €392 million, including €333 million for just the construction activities (Astaldi's share: 33%). The BOT contract includes the construction and operation of 80 km of new motorway sections in the İzmir Province (including 14 junctions, three service areas, seven motorway toll booths, 10 viaducts and 11 bridges) and all the O&M work. The concession term is roughly 10 years, with 36 months for construction and the remaining period for operation. The customer is KGM, the General Directorate of Motorways of Turkey's Ministry of Transport, which is the concession grantor. The return on the investment is based on the forecast minimum turnover guaranteed by the customer of €45 million/year. Works started in April after the concession contract was signed. At the date of preparation of this report, the work site activities were in progress along with the earthworks and civil works. The related financing should be finalised in the first half of 2018.

Main financing projects

SCAP | Chile

Infrastructure: Punilla multi-purpose dam.

Project status: to be financed – designs in progress.

Grantor: Chilean Ministry of Public Works (MOP).

Operator: Astaldi.

The project refers to the design, construction and operation of a multi-purpose hydroelectric power plant with a storage capacity of 625 million cubic metres and installed capacity of 94 MW. The plant will be used to improve the irrigation water storage capacity and the electrical energy generation capacity in the Bío Bío region and the Sistema Interconectado Central serving the city of Santiago. Approval of the environmental impact assessment is pending after which the preliminary activities can be started to finalise the project's financing. The concession term is 45 years with a maximum 10-year period for the construction activities (to start once the concession agreement was signed – June 2016). At the date of preparation of this report, the design stage was in progress, the environmental impact assessment had been presented to the environmental authority (SEA) for approval of the related environmental-RCA permit to lay the 23 km of transmission lines. Approval is expected for 2018. Activities to move the earth needed to build the project have started and the PDS social compensation programme has been successfully commenced with compensation paid to various beneficiaries and its completion is slated for the first half of 2018.

Performance of the parent Astaldi S.p.A.

Key figures of Astaldi S.p.A.

Reclassified statement of profit or loss

(thousands of Euro)	Note no.	31/12/2017	%Total Revenue	31/12/2016	%Total Revenue
Revenue	1	1,938,140	93.9%	2,079,703	93.7%
Other operating revenue	2	125,005	6.1%	140,438	6.3%
Total revenue		2,063,145	100.0%	2,220,141	100.0%
Operating costs	3-4	(1,496,579)	(72.5%)	(1,599,492)	(72.0%)
Added value		566,566	27.5%	620,649	28.0%
Personnel expenses	5	(302,073)	(14.6%)	(317,910)	(14.3%)
Other operating costs	6	(27,277)	(1.3%)	(32,891)	(1.5%)
Share of profits from subsidiaries, joint ventures and associates	7	61,370	3.0%	27,741	1.2%
EBITDA		298,586	14.5%	297,589	13.4%
Amortisation and depreciation	8	(38,682)	(1.9%)	(46,074)	(2.1%)
Provisions	9	(909)	0.0%	(1,467)	(0.1%)
Impairment losses	8	(233,492)	(11.3%)	(166)	0.0%
EBIT		25,503	1.2%	249,882	11.3%
Net financial expense	10-11	(148,856)	(7.2%)	(149,119)	(6.7%)
EBT		(123,353)	(6.0%)	100,763	4.5%
Tax expense (benefit)	12	24,630	1.2%	(27,447)	(1.2%)
Profit (loss) for the year		(98,723)	(4.8%)	73,316	3.3%

Total revenue decreased by 7.1% on a year-on-year basis to over €2 billion for the year (2016: €2.2 billion), comprising **revenue for 93.9%** and **other operating revenue for the other 6.1%**. As already noted in the comments on the group's results, a **year-on-year comparison is penalised by completion of some important contracts** in Turkey, Russia and Algeria, namely the Third Bosphorus Bridge and significant portions of the Gebze-Orhangazi-Izmir motorway in Turkey (in August and November 2016, respectively), the WHSD motorway ring road in St. Petersburg, Russia (December 2016) and the Saida-Moulay Slissen railway section in Algeria (June 2017).

Revenue amounts to €1.9 billion (-6.8% on a year-on-year basis compared to €2.1 billion for 2016) while **other operating revenue comes to €125 million** (-11%, €140.4 million for 2016). They are affected by the smaller contribution due to the completion of the works described above in the year-on-year comparison.

In geographical terms, the parent's revenue performed in line with that of the group. Specifically, the Italian business profited from continuation of the works for Line 4 of the Milan metro, the Brenner Base Tunnel and the container terminal in the port of Taranto. As already described, Europe (including Turkey) was affected by the gradual completion of some works in Turkey and Russia in the year-on-year comparison but it benefited from the satisfactory progress on works in Poland (mainly Line 2 of the Warsaw metro and the Naprawa-Skomielnia Biata section of the S-7 Expressway and the Zakopianka tunnel). The Americas segment's revenue was boosted by the positive contribution of operations in Chile (the Arturo Merino Benítez International Airport in Santiago, where the first stone of the new terminal was laid in September, and the Chuquicamata mining project). Africa was affected by Algeria's smaller contribution for the already-mentioned completion of the Saida-Moulay Slissen railway line.

A breakdown of revenue by geographical segment is provided below.

Revenue by geographical segment

(million of Euro)	31.12.2017	%	31.12.2016	%	Annual variation (%)
Italy	469	24.2%	374	18.0%	25.4%
Abroad	1,469	75.8%	1,706	82.0%	(13.9%)
Europe	889	45.9%	1,159	55.7%	(23.3%)
Americas	485	25.0%	401	19.3%	20.9%
Asia	3	0.2%	1	0.0%	n.d.
Africa (Algeria)	92	4.7%	145	7.0%	(36.6%)
TOTAL OPERATING REVENUE	1,938	100.0%	2,080	100.0%	(6.8%)

An analysis of revenue by line of business confirmed the **construction** line of business as the **biggest contributor** generating **99.3% of total revenue** (2016: 99.2%), with the other 0.7% (2016: 0.8%) provided by the O&M activities, which benefit from the ongoing reconversion of the concession contracts that are being disposed of²⁵.

A breakdown of revenue by line of business is provided below.

Revenue by line of business

(million of Euro)	31.12.2017	%	31.12.2016	%	Annual variation (%)
Construction	1,924	99.3%	2,064	99.2%	(6.8%)
Transport infrastructure	1,395	72.0%	1,593	76.6%	(12.4%)
Energy generation plants	83	4.3%	58	2.8%	43.1%
Civil and industrial buildings	218	11.2%	149	7.2%	46.3%
Industrial plants	228	11.8%	264	12.7%	(13.6%)
Operation & Maintenance	14	0.7%	16	0.8%	(12.5%)
TOTAL OPERATING REVENUE	1,938	100.0%	2,080	100.0%	(6.8%)

²⁵ More information about the asset disposal plan is available in the "Focus on the concessions line of business" section ("Progress on the asset disposal plan – Key events of the year" paragraph) of this report.

Costs decreased by 6.4% to €1.5 billion (2016: €1.6 billion), mainly due to the smaller production levels of the year, and **equal to 72.5% of revenue compared to 72% for 2016**. They include a reduction in purchase costs (due to completion of work performed directly by the parent) with more resort to subcontracts and/or partnerships. Consortium costs increased in Italy (mainly due to progress on the Brenner Base Tunnel) as did subcontracting costs (mostly as a result of consolidation of the operator of the Ospedale dell'Angelo in Venezia-Mestre after its combination and progress on the maxi lot 2 of the Quadrilatero Marche-Umbria road system, the Infralegrea project and Line 4 of the Milan metro). This cost component decreased in certain areas abroad (mainly due to completion of the Saida-Moulay Slissen railway section in Algeria, the Cerro del Águila hydroelectric project in Peru and the Third Bosphorus Bridge in Turkey) offset by an increase in other countries (specifically, Poland, Turkey, the US and Honduras).

Personnel expenses dropped 5% to €302.1 million (2016: €317.9 million), equal to a **stable 14.6% of revenue** (2016: 14.3%). This caption reflects the completion of work phases carried out directly by the parent for the Chuquicamata mining project in Chile, as well as completion of works in Turkey, Russia and Algeria.

Other operating costs decreased by 17.1% to €27.3 million (2016: €32.9 million), **equal to 1.3% of revenue** compared to 1.5% for 2016, mainly due to completion of the WHSD motorway ring road in St. Petersburg, Russia and the Saida-Moulay Slissen railway section in Algeria.

The parent's **share of profits of subsidiaries, joint ventures and associates jumped to €61.4 million** (2016: €27.7 million), thanks to the results achieved on the projects in Turkey (Gebze-Izmir motorway and the Third Bosphorus Bridge) in the concessions line of business and others in the construction line of business (Astur Construction).

EBITDA amounts to €298.6 million (+0.3%, €297.6 million for 2016), with an **EBITDA margin up to 14.5%** (2016: 13.4%).

Amortisation and depreciation decreased by 16% to €38.7 million (2016: €46.1 million), mainly as a result of completion of some foreign contracts (the WHSD motorway ring road in St. Petersburg and the Cerro del Águila hydroelectric project in Peru). **Provisions amount to €0.9 million** (-38%, compared to €1.5 million for 2016). **Impairment losses total €233.5 million** (2016: €166 thousand), mostly due to the impairment of assets related to the Venezuelan railway projects.²⁶

Net of the impairment losses, EBIT amounts to €25.5 million with an EBIT margin of 1.2%. Excluding the Venezuela effect, EBIT would have exceeded €255 million and the EBIT margin would have been 12.4% (2016: €249.9 million and 11.3%, respectively), reflecting the already-mentioned product/country remix which also has a positive effect on the parent's finances.

Net financial expense is affected by the average debt levels and the support given to production and commercial activities in terms of the instruments used, such as sureties and guarantees. **Net financial expense is stable at €148.9 million** (-0.2%, 2016: €149.1 million), equal to **7.2% of revenue** (2016: 6.7%). The caption also includes €4.9 million arising from the measurement of the cash settlement options for the equity-linked bonds issued in June 2017 and the cost of the bonds maturing in 2019 which the parent repurchased.

Net of the impairment losses, the parent made a **pre-tax loss of €123.4 million** that would have been a pre-tax profit of €81.4 million excluding the Venezuela effect, with an EBT margin of 3.9% (2016: €100.8 million and 4.5%, respectively).

The **income tax benefit for the year amounts to €24.6 million** compared to an expense of €27.4 million for 2016. Net of the impairment losses, the parent would have made a **loss for the year of €98.7 million**.

²⁶ More information about Venezuela is available in the "Introduction" section ("Impairment of receivables from the Venezuelan government" paragraph) of this directors' report.

Analysis of the parent's financial position

Reclassified statement of financial position

(thousands of Euro)	Note no.	31/12/2017	31/12/2016
Intangible assets	16	44,964	51,298
Property, plant and equipment	14-15	150,450	171,076
Equity investments	17	613,210	674,485
Other non-current assets, net	12-18-19	506,845	154,295
Non-current assets held for sale	25	168,622	37,053
Non-current assets (A)		1,484,092	1,088,207
Inventories	20	39,270	37,942
Contract work in progress	21	1,518,632	1,350,412
Trade receivables	22	132,726	141,796
Amounts due from customers	22	303,018	643,685
Other assets	18-19	440,440	464,177
Tax assets	23	51,583	68,767
Progress payments from customers	21	(419,095)	(407,417)
Sub total		2,066,574	2,299,361
Trade payables	19-30	(377,702)	(394,700)
Suppliers	19-30	(725,588)	(684,360)
Other liabilities	12-27-28-31	(348,157)	(255,983)
Sub total		(1,451,447)	(1,335,043)
Operating working capital (B)		615,127	964,318
Employee benefits	29	(4,285)	(4,727)
Provisions for risks and charges	32	(34,517)	(44,083)
Total provisions (C)		(38,802)	(48,810)
Net invested capital (D) = (A) + (B) + (C)		2,060,416	2,003,714
Cash and cash equivalents	24	393,585	400,387
Current loan assets	18	79,189	58,716
Securities	18	36	848
Current financial liabilities	27	(832,691)	(566,782)
Non-current financial liabilities	27	(1,373,591)	(1,463,458)
Net financial debt of disposal groups	25	180,767	40,703
Net financial liabilities (E)		(1,552,706)	(1,529,587)
Non-current loan assets	18	11,358	217,240
Total net financial liabilities (F)		(1,541,348)	(1,312,347)
Equity (G) = (D) + (F)		519,069	691,368

The parent's year-end financial position was affected by the support given to projects in progress in Italy and abroad and the non-recurring impairment of the receivables for the railway works in Venezuela.

With respect to the parent's ordinary operations:

- a) **property, plant and equipment** decreased from €171 million to €150 million, due to depreciation as well as investments made in Italy and South America to start up new contracts and disposals, mostly in Russia and Peru for contracts that are no longer active;
- b) **equity investments decreased from €674 million to €613 million** following the reclassification pursuant to IFRS 5 of the carrying amounts of the equity investments to be sold in the near future (the Third Bosphorus Bridge), capital injections in the Turkish SPV for the Gebze-Izmir motorway, injections in Italy for Line 4 of the Milan metro and the accumulation of profits net of untaxed reserves as well as the capital injections in Astaldi Construction Corporation;
- c) **contract work in progress amounts to €1,519 million (31 December 2016: €1,350 million)** thanks to the production ramp-up in Italy (maxi lot 2 of the Quadrilatero Marche-Umbria road system, Line 4 of the Milan metro and the container terminal in the port of Taranto), Poland (motorways works and Line 4 of the Warsaw metro), Russia (the Moscow-St. Petersburg M-11 motorway) and Chile (the Arturo Merino Benitez International Airport in Santiago and the Chuquicamata mining project);
- d) **amounts due from customers, including trade receivables, amount to €436 million (31 December 2016: €785 million)**, with a decrease in Italy following the final inspection of the Ospedale del Mare in Naples as well as in Europe following the collection of the receivables for the Moscow-St. Petersburg M-11 motorway, Russia and the Americas due to impairment of the Venezuelan receivables;
- e) **progress payments from customers amount to €419 million (31 December 2016: €407 million)** due to collections for new railway sections in Romania and Poland and the second instalment for the Arturo Merino Benitez International Airport in Santiago, Chile. The parent's entry into new areas (Georgia and Sweden) also contributed to the increase in this caption, confirming the wisdom of the parent's new commercial strategy. On the other hand as the normal recovery of the previous advances, items were reimbursed for the Brenner Base Tunnel in Italy and the Muskrat Falls hydroelectric power plant in Canada;
- f) **trade payables increased to €1,103 million (31 December 2016: €1,079 million)** partly due to the greater production volumes of contracts in progress in Chile (the Arturo Merino Benitez International Airport in Santiago and the Chuquicamata mining project) and Russia (Moscow-St. Petersburg M-11 motorway), as well as the acquisition of contractual rights from Giustino Costruzioni for the performance of the works related to the Infralegrea project.

As already noted, the parent's financial position was affected by a non-recurring event tied to the partial impairment of receivables for the Venezuelan railway contracts. This impairment loss led to, inter alia, reductions of roughly €78 million and roughly €152 million in contract work in progress and trade receivables, respectively (for a total of approximately €230 million recognised in profit or loss). The parent reclassified the remaining items of about €69 million for contract work in progress and approximately €134 million of trade receivables to other non-current assets, net given their deferred recoverability.

As a result of the above factors, **operating working capital amounts to €615 million (31 December 2016: €964 million) and net invested capital to €2,060 million (31 December 2016: €2,004 million).**

Equity amounts to €519 million (31 December 2016: €691 million) and includes the loss for the year, which was clearly affected by variations in the assets related to the Venezuelan contracts and the temporary adverse changes in the translation reserve.

Reconciliation between equity and loss of the parent with the group's equity and loss

Pursuant to Consob communication no. DEM/6064293 of 28 July 2006, the following table provides a reconciliation of the parent's equity at 31 December 2017 and its loss for the year with those of the group.

Reconciliation between the parent's equity at 31 December 2017 and loss for the year then ended with those of the group

(thousands of Euro)	Equity at 31/12/2017	Income Statement FY 2017	Equity at 31/12/2016	Income Statement FY 2016
Astaldi S.p.A.	519,069	(98,723)	691,368	73,316
- Elimination of carrying amount of investments in subsidiaries and relevant effect of equity accounting	(256,560)	(17,820)	(169,310)	62,901
- Equity and profit (loss) of subsidiaries net of non-controlling interests and other minor adjustments	233,158	15,853	137,863	(64,240)
- Elimination of the provisions for risks on equity investments	23,073	(485)	32,464	480
Consolidated financial statements (portion attributable to the owners of the parent)	518,740	(101,175)	692,384	72,457
Consolidated financial statements (portion attributable to the non-controlling interests)	30,702	3,448	6,101	174
Consolidated financial statements	549,442	(97,727)	698,485	72,631

Main group companies

Astaldi Concessioni

Astaldi Concessioni (wholly owned) is the group company that develops and operates projects on a concession and project financing basis.

It was set up in 2010 as part of a wider-ranging project to reorganise the group's activities in the concession sector, which entailed the systemisation of the expertise acquired over time at central level, in terms of the planning, structuring and commencement of these specific projects, in order for the group to be better placed to present integrated bids. The subsidiary is currently an independent and highly specialised operator on its market, where it works in partnerships with other leaders in the operation of public and private infrastructure, such as, for example, in Chile for the Arturo Merino Benítez International Airport (with the VINCI Group) or, more recently, for the West Metropolitan Hospital in Santiago (with the infrastructure fund MERIDIAM).

In line with the group's growth strategy, concessions of interest to Astaldi Concessioni are usually projects developed under the BOT (Build-Operate-Transfer) format which have (i) an initial construction phase, when the group operates as the EPC contractor and service provider, (ii) a multi-year operation period, (iii) a final phase when the infrastructure is transferred to the concession grantor at the end of the concession period. In addition, after transfer to the grantor, the development model provides that the group makes its experience gained in the O&M sector through Astaldi Concessioni and, more recently, NBI (the group company that performs plant engineering and facility management activities) available to the project.

Projects are usually financed on a non-recourse basis using state funds (grants) and private sources (equity, subordinated loans, non-current bank loans and borrowings, short to medium term bridge loans).

At the date of preparation of this report, Astaldi Concessioni (either for itself or on behalf of the group) was involved in projects in Italy, Turkey and Chile in the following sectors:

- healthcare buildings – seven hospitals for a total of more than 6,700 beds and more than 21,500 parking spaces;
- transport infrastructure (metros, motorways and airports) – 572 km of motorways, 28 km of metro lines, one airport with technical transportation capacity of 30 million passengers/year;
- mining sector infrastructure – one plant for the recovery of 3,200 tonnes/year of copper from mining sludge.

The existing concessions mainly refer to:

- Projects under operation in Italy and abroad (Turkey, Chile)
 - one metro line in Italy (Line 5 of the Milan metro, sold in 2017, in which the group still has a 2% investment);
 - five hospitals in Italy (four in Tuscany and the Ospedale dell'Angelo in Venezia-Mestre);
 - two motorways in Turkey (Third Bosphorus Bridge, Gebze-Orhangazi-Izmir motorway, phase 1);

- one airport in Chile (Arturo Merino Benítez International Airport in Santiago, phase 1);
- one industrial plant for the mining sector in Chile (Relaves mining system).
- Projects under construction in Italy and abroad (Turkey, Chile)
 - one metro line in Italy (Line 4 of the Milan metro);
 - one hospital in Turkey (Etlik Health Integrated Campus in Ankara);
 - one hospital in Chile (West Metropolitan Hospital in Chile).
- Projects to be financed – not yet included in the order backlog unless as potential orders – in the motorway sector in Italy (motorway connector between the port of Ancona and the regional Medio Padana Veneta Nogara-Adriatic Sea motorway) and Turkey (Menemen-Aligaca-Çandarlı motorway) and in the energy generation plants sector in Chile (La Punilla hydro-electric project with production capacity of 94 MW and output of 527 GWh/year).
- O&M Company: GE.SAT (four Tuscan hospitals, Italy), Etlik O&M (Etlik Integrated Health Campus in Ankara, Turkey); SAMO (West Metropolitan Hospital in Santiago, Chile), Relaves Plant (Relaves mining plant, Chile).

This sector's investment model provides that projects are financed with state funds and the grantor provides guarantees about a minimum amount. Concessions are usually operated through special purpose vehicles (SPV) in which the parent has a non-controlling interest.²⁷

ASTALDI CONCESSIONI generated revenue of approximately €13 million for 2017 (2016: approximately €11 million), mostly earned on its activities in Chile and Turkey, as well as in Italy. EBITDA amounts to €1 million (2016: €3.2 million) and the EBITDA margin to 8% (2016: 29.4%). The pre-tax profit amounts to €7.6 million compared to a pre-tax loss of €13.2 million for 2016.

Astaldi Construction Corporation

Astaldi Construction Corporation is based in Florida and has managed the group's activities in the US for more than 20 years, acting as contractor for transportation infrastructure construction projects (mainly motorways and viaducts) on behalf of public sector customers.

Contracts in progress or completed in 2017 include in particular the following projects with the customer Florida Department of Transportation (FDOT):

- Veterans Expressway, SR-589 (Tampa, Hillsborough County, FL) – USD46 million for the enlargement and modernisation, including electronic toll systems, of 5 km of this expressway along the Memorial Highway-Barry Road section. The project was completed in January 2017;
- I-95 Spanish River Interchange (Boca Raton, Palm Beach County, FL) – approximately USD67 million for the design and construction of roughly 6 km of the Interstate 1-95, the main highway connecting the eastern coast of the US from the north intersection with Yamato Road to south of Spanish River Boulevard in Boca Raton. The contract also includes the expansion and construction of 13 bridges as well as additional road works along I-95 and Yamato Road. Completion is slated for March 2018;
- I-75, section from Charlotte/Sarasota County Lines to Toledo Blade – approximately USD73 million, to resurface and widen from two to three lanes in both directions the State Road 93 (I-75), the heavily travelled road between Port Charlotte in Charlotte County to North Port in Sarasota County, for a total of around 25 km. The contract also includes the widening of seven concrete bridges for a total length of 0.5 km. The project was completed in August 2017;
- SR-528 (Beach line) – USD32 million, to widen the SR-528 from six to eight lanes over a total length of roughly 5 miles. The contract includes widening the three existing bridges with completion of the works scheduled for May 2019;
- Halls River – approximately USD6 million to demolish an existing bridge and build a five-span bridge. The works will be

²⁷ The "Focus on the concessions line of business" sector of this report provides more information about each project while the "Order backlog" section gives details about the more significant projects not included in the backlog.

built in glass fibre reinforced polymer (GFRP) and carbon fibre reinforced polymer (CFRP) under the supervision of the University of Miami and will be the first bridge to be built with fibre-reinforced material in Florida;

- I-405 Los Angeles, California – USD1.2 billion, acquired as a joint venture with OHL USA, to extend roughly 26 km of I-405 between Los Angeles and San Diego. The project includes expanding the motorway with two additional lanes and the construction and widening of 33 bridges. It is one of the most important construction projects in California at the moment and its award reflects the Astaldi Group's new commercial approach to the US market with a move away from its previous strategy of acquiring D&B (Design & Build) contracts of the last few years towards partnerships with internationally important companies that already have a local base or local companies. The group's aim is to significantly build up its revenue in the next three years;
- Bull Frog – USD49 million to expand the SR-43 (US 301) from its current two lanes. The contract also includes demolition of an existing bridge and reconstruction of a larger bridge. Completion of the works is slated for April 2020.

Astaldi Construction Corporation has an order backlog worth USD526 million at year end and revenue of more than USD91 million. Due to some projects that did not end positively for the company in previous years as well as the fact that the local construction market conditions were very different to those envisaged during the tender procedure, the US subsidiary made a loss for the year.

In commercial terms, the strengthening of the company's organisational structure over the last few years has allowed it to present more bids and support the change in the commercial strategy designed for this country. The organisation project has already given positive results as can be seen from the important award of the I-405 contract in California (December 2016) and, more recently, the USD108 million contract to construct a section of the Wekiva Parkway in Florida. Reference should be made to the "Events after the reporting date" section for information about this latter contract.

The US group company has also strengthened its partnership with SIMEST (CDP Group) to develop the US market. SIMEST has acquired an investment of roughly 34.19% in Astaldi Construction Corporation (ACC), the Astaldi Group US company active since 1989 in the infrastructure sector. SIMEST's USD 7.5 million investment was made to bolster ACC's growth (and, hence, that of the Astaldi Group) in the US market.

NBI

NBI is the group company active in the facility management and plant and engineering sector, specialised in renewable energies, engineering and complex system management. It is wholly owned by the parent and is the result of the group's acquisition of a business unit from Busi Impianti, Bologna, an Italian company incorporated in 1952.

NBI is a leading Italian company in the engineering and civil and industrial plant engineering sector, thanks to its highly specialised skills. It works abroad with Astaldi, offering specialist assistance in the countries where the group operates.

The main sectors of interest to it are: healthcare, commercial, industry, infrastructure, airports, tourism-hotels, pharmaceutical, renewable energies (solar, wind, micro-cogeneration, sustainable development). Its main activities are: design and integrated construction; electrical, mechanical, special and technological systems; heating, air-conditioning and hydraulic systems; electric energy distribution systems; engineering; civil works; integrated special systems; automation of civil and industrial systems; security systems; global maintenance engineering; electrical and thermal energy generation systems.

The NBI group performed well in 2017, exceeding the objectives set in its 2017-2019 business plan. The group's revenue amounts to €149.9 million, up 35.6%, its EBITDA improved by 59.3% to €7.2 million and it recorded a break-even result. Its net financial position amounts to €5.1 million, up €2.8 million. New orders acquired during the year were worth €125 million, up 13.6%. The group's business segments made the following contributions to these results:

PLANT AND ENGINEERING ITALY. This segment outperformed its budget in terms of revenue (+12%) and its results are due to two contributors:

(i) works performed with Astaldi, the main projects of which were:

- Line 4 of the Milan metro – for the design and turnkey installation of the electrical and mechanical systems for the EXPO 2015 (San Cristoforo-Sforza Policlinico) section, with 17% of the project completed;
- high speed/capacity Naples-Afragola Station – for the construction of the station building, with 93% of the project completed;
- Quadrilatero Marche-Umbria road system (maxi lot 2) – for the construction and installation of the technological systems for lot 1.2 of SS state road 318, with 71% of the project completed;
- Rome head office of the pharmaceutical group Angelini – for the works of phase 01 of the office block requalification project, with 99% of the project completed.

(ii) contracts performed separately with third party customers. The main projects were:

- Ospedale di Careggi in Florence – design and performance of works to build the new operating, diagnostics and pharmacy block of the highly specialised ER department for the Ospedale Careggi. The contract was awarded to the joint venture including NBI (lead contractor), Philips, Arco lavori and Sidem. The project was 82% complete at year end;
- New offices of Paideia Clinic in Rome – general construction contract for the clinic's building. The project was 31% complete at year end;
- New offices of HERA in Bologna – design and construction of the office block at the Hera offices in Bologna. The project was 100% complete at year end;
- Galleria Passarella in Milan – requalification of the areas between the second and seventh floors of the building (including the conservative restoration of the external and internal facades, as well as internal works). The project was 41% complete at year end;
- Enlargement of engine benches and completion of the new GeS Ferrari logistics building – executive design and works to construct a workshop for the engine bench in Maranello. The project was 68% complete at year end.

The company acquired new contracts during the year which will be started in 2018. The main ones are:

- the central warehouse and square of the S. Martino barracks in Mantua;
- Infralegrea – new railway connector of Line 7 (Soccavo-Monte Santangelo section) in Naples to develop the completion work for the electrical, special and mechanical systems. The contract will be performed with Astaldi;
- Project MOSE in Venice – supply and installation of the pipes for the mechanical system; monitoring of the on-site equipment; and machinery for the Lido San Nicolò gate.

At year end, the company's order backlog is worth €126.8 million.

MAINTENANCE AND ENERGY ITALY. In 2017, this segment, which operates in both the maintenance and facility management sectors, bettered the budget figure for revenue in Italy by 14.9%. Its development programmes confirm the segment's strengthened position in the specific market of tenders for complex public and private technology management projects, better strategic synergies and interaction with Astaldi as well as access to additional valuable opportunities on the market in Italy and abroad. The main contracts in which it was involved in 2017 in Italy were:

- Ospedale San Luca in Lucca – Ordinary and extraordinary full-risk maintenance for 20 years, of which it has already performed four years. Contract value: €65.5 million;
- Ospedale delle Apuane in Massa Carrara – Ordinary and extraordinary full-risk maintenance for 20 years, of which it has already performed three and a half years. Contract value: €49.7 million;
- Ospedale San Matteo in Pavia – Plant maintenance. Contract value: €4.5 million;
- European Commission Ispra research campus, Varese – Ordinary and extraordinary maintenance of the conditioning and water systems. Contract value: €5.5 million;
- ALMAVIVA – Development of systems for railway stations. Contract value: 4.8 million;
- Centostazioni S.p.A. – Integrated ordinary and extraordinary maintenance of the energy service at the railway stations forming part of the Centostazioni S.p.A. network. Contract value: €3.8 million.

At year end, the company's order backlog is worth €109.5 million.

ABROAD. NBI's foreign activities include both providing specialist assistance to the parent Astaldi in its reference markets (Poland, Romania, Russia, Turkey, Chile and Peru) and commercial activities where Astaldi does not have a base like Qatar

and Slovenia. Specifically, NBI works directly in Turkey through its subsidiary NBI ELEKTRIK and in Chile with a branch opened in October 2014.

The group company built up its business significantly in 2017 with the “Abroad” segment recording revenue up 30.2% on the budgeted figure.

It engaged in the following activities in Turkey during the year:

- plant engineering and related activities for ITS systems as part of the project to build the Third Bosphorus Bridge by NBI ELEKTRIK through a joint venture with A4 Mobility;
- plant engineering for the Etlik Integrated Health Campus in Ankara as part of a joint venture with the Turkish company Elektromak (NBI share: 51%). The contract was 5% complete at year end. The customer is the joint venture which includes Astaldi.

NBI carried out the following activities in Chile:

- plant engineering work at the West Metropolitan Hospital in Santiago with a percentage of completion of the work of 80% at year end. NBI is a subcontractor of Astaldi;
- water supply systems for the Chuquicamata Mine as a subcontractor of Astaldi;
- development of the MEP systems for the Arturo Merino Benitez International Airport in Santiago – construction of the sprinkler system, installation of the electrical systems, construction of the internal and external water supply system. The contract was 21% complete at year end. NBI is a subcontractor of the Vinci Construction & Astaldi joint venture;
- management and maintenance of the Relaves project plants for the extraction of copper from sludge at CODELCO’s mine. The management contract is for five years (roughly two years have already been provided). Contract value: €15.7 million. NBI is a subcontractor of MVA (the operator);
- O&M activities at the West Metropolitan Hospital in Santiago in a partnership with Astaldi Concessioni, with which it set up SAMO, a Chilean company, to develop the O&M activities of the healthcare facility. The contract term is 20 years. Astaldi is also involved in commercial projects in Chile (not yet awarded) which include NBI as the nominated sub-contractor for the electrical and mechanical systems (MEP).

At year end, the company’s order backlog is worth €70 million.

TEQ Construction Enterprise

TEQ Construction Enterprise (TEQ) is the group company set up to develop the Canadian market. It is based in Montreal and mainly works in the Province of Quebec. It is specialised in civil construction both as a contractor and operator (for construction management).

TEQ recorded revenue of CAD101 million for 2017, mostly on projects for public and private customers. Some of its main projects on which it is currently working are described below.

Saint-Jean Garrison Health Center

This project includes the construction of a new healthcare facility of 7,414 square metres with offices, a radiology unit, a pharmacy and a laboratory. The project aims at LEED certification. The contract is worth CAD20.5 million.

Bassins du Nouveau Havre residential complex

The project includes the design and construction of a residential complex with three blocks of 7, 8 and 13 floors to house 313 residential units. They will share an underground car park. The contract is worth CAD55 million.

Granby Aquatic Center sports centre

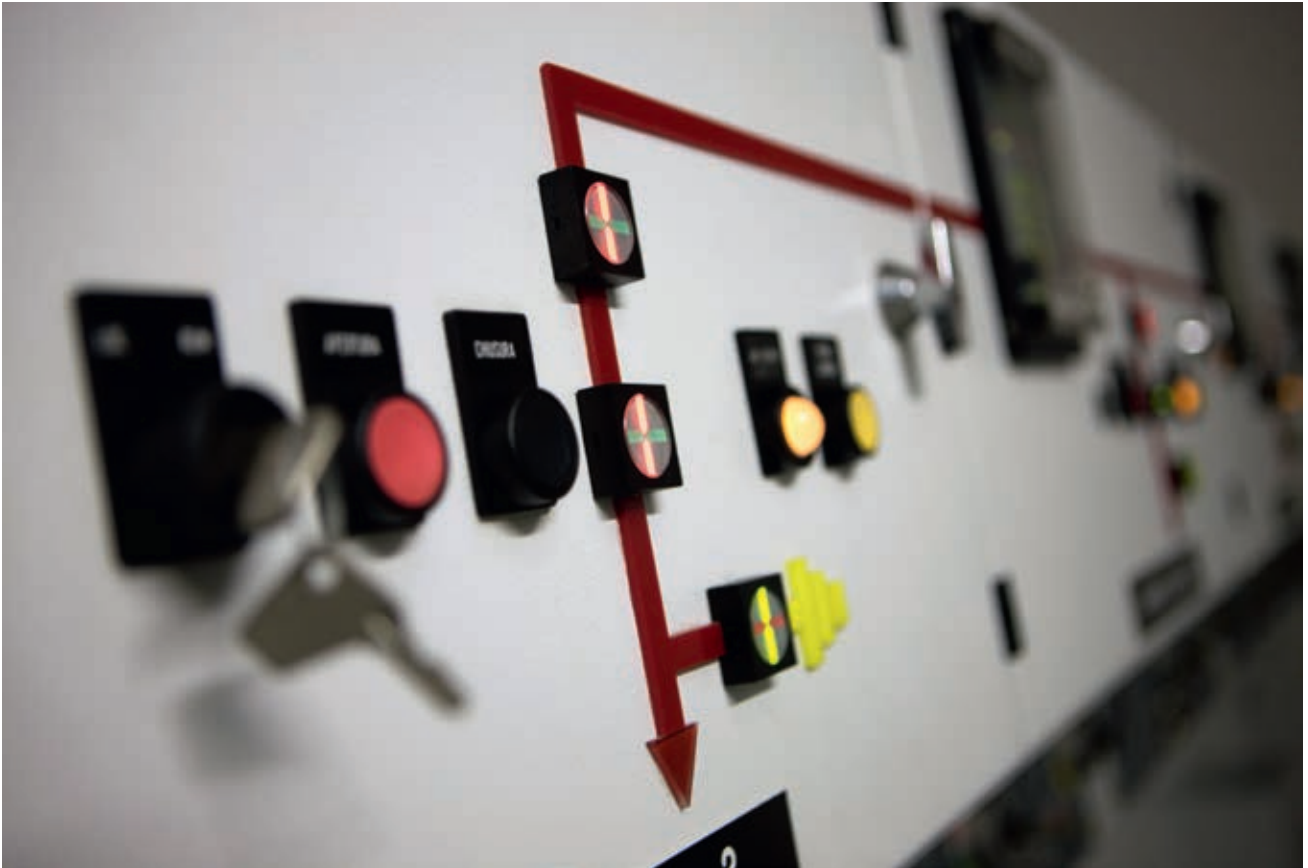
The project includes the construction of a new water sports centre in Granby. It will have a recreational 25m x 25m swimming pool (with three swimming lanes); a second pool of the same size for training purposes (with 10 swimming lanes and two diving boards); and a third 625 square metre outdoor pool with access to the beach and water games. The new centre aims at LEED Silver certification. The contract is worth CAD30 million.

Sacré-Cœur Hospital in Montreal

The project includes the restructuring and extension of the *Sacré-Cœur* Hospital in Montreal. It comprises the construction of a seven-storey building for 19,515 square metres to house, inter alia, an integrated trauma centre and an endoscopy department. The new trauma centre will be highly specialised in spinal cord injuries. It will be the largest of its kind in Montreal and will serve regional and national patients. The project also includes the renovation of the existing structure. The contract is worth CAD57.9 million.

Ilot Balmoral office tower in Montreal

This project is worth the equivalent of €56 million and includes construction management services for a 17-floor building in downtown Montreal in a surface area of 32,500 square metres.



ITALY - New hospital in Venice-Mestre (Ospedale dell'Angelo).

Key events of 2017

January – Signing of the contract for I-405 in California

In January 2017, the Astaldi Group **signed the USD1.2 billion contract (Astaldi's share: 40%) for the construction of the Interstate 405 in Los Angeles, California (USA)**. The contract, awarded at the end of 2016, includes the design and construction of the improvement works for 26 km of interstate highway between Los Angeles and San Diego. **This is the most important project assigned in California for the infrastructure sector for the next three years.** The complexity of the works is accentuated by the need to maintain the infrastructure in operation for the entire duration of the activities.

February – Start-up of a strategic partnership in Chile

On 22 February 2017, the Astaldi Group announced that it had **finalised an agreement to allow Meridiam Latam Holding SL**, an infrastructure fund specialised in the management of transportation and hospital infrastructure, to **enter SCMS' shareholder structure**. SCMS is the operator of the West Metropolitan Hospital in Santiago de Chile (also called Felix Bulnes Hospital). Following this agreement, Meridiam owns 49% of SCMS while Astaldi maintains all the construction activities and O&M (Operation & Maintenance) services. The financial effects of this transaction for Astaldi include de-consolidation of the operator's non-recourse debt of approximately €100 million and receipt of €10 million on the sale of its investment, in line with its carrying amount.

March – Award of a new railway contract in Italy

On 2 March 2017, Astaldi announced it had been awarded as part of a joint venture **a new railway contract worth €397 million (Astaldi's share: 40%) for the design and construction of the Naples-Cancello section of the high speed/capacity Naples-Bari railway line in Italy**. The project, commissioned by Italferr S.p.A. for completion by 2022, covers the first section of 15.5 km of the Naples-Bari line and is of strategic importance to the entire railway line. The works on the line between Naples and Cancello will lengthen the service tracks to the new Naples-Afragola Station, that Astaldi has already built, which will become a passenger interchange station between regional and high speed services.

March – Opening of the new section of the Gebze-Orhangazi-Izmir motorway

On 8 March 2017, **the section from km 389+647 (K22-Kemalpaşa Interchange) to km 408+654 (K25-Karasuluk Interchange) of Phase 2-B of the Gebze-Orhangazi-Izmir motorway was opened** in Turkey with the related operation of the section.

March – Sale of the investment in Pacific Hydro Chacayes

On 9 March 2017, Astaldi announced it had **signed an agreement to sell its investment in Pacific Hydro Chacayes, operator of the Chacayes hydroelectric power plant in Chile**. The 27.30% investment, including the subordinated loan, was valued at approximately USD44 million. The transaction was executed at the end of March 2017, after completion of the

necessary authorisation process. The Chacayes hydroelectric power plant, built by Astaldi, is Chile's first fully environmentally-compatible plant and has received many important international awards.

March – Opening of the new section of the Gebze-Orhangazi-Izmir motorway

On 12 March 2017, **the section from km 58+152 (k5-Gemlik Interchange) to km 83+441 (Bursa Ring Road Connection road) of Phase 2-A of the Gebze-Orhangazi-Izmir motorway was opened** in Turkey with the related operation of the section.

March – Award of the Piemonte-Savoia project in Italy

In March 2017, Astaldi won a **new €54 million contract to perform the civil works for the construction of the Italian section of the HDVC (High Voltage Direct Current) interconnection project** between Italy and France, the Piemonte-Savoia project. The cable system to be built in the Italian section lies between the Piossasco conversion station to the Fréjus tunnel. Astaldi will build the Lower section (26 km) and the Upper section (19 km of planimetric development) lots. The works include digging the trenches and laying the high density polyurethane (PEAD) pipes and underground tunnelling using microtunnelling technology to subsequently lay the systems. The customer is Terna Rete Italia S.p.A., the Italian transmission network operator, and it will finance the works.

April – Award of two new railway contracts in Romania

On 3 April 2017, Astaldi announced it had been awarded **two new railway contracts in Romania worth €776 million (including 42% for Astaldi)** as part of a joint venture. Both contracts relate to the rehabilitation of the Frontieră-Curtici-Simeria railway line, which is part of the Pan European Corridor IV. They cover Lots 2A and 2B of the new railway corridor and include the rehabilitation and consolidation of 80 km of tracks and 11 stations, as well as installation of the ERTMS signalling and telecommunications systems, 30 bridges and a tunnel. Construction work will take 36 months, starting in the first half of 2017. The works are 75% funded by the EU as part of the POIM programme and 25% by the state. The customer is the Romanian National Railways Company.

April – 2017-2021 strategic plan approved

On 5 April 2017, **Astaldi's board of directors approved the 2017-2021 strategic plan**. The group confirmed a business development model and growth path for the new plan period hinged on three strategic levers: sustainable growth, de-risking and strengthening of the financial structure. Specifically, the group intends to steadily reorganise its order backlog with greater focus on EPC (Engineering, Procurement, Construction) contracts, awarded on the basis of many inputs and with a stand-alone financial profile. It plans to develop its concessions business using a capital light model. Entry into the O&M sector guarantees a new stable source of revenue with high profitability margins and small capital outflows.

April – Opening of the Ospedale di Careggi in Florence, Italy

On 6 April 2017, the **new ER and Trauma Centre was opened at the Ospedale di Careggi in Florence** in the presence of the Italian prime minister, Paolo Gentiloni. The works were performed by NBI (Astaldi Group).

April – New contracts in the transportation infrastructure sector in Turkey

On 11 April 2017, Astaldi announced it had been **awarded two new contracts in Turkey** as part of a joint venture. The EPC contract is worth €627 million (Astaldi's share: 15%) and covers the civil works and the electromechanical systems of the Kirazli-Halkalı section of the Istanbul metro. The BOT contract of €392 million includes the construction activities for €333 million (Astaldi's share: 33%) to build roughly 80 km of the Menemen-Aliaga-Çandarlı motorway in the Izmir Province.

April – Shareholders' meeting

In their meeting of 21 April 2017, the **shareholders of Astaldi S.p.A. approved the financial statements at 31 December 2016** as proposed by the board of directors in its meeting of 14 March 2017. They resolved to **distribute a dividend of €0.20 per share**.

April – Work continues for the Brenner Base Tunnel

On 21 April 2017, **the last part of the boring of Lot Mules 2-3 of the Brenner Base Tunnel** started in Italy.

April – Collection of the first minimum guaranteed amount for the motorway concessions in Turkey

On 28 April 2017, Astaldi announced that, following completion of the first period of operation, the **operators of the Gebze-Orhangazi-Izmir motorway and the Third Bosphorus Bridge had collected the balance of the guaranteed revenue for the operation of the two assets** in Turkey. As provided for contractually, the minimum guaranteed amount was calculated using the base rate of contracts in US dollars (indexed to US inflation) and the guaranteed number of daily equivalent vehicles considering the kilometres of motorway available. The total minimum guaranteed amount for 2016 is TRY672 million for the Third Bosphorus Bridge (for the period from September to December 2016) and TRY844 million for the Gebze-Orhangazi-Izmir motorway (for the period from July to December 2016).

May – Roll-out of the Saida-Moulay Slissen railway line in Algeria

The Saida-Moulay Slissen railway line was rolled out on 1 May 2017 with 120 km of new tracks built by Astaldi in Algeria.

May – New railway contract in Romania

On 3 May 2017, Astaldi announced it had been awarded a **new railway contract in Romania worth approximately €600 million (Astaldi's share: 49.5%)** as part of a joint venture. The contract includes the rehabilitation of roughly 40 km of the Frontieră-Curtici-Simeria railway line and specifically, the section between Gurasada and Simeria. The scope of the contract also includes the construction of 17 bridges, electrification, the installation of the ERTMS signalling and telecommunications system, the renovation of eight railway stations and some minor works. Construction work will take three years starting in the first half of 2017. The customer is CFR SA (the Romanian National Railways Company). The works are funded by the EU as part of the POIM programme to upgrade the Curtici-Brasov-Costanza Fourth Railway Corridor.

May – New railway contract in Poland

On 15 May 2017, the Astaldi Group announced it had been awarded a **new railway contract worth €171 million (Astaldi's share: 65%) in Poland to modernise a section of the N-7 Warsaw Wschodnia Osobowa-Dorohusk railway line** as part of a joint venture. The contract scope includes the demolition, reconstruction and extension of the 68 km-long N-7 railway line (Lot C, from km 107,283 to km 175,850) along with Lublin station. It also involves the construction of level crossings, new service and access roads with associated minor works. Construction work will take roughly two years. The customer is PKP (Polskie Linie Kolejowe, the state company that manages the Polish railway infrastructure). The works are funded by European investment and the Polish state budget funds.

May – Contracts for Lots 2A and 2B of the Frontiera-Curtici-Simeria railway line signed

In May 2017, the **railway contracts for the rehabilitation of the Frontiera-Curtici-Simeria railway line (Lots 2A and 2B)**, awarded to Astaldi in a joint venture in previous months, **were signed**.

May – The Italian Minister of Cultural Heritage and Activities and Tourism visits Toledo Station in Naples, Italy

On 22 May 2017, the **Italian Minister of Cultural Heritage and Activities and Tourism, Dario Franceschini, visited Toledo Station of Line 1 of the Naples metro**, Italy. The station, built by the Astaldi Group and opened to the public in 2012, is part of the Artistic Stations project and was designed by the architect Óscar Tusquets Blanca. Recipient of many prestigious awards and defined as the most beautiful and spectacular metro station in Europe by CNN, Toledo Station is famous for its internationally-recognised artistic and technological content.

May – Laying of the first stone of ESO's ELT Observatory on Cerro Armazones, Chile

On 26 May 2017, the **first stone of the ELT (Extremely Large Telescope), the largest optical telescope in the world, was laid** in Chile. The then President of Chile, Michelle Bachelet Jeria, was present at the ceremony. Just one year after the contract was signed with the customer ESO (European Southern Observatory), the laying of the first stone represents the start of the executive stage of the work to build the telescope's two main structures (the dome and main structure) and

necessary logistics works. The new telescope will be built in the Atacama Desert, 3,000 metres above sea level and is the most important project commenced by the ESO to date. It will be able to focus at 100 million times the human eye and will collect more light than all the biggest telescopes currently existing on the planet.

June – Opening of the high speed Naples-Afragola Station in Italy

On 6 June 2017, the **high speed Naples-Afragola Station was opened in a ceremony attended by, inter alia, the prime minister, Paolo Gentiloni, and the Minister of Infrastructure and Transport, Graziano Del Rio**. This ceremony followed completion of phase 1 performed by the Astaldi Group as designed by the internationally renowned architect Zaha Hadid. The station stands on an area of more than 30,000 square metres and has four levels. It has been included in the list of the gems of contemporary architecture anticipated for 2017 by CNN.

June – New branch in Georgia

On 7 June 2017, the **Astaldi S.p.A. branch was set up in Georgia** as per the parent's board of directors' resolution.

June – PF Awards 2016 to the Third Bosphorus Bridge

On 7 June 2017, the Third Bosphorus Bridge (built and operated by Astaldi as part of a joint venture) was recognised as the **Best Transport Deal of the Year** during the ceremony for the assignment of the Project Finance Awards 2016 by EMEA Finance in London.

June – Sale of the investment in M5

On 9 June 2017, **Ferrovie dello Stato Italiane acquired 36.7% (share capital and shareholder loan) of M5, the operator of Line 5 of the Milan metro from the Astaldi Group** paying €64.5 million. Astaldi continues to hold a 2% stake in M5, to guarantee its assistance in developing the activities in which it was involved. Line 5, built by Astaldi under a concession contract, connects Bignami Parco Nord with San Siro Stadium on a roughly 13 km line with 19 access stations and a light transportation system connected to the other Milan metro lines.

June – Placing of a bond issue of €140 million

On 14 June 2017, the group issued unsecured equity-linked bonds for €140 million, redeemable in 2024 and concurrently repurchased the bonds already in circulation and redeemable in 2019. The new bond issue allows subscribers to redeem them early at the end of the fifth year (2022). If they do not exercise this option, the next redemption date is upon the bonds' maturity in 2024.

June – New railway contract in Poland

On 27 June 2017, Astaldi announced it had been **awarded a new railway contract worth €82 million (Astaldi's share: 95%) in Poland to modernise the section of the E-59 Warsaw-Poznań line (Lot IV)**. The contract covers the reconstruction of track systems for 35 km on the existing line for the section from the border with the Lower Silesia Province to Leszno as well as the construction of two railway stations, refurbishment of the line's viaduct system, the construction of two additional viaducts and related works. The works, which will be carried out without interruption of the railway traffic on the line, are expected to take slightly more than two years to complete. The customer is PKP (Polskie Linie Kolejowe, the state company that manages the Polish railway infrastructure). The works are financed by European funds and by the state budget.

July – Opening of the new sections of the Northern Marmara Highway

On 4 July 2017, the **new sections of the Northern Marmara Highway were opened** on the Kurtkoy-Pasakoy section on the Asiatic side of Istanbul. The Turkish prime minister, Binali Yıldırım, was present at the opening ceremony.

August – Signing of the contract for Lot 3 of the Frontiera-Curtici-Simeria railway line in Romania

At the end of August 2017, **Astaldi signed the contract for Lot 3 of the Frontiera-Curtici-Simeria railway line**, which it was awarded as part of a joint venture in Romania.

September – Laying of the first stone of Phase 2 of the Arturo Merino Benitez International Airport in Santiago de Chile

On 9 September 2017, the **ceremony for the laying of the first stone of Phase 2 of the Arturo Merino Benitez International Airport in Santiago** was held.

September – The Italian Minister of Infrastructure and Transport visited the work sites in the port of Taranto, Italy

On 29 September 2017, the **Italian Minister of Infrastructure and Transport, Graziano Del Rio, visited the work sites in the port of Taranto, Italy**, where Astaldi is carrying out works for the dredging of the sea in front of the container terminal and construction of the sediment tank.

October – Astaldi among Assonime top echelons

On 4 October 2017, **Paolo Astaldi was appointed deputy chairman of Assonime's management board**. Assonime is the association of Italian companies limited by shares. Its object is the study and discussion of issues that directly or indirectly affect the interest or development of the Italian economy.

October – Work continues for Monte Sant'Angelo Station in Italy

On 9 October 2017, the **work to assembly the imposing sculpture of the British artist Anish Kapoor was completed** in the work sites of Monte Sant'Angelo Station, as part of the Infraclegrea project.

October – Opening of the Arts and Science Centre of Fondazione Golinelli

On 11 October 2017, the **Arts and Science Centre of Fondazione Golinelli** built by NBI (Astaldi Group) **was opened** in Bologna.

October – Opening of the new branch in Iran

On 11 October 2017, the **new Astaldi S.p.A. branch was opened in Iran** as per the board of directors' resolution.

November – New contracts in Sweden and Georgia

On 14 November 2017, Astaldi announced, inter alia, that it had been **awarded new construction contracts** for projects in Sweden and Georgia. Specifically, they are a construction contract worth **GEL300 million to build 8 km of the E-60 motorway in Georgia**, from Zemo Osiauri to Chumateleti, as part of the corridor linking Tbilisi to the Black Sea and a construction contract of **€245 million (Astaldi's share: 40%) to build Haga Station for the Gothenburg railway link in Sweden**.

November – New construction contracts in Chile, Honduras and Poland

On 22 November 2017, Astaldi announced it had been **awarded three new construction contracts for €400 million for projects in Chile, Poland and Honduras**. They relate to the €270 million EPC contract for the construction of the Ospedale Barros Luco Trudeau in Santiago, Chile, the €101 million construction contract (Astaldi's share: 49%) for the Arenal hydroelectric project (Phase I-II) and a €280 million contract to build the waste-to-energy plant for the treatment of urban waste in the Dgansk-Gdyna-Sopot metropolitan area (including roughly €110 million for design and construction – Astaldi's share: 51% – and the other €170 million for O&M activities to be provided over 25 years – Astaldi's share: 10%).

November – Award of the new Linares Hospital in Chile

On 27 November 2017, Astaldi announced it had been **awarded the EPC contract worth approximately €140 million for the new Linares hospital in Chile**. The contract includes the design and construction of a new healthcare facility in central Linares in the Maule region. The new facility will have 329 beds and 11 operating rooms in a surface area of 87,000 square metres in an eight-floor building, including one underground. The plants will be built by NBI (an Astaldi Group company specialised in plant engineering). The works will take just over six years, with design work starting in 2017. The customer is the Chilean Ministry of Health and the works are financed using state funds.

November – New construction contract in Italy

At the end of November 2017, Astaldi was **awarded a construction contract of €186 million (Astaldi's share: 34.226%) to double the tracks of the Bicocca-Catenanuova section, which is part of the Palermo-Catania line in Italy** as part of a joint venture. The contract covers the executive design and performance of the works along a section of roughly 38 km. The customer is RFI and the contract term is 54 months, including six months for the design stage.

December – Shareholders approve the capital increase to service the equity-linked bonds placed in June 2017

In their meeting of 15 December 2017, the parent's shareholders approved a **capital increase** of a maximum nominal €35,706,998 against payment in more than one transaction. This capital increase excludes the pre-emption right pursuant to article 2441.5 of the Italian Civil Code. The parent will issue a maximum of 17,853,499 ordinary shares **solely to service the equity-linked bond issue** approved by the board of directors on 13 June 2017 and entirely placed with qualified investors on 14 June 2017 (€140 million).

December – Agreement of a committed credit facility of €120 million

On 11 December 2017, the parent agreed a committed revolving credit facility of €120 million with a syndicate of the group's main banks.

December – Successful completion of the process to redefine covenants

On 22 December 2017, the parent announced it had successfully completed the process to redefine financial covenants at 31 December 2017 based on the revolving credit facility ("RCF") of €500 million. It had presented an application to redefine the covenants to set new levels with sufficient headroom to cover the effects of the impairment recognised on the group's exposure with Venezuela at 30 September 2017. Following completion of this process, the interest rates applied to the RCF have not changed.



TURKEY - Etlik Integrated Health Campus in Ankara.

Reference scenario

Reference economic scenario

The group's reference economic scenario is that of the global large infrastructure sector. The areas where it has the greatest foothold and which are of most interest to it are Italy, Central-Eastern Europe (Poland, Russia, Romania and, more recently, North Europe), Turkey, Magreb (Algeria and Tunisia) North America (USA and Canada) and Latin America (Chile, Peru, Central America, Bolivia and Venezuela). The group has recently ventured into Argentina, Panama, Iran and the Far East (Indonesia, Vietnam and Singapore). Its presence in these areas is based on a development model designed to consolidate its base in those countries where it has traditionally operated and which continue to invest in long-term projects (e.g., USA, Turkey, Chile, etc.) and to evaluate new possibilities in countries with stable economies and well-defined investment programmes that can offer the group additional development opportunities. A brief overview of the performance of the infrastructure markets in the countries of most commercial interest to the group is given below.

The macroeconomic situation is also summarised below for the markets of greatest interest to the group in 2017.

Italy.²⁸ Recent data published by the European Commission (Economic forecast, 7 February 2018) gives an interesting view of the Italian economy. The Commission's analysis shows that the Italian economy is in a phase when it can benefit from the global cyclical upswing and stronger domestic demand. Specifically, in the first three quarters of 2017, real output grew by an average of 0.4% (q-o-q) and forecasts indicate modest economic growth for 2018 as well. The projections are based on the no-policy change assumption that Italy continues to implement already adopted growth-friendly reforms and pursues prudent fiscal policies. Overall, domestic demand remained the main engine of growth as household consumption was supported by rising employment and consumer confidence. In addition, investment growth was bolstered by favourable financing conditions and tax credits but was also associated with a marked pick-up in exports of goods and services. The Commission's technical experts expect real GDP to expand by 1.5% in 2018, led by exports and investments. Private consumption is expected to support growth at a moderate, but stable rate, underpinned by rising wages in both the private and the public sector, and employment growth. The most recent ISTAT (Italian National Institute of Statistics) estimates include GDP growth of 1.5%, the best since 2010. These estimates, published in March 2018, revised the previous estimates based on the average for the four quarters of 2017 (+1.4%) upwards and confirmed an about-turn compared to 2016 (growth rate of 0.9%). The debt/GDP ratio is expected to have decreased (to 131.5% from 132% in 2016) like the deficit/GDP rate (from 2.5% in 2016 to 1.9%). The positive growth figures contributed to easing the tax burden down from 42.7% in 2016 to 42.4%.

²⁸ Sources: "Winter Forecast 2018", of 7 February 2018 – by the European Commission, Directorate-General for Economic and Financial Affairs; Quarterly economic accounts, by ISTAT www.istat.it; "Istat: nel 2017 PIL cresce dell'1.5%, al top dal 2010. Debito in calo al 131.5%", Il Sole 24 Ore of 1 March 2018.

USA.²⁹ The US economy's expansionary phase continued into the fourth quarter of 2017 with estimated GDP growth at 2.6% (achieved rate although lower than expectations and the 3.2% growth of the previous quarter). A breakdown shows a 3.6% rise in investments. GDP grew on a year-on-year basis by 2.3%, in line with the IMF's forecasts compared to 1.5% for 2016 and 2.9% for 2015. These figures confirm and strengthen the positive macroeconomic picture painted recently by the Federal Reserve which recently confirmed it would not change interest rates, in line with expectations, while assessing the state of the economy as consistent with a steady rise in rates over the year.

Canada.³⁰ Canada is a high income country, with immense natural resources and strongly integrated with the US. The Canadian economy underwent a period of adjustment after the drop in oil prices mid 2014 but is currently in an expansionary phase: GDP grew 0.9% in 2015 and 1.5% in 2016 and is expected to increase by 3.1% for 2017. This growth is supported, inter alia, by an upturn in industrial investments (after the contraction in 2015), energy exports and rise in prices of some raw materials held by the country. Its foreign trade policy is particularly interesting as it is aimed at building a network of international agreements to increase and diversify trading opportunities and decrease Canada's reliance on the US market. The main agreements include the Comprehensive Economic and Trade Agreement (CETA) with the European Union, which became provisionally effective on 21 September 2017 (before being ratified by the member states' parliaments). It includes measures such as the opening of Canadian public calls to tender to European companies and non-discriminatory treatment of investors.

Chile.³¹ Chile is one of the most attractive markets in Latin America in terms of infrastructure investment, ranking first in the Infrascope 2017 index. With over 25 years of experience in the private-sector participation in infrastructure projects, Chile has a structured legislative framework (Law no. 20410 of 20 January 2010) which has facilitated the development of PPPs in new sectors like extra-urban roads and airports, assisting a significant increase in private sector companies' interest in project financing. The main bodies active in the PPP sector are (a) the Coordination of Public Works Concessions, part of the Ministry of Public Works, in charge of all PPP projects, (b) the Concessions Council, an independent body which supervises all aspects of project financed projects, (c) the Ministry of Finance, which evaluates the potential fiscal impact of PPP projects and publishes information on long-term commitments of public works in public budget documents. It also periodically evaluates contingent liabilities. Finally, the government sent a bill to Congress to establish an Infrastructure fund that would be in charge of retendering existing PPPs once contracts expire, and using these assets to finance new PPPs in infrastructure. In addition, in December 2017, Sebastian Piñera was elected President of Chile after already holding this position from 2010 to 2014. The newly-elected President's stated objectives are a programme for a return to the strong economic growth that characterised his previous government's experience and made Chile the richest country in South America, a fiscal and labour reform and a reduction in the tax deficit. The Astaldi Group is a major operator in this country, able to provide a complete service in the PPP sector as well as in the construction sector with public and private partners, providing turnkey solutions and attracting big international partners. This winning formula has allowed the group to achieve important commercial targets, giving it a competitive edge that it should hold on to in the next few years.

Turkey.³² After ten years of very high growth rates, Turkey saw a slowdown in its economy starting from 2012 due to weak internal demand and the adverse effects of geopolitical events that hit some outlet markets that Turkey exported to (Syria and Iraq). This situation deteriorated after the attacks that hit the country from mid 2015 and the unsuccessful coup d'état of July 2016, a year in which the country's GDP rose 3.2%. The Turkish economy showed its great capacity to recover and its

²⁹ Source: "I dati recentemente pubblicati dal Bureau of Economic Analysis confermano la solidità del quadro profit or loss statunitense", InfoMercatiEsteri, 8 February 2018 – by the Ministry of Foreign Affairs and International Cooperation.

³⁰ Source: "Rapporto Canada. Outlook Economico", InfoMercatiEsteri, 5 February 2018 – by the Ministry of Foreign Affairs and International Cooperation.

³¹ Sources: "The 2017 Infrascope: Evaluating the environment for public-private partnerships in Latin Americas and the Caribbean", by The Economist Intelligence Unit; "The Latin Americas Infrastructure Pipeline" by Norton Rose Fulbright.

³² source: "Rapporto Turkey. Outlook Economico", InfoMercatiEsteri, 17 January 2018 – by the Ministry of Foreign Affairs and International Cooperation; "OECD: Economic forecast summary", November 2017; "Capital Projects and Infrastructure Spending in Turkey", January 2017, by PriceWaterhouseCoopers & Garanti.

growth rate exceeded 5% in 2017. The World Development Bank has also forecast a growth rate of 6.7% for 2017 and the IMF 5.1%. This growth will be driven by strong fiscal stimulus and an export market recovery. Consumer inflation remains well above the target and disinflation is projected to be slow. Given this situation, effective progress with the announced structural reforms, fiscal transparency and disinflation goals of the Medium-Term Economic Programme 2018-2020 would bolster confidence and boost domestic and foreign private business investment. Financial vulnerabilities stay high owing to the magnitude of foreign financing needs stemming from a persistently high current account deficit. The Astaldi Group does not envisage particularly critical issues related to this situation that would affect the ongoing construction and operation projects (motorways, hospital buildings, metros). With respect to the group's strategy of selling assets under concession, the market has shown its great renewed interest in the assets to be sold. The group plans to enhance the value of the Turkish assets after the works have been completed, i.e., after 2018.

Romania. The Romanian economy continues along its way. The most recent reports published by EUROSTAT and the Romanian National Statistics Office (INSSE) describe a thriving economy. GDP grew 4.8% in 2016. In the first half of 2017, seasonally adjusted GDP increased by 5.8% compared to the corresponding period of 2016. Romania is placed 45th in the Doing Business 2018 classification, an international ranking that measures the performance of each country prepared by the World Development Bank, above Italy, Hungary, Bulgaria and Belgium.³³

Venezuela. Reference should be made to the Introduction section ("Impairment of receivables from the Venezuelan government" paragraph) of this report for information on this country's macroeconomic performance.

The construction sector

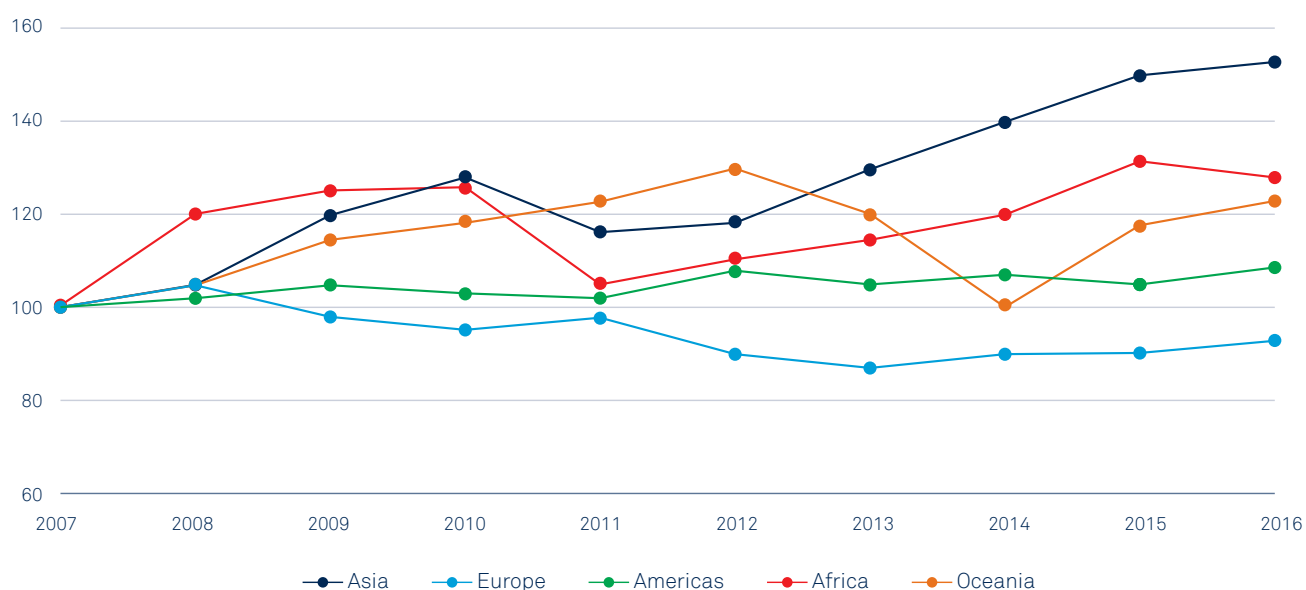
Recent studies³⁴ show that the infrastructure sector has withstood the recent economic crisis and, more generally, the see-saw trends of the last few years at global level, with a few exceptions. Compared to recent years, demand for infrastructure is on the rise, encouraged by a number of drivers that vary from area to area but are essentially:

- economic growth and urbanisation levels, which widen the infrastructure gaps to be overcome, especially in areas like Africa and Asia which currently have modest urbanisation levels and significant growth forecast by 2050;
- transition to a low-carbon economy in the developed economies, also as a result of the commitments taken on by European countries to reduce emissions and the consequent incentives to develop renewable energies;
- transnational and intercontinental connections for the objectives that the EU has set itself for the transportation of goods, persons and energy between Europe, Asia and Africa;
- plans for smart cities, tied to the EU's Urban Agenda requiring investments in social housing, public transport and sustainability in European cities.

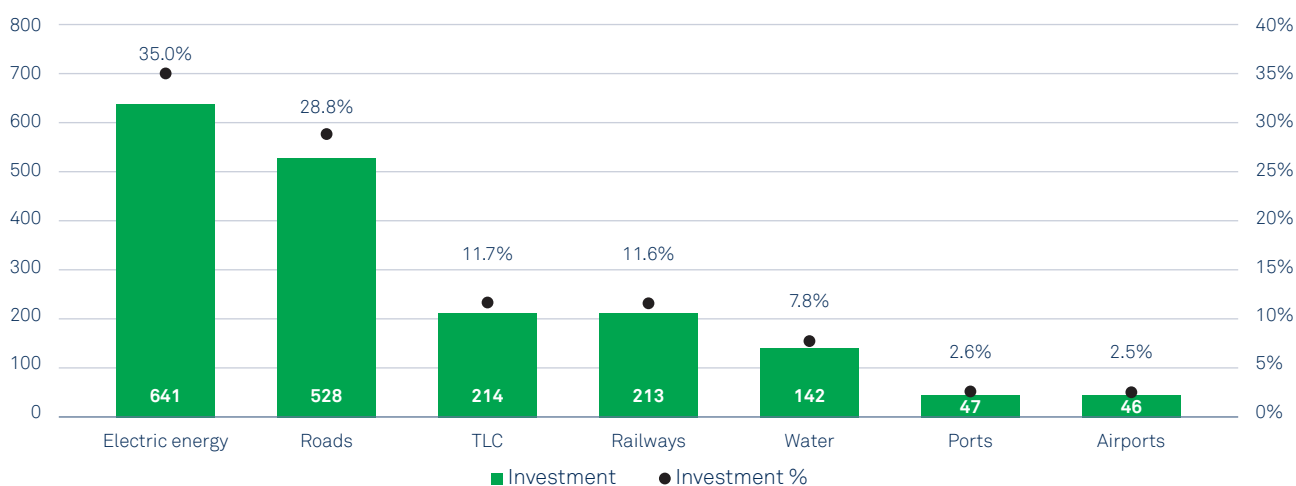
Global annual expenditure in infrastructure has grown from €1,600 billion in 2007 to €2,300 billion in 2016 at a weighted average annual rate (CAGR) of 3.7%, equal to roughly 3% of GDP and about 12% of total capex, with the most growth seen in countries more affected by the growth drivers listed above, first and foremost Asia. The sectors that have seen the most investment in the same time period are electrical energy generation and transportation. The expected distribution of investments in infrastructure in geographical and business segment terms is similar to that of the past.

³³ Source: "Rapporto Romania. Outlook Economico", InfoMercatiEsteri, 8 luglio 2017 – by the Ministry of Foreign Affairs and International Cooperation.

³⁴ Source: "Gli investimenti in infrastrutture", by Deloitte Financial Advisory and Università LUISS "Guido Carli", 2018.

Infrastructure investment trends by geographical area – 2007-2016³⁵

Nota: (1); Index 2007 = 100.

Average annual investment by business sector (€bn) – 2007-2016³⁶

Nota: (1) Data converted to Euro at the average exchange rate EUR/USD of 2016 (i.e. 1,19).

The Astaldi Group's commercial strategy focuses on those areas where it has traditionally been present and that continue to invest in long-term programmes (mainly the US, Canada, Chile, Poland, Romania and Italy) and to evaluate new possibilities in countries with stable economies and well-defined investment programmes (mainly Central Eastern Europe, the

³⁵ Source: "Gli investimenti in infrastrutture. Relazione con la distribuzione del reddito e attese di remunerazione finanziaria degli investitori", by Deloitte Financial Advisory and Università LUISS "Guido Carli", 2018.

³⁶ Source: "Gli investimenti in infrastrutture. Relazione con la distribuzione del reddito e attese di remunerazione finanziaria degli investitori", by Deloitte Financial Advisory and Università LUISS "Guido Carli", 2018.

Balkans and the Far East). The business sectors that guarantee the most investment in infrastructure are also those in which the group can leverage its strong track record and leadership positions: Astaldi is the fourth largest contractor in the world in terms of revenue generated in the hydroelectric plant sector (energy generation plants), third in the bridges sector, thirteenth in the mass transit & rail sector and fifteenth in the highway (roads and motorways) sector³⁷.

A brief overview of the infrastructure market performance in the countries of most commercial interest to the group is set out below.

Italy.³⁸ Italian research bodies revised their GDP estimates upwards during the year. Bank of Italy estimated a 1.4% increase in GDP for 2017 and of 1.3% for 2018 in its Economic Bulletin of July 2017. Likewise, Confindustria increased its estimates from +0.8% to +1.3% in June and forecasts another increase of 1.1% for 2018. Despite this, the expectations about an upturn in the construction sector in 2018, which were based on the 2017 budget law that included far-reaching measures to relaunch infrastructure investments and strengthen existing fiscal incentives, did not fully materialise in 2017. The new estimates for public works reflect the negative trend of public spending in construction and the reduction in the number of public calls to tender. As a result, ANCE (the Italian National Association of Construction Companies) estimated a 0.8% increase in construction investments in 2017 in its Economic observatory on the construction sector of January 2018, after nine consecutive years of crisis. It prepared its estimates considering the impact of the budget law measures on production levels, such as, for example, the definitive overcoming of the internal stability agreement, the measures to relaunch local investments, the start-up of reconstruction in the areas affected by the earthquakes in central Italy and other nation-wide measures like the Fund for investments and infrastructural and industrial development of Italy. After 2017's modest results, 2018 may see an about-turn in the construction sector's fortunes. The effects of the measures in the 2017 budget law on this sector's production levels may be significant, should the critical issues of the last few months be resolved. Accordingly ANCE's forecast for 2018 is a 1.5% growth in real investments in construction on an annual basis. Broken down by sector, this would mean a 4.0% increase on 2017 in investments in public works. ANCE has estimated that roughly €100 billion should be earmarked for public works over the next 15 years.

North America.³⁹ At global level, North America is one of the regions with the greatest commitment to infrastructure investments. Internationally renowned classifications place Canada and the US at second and third place, respectively, after the UK, for the number of infrastructure projects rolled out in 2016 and 2017. The federal states currently need financing for infrastructure projects in the US. However, optimism reigns that this situation will improve if the USD1.5 trillion infrastructure plan is approved by the Trump administration. To achieve the goal of USD1.5 trillion in infrastructure investments over the next decade, the bulk of funding to rebuild roads, bridges, waterways, energy projects, rural infrastructure, public lands and other projects will need to come from state and local governments or the private sector. The plan is challenging but it is giving impetus to the US infrastructure market that continues to grow slowly but steadily. The Canadian federal government and the provincial governments (mainly Alberta, British Columbia, Ontario and Quebec) are prioritising infrastructure in Canada. The federal government's 2016 infrastructure plan envisages investing CAD180 billion in 12 years and this does not consider the additional investments in infrastructure projects planned by the provincial governments over the next few years. The group intends to increase its market share in these countries, especially in the transportation infrastructure sector, leveraging on its ability to agree partnership with internationally important partners and, particularly in Canada, its expertise in the PPP sector.

Chile.⁴⁰ Chile has a strong regulatory and supporting institutional framework for PPPs. Over the last 25 years, the country has invested in 197 PPP projects for over USD69 billion. According to the World Development Bank's PPP database, projects for which a financial closing has been achieved include 16 airports, 87 electric energy projects, 10 ICT projects, eight

³⁷ Source: "ENR. The Global Sourcebook", by ENR Engineering News Record, December 2017.

³⁸ Source: "Osservatorio Congiunturale sull'Industria delle Costruzioni – luglio 2017", by Direzione Affari Economici e Centro Studi dell'ANCE (Italian National Association of Construction Companies).

³⁹ Sources: for the classifications, www.inframotionnews.com and www.Statista.com; "Trump's infrastructure plan – broad but facing challenges on funding and implementation", KPMG, February 2018; for Canada "Investing Canada Plan", Infrastructure Canada (<http://www.infrastructure.gc.ca/plan/about-invest-a-propos-eng.html#about>).

⁴⁰ Sources: "The 2017 Infrascope: Evaluating the environment for public-private partnerships in Latin Americas and the Caribbean", by The Economist Intelligence Unit; "The Latin Americas Infrastructure Pipeline" by Norton Rose Fulbright.

natural gas plants, 12 ports, four railways, 35 roads and 26 water and sanitation projects. The national infrastructure plan for 2020, introduced after the 2010 earthquake, includes interesting projects in the areas of motorways, water and transportation in general. The group is a major player in these areas, including locally, able to provide a complete service before and after the PPP to public and private partners, offering turnkey solutions and able to attract internationally important partners. This winning formula has allowed the group to achieve important commercial targets, giving it a competitive edge that it should hold on to in the next few years.

Turkey.⁴¹ The tenth development plan for Turkey (2014-2018) includes the following fundamental sectors as priorities for investment: education, health, water system, science and technology, transportation and irrigation. Over the last few years, the Turkish infrastructure market, and especially the PPP market, has continued to grow and is now placed third in terms of its size in Europe (source: EPEC, European PPP Expertise Centre, European Investment Bank 2016) and internationally (as noted by the World Development Bank in the period from 1990 to 2015 using a sample of 139 countries). According to the World Development Bank, Turkey ranks third out of the 10 emerging economies in terms of the total value of PPP projects and the sectors that have benefited the most from the related investments are: electricity, airports, ICT and motorway transport. Future opportunities for the country are manifold, especially for the sectors of most interest to the Astaldi Group (transport infrastructure).

Europe.⁴² Recent studies have shown an increase in activity in the European construction sector (+2.2% on a year-on-year basis in 2016; €1,278 billion) and this pace of growth is expected to increase in 2017 (above 2%) and 2018 (above 3%). Specifically, Poland is one of the EU countries that has best taken advantage of the large investments earmarked by the EU for cohesion and infrastructure. In January 2018, the Romanian Senate voted to approve a draft law to set up a development bank (BDR). This state bank would, inter alia, finance, co-finance and provide guarantees for infrastructure projects and will have initial capital of €214 million. This proposal followed the Senate's approval in November 2017 of the transformation of the state-owned Eximbank into a development bank. The new state bank is expected to support infrastructure projects in the transportation sector over the long term, involving the Sovereign Development and Investment Fund (FSDI) as well. BRD and FSDI should become operational in 2018 and would allow the country to both launch new infrastructure projects and to re-commence those that have been put on hold.

⁴¹ Source: OECD: Economic forecast summary (November 2017); Private Participation in Infrastructure Database by The World Bank (<https://ppi.worldbank.org/>); PPP experience in Turkey, Ministry of Development/Head of PPP department, November 2017; Capital Projects and Infrastructure Spending in Turkey January 2017 by PriceWaterhouseCoopers& Garanti (https://assetsgaranti.com/assets/pdf/en/other/TGB_CPI%20Spending%20Report_03-Jan_Web_exe.pdf).

⁴² Source: "Annual Report 2017", by FIEC European Construction Industry Federation; "EU Construction sector output. Learning from mistakes", by Building Radar, 9 August 2017; for Romania, «Update Espresso: 2 marzo 2018», by SACE.

Main risks and uncertainties

Given the nature of its business and reference sector, the Astaldi Group is exposed to different types of risks both at company and project level. It has a risk management system, which analyses, measures, monitors and manages the main risk sources identified, to mitigate its exposure to these risks.

The system's main priority is to ensure timely, efficient and effective responses to any uncertain event that could have a positive or negative impact on attaining the group's objectives.

The aim of the ERM Enterprise Risk Management model introduced over several years and now fully functional is to meet the board of directors' need to define guidelines for the internal controls and risk management system and the nature and level of risk compatible with the group's strategic objectives, after consulting the control and risks committee as required by Borsa Italiana's Code of Conduct for listed companies.

The risk categories identified by the group as the main critical sources that could impact achievement of the strategic plan objectives are:

- sustainability;
- financial structure;
- human resources;
- partnerships;
- reference scenario.

The group has set up dedicated intradepartmental teams composed of managers to regularly analyse, check and monitor risks, especially those listed above. The teams meet frequently to ensure, inter alia, implementation of the appropriate risk management and mitigation actions (risk response) defined after analyses of the specific key risk indicators. They also guarantee compliance with the guidelines set out in the group's risk appetite statement approved by the board of directors, which establish the maximum risk level the group is willing to take on when carrying out its business (related to the main risk categories).

Sustainability risks. Astaldi S.p.A. has a management system strongly focused on the inclusion of social and environmental objectives in its business as it is aware that a well-defined integrated corporate social responsibility (CSR) strategy has a positive impact on institutional investors' investment choices and also increases the value generated by the group. The QHSE system is certified by an independent expert in line with international standards. The end purpose is to limit reputation risks due to non-achievement of CSR objectives. This is advantageous to the group in terms of its competitive edge as there are markets that exclude companies with negative track records due to incidents and/or violations of QHSE standards.

Financial risks. This category mainly consists of risks related to lending agreements with the group's banks (financial covenants) and the related possibility that the group may not be able to meet its financial commitments. Governance of these risks, and interest rate, current and commodity risks, is performed directly by dedicated internal committees, the competent departments and specific interdepartmental teams, which define the most suitable strategies to be implemented in line with the group's procedures and policies. In particular, interest rate risk is regulated by a policy designed to ensure ongoing monitoring and the use of non-speculative derivatives (cash flow hedges). With respect to interest rate risk affecting the parent, whenever the floating rate applicable to loans and borrowings exceeds a set threshold, the group immediately takes steps to bring it back below the agreed limits. Internal procedures for currency risk provide for three level of hedging: 1) protection of the "economic value" (pre-negotiation) – during the call to tender/bidding stage; 2) protection of the "monetary value" (transaction) of the exposure to risk, the drivers of which are market volatility and analysis of the forward curves, trends and forecasts of exchange rates; 3) translation risk – tied to the effects of the transfer of the risk to the group's equity and possible negative effects on the existing financial covenants. The hedging strategy for commodity risk often includes proxy hedges, with the hedging of a different underlying to that which has generated the risk exposure.

Human resources risks. The main difficulty with respect to human resources is the recruitment of professionals with the relevant technical and specialist skills needed to fill positions in the group, especially with regard to key positions. The group regularly analyses key risk indicators that include suitability for the key positions, the turnover rate and the internal service level agreement that measures the group's ability to find the required resources in the necessary time frame with the requested profiles. Given the tough competition on the internal and international labour markets and the group's need to employ highly qualified professionals, it pays great attention to personnel retention. It has concurrently continued the Astaldi Corporate Academy which is its internal school set up to develop and hone managerial skills, so as to develop and nurture a distinctive skill-set thus generating additional value.

Partnership risks. The group has a contract management model that privileges interaction with project partners that have the appropriate technical references, especially for projects where a partnership is opportune due to the complexity of the works and/or the sharing of risks. The group also considers assessments about new countries and/or sectors and valuations of the partners' cultural and organisational integration in these countries/sectors as well as their potential ability to meet their contractual commitments. In order to monitor this risk category, the group regularly checks its partners' financial strength and solvency as well as their necessary technical, ethical and reputation requirements. It also agrees on the sharing of roles and responsibilities with the partner defined and managed through shareholder agreements.

Reference scenario risks. The group has continued to develop its foreign operations over recent years, mainly to work with countries that have smaller exposures to risks arising from economic, political and social risks (not controlled by Astaldi). This approach entails the detailed and meticulous monitoring and updating of the risk profiles of all the countries where the group operates or that it is interested in for future developments. All the group offices are involved in feeding and regularly updating an information system that provides an internal rating for country risk, based on the country's credit standing (ratings from the main rating agencies like Moody's, S&P and Fitch) and the group's ability to generate performances in line with the strategic plan objectives for those countries. The following information is provided for the countries in which the group operates and which are the most exposed to this type of risk.

■ **Venezuela.** The group's prudent approach encouraged it to cut back its activities on the projects in progress in this country starting from 2015 due to Venezuela's economic difficulties of the last few years. This has resulted in the (state) customer's delays in complying with its contractual commitments. Therefore, the group has substantially suspended the ongoing works (railway projects) to minimise the capital invested in this country until it can guarantee greater stability for the contracts in place. More information is available in the introduction section of this report ("Impairment of receivables from the Venezuelan government" section).

■ **Turkey.** The Astaldi Group does not envisage particularly critical issues related to this country that would affect the on-going construction and operation projects (motorways, hospital buildings, metros). With respect to the group's strategy of selling assets under concession, the market has shown its great renewed interest in the assets to be sold. The group plans to enhance the value of the Turkish assets after the works have been completed, i.e., after 2018.

Reference should be made to note 35 (Information on risk management, financial instruments and guarantees) of the notes to the consolidated financial statements accompanying this directors' report for more information about risks.

Going concern

The directors have prepared the consolidated financial statements of the Astaldi Group and the separate financial statements of Astaldi S.p.A. (the "parent") on a going concern basis. The following should be noted in this respect.

As already noted, the loss for the year attributable to the owners of the parent of €101.2 million is the result of the non-recurring effects (already noted in the 2017 third quarter report) of the partial impairment loss (€230 million) recognised on the group's exposure to Venezuelan customers. Its decision to impair a large portion of the receivables was based on the steady decline in the South American country's social and political situation from the end of August to October 2017.

The loss of €98.7 million for the parent, as noted earlier, is due to the same non-recurring factors described above.

The group had already stepped up the measures to free up slow-moving items in its working capital as part of its project to rationalise its cash flows. In fact, management forecasts that additional cash inflows will be generated in 2018 in addition to its normal cash flows from operating activities. The group has also continued its asset disposal plan involving the concessions line of business, specifically, the assets used to build and operate the Third Bosphorus Bridge for which negotiations are at an advanced stage and that management is reasonably sure will be sold by the end of June 2018 based on the expressions of interest received.

The parent has launched a project to strengthen its capital and finances as announced to the market in its press release of 14 November 2017. It negotiated the redefinition of the covenants at 31 December 2017 with the bank syndicate, agreeing new parameters with sufficient headroom to cover the effects of the impairment losses recognised on the group's exposure with Venezuela.

This project entails recapitalisation due to the effects of the impairment losses recognised on the Venezuelan receivables and to give the group the necessary resources to carry out its strategic plan. It also aims to put the group in the best possible position to renegotiate the refinancing of its long-term debt, extending the repayment dates to after 2022 and, in line with market conditions, cutting the cost of debt.

After the analyses performed in recent months with the banks and advisors, the parent redefined the terms of the capital and financial strengthening project. It boosted the capital increase to approximately €300 million and concurrently applied to the group's main lending banks for their assistance in supporting the group's industrial and commercial activities. The parent plans to call a board of directors' meeting before the end of April 2018 and before the shareholders are called to approve the separate financial statements. The directors will be asked to approve the definitive capital and financial strengthening project and the new 2018-2022 business plan.

Although material uncertainty exists about the achievement of the above actions (capital strengthening and disposal of assets), which could cast significant doubts as to the parent's ability to continue as a going concern, based on the group's current liquidity plan (which includes the sale of the above assets and the realistic possibility of completing the asset and financial strengthening project in a reasonably short time frame), the directors deemed that the conditions for preparing the consolidated financial statements on a going concern basis existed.



TURKEY - Gebze-Orhangazi-Izmir motorway | Umurbey viaduct.

Outlook

The group was unable to meet its profit target for the year due to the impairment of the Venezuelan assets in the first quarter of 2017⁴³. Despite this and given the excellent results achieved in commercial and industrial terms, the group will continue its strategic plan over the next few months, flanking it with an important programme to strengthen its assets and finances to improve its financial structure and, hence, its competitiveness.⁴⁴

The group's strategy is four-pronged:

- Industrial growth;
- Strategic de-risking;
- Strengthening the financial structure;
- Organisational consolidation.

Comforted by the important commercial achievements of the last 18 months and the financial and other benefits that have started to be seen, the group will continue to work on its four objectives in the coming months. It will concentrate on starting production for its recently acquired projects in the Italian railway sector as well as the new projects in Chile, the US, Romania and Poland.

The group will continue its de-risking project in the next few months, focusing on areas that are less risky compared to the past and with a move towards EPC contracts that provide contractual advances. Specifically, the group intends to concentrate its commercial activities on Chile, the US, Canada, the Far East, Central Europe and the Balkans. It will assess opportunities offered by the Indian and Iranian markets in the Far East, working together with leading international partners. The O&M line of business is expected to speed up its contribution to the group's results, thanks to the recent variations made to its investments in O&M companies set up as part of concession projects in which the group is involved. From a financial viewpoint, in addition to the above-mentioned manoeuvre, the group will dedicate resources to freeing up the slow-moving items in its operating working capital as well as taking all other measures possible to make its operations more efficient.

Overall, this will lead to a less capital intensive business model than in the past, which will speed up the group's capacity to generate value for its stakeholders starting from 2018.

⁴³ Reference should be made to the introduction to this report for more details.

⁴⁴ Reference should be made to the "Main risks and uncertainties" section ("Going concern" paragraph).



RUSSIA- M-11 Moscow-St. Petersburg motorway.

Other information

Foreign non-EU subsidiaries

Astaldi S.p.A. states that its internal procedures comply with the measures of article 15.a)/b)/c) of the Stock Market Regulation (“Conditions for the listing of shares of parents set up and governed by laws of non-EU member states”, CONSOB regulation no. 20249/17) issued to implement article 66-bis.2 of Legislative decree no. 58/1998.

Specifically, Astaldi S.p.A. notes that:

- the parent, Astaldi S.p.A., always has copies of the by-laws and details of the members of the company bodies of all the non-EU subsidiaries, that are significant pursuant to article 15.2 of the Stock Market Regulation, as well as details of the positions held;
- the parent, Astaldi S.p.A., makes available to the market, inter alia, the financial statements of its non-EU subsidiaries, that are significant pursuant to article 15.2 of the Issuer Regulation, prepared for inclusion in the consolidated financial statements (at least the statement of financial position and the statement of profit or loss);
- the group’s current administrative-accounting and reporting procedures are suitable to regularly provide the parent’s management and independent auditors with the financial figures of the non-EU foreign subsidiaries, that are significant pursuant to article 15.2 of the Issuer Regulation, required to prepare the consolidated financial statements.

With respect to the parent’s checks of information provided to the independent auditors necessary to audit the parent’s annual and interim financial statements, the current communication procedure with the independent auditors, split by corporate governance control level and in place throughout the year, is efficient.

The consolidation scope for 2017 includes four subsidiaries, based in three non-EU member states that are significant pursuant to article 15.2.

List of foreign branches

A list of the foreign branches active in 2017 is provided below with details of those closed or opened during the year.

List of foreign branches at 31 december 2017

Abu Dhabi TAMALLUK BUSINESS DEVELOPMENT AL MARKAZIYAH (WEST) P.O. BOX – 113660 ABUDHABI – UAE	Algeria Bureau Administratif et Financier Lotissement 19/20 Aissat Idir Cheraga W Alger
Argentina Desvío a Pescadores, Km. 8.9, Ciudad de San Luis, Provincia de San Luis	Bolivia 4to Anillo Zona Equipetrol Calle Victor Pinto Nro. 4,200 Edificio Torre Duo Piso 19 Dpto. 19A. Santa Cruz
Bulgaria 19, I. Denkoglu Str., floor 2 1000 – Sofia	Canada 780 Brewster Street Suite 3-300 Montreal Quebec, H4C 2K1
Chile Avenida Américo Vespucio N° 01199 Business Lo Boza, Quilicura Santiago	Costa Rica Carretera Interamericana Sur, frente a Servicentro El Guarco en Tejar de Cartago Costa Rica
El Salvador Boulevard El Hipódromo Pasaje 10, Casa 139 Colonia San Benito San Salvador	Georgia (incorporated on 7 June 2017) Saburtalo District, Vaja-Pshavela Ave. N71, 6 Floor, Block 10, Office 6, Tbilisi, Georgia
Guatemala 6a. Calle 5-47 Zona 9 5to. Nivel Guatemala, C.A.	Honduras Bulevar Fuerzas Armadas Salida al Norte, Colonia El Carrizal Frente a Colonia Espíritu Santo Apartado Postal 3199 Tegucigalpa
Indonesia (representative office) 17 th floor, Pondok Indah Office Tower 3, Jl. Sultan Iskandar Muda, Kav. V-TA, Pondok Pinang Keboyaran Lama, South Jakarta Dki Jakarta	Iran (incorporated on 11 October 2017) Tehran, City of Tehran, Vali-e-Asr Avenue, Shahid Soltani (Sayeh) Street, No. 88, Baran Bldg., 4th floor, Apt #45, Postal Code 967713866
Nicaragua Club Terraza 1 ½ Cuadra Oeste Reparto Villa Fontana Norte Casa 38, Boulevard Jean Paul Genie Managua	Oman 4/45 Al Mashriq Building (Al Fair Building) 18 th November Street Azaiba Muscat Sultanate of Oman
Panama Calle Aquilino De la Guardia Torre Banco General Oficina 1502 Ciudad de Panamá	Peru Calle Chinchón 1018 Piso 2 Lima27 San Isidro Lima
Poland Ul. Sapiezynska 10a 00-215 Warszawa	Qatar (closed on 2 March 2017) Financial Center – QFC QFC n.00256 -c/o QFC Authority PO Box 23245 – Doha
Romania Str. Nicolae Caramfil Nr 53, Et3, Sector 1, CP 014142, Bucharest	Russia 190005, 5-7, via Sesta Krasnoarmeyskaya, St. Petersburg, Russian Federation
Singapore 77 Science Park Drive, CINTech III Building, #03-05/06, Singapore 118256	USA 8220 State Road 84, Suite 300, Davie, FL 33324
Sweden Engelbrektsgatan 9-11 114 32 Stockholm	Tunisia Rue du Lac del Constance, Imm. Regus Les Berges du Lac 1053 Tunis
Turkey Kizilirmark Mahallesi Dumlupinar Bulvari No: 3C1 – 160 Cankaya/Ankara	Venezuela Av. La Estancia C.C.C.T. 1° Etapa, Piso 6 Oficina 620, Urb. Chuao Caracas 1064

Financial instruments

Reference should be made to note 34 (Fair value measurement) and 35 (Information on risk management, financial instruments and guarantees) of the notes to the separate financial statements of Astaldi S.p.A. for the disclosures on financial instruments required by article 2428.2.6-bis of the Italian Civil Code.

Resolutions about information memoranda for significant transactions

For some years now, the parent's board of directors has decided to avail of the option not to publish the information memoranda required for significant transactions such as mergers, demergers, capital increases through contributions of assets in kind, acquisitions and sales. It took this decision pursuant to article 70.8 and article 71.1-bis of the Issuer Regulation published by Consob.

Remuneration report

Reference should be made to the 2017 remuneration report prepared by the parent's board of directors as per article 123-ter of the Consolidated Finance Act (Legislative decree no. 58 of 24 February 1998, as subsequently amended) for information about the remuneration of directors, statutory auditors and key management personnel. This report is made available in the governance section of the group's website (www.astaldi.com) in accordance with the legally-required timeframe and methods.

Astaldi S.p.A. shares held by directors, statutory auditors and key management personnel at 31 December 2017

Reference should be made to the 2017 remuneration report for information on the parent's shares held by directors, statutory auditors and key management personnel at year end. This report is made available in the governance section of the group's website (www.astaldi.com) in accordance with the legally-required timeframe and methods.

Treasury shares

As part of the parent's buy-back plan rolled out during the year, it bought back 267,157 shares in 2017 and sold 384,794, including 122,500 for the stock grant plan. At year end, the parent had 539,834 treasury shares in its portfolio with a nominal amount of €2.00.

Parent shares held by subsidiaries

At the date of preparation of this report, none of the subsidiaries held the parent's shares.

Management and coordination pursuant to article 2497 and subsequent articles of the Italian Civil Code

Astaldi S.p.A. is not managed or coordinated by any of its shareholders as its board of directors is responsible for taking all and the most suitable decisions regarding its management in a fully independent manner.

Related party transactions

Reference should be made to the section on related party transactions of this report and note 36 (Related party transactions and directors', statutory auditors, general managers' and other key management personnel's fees) of the notes to the consolidated financial statements which accompany this directors' report.

Atypical and/or unusual transactions

The group did not engage in any atypical or unusual transactions, as defined in the Consob communication no. DEM/6064293 of 28 July 2016, during the year. These transactions are those that, because of their significance/materiality, the nature of the counterparty, transaction scope, transfer price calculation method or timing, could give rise to doubts about the accuracy and/or completeness of the information, conflicts of interest, the safeguarding of the company's assets or protection of non-controlling investors.

Research and development

The group did not incur any R&D expense during the year.

Events after the reporting date

In January 2018, Astaldi was awarded a **€73 million contract (Astaldi's share: 70%) to build the Nuovo Ospedale del Sud-Est Barese in Monopoli-Fasano, Italy**, as part of a joint venture. The construction contract covers all the civil works and systems for the new healthcare facility in Puglia, which will have 299 beds and nine operating theatres in a surface area of 178,000 square metres. The customer is the local health authority of the Bari Province. The works are expected to take roughly three years and the contract will be signed once the tender procedures have been completed, as is normal practice.

Also in January, Astaldi won a **new USD108 million motorway contract to build a section of the Wekiva Parkway in Florida, USA**. The contract covers the construction of 8 km of new highway along the State Road 429-State Road 46 (Wekiva Parkway, Section 7A), including 12 bridges and all related works. The works are scheduled to take just over five years. The customer is the Florida Department of Transportation (FDOT – District 5, the US government agency charged with developing the transport infrastructure system in the State of Florida). The works will be financed with FDOT funds and performed by Astaldi Construction Corporation (ACC), the group company in charge of developing the US market. The United States is one of the areas the group is the most interested in for its planned growth of the next few years. This new contract heralds another important milestone for Astaldi and strengthens its position in the US.

Again in January, Astaldi was awarded a **€435 million contract (Astaldi's share: 60%) to build a suspension bridge over the Danube River in the Braila area in Romania** as part of a joint venture. The contract covers the design and construction of a 1,975 metre suspension bridge with a main span of 1,120 metres and two side spans of 490 and 365 metres. The contract also includes the construction of two viaducts to access the bridge of 110 metres and roughly 23 km of access roads. The design stage will take one year and construction works three years. The customer is CNAIR, the state company

owned by the Romanian Ministry of Transport and Infrastructure. The works are included in the country's transport master plan and are financed using EU funds as part of the POIM programme. Design and construction will be performed as a joint venture between Astaldi (main contractor, 60%) and IHI (Japan, 40%). IHI is a worldwide leader in the design and construction of suspension bridges and has worked with Astaldi on the Osman Gazi Bridge in Turkey, which is the fourth longest suspension bridge in the world and part of the Gebze-Orhangazi-Izmir motorway.

In February, Astaldi obtained **two contracts for €110 million**. One contract (€67 million, Astaldi's share: 100%) is for completion of the Colombo, San Tommaso and Polcevera tunnels as part of the programme to upgrade the Genoa railway junction. The other contract of €40 million (Astaldi's share: 50%) is to carry out clean-up activities of Lot 2 of former Kuwait Petroleum Italia's refinery in Naples.

On 19 February, the **CIPE approved the definitive designs for the second section of the third mega lot of SS-106 state road Jonica in Italy**. As a result of this approval, the executive designs for the entire mega lot (functional lots 1 and 2) can be prepared and the preliminary works started. The works will be performed by a joint venture including Astaldi (lead contractor) and Salini Impregilo. At the date of preparation of this report, the group had included the contract in its order backlog for approximately €960 million.



ROMANIA – Bridge over the Danube in the Braila area | Render.

Human resources

Changes in the workforce

The group's **average workforce** for the year numbered **10,491 employees**, down 8.9% on the previous year, due to the reduction in activities for projects involving direct labour (Algeria, Russia and the mining projects in Chile). The **Italian workforce numbered 1,180 units** and **89% of the entire workforce is assigned abroad (9,311 employees)**. The qualitative turnover of employees continued at head office with a **total turnover rate of 18.9%** which, added to the figures for the last two years, led to a **turnover rate of 73.5% for the head office personnel**.

Training

In 2017, **14,624 hours of training courses were prepared and given by the head office to corporate staff, employees on secondment and foreign local employees**. The courses mostly covered managerial training (roughly 45% of the total hours) as well as courses about technical subjects, quality, the environment and safety.

Specifically, 2017 was the **third year of activity of the Corporate Academy**, the group's managerial training school. It provided **26 courses on project management, economics, procurement, leadership & people management and HSE management** to 310 employees for a **total number of 6,526 man/hours**.

The group organised and **provided 5,740 hours of technical training about BaaN, HR management, IT, engineering and languages**.

Another 2,358 hours of courses were held on quality, safety, the environment and internal audit subjects, as part of the group's special focus on these issues.

In addition to the courses provided by the head office, local courses were held in the countries and for the contracts the group is working on to promote its internal culture in the construction sector. In fact, it provided **roughly 166,700 hours of training to direct employees at local level**.

Circulation of the group culture and enhancement of its human capital is a value transmitted to employees of its partners as well. Accordingly, Astaldi provided **training courses to them and made them aware of its policies and standards** for a total of **62,054 hours of training** in 2017.

Recruitment and hiring

In 2017, the group continued to recruit young university graduates, hiring around 100 people around the world.

In 2014, Astaldi launched a programme to recruit and hire young university graduates with high growth potential to fill

management positions in the group production companies (Managers of the future programme). These youngsters, with technical and economic degrees, who graduated with top marks and speak more than one foreign language, were selected as part of a detailed process involving individual interviews, physiological and aptitude tests and assessments. This selection process facilitates identification of those candidates with the personal characteristics and skills necessary to successfully take on a challenging career, with many perspectives, such as those that typically can be experienced as part of the contracts that the group has today around the world.

Four years after its launch, this programme has led to the hiring of 48 future managers who have confirmed the expectations about them in terms of their adaptability, enthusiasm and assessments from their teams. In addition, the first 20 more senior resources hired have completed their two-year training programme and have been assigned manager roles for specific projects.

In order to enhance, accelerate growth and retain the more valuable resources, the group revised its training programme to include a course of 3+2 years to obtain the PMI certification in the second two years. In 2018, the more deserving resources will be offered the option to participate in this additional training course after signing a loyalty agreement.

The group introduced a course for **recent secondary school graduates** similar to the Manager of the future programme in 2017 to train these new resources to hold second and third level management positions on projects (construction manager, site manager, project administration manager, quantity surveyor, etc.).

Concurrently with the hiring of high-potential resources, the group also carried an extensive recruitment programme in 2017 for project managers, design managers and project control managers. This programme was designed to furnish qualified resources to the group companies around the world who could enter the companies during the pre-tender stage to become a key reference person for the project after it had been acquired.

This “pre-emptive” policy, which gives the potential managers time to familiarise themselves with the group’s culture and procedures and be ready to hold positions of responsibility in the projects, led to the hiring of 40 resources during the year. It will be continued in 2018 as part of the group’s plan to expand into new interesting markets.

HR management software

During the year, the group continued its project to upgrade and develop the Talentia IT system used to manage and develop personnel.

In 2017, the software was extended to Central America (Honduras, Nicaragua and Salvador) as well as in the countries recently entered by the group (Georgia and Sweden). At the date of preparation of this report, details of 95% of the group’s employees are available in Talentia, which will become the primary source (and eventually the only source) of workforce data.

In February 2017, the group launched the personnel assessment programme for all its white collar employees. This includes the “development form” for some positions to map their best growth path.

Trade union relations

The group signed two memoranda of understanding with the relevant trade unions in Italy in 2017. They related to the work to build the Monte Nieddu dam in Sardinia (by Astaldi S.p.A.) and the Brenner Base Tunnel (Lot “Mules 2-3”) in the Bolzano Province (by the consortium company Brennero Tunnel Construction Scarl).

During the year, the group also signed three agreements with local trade unions regulating performance bonuses tied to increases in productivity and efficiency for the work sites related to the Quadrilatero Marche-Umbria road system project (maxi lot 2), Line 4 of the Milan metro and the Naples-Capodichino Station of the Naples metro.

Finally, after completion of the high speed/capacity Naples-Afragola Station, the joint review by the group and the trade unions of the procedure to reduce the related workforce was completed in October.



PERU - Cerro del Águila hydroelectric project.

Organisation

One of the strategic drivers identified by the group in its business plan to boost its planned development of value, size and importance of its business is the strengthening of its organisational structure. Accordingly, in 2017, it continued this project to improve controls over the geographical segments and ongoing projects and to ensure the centralisation of development and capitalisation of the group's know-how.

Specifically, the group continued its measures to strengthen its organisation and make it more efficient including, inter alia:

- the gradual introduction of coordinators to supervise similar line of business (who report to the general managers) and ensure standardised, integrated methods for procurement, HR and sustainability, organisation and management;
- the creation of a specific supervisory and monitoring unit within the administration and finance department as an additional safeguard that the financial planning and reporting guidelines are adhered to;
- allocation of resources to the integrated sustainability and management department, with the resulting synergies;
- development by Astaldi Concessioni of the identified O&M activities through the creation of a dedicated unit for this line of business, given the importance of this business to the group's planned growth.



CHILE – Chuquicamata mine (main access tunnel)| Underground expansion.

Sustainability

In 2017, the group continued to commit to sustainability, which is one of the key values underpinning its business model and essential to develop the activities implemented over the last few years.

Sustainability is a fundamental principle of the group's code of ethics and also an asset that can generate value, a challenge to ensure its competitive edge and a direction the group intends to take on a daily basis to produce high quality, cutting edge works that are an integral part of the areas where they are located. Accordingly, each work built by the group is an instrument which generates value for the shareholders and stakeholders, including the local areas and communities that will use it.

To show its commitment to this issue and comply with the changed reference legislative framework, the group has prepared a non-financial statement (in the form of a sustainability report) in accordance with Legislative decree no. 254/2016. This section describes the main drivers for growth and provides information about the statement, which will be published on the group's website www.astaldi.com concurrently with the 2017 Annual Financial Report, of which this directors' report is an integral part.

During the year, the group continued to integrate the non-financial statement aspects into its business model as part of its commitment to sustainability and to integrate them into its strategies, processes and actions.

This has had a profound impact on the head office's activities with respect to the monitoring of the related operational risks and the group's better capacity to efficiently respond to its reference market which gives increasing importance to sustainability.

The review of the group's sustainability performance affected all levels (head office, countries and projects), partly due to the non-financial reporting flows and the agreement of objectives and policies at head office level in line with the enterprise risk management activities (which reflected local requirements in the projects), which enables the group to identify stakeholder needs. The group's end objective is to manage risks and opportunities, define appropriate actions to improve its general performance and make it more competitive.

The group's sustainability model is the natural development of the integrated quality, safety and environment management model that it introduced years ago and has updated voluntarily over time.

The sustainability model is based on a number of commitments and objectives, set out in Astaldi's sustainability policy, as follows:

- follow an approach based on shared value to tie the group's success to social progress, generating a profit while concurrently creating tangible value for society;
- build works that improve the lives of people and also improve the competitiveness and attractiveness of the area to indirectly better the social well-being of its residents;
- promote and pursue the well-being of its employees through programmes to safeguard their health and safety in the workplace as well as their skills and knowledge;
- participate in the global challenges of climate change and pollution, monitoring the possibilities/opportunities through

business development organisational and management strategies while taking advantage of the alternatives offered by the new energy investment sectors designed to overcome reliance on fossil fuel;

- involve the supply chain and all third parties the group works with in its commitment to sustainable development through strict screening and measurement of their performances.

Projects and actions taken in 2017 to develop the group's sustainability model include:

- a review of the sustainability committee's work (this committee was set up in 2015 to provide guidance about sustainability issues). It has been given more powers to improve circulation about the group's sustainability policy;
- a review of the method used to assemble non-financial data and information used to evaluate the group's non-financial performance and prepare the non-financial statement (as described earlier);
- assessment of practices and processes linked to:
 - definition of the organisation at all levels which has resulted in more improvements and codification based on the units' greater efficiency and effectiveness;
 - disclosure and management of information to the market. Specifically, the group improved the organisation and methods used to communicate with the market;
 - preparation and response to emergencies involving group workers abroad due to natural disasters and/or risky social or political situations with the set up of a special committee at head office level (emergency and crisis committee) to provide guidance and coordination assistance to prevent the negative fallout of these emergencies and its possible direct intervention in handling such emergencies;
 - health, safety and environment management. Specifically, the group revised and updated the related management models, also to comply with the tighter controls over HSE risks;
- making local and work site personnel aware of issues and processes for the integrated management of sustainability and especially HSE topics during the projects' performance.

In 2017, DNV-GL, the certification body, carried out regular audits assisted by external experts of the quality, safety and environment components of the integrated management system in Italy and abroad in line with the regulations governing such certification activities. The positive audit findings led to confirmation of the compliance certifications issued in accordance with the ISO 9001, ISO 14001 and BS OHSAS 18001 standards.

Conclusions

Dear shareholders,

The consolidated financial statements at 31 December 2017 of the Astaldi Group show a loss attributable to the owners of the parent of €101.2 million.

The separate financial statements of the parent at the same date show a loss of €98.7 million.

On behalf of the Board of Directors
Paolo Astaldi
(Chairman)

A handwritten signature in blue ink, appearing to read 'P. Astaldi', is positioned below the printed name and title.



TURKEY – Northern Marmara Highway project | Third Bosphorus Bridge.



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Consolidated financial statements

Statement of profit or loss

(thousands of euro)	notes	2017	2016
Revenue	1	2,888,319	2,851,826
<i>of which with related parties</i>		570,288	726,158
Other Operating Revenue	2	172,414	152,429
<i>of which with related parties</i>		11,511	13,484
Total Operating Revenue		3,060,733	3,004,255
Purchase costs	3	(369,803)	(449,134)
Service costs	4	(1,703,178)	(1,605,119)
<i>of which with related parties</i>		(63,635)	(46,967)
Personnel expenses	5	(633,865)	(616,203)
Other operating costs	6	(34,708)	(41,702)
<i>of which with related parties</i>		(85)	(35)
Total Operating Costs		(2,741,553)	(2,712,158)
Share of profits (losses) of joint ventures and associates	7	47,196	87,760
Gross operating profit		366,376	379,858
Amortisation, depreciation and impairment losses	8	(284,933)	(58,885)
Provisions	9	(5,097)	(3,999)
Operating Profit		76,345	316,973
Financial income	10	120,507	100,041
<i>of which with related parties</i>		22,717	17,139
Financial expense	11	(312,687)	(287,918)
<i>of which with related parties</i>		(643)	(612)
Net financial expense		(192,180)	(187,877)
Pre-tax profit (loss) from continuing operations		(115,835)	129,096
Tax expense (benefit)	12	18,108	(31,654)
Profit (loss) from continuing operations		(97,727)	97,442
Profit / (Loss) from discontinued operations	13	0	(24,811)
PROFIT (LOSS) FOR THE YEAR		(97,727)	72,631
Profit (loss) attributable to the owners of the parent		(101,175)	72,457
Profit (loss) attributable to non-controlling interests		3,448	174
<i>Earnings (loss) per share</i>			
Basic	14	€(1.03)	€0.74
Diluted	14	€(1.03)	€0.65
<i>Earnings (loss) per share from continuing operations</i>			
Basic	14	€(1.03)	€1.00
Diluted	14	€(1.03)	€0.87

Statement of comprehensive income

(thousands of euro)	notes	2017	2016
Profit (loss) for the year (A)		(97,727)	72,631
Change in fair value of cash flow hedge derivatives		931	(2,436)
Exchange differences from translation of financial statements in foreign currencies		(48,222)	20,479
Share of other comprehensive expense of equity-accounted investees		(35,814)	(3,227)
Share of other comprehensive income (expense) of disposal groups		31,414	(15,678)
Tax effect		(6,710)	9,326
Other comprehensive income (expense), net of tax effect, to be subsequently reclassified to profit or loss (b1)	27	(58,401)	8,465
Actuarial gains (losses) on employee defined benefit plans		33	(118)
Share of other comprehensive income of equity-accounted investees		5	0
Other comprehensive income (expense), net of tax effect, that will not be subsequently reclassified to profit or loss (b2)	27	38	(118)
Total other comprehensive income (expense), net of tax effect (b1)+(b2)=(B)		(58,363)	8,347
TOTAL COMPREHENSIVE INCOME (EXPENSE) (A)+(B)	27	(156,090)	80,978
attributable to the owners of the parent		(155,101)	80,561
- from continuing operations		(155,101)	105,402
- from discontinued operations		0	(24,841)
attributable to non-controlling interests		(989)	417

Statement of financial position

Assets

(thousands of euro)	notes	31/12/2017	31/12/2016
ASSETS			
Non-current assets			
Property, plant and equipment	15	178,930	207,558
Investment property	16	143	693
Intangible assets	17	79,187	74,026
Equity investments	18	390,527	523,631
<i>of which:</i>			
<i>Equity-accounted investments</i>		344,948	493,191
Non-current financial assets	19	207,086	289,363
<i>of which with related parties</i>		34,904	242,760
Other non-current assets	20	316,539	42,355
Deferred tax assets	12	143,057	98,906
Total Non-current assets		1,315,469	1,236,532
Current assets			
Inventories	21	48,906	50,008
Amounts due from customers	22	1,704,498	1,555,110
<i>of which with related parties</i>		276,903	230,368
Trade receivables	23	476,853	723,775
<i>of which with related parties</i>		62,973	54,651
Current financial assets	19	62,661	26,719
<i>of which with related parties</i>		14,871	765
Tax assets	24	82,565	94,537
Other current assets	20	344,507	295,170
<i>of which with related parties</i>		69,679	50,103
Cash and cash equivalents	25	576,401	506,470
Total Current assets		3,296,392	3,251,788
Non-current assets held for sale	26	363,727	248,764
<i>of which with related parties</i>		183,763	47,854
Total Assets		4,975,588	4,737,085

Statement of financial position

Equity and liabilities

(thousands of euro)	notes	31/12/2017	31/12/2016
EQUITY AND LIABILITIES			
Equity	27		
Share capital		196,850	196,850
Treasury shares		(1,080)	(1,315)
Reserves:			
Legal reserve		33,163	33,062
Extraordinary reserve		297,568	314,663
Retained earnings		231,467	161,250
Other reserves		(1,461)	(1,917)
Other comprehensive expense		(154,879)	(109,007)
Deferred tax from other comprehensive income		18,287	26,341
Total capital and reserves		619,915	619,927
Profit (loss) for the year		(101,175)	72,457
Equity attributable to the owners of the parent		518,740	692,384
Profit attributable to non-controlling interests		3,448	174
Other comprehensive income (expense) attributable to non-controlling interests		(5,550)	231
Deferred tax on other comprehensive income attributable to non-controlling interests		1,364	20
Capital and Other Reserves attributable to non-controlling interests		31,439	5,677
Equity attributable to non-controlling interests		30,702	6,101
Total Equity		549,442	698,485
Non-current liabilities			
Non-current financial liabilities	28	1,474,645	1,495,737
<i>of which with related parties</i>		14,833	14,062
Other non-current liabilities	29	7,837	3,047
Employee benefits	30	7,145	7,506
Deferred tax liabilities	12	106,248	41,866
Total Non-current liabilities		1,595,873	1,548,156
Current liabilities			
Amounts due to customers	22	520,777	492,856
<i>of which with related parties</i>		88,655	165,724
Trade payables	31	1,226,626	1,092,282
<i>of which with related parties</i>		50,770	55,051
Current financial liabilities	28	844,298	508,537
Tax liabilities	32	67,204	84,090
Provisions for risks and charges	33	21,781	13,709
Other current liabilities	29	149,587	179,034
<i>of which with related parties</i>		5,222	962
Total Current liabilities		2,830,273	2,370,507
Liabilities directly associated with non-current assets held for sale	26	0	119,937
Total Liabilities		4,426,147	4,038,600
Total Equity and Liabilities		4,975,588	4,737,085

Statement of changes in equity for the year ended 31 December 2017

(thousands of euro)	<i>Share capital</i>	<i>Legal reserve</i>	<i>Extraordinary reserve</i>	<i>Hedging reserve</i>	<i>Translation reserve</i>	<i>Actuarial reserve</i>	
Opening balance	195,535	33,062	314,663	(119,364)	10,858	(501)	
Profit (loss) from continuing operations	0	0	0	0	0	0	
Other comprehensive income (expense)	0	0	0	60,450	(106,363)	41	
TOTAL COMPREHENSIVE INCOME (EXPENSE)	0	0	0	60,450	(106,363)	41	
Owner transactions and other changes in equity:							
Treasury shares	235	0	550	0	0	0	
Dividends	0	0	(19,556)	0	0	0	
Transactions with non-controlling interests	0	0	0	0	0	0	
Change in consolidation scope	0	0	0	0	0	0	
Allocation of 2016 profit from continuing operations	0	0	0	0	0	0	
Other changes	0	101	1,911	0	0	0	
Stock Grant reserve	0	0	0	0	0	0	
Closing balance	*195,770	33,163	*297,568	(58,913)	(95,506)	(460)	

* The amount is net of the investment in treasury shares totalling €3,079 thousand, including the nominal amount of shares of €1,080 thousand, which was offset against share capital, and €1,999 thousand offset against the extraordinary reserve.

Statement of changes in equity for the year ended 31 December 2016

(thousands of euro)	<i>Share capital</i>	<i>Legal reserve</i>	<i>Extraordinary reserve</i>	<i>Hedging reserve</i>	<i>Translation reserve</i>	<i>Actuarial reserve</i>	
Opening balance	195,248	31,141	296,328	(77,666)	(29,746)	(383)	
Profit from continuing operations 2016	0	0	0	0	0	0	
Other comprehensive income (expense)	0	0	0	(41,697)	40,603	(118)	
TOTAL COMPREHENSIVE INCOME (EXPENSE)	0	0	0	(41,697)	40,603	(118)	
Owner transactions and other changes in equity							
Treasury shares	287	0	1,663	0	0	0	
Dividends	0	0	0	0	0	0	
Reserve as per article 27	0	0	0	0	0	0	
Transactions with non-controlling interests	0	0	0	0	0	0	
Change in consolidation scope	0	0	0	0	0	0	
Allocation of 2015 profit from continuing operations	0	1,921	16,672	0	0	0	
Stock Grant reserve	0	0	0	0	0	0	
Closing balance	*195,535	33,062	*314,663	(119,364)	10,858	(501)	

* The amount is net of the investment in treasury shares totalling €3,864 thousand, including the nominal amount of shares of €1,315 thousand, which was offset against share capital, and €2,549 thousand offset against the extraordinary reserve.

<i>Deferred taxes on OCI</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Profit (loss) for the year</i>	<i>Equity attributable to the owners of the parent</i>	<i>Non-controlling interests</i>	<i>Total Equity</i>
26,341	(1,917)	161,250	72,457	692,384	6,101	698,485
0	0	0	(101,175)	(101,175)	3,448	(97,727)
(8,054)	0	0	0	(53,926)	(4,437)	(58,363)
(8,054)	0	0	(101,175)	(155,101)	(989)	(156,090)
0	(331)	0	0	454	0	454
0	0	0	0	(19,556)	(446)	(20,002)
0	0	(231)	0	(231)	231	0
0	0	0	0	0	25,805	25,805
0	0	72,457	(72,457)	0	0	0
0	0	(2,012)	0	0	0	0
0	789	0	0	789	0	789
18,287	(1,461)	231,467	(101,175)	518,740	30,702	549,442

<i>Fair value reserve</i>	<i>Deferred taxes on OCI</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Profit for the year</i>	<i>Equity attributable to the owners of the parent</i>	<i>Non-controlling interests</i>	<i>Total Equity</i>
29	16,996	(311)	118,891	80,876	631,405	5,626	637,031
0	0	0	0	72,457	72,457	174	72,631
(29)	9,345	0	0	0	8,104	243	8,347
(29)	9,345	0	0	72,457	80,561	417	80,978
0	0	(1,179)	0	0	771	0	771
0	0	0	0	(19,524)	(19,524)	(147)	(19,671)
0	0	0	0	(192)	(192)	0	(192)
0	0	0	(209)	0	(209)	207	(2)
0	0	0	0	0	0	(2)	(2)
0	0	0	42,567	(61,160)	0	0	0
0	0	(427)	0	0	(427)	0	(427)
0	26,341	(1,917)	161,250	72,457	692,384	6,101	698,485

Statement of cash flows

Operating activities

(thousands of euro)	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) for the year	(97,727)	72,631
Tax (benefit) expense	(18,108)	31,654
Pre-tax profit (loss)	(115,835)	104,285
Adjustments for:		
• Non-monetary items		
Amortisation and depreciation	49,404	58,210
Impairment losses	235,529	676
Net gains on equity-accounted investees	(47,196)	(87,760)
Post-employment benefits and defined benefit plan costs	1,461	1,288
Stock grant plan costs	1,248	1,255
Accrual to provisions for risks and charges	5,097	3,999
Fair value (gains) losses following adoption of fair value measurement and other	(17,737)	(7,883)
Subtotal	227,806	(30,215)
• Monetary items		
(Gains) losses from disposals	(22,059)	15,472
• Other adjustments to reconcile the profit (loss) for the year to the cash flows from operating activities	0	0
Net interest income and expense and dividends received	84,509	90,598
Subtotal	62,450	106,071
Cash flows from operating activities before changes in net working capital	174,420	180,140
Change in working capital		
Trade receivables	1,214	(32,906)
of which with related parties	(8,322)	(28,488)
Inventories and amounts due from customers	(297,112)	(295,450)
of which with related parties	(46,535)	(125,914)
Trade payables	130,838	76,816
of which with related parties	(4,281)	(11,190)
Provisions for risks and charges	(896)	(277)
Amounts due to customers	19,246	81,397
of which with related parties	(77,069)	23,406
Other operating assets	(55,794)	4,289
of which with related parties	(19,576)	(12,629)
Other operating liabilities	(36,778)	(27,602)
of which with related parties	4,260	(4,104)
Payment of post-employment benefits and defined benefit plans	(2,064)	(1,924)
Subtotal	(241,345)	(195,657)
Exchange differences on the translation of financial statements of foreign operations	(49,189)	24,471
Cash flows generated from/(used in) operating activities	(116,114)	8,954
Interest and dividends received	25,874	24,712
Interest paid	(107,760)	(114,755)
Tax paid	(22,848)	(20,029)
A) Net cash flows used in operating activities	(220,848)	(101,118)

Statement of cash flows

Investing and financing activities

(thousands of euro)	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction		
Net investment in intangible assets	(18,345)	(7,082)
Investment in property, plant and equipment	(32,050)	(32,641)
Proceeds from the sale or reimbursement of property, plant and equipment	26,579	17,715
Change in financing of equity investments	(270)	771
<i>of which with related parties</i>	(22)	831
Acquisitions of investments in associates and other companies	(8)	(88)
Gains on the sale of investments in associates and other companies	3,602	0
Sale / (Purchase) of securities	545	306
Change in other loan assets, net	(7,479)	10,064
Total Construction	(27,427)	(10,955)
Concessions		
Change in financial assets from concession activities	(10,488)	(86,266)
Net investment in intangible assets	(1,927)	0
Change in financing of equity investments	(9,251)	(94,525)
<i>of which with related parties</i>	9,472	(89,911)
Acquisitions of investments in associates and other companies	(14,216)	(9,686)
Gains on the sale of investments in associates and other companies	67,019	1,478
Change in other loan assets, net	3,483	3,129
<i>of which with related parties</i>	0	1,519
Change in finance lease receivables	3,746	555
Subtotal Concessions	38,366	(185,314)
Net cash flow from discontinued operations	0	108,322
Total Concessions	38,366	(76,992)
(Purchase) Sale of business division	65,043	(28,760)
B) Cash flows generated from/(used in) investing activities	75,981	(116,707)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends distributed to the owners of the Parent	(19,556)	(19,524)
Dividends distributed to non-controlling interests	(446)	(147)
Net investment in treasury shares	785	1,950
Sale (repurchase) of treasury shares	(332)	(1,180)
Net use of credit lines	241,900	152,726
Change in other financial liabilities	(2,621)	663
<i>of which with related parties</i>	771	(519)
Repayment of finance leases	(8,525)	(11,581)
Change in non-controlling interests and other changes	(3,560)	(2,719)
C) Cash flows generated from financing activities	207,643	120,188
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	62,776	(97,637)
Opening cash and cash equivalents	*513,625	611,263
Closing cash and cash equivalents	576,401	*513,625

* The amount includes cash and cash equivalents referable to disposal groups, equal to €7,155 thousand.

Notes to the consolidated financial statements

General information

Astaldi Group, which has been operating for over ninety years in Italy and abroad in the design and construction of large civil engineering works, is one of the most important groups in the international construction sector and is a leading general contractor and sponsor of project finance initiatives in Italy.

The group is headed by the parent, Astaldi S.p.A., a company limited by shares with registered offices at Via Giulio Vincenzo Bona, 65, Rome, listed in the STAR segment of the Milan Stock Exchange since June 2002.

The duration of the parent is currently set until 31 December 2100.

At the date of preparation of these consolidated financial statements, Astaldi S.p.A. is not managed or coordinated by any of its shareholders as its board of directors is responsible for taking all and the most suitable decisions regarding its management in a fully independent manner.

The parent's board of directors approved the consolidated financial statements as at and for the year ended 31 December 2017 during the meeting held on 15 March 2018.

Basis of presentation and segment reporting

The Astaldi Group's consolidated financial statements as at and for the year ended 31 December 2017 have been prepared in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 and applicable at the reporting date.

All the standards and interpretations referred to above are herein referred to as the "IFRS". Reference has also been made to the measures issued by Consob (the Italian Commission for listed companies and the stock exchange) implementing article 9.3 of Legislative decree no. 38/2005.

The consolidated financial statements comprise:

1. a statement of profit or loss;
2. a statement of comprehensive income;
3. a statement of financial position;
4. a statement of cash flows;
5. statement of changes in equity;
6. these notes.

The group has chosen to present the statement of comprehensive income in two separate statements as permitted under

IAS 1.81. Therefore, it presents a statement showing items making up the profit (loss) for the year (statement of profit or loss) and a statement which adds the other comprehensive income (expense) to the profit (loss) for the year (statement of comprehensive income).

Moreover, captions are classified by nature in the statement of profit or loss. This classification reflects the management reporting model used by the group and, therefore, has been preferred to the presentation of captions according to their destination, as it provides information in a manner that better reflects the group's operations.

The statement of financial position classifies assets and liabilities as current or non-current, as allowed by paragraph 60 and following paragraphs of IAS 1.

The statement of cash flows breaks down the cash flows for the year by operating, investing and financing activities. Cash flows from the operating activities are shown using the indirect method. Cash flows from investing activities are shown separately for the construction and concessions lines of business.

The statement of changes in equity is drawn up in compliance with IAS 1, taking into account comprehensive income.

Finally, the group applied a management approach to segment reporting, taking into account the elements that senior management uses for taking its strategic and operating decisions and defining the specific reportable segments. Segment reporting specifically refers to the various geographical segments in which the group operates and is prepared using the same accounting policies used for the consolidated financial statements. Reference should be made to note 37 for the presentation of segment reporting.

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for the captions which, in accordance with the IFRS, are recognised at fair value, as described in the relevant accounting policy section.

All figures are shown in thousands of Euros, unless stated otherwise. Consequently, there may be minor differences in the total amounts shown in some statements compared to the sum of the individual amounts comprising the total due to rounding.

The consolidated financial statements have been prepared on going concern basis. In this regard:

As described in detail later in this report, the loss for the year of €101,175 thousand attributable to the owners of the parent is the result of the non-recurring effects (already noted in the 2017 third quarter report) of the partial impairment loss (€230,000 thousand) recognised on the group's exposure to Venezuelan customers. Its decision to impair a large portion of the receivables was based on the steady decline in the South American country's social and political situation from the end of August to October 2017.

The group had already stepped up the measures to free up slow-moving items in its working capital as part of its project to rationalise its cash flows. In fact, management forecasts that additional cash inflows will be generated in 2018 in addition to its normal cash flows from operating activities. The group has also continued its asset disposal plan involving the concessions line of business, specifically, the assets used to build and operate the Third Bosphorus Bridge for which negotiations are at an advanced stage and that management is reasonably sure will be sold by the end of June 2018 based on the expressions of interest received.

The parent has also launched a project to strengthen its capital and finances as announced to the market in its press release of 14 November 2017. It negotiated the redefinition of the covenants at 31 December 2017 with the bank syndicate, agreeing new parameters with sufficient headroom to cover the effects of the impairment losses recognised on the group's exposure with Venezuela.

This project entails recapitalisation due to the effects of the impairment losses recognised on the Venezuelan receivables and to give the group the necessary resources to carry out its strategic plan. It also aims to put the group in the best possible position to renegotiate the refinancing of its long-term debt, extending the repayment dates to after 2022 and, in line with market conditions, cutting the cost of debt.

After the analyses performed in recent months with the banks and advisors, the parent redefined the terms of the capital and financial strengthening project. It increased the capital increase to approximately €300,000 thousand and concurrently applied to the group's main lending banks for their assistance in supporting the group's industrial and commercial

activities.

The parent plans to call a board of directors' meeting before the end of April 2018 and before the shareholders are called to approve the financial statements. The directors will be asked to approve the definitive capital and financial strengthening project and the new 2018-2022 business plan.

Although material uncertainty exists about the achievement of the above actions (capital strengthening and disposal of assets), which could cast significant doubts as to the parent's ability to continue as a going concern, based on the group's current liquidity plan (which includes the sale of the above assets and the realistic possibility of completing the asset and financial strengthening project in a reasonably short time frame), the directors deemed that the conditions for preparing the consolidated financial statements on a going concern basis existed.

Consolidation scope

At 31 December 2017, the consolidation scope includes:

	Nature of investment	Recognition	Construction	Concessions and O&M	Plant engineering and facility management	Total
Subsidiaries	Control	Consolidation	48	8	10	66
- of which: Italy			25	3	9	37
Joint ventures	Joint control	Equity accounting	17	4	0	21
- of which: Italy			11	0	0	11
Associates	Significant influence	Equity accounting	36	6	2	44
- of which: Italy			28	2	2	32

Subsidiaries

	Registered office	Operating office	Share/quota capital/ consortium fund Nominal amount	Functional currency	Investment %	Direct investment	Indirect investment	Indirect investor
Construction								
Italy								
Afragola FS S.c.r.l.	Rome	Italy	€10,000	EUR	100.00%	82.54%	17.46%	NBI S.p.A.
AR.GI S.c.p.A.	Rome	Italy	€35,000,000	EUR	99.99%	99.99%	0.00%	
AS. M. S.c.r.l.	Naples	Italy	€10,000	EUR	75.91%	75.91%	0.00%	
Bussentina S.c.r.l. in liquid.	Rome	Italy	€25,500	EUR	78.90%	78.90%	0.00%	
C.Or.MES. In liquidazione S.r.l.	Rome	Italy	€20,000	EUR	55.00%	55.00%	0.00%	
Capodichino AS.M S.c.r.l.	Naples	Italy	€10,000	EUR	66.83%	66.83%	0.00%	
CO.ME.NA. S.c.r.l. in liquid.	Naples	Italy	€20,658	EUR	70.43%	70.43%	0.00%	
CO.MERI S.p.A.	Rome	Italy	€35,000,000	EUR	99.99%	99.99%	0.00%	
Consorzio Stabile Operae	Rome	Italy	€500,000	EUR	99.00%	98.00%	1.00%	Sartori Tecnologie Industriali S.r.l.
Dirpa 2 S.c.ar.l.	Rome	Italy	€50,009,998	EUR	99.98%	0.00%	99.98%	Consorzio Stabile Operae
DMS Design Consortium S.c.r.l.	Rome	Italy	€10,000	EUR	60.00%	60.00%	0.00%	





	Registered office	Operating office	Share/quota capital/ consortium fund Nominal amount	Functional currency	Investment %	Direct investment	Indirect investment	Indirect investor
Forum S.c.r.l. in liquidation	Rome	Italy	€51,000	EUR	79.98%	79.98%	0.00%	
Garbi Linea 5 S.c.a.r.l.	Rome	Italy	€10,000	EUR	100.00%	100.00%	0.00%	
Infralegrea Progetto S.p.A.	Naples	Italy	€500,000	EUR	51.00%	51.00%	0.00%	
Italstrade IS S.r.l.	Rome	Italy	€16,515,578	EUR	100.00%	100.00%	0.00%	
Messina Stadio S.c.r.l. in liquid.	Milan	Italy	€45,900	EUR	100.00%	100.00%	0.00%	
Ospedale del Mare S.C.r.l. in liquidation	Rome	Italy	€50,000	EUR	100.00%	100.00%	0.00%	
Partenopea Finanza di Progetto S.C.p.A.	Naples	Italy	€9,300,000	EUR	99.99%	99.99%	0.00%	
Portovesme S.c.r.l. in liquid.	Milan	Italy	€25,500	EUR	99.98%	99.98%	0.00%	
S. Filippo S.c.r.l. in liquidation	Rome	Italy	€10,200	EUR	80.00%	80.00%	0.00%	
Società Passante Torino S.C.r.l.	Rome	Italy	€50,000	EUR	74.00%	74.00%	0.00%	
Scuola Carabinieri S.C.r.l.	Rome	Italy	€50,000	EUR	61.40%	61.40%	0.00%	
SIRJO S.C.p.A.	Rome	Italy	€30,000,000	EUR	60.00%	60.00%	0.00%	
Susa Dora Quattro S.c.r.l. in liquidation	Rome	Italy	€51,000	EUR	90.00%	90.00%	0.00%	
Toledo S.c.r.l. in liquidation	Naples	Italy	€50,000	EUR	90.39%	90.39%	0.00%	
Abroad								
Asocierii Astaldi SpA, Sc Somet sa, sc Tiab sa, sc Uti grup sa	Bucharest (Romania)	Romania	- - - -	EUR	40.00%	40.00%	0.00%	
Astaldi Algerie - E.u.r.l.	Algiers (Algeria)	Algeria	DZD54,979,619	DZD	100.00%	100.00%	0.00%	
Astaldi Arabia Ltd.	Riyadh (Saudi Arabia)	Saudi Arabia	SAR5,000,000	USD	100.00%	60.00%	40.00%	Astaldi International Ltd.
Astaldi Bulgaria LTD	Sofia (Bulgaria)	Bulgaria	BGN5,000	BGN	100.00%	100.00%	0.00%	
Astaldi Canada Design & Construcion Inc.	Montreal (Canada)	Canada	CAD100	CAD	100.00%	0.00%	100.00%	Astaldi Canada Enterprises Inc.
Astaldi Canada Enterprises Inc.	Montreal (Canada)	Canada	CAD100	CAD	100.00%	100.00%	0.00%	
Astaldi Canada Inc	Montreal (Canada)	Canada	CAD50,020,000	CAD	100.00%	100.00%	0.00%	
Astaldi Construction Corporation	Davie (Florida-USA)	USA	USD18,972,000	USD	65.81%	65.81%	0.00%	
Astaldi de Venezuela C.A.	Caracas (Venezuela)	Venezuela	VEF110,300	EUR	99.80%	99.80%	0.00%	
Astaldi International Inc.	Monrovia (Liberia)	Liberia	USD3,000,000	EUR	100.00%	100.00%	0.00%	
Astaldi International Ltd.	London (United Kingdom)	United Kingdom	GBP2,000,000	GBP	100.00%	100.00%	0.00%	
Astaldi Polska Sp. z o.o.	Warsaw (Poland)	Poland	PLN120,000	PLN	100.00%	100.00%	0.00%	
Astaldi-Max Bogl-CCCF JV S.r.l.	Bucharest (Romania)	Romania	RON40,000	EUR	66.00%	66.00%	0.00%	
Astalnica S.A.	Managua (Nicaragua)	Nicaragua	NIO2,000,000	NIO	98.00%	98.00%	0.00%	
Astalrom S.A.	Calarasi (Romania)	Romania	RON3,809,898	RON	99.68%	99.68%	0.00%	





	Registered office	Operating office	Share/quota capital/consortium fund Nominal amount	Functional currency	Investment %	Direct investment	Indirect investment	Indirect investor
Astur Construction and Trade AS	Ankara (Turkey)	Turkey	TRY35,500,000	USD	100.00%	100.00%	0.00%	
Consorcio Rio Palca in liquidation	Lima (Peru)	Peru	- - - -	USD	60.00%	60.00%	0.00%	
Constructora Astaldi Cachapoal Limitada	Santiago (Chile)	Chile	CLP10,000,000	CLP	99.90%	99.90%	0.00%	
Italstrade CCCF JV Romis S.r.l.	Bucharest (Romania)	Romania	RON540,000	EUR	51.00%	51.00%	0.00%	
Redo-Association Momentanée	Kinshasa (Congo)	Congo	CDF0.5	EUR	100.00%	75.00%	25.00%	Astaldi International Ltd.
Romairport S.r.l.	Rome (Italy)	Romania	€500,000	EUR	99.26%	99.26%	0.00%	
Seac S.p.a.r.l. in liquidation	Kinshasa (Congo)	Congo	CDF400	EUR	100.00%	100.00%	0.00%	
T.E.Q. Construction Enterprise Inc.	Montreal (Canada)	Canada	CAD11,080,515	CAD	100.00%	0.00%	100.00%	Astaldi Canada Inc.

Concessions – O&M

Italy

Astaldi Concessioni S.p.A.	Rome	Italy	€83,000,000	EUR	100.00%	100.00%	0.00%	
GE.SAT S.c.r.l.	Prato (Italy)	Italy	€10,000	EUR	53.85%	35.00%	18.85%	Astaldi Concessioni S.p.A.
Veneta Sanitaria Finanza di Progetto S.p.A. - V.S.F.P. S.p.A.	Mestre (VE) (Italy)	Italy	€20,500,000	EUR	60.40%	54.40%	6.00%	Astaldi Concessioni S.p.A.

Abroad

Inversiones Assimco Limitada	Santiago (Chile)	Chile	USD40,633,000	USD	100.00%	0.00%	100.00%	Astaldi Concessioni S.p.A.
Mondial Milas - Bodrum Havalimani Uluslararası Terminal Isletmeciligi Ve Yatirim A.S.	Ankara (Turkey)	Turkey	TRY37,518,000	EUR	100.00%	0.00%	100.00%	Astaldi Concessioni S.p.A.
Sociedad Austral Mantenciones y Operaciones S.p.A.	Santiago (Chile)	Chile	CLP1,000,000	CLP	100.00%	0.00%	100.00%	Astaldi Concessioni S.p.A. NBI S.p.A.
Sociedad Concesionaria Aguas de Punilla S.A.	Santiago (Chile)	Chile	CLP40,000,000,000	CLP	99.99%	0.00%	99.99%	Astaldi Concessioni S.p.A.
Valle Aconcagua S.A.	Santiago (Chile)	Chile	CLP16,552,991,411	CLP	81.93%	0.00%	81.93%	Astaldi Concessioni S.p.A.

Plant engineering and facility management

Italy

NBI S.p.A.	Rome	Italy	€7,500,000	EUR	100.00%	100.00%	0.00%	
Bielle Impianti S.c.a.r.l.	Bologna	Italy	€100,000	EUR	75.00%	0.00%	75.00%	NBI S.p.A.
COVA S.c.r.l. in liquidation	Bologna	Italy	€10,000	EUR	60.00%	0.00%	60.00%	NBI S.p.A.
Consorzio Stabile Busi	Bologna	Italy	€100,000	EUR	95.00%	0.00%	95.00%	NBI S.p.A. 3E System S.r.l.





	Registered office	Operating office	Share/quota capital/ consortium fund Nominal amount	Functional currency	Investment %	Direct investment	Indirect investment	Indirect investor
DEAS S.c.a.r.l.	Bologna	Italy	€10,000	EUR	57.00%	0.00%	57.00%	NBI S.p.A.
LAGUNA S.c.a.r.l.	Bologna	Italy	€10,000	EUR	84.70%	0.00%	84.70%	NBI S.p.A.
Sartori Tecnologie Industriali S.r.l.	Brindisi	Italy	€500,000	EUR	100.00%	0.00%	100.00%	NBI S.p.A.
Tione 2008 S.c.r.l. in liquidation	Bologna	Italy	€100,000	EUR	76.00%	0.00%	80.00%	Consorzio Stabile Busi
3E System S.r.l.	Bologna	Italy	€10,000	EUR	100.00%	0.00%	100.00%	NBI S.p.A.
Abroad								
nBI Elektrik Elektromekanik Tesisat Insaat Sanayi Ve Ticaret L.S.	Istanbul (Turkey)	Turkey	TRY200,000	TRY	100.00%	0.00%	100.00%	NBI S.p.A. Astur Construction and Trade A.S.

Key joint arrangements and associates*

	Registered office	Operating office	Operating line of business	Share/quota capital/ consortium fund Nominal amount	Functional currency	Invest. %	Direct investment	Indirect investment	Indirect investor
Joint ventures									
Ankara Etlik Hastane Salik Hizmetleri Isletme Yatirim A.s.	Istanbul (Turkey)	Turkey	CO	TRY200,240,000	EUR	51.00%	5.00%	46.00%	Astaldi Concessioni S.p.A.
Joint operations									
Asocierea Astaldi Spa-FCC Construcción Sa-Uti Grup SA-Activ Group Management S.r.l.	Bucharest (Romania)	Romania	C	----	EUR	38.99%	38.99%	0.00%	
Asocierea Astaldi - FCC - Delta ACM- AB Construct	Bucharest (Romania)	Romania	C	----	EUR	47.50%	47.50%	0.00%	
Astaldi-Turkerler Joint Venture	Ankara (Turkey)	Turkey	C	----	EUR	51.00%	51.00%	0.00%	
Astadim S.C.	Warsaw (Poland)	Poland	C	----	EUR	90.00%	90.00%	0.00%	
ASTER RESOVIA S.c.	Warsaw (Poland)	Poland	C	----	PLN	49.00%	49.00%	0.00%	
Consorzio Lublino (Astaldi - PBDIM)	Warsaw (Poland)	Poland	C	----	PLN	95.00%	95.00%	0.00%	
Consorcio Obraisa	Lima (Peru)	Peru	C	----	PEN	51.00%	51.00%	0.00%	
Gebze-Izmir Otoyolu Insaati (Nomayg) Adi Ortakligi	Ankara (Turkey)	Turkey	C	----	EUR	17.50%	17.50%	0.00%	
IC Ictas Astaldi Simple Partnership - M11 Project	St. Petersburg (Russia)	Russia	C	----	RUB	50.00%	50.00%	0.00%	





	Registered office	Operating office	Operating line of business	Share/quota capital/consortium fund Nominal amount	Functional currency	Invest. %	Direct investment	Indirect investment	Indirect investor
Ica Astaldi - Ic Ictas WHSD Insaat AS	Ankara (Turkey)	Russia	C	TRY2,000,000	RUB	50.00%	50.00%	0.00%	
ICA ICTAS – ASTALDI Joint Venture	Ankara (Turkey)	Turkey	C	----	USD	33.30%	33.30%	0.00%	
IKA Izmir Otoyol Yapim Joint Venture	Ankara (Turkey)	Turkey	C	----	EUR	33.00%	33.00%	0.00%	
Metro Blu S.c.r.l.	Milan (Italy)	Italy	C	€10,000	EUR	50.00%	50.00%	0.00%	
OC 405 Partners Joint Venture	Irvine (California-USA)	USA	C	----	USD	40.00%	0.00%	40.00%	Astaldi Construction Corporation
UJV Astaldi S.p.A. Chilean branch, Vinci CGP Chilean branch and VCGP	Santiago (Chile)	Chile	C	----	CLP	50.00%	49.50%	1.00%	VCGP - Astaldi Ingenieria y Construccion Limitada
Associates									
Ica Ic Ictas Astaldi Ucuncu Bogaz Koprusu Kuzey Marmara Otoyolu Yatirim Ve Isletme AS	Ankara (Turkey)	Turkey	CO	TRY666,600,000	USD	20.00%	20.00%	0.00%	
METRO C S.c.p.a.	Rome (Italy)	Italy	C	€150,000,000	EUR	34.50%	34.50%	0.00%	
Otoyol Yatirim Ve Isletme A.S.	Ankara (Turkey)	Turkey	CO	TRY3,760,000,000	USD	18.86%	18.86%	0.00%	
* Key joint ventures and associates are those investments in which the group's investment's carrying amount exceeds €15 million and in joint operations with revenue exceeding €15 million.									
C = Construction; CO = Concessions									

Interests in unconsolidated structured entities

Astaldi S.p.A. does not directly or indirectly hold interests in structured entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls them (IFRS 12.24-31/B21).

Consolidated subsidiaries that have non-controlling interests that are material to the parent

There are no subsidiaries that have non-controlling interests that may individually and significantly affect the main consolidated financial figures. Moreover, in most cases, the proportion of voting rights held by non-controlling interests reflects their proportion of interest in profit or loss and equity.

Judgements and assumptions used in defining the consolidation scope

Certain judgements and assumptions were necessary to identify the correct treatment of some equity investments, especially in relation to:

■ Control of specified assets:

As part of the acquisition of the “Quadrilatero” industrial complex, Astaldi S.p.A. acquired Consorzio Stabile Operae (“CSO”) in 2015. The agreements with the seller provided³ Astaldi S.p.A. with a guarantee against the possible reduction in CSO’s equity, since the seller undertook to discharge the acquiree’s liabilities existing at the acquisition date. Considering the sale agreement provisions and the special legislation governing companies under extraordinary administration, the parent’s management held that:

- the pre-acquisition assets and liabilities of CSO were to be treated as deemed a separate entity (silo) in accordance with IFRS 10.B76 and following paragraphs;
- the parent did not control the silo as all activities that significantly affect its returns are de facto managed by the special commissioner.

Based on the above considerations, the group once again did not consolidate the silo’s assets and liabilities.

■ Investees controlled by the group despite its holding less than half of their voting rights:

The group considers the joint venture “Asocieri Astaldi SpA, Sc Somet sa, sc Tiab sa, sc Uti grup sa” (Line 4, Bucharest), as a subsidiary although it holds 40% of its voting rights. This is because Astaldi S.p.A., main venturer and joint venture leader, has the de facto power to autonomously determine the management and financial policies of joint venture as a result of the internal agreements signed in 2013 governing the functioning of the joint venture’s steering committee.

■ Investees not controlled by the group despite its holding more than half of the voting rights:

Astaldi S.p.A. has interests in various special purpose entities with other companies in the sector, where the unanimous approval of the parties to the arrangement is required for decisions concerning the relevant activities. Consequently, it has classified some of these entities, which are not particularly significant for the group’s business, as joint arrangements although it holds more than half of their voting rights.

■ Companies over which the group exercise significant influence despite its holding less than 20% of their voting rights:

As the conditions of IAS 28.6 are met, the group believes that it can exercise significant influence over the investees involved in the Gebze-Orhangazi-Izmir motorway project in Turkey although it holds less than 20% of their voting rights (18.86%). Specifically, based on its analysis, the parent can actively participate in defining the investees’ policies in the light of the following considerations:

- (i) the investees have six investors, five of which each holding an interest of around 20%;
- (ii) none of the investors have individual or joint control over the investees;
- (iii) the parent is suitably represented on the investees’ boards of directors.

■ Joint arrangements structured through a separate vehicle

The joint operations (JO) in which the group is involved are usually “transparent” vehicles, which do not entail the segregation of the vehicle’s assets from those of the venturers. However, a very limited number of joint arrangements structured thorough a separate vehicle (five⁴) required checking whether the related contractual arrangements attributed the SPV’s rights and obligations directly to the venturers. Based on the analyses carried out and the opinions of highly reputable advisors, management believes that the arrangements give the venturers (and hence the parent) title to the assets and obligations for the liabilities of the SPV and that, therefore, the joint arrangements qualify as joint operations pursuant to IFRS 11.

³ Special commissioner of Impresa and SAF.

⁴ Mostly relating to the consortium companies that entail the recharging of costs provided for by the Italian Civil Code.

Main changes in the consolidation scope

The table below shows the main changes in the consolidation scope compared to the previous year end:

Company name	Type of company	Event
Mormanno S.c.r.l. wound up	Subsidiary	Termination
Sociedad Concesionaria Metropolitana de Salud s.a.	Associate (subsidiary in December 2016)	Sale of a 49% investment
Pacific Hydro Chacayes	(Associate in December 2016)	Sale of investment
DMS DESIGN CONSORTIUM s.c.r.l.	Subsidiary	Incorporation
Veneta Sanitaria Finanza di Progetto S.p.A.	Subsidiary (associate in December 2016)	Acquisition of non-controlling interests (23.4%) and consequent change to its governance rules
Metro 5 S.p.A.	Investee (associate in December 2016)	Sale of a 36.7% investment
Laguna s.c.a r.l.	Subsidiary	Incorporation
Cachapoal Inversiones Limitada	(Subsidiary in December 2016)	Winding up
Kopalnia Kruszywa S5 Sp. z o.o.	(Subsidiary in December 2016)	Winding up
GE.SAT s.c.a r.l.	Subsidiary (associate in December 2016)	Acquisition of non-controlling interests (18.85%) and consequent change to its governance rules

Loss of control over subsidiaries during the year

■ Sociedad Concesionaria Metropolitana de Salud S.A. (SCMS)

On 27 February 2017, the group signed the definitive agreement with the infrastructure fund Meridiam Latam Holding S.L. for the sale of a 49%⁵ investment in Sociedad Concesionaria Metropolitana de Salud S.A. (SCMS).

Therefore, pending the sale of the other stake held by the subsidiary Astaldi Concessioni S.p.A., the group revised the investee's governance rules, allowing the fund to direct its relevant activities that affects its returns.

Given the above, since the group has lost control over the subsidiary, as required by paragraph 25 of IFRS 10 "Consolidated financial statements", it has:

- derecognised the assets and liabilities of the former subsidiary from the statement of financial position;
- recognised the investment retained at its fair value;
- recognised the gain associated with the transaction in profit or loss as other revenue (€7,391 thousand);
- reclassified the amounts previously recognised in OCI and specifically in the hedging reserve (loss of €10,111 thousand) and translation reserve (gain of €1,660 thousand) to profit or loss.

As part of the consideration for the sale of the investment, in addition to cash, the group obtained a contract for the provision of the concession's operation and maintenance services. Management believes that the additional considerations should be treated in accordance with paragraphs 45-47 of IAS 38 "Intangible assets" and, therefore, has recognised the acquired contractual right as an intangible asset (€4,801 thousand).

⁵ The agreement provides for the transfer of the entire investment upon satisfaction of the conditions precedent to be carried out in two other steps when construction is completed, as allowed by local legislation.

Changes in the group's investments in subsidiaries that did not entail loss of control

The main changes for the year are summarised below:

- in May 2017, the shareholders of Valle Aconcagua S.A., approved a capital increase from CLP15,002,991,411 to CLP16,552,991,411, by issuing 1,550,000 new shares. Through the subsidiary Astaldi Concessioni S.p.A., the group subscribed the entire approved capital increase, increasing its stake from 80.06% to 81.93%. As a result of this transaction, after having paid the portion of capital increase theoretically attributable to non-controlling interests (€373 thousand), the group acquired a portion of equity equal to €231 thousand;
- on 22 December 2017, the shareholders of Astaldi Construction Corporation ("ACC")⁶ approved a capital increase totalling USD13 million. The transaction aims to boost the group's growth in the US market which, thanks to the infrastructure plan recently launched by the Trump administration, offers significant business opportunities. In this context, Simest S.p.A. (CDP Group) invested USD7.5 million in ACC's capital increase and became a new shareholder with a stake of 34%. The investment agreement between the parent and Simest S.p.A. provides for, inter alia, the parent's acquisition of Simest S.p.A.'s investment in ACC during the agreed timeframe (from 30 June 2022 to 30 June 2025) and also establishes the minimum sale price that takes into account Simest S.p.A.'s initial investment and the timing of the transaction.

Reporting dates of the consolidated companies' financial statements

The reporting dates of the subsidiaries' financial statements are the same as that of the parent's. On the other hand, for a small number of associates and joint ventures, management used their most reporting packages officially sent to the parent for the preparation of these consolidated financial statements, even though their reporting dates were different. These companies, to which the group does not provide administrative services, are mostly involved in special projects relating to contract works awaiting inspection or nearing completion. Moreover, their revenue and costs are usually nonetheless included in the consolidated financial statements as they solely pursue consortium purposes (special purpose entities: consortium companies and consortia) and recharge all costs they incur in performing their activities to their investors, which are part of the Astaldi Group.

Basis of preparation

The main accounting policies adopted in the preparation of the consolidated financial statements at 31 December 2017 are summarised below.

Basis of consolidation

Subsidiaries

An investor controls an investee when it has the practical ability to unilaterally direct the activities that significantly affect the investee's returns.

As required by IFRS 10 "Consolidated Financial Statements", Appendix A, the group combines like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. The subsidiaries' financial statements are consolidated from the date the parent gains control until the date when the parent ceases to control the subsidiary.

⁶ Subsidiary of the Astaldi Group active in the US market since 1989 (transport infrastructure line of business).

In order to present the group's financial information as if it were a single economic entity, the following adjustments are subsequently made:

- a) the carrying amount of the investments is offset by the parent's portion of equity of each subsidiary;
- b) the parent's portion of equity of each subsidiary and their profit or loss for the year attributable to non-controlling interests is recognised separately in equity and profit or loss;
- c) profits deriving from transactions between consolidated companies and not yet realised with third parties are eliminated as are receivables, payables, revenue and costs, guarantees, obligations and contingencies between consolidated companies;
- d) intragroup losses are not eliminated since they show an actual decrease in the fair value of the asset sold.

Any difference between the acquisition cost and the relevant portion of equity relating to investments acquired after control has been obtained (acquisition of non-controlling interests) is recognised as equity attributable to owners of the parent. Similarly, gains and losses deriving from the sale of non-controlling interests without loss of control are recognised in equity. On the other hand, if the sale of investments involves the loss of control, the following are recognised in profit or loss: (i) any gains/losses calculated as the difference between the consideration received and the relevant portion of equity transferred; (ii) any fair value gains/losses on the residual investment maintained; (iii) any amounts recognised under other comprehensive income in relation to the former subsidiary that should be reclassified to profit or loss.

Interests in joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control, i.e., when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under IFRS 11, they are measured differently depending on whether they are:

- JOINT OPERATIONS (JO): a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement;
- JOINT VENTURES (JV): a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Under IFRS 11, an entity shall determine if it is involved in a JO or a JV by considering its rights and obligations arising from the arrangement. It assesses its rights and obligations, considering substance over form.

The standard requires that JV be recognised in the consolidated financial statements using the equity method.

As regards JO, since the parties to the arrangement share rights to the assets and take on the obligations for the liabilities arising from the arrangement, IFRS 11 requires that each joint operator recognise, in its own financial statements, its share of the assets, liabilities, costs and revenue of the JO.

Investments in associates

An associate is an entity over which the parent has significant influence, i.e., the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are measured using the equity method.

Equity method

Interests in joint ventures and investments in associates are measured using the equity method, whereby they are initially recognised at cost.

Any difference between the cost of the investment and the parent's share of the net fair value of the investee's identifiable assets and liabilities, calculated on the basis of IFRS 3 "Business Combinations", is accounted for as follows:

- a) cost of investment higher than the parent's share of the net fair value of the individual assets and liabilities acquired:

this is usually goodwill, which in accordance with IAS 28.32, is not recognised separately but is included in the carrying amount of the investment;

- b) cost of investment lower than the investor's share of the net fair value of the individual assets and liabilities is included as income in the determination of the investor's share of the investee's profit or loss in the year in which the investment is acquired.

Appropriate adjustments to the carrying amount of the investment are subsequently made in order to account for: (i) the investor's share of the investee's profit or loss after acquisition and (ii) the parent's share of the investee's other comprehensive income. Any dividends distributed by the investee reduce the carrying amount of the investment.

The group's share of any profits arising from transactions with equity-accounted investees and not yet realised with third parties are eliminated, while losses are not eliminated since they show an actual decrease in the fair value of the assets sold.

Translation of foreign currency transactions and financial statements of foreign operations

The consolidated financial statements are drawn up in Euros, which is the parent's functional and presentation currency.

Translation of foreign currency transactions into the functional currency

Items are presented in the financial statements of each group company in the currency of the primary economic environment in which the company operates (functional currency). In these financial statements, the items expressed in a currency other than the functional currency, whether monetary (cash and cash equivalents, assets and liabilities to be received or paid in a fixed or determinable number of units of currency) or non-monetary (inventories, property, plant and equipment, goodwill, other intangible assets, etc.) are initially recognised at the exchange rate enacted on the transaction date. They are subsequently translated into the functional currency using the closing rate and the resulting exchange differences are recognised in profit or loss.

After initial recognition, non-monetary items are translated at the transaction-date exchange rate, unless they are measured at fair value, in accordance with the relevant standards. In the latter case, the exchange differences are treated as fair value gains or losses on those items and may be either recognised in (i) in profit or loss if related to investment property measured at fair value pursuant to IAS 40 or decreases in fair value in accordance with IAS 16, or (ii) in equity if related to equity instruments classified as available for sale or as increases in fair value in accordance with IAS 16.

Translation of financial statements into the presentation currency

Foreign currency financial statements are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate;
- income and expenses are translated at average exchange rates for the year or at the exchange rates at the dates of the transactions if these are significantly different to the average rates;
- equity items, excluding the profit for the year, are translated at the historical exchange rate.
- the "translation reserve" includes both the exchange differences generated by the translation of income and expenses at a different rate from the closing rate and those generated by the translation of opening equity at a different rate to the closing rate.

The following exchange rates were used to translate the results and financial position of companies that have a functional currency other than the Euro:

Currency	Closing rate December 2017	Average rate 2017	Closing rate December 2016	Average rate 2016
Algerian Dinar	137.8343	125.3194	116.3790	121.0972
New Bulgarian Lev	1.9558	1.9558	1.9558	1.9558
Canadian Dollar	1.5039	1.4647	1.4188	1.4659
Chilean Peso	737.2900	732.6075	704.9452	748.4767
United Arab Emirates Dirham	4.4044	4.1475	3.8696	4.0634
Indonesian Rupiah	16,239.1200	15,118.0167	14,173.4300	14,720.8298
Moroccan Dirham	11.2360	10.9505	10.6568	10.8499
Nicaraguan Cordoba Oro	36.9280	33.9680	30.9071	31.6830
Peruvian Nuevo Sol	3.8854	3.6833	3.5402	3.7356
Pound Sterling	0.8872	0.8767	0.8562	0.8195
Polish Zloty	4.1770	4.2570	4.4103	4.3632
Romanian New Leu	4.6585	4.5688	4.5390	4.4904
Russian Rouble	69.3920	65.9383	64.3000	74.1446
US Dollar	1.1993	1.1297	1.0541	1.1069
New Turkish Lira	4.5464	4.1206	3.7072	3.3433
Venezuelan Bolivar	4,008.3152	2,430.7497	708.5171	500.4624

In the case of a currency of a hyperinflationary economy as defined by IAS 29, the group applies the requirements of that standard.

To conclude, following the Venezuelan government's change to the country's currency system through Exchange Rate Regulation (Convenio Cambiario) no. 35 of 9 March 2016, as subsequently amended and supplemented, the group has adopted the DICOM to translate the results and financial positions expressed in Venezuelan bolívares into Euro. Lastly, through Convenio Cambiario no. 39, published in Official Journal no. 41,329 of 26 January 2018, the local government enacted the floating market exchange rate, DICOM, as the sole exchange rate applicable to commercial transactions, thereby de facto abolishing the protected exchange rate, the DIPRO, which was previously to be used for the purchase of "essential goods and services".

Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any impairment losses. The cost includes all expenses directly incurred in order to prepare the assets for use, as well as any future costs for dismantling and removal needed to restore the site to its original conditions.

Costs incurred for routine and/or cyclical maintenance and repairs are recognised directly in profit or loss when incurred. Costs for the extension, renovation or improvement of owned or leased assets are capitalised solely to the extent they meet the requirements for separate classification as an asset or portions of an asset. Borrowing costs are capitalised if they meet the requirements of IAS 23, i.e., when they are specifically related to loans received to purchase the individual assets.

The carrying amount of an asset is adjusted by depreciation on a straight-line basis, calculated in relation to the residual

possibility of use based on its useful life. Assets cannot be depreciated according to the revenue they generate during their useful life.

Depreciation begins when the asset becomes available for use. The group has estimated the useful life of the various classes of assets as follows:

	Years
Buildings	20 - 33
Plant and machinery	5 - 10
Equipment	3 - 5
Other assets	5 - 8

Land, including land pertaining to buildings, is not depreciated.

Should the asset subject to depreciation be composed of distinctly identifiable parts, whose useful life differs significantly from that of the other parts forming the asset, depreciation is applied separately for each of the parts, applying the component approach.

Profits and losses from the sale of assets or groups of assets are calculated as the difference between the assets' fair value less costs to sell and carrying amount.

Leased property, plant and equipment

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

In some types of leases, due to its economic substance, a *transaction* qualifies as a lease even without having the legal form of a lease.

Under IFRIC 4, determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether:

- fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and*
- the arrangement conveys a right to control the use of the asset.*

The first condition is met only if a given supply of goods/services can be done exclusively through the use of a specific asset, or when it is not economically feasible or practical for the supplier to perform its obligation through the use of alternative assets to that specified including implicitly.

The second condition is satisfied if any one of the following conditions is met:

- the purchaser has the ability or right to operate the asset or direct others to operate the asset in a manner it determines while obtaining or controlling more than an insignificant amount of the output or other utility of the asset;*
- the purchaser has the ability or right to control physical access to the underlying asset while obtaining or controlling more than an insignificant amount of the output or other utility of the asset;*
- facts and circumstances indicate that it is remote that one or more parties other than the purchaser will take more than an insignificant amount of the output or other utility that will be produced or generated by the asset during the term of the arrangement, and the price that the purchaser will pay for the output is neither contractually fixed per unit of output nor equal to the current market price per unit of output as of the time of delivery of the output.*

IAS 17 distinguishes two categories of lease:

Finance leases

At the commencement of the lease term, property, plant and equipment held under **finance leases**, which substantially transfer all the risks and rewards incidental to ownership to the group, are recognised at amounts equal to their fair value

or, if lower, the present value of the minimum lease payments, including the payment required to exercise the purchase option. The corresponding liability to the lessor is classified as a financial liability.

If there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance from which future economic benefits are expected to flow to the group. They are recognised at acquisition and/or development cost, including directly attributable costs of preparing the asset for its intended use, net of accumulated amortisation (with the exception of assets with an indefinite useful life, whose carrying amount is tested for impairment pursuant to IAS 36) and any impairment losses. Amortisation is calculated from when the asset becomes available for use and is applied on a straight-line basis according to the remaining possibility of use, i.e., on the basis of its useful life. A rate taking its actual use into account is applied in the year in which the intangible asset is recognised for the first time.

Industrial patents and intellectual property rights are recognised at purchase cost net of amortisation and any accumulated impairment losses.

Amortisation is calculated starting from when the acquired rights are available for use and takes into account the assets' useful life (2-5 years).

Licenses and similar rights are recognised at cost, net of amortisation and any accumulated impairment losses. Amortisation is calculated starting from when title thereto is acquired in relation to their useful life.

Rights for the use of infrastructure under concession are amortised over the concession term, with a pattern that reflects the way in which the economic benefits are expected to flow to the group. Amortisation is calculated from when the rights for the use of infrastructure under concession start to produce the related economic benefits.

The use of the revenue generated by individual assets cannot generally be used as a basis for calculating amortisation. This prohibition can only be overcome if one of the following conditions occurs:

- a) *the intangible asset is expressed as a measurement of revenue*: use of the intangible asset depends on a fixed amount of revenue to be generated and not a set time period or a set volume of goods produced or sold;
- b) *the group can show that the expected revenue and consumption of the economic benefits embodied in the intangible asset are closely interrelated*: in this case, the entity shall be able to clearly show that use of revenue to calculate amortisation of an intangible asset does not lead to significant differences from the other methods allowed by IAS 38.

Goodwill recognised as part of a business combination is allocated to each cash generating unit identified and is recognised under intangible assets. It represents the positive difference between the cost incurred for the acquisition of a company or business unit and the net fair value of the acquired assets and liabilities of that company or business unit. The contingent assets and liabilities (including the respective non-controlling interests) acquired and identifiable are recognised at their fair value at the acquisition date. On the other hand, any negative difference is immediately recognised in profit or loss. After initial recognition, goodwill is not amortised, but may be tested for impairment.

It is tested for impairment annually or more frequently if specific events or changes in circumstances indicate that it may be impaired, in accordance with IAS 36 "Impairment of Assets".

Business combinations

Upon first-time adoption of the IFRS, the group decided not to apply IFRS 3 "Business Combinations" retrospectively for acquisitions made before 1 January 2004.

Business combinations prior to 1 January 2010 and completed within that year are recognised in accordance with the provisions of IFRS 3 (2004). Specifically, they are recognised using the purchase method, whereby the consideration transferred is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed and the acquisition-related costs. The consideration transferred is allocated by recognising the identifiable assets, liabilities, including contingent liabilities, of the acquiree at fair value. The excess of the consideration transferred over the fair values of the group's share of the net assets acquired is recognised as goodwill. If the difference is negative, it is recognised in profit or loss. When the fair value of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognised by using these provisional amounts. The carrying amount of non-controlling interests is calculated proportionally to the non-controlling interests in net assets. In business combinations achieved in stages, when control is obtained, fair value gains and losses on the net assets previously held by the acquirer are recognised in equity. Any adjustments arising from the completion of the measurement process are recognised within twelve months of the acquisition date.

Business combinations carried out after 1 January 2010 are recognised in accordance with IFRS 3 (2008). Specifically, they are recognised using the acquisition method, whereby the consideration transferred is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed and the equity interests issued by the acquirer. The costs directly attributable to the acquisition are recognised in profit or loss. The consideration transferred is allocated by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their acquisition-date fair value. Any excess between the acquisition-date fair value of the consideration transferred plus any non-controlling interests and the net fair value of the acquiree's identifiable assets and liabilities is recognised as goodwill. If the difference is negative, it is recognised in profit or loss. The non-controlling interests' share is calculated proportionally to the non-controlling interests in the investee's identifiable net assets, i.e., their acquisition-date fair value.

If the fair value of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognised by using these provisional amounts. Any adjustments deriving from the completion of the measurement process are recognised within twelve months of the acquisition date, restating the corresponding figures.

In a business combination achieved in stages, the acquirer remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss, if any, in profit or loss.

Business combinations carried out in 2017

Provisional allocation of the consideration transferred for the assets acquired and liabilities assumed in relation to the acquisition of Veneta Sanitaria Finanza di Progetto S.p.A. ("VSFP")⁷

In February 2017, Astaldi S.p.A. signed a memorandum of understanding with Impresa di Costruzioni ing. E. Mantovani S.p.A. ("Mantovani") for the sale of Mantovani's investment in VSFP (23.4%). Pending the execution of the sale agreement, Mantovani agreed to bring forward the effect of the sale by (i) granting Astaldi S.p.A. the possibility to exercise all governance rights to the transferred shares immediately after the signing of the memorandum and ii) subject to the transfer of the shares, entitling Astaldi S.p.A. to the dividends earned and not distributed in the periods prior to the sale. In May 2017, in accordance with the terms of the memorandum of understanding, the parties signed the related sale agreement, whose coming into force is conditional upon the satisfaction of the condition precedents set out in the agreement. After the preliminary sale procedure had been concluded, the shares were duly registered in the name of the parent before notary public Chiantini on 31 July 2017.

Considering the above, the parent's management believes that the acquisition date pursuant to paragraphs 8 and 9 of IFRS 3 "Business combinations" is the signing date of the memorandum of understanding (February 2017). This is because the parent has been de facto able to independently direct VSFP's management and financial policies since that date.

As provided for by IFRS 3, when it obtained control, the parent identified the fair value of the acquiree's assets and liabilities, based on an independent expert's appraisal. This led to a net fair value gain on the carrying amount of VSFP's net

⁷ VSFP is the operator of the concession for the construction and management of Ospedale dell'Angelo of Mestre-Venezia.

assets of €5,296 thousand, substantially attributable to the intangible asset relating to the concession for the Ospedale dell'Angelo (Mestre) and the related tax effect. As part of their appraisal, the independent expert calculated the fair value of the non-controlling interests (€20,723 thousand), as required by the standard mentioned above.

The parent recognised the resulting negative goodwill of €12,732 thousand as other revenue in its statement of profit or loss.

For the purposes of the purchase price allocation (PPA) procedure, the assets acquired and liabilities assumed when control over the acquiree was obtained are summarised below:

Property, plant and equipment	67
Intangible assets	7,377
Financial assets from concession activities	116,260
Trade receivables	36,190
Other non-current assets	48
Tax assets	1,492
Cash and cash equivalents	50,268
Assets	211,703

Bank loans and borrowings	(76,564)
Other financial liabilities	(26,292)
Employee benefits	(121)
Provisions for risks and charges	(4,943)
Deferred tax liabilities	(15,500)
Trade payables	(19,223)
Tax liabilities	(17)
Other current liabilities	(189)
Liabilities	(142,848)
Fair value of net assets acquired	68,855

The calculation of the negative goodwill arising from the business combination is summarised below:

+ Cost of business combination	9,924
+ Acquisition-date fair value of the previously held equity interest in the acquiree	25,476
+ Amount of any non-controlling interest in the acquiree	20,723
- Fair value of net assets acquired	(68,855)
= Negative goodwill	(12,732)

The non-controlling interests have been calculated considering the related fair value appraised by the independent expert based on best market practice.⁸

The cash and cash equivalents used (received) for the acquisition are set out below:

⁸ The non-controlling interests' economic value was 30% of the parent's economic value.

Cost of business combination	9,924
Less: cash and cash equivalents acquired	(50,268)
Less: liability to the seller	(9,924)
Net cash and cash equivalents received as a result of the acquisition	(50,268)

The group intends to avail of the twelve-month period provided for by IFRS 3 to finalise the PPA.

Final allocation of the consideration transferred for the assets acquired and liabilities assumed in relation to the acquisition of GE.SAT S.c.a.r.l.

On 29 December 2017, the group acquired 18.85% of Ge.Sat. S.c.a.r.l. (the "O&M company")⁹ from Techint, thereby increasing its stake therein to 53.85%.

The transaction is consistent with the strategies set out in the business plan, which, together with the asset disposal in the Concessions line of business, envisage the development of a new business line for the O&M activities in order to consolidate a source of stable revenue and profits over a longer horizon, while reducing the use of invested capital.

Thanks to the above acquisition and the agreements for the working of the board of directors signed with the other members, the group is now able to independently direct the O&M company's management and financial policies in order to maximise its own returns arising from the project's development. In accordance with the provisions of IFRS 3, when it obtained control, the group measured the fair value of the assets acquired and liabilities assumed as part of the business combination. Based on the analyses carried out, management believes that the carrying amounts presented in the acquiree's financial statements should be deemed to equal fair value, since:

- (i) the O&M company is a non-profit consortium company (articles 2615-ter and 2642 and following articles of the Italian Civil Code), whose sole business purpose is to coordinate its members' business activities as part of the management of the non-healthcare services of the four Tuscan hospitals;
- (ii) The assets acquired as part of the business combination are almost solely related to the receivables arising from commercial transactions carried out with customers and group companies on an arm's length basis and on-demand bank deposits. According to management, there are no indicators that these assets may be impaired.
- (iii) Management did not identify any liabilities that had not been previously recognised in the acquiree's financial statements.

For the purposes of the purchase price allocation (PPA) procedure, the assets acquired and liabilities assumed when control over the acquiree was obtained are summarised below:

Property, plant and equipment	97
Intangible assets	142
Other non-current assets	7
Trade receivables	22,399
Tax assets	1,106
Other assets	944
Cash and cash equivalents	16,886
Assets	41,581
Employee benefits	(164)
Other non-current liabilities	(63)
Trade payables	(41,151)
Tax liabilities	(27)

⁹ The consortium company that manages the non-healthcare services included in the concession for the management of the four Tuscan hospitals (Lucca, Pistoia, Prato and Massa-Carrara).





Other current liabilities	(166)
Liabilities	(41,571)
Fair value of net assets acquired	10

The group did not recognise any goodwill as a result of the business combination, because its cost (€5 thousand) plus non-controlling interests ¹⁰(€5 thousand) is exactly the same as the fair value of the net assets acquired.

Moreover, as required by IFRS 3, it is noted that, had the business combination taken place at the beginning of the year, the group would have recognised revenue of €40,492 thousand generated by the acquiree¹¹, whereas its profit or loss would have in any case broken even, given its business purpose.

Investment property

Investment property is recognised as an asset when it held to earn rentals or for capital appreciation, provided that the cost of the asset can be measured reliably and it is probable that the relevant future economic benefits will flow to the group.

Investment property is measured at purchase or construction cost, increased by any transaction costs, net of accumulated depreciation and any accumulated impairment losses.

Its useful life is between 20 and 33 years.

It is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Impairment of equity investments, property, plant and equipment, goodwill and other intangible assets

Intangible assets with an indefinite useful life and intangible assets under development with a finite useful life are tested for impairment at least annually.

At each reporting date, the group checks that no events or changes in circumstances took place indicating that property, plant and equipment and intangible assets (other than those with an indefinite useful life or under development) may have been impaired.

In addition to the provisions of IAS 36, at each reporting date, the parent's directors assess whether there is any objective evidence that its equity instruments are impaired pursuant to IAS 39.58-62.

Where necessary, when the recoverable amount of individual assets cannot be determined, the group tests the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets ("cash generating units") for impairment.

The impairment test is carried out by comparing the asset's (or group of assets') carrying amount to its recoverable amount¹². Should the carrying amount be higher than the recoverable amount, the asset is impaired and the impairment loss is recognised in profit or loss. Should the reasons for a previously- recognised impairment loss cease to exist, the impairment loss is reversed to the extent of the asset's carrying amount. Any reversal of impairment loss is recognised in profit or loss. Conversely, impairment losses on goodwill or an intangible asset with an indefinite useful life are never reversed.

¹⁰ Total cost of the business combination which includes the consideration paid for the new shares (€2 thousand) and the fair value of the pre-existing investment (€3 thousand).

¹¹ Amount net of assumed intragroup eliminations of €25,626 thousand.

¹² The recoverable amount is defined as the higher of an asset's (or cash generating unit's) fair value less costs to sell and its value in use.

Finally, as is customary, the parent's management utilised the services of an independent expert¹³ to perform the impairment tests.

Pursuant to the provisions of IAS 36, the tests were performed in accordance with the group's procedures approved pursuant to the Bank of Italy/Consob/Isvap Joint Document no. 4 of 3 March 2010 and article 7.C.2 of the New Code of Conduct for Listed Companies.

The impairment tests showed that there was no need to recognise any impairment losses.

Impairment indicators – Market capitalisation lower than equity

Taking into account that Astaldi S.p.A.'s market capitalisation (€208,661 thousand) was lower than the group's equity (€518,740 thousand) at the reporting date, the directors decided to test goodwill and other assets having special relevance for the group for impairment.¹⁴

Including on the basis of the provisions of the Organismo Italiano di Valutazione (the Italian Valuation Standard Setter), the group held it appropriate to perform a second level impairment test, with the support of an independent expert, in order to compare its net assets' recoverable amount to the carrying amount of its equity.

The second level impairment test involved the identification of two CGUs, i.e., the construction and concessions lines of business, in order to calculate the recoverable amount of each one.

Specifically, the recoverable amount of the construction line of business was obtained using an income approach, whereby the revenue for each year projected on the basis of reasonable and sustainable assumptions, i.e., the parent's management's best estimate, was discounted to present value.

The discount rate used was equal to the parent's cost of equity (Ke) 8.36%¹⁵. The cash flows used to calculate the terminal value were set at the average net revenue over the plan period, with a growth rate prudently assumed to be zero and a Ke add-on of 2%.

The recoverable amount of the concessions line of business was calculated using the sum-of-parts method. Specifically, the investees were valued separately so that, at each level, the carrying amount of the investments was replaced with the respective pro rata amount.

In particular, the valuation technique applied to the main investees was the "Dividend Discount Model" (DDM), whereby each investee's value was calculated by discounting the flows of future dividends expected from their operations. In order to apply this method, the group used the investees' business plans prepared by their relevant bodies.

After the second level impairments tests, which were supplemented by additional specific sensitivity analyses, the recoverable amount of the group's net assets per ordinary share was considerably higher than the corresponding market capitalisation, thus confirming the full recoverability of the carrying amount of the group's equity.

Impairment of other assets

Impairment of receivables from the Venezuelan government

The Astaldi Group has three railway projects in Venezuela with Instituto de Ferrocarriles del Estado ("IFE"), which it is carrying out with other companies through special purpose entities (the "consortia")¹⁶. These projects relate to the Puerto Cabello-La Encrucijada section and the South lots (the San Juan de Los Morros-San Fernando de Apure and the Chaguaramas-Cabruta sections).

Considering the country's situation and its consequent slow-down in payments, the works were substantially stopped in 2015.

¹³ An international network.

¹⁴ The results of the first level impairment tests and the methods and assumptions applied to carry out the individual tests are detailed later on in these notes.

¹⁵ Calculated based on market values.

¹⁶ Venezuelan-based consortia set up by Astaldi with another two Italian companies.

All related contracts are protected by an intergovernmental agreement, the “Master Agreement for Economic, Industrial, Infrastructure and Development Cooperation” (the “Agreement”), signed by the Italian and Venezuelan governments on 14 February 2001 and ratified by the Venezuelan and Italian laws, which entered into force on 1 April 2004. The Agreement provides, inter alia, that all disputes between Italian and Venezuelan companies, deriving from the performance of the Agreement itself, are to be subjected to international arbitration governed by the International Chamber of Commerce of Paris (the “ICC Arbitration”). Since the Agreement constitutes the legal basis for the awarding of the railway contracts mentioned above to the consortia - which, moreover, is confirmed by the express reference to the Agreement contained in the individual contracts and by the opinions of the parent’s external legal consultants - the companies involved in the consortia may start the ICC Arbitration proceeding provided for by the Agreement against IFE and the Venezuela government. The arbitration proceeding would give payment of the receivables relating to these projects priority and precedence compared to claims filed before local courts.

The group’s exposure to IFE totalled €433 million at 31 December 2017, as detailed below:

Project	Type of contractor	Customer	Type of claim	Amount to be received
Puerto Cabello-La Encrucijada railway	Public	Instituto de Ferrocarriles del Estado	Receivable	107.2
Puerto Cabello-La Encrucijada railway	Public	Instituto de Ferrocarriles del Estado	Contract work in progress	147.6
San Juan De Los Morros – San Fernando de Apure and Chaguaramas – Cabruta (Southern lots)	Public	Instituto de Ferrocarriles del Estado	Receivable	178.2
TOTAL EXPOSURE				433.0

The total exposure is stated above at its nominal amount, therefore gross of the discounting applied in the previous year (€25 million).

Moreover, as already mentioned in the 2016 Annual Report, through IFE, the Venezuelan government officially confirmed the nominal amount of the past due receivables (€285.4 million) and the extension of the contractual deadlines for the construction of the San Juan De Los Morros-San Fernando de Apure and Chaguaramas-Cabruta sections.

However, the fact that the works and related payment obligations have been approved and confirmed by the Venezuelan government does not guarantee that the receivables will be collected in the short term, due to the significant events that took place in the second half of 2017, leading to a further worsening in the country’s political, economic and social conditions. Specifically: (i) due to the measures imposed by the US president about Venezuela’s possibility to carry out financial and investing transactions with US financial institutions, the relationships between the two countries have become tense and complicated; (ii) the Venezuelan authorities’ statements in early November 2017 about a possible restructuring of its public debt; (iii) the EU Foreign Ministers’ measure imposing sanctions on Venezuela, in order to encourage President Nicolas Maduro to commence talks with the opposition; (iv) Venezuela’s credit rating plummeted, since two leading rating agencies (Standard & Poor’s and Fitch) announced the country’s selective default in mid-November 2017, after it failed to pay two coupons on its sovereign debt and, lastly, (v) Fitch’s recent statements about the country’s lack of the political and financial conditions necessary to cope with the sanctions imposed by the US and restore its standing with its international creditors in the medium term.

Precisely in relation to these recent seriously negative developments and in light of the results of the analyses carried out with the assistance of independent experts¹⁷, even if it does not believe there are grounds for assuming the full loss of its claims, on a prudent and precautionary basis, the group estimated its total exposure at around €203 million, thus recognising an impairment loss of €230 million.

¹⁷ A highly reputable consultant and an international network.

Valuation techniques

Considering, in particular, that any valuation technique poses specific limits given Venezuela's current economic and social conditions, the group held it appropriate to estimate the recoverable amount of the receivables mentioned above using various techniques commonly used in valuation practice, i.e., (i) a market benchmark analysis and (ii) the discounted cash flow model (DCF).

(i) Market benchmark analysis

In this analysis, the receivables were valued with reference to the following parameters:

- market returns and prices of the Venezuelan government bonds in the period prior to the reference date;
- market value of the spread of the credit default swaps (CDS), with the Venezuelan government's default as the underlying;
- recovery prices observed with reference to sovereign debt default events that have occurred from 1983 to 2016.

The outcome of the market benchmark analysis is summarised below:

Market evidence for CDS and Venezuelan government bonds

The impairment rate to be applied to the receivables' nominal amount was reasonably determined to be 59%, as follows:

Start date	Period	Risk spread		PD		LGD 1 - RR	Discount rate		Expected loss	
		CDS	Bonds	CDS	Bonds		CDS	Bonds	CDS	Bonds
25/01/2018	1w	-	54.72%	100.00%	99.79%	60.0%	0.990	0.987	59.40%	59.1%
17/01/2018	2w	-	53.50%	100.00%	99.76%	60.0%	0.990	0.987	59.40%	59.1%
02/01/2018	1m	-	53.16%	100.00%	99.75%	60.0%	0.990	0.987	59.40%	59.0%
01/12/2017	2m	-	55.48%	100.00%	99.81%	60.0%	0.990	0.987	59.40%	59.1%
Average		-	54.11%	100.00%	99.78%				59.40%	59.06%

Source: Processing of data obtained from Bloomberg (February 2018).

Venezuelan sovereign CDS trading stopped in mid-November 2017. Therefore, the group's management held it opportune to assume that the Venezuelan government's probability of default was equal to one unit, as implicitly estimated by market operators.

Analysis of the recovery prices observed with reference to sovereign debt default events that have occurred from 1983 to 2016

Three different scenarios were defined in order to identify an average impairment rate applicable to receivables calculated based on the arithmetical average:

- issuer-weighted recovery prices related to: (i) all default sovereign debt; (ii) default sovereign debt issued in USD by South American countries (Argentina, Ecuador or Uruguay) only; and
- value-weighted recovery prices related to (iii) default sovereign debt issued in USD by South American countries (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 impairment rate applicable to the receivables' nominal amount, estimated at between 46% and 63%.

(ii) DCF – discounted cash-flow model

This model required management to formulate a series of assumptions about, in particular, the quantity and timeframe of future payment flows.

Specifically, management believed that the Venezuelan government will be able to recommence payment of its payables

to the parent upon achievement and possible surpassing of a break-even level of oil's market price, equal to a price close to that observed at the end of 2014 - the last year when the Venezuelan government (the "government") paid its payables to the parent.

Forecasts developed by a group of financial analysts – comprising banks, brokers and specialist consultants – made it possible to assume that the price of oil will reach break-even level between 2020 and 2021. Therefore, management assumed that the government will be able to recommence payments to the parent starting from the second half of 2020. Moreover, the expected future cash flows were calculated by assuming that the government's annual payments of the receivables to the parent will be equal to the average payments made in hard currency to the parent by Venezuela during the period from 2009 to 2014.

The receivables' estimated recoverable amount resulting from the application of the DCF model, based on the assumptions summarised above and on the financial instrument's actual interest rate (14.21%), is €212 million. Since their total nominal amount is €433 million, the resulting impairment loss is €221 million, equal to approximately 51.1% of the nominal amount.

A sensitivity analysis was performed in order to check the estimates' consistency in relation to changes in the main underlying parameters. The analysis aimed at calculating the impairment loss on the receivables in a series of alternative valuation scenarios, defined on the basis of various assumptions about the timing of the estimated cash flows and the discount rate.

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

i\Δa	(1.0)	(0.5)	0.0	+0.5	+1.0
11.37%	164.0	178.1	191.5	204.1	216.2
14.21%	191.0	206.5	221.1	234.7	247.5
17.05%	214.2	230.7	246.1	260.2	273.4

Conclusions

In the light of the outcome of the analyses performed and taking into account the current and future conditions of Venezuela and the oil market, the parent's management considered it reasonable to estimate the receivables' carrying amount at approximately €203 million. This amount considers the application of an impairment rate of roughly 53% to the receivables' nominal amount, which falls within the range identified using the methods described above.

Service concession arrangements

The service concession arrangements, in which the grantor is an entity of the public sector and the operator is an entity of the private sector, fall under the scope of IFRIC 12 "Service Concession Arrangements" if they relate to infrastructures used to provide important economic and social services to the public. Moreover, an entity shall apply IFRIC 12 if the following conditions are fully met:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price;
- the grantor controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the infrastructure at the end of the term of the arrangement.

Specifically, IFRIC 12 provides that, under the terms of a service concession arrangement, the operator acts as a provider substantially of the following types of services:

■ **construction or upgrade services:** the operator constructs or upgrades infrastructure used, by the same operator, to provide a public service;

■ **operation service:** the operator operates and maintains the infrastructure over the concession term.

The consideration received or receivable by the operator is allocated by reference to the relative fair values of the services delivered, in order to reflect the substance of the transaction.

With respect to the stage of completion of the contract, the operator recognises the consideration received or receivable for construction and upgrade services and for operation services (i) in accordance with IAS 11.22 and (ii) IAS 18.20, respectively.

The interpretation also provides that if the concession agreement has certain characteristics, the right to use the infrastructure (asset in concession) for providing the service can be recognised as:

■ **a financial asset**, to the extent that the operator has **an unconditional contractual right** to receive a guaranteed minimum amount regardless of the users' actual use of the infrastructure. Under this model, the operator recognises a loan or receivable in accordance with IAS 39 that accrues interest. The financial asset is initially recognised at the fair value of the infrastructure constructed and is subsequently measured at amortised cost. The loan or receivable is settled through the guaranteed minimum amounts received from the grantor. Interest income is calculated using the effective interest rate and is recognised as operating revenue (IAS 18.7);

■ **an intangible asset**, to the extent that the operator receives a right (a licence) to charge users of the public service. IFRIC 12 specifies that the operator shall recognise and measure concession services in accordance with IAS 38. Specifically, the intangible asset is amortised systematically over the concession term in order to reflect the pattern in which the future economic benefits arising from the use of the infrastructure are expected to flow to the group.

■ **as both an intangible asset and a financial asset ("mixed method")**, when the consideration for the construction of the infrastructure is a right to receive both assets. In this case, the intangible asset is calculated as the difference between the fair value of the infrastructure constructed and the financial asset measured as the present value of the cash flows arising from the guaranteed minimum amounts. The discount rate the group uses for its concession arrangements is the effective interest rate of each project, in line with that already discussed for the financial asset model.

The group's main concession arrangements are summarised below.

Concessions	Business	Key asset	Subject to IFRIC 12	Recognition	Expiry	Country	%
Subsidiaries							
Valle Aconcagua S.A.	Mining	Relaves mining installations	No	N/A	2032	Chile	81.93%
Veneta Sanitaria Finanza di Progetto S.p.A	Healthcare	Nuovo Ospedale di Venezia - Mestre	Yes	Financial asset	2032	Italy	60.40%
Sociedad concesionaria Aguas de Punilla	Energy	Hydroelectric plant	Yes	Financial asset	2061	Chile	99.9975%
Joint venture							
Ankara Etlik Hastane Saglik Hizmetleri Isletme Yatirim A.S.	Healthcare	Etlik healthcare campus	Yes	Financial asset	2043	Turkey	51.00%
Associates							
Otoyol Yatirim Ve Isletme A.S.	Motorways	Gebze-Orhangazi-Izmir motorway	Yes	Financial asset	2035	Turkey	18.86%





Concessions	Business	Key asset	Subject to IFRIC 12	Recognition	Expiry	Country	%
Sociedad Concesionaria Metropolitana de Salud S.A.	Healthcare	Felix Bulnes hospital	Yes	Financial asset	2033	Chile	51.00%
ICA İç İCTAS - Astaldi Üçüncü Bogaz Köprüsü ve Kuzey Marmara Otoyolu Yatırım ve İşletme AS	Motorways	Third bridge over the Bosphorus river and North Marmara Highway	Yes	Financial asset	2026	Turkey	20.00%
Other companies							
Sociedad Concesionaria Nuevo Pudahuel S.A	Transport	Santiago Airport	Yes	Financial asset	2035	Chile	15.00%

Equity investments

Investments in companies other than subsidiaries, associates and joint ventures (in which the group generally holds a share of less than 20%) are classified under “equity investments” upon acquisition as available-for-sale financial assets, as defined in IAS 39. They are initially recognised at transaction-date acquisition cost, which is held to reflect their fair value, plus any transaction costs.

After initial recognition, they are measured at fair value, if determinable, with changes recognised in comprehensive income, in a specific equity reserve. When the financial asset is sold or is impaired, i.e., when there are objective indicators of a significant and prolonged decline in fair value, the accumulated fair value gains and losses are reclassified from equity to profit or loss.

If a subsequent remeasurement shows that the reasons for a previously-recognised fair value loss no longer exist, it is fully or partially reversed through comprehensive income with a balancing entry in the specific equity reserve.

If the fair value cannot be measured reliably, the equity investments classified as available-for-sale financial assets are measured at cost, adjusted for any impairment losses.

Inventories

Inventories are recognised at the lower of cost and net realisable value. The carrying amount of inventories is calculated using the weighted average cost formula applied to groups of similar assets. The cost includes all costs incurred in bringing the inventories to the location and condition to be used in the production process.

Contract work in progress

Construction contracts are recognised based on the consideration received or receivable with reasonable certainty in relation to the stage of completion of the contract activity, using the percentage of completion method, based on the cost to cost model.

The measurement is the best estimate of works performed at the reporting date. The underlying assumptions are periodically updated and any resulting effect is immediately recognised in profit or loss.

Contract revenue comprises:

- in addition to the initial amount of revenue agreed in the contract, variations in contract work, price reviews, incentive payments and claims to the extent that it is probable that they will result in revenue and they are capable of being reliably measured, as provided for by IAS 11 "Construction contracts".

In this respect, consideration has been given to the following:

- specific legislation regarding public works and international legislation;
- contractual clauses;
- the progress of negotiations with the customer and likelihood that these negotiations will have a positive outcome;
- when necessary due to the complexity of specific situations, technical-legal studies also conducted with external consultants, to confirm that the valuations made are reliable.

Contract costs comprise:

- all costs that relate directly to the specific contract, costs that are attributable to contract activity in general and can be allocated to the contract and such other costs as are specifically chargeable to the customer under the terms of the contract.

Contract costs also include:

- pre-operating costs, i.e., the costs incurred during the initial phase of the contract prior to the start of construction activity (tender preparation costs, design costs, organisation and production start-up costs and work site installation costs), as well as
- post-operating costs incurred after completion of the contract (site dismantlement, return of equipment and/or machinery to the base, insurance, etc.), and additionally
- costs for services to be performed after the completion of works, provided for in the related contract, referring to the contract activity (for example, routine maintenance, assistance and supervision during the first phase of operation of individual works).

Moreover, contract costs comprise the borrowing costs on loans specifically referred to the works completed, as allowed by the amendment to IAS 11 in relation to IAS 23. Indeed, as early as the tender phase, based on the specific regulatory provisions, special payment conditions are defined that require the group to carry out structured finance transactions on the contract's invested capital, the charges for which affect the calculation of the related revenue.

If the completion of a contract is expected to generate a loss, this is entirely recognised in the year in which it is reasonably foreseeable.

When the outcome of a construction contract cannot be estimated reliably, contract work in progress is recognised on the basis of the contract costs incurred that it is probable will be recoverable, without recognising any profit or loss.

When favourable or unfavourable events attributable to present situations at the reporting date occur after the reporting date, the carrying amounts are adjusted to reflect the related effects.

Contract work in progress is recognised net of any allowance for impairment and/or provisions for expected losses to complete, progress billings and advances.

Progress billings are amounts billed for work performed on a contract and are recognised as a reduction in amounts due from customers, with any surplus recognised as a liability. On the other hand, billed advances have a financial nature and, therefore, do not affect revenue. As such, they are recognised as a liability since they are amounts received before the related work is performed. However, they are progressively reduced, usually under contractual arrangements, as a balancing entry to the relevant progress billings.

If the provisions for expected losses to complete exceed the amount recognised as an asset for the relevant contract, the negative difference is shown under Amounts due to customers.

These analyses are carried out on a contract-by-contract basis: should the difference be positive (due to contract work in

progress being higher than the amount of progress billings), it is classified as an asset under “Amounts due from customers”; on the other hand, should the difference be negative, it is classified as a liability under “Amounts due to customers”.

Loans and receivables and other financial assets

The group classifies its financial assets as follows:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

The classification depends on the reasons for acquiring the asset, its nature and management valuations at the acquisition date.

All financial assets are initially recognised at fair value, increased by transaction costs for assets not classified at fair value through profit or loss.

After initial recognition, the group reconsiders the classification of its financial assets and, if appropriate and allowed, reclassifies them at each reporting date.

Financial assets at fair value through profit or loss

This category includes the financial assets acquired for short-term trading or originally designated as such by management. Assets held for trading include all assets purchased for sale in the near term. Derivatives, including separated derivatives, are classified as held-for-trading unless designated as effective hedging instruments. Gains or losses on assets held for trading are recognised in profit or loss. Upon initial recognition, financial assets may be classified in this category if the following conditions are met: (i) the designation eliminates or significantly reduces a measurement or recognition inconsistency which would otherwise arise from measuring the assets or recognising gains and losses on them on a different basis; or (ii) the assets are part of a group of managed financial assets and its performance is evaluated on a fair value basis, in accordance with a documented risk management strategy.

Loans and receivables

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method. Any impairment losses arising from the impairment test are recognised in profit or loss. These assets are classified as current assets, except for portions due after more than one year, which are included under non-current assets.

Held-to-maturity investments

This category comprises non-derivative financial assets with a fixed maturity that the group has the positive intention and ability to hold in its portfolio until maturity.

They are initially recognised at the transaction-date fair value and subsequently measured at amortised cost using the effective interest method. If their contractual maturity is within one year, they are classified as current assets. Any impairment losses arising from the impairment test are recognised in profit or loss.

Available-for-sale financial assets

This category includes non-derivative financial assets that have been designated as such or are not classified in any of the three previous categories. They are measured at fair value through equity, namely the fair value reserve. The fair value gains or losses accumulated in this reserve are reclassified to profit or loss only when the financial asset is effectively transferred, or if there is objective evidence that there has been a significant and prolonged decline in fair value. The clas-

sification as a current or non-current asset depends on management's intentions and on the actual marketability of an asset: assets that are expected to be realised within one year are classified as current assets.

Impairment of financial assets

At each reporting date, the group tests its financial assets or group of financial assets for impairment using the criteria described below.

Financial assets at amortised cost

If there is any objective evidence that a loan or a receivable recognised at amortised cost is impaired, the impairment loss is calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses not yet incurred) discounted at the initial effective interest rate of the financial assets (i.e., the effective interest rate calculated upon initial recognition). As a practical expedient, a creditor may measure impairment of a financial asset carried at amortised cost on the basis of an instrument's fair value using an observable market price. If the impairment test shows the need to recognise an impairment loss, it is immediately recognised in profit or loss through the use of a specific allowance.

With reference to trade receivables, impairment losses are recognised when there is objective evidence, mostly based on the counterparty's nature, that the amount can no longer be recovered at the original conditions. If, in a subsequent year, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss may be reversed. Any subsequent reversals of impairment losses are recognised in profit or loss to the extent to which the asset's carrying amount does not exceed the amortised cost at the date of reversal.

Available-for-sale financial assets

An impairment loss on an available-for-sale financial asset, calculated as the difference between its cost (net of any principal repayments and amortisation) and its current fair value, is reclassified from equity to profit or loss, less any impairment loss previously recognised in profit or loss.

Impairment losses recognised in profit or loss on an investment in an equity instrument classified as available for sale are not reversed through profit or loss. Reversals of impairment losses relating to debt instruments are recognised in profit or loss if the increase in the instrument's fair value may be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Derivatives

Derivatives are usually considered as instruments suitable for hedging and effective in neutralising the risk of underlying assets or liabilities or commitments taken on by the group, unless these instruments are considered as assets held for trading, in which case they are measured at fair value through profit or loss.

In particular, the group uses derivatives as part of its hedging strategies aimed at neutralising the risk of fluctuations in expected cash flows arising from contractually defined or highly probable transactions (cash flow hedges). Specifically, the effective portion of fair value gains or losses on derivatives designated as cash flow hedges and qualified as such is recognised in a caption of the statement of comprehensive income (the hedging reserve), which is subsequently reclassified to profit or loss when the hedged item affects profit or loss. The ineffective portion of fair value gains or losses is immediately recognised in profit or loss. If a derivative is transferred or no longer qualifies as an effective hedge against the risk for which the transaction had been carried out, or the occurrence of the underlying transaction is no longer considered highly probable, the related gains or losses accumulated in the hedging reserve are immediately reclassified to profit or loss. These derivatives are initially recognised at the transaction-date fair value and are subsequently remea-

sured. Derivative instruments are recognised as assets when their fair value is positive and as liabilities when their fair value is negative. Any fair value gains or losses on non-hedging derivatives are immediately recognised in profit or loss. The effectiveness of hedging transactions is documented both at the inception of the hedge and periodically (at least at each reporting date) and is measured by comparing the changes in the fair value of the hedging instrument with those of the hedged item, or, in the case of more complex instruments, through statistical analyses based on risk fluctuation. The group does not hold derivatives for speculative purposes. However, not all its risk hedging derivatives qualify for recognition using hedge accounting.

Fair value measurement

IFRS 13 defines fair value as a market-based measurement, not an entity-specific measurement. It is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When a price for an identical asset or liability is not observable, the group measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

Single or multiple valuation techniques may be appropriate. If multiple valuation techniques are used to measure fair value, the results are assessed considering the reasonableness of the range of values indicated by those results.

The most commonly used valuation techniques are as follows:

- **market approach:** a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities;
- **cost approach:** a valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset; and
- **income approach:** a valuation technique that converts future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount.

Based on the observability of the inputs used as part of the valuation technique applied, the assets and liabilities recognised at fair value in the consolidated financial statements are measured and classified using the fair value hierarchy established by IFRS 13:

- **level 1 inputs:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **level 2 inputs:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
- **level 3 inputs:** unobservable inputs for the asset or liability.

The fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Derecognition

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

- the contractual rights to the cash flows from the financial asset expire;
- the group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients;
- the group transfers the contractual rights to receive the cash flows of the financial asset and: (a) transfers substantially all the risks and rewards of ownership of the financial asset, or (b) neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but transfers control of the financial asset.

If the group transfers the contractual rights to receive the cash flows of the financial asset and neither transfers nor retains substantially all the risks and rewards of ownership or retains control of the financial asset, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. When the group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of its continuing involvement is the lower of the initial carrying amount of the asset and the maximum amount of the consideration received that the group could be required to repay.

The group derecognises a financial liability when it is extinguished, i.e., when the obligation specified in the contract is discharged or cancelled or expires. If an existing financial liability is exchanged with another of the same lender with substantially different terms or the terms of an existing financial liability are substantially modified, the exchange or modification is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the original and new financial liabilities is recognised in profit or loss.

Cash and cash equivalents

These include cash, bank deposits or other amounts with other financial institutions available for day-to-day transactions, postal current accounts and other cash equivalents, as well as investments with terms expiring within three months of the acquisition date. Cash and cash equivalents are recognised at fair value, which normally equals their nominal amount.

Assets held for sale and discontinued operations

Non-current assets or disposal groups¹⁸ are classified as held for sale if their carrying amount will be recovered mainly through their sale rather than continuing use.

This condition is considered to be met when the sale is highly probable and the asset or disposal group is available for immediate sale in its current conditions.

Non-current assets held for sale and disposal groups are recognised in the statement of financial position separately from the group's other assets and liabilities. Immediately before being classified as held for sale, they are measured on the basis of the specific IFRS applicable to each asset and liability. They are subsequently recognised at the lower of their carrying amount and fair value less costs to sell. Any losses are immediately recognised in profit or loss. Subsequently, non-current assets held for sale are not depreciated and are measured at the lower of their carrying amount and fair value less costs to sell. If an equity-accounted investment, or a portion thereof, is classified as held for sale, equity accounting is discontinued for the entire investment or for the portion classified as held for sale. Any portions of investments that are not classified as held for sale continue to be measured using the equity method up to the completion of the disposal plan. Any difference between the carrying amount and fair value less costs to sell of non-current assets held for sale is recognised as an impairment loss in profit or loss. Any gains for subsequent increases in fair value are recognised to the extent of the previously recognised impairment losses, including those recognised before the asset is classified as held for sale.

Non-current assets and discontinued operations classified as held for sale constitute a discontinued operation if they (i) represent a separate major line of business or geographical area of operations, (ii) are part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or (iii) are a subsidiary acquired exclusively with a view to resale.

The post-tax profits or losses of discontinued operations and any post-tax gains/losses realised on disposal are presented separately in a specific caption of the statement of profit or loss. The prior year corresponding figures are presented accordingly.

¹⁸ A disposal group is a group of assets and directly associated liabilities to be disposed of, by sale or otherwise, together as a group in a single transaction.

Equity

Share capital

The share capital comprises the parent's subscribed and paid up share capital. Costs strictly related to share issues are recognised as a reduction in share capital if they are directly attributable to the capital transaction.

Treasury shares

Treasury shares are recognised as a reduction in equity. Specifically, the nominal amount of treasury shares is recognised as a reduction in issued capital, while the excess of the repurchase cost compared to their nominal amount decreases the extraordinary reserve, as resolved by the shareholders. Therefore, profits or losses arising from the repurchase, sale, issue or cancellation of treasury shares are not recognised in profit or loss.

Retained earnings (losses carried forward)

These include the portion of previous years' profits or losses not distributed or allocated to reserves (in the case of profits) or not covered (in the case of losses).

Other reserves

These are reserves deriving from first-time application of the IFRS and other equity-related reserves (such as the stock grant reserve).

Other comprehensive income

Other comprehensive income includes items recognised directly in equity reserves in compliance with the IFRS provisions about their origin and changes.

The statement of comprehensive income captions of these consolidated financial statements are presented by nature in two categories:

- (i) Those that will not be subsequently reclassified to profit or loss:
 - actuarial gains and losses on defined benefit plans (IAS 19);
- (ii) Those that will be subsequently reclassified to profit or loss when certain conditions are met in accordance with IFRS:
 - exchange differences arising on the translation of the financial statements of foreign operations with functional currencies that differ from the Euro (IAS 21);
 - fair value gains (losses) on AFS financial assets (IAS 39);
 - the effective portion of gains and losses on hedging instruments (IAS 39).

Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs and are subsequently measured at amortised cost.

Any difference between the amount received (net of transaction costs) and the nominal amount of the liability is recognised in profit or loss by applying the effective interest method.

Financial liabilities are classified as current liabilities, unless the group has the contractual right to extinguish its obligations after one year of the reporting date.

The group has not designated any financial liability at fair value through profit or loss.

Convertible bonds

Convertible bonds are generally financial instruments comprising a liability and an equity component. At the date of issue, the fair value of the liability is estimated using the current market interest rate for similar non-convertible bonds. The dif-

ference between the net proceeds from the issue and the fair value of the liability, which represents the implicit option to convert the bonds into group shares, is recognised in equity.

On the other hand, convertible bonds offering the issuer the choice between repayment through ordinary shares or, alternatively, in cash (cash settlement option) are classified as hybrid financial instruments.

In this case, the host bond is measured at amortised cost while the embedded derivative, representing the conversion option, is measured at fair value through profit or loss.

Trade payables and other financial liabilities

Trade payables due within the normal commercial terms are not discounted and are recognised at cost (identified by their nominal amount).

Income taxes

Current income taxes

Current taxes for the current and previous years are recognised at the amount expected to be paid to the tax authorities. Tax rates and tax laws used to calculate the liability are those substantially enacted at the reporting date in the individual countries where the group operates.

Deferred taxes

Deferred taxes are calculated by applying the liability method to the taxable or deductible temporary differences between the carrying amount of assets and liabilities and their tax base.

Deferred tax liabilities are recognised on all taxable temporary differences, except when:

- they arise from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and that at the time of the transaction affects neither accounting profit or loss nor taxable profit (tax loss);
- they refer to taxable temporary differences associated with investments in subsidiaries, associates and joint ventures and the timing of their reversal can be controlled and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and tax losses carried forward, to the extent to which it is probable that the group will earn sufficient future taxable profits offsetting them, except when a deferred tax asset arises from the initial recognition of an asset or liability in a transaction which is not a business combination that at the time of the transaction affects neither accounting profit or loss nor taxable profit (tax loss).

The carrying amount of deferred tax assets is remeasured at each reporting date and reduced if it is no longer probable that the group will earn sufficient future taxable profits to offset the entire or part of the asset. Unrecognised deferred tax assets are reassessed on an annual basis at the reporting date and are recognised to the extent that it has become probable that the group will earn sufficient taxable profit against which the deferred tax assets may be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to be applicable in the year when the assets will be realised or the liabilities will be settled, based on tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legal right to set off current tax assets against current tax liabilities and the deferred taxes refer to the same taxable entity and the same tax authority.

Current and deferred taxes relating to items recognised directly in equity are recognised in equity too rather than in profit or loss.

Employee benefits

Termination benefits

Termination benefits consist of benefits due to employees following the group's decision to terminate an employee's employment before their retirement date and the employee's decision to accept voluntary redundancy in exchange for those benefits.

The group recognises these benefits as liabilities and an expense at the earlier of (i) the date when the entity can no longer withdraw the offer of such benefits; and (ii) the date when the entity recognises restructuring costs within the scope of IAS 37, which implies payment of the termination benefits due. These liabilities are measured according to the nature of the benefit. In particular, if the benefits are an enhancement of other post-employment benefits due to employees, the liability is measured in accordance with IAS 19.50-60 "Post-employment benefits". On the other hand, the measurement criteria used to measure termination benefits differ depending on when they will be paid:

- if the group expects to pay the full amount of the benefits within 12 months of the reporting date, the criteria applicable to short-term employee benefits apply (IAS 19.9-25);
- if the group does not expect to pay the full amount of the benefits within 12 months of the reporting date, the criteria applicable to other long-term employee benefits apply (IAS 19.153-158).

Post-employment benefits

Liabilities for guaranteed employee benefits paid when or after employment is terminated through defined benefit plans are recognised in the period in which the employee vests the right to receive them, consistently with the service required to obtain the benefits. They are calculated on the basis of actuarial assumptions and stated net of any advances paid. Independent actuaries measure the liability using the projected unit credit method.

The following income and expense are recognised as personnel expenses in the statement of profit or loss:

- current service cost reflecting the actuarial estimates of benefits due to employees for their service in the reporting period;
- net interest cost, which is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement; and
- the full amount of costs and income arising from changes to the defined benefit plans ("past service cost or income"), which are recognised in the period when the changes occur.

Furthermore, any actuarial gains and losses on the defined benefit liability are fully recognised in the year when they arise as other comprehensive income (OCI) in the statement of comprehensive income.

Liabilities for guaranteed employee benefits paid when or after employment is terminated through defined contribution plans are recognised at the amount vested at the reporting date.

Liabilities for other employee benefits are recognised at the amount vested at the reporting date, including by using actuarial assumptions in the case of long-term benefits.

Share-based payment plan

The parent has adopted an incentive plan for senior management (CEO with delegated financial management powers and general managers), which assigns them the parent's shares free of charge upon attainment of specific financial objectives. The stock grant plan is an equity-settled share-based payment that falls within the scope of IFRS 2.

The plan cost is recognised over the vesting period and is calculated with reference to the fair value of the options assigned to the senior management at the grant date, thereby reflecting the market conditions existing on that date.

At each reporting date, the assumptions about the number of options expected to vest are verified. The current cost is recognised in profit or loss under personnel expenses with a balancing entry recognised in an equity reserve.

Provisions for risks and charges

The provisions for risks and charges are recognised when the group has a present (legal or constructive) obligation arising as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation or to transfer it to third parties at the reporting date. Where the effect of the time value of money is material, the provision is discounted using a pre-tax discount rate that reflects current market assessments. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

Revenue unrelated to contract work in progress

Revenue is measured at the fair value of the consideration received, taking into account any discounts and volume rebates.

Revenue from the sale of goods is recognised when the group has transferred the significant risks and rewards of ownership of the goods to the buyer, which, in most cases, coincides with the transfer of the legal title or the passing of possession to the buyer, or when the amount of revenue can be measured reliably.

Revenue from the rendering of services is recognised when it can be measured reliably, by reference to the stage of completion of the transaction.

Government grants

Government grants are recognised at fair value, when there is reasonable assurance that such grants will be received and the group will comply with the conditions attaching to them. Grants related to costs are recognised as revenue on a systematic basis over the years in which the group recognises the related costs for which the grants are intended to compensate. Grants related to assets are recognised at fair value as a decrease in the carrying amount of the related asset. If related to assets not yet available for use or under construction, the portion of the grant exceeding the related asset is presented as deferred income.

Financial expense

Interest is recognised on an accruals basis using the effective interest method, by applying the interest rate that makes all cash inflows and outflows (including premiums, discounts, commissions, etc.) related to such transaction financially equivalent. If they meet the relevant conditions, borrowing costs are capitalised in accordance with IAS 23.

Dividends

Dividends are recognised when the shareholders become entitled to receive the payment that normally arises with the related resolution taken by the shareholders. Dividends are recognised as a liability when their distribution is approved by the shareholders, with a balancing entry in equity.

Expenses

Expenses are recognised on an accruals basis, assuming the group companies' ability to continue as going concerns.

Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by adjusting the above profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding to account for the effect of all potential ordinary shares with a dilutive effect.

Use of estimates

IFRS financial reporting requires the formulation of estimates and assumptions affecting the carrying amounts of assets and liabilities and the disclosures on contingent assets and liabilities

In accordance with Bank of Italy/CONSOB/ISVAP Joint Document no. 2 of 6 February 2009, the estimates are based on the most recent information available to management at the time of preparing these consolidated financial statements, the reliability of which is, therefore, unprejudiced. Estimates are used, inter alia, to perform impairment tests and recognise the allowance for impairment, discounting of loans and receivables based on their estimated collection times, contract revenue, amortisation and depreciation, impairment losses on assets, employee benefits, taxes, other accruals and provisions.

Actual results may differ from these estimates. Estimates and assumptions are periodically reviewed and the effects of any changes are recognised in profit or loss when the change is made.

Specifically, taking into account the group's specific line of business, which involves payment of an advance when the individual contracts are assigned, contract profits or losses systematically recognised in profit or loss may differ from those originally estimated. Such estimates may be influenced by numerous factors, including the following:

- requests for additional consideration for contract variations, price escalation clauses, incentives and claims compared to that contractually agreed;
- the long timeframe and engineering and operating complexity of construction contracts in progress;
- the risk profile of certain countries in which the construction contracts are carried out.

Newly-issued and endorsed standards and interpretations applicable to annual periods beginning on or after 1 January 2017

The EU regulations effective as of 1 January 2017 are summarised below.

Commission Regulation (EU) no. 2017/1989 of 6 November 2017, published in Official Journal L 291 of 9 November 2017: Amendments to IAS 12 - Income taxes (Recognition of deferred tax assets for unrealised losses)

The amendments clarify how to account for deferred tax assets related in particular to: (i) deductible temporary differences on debt instruments measured at fair value (Example illustrating paragraph 26(d)); (ii) deductible temporary differences which, due to tax law restrictions, may be recovered only against specific taxable profits (paragraph 27A). In addition, the amendments clarify certain aspects of the estimate of probable future taxable profit on which basis an entity assesses the recoverability of deferred tax assets (paragraph 29A).

The amendments did not have any effects on the measurement of consolidated financial statements captions and disclosures.

Commission Regulation (EU) no. 2017/1990 of 6 November 2017, published in Official Journal L 291 of 9 November 2017: Amendments to IAS 7 - Statement of cash flows

The amendments improve information provided to users of financial statements about an entity's financing activities. Specifically, the amendments to IAS 7 require that the following changes in liabilities arising from financing activities are disclosed: (i) changes from financing cash flows, (ii) changes arising from obtaining or losing control of subsidiaries or other businesses, (iii) the effect of changes in exchange rates, (iv) changes in fair values and (v) other changes.

The new information has been presented in note 25.1 "Disclosure on the statement of cash flows".

Commission Regulation (EU) no. 2018/182 of 7 February 2018, published in Official Journal L 34 of 8 February 2018: Amendments to IAS 28, IFRS 1 and IFRS 12

The amendments to IAS 28 and IFRS 1 clarify how investment entities shall measure their investments in associates and joint ventures.

Moreover, the above regulation extended the disclosure requirements of IFRS 12 - Disclosure of interests in other entities to investments in subsidiaries, joint ventures and associates that are classified as held for sale or discontinued operations in accordance with IFRS 5.

The group has updated its financial reporting in line with the amendments to IFRS 12.

Endorsed standards and interpretations not adopted early by the group

The standards and interpretations endorsed by EU Regulations but not adopted early by the group are summarised below:

Commission Regulation (EU) no. 2016/1905 of 22 September 2016, published in Official Journal L 295 of 29 October 2016: Adoption of IFRS 15 - Revenue from contracts with customers

IFRS 15 (the new standard) defines how to recognise and measure revenue from contracts with customers (including the contracts giving rise to contract work in progress).

In short, the new standard requires the application of the following five steps for the recognition of revenue: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; (v) recognise revenue.

As described in more detail in the notes to the consolidated financial statements at 31 December 2016, the group launched a project to identify the potential impact deriving from the adoption of the new standard in 2016.

The project is still ongoing. However, the following areas are potentially affected by the new standard requirements:

Pre-operating costs

Based on the analyses carried out, the group may no longer be able to include tendering costs in contract costs. However, under IFRS 15.95.b, it may be able to treat all costs incurred to obtain larger resources to fulfil the contract in the future as contract costs (i.e., preliminary and/or final design of works, geognostic surveys, topographical surveys, etc.).

Combination of contracts

Pursuant to IAS 11, in certain limited cases, the group considered a group of contracts from the same customer as a single contract work in progress.

Because of the new provisions introduced by the new standard, notwithstanding their meeting the other conditions set out in IFRS 15.17.a/b/c, the group may no longer be able to combine some of these contracts as they had not been negotiated as a package.

Separation of performance obligations

Based on the analyses carried out, due to the strong interrelation and integration of the various elements making up construction contracts, in most cases, they may be considered as giving rise to a single performance obligation.

However, in some instances, the group has identified multiple obligations in a single contract¹⁹.

Significant financing components in the contract

In certain countries where the group operates, it is customary that customers pay contractors a contractual advance to be recovered over the contract term, according to the agreed methods and timing. Based on the analyses carried out, the group does not believe that the advances received by group companies include a significant financing component, since (i) they are substantially a guarantee that the customer will duly fulfil its contractual obligations as is common sector practice and (ii) hence, as mentioned above, these payments are common sector practice, there is no objective evidence that different payment terms would entail additional consideration for the services provided.

Variable consideration

The contractual consideration in the Construction line of business often includes variable amounts (i.e., price adjustments and/or penalties). Under the new standard, an entity shall estimate the variable consideration at its expected value or most likely amount. Furthermore, the new standard requires that the variable consideration be recognised only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Based on the analyses carried out, the group believes that the new requirements will not have a significant effect on the measurement of variable amounts of contractual consideration.

Contract modifications

Based on the elements available at the date of preparation of these consolidated financial statements and the technical and legal evaluations carried out, there are no critical issues affecting the rights and obligations arising from contract modifications to the main contracts in progress.

The new standard will become applicable in 2018. The group will complete its assessment of the effects of its application in early 2018. At any rate, based on the analyses carried out to date and considering the elements known at the date of preparation of these consolidated financial statements, the group believes that the application of the new standard will give rise to a decrease of between 10% and 13% in equity at 31 December 2017. The decrease, which does not affect the calculation of contract cash flows, is not a permanent depletion of the group's assets. Indeed, it is solely due to a different temporal presentation of total profits at the completion of the relevant contracts. However, considering the ongoing modifications to interpretations of the new standard, it may be necessary to change the estimates made at the date of preparation of these consolidated financial statements.

Commission Regulation (EU) no. 2016/2067 of 22 November 2016, published in Official Journal L 323 of 29 November 2016: Adoption of IFRS 9 - Financial instruments

In 2018, IFRS 9 - Financial instruments will replace IAS 39 - Financial instruments: recognition and measurement to rationalise and streamline the accounting rules applicable to the classification and measurement of financial instruments. The group launched a special transition project in 2017 covering the main in-scope areas of the new standard. Based on the gap analysis carried out, the group has identified the following three macro-areas:

Classification and measurement

Financial assets

The group checked the contractual characteristics of the cash flows of its financial assets (SPPI test) and the business

¹⁹ (i) Maintenance of completed works; (ii) separate works (i.e., separate functional lots), etc..

model used to manage them, in order to identify how to classify them into the categories provided for by IFRS 9²⁰.

The check showed that certain financial assets may be measured at fair value as their contractual cash flows are not solely payments of principal and interest on the principal amount outstanding.

Moreover, the new standard requires that non-controlling interests in unlisted companies²¹ be measured at fair value through profit or loss. However, in limited circumstances, IFRS 9 allows measurement of these instruments at cost. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements.

Financial liabilities

In the case of transfers and exchanges of financial liabilities that do not entail their derecognition, IFRS 9 requires that their carrying amount be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial liabilities' original effective interest rate. Any resulting gain or loss shall be immediately recognised in profit or loss.

In the light of the changes introduced by the new standard, the group has recalculated the effects of its main debt refinancing transactions²² still to be repaid at the date of first-time adoption of the new standard.

Impairment

During the year, the group has identified (i) its financial assets to be tested for impairment and (ii) the most suitable measurement model to calculate the expected credit losses.

With reference to trade receivables and contract assets, which are the group's larger exposures, it implemented an impairment model based on the simplified approach available for these types of assets. Specifically, it divided these assets into clusters of similar assets considering the credit nature, counterparty nature (i.e., public or private), the customers' credit rating and geographical area. It then established the reference parameters for the calculation of the lifetime expected credit losses based on the information gathered.

With reference to the other financial assets to be tested for impairment, the group assessed them individually based on the general approach provided for by the new standard.

Hedge accounting

The group is currently analysing the existing hedging relationships in order to check their consistency with its risk management strategies.

In early 2018, the analyses will continue with the assessment of the possible effect of the application of IFRS 9. At any rate, based on the current progress of the analyses, the group believes that the application of the new standard will not have a significant impact on the measurement of financial statements captions. Specifically, it is estimated that the effect on opening equity will be limited to a 1% increase or decrease in the amount presented in these consolidated financial statements. However, considering the ongoing modifications to the interpretations of the new standard, it may be necessary to change the estimates made at the date of preparation of these consolidated financial statements.

Commission Regulation (EU) no. 2017/1986 of 31 October 2017, published in Official Journal L 291 of 9 November 2017: Adoption of IFRS 16 "Leases"

IFRS 16 covers the recognition, measurement, presentation of and disclosures about leases and will replace IAS 17 "Leases", IFRIC 4 "Determining whether an arrangement contains a lease", SIC-15 "Operating leases - Incentives" and SIC-27 "Evaluating the substance of transactions involving the legal form of a lease" in 2019.

Specifically, IFRS 16 defines a lease as a contract that conveys the right to use an asset to the customer (the lessee) for a period of time in exchange for consideration.

The new standard provides for a single presentation model for lessees for both a finance or an operating lease, which is

²⁰ Financial assets at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

²¹ They are currently measured at cost under IAS 39.

²² Reverse bookbuilding of equity-linked bonds (June 2017) and amendment of the terms of the forward start facility (November 2014).

that an asset (right to use) and a liability (the obligation to make the payments contractually provided for) be recognised for any lease with a term of more than twelve months.

On the other hand, with reference to the financial statements of lessors, IFRS 16 does not introduce significant changes, maintaining the distinction between operating and finance leases.

IFRS 16 has also significantly incremented the disclosure requirements of IAS 17, but it specified that the disclosures are to be provided only when it is helpful for users of financial statements.

In the last quarter of 2017, the group commenced assessing all contracts that are potentially affected by the new standard. At the same time, management considered it opportune to launch a project for the identification of the potential impact of the adoption of the new standard in terms of updating the currently used systems, processes and procedures. As the analyses are still at an early stage, management is currently unable to reliably estimate the effect of first-time adoption on the consolidated financial statements captions.

Commission Regulation (EU) no. 2017/1987 of 31 October 2017, published in Official Journal L 291 of 9 November 2017: Adoption of IFRS 15 “Revenue from contracts with customers”

The amendments are applicable from 2018 and clarify certain aspects of the implementation of the new standard and provide additional transitional provisions for first-time adoption of IFRS 15.

Commission Regulation (EU) no. 2017/1988 of 3 November 2017, published in Official Journal L 291 of 9 November 2017: Amendments to IFRS 4 “Insurance contracts” (Applying IFRS 9 “Financial instruments” with IFRS 4 “Insurance contracts”)

The amendments to IFRS 4 “Insurance contracts”, applicable from 2018 are intended to address concerns about the different effective dates of IFRS 9 “Financial instruments” and the forthcoming new insurance contracts standard which will replace IFRS 4 (IFRS 17 “Insurance contracts”).

Management believes that the amendments to IFRS 4 will not have any significant effects on the measurement of consolidated financial statements captions and disclosures, as they are mainly addressed to entities operating in the insurance market.

Commission Regulation (EU) no. 2018/289 of 26 February 2018, in Official Journal L55 of 27 February 2018: Amendments to IFRS 2 “Share-based payment”

The amendments are applicable from 2018 and aim to clarify the following: (i) the vesting conditions for granting equity instruments; (ii) the measurement of goods or services received as consideration of cash-settled share-based payment transactions; (iii) share-based payment transactions with settled net of tax withholdings.

Based on its preliminary analyses, management believes that the adoption of the new amendments will not have any significant effects on the measurement of consolidated financial statements captions.

Notes to the consolidated financial statements

1. Revenue: €2,888,319 thousand (€2,851,826 thousand)

Revenue for 2017 amount to €2,888,319 thousand, up by €36,493 thousand on the previous year. It may be analysed as follows:

	2017	2016	Variation
Contract revenue	2,788,327	2,819,227	(30,900)
Concessions - Commercial services under arrangement	86,117	20,152	65,965
Periodic installments on plant maintenance contracts	13,875	12,447	1,428
Total	2,888,319	2,851,826	36,493

Contract revenue is that arising from works performed and accepted by customers, including the portion of uncompleted long-term works carried out during the year.

Concessions – Commercial services under arrangement show the revenue from infrastructure operation services, mainly attributable to: (i) Ospedale dell'Angelo of Mestre (€58,129 thousand), (ii) the four Tuscan hospitals (€22,199 thousand) and (iii) the plant constructed in Chile (Relaves project), for the treatment and recovery of copper and molybdenum recovered from the Codelco mine sludge (€5,088 thousand).

Periodic installments on plant maintenance contracts refer to the services provided by NBI during the year. This subsidiary operates in the plant engineering and facility management sector, which is complementary to the group's current operations and ensures both significant industrial and commercial synergies as well as contributing high level specialist skills. A breakdown of revenue by geographical segment is as follows.

	2017	%	2016	%	Variation
Italy	700,556	24.25%	451,499	15.83%	249,057
Europe	1,031,547	35.71%	1,249,773	43.82%	(218,226)
Americas	1,059,726	36.69%	989,025	34.68%	70,701
Africa	93,401	3.23%	146,293	5.13%	(52,892)
Asia	3,089	0.11%	15,236	0.53%	(12,147)
Total	2,888,319	100.00%	2,851,826	100.00%	36,493

Domestic production benefited from the positive contribution of the continuation of work on Line 4 of the Milan metro, the Quadrilatero Marche-Umbria road network, maxi-lot 2, the Brenner base tunnel and the container terminal ("Molo Poliset-toriale") at the port of Taranto, in addition to the commencement of the design stage²³ of the extremely large telescope (ELT project) of Cerro Armazones (Chile). Moreover, the growth of the O&M line of business attributable to Ospedale dell'Angelo of Mestre²⁴ and the four Tuscan hospitals positively contributed to revenue in Italy.

²³ Activity carried out in Italy.

²⁴ Concession developed with Veneta Sanitaria Finanza di progetto S.p.A., over which the parent obtained control in February 2017.

Compared to the previous year, European production was affected by the smaller contribution of certain important contracts nearing completion in Turkey (third bridge over the Bosphorus river and Gebze-Orhangazi-Izmir motorway, phase 1) and Russia (WHSD in St. Petersburg), as well as by the fluctuations in the USD/€ exchange rates. These effects were only partially offset by the progress of works in Poland (extension of Line II of the Warsaw metro, the S7 highway between Naprawa and Skomielna Biata and the N7 railway Deblin – Lublin).

Production in the Americas segment grew, thanks to (i) the positive contribution of contract work in progress in Chile (Santiago Airport and Chuquicamata mining project) and (ii) the acceleration of the Muskrat Falls hydroelectric project activities in Canada, which were also boosted by the overall revision of the related contractual terms in November 2016. The contribution of Africa decreased compared to the previous year, due to smaller volumes relating to the Algerian railway contracts. Indeed, in 2017, this segment benefited from an acceleration of the construction of signalling, telecommunication and energy installations given the scheduled delivery of the Saida – Moulay Slissen railway line.

Note 37 Segment reporting pursuant to IFRS 8 provides more information about this caption.

2. Other Operating Revenue: €172,414 thousand (€152,429 thousand)

Other operating revenue of €172,414 thousand includes items not directly related to the group's core business but accessory thereto.

	2017	2016	Variation
Revenue from the sale of goods	16,533	21,036	(4,503)
Services - third parties	63,690	78,744	(15,054)
Services - management of joint projects	805	537	268
Leases and rent	2,052	2,569	(517)
Gains on sale	34,252	14,734	19,518
Other	55,082	34,809	20,273
Total	172,414	152,429	19,985

“Other” mainly includes (i) prior year income related to the updating of prior years' estimates (€14,040 thousand), (ii) compensation from third parties (insurance companies and sub-contractors) for larger costs incurred by the group companies in previous years for the performance of contracts in the Construction line of business in Italy, Russia and Canada (€14,988 thousand) and (iii) the effect of the business combination of Veneta Sanitaria Finanza di Progetto S.p.A. discussed earlier (€12,732 thousand).

The decrease in revenue from the sale of goods is mainly due to non-operational contracts in the Americas segment, whose equipment and spare parts no longer necessary for the construction of the works were sold in 2016.

The decrease in “Services - third parties” is mainly due to Turkey. Indeed, this line of business benefited from the performance of certain activities ancillary to the construction of works on behalf of suppliers and subcontractors as part of the third bridge over the Bosphorus River and North Marmara Highway contracts.

The increase in “Gains on sale” is mainly due to the sale of the SPV Pacific Hydro Chacayes (€9.3 million), Sociedad Concesionaria Metropolitana de Salud s.a. (€7.4 million) and S.A.T. S.p.A. (€6.1 million). See note 26 for further details.

3. Purchase costs: €369,803 thousand (€449,134 thousand)

Purchases of and changes in raw materials and consumables amount to €369,803 thousand for the year, a decrease of €79,331 thousand on the previous year.

	2017	2016	Variation
Purchase costs	367,596	431,815	(64,219)
Change in raw materials, consumables and supplies	2,207	17,319	(15,112)
Total	369,803	449,134	(79,331)

The caption may be broken down by geographical segment as follows:

	2017	%	2016	%	Variation
Italy	94,196	25.47%	78,549	17.49%	15,647
Europe	161,396	43.64%	244,587	54.46%	(83,191)
Americas	105,350	28.49%	105,169	23.42%	181
Africa	8,853	2.39%	20,804	4.63%	(11,951)
Asia	8	0.00%	25	0.01%	(17)
Total	369,803	100.00%	449,134	100.00%	(79,331)

The decrease in foreign costs is mainly attributable to the St. Petersburg WHSD project in Russia, the third bridge over the Bosphorus river in Turkey and the Saida – Moulay Slissen railway line in Algeria, whose activities are nearing completion, as scheduled.

4. Service costs: €1,703,178 thousand (€1,605,119 thousand)

Service costs increased by €98,059 thousand to €1,703,178 thousand on 2016. They may be analysed as follows:

	2017	2016	Variation
Consortium costs	124,893	92,726	32,167
Subcontracts and other services	1,333,417	1,265,381	68,036
Technical, administrative and legal consultancy	117,448	113,128	4,320
Directors' and statutory auditors' fees	3,935	3,970	(35)
Utilities	7,532	7,720	(188)
Travel and transfers	7,219	6,201	1,018
Insurance	16,604	16,954	(350)
Leases and other costs	62,900	55,272	7,628
Lease and building management costs	11,967	10,675	1,292
Maintenance on third party assets	725	569	156
Other	16,538	32,523	(15,985)
Total	1,703,178	1,605,119	98,059

The consortium costs incurred to carry out contracts with other construction companies increased by roughly €32,167 thousand on the previous year. The rise is mainly due to commencement of work as scheduled on the Brenner base tunnel contract.

“Subcontracts and other services” rose by €68,036 thousand over the previous year and are made up as follows:

	2017	%	2016	%	Variation
Italy	285,829	21.44%	162,722	12.86%	123,107
Europe	658,828	49.41%	662,598	52.36%	(3,770)
Americas	357,577	26.82%	345,760	27.32%	11,817
Africa	30,855	2.31%	80,230	6.34%	(49,375)
Asia	328	0.02%	14,071	1.11%	(13,745)
Total	1,333,417	100.00%	1,265,381	100.00%	68,036

The increase in Italy is mainly due to (i) the growth of the O&M activities²⁵ for the Ospedale dell'Angelo of Mestre contract and (ii) the construction works for the Quadrilatero Marche-Umbria road network, maxi-lot 2, the Monte Sant'Angelo link road in Naples and Line 4 of the Milan metro.

The decrease in foreign operations is largely due to the smaller production volumes of the following projects: (i) Saida – Moulay Slissen railway in Algeria, (ii) Cerro de Aguila in Peru, (iii) Charlotte/Sarasota highway in the USA, (iv) Jeddah & KAEC stations in Saudi Arabia and (v) the third bridge over the Bosphorus river and North Marmara highway in Turkey, which are nearing completion as scheduled. These effects were partially offset by the larger contribution for the year of the contracts for the extension of Line II of the Warsaw metro and the S7 highway between Naprawa and Skomielna Biata in Poland.

Technical, administrative and legal consultancy costs increased mainly due to the contracts in progress in Turkey (Etlik healthcare campus), Italy (design of the extremely large telescope) and Poland (extension of Line II of the Warsaw metro). The start up of the latter project, in particular, entailed the significant involvement of legal and financial experts to complete the contract and the work design.

The increase in leases is largely due to the progress of works in the USA (road works), Poland (the S5 highway between Poznań and Wrocław - Lot 3), Italy (the container terminal at the port of Taranto) and Honduras (the highway between Jicaro Galán and Santa Elena).

5. Personnel expenses: €633,865 thousand (€616,203 thousand)

They may be analysed as follows:

	2017	2016	Variation
Wages and salaries	464,767	445,493	19,274
Social security contributions	91,858	87,792	4,066
Other costs	74,511	80,381	(5,870)
Other post-employment benefits	1,481	1,282	199
Cost of share-based payments	1,248	1,255	(7)
Total	633,865	616,203	17,662

²⁵ Activities carried out by Veneta Sanitaria Finanza di Progetto S.p.A., over which the group obtained control in February 2017.

Other personnel expenses mainly comprise costs for staff training, bed and board and the accrual for defined contribution plans. The decrease over the previous year is mainly due to the completion of certain work stages of the Chuquicamata mining project in Chile, which led to a reduction in the workforce used for that contract. Considering the particular geographical area of the work site²⁶, other personnel expenses for this contract (transport, bed and board) were very high in 2016.

A breakdown of personnel expenses by geographical segment is as follows:

	2017	%	2016	%	Variation
Italy	108,868	17.18%	102,622	16.65%	6,246
Europe	82,501	13.02%	94,361	15.31%	(11,860)
Americas	427,640	67.47%	397,632	64.53%	30,008
Africa	12,467	1.97%	20,149	3.27%	(7,682)
Asia	2,389	0.38%	1,439	0.23%	950
Total	633,865	100.00%	616,203	100.00%	17,662

Personnel expenses increased significantly in the Americas segment, mainly due to the increase in production volumes in Canada. In order to speed up work on the Muskrat Falls hydroelectric project, the group increased the number of resources directly involved in that project and their individual work hours.

Lastly, the increase in Italy is due to the greater production volumes of Line 4 of the Milan metro.

On the other hand, personnel expenses decreased in Europe and Africa, largely due to the smaller production volumes of the following projects: (i) the third bridge over the Bosphorus river and North Marmara highway in Turkey and (ii) the Saida – Moulay Slissen railway in Algeria, which, as mentioned earlier, are nearing completion as scheduled. These effects were partially offset by the contribution for the year of the contracts for the Moscow-St. Petersburg M-11 motorway and the extension of Line II of the Warsaw metro.

5.1 Average number of employees

The average number of employees by category is as follows:

	2017	2016	Variation
Managers	278	296	(18)
Junior managers	223	215	8
White collars	3,371	3,714	(343)
Blue collars	6,619	7,285	(666)
Average number of employees	10,491	11,510	(1,019)

The average number of employees was 10,491 in 2017. On a combined basis, the workforce decreased by roughly 8.9% compared to the previous year and most employees continued to be based outside Italy (89%), as a result of the significant revenue produced outside Italy and a larger number of contracts requiring the direct involvement of Astaldi employees.

²⁶ The Chuquicamata mine is in the Atacama desert in the Antofagasta region (Chile).

5.2 Senior management incentive plans

Stock grant plan

The caption “Share-based payments” includes the cost of the senior management incentive plan tied to attainment of financial targets. The plan’s main characteristics are described below.

The plan provides for the free granting of the parent’s shares to the following beneficiaries: the chief executive officer, up to a maximum of (i) six general managers and (ii) two members of key management personnel. The plan has a three-year vesting period from 2016 to 2018.

The chief executive officer may receive a maximum of 100,000 shares free of charge for each year of the plan while each general manager and each member of key management personnel may be granted a maximum of 40,000 shares free of charge per year.

Each year, a total of 420,000 shares may be granted to the beneficiaries for a maximum of 1,260,000 over the three years. Granting shares depends each year on the group’s attainment of the performance objectives defined annually by the board of directors. The grant date is the date on which the board of directors resolves that such objectives have been met and, upon satisfaction of the vesting conditions, grants the shares to the beneficiaries accordingly.

Based on the above, the cost for the plan for the year is €1,248 thousand, with a balancing entry recognised in equity.

The actuarial assumptions used to measure the plan are as follows:

- Dividend rate: 5.00%;
- Volatility: 60%;
- Risk-free rate: deducted from the Euro swap rate at the measurement date.

The board of directors assumed that the performance objectives had the following probability of being met:

- 90% for 2017;
- 85% for 2018.

“Management By Objectives” (MBO) medium-term incentive plan

Upon the proposal of the appointments and remuneration committee, in its meeting of 27 June 2016, the parent’s board of directors approved a medium-term incentive plan for the chairman, tied to the task of implementing the disposal plan for certain assets under concession in accordance with the group’s business plan.

The maximum amount of the bonus granted under the plan should all objectives been attained is €6,000 thousand.

Under the plan, in 2017, the chairman received a €2,128 thousand bonus following the disposal of (i) the investment in Aguas de San Pedro S.A., (ii) a 49% investment in Sociedad Concesionaria Metropolitana de Salud s.a.²⁷, (iii) the investment in Pacific Hydro Chacayes and (iv) a 36.7% investment in M5 S.p.A..

The group has also recognised the plan costs for the additional assets being disposed of or sold in the last quarter of 2017 (€1,764 thousand, based on their actuarial valuation)²⁸.

²⁷ First part of a transaction that, when completed, will lead to the sale of the entire stake in the investee.

²⁸ It includes the consideration earned for the sale of a first portion of the investment (equity investments and shareholder loan) previously held in SAT S.p.A..

6. Other operating costs: €34,708 thousand (€41,702 thousand)

The other operating costs decreased by €6,994 thousand to €34,708 thousand. They are made up as follows:

	2017	2016	Variation
Prior year expense and fair value losses	1,510	2,642	(1,132)
Tax expense	5,298	11,563	(6,265)
Other administrative and sundry costs	27,900	27,497	403
Total	34,708	41,702	(6,994)

“Other administrative and sundry costs” mainly include (i) the losses realised on the sale of plant and equipment, mostly as part of no longer operative US contracts (€7,228 thousand); (ii) ordinary administration costs (stationery, photocopies, visas, etc.) (€9,002 thousand) and (iii) the costs incurred following the out-of-court settlement of a no longer operating contract in Central America (€7,858 thousand).

As part of the settlement agreement, the group obtained the customer’s approval of certain works completed and not yet approved. This led to the recognition of revenue of €10,365 thousand.

The decrease in the tax expense (principally due to government concession fees and customs duties) is mostly attributable to the smaller production volumes of the Algerian railway contracts and the St. Petersburg WHSD contract in Russia, which are nearing completion as scheduled.

7. Share of profits (losses) of joint ventures and associates: €47,196 thousand (€87,760 thousand)

The share of profit of equity-accounted investees fell by €40,564 thousand compared to the previous year and is made up as follows:

	2017	2016	Variation
Associates	40,718	85,869	(45,151)
Joint ventures	6,478	1,891	4,587
Total	47,196	87,760	(40,564)

Specifically, the 2017 balance mostly relates to (i) Otoyol Yatirim Ve Isletme A.S. (Gebze-Orhangazi-Izmir motorway, €42,904 thousand), (ii) Ankara Etlik Hastane A.S (Etlik healthcare campus, €4,730 thousand) and (iii) Ica Ic Ictas Astaldi Kuzey Marmara Otoyolu (third bridge over the Bosphorus river, €15,811 thousand).

Starting from 30 June 2017, the latter investment has been reclassified to non-current assets held for sale²⁹, at the same time discontinuing its equity accounting, as provided for by paragraph 20 of IAS 28 - Investments in associates and joint ventures.

In addition, this caption is affected by the reclassification of the €16,753 thousand fair value losses from³⁰ OCI, following the sale of Metro 5 S.p.A. and Sat S.p.A. during 2017.

8. Amortisation, depreciation and impairment losses: €284,933 thousand (€58,885 thousand)

Amortisation, depreciation and impairment losses increased by €226,048 thousand to €284,933 thousand. They may be analysed as follows:

	2017	2016	Variation
Amortisation	12,709	11,713	996
Depreciation	36,695	46,497	(9,802)
Impairment losses	235,529	675	234,854
Total	284,933	58,885	226,048

Amortisation is substantially in line with 2016 and is mainly due to the contractual rights acquired to develop works for maxi lot 2 of the Quadrilatero Marche-Umbria road network (€5,120 thousand) and the “Infralegrea” project³¹ (€2,223 thousand).

The decrease in depreciation is mainly due to the St. Petersburg WHSD contract in Russia and the “Cerro de Aguila” project in Peru, which are nearing completion.

The rise in impairment losses is mostly (€230,000 thousand) due to the parent’s overall exposure³² to IFE related to works executed in Venezuela. As already discussed in the “Impairment of other assets” section, they have been calculated to account for the Venezuelan government’s financial difficulties and its systematic delay in payments.

9. Provisions: €5,097 thousand (€3,999 thousand)

Accruals to the provisions for risks and charges totalled €5,097 thousand in 2017 and mainly relate to (i) probable liabilities for ongoing disputes with subcontractors as part of contracts in the Americas segment (€3,755 thousand) and (ii) the effect of applying the requirements of paragraph 36 of IAS 11 “Construction contracts” to the expected losses to complete certain contracts in progress, mainly in Poland and the United States (€1,071 thousand).

10. Financial income: €120,507 thousand (€100,041 thousand)

Financial income increased by €20,466 thousand and may be analysed as follows:

	2017	2016	Variation
Income from associates	0	301	(301)
Income from other investees	51	0	51

²⁹ Reference should be made to note 26 “Non-current assets held for sale, disposal groups and directly associated liabilities” for further details.

³⁰ In accordance with IAS 28.22c.

³¹ Cumana railway and the Monte Sant’Angelo link road in Naples.

³² Loans and receivables and contract work in progress.





	2017	2016	Variation
Income from financial transactions with banks	1,615	2,159	(544)
Commissions on sureties	15,464	6,656	8,808
Exchange rate gains	42,065	56,817	(14,752)
Financial income on leases	1,870	1,769	101
Income from derivatives	4,962	2,805	2,157
Fair value gains on the derivative embedded in convertible bonds	4,871	1,959	2,912
Other financial income	49,609	27,575	22,034
Total	120,507	100,041	20,466

Other financial income mainly includes (i) accrued interest (contractual and implicit) of €34,207 thousand on amounts due from customers for contracts in progress in Italy and abroad and (ii) interest of €14,918 thousand on loans granted to associates and joint ventures. The increase is mainly related to interest income on the parent's receivables due from the Venezuelan government (€25,264 thousand). At the end of 2016, the present value of the receivables for the Chaguaramas-Cabruta and Los Morros-San Fernando de Apure railway projects was calculated considering the estimated time of collection. Such estimate was developed by management in line with information available then on Venezuela's social and economic situation, in addition to assumptions about the country's operating and financial development plan for related investments. Finally, this amount was also considered in calculating the recoverable amount (refer to the "Impairment of other assets" section) of the parent's total exposure with Venezuela.

Commissions on sureties rose by €8,808 thousand, mostly due to recharges to the SPV that are performing the Brenner railway tunnel contract and the M11 motorway contract in Russia and the commissions on performance bonds and advance payment bonds contractually provided for.

The decrease in exchange rate gains is mainly due to fluctuations of the Ruble and Turkish lira.

The group has recognised a fair value gain of €4,871 thousand on the cash settlement option relating to the equity-linked bonds.

11. Financial expense: €312,687 thousand (€287,918 thousand)

This caption increased by €24,769 thousand and may be analysed as follows:

	2017	2016	Variation
Interest on bonds	62,764	61,153	1,611
Commissions on sureties	56,500	45,404	11,096
Expense on financial transactions with banks	54,599	52,441	2,158
Costs for the early redemption of bonds	3,403	0	3,403
Exchange rate losses	83,177	88,405	(5,228)
Expense on derivatives	23,144	9,444	13,700
Lease expense	1,325	1,187	138
Interest for extended payment terms on trade items	10,586	5,979	4,607
Factoring of receivables without recourse	5,668	8,837	(3,169)
Interest on intragroup financing	2,089	6,813	(4,724)
Other financial expense	9,432	8,255	1,177
Total financial expense	312,687	287,918	24,769

Commissions on sureties rose by €11,096 thousand, mainly due to the development of the large projects in the Americas segment (Canada and the USA), as well as in Italy (Brenner railway tunnel). With reference to the latter, as discussed in note 10, the parent has already recharged the cost to the relevant SPV.

The costs for the early redemption of bonds include the non-recurring items relating to the reverse bookbuilding³³ of the equity-linked bonds maturing in 2019 (€3,403 thousand).

Expense on financial transactions with banks also increased (by €2,158 thousand) due to the rise in the average financial debt for 2017 compared to the previous year.

The increase in expense on derivatives is mainly due to the reclassification³⁴ of the net fair value losses of €13,641 thousand to profit or loss from the hedging reserve³⁵, following the loss of control over Sociedad Concesionaria Metropolitana de Salud s.a..

Exchange rate losses decreased by €5,228 thousand, mainly due to the fluctuations of the Russian Ruble.

12. Tax expense (benefit): €(18,108) thousand (€31,654 thousand)

The tax benefit for the year came to €18,108 thousand, broken down as follows:

	2017	2016	Variation
Current income tax (*)	25,797	41,384	(15,587)
Deferred income tax (*)	(29,552)	(16,344)	(13,208)
IRAP, current	3,605	1,404	2,201
IRAP, deferred	15	27	(12)
Tax expense of previous financial years and other	(17,973)	5,183	(23,156)
Total	(18,108)	31,654	(49,762)

(*) Income tax refers to IRES for Italy and similar taxes for the foreign segments.

Following the issue of implementation measure no. 2017/165138 of 28 August 2017 which completed the reference legislative framework of the recently-introduced branch exemption regime, as per article 168-ter of the Consolidated income tax act, as amended by Legislative decree no. 147/2015, the parent exercised the option to apply for exemption for income derived from foreign permanent establishments. Under the new regime that neutralises double taxation, Italy's ordinary worldwide taxation system for corporate tax deriving abroad via foreign permanent establishment is "waived". As a result, the actual tax expense is only determined on the tax imposed under the local tax regimes of the individual relevant countries, avoiding double taxation in Italy, which previously was only partially neutralised with the recognition of tax credits for taxes paid abroad. The positive effects deriving from the first year of exercising this option, i.e., 2016, were recognised under "Tax expense of previous financial years and other" calculated on the outcome of the relevant tax returns.

Furthermore, there was a further positive effect deriving from the recalculation of deferred taxes on gains and losses on equity-accounted investments in light of recent developments in the asset disposal plan.

In addition, the process related to the recalculation of taxes paid in previous years (2010-2013) on income derived from foreign joint operations was definitively completed during the year. Specifically, the international tax measures adopted by the Italian tax authorities in 2015 had, de facto, clarified that, if the conditions are met, activities performed abroad via joint operations are solely subject to taxation in the country where the income is generated, thus exempt from world-

³³ Reference should be made to note 28 for further details.

³⁴ In accordance with paragraph B99 of IFRS 10 - Consolidated financial statements.

³⁵ Already progressively recognised in OCI in previous years.

wide taxation pursuant to relevant ruling regulations in Italy. In light of this, in the past few years the parent has gradually presented specific requests for reimbursement to the tax authorities, which have made the relevant payments within the terms set by law.

Finally, taxation for the year was also impacted by the settlement of the tax assessment carried out by the large taxpayers office of the tax authorities on 2012 and 2013, mainly related to the recalculation of the consideration on certain transactions between the parent and some foreign subsidiaries due to the application of transfer pricing rules, as well as the recalculation of non-deductible interest expense due to the recalculation of operating profit for the purposes of the deduction as per article 96 of the Consolidated income tax act. With regard to the recalculation of transfer pricing, the parent also made provision for the higher taxation for 2014 and 2015 which will be reassessed in the near future.

Deferred tax assets and liabilities amounting to €143,057 thousand and €106,248 thousand, respectively, are broken down as follows:

	31/12/17	31/12/17	31/12/16	31/12/16
Statement of financial position	IRES	IRAP	IRES	IRAP
a) Deferred tax assets, deriving from:	156,255	0	110,595	355
- provisions for risks, taxed and costs deductible in following years	29,160	0	18,380	355
- provision for default interest risks	2,139	0	2,140	0
- exchange differences	26,528	0	18,879	0
- tax losses	8,514	0	7,383	0
- IFRIC 12	863	0	0	0
- interest expense as per art. 96 and other minor	89,050	0	63,813	0
b) Deferred tax liabilities, deriving from:	(119,445)	0	(53,261)	(648)
- buildings recognised at fair value as deemed cost	(3,807)	0	(3,401)	(532)
- taxable portion of dividends	(64)	0	(164)	0
- default interest to be received	(15,542)	0	(17,276)	0
- foreign components taxable in following years	(84,801)	0	(34,711)	0
- IFRIC 12	(19,598)	0	0	0
- other + hedging reserve	4,366	0	2,291	(116)
c) Deferred tax assets, net (a + b)	36,809	0	57,334	(293)
d) Deferred taxes for the year taken to profit or loss	(29,552)	15	(16,344)	27

The following is a reconciliation, solely for IRES purposes, between the actual tax expense (current and deferred) and the theoretical tax expense resulting from the application of tax rates ruling in Italy (equal to 24%) to pre-tax profit (loss):

	2017	%	2016	%
Pre-tax profit (loss)	(115,835)		129,096	
Theoretical tax expense	(27,800)	24.00%	35,498	27.50%
Net effect of permanent increases	24,684	(21.31%)	1,021	0.79%
Net effect of deferred and current taxes of foreign operations and other adjustments	(22,286)	19.24%	(11,479)	(8.89%)
Prior year and other taxes	5,201	(4.49%)	5,183	4.01%
IRAP (current and deferred)	2,094	(1.81%)	1,431	1.11%
Taxes recognised in the consolidated financial statements (current and deferred)	(18,108)	15.63%	31,654	24.52%

13. Profit / (Loss) from discontinued operations: €0 (-€24,811 thousand)

The 2016 balance related to the investee Re.Consult, classified as discontinued operations, whose sale to the Spanish company Abertis was completed in the fourth quarter of 2016. Reference should be made to the directors' report for further details.

14. Earnings (loss) per share: €(1.03) (€0.74)

Basic earnings (loss) per share are calculated as follows:

		2017	2016
Numerator (€'000)			
Profit (loss) from continuing operations attributable to the owners of the parent	(a)	(101,175)	97,268
Profit (loss) attributable to the ordinary shareholders of the parent	(b)	(101,175)	72,457
Denominator (in units)			
Weighted average shares (ordinary)		98,424,900	98,424,900
Weighted average treasury shares		(566,745)	(738,097)
Weighted average shares used to calculate basic earnings (loss) per share	(c)	97,858,155	97,686,803
Basic earnings (loss) per share - (€)	(b)/(c)	€(1.0339)	€0.7417
Basic earnings (loss) per share from continuing operations - (€)	(a)/(c)	€(1.0339)	€0.9957

At the date of preparation of these consolidated financial statements, no potential ordinary shares with a dilutive effect that may become outstanding in relation to the stock grant plan, the exercise of the conversion option of the equity-linked bonds or other financial instruments were identified.

15. Property, plant and equipment: €178,930 thousand (€207,558 thousand)

The following table shows the opening and closing balances and variations of the period:

	Land and buildings	Generic and specific plant	Excavators, power shovels and vehicles	Equipment, machinery, light construction	Assets under const. and payments on account	Total
Balance at 31 December 2016, net of depreciation (1)	50,750	82,698	35,801	25,161	13,148	207,558
Additions from acquisitions	115	9,283	9,602	10,282	4,893	34,175
Gross amount	50,865	91,981	45,403	35,443	18,041	241,733
Depreciation	(1,236)	(17,154)	(8,821)	(9,466)	0	(36,677)
Disposals	(2,026)	(7,482)	(10,935)	(868)	(86)	(21,397)
Reclassifications and transfers	7	1,472	1,672	408	(3,559)	0
Net exchange rate losses	(1,411)	(1,087)	(770)	(887)	(464)	(4,619)
Change in consolidation scope and other changes	0	(297)	17	170	0	(110)





	Land and buildings	Generic and specific plant	Excavators, power shovels and vehicles	Equipment, machinery, light construction	Assets under const. and payments on account	Total
Balance at 31 December 2017, net of depreciation (2)	46,199	67,433	26,566	24,800	13,932	178,930
(1) of which:						
Historical cost	65,367	183,634	134,788	91,751	13,148	488,687
Acc. depreciation	(14,618)	(100,936)	(98,986)	(66,590)	0	(281,130)
Carrying amount	50,750	82,698	35,801	25,161	13,148	207,558
(2) of which:						
Historical cost	61,844	168,277	107,685	89,715	13,932	441,453
Acc. depreciation	(15,645)	(100,844)	(81,119)	(64,915)	0	(262,522)
Carrying amount	46,199	67,433	26,566	24,800	13,932	178,930

Assets under construction and payments on account mainly include the costs incurred to purchase the equipment, which is not yet ready for its intended use, necessary for the performance of the recently-won contracts in Italy (Brenner base tunnel) and Chile (ELT project).

The more significant changes relate to:

- the increase of €34,175 thousand principally relating to investments made for the recently-acquired projects in Italy and Chile.
- depreciation for the year of €36,677 thousand;
- disposals of €21,397 thousand principally relating to the assets of contracts nearing completion in Peru and Russia.

The caption includes leased assets of €20,985 thousand, as follows:

	Land and buildings	Generic and specific plant	Excavators, power shovels and vehicles	Sundry equipment and machines	Total at 31/12/17
Historical cost	1,197	19,209	18,264	1,757	40,427
Acc. depreciation	(226)	(11,338)	(7,377)	(501)	(19,442)
Total	970	7,870	10,887	1,256	20,985

16. Investment property: €143 thousand (€693 thousand)

Investment property of €143 thousand includes buildings and land held for investment purposes. The decrease is mainly due to (i) ordinary depreciation (€18 thousand) and (ii) the sale of certain assets in Turkey.

The caption is not measured at fair value as the indicators are not wholly reliable and the investment is immaterial.

17. Intangible assets: €79,187 thousand (€74,026 thousand)

Net intangible assets are as follows.

	31/12/2017	31/12/2016	Variation
Goodwill	14,745	14,745	0
Other assets	64,442	59,281	5,161
Total	79,187	74,026	5,161

17.1 Goodwill: €14,745 thousand (€14,745 thousand)

This caption is unchanged from the previous year end. The balance of €14,745 thousand comprises:

- Goodwill of €11,634 thousand arising from the acquisition of the BUSI IMPIANTI business unit in 2012, allocated to the plant engineering and facility management CGU, which comprises the assets of NBI and its investees. This combination is the group's primary CGU for which goodwill is monitored for management reporting purposes to decide whether or not to include it in the consolidated financial statements. At the reporting date, the group checked the investment's recoverable amount through the impairment test. Specifically, the CGU's value in use was estimated by discounting the operating cash flows, i.e., the cash flows available before repayment of financial liabilities and returns to shareholders (the unlevered discounted cash flow method, or UDCF), inferred from the 2018-2020 business plan approved by the subsidiary's board of directors. As part of this assessment, the group estimated the CGU's terminal value in perpetuity with a constant growth rate. In particular, it calculated the stabilised cash flows by reference to the expected cash flows for 2020, without increasing the growth rate.
The weighted average cost of capital, or WACC, used to apply the UDCF method was estimated to be 8.7%. The impairment test did not show the need to recognise an impairment loss on goodwill. Furthermore, the sensitivity analysis showed that a reasonable change in the financial parameters used to calculate the discount rate (+100 bps) would substantially confirm the headroom. Similarly, an assumed decrease of 10% in the annual gross operating profit on a linear basis in all years covered by the plan would confirm the recoverability of goodwill.
- Goodwill of €3,111 thousand recognised on the acquisition of T.E.Q. Construction Enterprise Inc., allocated to the CGU representing the investee, which generates cash inflows due to the continuation of its business activities which are largely independent of those of the group's other operations. At the reporting date, the group checked the CGU's recoverable amount through the impairment test. Specifically, from the current year, in order to allow a more accurate calculation of the CGU's recoverable amount and standardise the methods used for testing goodwill for impairment, the group checked the recoverability of the carrying amount by estimating value in use.³⁶ The CGU's value in use was estimated by discounting the operating cash flows, i.e., the cash flows available before repayment of financial liabilities and returns to shareholders (the unlevered discounted cash flow method, or UDCF), inferred from the 2018-2020 business plan approved by the subsidiary's board of directors. As part of this assessment, the group estimated the CGU's terminal value in perpetuity with a constant growth rate. In particular, it calculated the stabilised cash flows by reference to the expected cash flows for 2020, without increasing the growth rate. The weighted average cost of capital, or WACC, used to apply the UDCF method was estimated to be 6.90%. The impairment test did not show the need to recognise an impairment loss on goodwill. Furthermore, the sensitivity analysis showed that a reasonable change in the financial parameters used to calculate the discount rate (+100 bps) would substantially confirm the headroom. Similarly, an assumed decrease of 10% in the annual gross operating profit on a linear basis in all years covered by the plan would confirm the recoverability of goodwill.

³⁶ In previous impairment tests, the group had applied the stock market multiples method to calculate the CGU's recoverable amount.

17.2 Other assets: €64,442 thousand (€59,281 thousand)

The following table shows changes in this caption:

	31/12/16	Additions from acquisitions	Amortisation	Changes in consolidation scope and other changes	31/12/17
Historical cost	87,610	10,479	0	7,376	105,465
Acc. amortisation	(28,329)	0	(12,709)	15	(41,023)
Carrying amount	59,281	10,479	(12,709)	7,391	64,442

The net increase in other assets is mainly due to (i) the acquisition of the contractual rights to the O&M assets of the Felix Bulnes hospital and the Tuscan hospitals, (ii) the acquisition of Veneta Sanitaria Finanza di Progetto S.p.A. (iii) and ordinary amortisation.

At the reporting date, the caption mainly comprises:

- (i) contractual rights acquired from third parties to perform works for maxi lot 2 of the Quadrilatero Marche-Umbria road network (€15,605 thousand) and the "Infralegrea" project (€31,417 thousand);
- (ii) the right to manage the concession for Ospedale dell'Angelo of Mestre obtained following the acquisition of control over Veneta Sanitaria Finanza di Progetto S.p.A. (€6,922 thousand);
- (iii) contractual rights acquired from third parties to perform the O&M activities for the Felix Bulnes hospital (€4,443 thousand) and the four Tuscan hospitals (€1,926 thousand).

Considering the magnitude of the carrying amounts of the contractual rights relating to the maxi lot 2 of the Quadrilatero Marche-Umbria road network and the "Infralegrea" project and taking into account the indicators of impairment on the market price of the Astaldi share, management has prudently tested the related investment for impairment, regardless of the absence of specific indicators of impairment for the individual assets.

Specifically, the group estimated value in use by discounting the operating cash flows (using the UDCF method) calculated on the basis of the projections based on reasonable and sustainable assumptions reflecting the parent's management best estimates. The cash flows of each year have been suitably discounted (mid-year convention) at a WACC rate of 9.0%. The impairment test did not show the need to recognise an impairment loss on intangible assets. Furthermore, the sensitivity analysis showed that a reasonable change in the financial parameters used to calculate the discount rate (+100 bps) would substantially confirm the headroom. Similarly, an assumed decrease of 10% in the annual gross operating profit on a linear basis in all years covered by the plan would confirm the recoverability of goodwill.

Finally, the caption does not include leased assets.

18. Equity investments: €390,527 thousand (€523,631 thousand)

Equity investments net of impairment losses amount to €390,527 thousand, down €133,104 thousand on 31 December 2016.

	31/12/2017	31/12/2016	Variation
Equity investments measured at cost	45,579	30,440	15,139
Equity-accounted investments	344,948	493,191	(148,243)
Total	390,527	523,631	(133,104)

In addition to the effects of equity accounting, the decrease in equity investments is mainly attributable to the following reasons:

- the reclassification of the investment in the associate Ica Ic Ictas Astaldi Marmara Otoyolu to disposal groups (equal to €164,495 thousand at 31 December 2016), as described in more detail in note 26;
- the increase in equity in the Turkish SPV Otoyol Yatirim Ve Isletme A.S. (€18,836 thousand) and Ankara Etlik Hastane A.S. (€9,098 thousand) and in the operator M4 S.p.A. (€5,222 thousand);
- the capital repayment to the owners of the associate Pedelombarda S.c.p.A. in liquidation (€3,600 thousand), pending the definitive winding up of the company;
- the derecognition of the investment in Veneta Sanitaria Finanza di Progetto S.p.A. (equal to €24,308 thousand at 31 December 2016) due to its consolidation, following the group's acquisition of control;
- the recognition of the residual interest (2%) in Metro 5 S.p.A. (€9,603 thousand) as an equity investment measured at cost as required by IAS 28.22.b, following the signing of the final agreement with Ferrovie dello Stato Italiane for the sale of a 36.7% investment therein.

The carrying amounts of the equity investments are shown net of the capital proceeds to be paid in for shares and/or quotas subscribed, like at 31 December 2016.

18.1 Impairment testing

Given the existence of indicators of impairment, the group tested the carrying amount of the following equity investments for impairment:

Company name	Project	Indicators of impairment	Contract stage	Investment %	Ke ¹	Valuation method
Otoyol Yatirim Ve Isletme A.S.	Gebze-Orhangazi-Izmir motorway	Astaldi market capitalisation ²	Construction	18.86%	13.73%	DDM
Ankara Etlik Hastane Salik Hizmetleri Isletme Yatirim AS	Etlik healthcare campus	Internal and external sources ³	Construction	51.00%	13.05%	DDM
Sociedad Concesionaria Nuevo Pudahuel S.A.	Arturo Merino Benitez international airport of Santiago (Chile)	Astaldi market capitalisation	Construction	15.00%	7.49%	DDM

¹ Calculated based on market values.

² Considering the indicators of impairment relating to the market price of the Astaldi share, management has prudently tested the main equity investments of the Concessions line of business for impairment, despite there being no specific indicators of impairment for the individual assets.

³ Internal information about delays in the scheduled investments and external indicators of decrease in cash flows due to the Turkish lira's depreciation.

With reference, in particular, to the valuation technique applied for impairment testing purposes to the main investees of this line of business, their individual recoverable amount was calculated using the "Dividend Discount Model" (DDM), whereby each investee's value was calculated by discounting the flows of future dividends expected from their operations. In order to apply this method, the group used the investees' business plans prepared by their relevant bodies, projected over the residual life of the individual concessions.

The impairment test did not show the need to recognise an impairment loss on the equity investments. Furthermore, the sensitivity analysis showed that a reasonable change in the financial parameters used to calculate the discount rate (+50 bps) would substantially confirm the headroom. Similarly, an assumed decrease of 5% in the dividend flows on a linear basis in all years covered by the plan would confirm the recoverability of the carrying amount of the investments.

18.2 Disclosures on the main joint ventures and associates

Only the joint venture Ankara Etlik Hastane is considered to be material³⁷ for Astaldi Group purposes at the reporting date. Its key financial figures are presented below:

³⁷ The Astaldi Group considers only its investments in joint ventures and associates with a carrying amount of at least €15 million to be material.

	Ankara Etlik Hastane 31 December 2017	Ankara Etlik Hastane 31 December 2016
Statement of financial position		
Non-current assets	488,726	277,907
Current assets	118,676	150,091
<i>Of which: cash and cash equivalents</i>	10,665	3,249
Non-current liabilities	539,005	408,313
<i>Of which: non-current financial liabilities</i>	440,610	311,385
Current liabilities	31,177	20,615
<i>Of which: current financial liabilities</i>	3,759	0
Statements of profit or loss and other comprehensive income		
Revenue	164,534	143,667
Amortisation, depreciation and impairment losses	(3)	(2)
Net financial income	14,256	4,037
Tax expense	(4,979)	(935)
Profit for the year	9,275	3,102
Other comprehensive income (expense)	10,104	(34,853)
Comprehensive income (expense)	19,379	(31,750)
Group's share		
Investment	51.00%	51.00%
Carrying amount	18,982	0
Profit for the year	4,730	1,582
Other comprehensive income (expense)	5,153	(17,775)
Comprehensive income (expense)	9,883	(16,193)
Dividends received	0	0

The group's share of comprehensive income of individually immaterial joint ventures totalled €1,636 thousand (€391 thousand for 2016), including a profit from continuing operations of €1,748 thousand (€309 thousand for 2016) and other comprehensive expense of -€112 thousand (other comprehensive income of €82 thousand for 2016).

The financial figures of the material equity-accounted associates are summarised below:

	31 December 2017		31 December 2016			
	Otoyol Yatirim Ve Isletme A.S	Metro C	ICA Ic Ictas Astaldi - 3rd Bridge	Veneta Sanitaria	Otoyol Yatirim Ve Isletme A.S	Metro C
Statement of financial position						
Non-current assets	4,200,224	4,361	3,508,653	115,492	4,173,661	2,973
Current assets	948,683	269,902	356,277	90,972	591,686	159,332





	31 December 2017		ICA Ic Ictas Astaldi - 3rd Bridge	31 December 2016		
	Otoyol Yatirim Ve Isletme A.S	Metro C		Veneta Sanitaria	Otoyol Yatirim Ve Isletme A.S	Metro C
Non-current liabilities	3,267,822	2,261	3,260,178	112,397	2,935,183	1,608
Current liabilities	394,458	214,985	111,216	28,371	481,710	122,126
Statements of profit or loss and other comprehensive income						
Revenue	1,339,720	67,452	1,039,900	54,834	1,153,458	39,708
Amortisation, depreciation and impairment losses	0	(1,549)	0	(1,268)	0	(1,358)
Net financial income (expense)	(227,305)	(1,369)	(157,707)	3,552	(206,011)	(767)
Tax expense	(39,548)	(303)	(39,027)	(846)	(44,816)	(225)
Profit for the year	227,485	0	148,248	13,395	158,736	0
Other comprehensive income (expense)	(189,183)	0	18,072	444	68,253	0
Comprehensive income	38,302	0	166,320	13,839	226,989	0
Group's share						
Investment	18.86%	34.50%	33.33%	37.00%	18.86%	34.50%
Carrying amount	280,378	19,671	164,495	24,308	254,318	19,671
Profit for the year	42,904	0	49,411	4,956	29,938	0
Other comprehensive income (expense)	(35,680)	0	6,023	164	12,873	0
Comprehensive income	7,224	0	55,435	5,120	42,810	0

The group's share of comprehensive expense of individually immaterial associates totalled -€674 thousand (-€414 thousand for 2016), including a loss from continuing operation of -€638 thousand (profit of €215 thousand for 2016) and other comprehensive expense of -€36 thousand (-€629 thousand for 2016).³⁸

18.3 Significant restrictions on joint ventures and associates

At 31 December 2017, the group's commitments, i.e., for future capital injections or subordinated loans, to its equity-accounted investees active in the Concessions line of business for projects that currently require a set commitment amount to approximately €58.5 million, payable in the next five years.

The project financing arrangements involving associates and joint ventures active in the Concessions line of business usually require compliance with covenants. Any failure may limit those companies' ability to pay dividends or repay the subordinated loans to the group.

Moreover, the investments in associates and joint ventures active in the Concessions line of business may be pledged as guarantee to banks.

19. Financial assets

19.1 Non-current financial assets: €207,086 thousand (€289,363 thousand)

The following table gives a breakdown of non-current financial assets:

³⁸ The 31 December 2017 figures do not include the effect of equity accounting for "ICA Ic Ictas Astaldi - 3rd Bridge", which has been reclassified to disposal groups as required by IFRS 5, in addition to that already disclosed about the reclassification of the fair value losses relating to Metro 5 S.p.A. and Sat S.p.A. from OCI, following their sale in 2017.

	31/12/2017	31/12/2016	Variation
Financial assets from concession activities	120,945	4,390	116,555
Non-current loan assets	50,832	240,416	(189,584)
Other financial assets - investees	3,324	7,932	(4,608)
Other financial assets - third parties	482	185	297
Lease receivables	31,503	36,440	(4,937)
Total	207,086	289,363	(82,277)

The financial assets from concession activities include the non-current portion of the present value of the minimum payments guaranteed by the grantors for the Punilla hydroelectric plant (€11,315 thousand) and Ospedale dell'Angelo of Mestre (€109,630 thousand). The increase over the previous year end is due to (i) additional investments made in 2017 to construct the Punilla hydroelectric plant (€6,925 thousand) and (ii) the consolidation of Veneta Sanitaria Finanza di Progetto S.p.A., which became a subsidiary in 2017 (€109,630 thousand).

Non-current loan assets mainly relate to the subordinated loans (quasi-equity) granted to the SPV in the concessions line of business.

The amounts granted to the main investees are summarised below

	31/12/2017	31/12/2016	Variation
Ica Ic Ictas-Astaldi Kuzey Marmara Otoyolu	0	188,219	(188,219)
Otoyol Yatirim Ve Isletme A.S	3,916	22,714	(18,798)
Metro 5 S.p.A.	1,869	1,764	105
Veneta Sanitaria di Progetto S.p.A.	0	2,437	(2,437)
Ankara etlik Hastane A.S.	27,664	19,289	8,375
Ast VT Parking S.r.l.	4,186	3,842	344
Ast B. Parking S.r.l.	1,439	1,199	240
Sociedad Concesionaria Nuevo Pudahuel S.A.	11,757	496	11,261
SP M4 S.C.p.A. in liquidation	0	456	(456)
Total	50,831	240,416	(189,585)

The changes for the year mainly related to the following:

- (i) the reclassification of the subordinated loan granted to the SPV Ica Ic Ictas Astaldi Marmara Otoyolu to disposal groups (equal to €188,219 thousand at 31 December 2016), as commented on in more detail in note 26;
- (ii) the amounts used to offset the amount due for the capital increase approved by the investee Otoyol Yatirim Ve Isletme A.S. on 17 March 2017 (€18,836 thousand);
- (iii) the additional amounts granted during 2017 to the SPV Ankara Etlik (€8,375 thousand) and Sociedad Concesionaria Nuevo Pudahuel (€11,261 thousand).

The lease receivables relate to the transaction undertaken by Valle Aconcagua A.S. for the Relaves project, classifiable as such under IFRIC 4.

Reference should be made to note 36 on related party transactions for information on the other financial assets investees.

19.2 Current financial assets: €62,661 thousand (€26,719 thousand)

Current financial assets increased by €35,942 thousand to €62,661 thousand and are made up as follows:

	31/12/2017	31/12/2016	Variation
Financial assets from concession activities	10,194	0	10,194
Securities in portfolio	303	848	(545)
Derivatives	1,496	660	836
Current loan assets	50,668	25,211	25,457
Total	62,661	26,719	35,942

The financial assets from concession activities include the current portion of the present value of the minimum payments guaranteed by the grantor for the Ospedale dell'Angelo of Mestre³⁹.

Current loan assets rose by €25,457 thousand, mainly due to the financing of certain projects carried out as part of partnerships in Turkey, Russia and Italy. The related agreements provide for the recovery of the amounts and interest before the end of 2018 at the latest.

20. Other assets

20.1 Other non-current assets: €316,539 thousand (€42,355 thousand)

This caption may be analysed as follows.

	31/12/2017	31/12/2016	Variation
Indirect taxes	29,274	21,853	7,421
Direct taxes	58,993	2,318	56,675
Tax assets	88,267	24,171	64,096
Advances to suppliers and subcontractors	913	1,090	(177)
Guarantee deposits	5,248	3,610	1,638
Prepaid insurance premiums	9,338	7,916	1,422
Prepaid surety commissions	4,349	2,606	1,743
Other prepayments	5,104	2,958	2,146
Amounts due from social security institutions	154	2	152
Amounts due from personnel	2	2	0
Other sundry loans and receivables	203,164	0	203,164
Other assets	228,272	18,184	210,088
Total	316,539	42,355	274,184

The rise in tax assets is principally attributable to the increase in direct tax assets due to the larger withholding taxes applied by customers, mainly as a result of the larger production volumes recorded in 2017, for certain projects in progress in Turkey. These assets may be used to offset tax liabilities only after the related contracts have been completed.

³⁹ Concession obtained through Veneta Sanitaria Finanza di progetto S.p.A., over which the group obtained control during the second half of the year.

The caption "Other sundry loans and receivables" includes receivables (€133,859 thousand) and contract work in progress (€69,305 thousand) of the Venezuelan railway projects, net of the related allowance for impairment.

Considering that the works have been almost completely stopped and the recent changes in the Venezuelan political, economic and social situation, management believes that, at the moment, the contracts' normal operating cycle has been substantially interrupted. On this basis and given the estimated collection timing of these receivables, management believes that the conditions of IAS 1.57-59 for classifying these assets as current are no longer met.

20.2 Other current assets: €344,507 thousand (€295,170 thousand)

Other current assets increased by €49,337 thousand to €344,507 thousand.

	31/12/2017	31/12/2016	Variation
Receivables for the sale of goods and/or services	195,541	162,756	32,785
Advances to suppliers and subcontractors	107,530	96,182	11,348
Amounts due from personnel	1,644	1,266	378
Amounts due from social security institutions	3,285	5,954	(2,669)
Credit notes from suppliers	7,133	5,986	1,147
Prepaid insurance premiums	7,871	5,518	2,353
Prepaid surety commissions	6,098	5,383	715
Other prepayments	1,713	1,710	3
Other sundry loans and receivables	13,692	10,415	3,277
Total	344,507	295,170	49,337

Receivables for the sale of goods and/or services of €195,541 thousand mainly relate to:

- activities ancillary to the construction of works (leases of machinery and equipment, sales of goods and provisions of services) on behalf of suppliers and subcontractors of the Construction line of business (€119,258 thousand);
- receivables of €76,283 thousand from associates, joint ventures and joint operations for (i) industrial, administrative, procurement and engineering services and (ii) commissions for guarantees given by the parent to obtain the performance and advance payment bonds required by the individual contracts.

A breakdown of this item by geographical segment is as follows:

	31/12/2017	%	31/12/2016	%	Variation
Italy	14,287	7.31%	7,675	4.72%	6,612
Europe	142,665	72.96%	118,213	72.63%	24,452
Americas	22,559	11.54%	20,283	12.46%	2,276
Africa	10,975	5.61%	11,233	6.90%	(258)
Asia	5,055	2.59%	5,352	3.29%	(297)
Total	195,541	100.00%	162,756	100.00%	32,785

The increase over the previous year is mainly due to (i) the invoicing of the commissions for obtaining the performance and advance payment bonds to the SPV contracted to build the M11 motorway project in Russia, (ii) the sale of assets and equipment of certain contracts nearing completion in Russia, (iii) the amounts due for the legal, contractual and technical assistance provided by the parent during the start-up stage of the new projects in Romania to the local joint operations and (iv) the invoicing of services provided to suppliers and subcontractors as part of the performance of certain roadwork contracts in Poland.

The caption "Advances to suppliers and subcontractors" rose by €11,348 thousand mainly with reference to the performance of the "Arturo Merino Benitez" international airport project in Chile and Etlik healthcare campus project in Turkey, as well as the commencement of work on the Curtici-Simeria railway line - Lots 2A and 2B in Romania.

The recoverable amount of amounts due from third parties was adjusted as follows:

	31/12/16	Accruals	Use through profit or loss	Use through statement of financial position	Exchange differences and other changes	31/12/17
Impairment losses on trade receivables	(5,540)	(1,932)	0	0	0	(7,472)
Total	(5,540)	(1,932)	0	0	0	(7,472)

21. Inventories: €48,906 thousand (€50,008 thousand)

This caption may be analysed as follows:

	31/12/2017	31/12/2016	Variation
Raw materials, consumables and supplies	45,202	48,283	(3,081)
Finished goods	1,398	1,525	(127)
Goods and materials in transit	2,306	200	2,106
Total	48,906	50,008	(1,102)

The next table gives a breakdown of inventories by geographical segment:

	31/12/2017	%	31/12/2016	%	Variation
Italy	6,779	13.86%	7,631	15.26%	(852)
Europe	15,994	32.70%	11,307	22.61%	4,687
Americas	25,229	51.59%	29,371	58.73%	(4,142)
Africa	904	1.85%	1,699	3.40%	(795)
Total	48,906	100.00%	50,008	100.00%	(1,102)

The decrease in inventories of the following foreign contracts (i) Chuquicamata mining project in Chile and (ii) Muskrat Falls hydroelectric project in Canada is due to the completion of certain work stages and the consequent use of the inventories existing at 31 December 2016. The decrease was partially offset by the increase in inventories of the Polish (the S7 highway between Naprawa and Skomielna Biata) and Romanian (Curtici-Simeria railway - Lots 2A and 2B) contracts related to the procurement of the aggregates and iron rebars necessary for the construction.

22. Amounts due from customers: €1,704,498 thousand (€1,555,110 thousand) Amounts due to customers: €520,777 thousand (€492,856 thousand)

These captions may be analysed as follows:

	31/12/2017	31/12/2016	Variation
CURRENT ASSETS			
Contract work in progress	17,954,920	16,263,171	1,691,749
Allowance for contract losses to complete	(10,983)	(9,528)	(1,455)
Total contract work in progress	17,943,937	16,253,643	1,690,294
Progress payments	(16,239,439)	(14,698,533)	(1,540,906)
Total amounts due from customers	1,704,498	1,555,110	149,388
CURRENT LIABILITIES			
Contract work in progress	1,820,215	2,362,231	(542,016)
Allowance for contract losses to complete	(620)	(2,503)	1,883
Total contract work in progress	1,819,595	2,359,728	(540,133)
Progress payments	(1,923,247)	(2,417,531)	494,284
Sub total	(103,652)	(57,803)	(45,849)
Contractual advances	(417,125)	(435,053)	17,928
Total amounts due to customers	(520,777)	(492,856)	(27,921)

Net contract work in progress⁴⁰, recognised separately under amounts due from and to customers, increased mainly due to the higher production volumes in Poland (roadwork and extension of Line II of the Warsaw metro), Russia (Moscow-St. Petersburg M-11 motorway), Chile ("Arturo Merino Benitez" international airport and Chuquicamata mining project) and Italy (Quadrilatero Marche-Umbria road network, Line 4 of the Milan metro and the container terminal at the port of Taran-to).

On the other hand, with respect to foreign contracts, the group received significant payments for works carried out on the Muskrat Falls hydroelectric plant in Canada which considerably decreased the overall amount of contract work in progress relating to that project at the reporting date.

In addition, the group recognised impairment losses on the contract work in progress relating to the Puerto Cabello-La Encrucijada railway line in Venezuela, to account for the financial difficulties faced by the Venezuelan government and its systematic payment delays.

Net of such impairment losses (€78,449 thousand) work performed and not yet invoiced for the Venezuelan railway lines amounts to €69,305 thousand. As discussed in note 20, the carrying amount of such contract work in progress has been reclassified to non-current assets.

Gross contract work in progress (€19,764 million at the reporting date) includes the effects of the completion of the final inspections of certain large works (about €580 million) and is affected by the reclassification of the amounts relating to the Venezuelan contracts to non-current assets (roughly €69 million).

Contractual advances, which is in line with the 2017, includes the advances received during 2017 for the new contracts in

⁴⁰ Contract work in progress less progress payments from customers.

portfolio (about €200 million) mostly offset by their partial recovery (€217 million) following the progress of work during the year.

The main changes for the year include:

- new advances of approximately €82,000 thousand for the Curtici-Simeria railway line - Lots 2A, 2B and 3 in Romania;
- a second instalment of advances of approximately €30,000 thousand for the “Arturo Merino Benitez” Santiago international airport in Chile;
- new advances of approximately €25,000 thousand for the upgrading of the Wroclaw – Poznań, Lot IV and Deblin – Lublin railway lines in Poland;
- new advances of approximately €10,000 thousand for the E60 - Zemo Osiauri – Chumatnelet road section in Georgia;
- new advances of approximately €12,000 thousand for the new Haga station of the Gothenburg metro in Sweden;
- partial recovery of the advances for works performed on the Brenner base tunnel (roughly €85,000 thousand), the Muskrat Falls project in Canada (roughly €43,000 thousand), the Etlik healthcare campus in Turkey (roughly €14,000 thousand), the Arturo Merino Benitez airport (roughly €14,000 thousand), the Cerro Armazones ELT project (roughly €16,000 thousand) and the Chuquicamata mining project in Chile (roughly €15,000 thousand).

23. Trade receivables: €476,853 thousand (€723,775 thousand)

Trade receivables decreased by €246,922 thousand and is made up as follows:

	31/12/2017	31/12/2016	Variation
Customers	432,103	681,131	(249,028)
Investees	62,973	54,999	7,974
Allowance for impairment	(18,223)	(12,355)	(5,868)
Total	476,853	723,775	(246,922)

The next table gives a breakdown of the caption by geographical segment:

	31/12/2017	%	31/12/2016	%	Variation
Italy	232,458	48.75%	201,492	27.84%	30,966
Europe	177,755	37.28%	195,066	26.95%	(17,311)
Americas	59,389	12.45%	319,566	44.15%	(260,177)
Africa	7,121	1.49%	7,619	1.05%	(498)
Asia	130	0.03%	32	0.00%	98
Total	476,853	100.00%	723,775	100.00%	(246,922)

The increase in Italy is mainly related to the consolidation of Veneta Sanitaria Finanza di Progetto S.p.A. (€38,381 thousand)⁴¹.

⁴¹ The group obtained control over this company during the year.

In Europe, the group collected all amounts invoiced for the M-11 Moscow-St. Petersburg motorway in Russia during the year (equal to €25,820 thousand at 31 December 2016).

Again in Europe and with specific reference to the Bucharest Constanta railway project in Romania (approximately €71 million plus relevant interest), following the interim award ordering the customer to pay the relevant amount, the parent has started the actions provided for by local legislation to collect the related outstanding receivables, as well as negotiations with the counterparty. Therefore, management expects that the amounts will be collected in 2018.

The decrease in the Americas segment is principally due to the Venezuelan contracts. As already discussed in the "Impairment of other assets" section, the group impaired the trade receivables relating to the Venezuelan railway projects by €151,551 thousand to account for the financial difficulties faced by the Venezuelan government and its systematic payment delays. After the impairment, these trade receivables approximated €133,859 thousand. As discussed in note 20, their carrying amount at the reporting date has been reclassified to non-current assets.

Changes in the allowance for impairment are set out below:

	31/12/16	Accruals	Reclassification	Change in consolidation scope	Other changes	31/12/17
Impairment losses on trade receivables	(11,038)	(154,878)	151,551	(2,572)	(8)	(16,945)
Allowance for impairment (default interest)	(1,317)	0	0	0	39	(1,278)
Total	(12,355)	(154,878)	151,551	(2,572)	31	(18,223)

24. Tax assets: €82,565 thousand (€94,537 thousand)

This caption may be analysed as follows:

	31/12/2017	31/12/2016	Variation
Indirect tax assets	65,668	72,721	(7,053)
Direct tax assets	17,095	22,014	(4,919)
Allowance for impairment	(198)	(198)	0
Total	82,565	94,537	(11,972)

The decrease in indirect tax assets is mostly related to the reclassification of the VAT credits relating to no-longer operational contracts in Europe to non-current assets. They will be recovered using procedures provided for by the applicable legislation in the relevant countries.

Direct tax assets also decreased, mainly in Europe due to the normal utilisation of tax credits to reduce the current taxes due.

25. Cash and cash equivalents: €576,401 thousand (€506,470 thousand)

This caption increased by €69,931 thousand over 31 December 2016 as follows:

	31/12/2017	31/12/2016	Variation
Bank and post office accounts	575,968	506,147	69,821
Cash-in-hand and cash equivalents	433	323	110
Total	576,401	506,470	69,931

A breakdown of this caption by geographical segment is as follows:

	31/12/2017	%	31/12/2016	%	Variation
Italy	195,656	33.94%	218,438	43.13%	(22,782)
Europe	229,756	39.86%	151,730	29.96%	78,026
Americas	131,149	22.75%	6,582	1.30%	124,567
Africa	15,274	2.65%	108,619	21.45%	(93,345)
Asia	4,566	0.79%	21,101	4.17%	(16,535)
Total	576,401	100.00%	506,470	100.00%	69,931

25.1 Disclosure on the statement of cash flows

Cash flows for 2017, including the decrease in the bank deposits of disposal groups (€7,155 thousand), led to an increase of €62,776 thousand in net cash and cash equivalents compared to a €97,637 thousand reduction in the previous year.

Net cash flows used in operating activities

Net cash flows used in operating activities of €(220,848) thousand (2016: €101,118 thousand) were mainly affected by:

- the group's thrust to develop ongoing activities in Poland (motorways and Line 2 of the Warsaw metro) and Italy (Quadrilatero Marche-Umbria maxi lot 2 road system, Monte Sant'Angelo link road in Naples, Line 4 of the Milan metro and the Brenner Base Tunnel);
- the slower achievement and collection of some financial milestones for the Saida-Tiaret railway line in Algeria and the Chuquicamata mining project in Chile;
- timing of payments for some contractual items related to the Third Bosphorus Bridge in Turkey which have been deferred compared to the average timing for the other items of the same contract;
- advances given to suppliers and subcontractors mainly for the ongoing projects in Chile (Arturo Merino Benitez International Airport, Santiago), Turkey (Etlik Integrated Health Campus, Ankara) and Romania (Frontiera-Curtici-Simeria Lots 2A and 2B railway line);
- increase in receivables on the disposal of goods and services mainly related to projects in progress in Europe (Russia, Romania and Poland).

Cash flows generated from/(used in) investing activities

Cash flows generated from investing activities totalled €75,981 thousand (cash flows used in investing activities of -€116,707 thousand in 2016) and are mainly due to:

- the consideration of €115,785 thousand collected on the sale of investments (share capital and shareholder loan) in the SPV Pacific Hydro Chacayes (€41,505 thousand), Metro 5 S.p.A. (€64,500 thousand) and Sat S.p.A. (€13,713 thousand), net of the related transaction costs of -€3,932 thousand;
- payments of -€68,823 thousand for capital injections and shareholder loans to the SPV Ankara Etlik Hastane A.S.

(-€19,233 thousand), Ica Ic Ictas Astaldi Kuzey Marmara Otoyolu (-€23,680 thousand), M4 S.p.A. (-€11,420 thousand), Sociedad Concesionaria Nuevo Pudahuel S.A. (-€11,494 thousand) and Sociedad Concesionaria Metropolitana de Salud s.a. (-€2,996 thousand);

- (iii) investments of -€6,925 thousand in concession projects in progress in Chile (the "La Punilla" hydroelectric project);
- (iv) cash acquired of €67,152 thousand, net of the total consideration paid, as part of the business acquisitions of Veneta Sanitaria Finanza di Progetto S.p.A. and Ge.sat. S.c.r.l.⁴²;
- (v) investments of -€27,427 thousand in the Construction line of business, mainly in relation to the payment of contractual rights acquired from third parties to perform works for the Infraclegrea project (-€14,364 thousand).

Cash flows generated from financing activities

Cash flows generated from financing activities during 2017 totalled €207,643 thousand (€120,188 thousand in 2016). They are mainly due to the net cash acquired following the partial use of committed and uncommitted credit lines, partially offset by the payment of dividends to the owners of the parent (€19,556 thousand).

A reconciliation of financial liabilities arising from financing activities carried out in 2017 is set out below:

	2017 variations
Financial liabilities at 31/12/2016¹	(2,123,365)
a) Cash flows from financing activities	(230,753)
b) Changes in the consolidation scope	18,766
c) Exchange rate gains	7,097
d) Fair value gains	13,914
e) Other non-monetary changes:	
- deferred income	(2,574)
- leases	(2,027)
Financial liabilities at 31/12/2017	(2,318,942)
¹ It includes bank deposits of €119,092 thousand related to disposal groups.	

26. Non-current assets held for sale (disposal groups) and directly associated liabilities: €363,727 thousand (€128,827 thousand)

26.1 Assets held for sale

Sociedad Concesionaria Metropolitana de Salud S.A.: €14,338 thousand (€19,889 thousand)

During 2016, through the subsidiary Astaldi Concessioni, the group signed a preliminary agreement with the infrastructure fund Meridiam Latam Holding S.L. for the sale of an investment in the subsidiary Sociedad Concesionaria Metropolitana de Salud S.A. (SCMS). The agreement, as amended by subsequent addenda, provides for the transfer of the entire investment in three different transactions. The transfer was to take place partly (49% of the shares) upon satisfaction of the conditions precedent provided for by the agreement and partly in two other steps when construction is completed, as allowed by local legislation.

⁴² Reference should be made to the section on business combinations carried out in 2017 for further details.

On 27 February 2017, in accordance with the terms of the preliminary agreement, the group signed the final agreement for the sale of a first investment of 49%. At the reporting date, pending the completion of the share transfer, the group reclassified its residual investment in SCMS to assets held for sale, since it will not be recovered through its continuing use but solely through its sale⁴³. Specifically, management the terms⁴⁴ for the transfer of the residual investment, in line with the applicable local legislation, do in no way affect the completion of the sale as provided for by the agreement.

As required by IFRS 5, at the date of preparation of these consolidated financial statements, the investment in SCMS has been measured at the lower of its carrying amount and fair value less costs to sell. The latter has been measured considering the terms of the agreement. Since the carrying amount was found to be fully recoverable, the group did not recognise any impairment loss.

SA.T. S.p.A.: €1,444 thousand (€14,759 thousand)

In 2016, Astaldi S.p.A. signed a preliminary agreement with the infrastructure fund Equitix for the sale in stages of the assets (investment and shareholder loan) relating to SA.T. S.p.A. (SAT), the operator of the four Tuscan hospitals. The disposal of the investment followed a more complex transaction that required a prior increase in the original investment held by the parent in SAT through the acquisition of a portion of the investment in Techint and the subsequent sale of the overall assets held.

On 29 December 2017, upon satisfaction of the conditions precedent set out above, Astaldi S.p.A.:

- acquired a first portion of the SAT shares from Techint (13.46% of its share capital) together with a portion of the Techint shareholder loan;
 - concurrently transferred to Equitix 43.46% of the SAT shares and a portion (€10,255 thousand) of the shareholder loan.
- The sale gave rise to a net gain of €2.7 million⁴⁵.

Moreover, the arrangements between the parties provide that, after the final test of works, which is expected to take place before the end of 2018, Astaldi will acquire the residual 5.38% investment in SAT held by Techint, together with the related shareholder loan, concurrently transferring 9.38% of the SAT shares⁴⁶ and residual shareholder loan to Equitix.

At the reporting date, pending the completion of the transfer, the group reclassified the investment and shareholder loan currently held by the parent to assets held for sale. As required by IFRS 5, at the date of preparation of these consolidated financial statements, the assets relating to SAT have been measured at the lower of their carrying amount and fair value less costs to sell. The latter has been measured considering the terms of the agreement. Since their carrying amount was found to be fully recoverable, the group did not recognise any impairment loss.

Ica Ic İctas Astaldi Kuzey Marmara Otoyolu: €347,946 thousand (€0)

As part of the concession project “Third bridge over the Bosphorus river” - “Odayeri-Paşaköy motorway section (Third Bosphorus Bridge included)”, as jointly proposed by its owners, the investee Ica Ic İctas Astaldi Üçüncü Boğaz Köprüsü Ve Kuzey Marmara Otoyolu Yatırım Ve İşletme Anonim Şirketi (the “SPV”) launched an invitation to bid to select potential investors interested in the acquisition of the investment (capital and shareholder loan) held by the current owners in the SPV. The parent carried out these activities in compliance with the 2017-2021 business plan approved by the board of directors on 15 April 2017. In May 2017, through an engagement & indemnity letter, the SPV engaged leading international merchant banks to carry out the disposal process. Following the results of the pre-marketing activities, some non-binding offers were received from potential buyers in February 2018. Considering the great interest shown by the market, the shareholders, in agreement with their financial advisors, set the upcoming deadlines in order to receive binding offers by May. Based on such information, as well as the timing assessed together with the advisors, the parent’s management believes that it is highly probable that the disposal may be completed around the end of June 2018.

⁴³ IFRS 5.6/9/B1.

⁴⁴ The preliminary agreement provides that the transfer shall be completed after the final test of the works, which is expected to be carried out within the end of the third quarter of 2019.

⁴⁵ of which (i) €6.1 million recognised under other revenue, related to the gain on the sale, and (ii) -€3.4 million as the effect of the reversal to profit or loss of the hedging reserve balance previously recognised under other comprehensive income.

⁴⁶ Upon completion of the transaction, the parent will hold a 1% investment in SAT.

Based on the above and as required by IFRS 5, such assets have been measured at the lower of their carrying amount and fair value less costs to sell.

Considering that the final negotiations between all parties involved in the agreement (i.e., shareholders and potential buyers) are still in their preliminary stage at the date of preparation of these consolidated financial statements, the fair value less costs to sell was measured using a financial approach (dividend discount model), discounting the expected future dividend flows from operations at a discount rate of 12.47%, equal to the Ke^{47} of the related company. Pending the definition of the agreements between the parties, on the basis of the valuations made and also considering the equity value of the SPV estimated by the potential buyers, management deemed that the carrying amount of the above assets can be considered fully recoverable. Therefore, the group did not recognise an impairment loss.

The assets included in disposal groups are as follows:

	Sociedad Concesionaria Metropolitana de Salud s.a.	SAT S.p.A.	Ica Ic Ictas-Astaldi Kuzey Marmara Otoyolu	Total
Subordinated loans	2,996	0	180,767	183,763
Equity investments	11,342	1,444	167,178	179,964
Total disposal groups	14,338	1,444	347,946	363,727

26.2 Transactions completed in 2017

Metro 5 S.p.A.: €0 (€62,998 thousand)

On 9 June 2017, upon completion of the required operating and authorisation procedure and with the green light of the Anti-trust authority, the parent and Ferrovie dello Stato Italiane signed the final agreement for the sale of 36.7% (share capital plus shareholder loan) of M5 S.p.A..

Astaldi retained a 2% interest in M5, confirming its support to the SPV for future construction activities in connection with a probable project extension.

The SPV is currently in a project to improve the project's financial profile in order to achieve greater flexibility in managing dividend distributions. This project is expected to be concluded within the end of the year.

The consideration for the sale of the SPV's capital and shareholder loan totalled €64.5 million, which substantially equals their carrying amount.

After the transfer of the shares, the fair value loss of €13,329 thousand previously accumulated in OCI has been reclassified to profit or loss, in the caption that usually shows the effect of equity accounting.

Pacific Hydro Chacayes: €0 (€31,183 thousand)

In March 2017, the group signed the definitive agreement with Pacific Hydro Chile (a subsidiary of SPIC Overseas⁴⁸) for the sale of 27.30% (share capital plus shareholder loan) of Pacific Hydro Chacayes, the operator of the Chacayes hydroelectric plant in Chile.

The consideration for the sale of the investee's capital and shareholder loan totalled USD44 million (equal to €41.5 million at the transaction date). The sale gave rise to a net gain of €9.3 million⁴⁹ recognised as other revenue in profit or loss, being the difference between the sale price and the assets' carrying amount (€31.2 million).

⁴⁷ Calculated based on market parameters.

⁴⁸ One of the leading Chinese state-owned companies that generate electrical energy.

⁴⁹ The amount includes the transaction costs (€1 million).

27. Equity: €549,442 thousand (€698,485 thousand)

27.1 Share capital: €196,850 thousand (€196,850 thousand)

The parent's subscribed and fully paid-in share capital consists of 98,424,900 ordinary shares with a nominal amount of €2 and a total of €196,850 thousand.

In accordance with article 127-quinquies of Legislative decree no. 58 of 24 February 1998 (the Consolidated finance act), the parent introduced a mechanism allowing enhanced voting rights in 2015.

During 2017, in compliance with the applicable legislation and the specific provisions of the parent's by-laws, FIN. AST. S.r.l., Finetupar International S.A. and other non-controlling investors obtained enhanced voting rights for some of their shares.

At the reporting date, according to the shareholders' register and other related information (which is mandatory by law - article 120 of Legislative decree no. 58/98), the parent's shareholders with investments of more than 3% are as follows:

DIRECT SHAREHOLDER	No. of shares	Investment %	Number of voting rights	% of voting rights
Fin.Ast S.r.l.	39,605,495	40.239%	79,105,495	51.406%
Finetupar International S.A.	12,327,967	12.525%	24,655,934	16.022%
Total Fin.Ast. S.r.l.	51,933,462	52.764%	103,761,429	67.428%
FMR LLC	7,343,144	7.461%	10,974,144	7.131%
Total shareholders with a significant investment	59,276,606	60.225%	114,735,573	74.559%
Treasury shares	539,834	0.548%	539,834*	0.351%
Market	38,608,460	39.227%	38,608,460	25.090%
Total	98,424,900	100.000%	153,883,867	100.000%

* Pursuant to article 2357-ter.3 of the Italian Civil Code, the voting rights attached to treasury shares are suspended.

At the reporting date, outstanding shares number 97,885,066 showing an increase of 117,637 shares on the 31 December 2016 balance of 97,767,429.

Outstanding shares	2017
01/01/2017	97,767,429
Outgoing for buyback	(267,157)
Incoming for buyback	262,294
Incoming for stock grant plan	122,500
31/12/2017	97,885,066

The parent's shares granted to the employees as part of the stock grant plan numbered 1,747,630 at the reporting date (31 December 2016: 1,625,130).

27.2 Other financial instruments giving the right to subscribe newly issued shares

In January 2017, the parent issued equity-linked bonds of €140 million maturing in 2024, placing them with qualified Italian and foreign investors.

In this context, by means of a reverse bookbuilding, the group bought back its equity-linked bonds with a nominal amount of €130 million maturing in 2019 and placed in 2013.

As of December 2017, the bonds may be converted into the parent's ordinary shares (existing or newly issued). The conversion price of the new bonds is €7.8416 which includes a conversion premium of 35% of the weighted average price of the Astaldi shares traded on the Italian stock exchange in the period from the bond issue date to the pricing date (€5.8086).

The parent can settle the conversions in cash or by using ordinary shares and cash (cash settlement option).

To this end, on 15 December 2017, the parent's shareholders approved a capital increase of a maximum nominal €35,707 thousand reserved solely and irreversibly to service the equity-linked bonds maturing in 2024, in cash against payment in more than one transaction. This capital increase excludes the pre-emption right pursuant to article 2441.5 of the Italian Civil Code. The parent will issue a maximum of 17,853,499 ordinary shares with a nominal amount of €2.00 and the same characteristics as the outstanding ordinary shares. The number of shares servicing the bond conversion will be calculated by dividing the nominal amount of the bonds (for which conversion requests are made) by the conversion price.

At the reporting date, the parent had not received any conversion requests.

27.3 Treasury shares held by the parent: €1,080 thousand (€1,315 thousand)

At the reporting date, the parent holds 539,834 treasury shares, equal to 0.548% of its share capital (31 December 2016: 657,471 shares). The nominal amount of these treasury shares (€1,080 thousand) is offset against share capital as required by the IFRS.

27.4 Reserves: €424,145 thousand (€424,392 thousand)

The following table shows the reserves:

	31/12/2017	31/12/2016	Variation
Legal reserve	33,163	33,062	101
Extraordinary reserve	297,568	314,663	(17,095)
Retained earnings	231,467	161,250	70,217
Other reserves	(1,461)	(1,917)	456
Other comprehensive expense	(154,879)	(109,007)	(45,872)
Deferred tax on other comprehensive expense	18,287	26,341	(8,054)
Total	424,145	424,392	(247)

■ Legal reserve

The legal reserve increased by €101 thousand in line with the provisions of article 2430 of the Italian Civil Code.

■ Extraordinary reserve

The extraordinary reserve decreased by €17,095 thousand over the previous year end, as follows:

- the distribution of dividends of €19,556 thousand, as resolved by the shareholders on 21 April 2017;
- the allocation of the €1,911 thousand reserve that was previously unavailable pursuant to article 3 of Legislative decree no. 38/2005 and that became available in 2016;
- the effect of buy back transactions (€550 thousand).

With respect to the buyback transactions, the reserve for treasury shares in portfolio set up as per article 2357-ter of the Italian Civil Code amounts to €3,079 thousand. As required by the IFRS, this balance is the sum of €1,999 thousand which was taken from the extraordinary reserve and €1,080 thousand, which is the nominal amount of the treasury shares in portfolio, offset against share capital.

■ Retained earnings

This caption of €231,467 thousand shows the effects of consolidating investments in subsidiaries and the application of the equity method to measure investments in associates and joint ventures.

The balance also includes the acquisitions of additional interests in companies already controlled by the group as per IFRS 10.

■ Dividends

During 2017, dividends distributed amounted to €19,556,223 (€19,524,321 in 2016). The parent's shareholders approved the distribution of a dividend of €0.20 per share on 21 April 2017 (€0.20 in 2016), which was paid on 17 May 2017, with an ex-dividend date of 15 May 2017.

■ Other reserves

Other reserves include:

	31/12/2017	31/12/2016	Variation
Stock grant reserve	2,407	1,618	789
IFRS FTA reserve	(2,977)	(2,977)	0
Reserve for trading in treasury shares	2,305	2,638	(333)
Other	(3,196)	(3,196)	0
Total	(1,461)	(1,917)	456

The stock grant reserve includes the value of the shares assigned to employees but not yet delivered, calculated in line with the current regulation and related actuarial appraisal.

The IFRS FTA reserve comprises all the adjustments made in the opening statement of financial position of the first set of financial statements prepared pursuant to the IFRS and the amount recognised after subsequent endorsements of new standards compared to the FTA.

The reserve for trading in treasury shares shows the gains and losses arising from the buyback plan.

The caption "Other" includes small items related to the measurement of investments in certain associates using the equity method.

■ Other comprehensive expense

The breakdown of and changes in other comprehensive expense are shown below:

	Hedging reserve	Translation reserve	Fair value reserve	Actuarial reserve	Deferred taxes on OCI	Total
Balance at 1 January 2016	(77,666)	(29,746)	29	(383)	16,996	(90,770)
Changes from subsidiaries and JO	(2,520)	20,301	0	(118)	465	1,671
Changes from associates and JV	(19,820)	16,623	(29)	0	3,937	711
Changes from disposal groups	(19,358)	3,679	0	0	4,943	(10,736)
Balance at 31 December 2016	(119,364)	10,858	0	(501)	26,341	(82,666)
Changes from subsidiaries and JO	6,529	(48,042)	0	36	4,096	(37,381)
Changes from associates and JV	15,768	(51,581)	0	5	(2,858)	(38,667)
Changes from disposal groups	38,153	(6,739)	0	0	(9,292)	22,122
Balance at 31 December 2017	(58,913)	(95,506)	0	(460)	18,287	(136,592)

Other comprehensive expense is negatively affected by exchange rate losses on the translation of foreign currency assets, liabilities, revenue and costs into Euros, especially the conversion of the foreign operations' financial statements denominated in US dollars.

Moreover, other comprehensive expense was affected by the changes in the hedging reserve, translation reserve and related deferred taxes attributable to investees disposed of (Metro 5 S.p.A., Pacific Hydro Chacayes, SAT S.p.A. and Sociedad Concesionaria Metropolitana de Salud s.a.) as well as the business combination related to Veneta Sanitaria Finanza di Progetto S.p.A., as discussed earlier. Indeed, in accordance with the IFRS, these changes have been fully reclassified to profit or loss.

Moreover, the hedging reserve includes a fair value gain relating to the SPV that is operating the Ankara Etlik healthcare campus in Turkey.

27.5 Equity attributable to non-controlling interests: €30,702 thousand (€6,101 thousand)

Equity attributable to non-controlling interests increased as a result of other comprehensive income and, especially, the consolidation of Veneta Sanitaria Finanza di Progetto S.p.A., over which the parent obtained control during the year.

Changes in other comprehensive income (expense) attributable to non-controlling interests are shown below.

	Hedging reserve	Translation reserve	Fair value reserve	Actuarial reserve	Deferred taxes on OCI	Total
Balance at 1 January 2016	(164)	140	0	(7)	38	8
Changes	84	178	0	0	(19)	243
Balance at 31 December 2016	(80)	319	0	(7)	20	251
Changes	(5,599)	(180)	0	(3)	1,344	(4,437)
Balance at 31 December 2017	(5,679)	139	0	(10)	1,364	(4,186)

27.6 Capital management

The disclosure required by IAS 1.134 is provided below.

A) Qualitative information

By “capital”, the group means shareholder contributions and its operating profits (retained earnings and other reserves). It does not include fair value gains or losses on cash flow hedges in this definition as they will be offset against losses or gains in future years to allow the group to meet its hedging objective.

The group's capital management objectives are to create value for its shareholders, ensure it can continue as a going concern and promote its development. The group intends to maintain a suitable capitalisation level in order to both provide a satisfactory return for shareholders and enable it to resort to external sources of financing at good conditions. The group closely monitors its debt/equity ratio and considering the cash flows generated by its operations, as well as its investing activities in both the Construction and Concessions lines of business. In order to attain these objectives, the group aims to steadily improve the profitability of its businesses.

Moreover, the group has complied with the financial covenants of the committed corporate bank loans. Note 28 provides more information about this.

B) Quantitative information

The following table provides a quantitative analysis of the individual capital items, as defined in the paragraph above.

	31/12/2017	31/12/2016
A - Total financial debt	(1,267,049)	(1,092,532)
Total equity	549,442	698,485
Less amounts accumulated in equity for cash flow hedges	64,592	119,444
B - Adjusted equity	614,033	817,929
C - Debt/equity ratio (A/B)	2.06	1.34

28. Financial liabilities**28.1 Non-current financial liabilities: €1,474,645 thousand (€1,495,737 thousand)***

Non-current financial liabilities are made up as follows:

	31/12/2017	31/12/2016	Variation
Convertible bonds	140,000	130,000	10,000
Unsecured senior bonds	750,000	750,000	0
Bonds - nominal amount	890,000	880,000	10,000
Issue and placement fees	(10,706)	(5,667)	(5,039)
Cash settlement option - fair value	95	4,966	(4,871)
Total bonds	879,389	879,299	90
Bank loans	561,098	587,414	(26,316)
Collateralised loans	3,964	4,436	(472)
Lease liabilities	18,734	24,722	(5,988)





	31/12/2017	31/12/2016	Variation
Bank loans and lease liabilities - nominal amount	583,796	616,572	(32,776)
Commissions on loans	(6,713)	(11,647)	4,934
Hedging derivatives	15,461	10,430	5,031
Total bank loans and lease liabilities	592,544	615,355	(22,811)
Associates, joint ventures and other investees	2,712	1,083	1,629
Total	1,474,645	1,495,737	(21,092)

(*) Included in net financial debt for €1,456,377 thousand (31 December 2016: €1,479,258 thousand).

Bonds

In addition to the bonds' nominal amount, calculated at amortised cost, this item includes the fair value of €95 thousand of the cash settlement option for the equity-linked bonds maturing in 2024.

At 31 December 2017, the group's bonds were as follows:

- equity-linked, senior unsecured bonds issued in June 2017 and reserved for qualified Italian and foreign investors. The issue was a reverse bookbuilding whereby the group bought back equity-linked bonds totalling €130,000 thousand and maturing in 2019 and placed new equity-linked bonds totalling €140,000 thousand. The latter issue has a seven-year term (maturing on 21 June 2024) and pays a quarterly coupon at a fixed rate of 4.875% per annum on 21 March, 21 June, 21 September and 21 December of each year. The bonds may be converted into existing or newly issued ordinary shares although the parent has the option to settle conversion requests by delivering ordinary shares or paying cash or a combination of the two (cash settlement option). The conversion price is €7.8416 and includes a conversion premium of 35% of the weighted average price of the Astaldi shares traded on the Italian stock exchange on 14 June 2017;
- senior unsecured bonds issued in December 2013, at a fixed interest rate, for €500,000 thousand, maturing in 2020. They pay a six-monthly coupon at a fixed rate of 7.125% per annum and their issue price is 100%;
- first tap of the aforementioned fixed-rate senior unsecured bonds for €100,000 thousand issued in December 2013 and maturing in 2020. The bonds, having the same characteristics, terms and conditions as those of the related €500 million senior bonds and entirely combinable with them, were placed at a price equal to 102.25% of their nominal amount by the same banks that placed the first senior unsecured bonds;
- second tap of the December 2013 fixed-rate senior unsecured bonds for 150,000 thousand issued in February 2014 and maturing in 2020. The bonds, having the same characteristics, terms and conditions as those as those of the related €500 million senior bonds and entirely combinable with them, were placed at a price equal to 105.00% of their nominal amount by the same banks that placed the original senior unsecured bonds.

Based on market prices observed on 29 December 2017, the fair value of the equity-linked and unsecured senior bonds is €78,428 thousand and €611,835 thousand, respectively.

Accordingly, the total fair value of issued bonds at 31 December 2017 is €690,263 thousand.

Bank loans and collateralised loans

The non-current portion of bank and collateralised loans decreased by €26.8 million, mainly due to the following:

- new loans of €96.5 million;
- repayments of revolving credit lines of -€19.4 million;
- changes in consolidation scope €60.8 million;
- reclassification of instalments falling due to non-current liabilities and other movements of -€164.7 million.

The main bank financing transactions of the year include:

- bilateral committed credit line of €10 million, agreed with Credito Valtellinese in February 2017 and expiring in December 2019;

- bilateral committed credit line of €30 million, agreed with Bper in June 2017 and expiring in June 2020 (outstanding amount at the reporting date: €25 million, including €15 million non-current);
- bilateral committed credit line of €30 million, agreed with Credito Valtellinese in August 2017 and expiring in October 2019 (outstanding amount at the reporting date: €26.7 million, including €13.3 million non-current);
- bilateral committed credit line of €10 million, agreed with Bper in September 2017 and expiring in June 2020.

The change in the consolidation scope is due to the consolidation of the operator of Ospedale dell'Angelo of Venezia-Mestre, over which the group obtained control in February 2017. The liabilities resulting from the business acquisition (of roughly €73.5 million, including €60.8 million non-current) have a non-recourse nature as they are closely related to the cash flows of the project under project financing.

Finally, in December 2017, the parent agreed a committed revolving credit facility of €120 million expiring in October 2019 with a syndicate of banks (Unicredit, Banca Intesa, Banco BPM, BNP Paribas and HSBC). At the reporting date, such facility is yet to be used.

The key data of the group's main bank credit lines at 31 December 2017 are set out in the following table:

Type of loan	Company	Outstanding 31/12/17	Signing date	Expiry*
Bilateral - BNP Paribas	Astaldi S.p.A.	45,000	31/07/2017	31/12/2018
Bilateral - Cariparma	Astaldi S.p.A.	25,000	29/12/2016	31/12/2018
Bilateral - Credito Valtellinese	Astaldi S.p.A.	10,000	14/02/2017	31/12/2019
Bilateral - Credito Valtellinese	Astaldi S.p.A.	26,667	07/08/2017	R.P.05/10/2019
Bilateral - Banco Popolare	Astaldi S.p.A.	5,000	13/07/2015	R.P.31/01/2018
Bilateral - Banca del Mezzogiorno	Astaldi S.p.A.	25,000	06/03/2015	R.P.31/03/2018
Bilateral - Banco do Brasil	Astaldi S.p.A.	8,667	29/05/2015	R.P.11/05/2018
Bilateral - Banco do Brasil	Astaldi S.p.A.	3,333	04/09/2015	R.P.17/08/2018
Bilateral - Banca Popolare dell'Emilia Romagna	Astaldi S.p.A.	5,000	30/06/2015	R.P.30/06/2018
Bilateral - Banca Popolare dell'Emilia Romagna - bis	Astaldi S.p.A.	25,000	07/06/2017	R.P.07/06/2020
Bilateral - Banca Carige	Astaldi S.p.A.	2,202	19/10/2015	R.P.30/06/2019
Bilateral - Banca Ubae	Astaldi S.p.A.	25,000	11/07/2016	11/07/2018
Bilateral - ICBC	Astaldi S.p.A.	10,000	25/09/2017	25/09/2020
Syndicate Cacib - Bbva	Astaldi S.p.A.	30,000	22/12/2014	R.P.31/07/2018
Syndicate - RCF €500 million	Astaldi S.p.A.	440,000	07/11/2014	07/11/2019
Other corporate loans		704,096		
Total bank loans		1,389,965		
of which: non-current		565,062		
of which: current		824,903		

*R.P. = with repayment plan.

The group's main committed corporate bank loans require compliance with the financial covenants provided for in the loan agreements which are based on the group's consolidated financial statements figures. In December 2017, the group agreed new financial covenants for 2017 with the banks, in order for it to be able to meet the covenants despite the impairment losses recognised on its exposure with the Venezuelan government. Therefore, the financial covenants at the reporting date are as follows:

- net financial indebtedness/equity ratio: less than or equal to 2.70x;
- net financial indebtedness/gross operating profit ratio: less than or equal to 4.85x;
- priority leverage ratio less than or equal to 0.50x;
- gross financial indebtedness less than or equal to €2,250 million.

In line with current international practice, in addition to the financial covenants, the loan agreements include other clauses, such as the pari passu, negative pledge and change of control clauses.

At the reporting date, all financial covenants were complied with.

Lease liabilities

The group signed finance leases for €4,408 thousand in 2017. They relate to heavy vehicles, generic plant and machinery, specific plant and machinery, light construction, excavators and power shovels and include a purchase option. The following table sets out the future lease payments, together with their present value:

	31/12/2017		31/12/2016	
	Lease payments	Present value	Lease payments	Present value
Within one year	8,864	7,795	9,747	8,305
Between one and within five years	19,840	18,274	25,193	22,566
After five years	547	460	2,332	2,156
Total lease payments	29,251		37,272	
Financial expense	2,722		4,245	
Present value	26,529	26,529	33,027	33,027

28.2 Current financial liabilities: €844,298 thousand (€508,537 thousand)*

This caption increased by €335,761 thousand on the previous year end and may be analysed as follows:

	31/12/2017	31/12/2016	Variation
Accrued interest on bonds	4,153	6,401	(2,248)
Issue and placement fees	(2,569)	(2,107)	(462)
Total bonds	1,584	4,294	(2,710)
Current portion of bank loans	541,459	339,252	202,207
Current portion of non-current loans	283,151	154,519	128,632
Current portion of collateralised loans	293	282	11





	31/12/2017	31/12/2016	Variation
Lease liabilities	7,795	8,304	(509)
Bank loans and lease liabilities - nominal amount	832,698	502,358	330,340
Commissions on loans	(8,109)	(7,195)	(914)
Accrued interest on bank loans	9,172	4,351	4,821
Hedging derivatives	7,838	4,729	3,109
Total bank loans and lease liabilities	841,599	504,243	337,356
Associates, joint ventures and other investees	1,115	0	1,115
Total	844,298	508,537	335,761

(*) Included in net financial debt for €835,345 thousand (31 December 2016: €503,808 thousand).

The caption “Total bonds” includes the accrued unpaid interest adjusted by the pro-rata issue and placement fees, in order to present the present value of the bonds discounted at the effective interest rate.

The increase in the current portion of bank loans is due to the financial support given to the main project in progress, principally in Chile, Turkey, Poland, Algeria and Italy, which also affected working capital, as mentioned earlier in these notes. The main current financing transactions carried out during the year include the bridge financing of €46.2 million taken out in connection with the commencement of work for the Menemen motorway concession in Turkey. It will be repaid in August 2018 using the cash flows of the operator after the agreement of a non-recourse project financing which is already being negotiated.

In May and December 2017, the group fully repaid committed loans of €10 million and €11 million to Banco do Brasil as they fell due.

28.3 Net financial position

The following table shows the group's net financial debt and a breakdown of its main components as required by Consob communication no. DEM/6064293 of 28 July 2006 which is based on the European Securities and Markets Authority's (ESMA, former CESR) recommendation of 10 February 2005.

	31/12/2017	31/12/2016
A Cash	576,401	506,470
B Securities held for trading	303	848
C Cash and cash equivalents (A+B)	576,704	507,318
Current loan assets	50,733	25,227
<i>of which from related parties</i>	14,871	765
Current portion of financial assets from concession activities	10,194	0
D Current loan assets	60,927	25,227
E Current portion of bank loans and borrowings	(542,522)	(336,408)
F Current portion of bonds	(1,584)	(4,294)
G Current portion of non-current debt	(268,426)	(152,594)





		31/12/2017	31/12/2016
H	Other current loans and borrowings	(6,351)	(6,601)
I	Current portion of non-recourse loans	(16,463)	(3,911)
J	Current financial debt (E+F+G+H)+I)	(835,345)	(503,808)
K	Net current financial debt (J+D+C)	(197,714)	28,737
L	Non-current portion of bank loans and borrowings	(495,228)	(577,006)
M	Bonds	(879,294)	(874,333)
	<i>of which to related parties</i>	<i>(14,000)</i>	<i>(13,000)</i>
N	Other non-current financial liabilities	(16,893)	(20,991)
O	Non-recourse loans	(64,962)	(6,928)
P	Non-current financial debt (L+M+N+O)	(1,456,377)	(1,479,258)
Q	Net financial debt from continuing operations (K+P)	(1,654,091)	(1,450,521)
R	Net financial debt of disposal groups	183,763	76,743
	<i>of which with related parties</i>	<i>183,763</i>	<i>47,853</i>
S	Net financial debt (Q+R)	1,470,328	1,373,778
	Non-current loan assets	31,503	36,440
	Subordinated loans	50,832	240,416
	<i>of which to related parties</i>	<i>31,580</i>	<i>234,879</i>
	Non-current portion of financial assets from concession activities	120,945	4,390
T	Non-current loan assets	203,279	281,246
U	Total financial debt (S+T)	(1,267,049)	(1,092,532)

Total financial debt includes the net financial debt (line S of the above table), calculated as recommended by the *European Securities and Markets Authority* – ESMA (formerly CESR) in its recommendation of 10 February 2005, and the non-current loan assets. Net financial debt includes the non-recourse loans of €81,425 thousand of the subsidiaries Veneta Sanitaria Finanza di Progetto S.p.A. and Valle Aconcagua S.A..

Moreover, the parent holds treasury shares of €3,079 thousand which determine a net financial position totalling €1,263,970 thousand.

Lastly, the net financial debt of the current and previous years does not include hedging derivatives as they do not qualify as financial items given their nature.

29. Other liabilities

29.1 Other non-current liabilities: €7,837 thousand (€3,047 thousand)

This caption mostly refers to the amount due to Simest S.p.A. (€6,328 thousand) for the acquisition of a non-controlling interest in Astaldi Construction Corporation⁵⁰.

⁵⁰ Reference should be made to the “Changes in the group’s investments in subsidiaries that did not entail loss of control” section for further details.

29.2 Other current liabilities: €149,587 thousand (€179,034 thousand)

This caption of €149,587 thousand comprises:

	31/12/2017	31/12/2016	Variation
Associates and joint ventures	5,222	962	4,260
Other companies	1,257	1,362	(105)
Personnel	29,242	30,946	(1,704)
Social security institutions	13,726	16,082	(2,356)
Accrued expenses and deferred income	6,631	6,056	575
Other	93,509	123,626	(30,117)
Total	149,587	179,034	(29,447)

“Other” mainly includes (i) advances from customers for the sale of goods and assets, (ii) advances for costs recharged to consortium companies, (iii) service fees due to consultants and quasi-employees, (iv) credit notes to be issued to customers for core business related services and (v) amounts due to partners for joint projects. The decrease over the previous year end is mainly related to liabilities with partners in foreign projects.

Reference should be made to note 36 on related parties for information about liabilities with associates and joint ventures. As in the previous year, subscribed capital of associates and joint ventures not yet called up by the individual boards of directors have been reclassified as a direct deduction in the carrying amount of the related investments.

30. Employee benefits: €7,145 thousand (€7,506 thousand)

This caption and related changes for the year are summarised in the following table:

	Defined benefit plans	Termination benefits	31/12/2017
a) Opening balance	7,132	374	7,506
b) Increases			
b.1) Current service cost	1,004	0	1,004
b.2) Interest cost	80	0	80
b.3) Actuarial losses	(42)	0	(42)
c) Utilisations and exchange differences	(1,459)	(243)	(1,702)
d) Changes in consolidation scope and other changes	299	0	299
d) Defined benefit obligation	7,013	131	7,145

30.1 Defined benefit plans

It mostly includes the post-employment benefits governed by article 2120 of the Italian Civil Code.

Plan characteristics

At 31 December 2006, the Italian entities' post-employment benefits (known as "TFR" in Italy) were accounted for as a defined benefit plan. Legislation regulating these benefits was amended with Law no. 296 of 27 December 2006 (the "2007 Finance Act") and subsequent decrees and regulations issued in the first few months of 2007. In the light of these changes and, in particular, for companies with 50 or more employees, these benefits are now considered part of a defined benefit plan only if they refer to amounts accrued up to 1 January 2007 (and not yet paid at the reporting date), whereas all such benefits referring to periods after that date are a defined contribution plan.

Therefore, the liability for post-employment benefits, recognised in the statement of financial position, net of any advances paid, reflects (i) the group's residual obligation for benefits vested by employees up to 31 December 2006, which will be paid when their employment ends (for companies with 50 or more employees), or (ii) the progressive amount of post-employment benefits due to employees, accrued over their service period and recognised on an accruals basis consistently with the service necessary to vest the benefits (for other companies).

Main assumptions

The main assumptions used for the actuarial valuation of post-employment benefits at 31 December 2017 are set out below:

- annual discount rate: 1.30%
- annual inflation rate: 1.50%
- annual growth rate of the benefits: 2.625%
- annual salary increase rate:
 - managers: 2.50%
 - junior managers/white collars/blue collars: 1.00%

Sensitivity analysis

The potential effect of reasonably possible changes in the actuarial assumptions on the defined benefit obligation at the reporting date is as follows:

	Turnover rate		Inflation rate		Discount rate	
	+ 1%	(1%)	+1/4 %	(1/4 %)	+1/4 %	(1/4 %)
Change in the overall amount of the obligation	(26)	29	72	(70)	(100)	103

Effect of the defined benefit plan on the group's future cash flows

Based on the reasonably possible estimates at the reporting date, the effect of the defined benefit plan on the group's future cash flows are shown below:

- 2018 service cost: €1,263 thousand;
- Weighted average life of the obligation: 9.25 years;
- Expected payments:
 - 2018: €1,912 thousand;
 - 2019: €556 thousand;
 - 2020 and after: €10,360 thousand.

30.2 Termination benefits

Termination benefits show the estimated cost of the agreements signed in 2014 with eight employees for the consensual early termination of employment (based on the provisions of article 4.1-7-ter of Law no. 92 of 2012 - the "Fornero law"). Specifically, these agreements, which were approved by the Italian Social Security Institution (INPS) on 27 November

2014, entitle the employees applying for early retirement to receive a benefit that equals the amount of the retirement benefits calculated under currently applicable legislation and to accrue the additional notional contributions necessary to reach the minimum retirement requirements.

The main assumptions used to calculate the present value of the obligation include a discount rate linked to the two-year Eurirs index (in line with the life of the plan).

31. Trade payables: € 1,226,626 thousand (€1,092,282 thousand)

This caption may be analysed as follows:

	31/12/2017	31/12/2016	Variation
Suppliers	1,164,882	1,030,930	133,952
Associates and joint ventures	50,770	55,052	(4,282)
Other investees	10,974	6,300	4,674
Total	1,226,626	1,092,282	134,344

The increase in trade payables is mainly due to the Italy segment, namely the consolidation of Veneta Sanitaria Finanza di Progetto S.p.A. (€25,771 thousand)⁵¹.

With reference to foreign operations, trade payables increased by approximately €35,000 thousand in Poland (mainly due to the extension of Line II of the Warsaw metro, the S7 highway between Naprawa and Skomielna Biła and the N7 railway Deblin – Lublin projects) and by approximately €53,000 thousand in Chile (mainly due to the Felix Bulnes hospital), in line with the revenue generated and partially offset by the decrease of roughly €22,000 thousand relating to the railway contracts in Algeria, which are nearing completion, as scheduled.

32. Tax liabilities: €67,204 thousand (€84,090 thousand)

This caption decreased by €16,886 thousand on 31 December 2016 as follows:

	31/12/2017	31/12/2016	Variation
Indirect tax liabilities	14,538	22,572	(8,034)
Direct tax liabilities	48,287	57,142	(8,855)
Withholding tax liabilities	4,379	4,376	3
Total	67,204	84,090	(16,886)

The decrease in indirect tax liabilities is mostly related to Algeria due to the payment of the VAT accrued at the end of the previous year on the work invoiced as part of the railway contracts in progress in that country.

Direct tax liabilities decreased mainly due to the accrual for current income taxes on profits generated on Algerian railway contracts which are nearing completion as scheduled.

⁵¹ The group obtained control over this company during the year.

33. Provisions for risks and charges: €21,781 thousand (€13,709 thousand)

This caption may be analysed as follows:

	Provision for legal disputes	Provisions for risks on equity investments	Provision for life cycle of concessions	Provision for expropriations	Provision for tax disputes	Provision as per article 27 of the by-laws	Total
Opening balance	7,779	2,672	0	0	1,318	1,940	13,709
Provisions	3,755	0	171	0	1,840	0	5,766
Utilisations	(245)	(502)	0	0	(371)	(504)	(1,622)
Exchange differences and other changes	(98)	0	0	0	(8)	0	(106)
Reclassifications	0	0	0	0	(897)	0	(897)
Changes in consolidation scope	0	0	2,794	2,137	0	0	4,931
Closing balance	11,191	2,170	2,965	2,137	1,882	1,436	21,781

Provisions for risks and charges are commented on below:

- **the provision for legal disputes** of €11,191 thousand includes the expected costs resulting from the court and out-of-court settlement of disputes relating to contracts, mainly with suppliers and subcontractors, and claims for damages from third parties related to construction contracts. Accruals for the year of €3,755 thousand are mostly due to disputes with subcontractors of the Americas segment;
- **the provision for risks on equity investments** of €2,170 thousand includes the accruals for investees' losses exceeding the equity of the related investees;
- **the provision for life cycle of concessions** of €2,965 thousand - which is typical for operators of concessions - is provided for based on objective evidence (technical appraisals, etc.) in order to recognise a provision on an accruals basis that is reasonably adequate, as a whole, to cover the necessary restoration, maintenance and/or replacement costs for assets under concession. The increase for the year is due to the consolidation of Veneta Sanitaria Finanza di Progetto S.p.A.;⁵²
- **the provision for expropriations** of €2,137 thousand, attributable to the construction of Ospedale dell'Angelo of Mestre, includes the expected costs arising from disputes with certain companies being expropriated about the type of expropriated land and, hence, the amount of compensation paid;
- **the provision for tax disputes** of €1,882 thousand includes the expected costs for pending disputes and litigation with the tax authorities, principally in Italy. In particular, following a tax inspection concluded by the Lazio tax authorities on 31 May 2017, the parent was served a preliminary assessment report for 2012 and 2013. The tax authorities challenged the adjustment to the transfer prices applied to certain intragroup transactions between the parent and its foreign subsidiaries and the calculation of deductible interest expense. Further to the preliminary assessment report, the parent commenced the procedures provided for by applicable legislation in order to reach an agreement for a reduction in the assessed taxes and avoid a dispute. Upon conclusion of its discussions with the tax authorities, the parent signed the agreements on 31 December 2017 and 26 January 2018 respectively settling the tax assessments for 2012 and 2013. The settlement entailed an outlay of approximately €4.5 million for IRES, inclusive of fines and interest, and about €40 thousand for IRAP including fines and interest (since the amounts have been definitively agreed, they are recognised as tax liabilities - see note 32). Management estimates the potential liabilities for the years still open to tax inspection to be approximately €1,800 thousand, including fines;
- **the provision as per article 27 of the by-laws** of €1,436 thousand is increased by allocating part of the parent's profit for the year, as provided for by the relevant resolutions, and used for charitable donations.

The following table summarises the provisions and allowances recognised in the financial statements, their nature and utilisation:

⁵² The group obtained control over this company during the year.

	note	31/12/2017	31/12/2016
Allowances for impairment deducted directly from assets		266,953	27,703
Impairment losses on equity investments	18. Equity investments	77	81
Impairment losses for contract losses to complete	22. Amounts due from customers	10,983	9,528
Impairment losses on trade receivables	23. Trade receivables	16,945	11,038
Impairment losses on accrued default interest	23. Trade receivables	1,278	1,317
Impairment losses on accrued default interest on tax assets	24. Tax assets	198	198
Impairment losses on other assets	20. Other current assets	7,472	5,541
Impairment losses on trade receivables	20. Other non-current assets	151,551	0
Impairment losses on contract work in progress	20. Other non-current assets	78,449	0
Provisions recognised under liabilities		22,401	16,212
Allowance for contract losses to complete	22. Amounts due to customers	620	2,503
Other provisions for risks and charges	33. provisions for risks and charges	21,781	13,709
Total provisions and allowances		289,354	43,915

34. Fair value measurement

The group's assets and liabilities are broken down by fair value level below:

	Measurement date	Total	Fair value measurement		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets at fair value					
FX forwards	31-dec-17	1,496		1,496	
Securities	31-dec-17	303	303		
Liabilities at fair value					
Interest rate swaps	31-dec-17	(23,298)		(23,298)	
Bond conversion options	31-dec-17	(95)			(95)

34.1 Valuation techniques and inputs used for fair value measurement purposes

a) Assets and liabilities measured at fair value on a recurring basis

■ Interest rate swaps

The group measured the fair value of derivatives using a pricing tool. It generated the forward rates for the contractual deadlines to measure the leg indexed to the floating rate and then discounted its cash flows to their present value.

It measured the leg indexed to the fixed rate at the present value of its cash flows.

The forward and discount rates have been calculated starting from the zero coupon rates implicit in the curve of short-term rates (deposits) and long-term rates (swap rates) at 31 December 2017.

The carrying amount of the financial instrument is the difference between the present value of the floating and fixed components.

The group checks the effectiveness of the transactions using internal valuation techniques, based on the dollar offset method and the hypothetical derivative to calculate fair value changes in the underlying.

■ **Currency hedges**

The group measured these hedges using a pricing tool.

It measured the fair value of the financial instruments using specific valuation techniques based on present value. Specifically, it calculated the fair value of the individual instruments as follows:

- the fair value of FX forwards has been calculated considering the exchange rate and interest rates in the two currencies at the reporting date;
- the fair value of the currency options has been calculated using the Black-Scholes model and the market parameters at the reporting date (exchange rates, interest rates and currency volatility).

The forward and discount rates have been calculated starting from the zero coupon rates implicit in the curve of short-term rates (deposits) and long-term rates (swap rates). The volatility has been estimated by linear interpolation starting from the volatility surface acquired from the info provider.

■ **Securities**

The fair value of securities is their market bid price at the reporting date.

■ **Conversion options in bonds**

Convertible bonds entitle the holder to convert their bonds into a certain number of the issuer's shares. Accordingly, they are similar to standard bonds incorporating the sale of a call-type plain vanilla option.

A pricing tool is used to measure the convertible component.

Under the measurement model adopted, the bond is split up into its basic components: an equity and a debt component. To this end, a new hypothetical security is defined, called the "cash-only part of the convertible bond". The two components are priced using the Black-Scholes model.

The model uses the following inputs: the issuer's share price, the rate curves (swaps and deposits), the share price volatility and the issuer's borrowing cost and credit spread.

Among those inputs, the parent's credit spread cannot be currently observed on the market.

b) Assets and liabilities measured at fair value on a non-recurring basis

At the reporting date, there are no assets and liabilities measured at fair value on a non-recurring basis making it necessary to provide the additional disclosures required by IFRS 13 - Fair value measurement.

c) Transfers of financial instruments among the various levels of the fair value hierarchy

During the year, there were no transfers among the different levels of the fair value hierarchy.

35. Information on risk management, financial instruments and guarantees

35.1 Financial risk management

The Astaldi Group operates on international markets in different currencies. It uses external sources of funds in Euros and other currencies to finance its activities.

It is exposed to the following financial risks:

- market risk: exposure to fluctuations in interest and exchange rates;
- liquidity risk: the possibility that the Astaldi Group might not be able to meet its contractual financial obligations and, more generally, its short-term financial obligations;
- credit risk: exposure to potential losses deriving from the counterparties' failure to fulfil their obligations.

The group monitors the different types of risk in order to assess their potential negative effects in advance and implement adequate safeguards. Risk optimisation and mitigation are carried out through a suitable organisational structure, the adoption of rules and procedures, the implementation of certain commercial and procurement policies and the use of insurance policies and hedging derivatives.

In order to protect its assets, the Astaldi Group issued guidelines for monitoring its exposure to market risks and entrusted

the definition of strategies and policies for financial risk management through derivatives and the monitoring of hedged positions to an internal risk committee.

As part of these policies, the group mainly uses cash flow hedges, whereby it hedges its exposure to a specific risk of changes in cash flows coming from a recognised asset or liability or a highly probable forecast transaction that may affect profit or loss.

The group's derivatives at the reporting date are shown below, distinguishing those that qualify for hedge accounting, which are the majority, and those which do not qualify for hedge accounting. For each transaction, the fair value, notional amount and changes in the relevant equity reserves and profit or loss are also indicated. Foreign currency transactions have been translated into Euros using the closing rates.

35.1.1 Interest rate risk

The group's exposure to fluctuations in interest rates is mainly related to its floating rate financial debt. Indeed, changes in interest rates affect the fair value of the group's financial assets and liabilities and net financial expense.

Also taking into account its contractual obligations, the group assesses its exposure to interest rate risk on a regular basis and manages it by using non-speculative derivatives, following its cash flow hedging strategy. The group's hedging policy, which is governed by a specific interest rate risk management policy, aims to obtain an optimal mix between fixed and variable rate debt in its financing structure, in order to minimise the risk of fluctuations in interest rates (principally the Euribor) in pursuing its set financing structure objectives.

To this end, the group carries out cash flow hedging transactions using plain vanilla derivatives that allow the conversion of variable rates into fixed rates (interest rate swaps) or to keep interest rate fluctuations within an established range (collars), while ensuring a maximum level of exposure to risk (caps). These are usually zero cost instruments.

The notional amount of these derivatives totalled €403.2 million at the reporting date. Taking into account these hedges and the fixed rate debt principally associated with bond issues, the group's fixed rate debt accounts for approximately 57% of its gross financial debt.

The following tables provide details of the transactions mentioned above, all carried out for the purposes of hedging cash flows, broken down by those that qualify for hedge accounting and those that do not.

Type of derivative	Underlying	Residual notional amount 31/12/17	Fair value 31/12/17	Fair value 31/12/16
IRS	Non-current debt	401,363	(23,275)	(13,983)
CCS	Non-current debt	0	0	(13,641)
Total		401,363	(23,275)	(27,624)

Changes in the fair value of hedges that qualify for hedge accounting have been recognised in equity, under the hedging reserve, which totalled €23.2 million at the reporting date.

Change in the hedging reserve during 2017 are summarised below:

Hedging reserve - interest rate risk	31/12/17	31/12/16
Opening balance	(27,623)	(11,547)
Net fair value gain (loss) after reclassifications to profit or loss	4,390	(16,076)
Closing balance	(23,233)	(27,623)
Ineffectiveness	(42)	0

Changes in the fair value of transactions that do not qualify for hedge accounting have been recognised directly in profit or loss.

Type of derivative	Underlying	Residual notional amount 31/12/17	Fair value 31/12/17	Fair value 31/12/16
IRS	Non-current debt	1,833	(22)	(136)
Total		1,833	(22)	(136)

Sensitivity analysis

The following table shows the effect of an assumed increase or decrease in interest rates (in terms of larger or smaller interest expense payable over the entire residual life of the floating rate loans and borrowings) on the group's statements of profit or loss and financial position.

The analysis is based on the market curve on 29 December 2017 and a parallel interest rate shock up of 1% and shock down of 0.30%.

Interest rate risk sensitivity analysis	Profit or loss		Equity	
	Shock up 31/12/17	Shock down 31/12/17	Shock up 31/12/17	Shock down 31/12/17
Financial liabilities				
• cash flows	(40,737)	12,221		
Hedging derivatives				
• cash flows	14,794	(4,590)		
Total	(25,943)	7,631	0	0
• Fair value	12	(4)	14,789	(4,649)

The sensitivity analysis shows that a shock up of 1% in interest rates would have led to a rise of €25.9 million in interest expense, due to the positive impact of hedging derivatives (roughly €14.8 million). In this scenario, fair value losses on hedges recognised in profit or loss would have been smaller by €12 thousand compared to those actually recognised for 2017, while the net fair value losses accumulated in the equity reserve would have decreased by €14.8 million.

Likewise, as shown in the table, a shock down of 0.30% in interest rates would have caused an approximate €7.6 million improvement in interest expense. In this scenario, fair value losses on hedges recognised in profit or loss would have been larger by €4 thousand compared to those actually recognised for 2017, while the net fair value losses accumulated in the equity reserve would have increased by €4.6 million.

35.1.2 Currency risk

The Astaldi Group hedges its exposure to currency risk in relation to specific foreign contracts, in order to mitigate the effect of fluctuations in exchange rates.

The group policy is aimed at hedging a percentage of its exposure to currency risk depending on the characteristics of the business and the particular volatility of certain currencies over the entire duration of the works regarding specific contracts; if this is not possible, for a period of 12 months.

The group uses forward plain vanilla, cost zero cylinder and knock-in forward derivatives.

In those cases where, in connection with specific foreign currencies, especially those of emerging countries, financial markets do not allow for mitigation of the currency risk through derivatives, the Astaldi Group tends to protect the cur-

rency imbalance between trade receivables and payables in local currency through financial debt in the same currency ("natural hedges").

At 31 December 2017, the notional amount of existing currency hedges converted into Euros totalled €96.6 million in absolute terms, with fair value gains of €1.5 million.

Type of derivative	Residual notional amount in currency at 31/12/17	Residual notional amount in Euros in absolute terms at 31/12/17	2017 fair value gains	Profit or loss
Cross €/CAD	34,000	22,608	390	390
Cross €/USD	75,000	62,536	1,019	1,019
Cross €/PLN	(48,000)	11,492	87	87
Total		96,636	1,496	1,496

35.1.3 Liquidity risk

The main factors exposing the group to liquidity risk are, on one hand, the cash flows generated by or used in operating and investing activities and, on the other, the due dates of loans and borrowings and use of cash, as well as contingent conditions of the financial markets.

The Astaldi Group aims to maintain a sufficient treasury margin to cover its financial requirements using available committed and uncommitted credit lines.

Cash flows, the need for financing and available cash are constantly monitored and managed with the aim of ensuring effective and efficient management of financial resources.

The group's financial liabilities are broken down by due date below:

Breakdown by maturity date	Utilisations	On demand	2018	2019	2020	2021	2022	after
Current loans*	(541,459)	541,459						
Non-current loans*	(875,035)		291,239	492,689	31,587	8,604	8,712	42,204
Equity-linked bonds	(140,000)							140,000
Senior unsecured bonds	(750,000)				750,000			
Total	(2,306,494)	541,459	291,239	492,689	781,587	8,604	8,712	182,204
Derivatives								
- interest rate derivatives**	(23,298)	0	6,796	6,627	3,443	2,139	1,565	2,728
- currency derivatives**	1,496		(1,496)					
Total	(21,802)	0	5,300	6,627	3,443	2,139	1,565	2,728
EXPOSURE AT 31.12.2017	(2,328,296)	541,459	296,539	499,316	785,030	10,743	10,277	184,932

* The figure shows the financial liabilities' nominal amount and, hence, does not include (i) loan transaction costs, which are, on the contrary, included when measuring the financial liabilities at amortised cost, and (ii) unpaid accrued interest.

** The figure shows the overall carrying amount of derivatives with positive and negative fair values and, moreover, does not include the unpaid accrued spreads.

The Astaldi Group adopted a series of policies and processes to streamline its management of financial resources, reducing the liquidity risk, such as, in particular:

- centralised management of collection and payment flows (cash management systems), where cost-effective and in compliance with the civil, currency and tax laws of the countries where the group operates, and in keeping with the rules for individual contracts' cash flow management;
- maintenance of a suitable level of cash and cash equivalents;
- existence of an investment portfolio with a corresponding liquid market and whose securities are available for trading in order to cope with liquidity needs;
- diversification of instruments for obtaining financial resources;
- obtainment of new bank credit facilities (committed and uncommitted), ensuring an adequate availability of committed (unused) lines;
- access to the debt capital market;
- monitoring of liquidity projections as part of business planning.

With regard to management's observations on the group's liquidity plan, reference should be made to the "Basis of preparation" section for information about the parent's ability to continue as a going concern.

35.1.4 Credit risk

Credit risk is the group's exposure to potential default by a counterparty.

The group's credit risk is limited thanks to its customers' credit rating. The relevant departments constantly monitor receivables falling due. The group's customers mainly comprise government and public bodies, which are, by their very nature, solvent.

Notwithstanding the above, for some countries, collection times may go beyond the usual terms.

At 31 December 2017, past due trade receivables that were not impaired came to €205.7 million, of which €163.7 million past due by more than one year. The largest amounts of the latter category relate to government and public bodies in Italy (approximately €58 million) and Romania (approximately €90 million).

Again in Europe and with specific reference to the Bucharest Constanta railway project in Romania (approximately €71 million plus relevant interest), following the partial award under which the customer was ordered to pay the relevant amount (interim award), the parent has started the actions provided for by local legislation to collect the related outstanding receivables, as well as negotiations with the counterparty. Therefore, management expects that the amounts will be collected in 2018.

Furthermore, the group has trade receivables due from the Venezuelan government totalling €285.4 million (in addition to contract work in progress of €147.6 million). These receivables relate to activities carried out under contracts protected by an intergovernmental agreement signed by the Italian and Venezuelan governments, which ensures additional protection tools to those available under local laws. Despite the above, in 2017, given the persisting delays in payments and considering Venezuela's current and future prospects, as a precautionary measure, the group recognised an impairment loss on all of such receivables amounting to roughly €230 million.

Finally, the group's contracts with its main subcontractors have mechanisms to align settlement dates of payables with the collection timing of amounts due from customers (back to back).

35.2 Guarantees and sureties

Personal guarantees

The group has given personal guarantees of €3,478,988 thousand as follows:

- sureties of €154,081 thousand to open credit facilities to ensure regular cash flows for contracts, given on behalf of joint ventures (€9,480 thousand), associates and other investees set up for special purposes as per the current sector regulations;
- sureties of €3,275,395 thousand for contract work given on the group's behalf by banks and insurance companies to customers for the parent, its subsidiaries, joint ventures (€43,579 thousand), associates and other investees;
- other sureties of €49,512 thousand (joint ventures: €6,918 thousand) given for various reasons.

Third party sureties given to the group

Banks and insurance companies have given guarantees of €400,079 thousand on behalf of Italian and foreign suppliers and subcontractors with respect to their contractual commitments with the group.

36. Related party transactions and directors', statutory auditors and general managers' fees

In accordance with IAS 24 and Consob communication no. 6064293 of 28 July 2006, the balances of related party transactions, which have been carried out on an arm's length basis, are presented below. Transactions with consortia and consortium companies (SPV) relate to financial assets with third parties recognised under trade receivables (note 23) given the special nature of the sector in which the group operates. They are not included in the following table.

Company	Amounts due to customers	Loans, receivables and other assets	Financial assets	Amounts due to customers.	Financial and other liabilities	Financial liabilities	Operating revenue	Operating costs	Financial income (expense)
Parents									
Fin.Ast S.r.l.	0	16	0	0	0	7,000	12	0	(319)

Subsidiaries of parents									
Finetupar International S.A.	0	0	0	0	0	7,000	0	0	(319)

Joint ventures									
Ankara etlik Hastane A.S.	0	3,765	30,189	77,562	258	0	70,050	0	1,672
Astaldi Bayindir J.V.	0	6,629	0	0	579	0	0	0	0
Consorzio A.F.T. Kramis	0	5,452	578	0	240	0	0	8	18
Etlik Hastane PA S.r.l.	0	6,444	0	0	3,906	0	10	0	23
Ic İctas Astaldi Ica İnşaat Anonim Şirket	73,410	17,794	0	7,887	0	833	144,901	0	5,462
Other*	0	9,517	433	3,206	2,628	0	30	74	5
	73,410	49,601	31,200	88,655	7,611	833	214,991	82	7,180

Associates									
Brennero Tunnel Construction S.c.a.r.l.	0	8,004	0	0	9,160	0	998	30,636	5,992
Consorzio Iricav Due	0	549	0	0	18,200	0	415	1,811	0
Consorzio MM4	42,462	11,951	311	0	724	0	73,135	992	0
Diga di Blufi S.c.r.l. in liq.	0	6,840	0	0	5,464	0	0	6	3
ICA Ic İctas Astaldi ucuncu bogaz koprusu ve kuzey marmara otoyolu yatırım ve işletme AS	126,950	33,765	**188,497	0	0	0	89,834	0	8,969
METRO C S.c.p.a.	0	4,371	0	0	8,613	0	1,186	23,562	0





Company	Amounts due to customers	Loans, receivables and other assets	Financial assets	Amounts due to customers.	Financial and other liabilities	Financial liabilities	Operating revenue	Operating costs	Financial income (expense)
Otoyol Yatirim Ve Isletme A.S	34,081	93	3,916	0	0	0	126,395	0	420
Sociedad Concesionaria Metropolitana de Salud s.a.	0	7,956	***2,996	0	89	0	73,979	10	56
Other*	0	9,922	6,618	0	6,131	0	854	6,621	93
	203,493	83,451	202,338	0	48,381	0	366,796	63,638	15,533
Total	276,903	133,068	233,538	88,655	55,992	14,833	581,799	63,720	22,074
As a percentage	16.25%	11.69%	51.50%	17.02%	4.05%	0.64%	19.01%	2.32%	(11.49%)

* items with a unit amount of less than €5,000 thousand.
** of which €180,767 classified under assets held for sale.
*** included under assets held for sale.

The parent's directors', statutory auditors and general managers' fees are set out in the following table. Reference should also be made to the Remuneration report prepared pursuant to article 123-ter of the Consolidated Tax Act for further information.

	Fixed fees	Fees for committee meetings	Variable share-based fees (bonuses and other incentives)	Non-monetary benefits	Other fees	Total	Fair value of share-based fees
Directors	3,498	40	2,528	37	13	6,116	297
Statutory auditors	120	0	0	0	0	120	0
General managers	1,980	0	160	40	29	2,209	713

37. Segment reporting

The operating segments are defined based on the reports used by senior management for decision-making purposes. Specifically, these reports are split by geographical segment and are prepared using the same accounting policies used for the consolidated financial statements.

The following tables show the segment disclosures required by IFRS 8.

31/12/2017	Italy	Europe	Americas	Africa	Asia	Other activities	Adjustments and eliminations	Total
Revenue	1,009,609	1,046,310	1,048,895	93,401	3,078	570	(313,543)	2,888,319
Share of profit of equity-accounted investees								47,196
Operating profit (loss)	103,229	77,687	(160,644)	29,733	(5,268)	(23,465)	55,074	76,345
Net financial expense								(192,180)





Loss before tax and non-controlling interests								(115,835)
Tax expense								18,108
Loss for the year								(101,175)
Assets and liabilities								
Segment assets	1,452,680	3,055,847	1,569,500	299,830	39,289	2,841,054	(4,282,611)	4,975,588
of which equity investments						893,877	(503,350)	390,527
Segment liabilities	(1,176,649)	(2,581,250)	(1,166,217)	(289,736)	(43,901)	(2,776,132)	3,607,738	(4,426,147)
Other segment figures								
Property, plant and equipment	11,177	46,267	76,410	1,214	203	46,631	(2,971)	178,930
Intangible assets	68,287	339	4,607	0	7	2,836	3,111	79,187
Depreciation	2,595	12,708	17,510	1,353	141	3,806	(1,436)	36,677
Provisions						5,097		5,097

31/12/2016	Italy	Europe	Americas	Africa	Asia	Other activities	Adjustments and eliminations	Total
Revenue	965,165	1,221,444	993,792	146,293	15,236	711	(490,815)	2,851,826
Share of profit of equity-accounted investees								87,760
Operating profit (loss)	23,659	154,522	46,147	9,223	(3,427)	2,054	84,795	316,973
Net financial expense								(187,877)
Profit before tax and non-controlling interests								129,096
Tax expense								(31,654)
Profit for the year								72,457
Assets and liabilities								
Segment assets	1,819,137	2,551,755	1,816,770	256,201	43,199	2,563,108	(4,313,085)	4,737,085
of which equity investments						900,282	(376,651)	523,631
Segment liabilities	(1,638,176)	(2,104,416)	(1,609,070)	(271,139)	(46,803)	(2,097,247)	3,728,251	(4,038,600)
Other segment figures								
Property, plant and equipment	10,783	60,921	96,626	2,700	316	39,901	(3,688)	207,558
Intangible assets	66,650	382	123	0	0	3,761	3,111	74,026
Depreciation	1,380	22,590	21,159	2,285	193	3,669	(4,786)	46,489
Provisions						3,999		3,999

38. Other information

Significant non-recurring events and transactions

With the exception of that set out in the “Impairment of other assets” section in relation to the impairment loss on the total exposure with the Venezuelan government, in 2017, the Astaldi Group's financial position and financial performance were not affected by significant additional non-recurring events and transactions as defined in Consob communication no. DEM/6064293.

The effects of the mentioned impairment loss on the group's financial position and financial performance are as follows:

Statement of profit or loss

	Pre-impairment loss	Impairment loss	Post-impairment loss
Total operating revenue	3,060,733	0	3,060,733
Total operating costs	(2,741,553)	0	(2,741,553)
Share of profits (losses) of joint ventures and associates	47,196	0	47,196
Gross operating profit	366,376	0	366,376
Amortisation, depreciation and impairment losses	(54,933)	(230,000)	(284,933)
Provisions	(5,097)	0	(5,097)
Operating profit	306,345	(230,000)	76,345
Net financial expense	(217,444)	25,264	(192,180)
Pre-tax profit (loss)	88,901	(204,736)	(115,835)
Tax expense	18,108	0	18,108
Profit (loss) for the year	107,009	(204,736)	(97,727)

Statement of financial position

	Pre-impairment loss	Impairment loss	Post-impairment loss
Non-current assets	1,112,305	203,164	1,315,469
Current assets	3,704,292	(407,900)	3,296,392
Non-current assets held for sale	363,727	0	363,727
Total assets	5,180,324	(204,736)	4,975,588
Total equity	754,178	(204,736)	549,442
Non-current liabilities	1,595,873		1,595,873
Current liabilities	2,830,273		2,830,273
Total equity and liabilities	5,180,324	(204,736)	4,975,588

Atypical or unusual transactions

In 2017, the Astaldi Group did not carry out any atypical or unusual transactions, as defined in Consob communication no. DEM/6064293.

38.1 Authorisation for publication

The parent's board of directors authorised the publication of these consolidated financial statements on 15 March 2017.

38.2 Events after the reporting date

In January 2018, Astaldi was awarded a €73 million contract (Astaldi's share: 70%) to build the Nuovo Ospedale del Sud-Est Barese in Monopoli-Fasano, Italy, as part of a joint venture. The construction contract covers all the civil works and systems for the new healthcare facility in Puglia, which will have 299 beds and nine operating theatres in a surface area of 178,000 square metres. The customer is the local health authority of the Bari Province. The works are expected to take roughly three years and the contract will be signed once the tender procedures have been completed, as is normal practice.

Also in January, Astaldi won a new USD108 million motorway contract to build a section of the Wekiva Parkway in Florida, USA. The contract covers the construction of 8 km of new highway along the State Road 429-State Road 46 (Wekiva Parkway, Section 7A), including 12 bridges and all related works. The works are scheduled to take just over five years. The customer is the Florida Department of Transportation (FDOT - District 5, the US government agency charged with developing the transport infrastructure system in the State of Florida). The works will be financed with FDOT funds and performed by Astaldi Construction Corporation (ACC), the group company in charge of developing the US market. The United States is one of the areas the group is the most interested in for its planned growth of the next few years. This new contract heralds another important milestone for Astaldi and strengthens its position in the US.

Again in January, Astaldi was awarded a €435 million contract (Astaldi's share: 60%) to build a suspension bridge over the Danube River in the Braila area in Romania as part of a joint venture. The contract covers the design and construction of a 1,975 metre suspension bridge with a main span of 1,120 metres and two side spans of 490 and 365 metres. The contract also includes the construction of two viaducts to access the bridge of 110 metres and roughly 23 km of access roads. The design stage will take one year and construction works three years. The customer is CNAIR, the state company owned by the Romanian Ministry of Transport and Infrastructure. The works are included in the country's transport master plan and are financed using EU funds as part of the POIM programme. Design and construction will be performed as a joint venture between Astaldi (main contractor, 60%) and IHI (Japan, 40%). IHI is a worldwide leader in the design and construction of suspension bridges and has worked with Astaldi on the Osman Gazi Bridge in Turkey, which is the fourth longest suspension bridge in the world and part of the Gebze-Orhangazi-Izmir motorway.

In February, Astaldi obtained two contracts for €110 million. One contract (€67 million, Astaldi's share: 100%) is for completion of the Colombo, San Tommaso and Polcevera tunnels as part of the programme to upgrade the Genoa railway junction. The other contract of €40 million (Astaldi's share: 50%) is to carry out clean-up activities of Lot 2 of former Kuwait Petroleum Italia's refinery in Naples.

On 19 February, the CIPE approved the definitive designs for the second section of the third mega lot of SS-106 state road Jonica in Italy. As a result of this approval, the executive designs for the entire mega lot (functional lots 1 and 2) can be prepared and the preliminary works started. The works will be performed by a joint venture including Astaldi (lead contractor) and Salini Impregilo. At the date of preparation of this report, the group had included the contract in its order backlog for approximately €960 million.

38.3 Fees to the independent auditors, KPMG, and their network pursuant to article 149-duodecies of the Issuer regulation

The fees paid in 2017 to KPMG, which was engaged by the shareholders for the 2011-2019 statutory audit of the separate and consolidated financial statements on 18 April 2011, are summarised below.

	2017
A) Audit services	1,408
- Parent, Astaldi S.p.A. (*)	691
- Subsidiaries	717
B) Attestation services (**)	531
C) Other services	228
Total	2,167
(*) Fees including out-of-pocket expenses and Consob fees	691
(**) Parent, Astaldi S.p.A.	520
of which:	
1) Comfort letters issued in connection with the equity-linked bond issue	110
2) Fairness opinion on the share price in connection with the capital increase for the equity-linked bonds in June 2017	165
3) Agreed upon procedures, signing of tax returns and other attestation procedures	245

For the Board of Directors
(the Chairman)
Paolo Astaldi





ITALY – Line 4 of Milan underground | Vetra station.

Management certification

(Consolidated financial statements)

Translation from the Italian original which remains the definitive version.

**Certification of the Consolidated Financial Statements
pursuant to Article 154-bis of Italian Legislative Decree No. 58/98 and
Article 81-ter of CONSOB Regulation No. 11971 of 14 May 1999
and any subsequent amendments and additions**

1. Taking into account the provisions contained in Article 154-bis, subsections 3 and 4 of Legislative Decree No. 58 of 24 February 1998, the undersigned Filippo Stinellis, in the capacity of Chief Executive Officer, and Paolo Citterio, in the capacity of Manager in charge of financial reporting of Astaldi S.p.A., hereby certify:
 - the appropriateness in relation to the company's characteristics and
 - the actual application of administrative and accounting procedures used to formulate the 2017 consolidated financial statements.
2. The administrative and accounting procedures used to formulate the consolidated financial statements at 31 December 2017 were formulated and their appropriateness assessed on the basis of provisions and methodologies defined by Astaldi S.p.A. in compliance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission (so-called CO.S.O. Report) which represents a reference framework for internal audit systems generally accepted at an international level.
There are no significant observations to be made in this regard.
3. This is also to certify that:
 - 3.1 The consolidated financial statements:
 - a) were drafted in compliance with the applicable international financial reporting standards acknowledged within the European Community pursuant to (EC) Reg. No. 1606/2002 of the European Parliament and Council of 19 July 2002;
 - b) match the ledgers and accounting entries;
 - c) are suitable for providing a truthful and accurate representation of the financial position and results of operations of the issuer and of all the companies included in the consolidation scope.
 - 3.2 The management report contains a reliable analysis of the operating performance and result, as well as of the situation of Astaldi S.p.A. and of all the companies included in the consolidation scope, together with a description of the main risks and uncertainties it is exposed to.

Rome, 15 March 2018

Signed Filippo Stinellis
Chief Executive Officer

Signed Paolo Citterio
Manager in charge of financial reporting

Independent Auditor's Report

(Consolidated financial statements)



KPMG S.p.A.
Revisione e organizzazione contabile
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Telefono +39 06 80961.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Astaldi S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Astaldi Group (the "Group"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Astaldi Group as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of Astaldi S.p.A. (the "Company") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty about going concern

We draw attention to that disclosed by the directors in the "Main risks and uncertainties" section of the directors' report and the "Basis of preparation" section of the notes to the consolidated financial statements about events and circumstances

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

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Società per azioni
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that indicate that there is a material uncertainty which would cast significant doubts about the Group's ability to continue as a going concern and the reasons why the directors deemed it appropriate to prepare the consolidated financial statements at 31 December 2017 on a going concern basis.

Obtaining sufficient audit evidence supporting the Company's directors' use of the going concern basis of accounting was a key audit matter.

Our audit procedures included:

- understanding and analysing the cash flow plan prepared by the Company and the underlying key assumptions;
- analysing the main transactions that the Group completed and commenced during the year, especially the sale of the concession assets identified in the 2017-2021 strategic plan;
- analysing the significant communications with the advisors of the main lending banks in relation to the capital and financial strengthening project;
- obtaining written representations from the Company's directors and the controlling shareholder in relation to future action plans and the related viability;
- analysing the minutes of the Company's internal bodies;
- analysing the events after the reporting date that provide information useful for an assessment of the appropriateness of the use of the going concern basis of accounting to prepare the consolidated financial statements;
- checking the appropriateness of the disclosures on the going concern assumption in the consolidated financial statements.

We did not qualify our opinion in this respect.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to that described in the *Material uncertainty about going concern* section, we have identified the following key audit matters to report herein.

Estimate of the recoverable amount of trade receivables and amounts due from customers relating to work carried out in Venezuela and recognised as other non-current assets

Notes to the consolidated financial statements: section "Basis of preparation – paragraphs Impairment of other assets and Use of estimates"; note 8 "Amortisation, depreciation and impairment losses"; note 22 "Amounts due from/to customers"; note 23 "Trade receivables"; note 35.1 "Financial risk management - Credit risk"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2017 include trade receivables and amounts due from customers of €203	— Analysing the accounting policies used by the Company's directors to estimate the recoverable amount of trade



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million relating to work carried out in Venezuela and recognised as other non-current assets, net of impairment losses of totalling €230 million.

Estimating the recoverable amount of such exposure, carried out by the Company's directors including with the assistance of an external expert, entails a high uncertainty level due to Venezuela's complex situation, including as a result of the events that took place in the second half of 2017 which led to a further worsening in the country's political, economic and social conditions, as described by the company's directors in the section "Basis of preparation – paragraphs "Impairment of other assets" of the notes to the consolidated financial statements.

Therefore, we believe that the estimate of the recoverable amount of trade receivables and amounts due from customers relating to work carried out in Venezuela and recognised as other non-current assets is a key audit matter.

receivables and amounts due from customers relating to work carried out in Venezuela and recognised as other non-current assets;

- Analysing, including by involving our own valuation specialists, the method and reasonableness of the assumptions used through discussions with the Company's directors, checking the supporting documentation and analysing the opinion of the external expert engaged by the Company's directors;
- Assessing the appropriateness of the disclosures provided in the notes about the estimate of the recoverable amount of trade receivables and amounts due from customers relating to work carried out in Venezuela and recognised as other non-current assets.

Measurement of amounts due from/to customers for contract work in progress and recognition of contract revenue

Notes to the consolidated financial statements: section "Basis of preparation – paragraphs Contract work in progress and Use of estimates", note 1 "Revenue", note 22 "Amounts due from/to customers"

Key audit matter	Audit procedures addressing the key audit matter
<p>The consolidated financial statements at 31 December 2017 include amounts due from customers of €1,704 million, amounts due to customers of €521 million and contract revenue of €2,788 million, recognised using the percentage of completion method based on incurred cost (cost to cost model).</p> <p>Measuring amounts due from/to customers and recognising contract revenue are based on the total forecast contract revenue and costs to complete contract work in progress. These estimates are affected by many factors, including:</p> <ul style="list-style-type: none"> — requests for additional consideration for contract variations, price escalation clauses, incentives and claims compared to that contractually agreed; — the long timeframe and engineering and operating complexity of construction contracts in progress; 	<ul style="list-style-type: none"> — Understanding the process for the measurement of amount due from/to customers for contract work in progress and recognition of contract revenue and the related IT environment and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — For a sample of contracts: <ul style="list-style-type: none"> — analysing construction contracts in order to check that the significant factors have been appropriately considered by the Group; — checking the recognition of costs and their allocation to the contract work in progress by analysing supporting documentation; — visiting work sites; — analysing the reasonableness of the key assumptions underlying the calculation of contract budgets



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- the risk profile of certain countries in which the construction contracts are carried out.

Therefore, we believe that the measurement of amounts due from/to customers for contract work in progress and the recognition of contract revenue are a key audit matter.

through discussions with contracts' project managers and controllers, stages of completion, correspondence with customers about requests for additional consideration and information obtained from the Group's and third party legal and technical experts;

- performing substantive analytical procedures for the most significant discrepancies between actual and forecast figures at the reporting date and at the previous year end and discussing the outcome with the relevant internal departments;
- assessing the appropriateness of the disclosures provided in the notes about amounts due from/to customers for contract work in progress and related revenue.

Recoverability of the Group's net assets

Notes to the consolidated financial statements: section "Basis of preparation – paragraphs "Impairment of equity investments, property, plant and equipment, goodwill and other intangible assets and Use of estimates"

Key audit matter	Audit procedures addressing the key audit matter
<p>At 31 December 2017, the Group's market capitalisation of €208.7 million, is smaller than its equity attributable to the owners of the parent at the same date of €518.7 million. Accordingly, the Company's directors deemed it necessary to perform a second level impairment test in order to compare the Group's net assets with its share of reported equity.</p> <p>The Company's directors calculated the recoverable amount of the Group's net assets, including with the assistance of an external expert, by estimating their value in use using an income-based method to discount the cash flows of the "Construction" line of business and a dividend-based method to discount the expected cash flows from the investees of the "Concessions" line of business. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about:</p> <ul style="list-style-type: none"> — the expected flows, calculated by taking into account the general economic performance and that of the joint venture's sector, the cash flows 	<ul style="list-style-type: none"> — Understanding the process adopted for impairment testing approved by the Company's board of directors; — Analysing the reasonableness of the assumptions used by the Company's directors and the external expert to prepare the impairment test; — checking any discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the Company's directors; — comparing the income and cash flows used for impairment testing to the flows forecast in the 2017-2021 business plan approved by the Company's board of directors and in each concession operator investee's plan and analysing any discrepancies; — involving specialists of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of comparison with external data and information;



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- | | |
|---|--|
| <p>generated in recent years and the projected growth rates;</p> <p>— the financial parameters to be used to calculate the discount rate mentioned above.</p> | <p>— assessing the appropriateness of the disclosures provided in the notes about the impairment test.</p> |
|---|--|

Therefore, we believe that the recoverability of the Group's net assets is a key audit matter.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Astaldi S.p.A. for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;



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- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 18 April 2011, the shareholders of Astaldi S.p.A. appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2011 to 31 December 2019.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.



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Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The directors of Astaldi S.p.A. are responsible for the preparation of the Group's directors' report and report on corporate governance and ownership structure at 31 December 2017 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the Group's consolidated financial statements at 31 December 2017 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the consolidated financial statements of the Astaldi Group at 31 December 2017 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Astaldi S.p.A. are responsible for the preparation of a non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Rome, 30 March 2018

KPMG S.p.A.

(signed on the original)

Marco Mele
Director of Audit



ITALY – Naples-Afragola HS/HC railway station.



RUSSIA - Western High-Speed Diameter in St. Petersburg.



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Separate financial statements of Astaldi S.p.A.

Statement of profit or loss

(in Euros)	notes	2017	2016
Revenue	1	1,938,140,104	2,079,702,884
<i>of which with related parties</i>		651,546,054	765,747,833
Other Operating Revenue	2	125,005,176	140,438,125
<i>of which with related parties</i>		20,422,459	19,989,028
Total Operating Revenue		2,063,145,280	2,220,141,009
Purchase costs	3	(284,182,804)	(352,689,066)
Service costs	4	(1,212,396,364)	(1,246,802,633)
<i>of which with related parties</i>		(303,312,123)	(206,671,590)
Personnel expenses	5	(302,073,211)	(317,909,979)
Other operating costs	6	(27,276,826)	(32,891,210)
<i>of which with related parties</i>		(803,229)	(169,368)
Total Operating Costs		(1,825,929,205)	(1,950,292,888)
Share of profits (losses) of subsidiaries, joint ventures and associates	7	61,369,877	27,741,010
Gross operating profit		298,585,952	297,589,131
Amortisation, depreciation and impairment losses	8	(272,174,291)	(46,239,978)
Provisions	9	(908,966)	(1,466,765)
Operating Profit		25,502,695	249,882,388
Financial income	10	115,292,806	99,278,161
<i>of which with related parties</i>		40,078,092	31,305,413
Financial expense	11	(264,148,474)	(248,397,534)
<i>of which with related parties</i>		(4,323,420)	(2,044,045)
Net financial expense		(148,855,668)	(149,119,373)
Pre-tax profit (loss) from continuing operations		(123,352,973)	100,763,015
Tax benefit (expense)	12	24,629,718	(27,447,037)
PROFIT (LOSS) FOR THE YEAR		(98,723,255)	73,315,978
<i>Earnings per share</i>			
Basic	13	€1.01	€0.75
Diluted	13	€1.01	€0.66

Statement of comprehensive income

<i>(in Euros)</i>	notes	2017	2016
Profit (loss) for the year (A)		(98,723,255)	73,315,978
Change in fair value of cash flow hedge derivatives		4,829,183	(2,829,571)
Exchange differences from translation of financial statements in foreign currencies		(38,975,129)	21,840,668
Share of other comprehensive expense of equity-accounted investees		(34,129,974)	(18,342,015)
Share of other comprehensive income (expense) of disposal groups		21,007,864	0
Tax effect		(8,038,716)	9,344,639
Other comprehensive income (expense), net of tax effect, to be subsequently reclassified to profit or loss (B1)	26	(55,306,772)	10,013,721
Actuarial gains (losses) on employee defined benefit plans		28,524	(75,721)
Share of other comprehensive income (expense) of equity-accounted investees		17,391	(44,036)
Other comprehensive income (expense), net of tax effect, that will not be subsequently reclassified to profit or loss (B2)	26	45,915	(119,757)
Total other comprehensive income (expense), net of tax effect (B1)+(B2)=(B)		(55,260,857)	9,893,964
TOTAL COMPREHENSIVE INCOME (EXPENSE) (A)+(B)		(153,984,112)	83,209,942

Statement of financial position

Assets

(in Euros)	notes	31/12/2017	31/12/2016
ASSETS			
Non-current assets			
Property, plant and equipment	14	150,307,599	170,925,352
Investment property	15	142,653	150,319
Intangible assets	16	44,963,762	51,298,070
Equity investments	17	613,210,496	674,485,061
<i>of which: equity-accounted investments</i>		584,362,473	660,819,088
Non-current financial assets	18	91,130,609	256,193,254
<i>of which with related parties</i>		87,829,393	254,843,855
Other non-current assets	19	298,077,588	27,361,867
Deferred tax assets	12	128,994,673	87,979,897
Other Non-current assets		1,326,827,380	1,268,393,820
Current assets			
Inventories	20	39,270,209	37,941,596
Amounts due from customers	21	1,518,631,573	1,350,411,902
<i>of which with related parties</i>		317,151,654	237,254,097
Trade receivables	22	435,743,290	785,480,749
<i>of which with related parties</i>		185,969,691	233,716,231
Current financial assets	18	188,159,558	209,127,576
<i>of which with related parties</i>		154,483,496	185,099,079
Tax assets	23	51,583,296	68,766,808
Other current assets	19	435,749,229	407,224,133
<i>of which with related parties</i>		194,145,539	199,941,666
Cash and cash equivalents	24	393,584,533	400,386,829
Total Current assets		3,062,721,688	3,259,339,593
Non-current assets held for sale	25	349,389,679	77,756,483
<i>of which with related parties</i>		180,767,300	40,703,231
Total Assets		4,738,938,747	4,605,489,896

Statement of financial position

Equity and liabilities

<i>(in Euros)</i>	notes	31/12/2017	31/12/2016
Equity	26		
Share capital		196,849,800	196,849,800
Treasury shares		(1,079,668)	(1,314,942)
Legal reserve		33,162,987	33,062,370
Extraordinary reserve		294,446,072	311,540,724
Retained earnings		74,685,147	74,685,147
Other reserves		156,711,748	84,951,981
Other comprehensive expense		(155,286,432)	(108,064,291)
Deferred tax from other comprehensive income		18,302,250	26,340,966
Total capital and reserves		617,791,904	618,051,755
Profit (loss) for the year		(98,723,255)	73,315,978
Total Equity		519,068,649	691,367,733
Non-current liabilities			
Non-current financial liabilities	27	1,381,086,806	1,480,409,348
<i>of which with related parties</i>		15,934,396	14,325,094
Other non-current liabilities	28	7,298,189	1,684,500
Employee benefits	29	4,285,049	4,727,092
Deferred tax liabilities	12	83,061,350	40,136,052
Total Non-current liabilities		1,475,731,394	1,526,956,992
Current liabilities			
Amounts due to customers	21	419,094,738	407,417,083
<i>of which with related parties</i>		89,270,463	174,352,108
Trade payables	30	1,207,533,682	1,171,671,409
<i>of which with related parties</i>		376,301,715	396,874,581
Current financial liabilities	27	879,562,404	571,258,766
<i>of which: related parties</i>		114,985,278	91,204,203
Tax liabilities	31	53,757,680	62,209,772
Provisions for risks and charges	32	34,517,279	44,082,985
Other current liabilities	28	149,672,921	130,525,156
<i>of which with related parties</i>		24,971,600	8,307,329
Total Current liabilities		2,744,138,704	2,387,165,171
Total Liabilities		4,219,870,098	3,914,122,163
Total Equity and Liabilities		4,738,938,747	4,605,489,896

Statement of changes in equity for the year ended 31 December 2017

	<i>Share capital</i>	<i>Legal reserve</i>	<i>Extraordinary reserve</i>	<i>Hedging reserve</i>	<i>Translation reserve</i>	
Opening balance	195,534,858	33,062,370	311,540,724	(119,362,290)	11,803,176	
Profit (loss) from continuing operations						
Other comprehensive income (expense)				60,382,696	(107,650,752)	
TOTAL COMPREHENSIVE INCOME (EXPENSE)	0	0	0	60,382,696	(107,650,752)	
Owner transactions and other changes in equity:						
Treasury shares	235,274		549,852			
Dividends			(19,556,223)			
Reserve as per article 27						
Allocation of 2016 profit from continuing operations						
Stock Grant reserve						
Other changes		100,617	1,911,719			
Closing balance	*195,770,132	33,162,987	*294,446,072	(58,979,594)	(95,847,576)	

* The amount is net of the investment in treasury shares totalling €3,079 thousand, including the nominal amount of shares of €1,080 thousand, which was offset against share capital, and €1,999 thousand offset against the extraordinary reserve.

Statement of changes in equity for the year ended 31 December 2016

	<i>Share capital</i>	<i>Legal reserve</i>	<i>Extraordinary reserve</i>	<i>Hedging reserve</i>	<i>Translation reserve</i>	
Opening balance	195,248,260	31,141,468	293,096,745	(77,666,414)	(30,591,153)	
Profit from continuing operations 2016						
Other comprehensive income (expense)				(41,695,876)	42,394,329	
TOTAL COMPREHENSIVE INCOME (EXPENSE)	0	0	0	(41,695,876)	42,394,329	
Owner transactions and other changes in equity:						
Treasury shares	286,598		1,663,248			
Dividends						
Reserve as per article 27						
Allocation of 2015 profit from continuing operations		1,920,902	16,780,731			
Stock Grant reserve						
Closing balance	*195,534,858	33,062,370	*311,540,724	(119,362,290)	11,803,176	

* The amount is net of the investment in treasury shares totalling €3,864 thousand, including the nominal amount of shares of €1,315 thousand, which was offset against share capital, and €2,549 thousand offset against the extraordinary reserve.

<i>Actuarial reserve</i>	<i>Deferred taxes on OCI</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Profit (loss) for the year</i>	<i>Equity</i>
(505,177)	26,340,966	84,951,981	74,685,147	73,315,978	691,367,733
				(98,723,255)	(98,723,255)
45,915	(8,038,716)				(55,260,857)
45,915	(8,038,716)	0	0	(98,723,255)	(153,984,112)
		(332,466)			452,660
					(19,556,223)
					0
		73,315,978		(73,315,978)	0
		788,591			788,591
		(2,012,336)			0
(459,262)	18,302,250	156,711,748	74,685,147	(98,723,255)	519,068,649

<i>Actuarial reserve</i>	<i>Fair value reserve</i>	<i>Deferred taxes on OCI</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Profit for the year</i>	<i>Equity</i>
(385,420)	29,371	16,996,327	44,912,321	77,257,818	77,491,423	627,530,746
					73,315,978	73,315,978
(119,757)	(29,371)	9,344,639				9,893,964
(119,757)	(29,371)	9,344,639	0	0	73,315,978	83,209,942
			(1,179,635)			770,211
					(19,524,321)	(19,524,321)
					(192,090)	(192,090)
			41,646,050	(2,572,671)	(57,775,012)	0
			(426,755)			(426,755)
(505,177)	0	26,340,966	84,951,981	74,685,147	73,315,978	691,367,733

Statement of cash flows

Operating activities

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) for the year	(98,723,255)	73,315,978
Tax (benefit) expense	(24,629,718)	27,447,037
Pre-tax profit (loss)	(123,352,973)	100,763,015
Adjustments for:		
• Non-monetary items		
Amortisation and depreciation	38,682,163	46,074,002
Impairment losses	233,498,499	165,982
Net gains on equity-accounted investees	(61,369,877)	(27,741,010)
Post-employment benefits and defined benefit plan costs	890,674	550,292
Stock grant plan costs	1,248,181	1,254,836
Accrual to provisions for risks and charges	908,966	1,466,765
Fair value gains following adoption of fair value measurement and other	(13,550,748)	(5,883,089)
Subtotal	200,307,858	15,887,778
• Monetary items		
(Gains) losses from disposals	(9,091,449)	(8,000,380)
• Other adjustments to reconcile the profit (loss) for the year to the cash flows from operating activities		
Net interest income and expense and dividends received	80,556,395	84,145,966
Subtotal	71,464,946	76,145,586
Cash flows from operating activities before changes in net working capital	148,419,831	192,796,379
Change in working capital		
Trade receivables	98,353,957	(34,684,827)
of which with related parties	47,746,540	(50,732,231)
Inventories and amounts due from customers	(317,302,306)	(216,045,591)
of which with related parties	(79,897,557)	(123,875,338)
Trade payables	48,580,508	88,412,665
of which with related parties	(20,572,866)	77,905,727
Provisions for risks and charges	(622,876)	(3,662,917)
Amounts due to customers	11,677,655	43,353,701
of which with related parties	(85,081,645)	24,973,974
Other operating assets	(38,679,826)	(9,229,012)
of which with related parties	5,796,127	(19,236,872)
Other operating liabilities	14,554,960	8,426,455
of which with related parties	16,664,271	(7,683,396)
Payment of post-employment benefits and defined benefit plans	(1,304,193)	(1,144,533)
Subtotal	(184,742,120)	(124,574,059)
Exchange differences on the translation of financial statements of foreign operations	(37,457,157)	21,840,668
Cash flows generated from (used in) operating activities	(73,779,446)	90,062,988
Interest and dividends received	22,540,952	25,254,442
Interest paid	(101,588,726)	(107,415,970)
Tax paid	(13,652,577)	(15,469,659)
A) Net cash flows used in operating activities	(166,479,798)	(7,568,200)

Statement of cash flows

Investing and financing activities

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in intangible assets	(18,070,579)	(6,991,518)
Investment in property, plant and equipment	(24,293,371)	(25,085,513)
Proceeds from the sale or reimbursement of property, plant and equipment	20,504,426	14,901,713
Change in financing of equity investments	15,624,793	(103,195,496)
<i>of which with related parties</i>	15,539,992	(103,195,496)
Acquisitions of investments in subsidiaries, associates, joint ventures and other companies	(2,264,743)	(67,068,577)
Sale / (Purchase) of securities	811,754	305,824
Change in other loan assets, net	(24,284,361)	6,944,583
<i>of which with related parties</i>	(9,075,292)	1,974,583
Acquisition of business unit	(1,800,000)	(19,200,000)
B) Cash flows used in investing activities	(33,772,082)	(199,388,985)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends distributed to the owners of the Parent	(19,556,223)	(19,524,321)
Net investment in treasury shares	785,126	1,949,846
Sale (repurchase) of treasury shares	(332,466)	(1,179,635)
Net use of credit lines	200,311,295	91,631,504
Change in other financial liabilities	19,081,990	89,947,891
<i>of which with related parties</i>	25,390,377	90,803,433
Repayment of finance leases	(6,380,550)	(8,939,661)
Other changes	(459,589)	(1,681,761)
C) Cash flows generated from financing activities	193,449,584	152,203,864
NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(6,802,296)	(54,753,321)
OPENING CASH AND CASH EQUIVALENTS	400,386,829	455,140,150
CLOSING CASH AND CASH EQUIVALENTS	393,584,533	400,386,829



CANADA - Muskrat Falls hydroelectric project.

Management certification

(Separate financial statements)

Translation from the Italian original which remains the definitive version.

**Management Certification of Separate Financial Statements
pursuant to Article 154-bis of Italian Legislative Decree No. 58/98
and Article 81-ter of CONSOB Regulation No. 11971 of 14 May 1999
and any subsequent amendments and additions**

1. Taking into account the provisions contained in Article 154-bis, subsections 3 and 4 of Legislative Decree No. 58 of 24 February 1998, the undersigned Filippo Stinellis, in the capacity of Chief Executive Officer, and Paolo Citterio, in the capacity of Manager in charge of financial reporting of Astaldi S.p.A., hereby certify:
 - the appropriateness in relation to the company's characteristics and
 - the actual application of administrative and accounting procedures used to formulate the 2017 separate financial statements.
2. The administrative and accounting procedures used to formulate the separate financial statements at 31 December 2017 were formulated and their appropriateness assessed on the basis of provisions and methodologies defined by Astaldi S.p.A. in compliance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission (so-called CO.S.O. Report) which represents a reference framework for internal audit systems generally accepted at an international level.

There are no significant observations to be made in this regard.
3. This is also to certify that:
 - 3.1 The separate financial statements:
 - a) were drafted in compliance with the applicable international financial reporting standards acknowledged within the European Community pursuant to (EC) Reg. No. 1606/2002 of the European Parliament and Council of 19 July 2002;
 - b) match the ledgers and accounting entries;
 - c) are suitable for providing a truthful and accurate representation of the financial position and results of operations of the issuer.
 - 3.2 The management report contains a reliable analysis of the operating performance and result, as well as of the situation of Astaldi S.p.A. together with a description of the main risks and uncertainties it is exposed to.

Rome, 15 March 2018

Signed Filippo Stinellis
Chief Executive Officer

Signed Paolo Citterio
Manager in charge of financial reporting

Independent auditors' report

(Separate financial statements)



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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Astaldi S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Astaldi S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Astaldi S.p.A. as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the separate financial statements" section of our report. We are independent of Astaldi S.p.A. in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty about going concern

We draw attention to that disclosed by the directors in the "Main risks and uncertainties" section of the directors' report and the "Basis of preparation" section of the notes to the separate financial statements about events and circumstances that

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Astaldi S.p.A.
Independent auditors' report
31 December 2017

indicate that there is a material uncertainty which would cast significant doubts about the Company's ability to continue as a going concern and the reasons why the directors deemed it appropriate to prepare the separate financial statements at 31 December 2017 on a going concern basis.

Obtaining sufficient audit evidence supporting the Company's directors' use of the going concern basis of accounting was a key audit matter.

Our audit procedures included:

- understanding and analysing the cash flow plan prepared by the Company and the underlying key assumptions;
- analysing the main transactions that the Company and the Group completed and commenced during the year, especially the sale of the concession assets identified in the 2017-2021 strategic plan;
- analysing the significant communications with the advisors of the main lending banks in relation to the capital and financial strengthening project;
- obtaining written representations from the Company's directors and the controlling shareholder in relation to future action plans and the related viability;
- analysing the minutes of the Company's internal bodies;
- analysing the events after the reporting date that provide information useful for an assessment of the appropriateness of the use of the going concern basis of accounting to prepare the separate financial statements;
- checking the appropriateness of the disclosures on the going concern assumption in the separate financial statements.

We did not qualify our opinion in this respect.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to that described in the *Material uncertainty about going concern* section, we have identified the following key audit matters to report herein:

Estimate of the recoverable amount of trade receivables and amounts due from customers relating to work carried out in Venezuela and recognised as other non-current assets

Notes to the separate financial statements: section "Basis of preparation – paragraphs Impairment of other assets and Use of estimates", note 8 "Amortisation, depreciation and impairment losses", note 21 "Amounts due from/to customers", note 22 "Trade receivables", note 34.1 "Financial risk management - Credit risk"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2017 include trade receivables and amounts due from customers of €203 million relating to work carried out in	— Analysing the accounting policies used by the directors to estimate the recoverable amount of trade receivables and amounts due from customers



Astaldi S.p.A.
Independent auditors' report
31 December 2017

Venezuela and recognised as other non-current assets, net of impairment losses of totalling €230 million.

Estimating the recoverable amount of such exposure, carried out by the Company's directors including with the assistance of an external expert, entails a high uncertainty level due to Venezuela's complex situation, including as a result of the events that took place in the second half of 2017 which led to a further worsening in the country's political, economic and social conditions, as described by the directors in the section "Basis of preparation – paragraphs "Impairment of other assets" of the notes to the separate financial statements.

Therefore, we believe that the estimate of the recoverable amount of trade receivables and amounts due from customers relating to work carried out in Venezuela and recognised as other non-current assets is a key audit matter.

relating to work carried out in Venezuela and recognised as other non-current assets;

- Analysing, including by involving our own valuation specialists, the method and reasonableness of the assumptions used through discussions with the directors, checking the supporting documentation and analysing the opinion of the external expert engaged by the directors;
- Assessing the appropriateness of the disclosures provided in the notes about the estimate of the recoverable amount of trade receivables and amounts due from customers relating to work carried out in Venezuela and recognised as other non-current assets.

Measurement of amounts due from/to customers for contract work in progress and recognition of contract revenue

Notes to the separate financial statements: section "Basis of preparation – paragraphs Contract work in progress and Use of estimates", note 1 "Revenue", note 21 "Amounts due from/to customers"

Key audit matter	Audit procedures addressing the key audit matter
<p>The separate financial statements at 31 December 2017 include amounts due from customers of €1,519 million, amounts due to customers of €419 million and contract revenue of €1,924 million, recognised using the percentage of completion method based on incurred cost (cost to cost model).</p> <p>Measuring amounts due from/to customers and recognising contract revenue are based on the total forecast contract revenue and costs to complete contract work in progress. These estimates are affected by many factors, including:</p> <ul style="list-style-type: none"> — requests for additional consideration for contract variations, price escalation clauses, incentives and claims compared to that contractually agreed; — the long timeframe and engineering and operating complexity of construction contracts in progress; — the risk profile of certain countries in which the construction contracts are carried out. <p>Therefore, we believe that the measurement of amounts due from/to customers for</p>	<ul style="list-style-type: none"> — Understanding the process for the measurement of amount due from/to customers for contract work in progress and recognition of contract revenue and the related IT environment and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — For a sample of contracts: <ul style="list-style-type: none"> — analysing construction contracts in order to check that the significant factors have been appropriately considered by the directors; — checking the recognition of costs and their allocation to the contract work in progress by analysing supporting documentation; — visiting work sites; — analysing the reasonableness of the key assumptions underlying the calculation of contract budgets through discussions with contracts' project managers and controllers;



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contract work in progress and the recognition of contract revenue are a key audit matter.

stages of completion, correspondence with customers about requests for additional consideration and information obtained from the Company's and third party legal and technical experts;

- performing substantive analytical procedures for the most significant discrepancies between actual and forecast figures at the reporting date and at the previous year end and discussing the outcome with the relevant internal departments;
- assessing the appropriateness of the disclosures provided in the notes about amounts due from/to customers for contract work in progress and related revenue.

Recoverability of the Company's net assets

Notes to the separate financial statements: section "Basis of preparation – paragraphs "Impairment of equity investments, property, plant and equipment, goodwill and other intangible assets and Use of estimates"

Key audit matter	Audit procedures addressing the key audit matter
<p>At 31 December 2017, the Company's market capitalisation of €208.7 million is smaller than its equity at the same date of €519.1 million). Accordingly, the directors deemed it necessary to perform a second level impairment test in order to compare the Company's net assets with its reported equity.</p> <p>The directors calculated the recoverable amount of the Company's net assets, including with the assistance of an external expert, by estimating their value in use using an income-based method to discount the cash flows of the "Construction" line of business and a dividend-based method to discount the expected cash flows from the investees of the "Concessions" line of business. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about:</p> <ul style="list-style-type: none"> — the expected flows, calculated by taking into account the general economic performance and that of the joint venture's sector, the cash flows generated in recent years and the projected growth rates; 	<ul style="list-style-type: none"> — Understanding the process adopted for impairment testing approved by the Company's board of directors; — analysing the reasonableness of the assumptions used by the directors and the external expert to prepare the impairment test; — checking any discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors; — comparing the income and cash flows used for impairment testing to the flows forecast in the 2017-2021 business plan approved by the Company's board of directors and in each concession operator investee's plan and analysing any discrepancies; — involving specialists of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of comparison with external data and information; — assessing the appropriateness of the disclosures provided in the notes about the impairment test.



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-
- the financial parameters to be used to calculate the discount rate mentioned above.

Therefore, we believe that the recoverability of the Company's net assets is a key audit matter.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Astaldi S.p.A. for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The Collegio Sindacale is responsible for overseeing, within the terms established by the Italian law, the Company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;



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- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 18 April 2011, the shareholders of Astaldi S.p.A. appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2011 to 31 December 2019.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the Collegio Sindacale, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The directors of Astaldi S.p.A. are responsible for the preparation of the Company's directors' report and report on corporate governance and ownership structure at 31 December 2017 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.



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We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the Company's separate financial statements at 31 December 2017 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the separate financial statements of Astaldi S.p.A. at 31 December 2017 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Rome, 30 March 2018

KPMG S.p.A.

(signed on the original)

Marco Mele
Director of Audit



ITALY – Container terminal at the Port of Taranto.



ITALY - SS-106 Jonica national road (Lot DG-41).



Corporate Governance

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Report on corporate governance and ownership structure

pursuant to article 123-bis of the consolidated finance act (TUF)

(traditional management and control model)

1. Profile of issuer

The corporate governance structure adopted by Astaldi S.p.A., a company incorporated and existing under Italian law with shares admitted for trading on Borsa Italiana S.p.A. and bonds admitted for trading on the Luxembourg and Vienna Stock Exchanges, is based upon the traditional administration and control model. Without prejudice to the duties of the Shareholders, the corporate governance structure assigns management duties to the Board of Directors, and the supervisory functions to the Board of Statutory Auditors. The accounts are audited by an audit firm. In implementation of the provisions of Legislative Decree no. 231/2001, the Company has appointed the Supervisory Body.

Also because it is listed on the STAR Segment, Astaldi S.p.A. adheres to the “Code of conduct for listed companies” (hereinafter, the “Code of conduct”) drafted by Borsa Italiana S.p.A. in 1999 and later amended by the Corporate Governance Committee.

This year as well, Astaldi S.p.A.’s governance is in line with the principles provided for by the Code of conduct, with the recommendations formulated by CONSOB in this regard, and, more generally, with international best practices.

In light of the above, the following is a description of Astaldi S.p.A.’s corporate governance system at 31 December 2017.

Since the 2017 financial year, no substantial changes have taken place.

2. Information on the ownership structure (pursuant to art. 123-bis of the consolidated finance act – TUF) at (31 December 2017)

a) Structure of share capital (pursuant to art. 123-bis, subsection 1, letter a), of the consolidated finance act – TUF)

- Amount in Euros of share capital subscribed and paid-in: **EUR 196,849,800.00**.

- Share capital consists of the following categories of shares: **ordinary shares with voting rights**.

The aforementioned share capital is subdivided into 98,424,900 **ordinary shares** with a nominal amount of EUR 2 per share.

STRUCTURE OF SHARE CAPITAL			
	No. of shares	% of share capital	Listing
Ordinary shares	98,424,900	100%	Italy – STAR Segment

On 13 June 2017, the Board of Directors of Astaldi S.p.A. resolved the issue of an equity-linked bond, reserved for qualified Italian and foreign investors. The transaction fits into a broader programme of funding and strengthening of Company's assets. For this bond, bondholders are given the right to request conversion of the bonds into already existing or newly-issued shares, and the Company is entitled to refund the capital through the handing over of shares or in cash, or in a combination of shares and cash. The proceeds of this issue were used, among other things, to repay the bond approved on 23 January 2013, which is fully paid off.

The Shareholders at their Meeting of 15 December 2017 decided upon a capital increase excluding the pre-emption right pursuant to art. 2441, subsection 5, of the Italian Civil Code, serving exclusively the equity-linked bond.

The following is the summary table:

OTHER FINANCIAL INSTRUMENTS (attributing the right to subscribe newly-issued shares)				
	Listing	No. of outstanding convertible bonds	Category of shares used for the conversion	Number of shares for the conversion
Convertible bonds	Vienna Stock Exchange	140,000	ordinary	17,853,499

Share-based incentive plans that involve increases – including those free of charge – of the share capital have not been introduced.

b) Restrictions on the transfer of securities (pursuant to art. 123-bis, subsection 1, letter b), of the consolidated finance act – TUF)

There are no restrictions on the transfer of securities.

c) Significant equity investments (pursuant to art. 123-bis, subsection 1, letter c), of the consolidated finance act – TUF)

At 31 December 2017, the shareholders holding shares for an amount exceeding 3% of the share capital – the threshold defined by Legislative Decree no. 25/2016, implementing European Directive no. 2013/50/EC (the “Transparency” Directive) – as resulting from the shareholders’ ledger, from the announcements received pursuant to art. 120 TUF, and from other available information, are as follows:

FIN.AST S.r.l.	<i>FIN.AST S.r.l.</i>	39,605,495	40.239%
	<i>Finetupar International S.A.</i>	12,327,967	12.525%
		51,933,462	52.764%
FMR LLC	<i>FMR Co, Inc</i>	7,343,144	7.461%
	TOTAL	59,276,606	60.225%

d) Shares conferring special rights (pursuant to art. 123-bis, subsection 1, letter d), of the consolidated finance act – TUF)

At their meeting of 29 January 2015, amending art. 12 of the Company's Bylaws, in line with the provisions of art. 127-*quinquies* of Legislative Decree no. 58 of 24 February 1998 (consolidated finance act – TUF), the shareholders introduced the mechanism of the so-called “increased voting rights.” Consequently, shareholders (or others entitled to vote) that so request are permitted to register in a “List” kept by the Company for the attribution of two votes per share possessed, subject to continuous possession for a period of at least 24 months by the same party.

The Company's new Bylaws provides that two votes are assigned for each share belonging to the shareholder that has requested to be registered in the List – kept and updated by the Company – and that has maintained it for an uninterrupted period of no less than twenty-four months starting from the date of registration in said List.

For organisational purposes, the Company's Bylaws establishes that the registrations in and updating of the List are to take place quarterly – 01 March, 01 June, 01 September, 01 December – or at such other frequency as may be provided for by sector regulations.

Specific procedural technicalities are reported in the Regulations, approved by the Board of Directors meeting of 10 March 2015 and available on the Company's website in the section http://www.astaldi.com/governance/increased_votes.

During 2015, the first entries in the register took place. In application of the requirements of art. 143-*quater*, subsection 5, of CONSOB's Issuer Regulation, the Company published, in the same section as above, the shareholders with interests exceeding 3%, that requested being registered on said list.

At 31 December 2017, the parties are registered as shown in the table.

It is specified that other registrations were made, albeit with regard to interests of under 3%.

DECLARANT	REGISTRATION DATE	INTEREST FOR WHICH INCREASE WAS REQUESTED	TOTAL INTEREST
FIN.AST S.r.l.	1 MARCH 2015	39,500,000 (40.132%)	39,605,495 (40.239%)
Finetupar International S.A.	1 MARCH 2015	12,327,967 (12.525%)	12,327,967 (12.525%)

Implementing the provisions of the regulations of reference and the specific provisions of the Bylaws of Astaldi S.p.A., on 01 March 2017 – the day of the twenty-fourth month following that on which the registration took effect – the shareholders FIN.AST S.r.l. and *Finetupar International S.A.*, having, as reported above, maintained their shares without interruption in the List, accrued increased voting rights.

During 2017, other parties accrued increased voting rights.

At 01 December 2017, increased voting rights accrued for 3,558,700 shares, with a total variation in voting rights from 150,325,167 to 153,883,867.

e) Employee shareholding: mechanism for exercising voting rights (pursuant to art. 123-*bis*, subsection 1, letter e), of the consolidated finance act – TUF)

No employee shareholding system has been instituted.

f) Restrictions on voting rights (pursuant to art. 123-*bis*, subsection 1, letter f), of the consolidated finance act – TUF)

No restriction on voting rights is provided for.

g) Shareholders' agreements (pursuant to art. 123-*bis*, subsection 1, letter g), of the consolidated finance act – TUF)

As part of the transaction of issuing the equity-linked bond mentioned in point 2 a), FIN.AST., as controlling shareholder of Astaldi S.p.A., also through the subsidiary *Finetupar*: (i) expressed support for the transaction; (ii) undertook to vote in favour of the connected Capital Increase at the Extraordinary Shareholders' Meeting that was subsequently held on 15 December 2017, and (iii) agreed to take on lock-up commitments of a duration of 90 days with regard to the Shares held by them, as well as any financial instruments linked to them, except for joining the Buyback.

h) Change of control clause (pursuant to art. 123-*bis*, subsection 1, letter h), of the consolidated finance act – TUF) and statutory provisions in the matter of takeover bids (pursuant to articles 104, subsection 1-*ter*, and 104-*bis*, subsection 1)

Astaldi has taken out medium/long-term bank loans and bonds containing early repayment clauses in the event of change of control.

In the matter of takeover bids, the Bylaws of Astaldi S.p.A. do not deviate from the provisions on the passivity rule provided for by art. 104, subsections 1 and 2, TUF, nor do they provide for application of the "neutralisation" rules contemplated by art. 104-*bis*, subsections 2 and 3, TUF.

i) Delegations to increase share capital and authorisations for the repurchase of treasury shares (pursuant to art. 123-bis, subsection 1, letter m), of the consolidated finance act - TUF)

The Board of Directors of Astaldi S.p.A. was not delegated to increase the share capital pursuant to art. 2443 of the Italian civil code, or to issue participatory financial instruments.

At their meeting, dated 21 April 2017, with reference to the Company's treasury shares buyback plan, pursuant to art. 2357 and following of the Italian civil code and art. 132 of Legislative Decree no. 58 of 24 February 1998, the shareholders of Astaldi S.p.A. approved the renewal for the authorisation to purchase treasury shares for a period of twelve months starting from 29 May 2017, and therefore through Monday, 28 May 2018, considering that, in light of CONSOB decision no. 16839 of 19 March 2009, the purposes of fostering regular trading, of preventing price movements out of line with market trends, and of guaranteeing adequate support to market liquidity would remain uncompromised.

Therefore, the Shareholders resolved to renew, for a period of 12 months starting 29 May 2017, and therefore through Monday, 28 May 2018, the authorisation for the Board of Directors:

- to purchase ordinary shares of the Company of a nominal amount of EUR 2.00 each, within a revolving limit of 9,842,490 shares, also including the shares already in the portfolio, with the additional constraint that the amount of the shares shall never at any time exceed EUR 24,600,000.00 (without prejudice to the limit of distributable profits and of the available reserves pursuant to art. 2357, first section, of the Italian civil code);
- to set a minimum unit purchase price equal to EUR 2.00 Euro and a maximum unit price not exceeding the average price over the 10 days trading days on the stock exchange prior to the day of purchase, increased by 10%.

These purchases are made on Mercato Telematico Azionario (screen-based stock exchange) pursuant to art. 144-bis, first section, *letter b*), of CONSOB Regulation no. 11971/99.

Moreover, the Plan in question provides that the Board of Directors, following the Shareholders' resolution of 18 April 2011, is authorised, with no time limits, to dispose, on Mercato Telematico Azionario (screen-based stock exchange) pursuant to art. 144-bis, first section, *letter b*), of CONSOB Regulation no. 11971/99, of the purchased shares at a unit price of no less than the average price over the 10 days trading days on the stock exchange prior to the day of purchase, decreased by 10%, as well as to dispose, again with no time limits, of treasury shares through share exchange transactions during any possible transactions of a strategic nature in the Company's interest including, in particular, exchange and/or transfer transactions, under the condition that the valuation of the shares in these transactions is no less than the average carrying amount of the treasury shares held. Treasury shares may also be used without time limits in the service of stock grant and/or stock option plans. The Board of Directors is also authorised to carry out securities loan transactions – in which Astaldi S.p.A. acts as lender – with regard to treasury shares.

In execution of what was decided upon, the Company, at 31 December 2017, possessed 539,834 treasury shares.

l) Management and coordination activity (pursuant to art. 2497 and following of the Italian civil code and art. 16, subsection 4, of CONSOB's Market Rules)

Astaldi S.p.A. **is not subject to the “management and coordination”** of any of its shareholders, in that the Company's Board of Directors makes, with full independence and autonomy, all the most appropriate decisions with regard to managing the Company's business.

Lastly, it is specified that:

- the information required by art. 123-bis, first section, *letter i*) (*“agreements between companies and directors ... that involve indemnity in the event of resignation or dismissal without just cause, or if the employment relationship is terminated following a takeover bid”*) are illustrated in the Report on Remuneration published pursuant to art. 123-ter of the consolidated finance act – TUF;

- the information required by art. 123-bis, first section, *letter l*) (“the regulations applicable to the appointment and the replacement of directors ... as well as the modification of the Company’s Bylaws, if different from the legislative and regulatory ones supplementarily applicable”) are illustrated in the section of the Report dedicated to the Board of Directors (Sect. 4.1).

3. Compliance (pursuant to art. 123-bis, subsection 2, *letter a*), of the consolidated finance act – TUF)

As stated in the introduction, Astaldi S.p.A., also as a company listed on the STAR Segment, adheres to the Code of conduct prepared in 1999 by Borsa Italiana S.p.A., and subsequently modified by the Corporate Governance Committee.

The latest revision of the Code of conduct was made in July 2015, in order to update it to recent regulatory and self-regulatory developments.

The code in question is accessible to the public on the website of the Corporate Governance Committee, at <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>

The Company’s governance structure is substantially in line with the recommendations of the Code of conduct and has been constantly adjusted to its recommendations. The Company’s current governance is in line with the edition published in July 2015 by the Corporate Governance Committee, in the terms illustrated hereunder.

In line with the arrangement adopted last year, and in order to best represent the application of the principle of “comply or explain,” the Report takes into account the recommendations of the Code of conduct that it was deemed fitting not to adopt, providing justification therefor, and describing any alternative behaviour adopted. It is in fact to be kept in mind that the 2014 edition of the Code, in adopting European Recommendation no. 208/2014, already asked issuers to clearly indicate the specific recommendations of the Code that were disregarded, and to describe, clearly and comprehensively, the reasons for the non-application and for any adoption of alternative criteria, as well as to explain whether the deviation was limited in time.

Astaldi S.p.A., like its subsidiaries, is not subject to non-Italian provisions of law influencing the Company’s corporate governance structure.

4. Board of directors

4.1 Appointment and Replacement (pursuant to art. 123-bis, subsection 1, *letter l*), of the consolidated finance act – TUF)

Pursuant to the provisions of the regulations in force, the Bylaws of Astaldi S.p.A. provides for the “**slate voting**” system with regard to the appointment of its Board of Directors.

In particular, the Bylaws state that shareholders that, on their own or jointly with other shareholders that contribute towards the **submission** of the same slate, taken together hold shares representing at least **2.5%** of the share capital (or the lesser amount that may be provided for by the application provisions of law or regulations) with rights to vote in the ordinary Shareholders’ Meeting are entitled to submit slates.

Again according to the Bylaws, the slates, signed by those submitting them and bearing the indications provided for by law, must be **lodged** at the Company’s main office, following the procedures and by the deadlines provided for by the application regulations.

The directors are **elected** in the following manner:

- 1) from the slate that has garnered the highest number of votes expressed by the shareholders, a number of directors is drawn, in the progressive order in which they are listed on the slate, equal to the total number of board members as established by the Shareholders, minus one. Should no slate have garnered a higher number of votes than the others, the Shareholders' Meeting must be reconvened for another vote to be held in accordance with the Bylaws;
- 2) from the slate that has garnered the second highest number of votes and is not linked, based on the criteria established by the regulations in force governing the election of minority auditors, to shareholders that have submitted or voted upon the slate that garnered the highest number of votes, one director is drawn, in the person of the candidate indicated with the first number on said slate. If several minority slates have obtained the same number of votes, the candidate most senior in age from among those appearing as number one on the slates garnering an equal number of votes shall be elected.

Should a **single slate** be submitted, or if no slate is submitted, the Shareholders shall resolve with the majorities in accordance with the law, without observing the above procedure.

For the purposes of the **subdivision** of the directors to be elected, no account is taken of the slates that have not garnered a percentage of votes at least equal to one half of that required for the purposes of submitting the slates.

The Bylaws state that the slates must be accompanied, among other things, by the declarations by the candidates attesting, under their responsibility, to their possession of the **requirements of independence** required by law.

Moreover, in order to ensure the election of the **minimum number of independent directors** based on the requirements of art. 147-ter, subsection 4, of the consolidated finance act – TUF, the Bylaws expressly provide that *“each slate shall contain the candidacy of persons having the requirements of independence established by law, and at least equal to the number of independent directors that by law must be present in the Board of Directors.”*

In order to ensure a gender balance, art. 16 of the Company's Bylaws, in implementation of the provisions of art. 147-ter, subsection 1-ter, TUF, establishes that each slate that contains three or more than three candidacies must include a number of candidates, possessing the requirements established by law and by the Bylaws, that is an expression of the gender less represented within the Board of Directors, in a number equal to **one fifth** of the candidates who shall make up the Board of Directors entering office on the occasion of the first renewal of the Board of Directors after 12 August 2012, and equal to **one third** of the candidates who shall make up the Board of Directors to be appointed for the following two terms.

With regard to the **directors leaving office**, the Company's Bylaws also provides that, should during the financial year one or more directors elected from the **slate that has garnered the highest number of votes** leave office, and provided that the majority still consists of directors appointed by the Shareholders, actions will be taken pursuant to art. 2386 of the Italian civil code.

On the other hand, should the director elected from the **slate that garnered the second highest number of votes** leave office, the Bylaws provide that he or she shall be replaced as follows:

- a) the Board of Directors appoints the replacement from those belonging to the same slate to which the director leaving office belonged, under the condition that the shareholders that submitted said slate have maintained the shareholding interest required for submitting the slate, and at the subsequent meeting, the Shareholders resolve upon this, with the majorities required by law, in line with the same principle. Should the director in question leave office after the first renewal of the Board of Directors after 12 August 2012 or during the two terms of office thereafter, and if this has altered the balance between the genders represented in the Board of Directors, replacement shall take place by going down the slate until identifying the candidate who expresses the less represented gender;
- b) should it prove impossible to appoint the replacement from the slate that garnered the second highest number of votes pursuant to *letter a)* above, the Board of Directors – in compliance with gender balance, where the office-leaving takes place after the first renewal of the Board of Directors after 12 August 2012 or during the two terms of office thereafter – appoints the replacement from those belonging to the slates following the slate that garnered the second highest number of votes, in progressive order, under the condition that the shareholders that have submitted the slate from

which the substitute is drawn have maintained the shareholding interest required for submitting the slate, and at their subsequent meeting, the Shareholders resolve, with the majorities required by law, in line with the same principles;

- c) if no candidates not elected earlier remain, or, at any rate, when for any reason it is not possible to comply with the provisions of letters a) and b), the Board of Directors shall see to the replacement, as the Shareholders establish at their subsequent meeting, with the legal majorities without slate voting, but at any rate in compliance with the provisions of the regulations and of these Bylaws as regards the minimum number of independent directors and gender balance, when the office-leaving takes place after the first renewal of the Board of Directors after 12 August 2012 or during the two terms of office thereafter.

Moreover, the Bylaws establish that should the majority of directors leave office for any reason, the entire Board of Directors shall be removed from office and the directors remaining in office shall urgently call the Shareholders' Meeting in order to appoint the new Board of Directors. Moreover, the Board of Directors shall remain in office until the Shareholders have resolved as to the Board's renewal, and there is acceptance by more than one half of the new directors; until that time, the Board of Directors may carry out solely acts of ordinary administration.

Succession plans

Given also the composition of the Company's shareholding, the Board of Directors has not seen fit to adopt a plan for the succession of executive directors.

4.2 Composition (pursuant to art. 123-bis, subsection 2, letters d) and d-bis), of the consolidated finance act – TUF)

The Board of Directors of Astaldi S.p.A. was appointed by the Shareholders at their Meeting of 20 April 2016. The Shareholders decided that the Board would have nine (9) members, and set the duration for the 2016-2018 financial years.

The aforementioned appointment was made in compliance with the Company's Bylaws and with art. 147-ter of the consolidated finance act – TUF.

In compliance with the legal deadlines for submitting the slates of candidates for the members of the Board of Directors, the shareholder FIN.AST. S.r.l., holder of 39,605,495 shares equal to 40.239% of the share capital, submitted the following slate:

1. Paolo Astaldi
2. Caterina Astaldi
3. Paolo Cuccia
4. Piero Gnudi
5. Chiara Mancini
6. Nicoletta Mincato
7. Ernesto Monti
8. Filippo Stinellis
9. Michele Valensise

No other slates were submitted.

The slate of the shareholder FIN.AST. S.r.l. garnered the favourable vote of 99.624% of the share capital represented at the Shareholders' Meeting electing the nine (9) members of the Board of Directors.

At the time of appointment, the Board of Directors was thus composed of the following members: Paolo Astaldi, Ernesto Monti, Michele Valensise, Filippo Stinellis, Caterina Astaldi, Paolo Cuccia, Piero Gnudi, Chiara Mancini, and Nicoletta Mincato (all on the only submitted slate).

The average age of the members of the current Board is 59 years; slightly lower than that of the previous Board, 61 years. The board members' skill and professionalism is highly diversified. A Board representation with such great technical skill in the sector in which the Company operates is joined by directors who have the managerial and cultural background to guarantee constructive and fruitful board debate in the interest of the Company and the shareholders. The appointment of the shareholders Caterina Astaldi, Chiara Mancini, and Nicoletta Mincato also made it possible to amply fulfil the gender balance obligation required by law no. 120 of 12 July 2011, and by the Bylaws (art. 16). After the Shareholders' appointment, the newly elected Board of Directors, in application of the requirements of art. 18 of the Company's Bylaws – on 20 April 2016 appointed Paolo Astaldi as the Company's Chairman, and Ernesto Monti and Michele Valensise as Deputy Chairmen; Filippo Stinellis was appointed CEO. Again on the occasion of the post-appointment Board meeting, also in consideration of the delegated powers conferred at that time, the existence of the requirements of independence pursuant to art. 3 of the Code of conduct was assessed for the directors Paolo Cuccia, Piero Gnudi, Chiara Mancini, and Nicoletta Mincato. The same directors were qualified as independent also pursuant to art. 147-*ter* of the consolidated finance act – TUF by the Board itself. Also qualified as independent, pursuant to art. 147-*ter* of the consolidated finance act – TUF, was Ernesto Monti.

As to the personal and professional characteristics of each director, refer to what is published on the Company's website (www.astaldi.com) in the "Governance" section – "Board of Directors" subsection.

As to the composition and characteristics of the Board of Directors in office, see Table 2 in the appendix.

The term of office of the current Board of Directors expires with the Shareholders approving the financial statements at 31 December 2018.

Maximum accumulation of offices held in other companies

Since 2006, the Company's Board of Directors has, by a decision for this purpose, identified the general criteria adopted by the Company with regard to the maximum number of positions as director or statutory auditor that the Company's board members may hold in other companies listed in regulated markets (including foreign markets), in financial firms, banks, insurance companies, or entities of significant size, as provided for by art. 1.C.3 of the Code of conduct.

In particular, the Board of Directors, on that occasion, decided to identify the following maximums:

- **6** (cumulative) positions as director or statutory auditor for "*non-executive*" and "*independent*" directors;
- **4** (cumulative) positions as director or statutory auditor for "*executive*" directors.

However, for the purposes of calculating the above, no account is taken of the positions as director or statutory auditor held by Astaldi S.p.A. board members within other Group companies.

Diversity policies

Legislative Decree no. 254 of 30 December 2016 implemented in our legal system Directive 2014/95/EU as regards disclosure of non-financial and diversity information.

The regulatory provision imposes obligations of information transparency with regard to the diversity policies adopted by the listed issuers, in the intent to enhance the diversity profiles of the members of the Board of Directors and of the Board of Statutory Auditors. In this sense, art. 10 of Legislative Decree no. 254 of 2016 has modified art. 123-*bis* of the consolidated finance act (TUF) – "Report on corporate governance and ownership structure" – by introducing *letter d-bis*).

The provisions contained in Legislative Decree no. 254/2016 apply with reference to the financial years starting from 01 January 2017. In particular, the new provision requires stating, in the "Report on corporate governance and ownership structure" for the 2017 financial year, the description of:

- (i) the diversity policies applied in relation to the composition of the Board of Directors and the Board of Statutory Auditors, with regard to such aspects as age, gender composition, and educational and professional background;
- (ii) the objectives of these policies;
- (iii) the modes of implementation;
- (iv) the results of these policies.

On the occasion of the approval hereof, Astaldi S.p.A. shall be required to provide a description of these profiles. The disclosure regarding the applied diversity Policies preliminarily required they be defined and adopted by the Board of Directors of Astaldi S.p.A.

Towards this end, the Company has initiated a process to analyse the profiles and parameters to be considered.

Art. 123-bis, subsection 2, *letter d-bis*) of the consolidated finance act (TUF), as supplemented by art. 10 of Legislative Decree no. 254/2016, asks Companies to adopt policies with regard to such aspects as age, gender composition, and educational and professional background. These aspects are provided by way of example and not limitation, as the Company, in its organisational autonomy, may well introduce other parameters to be considered in structuring and defining its Policies. The Policies in the Italian legislative context have been defined by the Company in consideration of the regulatory and self-regulatory paradigm of reference, as well as in light of the provisions of the Bylaws adopted by Astaldi S.p.A. in keeping with its organisational autonomy.

This process consisted of recognising the regulations and the principles of self-regulation on the one hand, and of the clauses of the Bylaws of Astaldi S.p.A. on the other, in order to assess that the existing organisational solutions are consistent with the regulatory requirements; towards this end, such additional indices were assessed as type of business, international vocation, and operation on specific markets.

As regards gender composition, it is pointed out that the approval of law no. 120/2011 introduced into our legal system the principle of gender balance in the Board of Directors and the Board of Statutory Auditors. In application of the new regulations, starting August 2012, a specific component of the Board of Directors and the Board of Statutory Auditors of listed companies must belong to the less-represented gender. Astaldi's Bylaws have adopted this provision and is therefore in line with the new regulations.

As concerns the requirements of professional background, art. 16, paragraph 12 of the Bylaws of Astaldi S.p.A. states, with specific reference to the members of the Board of Directors, that "Pursuant to Article 2387 of the Italian Civil Code, candidates for administration offices may only be parties who have accrued specific professional skills".

In order to have an overall framework of reference, the compositions of these bodies in leading competitors in Italy and abroad were analysed. On the Italian market, it was noted that the average size of the Board of Directors of companies operating in the same sector, albeit larger than that of Astaldi S.p.A., shows similar profiles in terms of average age and experience. The same considerations apply to the members of the Board of Statutory Auditors.

As regards the analysis of international competitors, albeit in consideration of the greater size, the observation could be made that the board's composition is marked by a balanced gender diversity and by the presence of representatives of different nationalities.

The Board of Directors therefore held that application of the provisions of laws and regulations on the one hand, and of the provisions of the Bylaws on the other already guarantee a sufficiently high degree of levels of diversification of diversity profiles within the Board of Directors and the Board of Statutory Auditors for each of the elements indicated by the new art. 123-bis, subsection 2, *letter d-bis*, of the consolidated finance act (age, gender, educational and professional background).

During this phase of initial application of the new regulations, the Board of Directors, on the other hand, did not deem it appropriate to adopt, within its Policies, requirements linked to the age of the members of the Board of Directors and Board of Statutory Auditors, holding it to be non-determinant for the purposes of informed participation in the proceedings of these bodies.

For the same reasons, the Policies contain no requirements in addition to those indicated by art. 10 of Legislative Decree no. 254 of 30 December 2016.

As concerns the procedural path, the Diversity Policies document was first examined by the Appointments and Remuneration Committee in the presence of the Board of Statutory Auditors, and was then approved by the Board of Directors at its meeting of 14 November 2017.

In order to enrich the dialogue between the Company and its shareholders and to guide the latter in identifying candidates

with requirements as compatible as possible with those referred to in the Diversity Policies, the Company will assess constantly updating the document, also in consideration of the results of the board evaluation activity and with a view to renewing the Board of Directors and the Board of Statutory Auditors. The Company shall illustrate the assessments pertaining to the Diversity Policies in the next Governance Reports, also in consideration of their application when renewing the Board of Directors and the Board of Statutory Auditors. As already pointed out, the current composition of the Board of Directors, like that of the Board of Statutory Auditors, is fully in line with the provisions of law and the Bylaws, to which the Policies adopted by Astaldi S.p.A. refer in their entirety.

The document is available on the Company's website ("Governance/corporate-documents" section).

Induction Programme

Unceasing changes in laws and regulations require all subjects who hold positions in management and control bodies of listed companies to constantly and transversally update application of the rules of corporate governance. In this perspective, and with the aim of incentivising the presence of adequate professional figures in the corporate bodies, the Code of conduct asks the chairmen of the companies to promote the participation by board members and statutory auditors in initiatives suitable for providing them with adequate knowledge of the sector of activity in which the issuer operates, of the corporate dynamics and of their evolution, of the principles of proper risk management, and of the regulatory and self-regulatory framework of reference. The Code also recommends stating in the report on corporate governance the type and organisational procedures of the initiatives that took place during the financial year of reference (*application criterion 2.C.2*). In implementation of the Code's recommendations, also during the financial year that has just ended, meetings were held between board members, statutory auditors, and some company managers, aimed at illustrating, with the necessary degree of detail, the development of the Company's business and at affording the best knowledge of the Company's Business Plan.

In consideration of the entry into force of the regulations governing market abuse, a deeper analysis was made of the new regulations and of the CONSOB document "Guidelines – Inside Information Management," on the occasion of some Board meetings, as well as at the meeting of the Board of Statutory Auditors of 26 January 2018.

In this regard, it is reported that, at the Board of Directors meeting of 21 September 2017, the Company updated the procedure in the matter of Internal dealing, already approved in August 2016. Subsequently, the Company adopted a new procedure on ongoing reporting (now called "Procedure for the management of the Inside Information"), as shall be described under par. 5.

4.3 Role and Function of the Board of Directors (pursuant to art. 123-bis, subsection 2, letter d), of the consolidated finance act – TUF)

The Board of Directors plays a central role in the company's organisation.

It is tasked with the responsibility for the Company's strategic and organisational policies, as well as verifying the existence of the checks needed to monitor the trends of the Company and of the Group. Pursuant to art. 22 of the Company's Bylaws, the Board is vested with the broadest powers for the Company's management.

Number of meetings and duration

In line with the provisions of the Bylaws, during the 2017 financial year, 9 meetings of the Board of Directors were held, for an average duration of about 1 hour and fifteen minutes per meeting, with a limited number of absences – all justified – of board members and of statutory auditors.

Moreover, the Board of Directors, in compliance with the stock exchange's regulations in this regard, approved and then disclosed to Borsa Italiana S.p.A. and to the market, with reference to the 2018 financial year, the **calendar** of dates of upcoming Board meetings for the approval of the draft financial statements, of the interim and quarterly financial reports (the "2018 Corporate calendar"), as reported hereunder and available on the company's website ("Governance/Financial calendar" section).

Corporate Event	Purpose	Date
Board of Directors	Approval of the 2018 Annual Financial Report	1-9 March 2018
Shareholders' Meeting	2017 Annual Financial Report	10-20 April 2018
Board of Directors	Approval of the First Quarterly Report	11-15 May 2018
Board of Directors	Approval of the Interim Financial Report for 2018	3-7 August 2018
Board of Directors	Approval of the Third Quarterly Report	9-14 November 2018

On 28 February 2018, the Company announced that the Board of Directors meeting to approve the Annual Financial Report would be held on 15 March – the date of approval hereof.

Moreover, as is consistent, the Company shall from time to time announce the dates for the shareholders' meeting and the other Board of Directors meetings.

During 2018, in addition to 15 March, the Company's Board of Directors met on 5 February. The meeting was not included in the financial calendar as above, since no accounting documents and/or periodic financial reports of the Company were examined.

Activities of the Board of Directors

In *application criterion 1.C.1*, the Code of conduct sets out a series of attributions reserved for the Board of Directors, called upon to achieve an efficient management of the Company. In order to permit a better representation of the application of the comply or explain mechanism, certain information regarding the application of the recommendations of the Code of conduct was grouped together in this paragraph, in accordance with a criterion of homogeneity.

As in any complex business setting, it is the Company's practice to examine and approve the Company's and the Group's strategic, business, and financial plans. The examination of the business plan takes place annually and the Company constantly monitors the implementation thereof.

As will be better specified in paragraph 10 below, the Board of Directors performs a central role among the figures involved in managing the "Internal control and risk management system."

In implementation of the recommendations of *application criterion 7.C.1, letter a)* of the Code of conduct, the Board is called upon to define the guidelines of the internal control and risk management system, in such a way that the main risks related to the issuer and its subsidiaries are properly identified, as well as adequately measured, managed, and monitored, while also determining these risks' degree of compatibility with a company management consistent with the strategic objectives identified.

The Code of conduct recommends, under *application criterion 1.C.1, letter b)*, that the Board of Directors define the nature and the risk level compatible with the issuer's strategic objectives, also including in its assessments all the risks that can take on importance with a view to the medium/long-term sustainability of the issuer's activity.

In application of the Code's recommendations, the Board of Directors, constantly aided by consultation with and proposals from the control and risks committee, has defined the guidelines of the risk management and control system and has ascertained that the main risks pertaining to Astaldi S.p.A. and its subsidiaries are properly identified, as well as measured, managed, and monitored.

The Board of Directors, on the date of approval hereof, carrying out what was already finalised in 2016 with the approval of the Group's "Risk Appetite Statement," re-examined and redefined the nature and the risk level compatible with the Company's strategic objectives. In particular, the current appetite levels for the main risk categories were considered still in line with the corporate targets, adjusting, where appropriate, the relative thresholds of tolerability; the main purpose remains that of reinforcing awareness of the corporate departments in the matter of managing risks, with the aim of improving the expected performance and sustainability of the business.

The risk classes understood as chief sources of critical areas in achieving the objectives of the Business Plan and regulated in the Group's "risk appetite statement" are the following: Financial structure, Partnership, Context, Human Resources and Sustainability.

With particular reference to the latter, in the awareness that a clear, integrated Corporate Social Responsibility (CSR) strategy has a positive impact on the investment choices of Institutional Investors and increases the value generated by the Group's activities, Astaldi S.p.A. has adopted a management system strongly oriented to integrating corporate and environmental objectives into the corporate business which, in its QHSE component, is also certified by an independent third party in accordance with international standards.

Given the central importance of the risk profile in an efficient and effective governance system, the Company, with the intervention of all the departments and parties involved in the risk management process, will continue to constantly monitor and update the system, in order to include in its own assessments all the risks that may take on importance with a view to the medium/long-term sustainability of the issuer's activity, in line with the recommendations of the latest edition of the Code of conduct. As shall be fully emphasised in paragraph 9 below, the structure, through the Corporate Risk Management Department, pursued, during 2017 and to date, the process of identifying and monitoring the main corporate risks.

In implementation of the provisions of the Italian civil code, the Company has assessed the adequacy of the organisational, administrative and accounting system of the Company and of the subsidiaries having strategic importance, also focusing particular attention on the internal control and risk management system, in application of the recommendations of *application criterion 1.C.1. letter c)* of the Code of conduct.

The Company, in its Bylaws, has established a quarterly frequency with which the CEO must report to the Board as to the activity performed in discharging the powers delegated to him or her. Also on the strength of the information received from the delegated bodies, the Board of Directors, in application of *application criterion 1.C.1., letter. e)* of the Code of conduct, on the occasion of the meetings held during the 2017 financial year, regularly assessed the general management trend, periodically comparing the results achieved with those planned.

Pursuant to *application criterion 1.C.1, letter f)* of the Code of conduct, the law and the Bylaws reserve for the Board of Directors the examination and prior approval of the operations of the Company and of its subsidiaries, when said operations have significant strategic, economic, or financial importance for the company. However, the Board has not established general criteria for identifying the operations that have significant strategic, economic, or financial importance for the Issuer. This is because, due to the particular features of the company's business, it is more appropriate to assess from time to time the significance of the operations that are implemented, in the context of the periodic information reported by the delegated bodies to the Board of Directors.

Pre-Board meeting disclosure

In order to ensure complete and proper assessment of the subjects brought to the board members' attention, the **pre-Board meeting documentation** is made available (where possible, in electronic format, using a portal accessible via Internet connection) by the secretary of the Board of Directors, assigned by the chairman, to the board members and to the statutory auditors, prior to each meeting.

It was not deemed appropriate to identify a specific deadline for sending the documentation, given that the procedures and the customary interval of time for making it available is such as to guarantee suitable disclosure.

In any case, in application of the recommendations of the *Comment* to art. 1 of the Code of conduct, the chairman sees that the items on the agenda are, during the Board meetings, given the time needed to guarantee adequate analysis.

Moreover, again adopting the suggestions of the same *Comment* to art. 1, on several occasions the good practice was adopted of accompanying voluminous and complex documentation with an executive summary, aimed at outlining its most salient and relevant points.

Lastly, in the intent to give the Board meetings value as a moment to facilitate the acquisition of suitable information with regard to the Company's management, at the chairman's urging, some Company managers were allowed to attend also in order to provide appropriate analysis on the items on the agenda, as provided for by *application criterion 1.C.6* of the Code

of conduct. Therefore, during 2017, at each of the Board meetings and in line with the items on the agenda, the managers with specific interest attended.

4.4 Board evaluation

In line with the recommendations of the Code of conduct (*application criterion* 1.C.1, *letter g*), the Board of Directors is asked, at least once a year, to provide an evaluation of the function, size, and composition of the Board and its committees (the “Board evaluation”).

The Board has seen to carrying out the appropriate evaluations in as to the function of the Board and of its committees, and their size and composition, also taking into account the professional characteristics and those of experience and gender, as well as the seniority, of their membership.

This evaluation was done by means of a self-assessment system (the “Board Performance Review”) which saw the involvement of all the Company’s board members, who were asked to fill out a questionnaire developed by the Corporate Affairs and Corporate Governance Department and the Office of the Chairman. In line with past years, the questionnaire regards the aspects connected with the organisation, composition, and function of the Board and of the committees set up within it. The contents of the “Questionnaire” were modulated also in consideration of the three-year term of office of the Board of Directors, and of the specific phase of the term in progress, in line with the suggestions of the Corporate Governance Committee (cf. 2013 Annual Report, available at <http://www.borsaitaliana.it/comitato-corporategovernance/documenti/comitato/relazionecomitato2013.pdf>).

The results of the Board Performance Review, submitted to the Board at its meeting of 14 November 2017, confirmed certain areas in which the Company’s board members deem they are fully satisfied, such as, specifically:

- the atmosphere at board meetings, which allows the active participation of board members;
- the Board’s leadership and management, deemed to be in line with the best standards;
- the relationship between independent board members and the Company’s top management, which is considered a positive and constructive one.

The set of skills within the Board of Directors was also found sufficiently balanced.

With reference to *application criterion* 1.C.4. of the Code of conduct, it is emphasised that the Shareholders of Astaldi S.p.A. did not authorise – either generally or preventively – exceptions to the competition prohibition provided for by art. 2390 of the Italian civil code.

4.5. Delegated bodies

Chairman

The activities of the Board of Directors are coordinated by the Chairman.

The Chairman calls the Board meetings and guides their proceedings, ensuring that the board members are, with reasonable lead time – except for cases of necessity and urgency – given the documentation and information needed for the Board to be able to make an informed opinion of the matters subject to its examination.

CEO

The Company’s Board of Directors, at the meeting of 20 April 2016, appointed Filippo Stinellis as the Company’s **CEO** tasked with identifying, in agreement with the Chairman and the Deputy Chairman Michele Valensise, the Company’s development strategies to be submitted to the Board of Directors, and with seeing to the implementation thereof in compliance with the Board’s directives and decisions.

As regards the powers conferred, the Company's Board of Directors has identified the following limits: (i) to sign bids for taking on contracts and/or concessions, also under project financing, up to the amount of EUR 600 million, and, if the bids are awarded, to execute the contracts therefor, and to sign any other document necessary for this purpose; (ii) to execute, amend, and terminate contracts for the purchase and sale of real property up to the maximum amount of EUR 2,600,000.00 per transaction.

Filippo Stinellis serves in the office of Chief Executive Officer, as he is the main party responsible for the management of Astaldi S.p.A. and currently holds no position as director in another issuing company not in the Group, of which a director of Astaldi S.p.A. is Chief Executive Officer. Therefore, there is no situation of "interlocking directorate" as provided for by the *application criterion 2.C.5.* of the Code of conduct.

Disclosure to the Board

The CEO reports constantly, and at any rate **at least on a quarterly basis** pursuant to the Bylaws, to the Board of Directors and to the Board of Statutory Auditors, as to the main activities carried out in the discharge of his attributions.

4.6 Other Executive Board Members

The Chairman Paolo Astaldi, the CEO Filippo Stinellis, as well as the Deputy Chairman Michele Valensise, represent the executive component of the Board of Directors, as shown in Table 2 in the appendix, and hold executive positions in the Company.

4.7 Independent Directors

In line with previous boards, the Board of Directors includes a healthy representation of independent directors.

As pointed out above, at their meeting of 20 April 2016, at the moment of assessing the independence of the board members, the Board of Directors qualified as independent Paolo Cuccia, Piero Gnudi, Chiara Mancini and Nicoletta Mincato, both pursuant to art. 3 of the Code of conduct and art. 147-ter of the consolidated finance act – TUF.

The board member Ernesto Monti was assessed as independent pursuant to art. 147-ter of the consolidated finance act (TUF) and the attribution of deputy powers for performing this role in no way altered his non-executive profile during the financial year, in keeping with art. 2 of the Code of conduct.

At the date of approval hereof, pursuant to *application criterion 3.C.4* of the Code of conduct, the yearly assessment of these directors' independence was performed, yielding no changes from the prior situation. The prerequisite of independence provided for by art. 147-ter of the consolidated finance act (TUF) was also confirmed.

In implementation of the recommendations of *application criterion 3.C.5*, the Board of Statutory Auditors checked the proper application of the criteria and of the verification procedures adopted by the Board to assess its board members' independence.

During the 2017 financial year, the independent directors did not see fit to meet in the absence of the other directors.

4.8 Lead Independent Director

The Board did not see fit to designate the figure of Lead Independent Director. As shown above, the Chairman of the Board of Directors does not have delegations that allow him or her to be qualified as "main party responsible for the company's operation," as specified in *application criterion 2.C.3*, nor does he or she "control" the company.

In any case, the strong presence of independent directors guarantees a balance of positions within the Board of Directors.

4.9 General Managers

As of the date of approval hereof, the General Managers and the General Managements under their responsibility are as follows:

- Paolo Citterio: General Manager, Administration and Finance;
- Cesare Bernardini: Company's General Manager for activities to be performed in Europe, including Russia, Africa, Georgia, and the Middle East, as well as in Italy, with regard to the performance of all the works connected with the contract for upgrading the Munich-Verona railway axis – Brenner railway tunnel;
- Marco Foti: Company's General Manager for activities to be performed in Italy, Algeria, Morocco, and Tunisia;
- Francesco Maria Rotundi: Company's General Manager for activities to be performed in the countries of the American Continent, including the Caribbean;
- Fabio Giannelli: Company's General Manager for activities to be performed in Turkey, Iran, Kuwait, the Far East and India;
- Mario Lanciani: General Manager of the Company's Business Services.

It is lastly to be pointed out that, due to a precise organisational choice, the General Managers are qualified as Company's "key management personnel".

5. Treatment of corporate information

Application criterion 1.C.1. letter j) of the Code of conduct recommends that companies adopt a procedure for the internal management and external communication of documents and information regarding the issuer, with particular reference to inside information, for the purpose of guaranteeing the proper internal management and prompt communication to the outside of every important event taking place within the sphere of activity of the Company and its subsidiaries.

In implementation of the recommendation of the Code of conduct and of the regulations of reference in the matter of market abuse, since 12 November 2002 the Company adopted a procedure for the management of corporate information.

In July 2016, Regulation (EU) no. 596/2014 in the matter of Market Abuse entered force.

The new regulation, in line with the previous system, qualifies as "Inside Information" information that has the following characteristics: (i) it is of a precise nature; (ii) it has not been made public; (iii) it relates to the issuer; (iv) if made public, it would be likely to have a significant effect on the prices of the share.

In the case of a prolonged process that is intended to conclude or that determines a particular circumstance or a particular event, this future circumstance or this future event may be considered information of a precise nature.

Once qualified as "Inside Information," the information must be published as quickly as possible. Alternatively, the Company may segregate the information, relying on the "delay of disclosure" procedure when specific conditions occur.

In October 2017, CONSOB published "Guidelines – Inside Information Management."

In order to have a specific mapping of the information that may become inside information, and of its path, the Consob document requires the establishment of a corporate department named "Inside Information Management Department" (FGIP), called upon not only to qualify and manage "Inside Information," but also to monitor the phases leading up to the publication of the connected press releases. In this sense, the CONSOB document also asks the company to establish "Organisational Departments responsible for Inside Information" (FOCIP), identifying, with regard to each of these, the "Relevant Information," which is to say the Information that can come to light in the context of the specific relevant activity, and that, although still without the characteristics of "Inside Information," may, given its object or other features, become "Inside Information" in a later phase.

In line with the EU provisions and the recommendations contained in the aforementioned CONSOB document, Astaldi S.p.A., on the occasion of the Board of Directors meeting of 05 February 2018, approved a new procedure on Ongoing Reporting, now called “Procedure for the management of the Inside Information”, available on the Company’s website (“Governance/corporate-documents” section).

The procedure tasks the FGIP with guaranteeing the proper identification and management of “Inside Information.” In keeping with the Supervisory Authority’s recommendations, the procedure requires this department to be composed of the Chairman, the CEO and the Corporate Affairs and Corporate Governance Department and the Office of the Chairman (SASP).

Again in the exercise of its functions, the FGIP identifies and establishes “Organisational Departments responsible for Inside Information” (FOCIP), identifying the “Relevant Information” for each of them. Therefore, once an item of “Relevant Information” is identified by a FOCIP, also with the aid of the SASP, a “Relevant Information List” (RIL) is created, in which all the people with knowledge of said “Relevant Information” are registered.

Should the “Relevant Information” take on the traits of Inside Information, any subsequent qualification is reserved for the exclusive purview of the FGIP.

However, should the information be qualified directly as “Inside Information” by the FGIP – without having first been assessed as “Relevant Information” in the context of a FOCIP – the department promptly sees to opening a register listing the people with knowledge of this “Inside Information” (the “Insider list” or “List”). Since the “Inside Information,” once identified, must be promptly announced to the market, the procedure stresses that the possibility still remains to delay announcing the inside information to the market when the known conditions have been met. Alternatively, the information is made known to the market as quickly as possible.

6. Committees within the board (pursuant to art. 123-bis, subsection 2, letter d), of the consolidated finance act – TUF)

In order to facilitate the function of the Board of Directors, 2002 – the year Astaldi’s shares began trading – saw the establishment within the Board of the Remuneration Committee and the Internal Control Committee, later called the Control and Risks Committee in order to bring its name in line with the revision of the Code of conduct made in 2011.

In 2013, the Company instituted the Appointments Committee.

In addition to the committees recommended by the Code of conduct, an ad hoc committee for related party transactions was instituted in keeping with the requirements of CONSOB Regulation no. 17221 of 2010.

During 2015, also in light of the variations in the composition of the Board of Directors in office at the time, the need emerged to reorganise the committees within the Board, as well as to assess whether it was appropriate to reduce the number thereof, as this organisational solution is deemed to be functional to the Board’s more efficient activity and in line with the market’s best practices. As is known, the Code of conduct allows for distribution and assignment of the functions attributed to various committees to a smaller number than those identified by the Code, provided that the rules of composition as recommended by the Code from time to time are complied with, and the achievement of the recommended objectives is guaranteed. Starting from this premise, and with a view to guaranteeing a simplification of its organisation, the Board of Directors, at the session of 14 May 2015, resolved to combine the Remuneration Committee with the Appointments Committee, redefining the composition thereof accordingly.

After the Shareholders’ Meeting of 20 April 2016, which renewed the Board of Directors, the newly-appointed Board appointed internal committees, maintaining the unity of the Appointments Committee and the Remuneration Committee.

7. Appointments and remuneration committee

The Board of Directors meeting of 20 April 2016 established an internal Appointments and Remuneration Committee.

Composition and function of the Appointments and Remuneration Committee (pursuant to art. 123-bis, subsection 2, letter d), of the consolidated finance act – TUF)

The Appointments and Remuneration Committee currently consists of three non-executive directors, the majority of whom independent, in accordance with the following scheme:

Piero Gnudi (Chairman)	Non-executive/independent
Ernesto Monti	Non-executive/independent
Paolo Cuccia	Non-executive/independent

The committee's composition is in line with the recommendations of *principle* 6.P.3 of the Code of conduct, and the competence of all its members guarantees a suitable level of knowledge and experience in financial matters or remuneration policies.

As to the composition and features of the Appointments and Remuneration Committee, see the Table 2 in the appendix.

Functions of the Appointments and Remuneration Committee

The adoption of an organisational solution calling for a committee that incorporates the responsibilities of both the Appointments and the Remuneration Committees involves, as a consequence, the centralisation of all the functions under its purview.

With specific reference to the responsibilities reserved by the Code of conduct for appointments, in implementation of the recommendations of *application criterion* 5.C.1., it has been given the following tasks: (i) to formulate opinions for the Board as to the size and composition thereof, (ii) to make recommendations as to the professional figures whose presence in the Board is deemed appropriate, (iii) to propose candidates for the office of director in cases of co-opting, where an independent director must be replaced.

As regards the responsibilities reserved for the Remuneration Committee, in implementation of art. 6 of the Code of conduct, it has been given the following tasks: (i) to periodically assess the adequacy, overall consistency, and concrete application of the remuneration policy for directors and key management personnel, relying in this latter regard on the information provided by the CEO; (ii) to make proposals to the Board of Directors in these matters; (iii) to submit proposals or express opinions to the Board of Directors on the remuneration of executive directors and of other directors who hold special positions, and on setting the performance targets related to the variable portion of said remuneration; (iv) to monitor the application of the decisions adopted by the Board of Directors, verifying, in particular, the actual achievement of the performance targets.

Meetings of the Appointments and Remuneration Committee

During 2017, the Appointments and Remuneration Committee held six meetings, three of which jointly with the related parties committee. The meetings had an average duration of approximately one hour, always attended by all its members and, in most cases, by all or part of the members of the Board of Statutory Auditors.

The committee's meetings are preceded by pre-investigation activity, coordinated by the Corporate Affairs and Corporate Governance Department and the Office of the Chairman.

The committee's meetings, where held jointly with the related parties committee, were attended by the Board of Statutory Auditors.

The minutes of each Committee meeting are drawn up and kept by the Corporate Affairs and Corporate Governance Department and the Office of the Chairman.

The committee Chairman provides information as to the meeting that was held, at the first convenient Board of Directors' meeting. The following is a description of the subjects discussed by the Appointments and Remuneration Committee in the six aforementioned meetings.

Meetings of the Appointments and Remuneration Committee held jointly with the Related Parties Committee

During 2017, there was intense activity of disposal of the assets in concession, in implementation of the contents of the Strategic Plan.

The company has correlated the disposal of each asset with the payment of a bonus to Chairman Paolo Astaldi, under the terms reported in the *Success fee*/MBO Incentive Plan approved by the Board of Directors meeting of 10 May 2016.

Towards this end, the Appointments and Remuneration Committee met, along with the related parties committee, at the sessions of 14 March, 10 May, and 27 July, to express their opinion with regard to the payment of a bonus correlated with the disposal of a series of equity investments having taken place within the asset disposal scope. The Statutory Auditors did not attend the 14 March meeting. The May 10 meeting was attended by the entire Board of Statutory Auditors, and the 27 July meeting by the Standing Auditor Anna Rosa Adiutori.

Additional meetings of the Appointments and Remuneration Committee

The Appointments and Remuneration Committee also met on 14 March, 27 July, and 14 November. The Statutory Auditors did not attend the 14 March and 14 November meetings, while the 27 July meeting was attended by the Standing Auditor Anna Rosa Adiutori.

On 14 March, the Appointments and Remuneration Committee met to verify having achieved the parameters established for the assignment of the stock grants for the 2016 financial year in implementation of what was outlined by the "Stock Grant Plan for Top Management" for the 2016-2018 period.

In line with the prior one, the Plan provides for a system of bonuses, to be paid on a three-year basis, upon achieving the performance objectives defined yearly by the Board of Directors at the committee's proposal. The Plan also provides that when the objectives are achieved, the Company's shares are assigned, free of charge, to the CEO, the general managers, and "key management personnel" in the terms better described in the Report on remuneration, to be referred to in full.

On that same date, the Committee expressed a favourable opinion on the report on remuneration, which was then made available to the public on the occasion of the 21 April Shareholders' Meeting, and verified proper application of the remuneration policy.

The parameters of the 2017 Incentive Plan were positively assessed at the 27 July 2017 meeting.

Lastly, at the meeting of 14 November 2017, the Committee met to express an opinion on the "Diversity Policies."

As clarified under paragraph 4.2, Legislative Decree no. 254 of 30 December 2016 implemented in our legal system directive 2014/95/EU in the matter of "non-financial information" and "diversity information."

The Diversity Policies document was approved by the Board of Directors meeting of 14 November 2017. Although no specific recommendation is made within the Code of conduct, it was deemed appropriate to first submit the "Policies" document for the prior opinion of the Appointments and Remuneration Committee, which expressed its positive view.

8. Remuneration of directors

General Remuneration Policy

With reference to the issue of remuneration and to the *principles and application criteria* recommended by art. 6 of the Code of conduct, reference is made to the report that shall be published pursuant to art. 123-ter of the consolidated finance act – TUF, in accordance with the law, that shall be brought to the attention of the Shareholders at their upcoming Meeting approving the financial statements, and that formulates the general remuneration policy with reference to the 2018 financial year.

Indemnities of directors in the event of resignation, dismissal, or termination of the employment relationship following a takeover bid (pursuant to art. 123-bis, subsection 1, letter i), of the consolidated finance act - TUF)

The Company has not preventively established agreements that provide for indemnities in the event of early termination of the employment relationship.

The document also reports the information regarding the indemnities paid during 2017 to the directors, to the statutory auditors, and to the other key management personnel.

Incentive mechanisms for the manager of the internal audit department and for the manager in charge of financial reporting

With reference to the 2017 financial year, no specific incentive mechanisms were established for the offices of “manager of the internal audit department” and of “manager in charge of financial reporting.”

9. Control and risks committee

In February 2002, the Company established an Internal Control Committee whose name – following the amendments made to the Code of conduct in December 2011 with impact on the corporate organisation – was changed, at the Board meeting of 01 August 2012, to the Control and Risks Committee.

The current Control and Risks Committee consists of 3 non-executive directors, the majority of whom independent, in accordance with the following scheme:

- Nicoletta Mincato (Chair, non-executive/ independent);
- Ernesto Monti (Non-executive/non-independent, expert in accounting and financial matters);
- Paolo Cuccia (Non-executive/ Independent).

The composition of the Control and Risks Committee is in line with *Principle 7.P.4* of the Code of conduct, which recommends, as an alternative to a committee composed entirely of independent directors, the presence of non-executive directors, the majority of whom independent, with the committee chair selected from among the latter. The personal characteristics of the members are such as to guarantee adequate experience in accounting and financial matters.

The proceedings of the control and risks committee are coordinated by the chair in compliance with the organisational procedures governing its operation, which are formalised in the committee Regulations revised during the 2015 financial year in order to adopt the operating procedures that governed the same committee in past compositions, integrating it with certain aspects of governance, in line with the provisions on this issue contained in the Code of conduct in the July 2015 edition.

The Control and Risks Committee, during 2017, held 4 (four) meetings, with an average duration of approximately 2 hours, almost always attended by all its members, respectively on 25 January, 16 February, 06 July, and 15 November, with the Chairman of the Board of Statutory Auditors, and in some cases by the majority of the members of the Board of Statutory Auditors, on hand. The minutes of all the committee's meetings were duly taken down and transcribed in the Committee's minutes book.

The committee meets mainly on a quarterly basis, and in this regard, during the 2018 financial year, three meetings have already been held, respectively on 18 January, 5 February and 5 March.

As already discussed with regard to the committee's operation, the meetings are always attended by: the Chairman of the Board of Statutory Auditors, in compliance with *application criterion 7.C.3.* of the Code of conduct, and the Internal Audit Department, as the Department Manager is the permanent secretary of the Control and Risks Committee (as per this Committee's Regulations).

At the committee's invitation – with reference to the various issues dealt with in the items on the agenda with regard to the provisions of *application criterion 7.C.2.* – the meetings held during 2017 were also attended by parties other than the committee's members. More specifically: the Manager in charge of financial reporting, the Corporate Risk Management Department, the Administrative Management, other involved corporate Managements/Departments, and the audit firm, were invited to attend with regard to the issues discussed from time to time.

The committee assists the Board of Directors in the activities of guiding and assessing the internal control and risk management system, as better detailed under *application criterion* 7.C.1. of the Code of conduct, expressing in this regard a preventive opinion in the sphere of the functions of assessment, of making proposals, and of information that are attributed to this (7.C.2.).

More specifically, it performs the following tasks:

- a) it assesses, along with the manager in charge of financial reporting and having heard the opinion of the audit firm and of the Board of Statutory Auditors, the proper use of accounting standards and their uniformity for the purposes of drawing up the consolidated financial statements;
- b) it expresses opinions on specific aspects related to identifying the chief corporate risks;
- c) it examines the periodic reports regarding the assessment of the internal control and risk management system. More specifically, with reference to the internal control system, it analyses – in the examination phase – the work plan and the relevant periodic reports prepared by the Manager of the Internal Audit Department;
- d) it monitors the autonomy, suitability, effectiveness, and efficiency of the Internal Audit Department;
- e) it may ask the Internal Audit Department – where necessary – to perform the verifications on specific operational areas, providing communication thereof at that time to the Chairman of the Board of Statutory Auditors;
- f) it reports to the Board of Directors, at least every six months, on the occasion of the preparation of the annual and interim financial report, on the activity performed and on the adequacy of the internal control and risk management system;
- g) it expresses its opinion with regard to the appointment, removal, remuneration, and adequacy of resources of the Manager of the Internal Audit Department.

During the four meetings held in 2017, the Control and Risks Committee performed pre-investigation and control activities, dealing with issues of differing interest, and to wit:

- the proposed 2017 Work Plan, developed by the Internal Audit Department (hereafter, the “IAD”), based on a structured process of risk analysis prerequisite to the Board’s approval;
- the results of the audit activities for internal control planned and implemented with respect to the 2016 Work Plan with reference to the second half;
- the results of the testing activity for the purposes of Law no. 262/05, with reference to the 2016 financial year;
- the examination of the provisions of the application criterion 7.C.2., *letter a)* of the Code of conduct with reference to the financial statements at 31 December 2016;
- the impairment test procedure with the Administrative Management with reference to the financial statements at 31 December 2016 and to the first half of 2017;
- the advance of the audit/follow-up activities implemented during the first half of 2017, with regard to the Work Plan approved during the financial year;
- the examination of projects of importance for the purposes of the internal control system that regarded: a) implementation of integrated compliance (audit activities for the purposes of internal control and for the purposes of Legislative Decree no. 231); b) support for change and for the continuous improvement of the activities; c) the evolution of the MEGA tool, in support of the audit, in order to increase synergies with the second-level offices; d) the operativity verifications on anti-fraud checks; e) corporate-level assessment of the IT system for the purposes of internal control and Legislative Decree no. 231/01;
- report received by the supervision and control bodies on the “presumed news leak” related to the share capital increase transaction;
- update on privacy compliance projects (European Regulation no. 679/2016 on “Privacy”) and market abuse (MAR Regulation no. 596/2014 for the prevention of unlawful conduct aimed at the misuse of inside information);
- disclosure on the activities in support of the issuance of the Non-Financial Disclosure Statement (Legislative Decree no. 254 of 30 December 2016);
- preparation of the acknowledgement for reporting to the Board of Directors on the activities performed in the first half of 2017.

At the aforementioned meetings, the Control and Risks Committee proceeded to examine and verify the main corporate

risks with reference to 2017. In this regard, at the meeting of the Control and Risks Committee held on 15 November 2017, the Corporate Risk Management Department updated the Committee and the Board of Statutory Auditors on the progress of the ERM activity that in 2016 had already led:

to the update of the ERM Risk Assessment, with definitive identification of the “Top Risk” categories, to the identification and structuring of appropriate Risk Responses, as well as to the definition of the Key Risk Indicators and of the corresponding Risk Tolerances, with consequent definition and approval of the Group Risk Appetite Statement. In particular, the CRM Department illustrated to the Committee the results related to the outcomes of the periodic meetings by the cross-office working tables composed of General Managers and Top Management of the operation, finance and legal areas, to protect against the “Top Risks.”

In the exercise of its activities and to discharge its functions, the Control and Risks Committee may access all information and may invite all necessary corporate offices to attend the meetings, including recourse to outside consultants, the needs for whom in terms of activities and man/day contribution are identified in the Work plan prepared by the IAD manager, which is examined by the Control and Risks Committee and approved yearly by the Board of Directors.

Although the Control and Risks Committee lacks its own budget, the resources needed for the purposes of the internal control activities, also with reference to the performance of the audit plan, are provided for and quantified in the Internal Audit Department’s budget.

In 2018, the Control and Risks Committee held three meetings: respectively on 18 January, 5 February and 5 March.

At the meeting of 18 January 2018, with the Chairman of the Board of Statutory Auditors on hand, the following topics were discussed:

- examination and approval of the 2018 Work Plan: proposed audit plan, and projects of importance for the purposes of the internal control system and risk management;
- verification of the internal control activities planned and implemented in the second half, in comparison with the approved 2017 audit plan, also with reference to the results of the audit and of the investigation activity as pertaining to the report of 09 November 2017;
- examination with the Administrative Management of the impairment test procedure regarding the financial statements at 31 December 2017;
- finalisation and investigation activity leading up to the approval by the Board of Directors, on the review of the procedure for the “Ongoing Reporting Management”, now called “Procedure for the management of the Inside Information” following the new MAR Regulation and the CONSOB guidelines;
- preparation of the acknowledgement for the report to the Board of Directors on the activities performed in the second half of 2017.

At the 5 February 2018 meeting, the Committee, in the presence of the Board of Statutory Auditors:

- assessed, along with the Manager in charge of financial reporting, having heard the opinion of the audit firm and of the Board of Statutory Auditors, the proper use of accounting standards, in implementation of the provisions of *application criterion 7.C.2, letter a)* of the Code of conduct, with reference to the financial statements at 31 December 2017;
- performed the examination of the testing activity for the purposes of Law no. 262/05 for the 2017 financial year;
- carried out the investigation activity on the Group Risk Appetite Statement to be submitted for the periodic examination and the approval of the Company’s Board of Directors.

At the meeting of 05 March 2018, the Committee, in the presence of the Board of Statutory Auditors:

- met the Sustainability, Organisation, and Integrated Management Manager for examination of the NFI (Non-Financial Information) for the purposes of the issuance of the Non-Financial Statement for the 2017 financial year.

The committee then reported to the Board of Directors on the activity performed respectively in the first and in the second half of 2017.

10. Internal control and risk management system and internal control system of financial reporting

The Company deems it fundamentally important for the development and management of its activities to maintain an effective internal control and risk management system, considered necessary to the company in achieving its objectives. A sound internal control and risk management system, in line with national and international best practices, must be aimed at allowing – through a suitable process of identifying, measuring, and managing the risks and protections – the business to be run in a way that is healthy, proper and consistent with the pre-established objectives, in order to satisfy, in addition to its own internal needs, the external needs demanded by shareholders, by the corporate control bodies, and by laws and regulations of reference.

In this regard, the Company has defined its own internal control and risk management system through the set of rules, procedures, and organisational structures aimed at permitting:

- a) the individual corporate activities' compliance with the purpose the company aims to achieve, and with the directives issued by top management in compliance with internal and external regulations;
- b) the effectiveness and efficiency of corporate processes;
- c) the reliability and precision of the accounting documents, of information, and of financial reporting;
- d) the safeguarding of company assets, with the identification of behaviour harmful to the corporate interest, and/or fraud.

The main, as well as current, methodical reference used by the company is the C.O.S.O. Report which, appropriately adapted to the company's particular features, is an effective analytical tool for performing the audit activities and assessing the Company's Internal Control System in its various components, and for providing top management with a clear vision of the aspects of improvement of the internal control and risk management system in terms of effectiveness and efficiency. In 2010, with the institution of the Corporate Risk Management Department, the company embarked on its own development path towards the "CoSO ERM – Enterprise Risk Management Integrated Framework" model, in order to see to a codification of a structured and integrated risk management system. This model is taking on more and more importance in the Internal Control System's evaluation activities. In this regard, see section 9, on the Control and Risks Committee.

The players involved in the Company's risk control and management system are the Board of Directors, the Control and Risks Committee, the CEO in charge of the internal control and risk management system, the Board of Statutory Auditors, the audit firm, the Supervisory Body, the Manager of the Internal Audit Department, the Manager in charge of financial reporting, the Manager of the Corporate Risk Management Department, the second-level offices, management, and all the operating personnel within the sphere of their roles and responsibilities.

As pointed out in paragraph 4.3, the Board of Directors – in line with the guidelines of the internal control and risk management system defined by it and constantly aided by consultation with and proposals from Control and Risks Committee – verifies that the main risks pertaining to Astaldi S.p.A. and its subsidiaries are properly identified, as well as adequately measured, managed, and monitored, also determining their degree of compatibility with a healthy and correct running of the business, in line with the identified strategic, business, and financial objectives.

During the financial year, the Board of Directors was invited to assess aspects of corporate governance with regard to the verification of the main risks of the company and of the corporate internal control system, also through the reporting of the activities performed by the Control and Risks Committee.

In this regard, the Board, at the meeting of 16 February 2017, also on the basis of the examination activity performed by the Control and Risks Committee at the kick-off meeting held on 25 January 2017, examined and approved the work plan prepared by the manager of the Internal Audit Department. The plan document indicates the objectives, the applied methodology, the selection of the sample of projects, branch offices, companies, in Italy and abroad, as well as the corporate processes to be audited and the internal and external resources the office relies on to perform the activities.

Moreover, again at the Board meeting of 16 February 2017, also on the basis of the examination activity performed by the

Control and Risks Committee, the BoD expressed an overall positive assessment of the adequacy, effectiveness, and actual operation of the Company's internal control and risk management system, with respect to the characteristics of the business and the assumed risk profile.

In these circumstances, with a view to the continuing to improve the entire system and make it more efficient, it asked that the identified areas of improvement, the object of specific recommendations, be implemented by the competent corporate structures.

As regards the specific assessments regarding the adequacy, operativity, and function of the internal control and risk management system, see sections 10.1 and 10.2.

10. A) Main characteristics of the internal risk management and control systems existing with respect to the financial reporting process

With reference to financial reporting – an integral part of the internal control system – the activities are managed by a corporate operational structure that works in support of the Manager in charge of the financial reporting.

The system managing the risks related to the financial reporting process is an integral part of the internal control system implemented by the Company, since it is an essential component of the corporate processes aimed at guaranteeing that financial reporting is reliable, accurate, and timely.

The approach followed by the Company, based on the best practices of reference and particular on the Co.S.O. Framework, descends from a corporate control environment that places particular emphasis on defining the chief instruments of corporate governance. The risk management system and more generally the internal control system in fact provides for formalising special administrative and accounting procedures, and defining the roles and the related responsibilities, through an organisational chart and the corresponding delegations of function, of the delegations of office, of the internal regulations and codes of behaviour, and of the segregation of duties.

In particular, the definition of the processes and of the related controls derives from the constant identification and analysis of those endogenous and exogenous factors that can compromise the achievement of corporate objectives, in order to determine how these risks can be managed (identification, measurement, and monitoring) so as to ensure a proper production of financial reporting.

Towards this end, it is stressed that the Group – downstream of a project completed in the 2016 financial year aimed at updating the administrative/accounting processes – oversaw an overall modernisation of the administrative/accounting procedures and the dissemination of the corresponding documents during the Q1 2017.

The verification of the effectiveness of the control system on the financial reporting process, both on the occasion of the annual and interim financial reports, through a testing activity in accordance with a top-down approach, aimed at identifying the companies, processes, and specific activities capable of generating risks of unintentional error or of fraud that might have significant effects on the financial statements.

In particular, the identification of the Entities included in the context of the financial reporting control system is carried out based on the contribution by the various entities to given values of the consolidated financial statements (total assets, total non-current financial debt, net revenue) and by considering the existence of processes that present specific risks, the occurrence of which might compromise the reliability and accuracy of the financial reporting. In the context of the relevant Entities, processes are subsequently identified that contribute towards the formation of all the financial statement items that exceed a given threshold of materiality calculated as the ratio between the value thereof and the total revenue as gleaned from the consolidated financial statements. Once the significant processes are identified, they are associated with the administrative/accounting procedures to be submitted for the verifications of suitability and effective application.

The testing activities are carried out by a dedicated office that depends on the Manager in charge of financial reporting. For the drawing up of specific tests, this office relies on the support of the Internal Audit and of outside advisors of suitable standing. The outcome of the verification activities are the object of a periodic flow of information on the status of the financial reporting control system, aimed at ensuring the traceability of the information on the operation of the controls. After the Tests, the Manager in Charge assesses the results of the verifications as well as any corrective action recommended by its Support Office.

Based on this analysis, the Manager in Charge draws up the report on the suitability and actual application of the financial reporting control system. The report, shared with the CEO, is made known to the Board of Directors, upon examination by the Control and Risks Committee, on the occasion of the approval of the draft annual financial statements and interim financial report. To complete the main characteristics, it bears pointing out that, since the introduction of Law no. 262/05, the Parent ordered the accounting statements drawn up on the occasion of the approval of the draft annual financial statements and interim financial report of the branch offices and of the subsidiaries to be accompanied by an attestation written and signed by the legal representatives and administrative managers of the indicated entities. The attestation model reflects that provided for by the CONSOB regulation implementing Law no. 262/05. The adopted system is subject to monitoring and continuous updating.

10.1 Director in charge of the Internal Control and Risk Management System

In light of the provisions of principle 7.P.3., letter a), (i), of the Code of conduct, the Company's Board of Directors, during the meeting of 20 April 2016, appointed the CEO, Mr. Filippo Stinellis, as the "director in charge of the internal control and risk management system," who performs the tasks pursuant to principle 7.C.4 of the Code, in compliance with the company's risk management and control model and with the guidelines defined by the Board of Directors.

More particularly, the CEO:

- sees to identifying the main corporate risks, taking into account the characteristics of the activities carried out by the issuer and by its subsidiaries, and submits them periodically to the examination of the Board of Directors;
- implements the guidelines defined by the Board of Directors, seeing to the design, development, and management of the internal control and risk management system, and constantly verifying its adequacy and effectiveness;
- sees to adapting this system to the dynamics of operating conditions and of the legislative and regulatory landscape;
- may ask the internal audit department to perform verifications with regard to specific operational areas and on compliance with internal rules and procedures in carrying out corporate operations, providing communication thereof at that time to the Chairman of the Board of Directors, to the Chairman of the Control and Risks committee, and to the Chairman of the Board of Statutory Auditors;
- reports promptly to the Control and Risks Committee (or to the Board of Directors) as to problems and critical areas emerging in the development of its activity, or of which he has been informed, so that the committee (or the Board) may take the appropriate initiatives.

With reference to *application criterion 7.C.4*, letter a), the Corporate Risk Management Department (or "CRM") supports management in the decision-making process aimed at minimising risk throughout the corporate business cycle, in the various contractual settings (traditional contracts, general contracting, concessions, and project financing) and at the various levels of the corporate organisation (corporate, country, project).

The logical risk management model adopted at the company is three-dimensional, broken down by nature of risk (operational, strategic, financial, and compliance), by level (enterprise, Area, project), and by project phase (development, performance, and operation).

The evolutionary path conducted by the Corporate Risk Management Department permitted the spread of a culture of risk and of a common language, also through a new and now established methodology of risk assessment within the Group, formalised in guidelines for the quantification and management of the main factors of risks/opportunities.

In this regard, reference is made to what was already illustrated in the sections related to the activities of the Control and Risks Committee (section 9), of the Internal Control and Risk Management System (section 10), and of the Board of Statutory Auditors (section 13).

The CEO, through the competent corporate offices, oversees all the regulatory developments/updates that can impact the company's business, and therefore the management of risks and of the company's internal control system, devoting particular attention to periodically verifying Astaldi's compliance with the requirements of the Code of conduct from the corporate, organisational and business standpoint through the competent corporate structures, and relying on the investigation activity performed by the Control and Supervisory Bodies.

With reference to the latest update of the Code of conduct (July 2015), the IAD:

- a) has implemented a tool for integrated compliance, internal control, and 231 compliance, to be shared with the second-level offices with the objective of strengthening their synergies among the various players in the control system, in keeping with the provisions of the aforementioned Code ("the control system, to be effective, must be "integrated");
- b) has finalised a procedure on organisational anti-fraud and anti-corruption behaviour, which provides for defining a reporting system within the company ("whistle blowing") being reviewed as pertains to identifying a possible supporting IT solution in order to include the impacts derived from Law no. 197/17.

During the 2017 financial year, CEO Filippo Stinellis was also updated by the manager of the Internal Audit Department: on the audit plans and on the progress of the activities related to the internal control system; on the adequacy of the control supports as suitable for facing/mitigating the degree of risk shared and accepted by Top Management, also by means of minutes of the Control and Risks Committee and of the Board of Statutory Auditors, and the consolidated results of the verification reports regarding the audit activities provided for in the plan.

10.2 Manager of the internal audit department

In line with the requirements of the Code of conduct (*Principle 7.P.3., letter b*), the Board of Directors appoints the "Internal Audit Department Manager" (or "IAM"). At Astaldi S.p.A., the Manager of the Internal Audit Department (or "IAD") is Mr. Fabio Accardi, who was formerly charged with internal control starting 13 May 2009, appointed by the Board of Directors, at the proposal of the director tasked with the Internal Control and Risk Management System, upon hearing the favourable opinion of the Control and Risks Committee.

Yearly, on the occasion of the approval of the audit activities plan, the Board of Directors checks that the IAD has resources (internal and/or external specialists) adequate for the Plan's coverage needs.

In this regard, the IAM quantifies the resources needed to perform its tasks, in relation to the activities to be performed during the financial year.

The IAD manager reports in the hierarchy to the Board of Directors, and in line with the provisions of the aforementioned application criterion:

- verifies, both on an ongoing basis and in relation to specific needs and in compliance with international standards, the operativity and suitability of the internal control and risk management system, through an audit plan, in an integrated perspective (internal control and Legislative Decree no. 231), approved by the Board of Directors, based on a structured process of analysing and prioritising the main risks;
- is not responsible for any operational area;
- has direct access to all the information of use for carrying out the assignment;
- prepares periodic reports containing appropriate information on its activity, indicating the adequacy of the control supports as suitable for facing/mitigating the degree of risk shared and accepted by Top Management. The periodic reports contain an assessment of the suitability of the internal control and risk management system;
- promptly prepares reports on particularly important events;
- transmits the reports as per the above points to the chairmen of the Board of Statutory Auditors, of the Control and Risks

Committee, and of the Board of Directors, as well as to the director tasked with the internal control and risk management system;

- verifies, within the scope of the audit plan, the reliability of the information systems, including the account measurement systems.

Moreover:

- collaborates with the Supervisory Body of the Parent Astaldi for updating the Organisation, Management, and Control Model pursuant to Legislative Decree no. 231/01, and lends assistance to performing the activities of monitoring and verifying compliance with said model;
- as assigned by Astaldi's Supervisory Body, performs audits for the purposes of Legislative Decree no. 231/01;
- performs the role of Ethics Officer with the Parent, for the purposes of compliance with the Group's Code of Ethics;
- coordinates the activities of Astaldi's Ethics Committee;
- performs investigations as to the reports of violation of the Group's Code of Ethics, reporting to the Supervisory Body if they rise to becoming a breach or suspected breach of the Organisational Model pursuant to Legislative Decree no. 231/01;
- serves as Ethics Officer in the main subsidiaries, and for some important associates, for the purposes of compliance with the Group's Code of Ethics;
- coordinates the activities of the Group's Ethics Committees and of the Ethics Officers, where established, of the Group's investees;
- supports the Companies' Boards of Directors and supervisory bodies in drawing up and updating the Organisational Models pursuant to Legislative Decree no. 231/01;
- at the assignment of the supervisory bodies, performs audits pursuant to Legislative Decree no. 231/01.

The modes of operation for the audit activities, within the scope of the attributions of the IAD, are described in the "Internal Audit Manual," which has become the operating procedure of the Integrated Corporate Management System (IMS), after examination by the Control and Risks Committee and the Board of Statutory Auditors, and subsequent approval by the Board of Directors at the meeting of 10 November 2014. In particular, the Internal Audit Manual applies to the Group's context as pertains to the activities related to the Internal Control and Risk Management System, in compliance with international standards.

During the 2015 financial year, the Control and Risks Committee approved an updating to the aforementioned Manual as concerns the Fraud and IT Audit activities (the document thus revised was published on the corporate intranet on 22 February 2016).

During 2017, activity was begun to review the aforementioned Manual in order to take account of: a) the use of the MEGA Tool in support of the audit activities, also in a perspective of integration between internal control and Legislative Decree no. 231/01; b) the version of the "CoSO ERM - *Enterprise Risk Management Integrated Framework*"; c) the update of the modes of operation for carrying out IT controls, in light of the provisions of the Code of conduct with regard to the verifications of reliability of the information systems including the account measurement systems; d) the update of the modes of operation for carrying out the Fraud-IT audit activities, in light of the regulatory innovations derived from Legislative Decree no. 254 of 30 December 2016 on non-financial disclosures.

During 2017, and in particular at the Board meeting of 16 February 2017, after the verification by the Control and Risks Committee and the Board of Statutory Auditors, at the preparatory meeting held on 25 January 2017, the 2017 audit plan was submitted for the approval of the Board of Directors; prepared by the IAD, the plan is in accordance with the provisions of the Code of conduct, and is based on a structured process of analysing and prioritising the main corporate risks.

In this circumstance the Board has shared the operating procedures for carrying out the verifications, and the criteria adopted for selecting the sample of projects (direct and indirect), branches/operations managements and corporate processes to be subjected to verification; it also assessed the resource needs (internal and external) of the Internal Audit Department for the coverage of the planned audits, with a focus on the foreign scope and taking into account the greater

involvement of the IAD in the field, and on the corporate processes as requested by the company's Top Management, as well as in relation to special projects. This is in line with the requirements of the Code of conduct for listed companies (independence of function).

The Control and Risks Committee, aided by outside consultants and the competent corporate departments, at the meeting of 25 January 2017, examined the adequacy of the IAD structure, expressing a favourable opinion as to the decisions made by the Company. Again at the aforementioned meetings, the Control and Risks Committee also discussed the aspects of organisation and integration of the IAD for the purposes of the audit activities and with the second-level departments (in this regard, see the statements made in section 10.7 of the aforementioned report).

The results of the checks are periodically reported by the Internal Audit Department Manager to Top Management, to the Control and Risks Committee, to the Board of Statutory Auditors, the Audit Firm, where required, to the Supervisory Body – for the specific purposes pursuant to Legislative Decree no. 231/01 – and to the Board of Directors, in compliance with the reporting flow sanctioned in the IAD's operating procedure, with regard to the Internal Audit mandate, which governs the flow of information to the Company's governance and control bodies (minutes of meetings with control and supervisory bodies, audit reports, half-year reports on the activities' progress).

In the context of the disclosure that was made, the Internal Audit Department Manager expressed his assessment regarding the internal control system and risk management of the Corporate processes, of the selected projects (direct and indirect), of the branches/operations managements in Italy and abroad, carrying out verifications on events of particular relevance that took place in the financial year.

With reference to the activities related to the internal control system, during 2017 a series of projects was finalised by the IAD, also with the support of outside consultants possessing the requirements of professionalism, independence, and adequate organisation as already listed under point 9 above, with reference to the activities performed by the Control and Risks Committee during the meetings held in 2017.

More specifically, the activities pertaining to special projects were carried out also with regard to the provisions of the Code of conduct's application criterion 7.C.5., *letter g*) in relation to the verifications of reliability of the supporting information systems.

To discharge his duties, the Internal Audit Department Manager may access all the information of use for carrying out his assignment, as better specified in the operating procedure of the IMS with regard to the IAD's Mandate, approved by the Board of Directors on 10 November 2014.

The resources needed for the purposes of the internal control activities, also with reference to carrying out the Audit Plan, are provided for and quantified in the budget of the Internal Audit Department, as already highlighted in paragraph 9 hereof, with reference to the activities of the control and risks committee.

10.3 Organisational model pursuant to Legislative Decree no. 231/2001

In 2003, the Company adopted a Code of Ethics and an Organisation, Management and Control Model pursuant to Legislative Decree no. 231 of 2001 (231 Model) for the prevention of the offences as per that Decree, and appointed a Supervisory Body endowed with autonomous initiative and control powers in accordance with the provisions of law.

The 231 Model consists of an organic set of principles, rules, and provisions that regard, among other things, the management and control of corporate processes, with the purpose of protecting the company from any conduct that may result in its administrative liability related to certain offences.

The Code of Ethics and the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/01 (hereinafter, "OMM") were reviewed by the Board of Directors at the Board meeting of 10 March 2015 in order to take into account the company's changed organisational scenario and the best practices that had consolidated in the meantime.

The main changes made to the aforementioned documents regarded the following:

With regard to the Group's Code of Ethics

- provision of a so-called "Group" Code of Ethics, applicable to all Group companies controlled directly or indirectly by Astaldi S.p.A.;
- redefinition of the general principles of the Code of Ethics (now identified as honesty, transparency, safeguarding assets, professionalism, protection of human resources, sustainability);
- introduction of an "Ethics Committee" (defining its related tasks and flows of information) and of an "Ethics Officer" (defining their related tasks);
- provision of a specific sanctioning system for violations of the Code of Ethics.

With regard to the General Part of the OMM:

- integration with the description of the corporate mission and of the organisational and governance arrangement of Astaldi S.p.A.;
- introduction of a specific sanctioning system for violations of the OMM;
- introduction of the requirement of honourability of the Supervisory Body;
- remodulation of the flows of information towards the Supervisory Body (by the Manager in charge, in the matter of health, safety, and the environment, with reference to the Tax Compliance Model);
- introduction of flows of information from the Supervisory Body towards the Corporate Bodies (Board of Directors), the Control Bodies (Board of Statutory Auditors with two half-year meetings) and Top Management (CEO).

With regard to the Special Part of the OMM:

- remodulation of the matrices with the linkage between predicate offences, risk areas, and sensitive activities, associating the latter with reference to the specific protocols pursuant to art. 6, subsection 2;
- full revision and update of the protocols pursuant to art. 6, subsection 2, associated with activities identified as sensitive.

The direct and indirect Italian subsidiaries, as well as the "relevant" Italian associates, have also started a path of compliance with Legislative Decree no. 231/2001, appointing their own Supervisory Body and, where applicable, their own Ethics Officer.

The types of offence the Model intends to prevent are:

- potential related offences pursuant to articles 24, 25, and 25-*octies* (Offences against public administration and offences of receipt of stolen goods, money laundering and use of money, goods, or benefits of unlawful provenance, as well as self-laundering) of Legislative Decree no. 231/01;
- potential related offences pursuant to articles 25-*ter* and 25-*sexies* (Corporate offences and offences of market abuse) of Legislative Decree no. 231/01;
- potential related offences pursuant to art. 25-*ter* letter *s bis* (Corruption among private individuals) of Legislative Decree no. 231/01;
- potential related offences pursuant to art. 25-*septies* (Manslaughter and serious or grievous involuntary personal injury, committed with violation of the regulations on the protection of occupational health and safety) of Legislative Decree no. 231/01;
- potential related offences pursuant to articles 24-*bis* and 25-*novies* (Cybercrime and unlawful processing of data, and copyright violation offences) of Legislative Decree no. 231/01;
- potential related offences pursuant to articles 24-*ter* and 25-*decies* (Offences of organised crime, transnational criminal offences, and inducing someone not to testify or to make false statements to the judicial authority) of Legislative Decree no. 231/01 and articles 3 and 10 of Law no. 146/2006;
- potential related offences pursuant to art. 25-*undecies* (Environmental crimes) of Legislative Decree no. 231/01;
- potential related offences pursuant to art. 25-*duodecies* (Crime involving the employment of illegal aliens) of Legislative Decree no. 231/01;

- potential related offences pursuant to art. 25-*quater* (Crimes aimed at terrorism or the subversion of democracy) of Legislative Decree no. 231/01;
- potential related offences pursuant to articles 25-*bis* and 25-*bis* 1 (Forgery of money, public credit cards, stamp duties, and in identification instruments or marks, and offences against industry and trade) of Legislative Decree no. 231/01;
- potential related offences pursuant to art. 25-*quinquies* (Offences against individuals) of Legislative Decree no. 231/01.

On 21 September 2017, the Board of Directors most recently approved an update of the Organisational Model, in order to take into account the new offences included in the 231 catalogue by:

- Law no. 199 of 18 October 2016, on “Provisions in the matter of combating phenomena of undeclared work, the exploitation of agricultural work, and wage realignment in the agricultural sector,” which included the offence of “Unlawful intermediation and exploitation of labour” (art. 603-bis of the Italian Criminal Code), within the context of art. 25-*quinquies* of the Decree (“Offences against individuals”);
- Law no. 236 of 11 December 2016 on “Modifications to the criminal code and to law no. 91 of 01 April 1999, in the matter of trafficking organs for transplantation, as well as law no. 458 of 26 June 1967, in the matter of the transplantation of kidneys between living persons,” which inserted into the Italian criminal code the new article 601-*bis* (“Trafficking of organs removed from a living person”) and included it among the crimes that, pursuant to article 416, subsection 6, of the Italian Criminal Code, may constitute the purpose of the offence provided for therein (“Conspiracy”), thus coming under the provision pursuant to art. 24-*ter* of the Decree (“Offences of organised crime”);
- Legislative Decree no. 38/2017, repealing art. 2635 of the Italian Civil Code “Corruption among private individuals,” which introduced the offence of “Instigation to corruption among private individuals” (art. 2635-*bis* of the Italian Civil Code) within the scope of art. 25-*ter* of the Decree (“Corporate offences”).

The Group's Code of Ethics and the new OMM (General Part, Special Part and Attachment I) were translated into English, French, and Spanish, and spread to all levels of the corporate organisation and published on the institutional website at: www.astaldi.com/en/governance/corporate-documents (Code of Ethics and OMM, General Part) and on the corporate intranet in Share Point (also including the Special Part of the OMM and Attachment I).

The Supervisory Body was renewed by the Board of Directors meeting of 20 April 2016, which had confirmed the following composition: Pierumberto Spanò, acting as chairman of the Supervisory Body, Nicoletta Mincato, non-executive and independent member of the Board of Directors, as well as Marco Annoni, and Giorgio Luceri, in continuity with the previous mandate.

With the letter of this past 07 July, Marco Annoni resigned from the Supervisory Body for personal reasons. Taking note of the resignation, the Board of Directors meeting of 02 August confirmed the composition in the persons of the Chairman Pierumberto Spanò, Nicoletta Mincato, and Giorgio Luceri. The Board also verified that this arrangement does not impact the proper composition of the Supervisory Body, since it continues to be in line with what is established by paragraph 4.1 of Astaldi S.p.A.'s Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001, which establishes a minimum of three to a maximum of five members. The Board, having heard the Board of Statutory Auditors, also reserved the right to proceed, at a subsequent session, with the integration of the Supervisory Body, where applicable.

Based on Legislative Decree no. 231/01, the Supervisory Body is attributed the following functions:

- supervising the effectiveness of the Model, which consists of verifying the consistency between tangible behaviour and the Model as established;
- assessing the Model's adequacy and suitability with respect to the type of activity and characteristics of the business, in order to prevent risks of committing offences. This requires an activity of updating the Model on the occasion of any changes of organisation and of the Law in question.

The update may be proposed by the Supervisory Body, but must be adopted by the Board of Directors.

The Supervisory Body, on the other hand, does not have operating tasks or decision-making powers, or powers of a preventative nature, with regard to the performance of the company's activities.

For an effective performance of the aforementioned functions, the Supervisory Body has its own expense budget for its own exclusive use, also in consideration of the growing complexity of the areas of interest and of the effect of regulatory innovations coming under the corpus of the Decree, which require the contribution of specialist skills or resources. The size of the expense budget is the object of a proposal by the Supervisory Body and of approval by the Board of Directors. The Body decides autonomously and independently the expenses to be made, referring to those bearing signature powers in Astaldi to sign the pertinent commitments. Moreover, in discharging its duties, the Supervisory Body has access to every corporate document and prompt information is required from any corporate department where requested by the Body. In this regard, the 231 Model establishes specific information flows towards the Supervisory Body, both periodic and for specific needs.

The Body normally meets every month. It may be convened at any time by its Chairman, or when at least two of its members so request, and may be called upon to report to the CEO.

The Supervisory Body prepares a summary report that, in line with the plan of activities approved at the start of every financial year, regards the activity performed in the first and second half of reference; its recipients are the Board of Directors and the Board of Statutory Auditors through their respective Chairman, and the CEO.

Every year, the Supervisory Body prepares the Supervision Plan accompanied by a summary descriptive document. This document contains a description of the activities planned by the Supervisory Body for the year following the one in progress, along with the related expense budget to be submitted to the Board of Directors.

Moreover, the Supervisory Body reports promptly to the Board of Directors and the Board of Statutory Auditors in the event of any criticalities that are found.

With reference to the supervision over the regulations of Law (including Legislative Decree no. 231/01), every six months, the Board of Statutory Auditors and the Supervisory Body hold joint meetings for the mutual exchange of information on shared aspects.

Moreover, as provided for in the OMM, the Supervisory Body met:

- the Manager in charge of financial reporting, on the occasion of the approval of the yearly financial statements for 2017, with regard to the impacts of the testing activities for the purposes of Law 262/05 on corporate crimes;
- the Sustainability, Organisation, and Integrated Management Manager and the Project Safety and Environment Manager with regard to issues of health, safety, and the environment at the level of the corporate management and sustainability system, and with reference to the operative projects.

Lastly, every year, the Supervisory Body reports to the CEO on the activities performed during the reference period (at the meeting of the Supervisory Body or by preparing specific reports).

The training activity is managed by the Supervisory Body with the support of the Internal Audit Department and is delivered both directly, through the organisation of training sessions, with the corporate area, the operations managements, operative projects, and in e-learning mode. In the latter case, it was delivered in Italian, English and Spanish (since 2017) on the web-based portal available at www.learnico.it, created by CEIS (Centre for Economic and International Studies) at Rome's Università di Tor Vergata.

On a yearly basis, the courses that are delivered are updated by the Supervisory Body following new regulations, corporate events, results of auditing activities and/or investigations following reports received by the Company's Ethics Committee. By attending the courses – also through the passing of the final learning test (for new enrolees) – participants can earn attendance certificates that are then forwarded to Personnel Management. E-learning ensures more extensive coverage, flexibility, and traceability of the training that is delivered.

10.4 System for the management and control of the processes connected to non-financial disclosure

In recent years, the Astaldi Group has undertaken, on a voluntary basis, a path to improve “Sustainability Management” –

this term being understood as processes, initiatives, and activities aimed at supporting the Group's ability to create value with regard to:

- Health, safety, and well-being of the workers and of the Communities where the Group operates;
- Protection of rights;
- Local development;
- Responsible and sustainable use of available resources;
- Integrity, transparency, and innovation;
- Energy Sustainability and Climate Change.

In the context of this path, the processes to measure non-financial performance have been increasingly integrated into corporate processes, also for the main purpose of being able to effectively communicate sustainability management in accordance with a business perspective as required by best international practices. These activities have always been entrusted to a management committee (now the "Sustainability Committee"), called upon to govern the process of reviewing the company management system on the corporate level, in terms both of validation of the material issues in the matter of non-financial disclosures, and of analysing and developing initiatives in the matter of sustainability, aimed at grasping and managing the market risks and opportunities related to sustainability.

In the planning of the processes of controlling and supervising performance in the matter of sustainability, and in keeping with application criterion 1.C.1, *lett. b)* of the Code of conduct, as well as following the entry into force of the regulations in the matter of "Disclosure of non-financial information" pursuant to Legislative Decree no. 254 of 30 December 2016, the role of the Sustainability Committee and its composition was reviewed in 2017. The committee, consisting of the CEO, the General Managers, and the Deputy Managers, and of the corporate-level Sustainability, Organisation, and Management Manager, carries out functions of sustainability guidance and is responsible for analysing the Group's non-financial performance, and assessing its appropriateness for the strategy in line with the orientations provided by the Board of Directors.

The results of the activities carried out also in support of the preparation of the "Non-financial Statement" pursuant to Legislative Decree no. 254 of 30 December 2016, were illustrated to the Control and Risks Committee and to the Board of Statutory Auditors. This is also with the purpose of permitting effective, timely control over the processes that are followed (reporting methods, data collection and information, procedure for defining the scope and the material information) for the purposes of the preparation of the "Non-financial Statement," subject to the final adoption by the Board of Directors that approved this Report.

10.5 Audit firm

Astaldi S.p.A.'s accounts audit activity is performed by the audit firm KPMG S.p.A., which was given the assignment of carrying out the legally-required audit for 2011-2019.

10.6 Manager in charge of financial reporting

Pursuant to art. 23-*bis* of the Company's Bylaws, the Manager in charge of financial reporting is appointed by the Board of Directors, upon hearing the opinion of the Board of Statutory Auditors. Moreover, again pursuant to the Company's Bylaws, as Manager in charge of financial reporting may be appointed a person who possesses the requirements of honourability provided for by law for directors, and of appropriate professionalism, having performed for at least three years management activities in the administrative, accounting, financial, and control in a company whose financial instruments are listed on a regulated market, or in a company that carries out financial or insurance or banking activity, or in a company with a share capital of no less than EUR 2 million, or has carried out three years of activity as an auditor with an audit firm entered in the special register kept by CONSOB.

The Company also has internal regulations that establish in detail the functions, means, and powers of the Manager in charge, as well as his or her relations with the Company's other organs and bodies.

Since 2007, Paolo Citterio, the Company's General Manager, Administration and Finance, has held the office of "Manager in charge of the financial reporting" pursuant to art. 154-*bis* of the consolidated finance act – TUF.

On the occasion of the latest Board renewal of 20 April 2016, the newly elected Board of Directors confirmed Mr. Paolo Citterio in this office.

10.7 Coordination between the parties involved in the internal control and risk management system

To be effective, a system of controls must be integrated: its components must be coordinated and interdependent with one another, and the system, as a whole, must be integrated into the company's general organisational arrangement.

The regulations and the Code of conduct see the internal control and risk management system as a unitary system in which risk is the guiding thread; to be effective, the system of controls must be integrated in its various components, or it must include procedures and flows of coordination among the various corporate subjects, involved in various grounds in the same system (Board of Directors, director tasked with the internal control and risk management system, Control and Risks Committee, the Board of Statutory Auditors, the Manager of the Internal Audit Department, Manager in charge of financial reporting, Manager of the Corporate Risk Management Department, all the other corporate offices with specific tasks in the matter of internal control and risk management).

In this regard, Astaldi operates in compliance with the provisions of the Code of conduct, as highlighted in the previous sections of the corporate governance report.

In particular, the following is pointed out:

- coordination between the activities of the Internal Audit Department and the Corporate Risk Management Department, taking into account that the modern conception of controls revolves around the notion of corporate risks, and identifying, assessing, and monitoring them;
- with specific reference to the financial information, coordination between the activities of the Internal Audit Department and the operating structure that works in support of the Manager in charge of financial reporting;
- coordination between the activities of the IAD and the second-level offices as regards the specific risks monitored by them (e.g. safety and environment).

Specifically, in the context of the Internal Audit Manual, the operating procedure of the IAD are expressly regulated in the area of flows of information:

- a) the planning of assurance interventions, while maximising possible synergies and sharing the programmes of activities;
- b) the reporting process with second-level offices, in order to promote integration between the main actors in the control system.

During the verification activity performed on the IA office (see section 10.2), points for improvements emerged with regard to the coordination between the IA Department and the second-level control offices. These points for improvement relate to the phase of planning and integrated control of activities, as well as the shared use of the MEGA support tool.

More generally, as concerns coordination between all the parties involved in the internal control and risk management system: Control and Risks Committee, the Board of Statutory Auditors, Supervisory Body, Manager charged with the internal control and risk management system, manager of the Internal Audit Department, see the respective sections.

11. Directors' interests and related party transactions

The Board of Directors, at the meeting of 10 November 2010, in line with the provisions of CONSOB regulation no. 17221 of 12 March 2010 (and subsequently modified with the decision of 23 June 2010), in the matter of **"related party transactions,"** approved, with the favourable opinion of the ad hoc committee of independent directors, the new internal procedures for identifying, approving, and carrying out related party transactions done by Astaldi S.p.A. directly or through its subsidiaries.

The procedure was then modified by the Board of Directors meeting of 11 November 2015.

These procedures, in brief:

1) Identify the transactions of “greater” and “lesser” relevance.

For transactions of “lesser” importance, the following is provided for:

- (i) appropriate *ex ante* disclosure, promptly provided to the deliberating body and to the committee itself, which must express its opinion;
- (ii) that the aforementioned committee may rely on independent experts of its choosing;
- (iii) the justified, non-binding opinion of the related parties committee;
- (iv) that the competence for deciding is vested, alternatively, with the Board of Directors or with the CEO as part of the powers conferred to the latter.

On the other hand, as to transactions of “greater” relevance, the procedures, in addition to the above, provide for:

- (i) the binding opinion of the Related Parties Committee;
- (ii) a reservation of decision-making competence for the Board of Directors.

- 2) They establish the procedures with which the transactions are investigated and approved, as well as the composition and operating rules of the aforementioned related parties committee which, in line with what CONSOB has established, consists exclusively of independent directors in the case of transactions of both “lesser” and “greater” relevance.
- 3) They set the procedures with which the aforementioned committee, as well as the administration and control bodies, are provided with information on the transactions prior to the decision, during and after their execution.
- 4) They identify rules with regard to the hypotheses in which the Company examines or approves transactions of Italian or foreign subsidiaries.
- 5) They identify cases of “default exemption” from the regulations, and cases of “optional exemption.”

It remains understood that on all the aforementioned transactions, the Company provides information in the management report.

In order to implement CONSOB’s recommendations in communication no. DEM/10078683 of 24 September 2010 – which asks Issuers to assess, at least every three years, whether to revise the procedure on related parties – the Board of Directors’ meeting of 11 November 2015 approved, upon the favourable opinion of the Related Parties Committee and having heard the opinion of the Board of Statutory Auditors, the revision of the procedures.

The document’s revision was preceded, also with the aid of the Corporate Affairs and Corporate Governance Department and the Office of the Chairman, by an examination of the procedures adopted by the leading listed companies, in order to have a benchmark of reference and to assess bringing the regulatory solutions adopted by Astaldi in line with the market’s best practices. In brief, the main modifications adopted are as follows:

- (i) simplification of the procedural path adopted, and greater flexibility with regard to timing, for proceeding with calling and drafting the opinion requested from the Related Parties Committee;
- (ii) adoption of an ad hoc procedure for transactions through subsidiaries;
- (iii) new definition of the scope of key management personnel, identifying as such the members of the Board of Directors, the standing members of the Board of Statutory Auditors, and the General Managers of Astaldi S.p.A. (cf. art. 2, definitions);
- (iv) adoption of a more rigorous low threshold, identified in the value of the transactions, of less than or equal to EUR 250.000,00;
- (v) explicit provision of an assessment, with at least a three-year frequency, on the need to introduce modifications and supplements to the Procedure (cf. art. 8).

On the occasion of the revision of the procedures, better coordination is guaranteed with the main office's Operating Instructions that Astaldi adopted in 2010 in order to make a preliminary identification and verification of the transactions with related parties implemented by Astaldi, also through subsidiaries, with its own related parties, and to subject the transactions subject to exemption to a rigorous internal assessment process.

Lastly, the Shareholders at their Extraordinary Meeting of 20 April 2016, changed the Company's Bylaws, introducing the new art. 22-*ter* in order to allow the company to make, in the event of urgency, the assessments as needed with regard to transactions with related parties, directly or through subsidiaries, as an exception to the provisions of said procedure. This option is permitted by the aforementioned CONSOB Regulation no. 17221 of 12 March 2010 and subsequent modifications, which permits the approval of the transactions in times faster than the natural procedural passages otherwise required, provided appropriate guarantees of information transparency are compiled with, and there is a provision in the Bylaws for this.

The new art. 22-*ter* of Astaldi's Bylaws – like the corresponding art. 6.8 of the company's appropriately supplemented Procedure in the matter of related party transactions – offers all the guarantee supports required by the applicable regulations.

For that which concerns the aspects of an organisational nature, it is pointed out that, following the appointment of the new Board of Directors, a new composition of the membership of the committee in question was defined; the committee now consists of the following independent directors:

Chiara Mancini	independent board member (Chair)
Paolo Cuccia	independent board member
Nicoletta Mincato	independent board member

As already stated in paragraph 7, during 2017, the Related Parties Committee met three times, jointly with the Appointments and Remuneration Committee and with the entire Board of Statutory Auditors on hand.

The meetings were held on 14 March, on 10 May, and on 27 July 2017, to assess the profiles of success fee/MBO in favour of Chairman Paolo Astaldi, under the terms illustrated in the Report on Remuneration, to be completely referred to.

The Committee also met on 13 June, with the entire Board of Statutory Auditors on hand, in order to express an opinion in consideration of the announced involvement of the controlling shareholder *Fin.Ast.* – also through the subsidiary Finetupar International S.A. – in support of the transaction, both when signing a share of the new bonds, and when buying-back the bonds in circulation. The Committee issued a favourable opinion.

Lastly, the Committee met on 11 December, with the chairman of the Board of Statutory Auditors on hand, to express its prior opinion regarding the EUR 120 million revolving credit facility ("RCF") transaction favourable reached with the syndicate of financing banks.

As mentioned above, in order to facilitate the delegated bodies in identifying and verifying the transactions with related parties that Astaldi S.p.A. (directly or through its subsidiaries) intends to carry out with its "related parties," the Company has adopted Operating Instructions for the application of the Procedures for regulating related party transactions.

The Instructions establish that all the Managements and Departments of Astaldi S.p.A., before executing contracts with third parties (natural person or legal entity not belonging to the Group), must be issued by them a "Declaration" that they are related parties.

Where there is a relationship of correlation as in the case in which the related party is a legal entity in the Group, the Management or Departments of Astaldi S.p.A. are required to inform the managerial assessment committee (composed of the General Manager, Administration and Finance, Administrative Management and Corporate Affairs and Corporate Governance Department and the Office of the Chairman), which first verifies whether the operation may be qualified as of lesser or greater relevance, and whether the hypotheses for exemption exist. The managerial committee informs the

delegated bodies as to the transactions to be brought for the assessment of the Related Parties Committee and, in any event, carries out a constant and complete mapping – necessary also for the purposes of the financial statements – of all transactions, even if exempt.

For details, see the “Procedures for regulating related party transactions” published on the corporate website (“Governance/Corporate documents” section).

With regard to the hypotheses in which **a Director has an interest** on his or her own or third parties' behalf, it is specified that the Company's Board of Directors, in compliance with the regulations in force, from time to time adopts the operating solutions it deems most suitable (such as for example preventing participation in voting, or momentary removal from the meeting at the time of the decision).

12. Appointment of the statutory auditors

The Company's Bylaws provide for the mechanism of “slate voting” in order to guarantee that shareholding minorities are represented on the Board of Statutory Auditors.

By express provision of the Bylaws, the **slates**, accompanied by the documentation required by law and by the Bylaws, must be lodged at the company's main office, following the procedures and by the deadlines provided for by the applicable regulations.

Only shareholders that on their own, or along with other shareholders, own a total of shares with voting rights representing at least **1% of the share capital** with voting rights at the ordinary Shareholders' Meeting (or such lesser percentage as may be provided for by the applicable provisions of law or regulations) are entitled to submit slates.

The **election** of the members of the Board of Statutory Auditors takes place as follows:

- from the slate that has garnered the highest number of votes cast by the shareholders in attendance, two standing members and two alternate members are drawn, in the progressive order in which they are listed in the corresponding sections of the slate;
- the remaining standing member, who shall also be appointed Chairman of the Board of Statutory Auditors, and the other alternate member, are drawn from the slate that has garnered the second highest number of votes, out of the slates submitted and voted on by shareholders that are not linked to shareholders of reference pursuant to the regulations in force, based on the progressive order in which they were listed in the corresponding sections of the slate.

In the event that a number of minority slates have garnered the same number of votes, the candidates most senior in age among those appearing as number one on the corresponding sections of the slates that have garnered an equal number of votes are elected standing auditor and alternate auditor.

If only one slate is submitted, all the standing and alternate auditors are drawn from it, to be elected in the order in which they are listed. In this case, the person indicated in the first position in the slate shall be the Chairman of the Board of Statutory Auditors.

In order to ensure a gender balance, art. 25 of the Company's Bylaws establishes that each slate that contains three or more than three candidacies must include a number of candidates, possessing the requirements established by law and by the Bylaws, that is an expression of the gender less represented within the Board of Statutory Auditors, in a number equal to **one fifth** of the candidates who shall make up the Board of Statutory Auditors entering office on the occasion of the first renewal of the board after 12 August 2012, and equal to **one third** of the candidates who shall make up the Board of Statutory Auditors to be appointed for the following two terms.

In order to guarantee, with a view to substantial equality, gender balance as concerns access to corporate offices, one fifth of the standing members of the Board of Statutory Auditors, appointed on the occasion of the Shareholders' Meeting renewing the board taking place on 23 April 2015, is an expression of the gender less represented within the Board of Statutory Auditors.

In the case of a Standing Auditor **leaving** office, on any grounds, he or she shall be succeeded by the first of the alternate members elected on the same slate, upon verification of the maintenance of the prerequisite provided for by law and by the Company's Bylaws. However, should a Standing Auditor's removal from office on any grounds take place after the first renewal of the board after 12 August 2012, or during the two terms thereafter, in making the replacement it will be necessary to respect the gender balance on the Board of Statutory Auditors in accordance with the provisions of article 25 of the Company's Bylaws.

Should the Standing Auditor drawn from the slate that has garnered the second highest number of votes leave office for any reason, if the alternate member elected from the same slate cannot, for any reason, succeed, him or her, he or she shall be succeeded by the next candidate drawn from the same slate – upon verifying the maintenance of the requirements provided for by law and by the Company's Bylaws – or, lacking same, by the first candidate on the slate that garnered the second highest number of votes among the minority slates. However, if the removal, on any grounds, of the Standing Auditor drawn from the slate that garnered the second highest number of votes takes place after the first renewal of the board after 12 August 2012 or during the two terms thereafter, in making the replacement it will be necessary to respect the gender balance on the Board of Statutory Auditors in accordance with the provisions of article 25 of the Company's Bylaws.

For the other aspects related to the appointment and replacement of the members of the Board of Statutory Auditors, see the provisions of art. 25 of Astaldi S.p.A.'s Bylaws published on the corporate website ("*Governance/Corporate documents*" section).

13. Composition and function of the board of statutory auditors (pursuant to art. 123-bis, subsection 2, letters d) and d-bis), of the consolidated finance act – TUF)

The Board of Statutory Auditors currently in office for the financial years 2015-2017, for whose composition see Table 4 in the appendix, was appointed by the Shareholders at their meeting of 23 April 2015. In implementation of the regulations of reference and of the content of art. 25 of the Company's Bylaws, two slates were submitted containing the candidates for the appointment of the new Board of Statutory Auditors, consisting of three standing auditors and three alternate auditors.

The first slate was submitted by the shareholder FIN.AST. S.r.l., which holds a total of 39,505,495 shares, equal to 40.139% of the share capital.

The second list was submitted by the shareholders Arca SGR S.p.A., manager of the Arca Azioni Italia fund; Eurizon Capital S.G.R. S.p.A. manager of the funds: Eurizon Azioni Italia, and Eurizon Azioni PMI Italia; Eurizon Capital SA manager of the funds: Eurizon EasyFund – Equity Italy and Eurizon EasyFund – Equity Italy LTE; Mediolanum Gestione Fondi SgrpA, manager of the Mediolanum Flessibile Sviluppo Italia fund; Pioneer Asset Management SA, manager of the funds: Pioneer Fund – European Potentials, and Pioneer Fund – Pioneer Fund Emerging Markets Equity and Pioneer Investment Management SGRpA, manager of the Pioneer Italia Azionario Paesi Emergenti fund, which hold a total of 3,605,454 shares, equal to 3.66% of the share capital.

Both appointment proposals were accompanied by information regarding the identity of the presenting shareholders, indicating the percentage interest held overall, and a certification issued by an authorised intermediary, declaring the ownership of said interest, a description of the personal and professional characteristics of the designated parties, and declarations with which the individual candidates accept their candidacy and attest, under their own responsibility, to the non-existence of causes of ineligibility or incompatibility, and to the existence of the prerequisites required by regulations and the Company's Bylaws for the respective offices, and also listing any administration and audit positions held in other companies and, with reference to the second slate, a declaration of the shareholders that are other than those that hold, even jointly, a controlling or majority interest, attesting to the non-existence of relations of connection with them pursuant to the relevant regulations.

Said proposals were lodged by the aforementioned Shareholders at the Company's main office by the legal deadlines, and

the Company saw to making available to the public at the company's main office, on its website, and on the authorised storage mechanism, the slates lodged by the shareholders in question twenty-one days prior to the date established for the Shareholders' Meeting in first call.

The slate submitted by the Shareholder FIN.AST. S.r.l. (first slate) proposed the following names for the office of Standing Auditors:

1. Mr. Lelio FORNABAIQ;

2. Ms. Anna Rosa ADIUTORI;

and the following names as Alternate Auditors:

1. Ms. Giulia DE MARTINO;

2. Mr. Francesco FOLLINA.

The slate submitted by the institutional funds (second slate) proposed the following name for the office of Standing Auditor:

1. Mr. Paolo FUMAGALLI;

and proposed the following name for the office of Alternate Auditor:

2. Mr. Andrea LORENZATTI.

All the candidates' résumés, with all the information indicated above, were made available to the Shareholders.

Upon the outcome of the election process, at their meeting held on 23 April 2015, the shareholders thus decided to appoint, for the 2015-2017 financial year, the members of the Board of Statutory Auditors in the person of the following parties:

■ Mr. Paolo FUMAGALLI (Chairman);

■ Mr. Lelio FORNABAIQ (Standing Auditor);

■ Ms. Anna Rosa ADIUTORI (Standing Auditor);

■ Mr. Andrea LORENZATTI (Alternate Auditor);

■ Ms. Giulia DE MARTINO (Alternate Auditor);

■ Mr. Francesco FOLLINA (Alternate Auditor).

The shareholders' meeting also decided upon the remuneration of the members of the Board of Statutory Auditors, in proportion to the importance of the position held.

The shareholders' meeting approving the 2017 financial statements shall be held when the Board of Statutory Auditors is renewed.

With reference to paragraph 4.2 above, Astaldi S.p.A. has adopted "Diversity Policies" for the appointment of the Board of Directors and the Board of Statutory Auditors, and shall provide transparent disclosure thereof in implementation of art. 123-bis, subsection 2, letter *d-bis* of the consolidated finance act – TUF.

The document was approved by the Board of Directors meeting of 14 November 2017, upon receiving the opinion of the Appointments and Remuneration Committee.

These Policies fully adopt the provisions of current laws and regulations, as well as the provisions of the Bylaws of Astaldi S.p.A.; the current composition of the Board of Statutory Auditors is therefore fully in line with the provisions of these Policies. Said provisions shall be appropriately referred to when renewing the Board of Statutory Auditors for the 2018-2020 financial years.

The document is available on the Company's website ("Governance/corporate-documents" section).

At the meeting of 22 February 2018, the Board of Statutory Auditors, pursuant to *application criterion* 8.C.1. of the Code of conduct, verified, with reference to the 2017 financial year, the persistence of the independence requirements for its own members, applying, for the relevant assessments, all the criteria provided for by said Code with reference to the independence of directors.

For the composition of the Board of Statutory Auditors in office, see Table 4. All the statutory auditors possess the personal and professional requirements as provided for by art. 144-*decies* of the Issuer Regulation and in the Bylaws of Astaldi S.p.A. (art. 25).

Moreover, by virtue of the provisions of Astaldi S.p.A.'s OMM, and with reference to the supervision of the Board of Statutory Auditors provided for by the consolidated finance act – TUF, the Board of Statutory Auditors met on 20 June 2017 and 14 November 2017 with Astaldi's Supervisory Body and with the boards of the relevant subsidiaries on 22 February 2018, with reference to 2017 operations.

Moreover, the Company adheres to the principles of the Code of conduct in accordance with which the statutory auditor who, on his or her own or on third parties' behalf, has an interest in a given transaction of the Company, promptly and comprehensively informs the other statutory auditors and the Chairman of the Board of Directors as to the nature, terms, origin, and scope of its interest (*application criterion* 8.C.3.).

Again in application of recommendations of the Code of conduct, which invites the participation of directors and statutory auditors in training and updating initiatives (*application criterion* 2.C.2), during 2017, at the meeting of 26 January 2018, the Corporate Affairs and Corporate Governance Department and the Office of the Chairman carried out an in-depth examination of the new regulations in the matter of market abuse, in addition to setting out the relevant procedure on Ongoing Reporting (now called "Procedure for the management of the Inside Information").

The Chairman also called dialogue meetings between board members, statutory auditors, management, and some corporate executives, aimed at best illustrating the development of the company's business and to permit better knowledge of the Company's Business Plan.

The Board of Statutory Auditors performs supervision activities in compliance with art. 19 of Legislative Decree no. 39 of 2010 and in line with Borsa Italiana Notice no. 18916 of 21 December 2010.

Moreover, the Board of Statutory Auditors supervises the audit firm's independence, verifying compliance with relevant regulatory provisions, as well as the nature and extent of the services other than accounting auditing provided to the Company and to its subsidiaries by the audit firm and the entities belonging to its network.

The Board of Statutory Auditors, in carrying out its activity, relies on the collaboration of the Internal Audit Department, in compliance with the timing provided for by regulations and the internal due dates based on the meetings scheduled in the financial year of reference.

During 2017, the Board of Statutory Auditors met 16 times, respectively on 25 January, 22 February, 14, 24 and 27 March, 10 May, 30 June (once just the Board, once jointly with the Supervisory Body), 2 August, 11 October, 10 November, 14 November (once just the Board, once jointly with the Supervisory Body), 16 and 17 November, 12 December.

Meetings of the Board of Statutory Auditors are coordinated by the Chairman, and attended by the majority of the statutory auditors. Their average duration is about three hours. As a rule, the Board of Statutory Auditors meets in accordance with the deadlines established by law. As concerns the 2018 financial year, the Board has already defined the calendar of upcoming meetings for the aforementioned financial year and, until the approval date hereof, has met three times, respectively on 26 January, 22 February and 15 March 2018.

The Board is also coordinated with the Control and Risks Committee, with which it has maintained a constant exchange of information, through the attendance of the Chairman of the Board of Statutory Auditors at said committee's meetings and, at times, also of the Board of Statutory Auditors as a whole, when, with respect to examination of the system of corporate controls, the two bodies have deemed it necessary to call joint meetings (*application criterion* 8.C.5.)

14. Relations with shareholders

The Company, also in light of admission to listing on the STAR Segment of Mercato Telematico Azionario (screen-based stock exchange), as early as 2002 appointed, as “**Investor Relator**,” Alessandra Onorati, who is the manager of the corresponding corporate structure.

In order to foster dialogue with shareholders and with the market, and in implementation of the applicable regulations of reference, the Company regularly makes available on its website all the information regarding accounts (annual financial reports, interim financial reports, and quarterly reports), and of interest for shareholders in general (such as, for example, press releases, the corporate Code of Ethics, the Organisation and control model pursuant to Legislative Decree no. 231/01, and the Directors' reports on the items on the Shareholders' Meetings' agenda).

15. Shareholders' meetings (pursuant to art. 123-bis, subsection 2, letter c), of the consolidated finance act – TUF)

Pursuant to art. 10 of the Company's Bylaws currently in force, the Shareholders' Meeting is called by the Board of Directors by notice to be published following the procedures and by the deadlines established by law.

The Company's Bylaws also establish that the same notice may indicate another day for the second call, if the first is unattended; in the event of an extraordinary Shareholders' Meeting, the same notice may also indicate the date for the third call.

The Shareholders' Meeting is given the tasks provided for by art. 2364 of the Italian civil code. Moreover, based on what is permitted by art. 2365, second subsection, of the Italian civil code, art. 22 of the Company's Bylaws expressly tasks the Board of Directors with taking decisions as to:

- (i) mergers and demergers, in the cases provided for by articles 2505 and 2505-bis of the Italian civil code, in accordance with the procedures and by the deadlines described therein;
- (ii) instituting and suppressing secondary offices, even abroad;
- (iii) indicating which of the directors is to be vested with the Company's representation;
- (iv) reducing share capital in the event of the shareholder's withdrawal;
- (v) adjusting the Company's Bylaws to regulatory provisions;
- (vi) transferring the company's main office in national territory.

Moreover, pursuant to art. 135-novies, subsection 5, TUF and art. 12 of the Company's Bylaws, the Company makes available to shareholders a section on the corporate website through which the Company may be notified of voting proxies electronically, using the proxy form available there (“*Governance/Shareholders' Meeting*” section).

Currently, with reference to Shareholders' Meetings, the Company's Bylaws do not provide for voting by correspondence, online voting, or voting by audio-visual links.

In accordance with the provisions of art. 13 of the Company's Bylaws – which states that “*the function of the ordinary and extraordinary Shareholders' Meeting is governed by a regulation, approved by the ordinary Shareholders' Meeting and valid for all subsequent ones until it is amended or replaced*” – at their ordinary meeting of 11 March 2002, the shareholders approved the “**Shareholders' Meeting Regulation**,” subsequently updated with the decision of 05 November 2010, which establishes clear, unambiguous rules for the orderly and functional holding of Shareholders' Meetings, without at the same time compromising each shareholder's right to express opinions and formulate requests for specification and clarifications as to the items under discussion.

On this point, in fact, the Shareholders' Meeting Regulation establishes that the parties qualified to exercise voting rights may request the floor on the items under discussion, until the Chairman of the Shareholders' Meeting has declared discussion on said item closed, in order to make observations and proposals, or request information. The Chairman of the Shareholders' Meeting, or those assisting the Chairman, see to providing the corresponding responses, and the Share-

holders' Meeting regulation guarantees those who have requested the floor the right to make a brief reply.

As already discussed in paragraph 2, *letter d*) above, at their meeting of 29 January 2015, the shareholders adopted, by ad hoc statutory provision, the increased voting rights mechanism. Art. 12 of the Company's Bylaws states that two votes are assigned for each share belonging to the shareholder that has asked to be registered in a special List, kept and updated by the Company, and that has maintained the share for an uninterrupted period of no less than twenty-four months starting from the date of registration in said List. In addition to defining the adopted organisational solution, art. 12 of the Company's Bylaws establishes the modes of application that the Company and shareholders are required to follow for adopting the increased voting rights. Additional aspects of an operating nature are contained in a regulation adopted by the Board of Directors meeting of 10 March 2015. It is in fact to be borne in mind that, by a precise statutory choice, the definition of detailed rules with regard to profiles relating to operations and procedures was devolved upon a regulation adopted by the Board.

In implementation of the Company's Bylaws and of the regulation, the request by the shareholder may regard all or even only a part of the shareholder's shares. The shareholder's request for registration takes place by sending the Company, via a qualified intermediary, the communication provided for by the regulations of reference, or such other equivalent documentation as may be established by the Regulations.

In this regard, art. 4 of the regulation specifies that the qualified party that intends to register in the List in order to obtain the increase of the voting rights pursuant to art. 127-*quinquies* of the consolidated finance act – TUF and art. 12 of the Company's Bylaws is required to make a request therefor, via the depositary intermediary, in compliance with art. 23-*bis* of the joint CONSOB/Banca d'Italia Measure of 22 February 2008 and subsequent modifications.

The qualified party is required: (i) to indicate to the intermediary with which it holds the securities account in which the Astaldi shares are registered, the number of shares it intends to register in the List; (ii) to ask said intermediary to send to Astaldi S.p.A. – via Certified E-Mail, at the address astaldi.mt@pec.actalis.it – the “communication” that, pursuant to the aforementioned art. 23-*bis*, subsection 2, attests to ownership of the shares for which registration in the list is requested, along with the qualified party's own declaration in which the qualified party takes on the commitment to promptly inform the Company and the intermediary of any loss, for any reason, of ownership or of only the voting right.

In the case of a legal entity or other entity without legal personality, the qualified subject must also declare not being or, where applicable, being subject to control (direct or indirect), indicating the identification data of the controlling party and with the commitment to promptly inform the Company of any change of control.

To facilitate the operations of registration in the List and providing information to the market on those entitled to the voting rights increase, the Company's Bylaws state that registrations in and the updating of the List take place quarterly – 01 March, 01 June, 01 September, and 01 December – and, as art. 3 of the regulation specifies, provided that these actions are received at least by the twenty-fifth day of the previous month. In any event, even if received earlier, the registration requests will yield effects only with the updating of the List by the Company, which sees to this by the first useful date, at the frequency defined with the procedures indicated above (01 March, 01 June, 01 September, and 01 December).

As to the purposes of the exercise of the increased voting rights, the Company's Bylaws require the shareholder to send or to exhibit to the Company the communication provided for by the regulations of reference – or such other equivalent documentation as may be established by the Regulation – also attesting to the how long the shares for which the voting right is subject to increase have belonged to the shareholder without interruption.

The Company's Bylaws also provide that the shareholder entitled to the augmented vote may waive it, for all or only some of its shares, and that this waiver is automatically followed by cancellation from the List of the shares for which the increased voting rights were waived. The above is without prejudice to said shareholder's right to request registration in the List again so as to give rise to a new uninterrupted period for the shares for which the increased voting rights were waived.

The increased voting rights are conserved in the event of inheritance as well as in the event of merger and demerger of the owner of the shares. The increased voting rights are extended proportionally to the newly issued shares both in the case of

capital increase pursuant to art. 2442 of the Italian civil code, and in the case of capital increase by new conferrals. The increase of the voting rights is calculated towards the determination of the quorums for meeting and passing decisions which, in law and in the Bylaws, refer to percentages of share capital or of the share capital with voting rights.

In order to assist the shareholders in obtaining all the information of use for the increased voting rights, the Company has activated a section on the corporate website ("Governance/Increased Votes" section) reporting all the necessary information.

On 21 April 2017, the Shareholders' Meeting was held.

The Shareholders' Meeting is the moment par excellence for permitting dialogue between shareholders and directors. The Shareholders' Meeting was attended by Paolo Astaldi, in his office as chair of the Shareholders' Meeting, the Deputy Chairmen Michele Valensise and Ernesto Monti, the CEO Stinellis, and the board members Paolo Cuccia, Piero Gnudi, Chiara Mancini and Nicoletta Mincato, as well as by the entire Board of Statutory Auditors.

On 15 December 2017, there was also an extraordinary shareholders' meeting to pass decisions on capital increase serving the issue of the equity-linked bond resolved by the afore-mentioned Board of Directors of 13 June 2017.

The extraordinary shareholders' meeting was attended by Paolo Astaldi, chairing the meeting, Deputy Chairmen Michele Valensise and Ernesto Monti, and CEO Filippo Stinellis, as well as by the statutory auditors Anna Rosa Adiutori and Lelio Fornabaio.

In order to ensure the shareholders of adequate disclosure as to the elements necessary for being able to take, in an informed fashion, the decisions under the purview of the Shareholders' Meeting, the Board of Directors makes available to the shareholders, at the company's main office, on its website (www.astaldi.com Governance section / Shareholders' Meeting), and on the authorised storage mechanism www.1info.it, in accordance with the timing provided for by the regulations in force, all the documentation and reports as to the items on the Shareholders' Meetings' agendas.

16. Additional practices of corporate governance (pursuant to art. 123-bis, subsection 2, letter a), of the consolidated finance act – TUF)

There are no corporate governance practices other than those illustrated in the above points.

17. Changes since reporting date

No significant changes have taken place since the reporting date.

18. Considerations on the 13 december 2017 letter from the chairman of the corporate governance committee

In December 2017, the Corporate Governance Committee approved the yearly report on application of the Code of conduct. As takes place every year, the document was sent to the Chairmen of the Board of Directors of Italian listed companies, along with a letter of suggestions to encourage a more informed application of the Code by these companies.

The Report and letter were brought to the attention of the Board of Directors and the Board of Statutory Auditors at the board meeting of 05 February 2018, in line with the request made by the Corporate Governance Committee itself, both to foster its spread while encouraging the improvement of best practices, and to describe any initiatives undertaken, or to be undertaken. After that date, again for the purpose of updating the Board of Directors and Board of Statutory Auditors

on the main studies in the matter of corporate governance, the *Note e Studi 2/2018*, “*La corporate governance in Italia: autodisciplina, remunerazioni e comply or explain*” (2017) (“corporate governance in Italy - self-governance, remuneration, and “comply or explain”), published by Assonime - Emittenti Titoli and “Report on corporate governance of Italian listed companies” by CONSOB, both published on 17 February 2018, were sent.

Rome, 15 March 2018

For the Board of Directors
(the Chairman)
Paolo Astaldi

A handwritten signature in dark ink, appearing to read 'P. Astaldi', written in a cursive style.

Summary tables

Table 1: Information on ownership structure

Share capital structure at 31 December 2017

	No. of shares	% of share capital	Listed (indicate markets) / not listed	Rights and obligations
Ordinary shares	98,424,900	100%	MTA – STAR	-
Shares with multiple vote	-	-	-	-
Shares with limited voting rights	-	-	-	-
Shares without voting rights	-	-	-	-
Other	-	-	-	-

Other financial instruments (assigning the right to subscribe newly-issued shares)

	Listing market	No. of outstanding convertible bonds	Category of shares for the conversion	No. of shares for the conversion
Convertible bonds	Vienna – MTF	140,000	Ordinary	17,853,499
Warrants	-	-	-	-

Table 2: structure of the board of directors and of the committees at 31 december 2017

Board of Directors													Control and Risks Committee		Appointments and Remuneration Committee	
Office	Members	Year of birth	Date of first appointment *	In office since	In office until	Slate **	Exec.	Non-exec.	Indep., Code	In-dep., TUF	No. of other offices ***	(*)	(*)	(**)	(*)	(**)
Chairman	Paolo Astaldi	1960	7/07/1994	20/04/2016	(a)	M	X x x				1	9/9/9				
Deputy Chairman	Ernesto Monti	1946	5/09/2000	20/04/2016	(a)	M		X x		x	–	9/9	4/4	M	6/6	M
Deputy Chairman	Michele Valensise	1952	20/04/2016	20/04/2016	(a)	M	x			X	–	9/9				
CEO • 0	Filippo Stinellis	1963	29/01/2015	20/04/2016	(a)	M	x				–	/8/9/9				
Director	Caterina Astaldi	1969	5/07/2001	20/04/2016	(a)	M		x			1	3/9				
Director	Paolo Cuccia	1953	23/04/2010	20/04/2016	(a)	M		x	X	x	1	7/9	3/4	M	6/6	M
Director	Piero Gnudi	1938	7/09/1999	20/04/2016	(a)	M		x	X	x	–	7/9			6/6	C
Director	Chiara Mancini	1972	23/04/2013	20/04/2016	(a)	M		x	X	x	2	7/9				
Director	Nicoletta Mincato	1971	3/10/ 2000	20/04/2016	(a)	M		x	X	x	–	8/9	4/4	C		
NO BOARD MEMBERS LEAVING OFFICE DURING FINANCIAL YEAR OF REFERENCE																
No. of meetings held during the financial year of reference: 9						Control and Risks Committee: 4				Appointments and Remuneration Committee: 6						
Quorum required to submit slates: 2.5%																
<p>The symbols indicated below must be inserted in the "Office" column:</p> <ul style="list-style-type: none">• This symbol indicates the director in charge of the internal control and risk management system.0 This symbol indicates the main party responsible for the management of the Issuer (Chief Executive Officer or CEO).* The date of first appointment of each director is to be understood as the date when the director was appointed absolutely for the first time to the issuer's Board of Directors.** This column indicates the slate from which each director was drawn ("M": majority slate; "m": minority slate; "BoD": slate submitted by the Board of Directors).*** This column indicates the number of offices as director or statutory auditor held by the interested party in other companies listed on regulated markets, including foreign ones, in financial, banking, or insurance companies, or companies of significant size. In the Report on corporate governance, the offices are indicated in full. Table 3 indicates these offices in detail. The offices of directors leaving office are not reported, since their term expired upon the approval of the financial statements for the 2015 financial year.(*) This column indicates attendance by directors at the meetings respectively of the Board of Directors and of the committees (indicate the number of meetings attended, as against the total number of meetings he or she could have attended; e.g. 6/8; 8/8 etc.).(**) This column indicates the board member's qualification within the Committee: "C": chairman; "M": member.(a) Board member in office until the Shareholders' Meeting approving the 2018 financial statements.																

Table 3: Offices of director or statutory auditor held by each board member in other companies listed on regulated markets, including foreign ones, in financial, banking, or insurance companies, or companies of significant size at 31 December 2017:

Name and Surname	Other activities performed pursuant to art. 1.3 of the Code of conduct
Paolo Astaldi	CEO of Fin.Ast S.r.l.
Ernesto Monti	None
Michele Valensise	None
Filippo Stinellis	None
Caterina Astaldi	Member of the Board of Directors of Fin.Ast. S.r.l.
Paolo Cuccia	Chairman of Gambero Rosso S.p.A.
Piero Gnudi	None
Chiara Mancini	(i) Member of the Board of Directors of Cementir Holding S.p.A. (ii) Member of the Board of Directors of Cassa di Risparmio di Ravenna
Nicoletta Mincato	None

Table 4: structure of the board of statutory auditors at 31 December 2017

Board of Statutory Auditors									
Office	Members	Year of birth	Date of first appointment*	In office since	In office until	Slate **	Indep., Code	Attendance at Board Meetings ***	No. of other offices ****
Chairman	Paolo Fumagalli	1960	23/04/2015	23/04/2015	(a)	m	x	16/16	16
Standing Auditor	Lelio Fornabaio	1970	24/04/2012	23/04/2015	(a)	M	x	15/16	17
Standing Auditor	Anna Rosa Adiutori	1958	23/04/2015	23/04/2015	(a)	M	x	16/16	10
Alternate Auditor	Andrea Lorenzatti	1975	24/04/2012	23/04/2015	(a)	m	x	-	0
Alternate Auditor	Giulia De Martino	1978	24/04/2012	23/04/2015	(a)	M	x	-	8
Alternate Auditor	Francesco Follina	1959	24/04/2012	23/04/2015	(a)	M	x	-	8
No. of meetings held during the financial year of reference: 16									
Indicate the quorum required for submitting slates by minorities for the election of one or more members (pursuant to art. 148 TUF): pursuant to the Company's Bylaws, only shareholders that on their own or with other shareholders represent at least 1% of the share capital are entitled to submit slates.									
* The date of first appointment of each statutory auditor is to be understood as the date when the statutory auditor was appointed absolutely for the first time to the issuer's Board of Statutory Auditors.									
** This column indicates the slate from which each statutory auditor was drawn ("M": majority slate; "m": minority slate).									
*** This column indicates attendance by statutory auditors at the meetings of the Board of Statutory Auditors (indicate the number of meetings attended, as against the total number of meetings he or she could have attended; e.g. 6/8; 8/8 etc.).									
**** This column indicates the number of offices as director or statutory auditor held by the interested party pursuant to art. 148-bis TUF and the provisions for implementing them contained in the CONSOB Issuers' Regulations. The complete list of offices is published by CONSOB on its website pursuant to art. 144-quinquiesdecies of the CONSOB Issuers' Regulations.									
(a) Statutory Auditor in office until the Shareholders' Meeting approving the 2017 financial statements.									



CANADA - Muskrat Falls hydroelectric project.



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Board of Statutory Auditors Report to the Shareholders' Meeting

Translation from the Italian original which remains the definitive version.

Note: This English translation is for reference purposes only. This English translation is under review. In the event of any discrepancy between the Italian original and this English translation, the Italian original shall prevail. We assume no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

ASTALDI Società per Azioni

Registered Office – Via Giulio Vincenzo Bona, 65

Share Capital EUR 196,849,800.00 – fully paid-in

Registered with the Companies Register of Rome

under Tax Code Number 00398970582

(formerly registered at above Register under no. 847/50 – Court of Rome)

R.E.A. no. 152353

VAT no. 00880281001

Financial Statements at 31 December 2017

Board of Statutory Auditors Report to the Shareholders' Meeting

Dear Shareholders,

In compliance with current legislation for companies with shares listed on regulated markets and in compliance with Company's Bylaws, during the financial year ending 31 December 2017 we performed the supervisory activities we are responsible for by law (and, in particular, by art. 149 of Legislative Decree no. 58/1998, the Consolidated Finance Act – T.U.F.), in accordance with the standards of conduct for Boards of Statutory Auditors of companies with shares listed on regulated markets, recommended by the National Board of Chartered Accountants and Bookkeepers, as well as with the provisions contained in Article 19 of Legislative Decree no. 39/2010, as modified by Legislative Decree no. 135 / 2016.

This report has been drafted, also taking into account the recommendations made by CONSOB in its notifications in the matter of corporate controls and activities of the Board of Statutory Auditors, as well as those contained in the Code of Conduct of the Corporate Governance Committee of companies listed by Borsa Italiana S.p.A., to which the

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Company has adhered.

The Board of Statutory Auditors obtained the information needed to perform the supervisory tasks assigned to it by taking part in meetings of the shareholders, of the Board of Directors and internal board committees, meetings with the Company's and Group's management, with the independent auditors and with Astaldi's and the Group companies' corresponding boards of auditors, by analysing information obtained from relevant corporate divisions suitable for guaranteeing to the Board of Statutory Auditors the performance of the verifications established by the regulations of reference, and through additional control activities.

Appointment of Board of Statutory Auditors

The Board of Statutory Auditors in office at the report date was appointed for the 2015-2017 financial years by the Shareholders' Meeting of 23 April 2015 and comprises Paolo Fumagalli (Chairman), Anna Rosa Adiutori (Standing Auditor), and Lelio Fornabaio (Standing Auditor). The Alternate Auditors are Andrea Lorenzatti, Giulia De Martino, and Francesco Follina.

With the approval of the financial statements at 31 December 2017, the mandate conferred to the Board of Statutory Auditors in office in its current composition expired; therefore, the upcoming Shareholders' Meeting approving the separate financial statements with the related decisions will have to appoint the Board of Statutory Auditors for 2018-2020.

1. Observations regarding transactions of greatest economic and financial importance performed by the company and their compliance with legislation and the deed of incorporation

The Board of Statutory Auditors took part in all Shareholders' Meetings and meetings of the Board of Directors held during the year, and obtained regular information from the directors, also pursuant to Article 151, subsection 1 of the Consolidated Finance Act,

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regarding the activities performed by the company, and their outlook, as well as the transactions of greatest importance performed by the Company, and, given their size and characteristics, also through the subsidiaries, with reference to which the directors provided information about their characteristics and effects. In this regard, we can reasonably affirm that the actions resolved upon and implemented by the Company comply with legislation and the Company's Bylaws, as well as with the standards of correct management, and are not evidently ill-advised, risky, in potential conflict of interest or clashing with the resolutions passed by the Board of Directors, or such as to breach the obligations regarding conservation of the intactness of the company's assets. The transactions and events of specific importance that characterised the Group's activities during 2017 are listed in the Management Report which should be referred to for detailed information.

The Board of Statutory Auditors checked that the resolutions were backed up by suitable documentation and by any expert opinions, where appropriate, regarding the economic and financial consistency of the transactions performed.

The Company, by decision of the Board of Directors following the favourable opinion of the Control and Risks Committee, shared by the Board of Statutory Auditors, avails itself of the faculty, introduced by CONSOB under Resolution no. 18079 dated 20 January 2012, to waive the obligation to make available to the public disclosures on the occasion of significant mergers, demergers, share capital increases involving the contribution of goods in kind, acquisitions and sales. Information regarding the choice is provided in the Annual Financial Report, as required by Article 70, subsection 8, and Article 71, subsection 1-*bis*, of the Issuers' Regulation, issued by CONSOB.

The Board of Statutory Auditors supervised fulfilment of legal obligations regarding "Market Abuse", "Protection of Savings" in relation to corporate disclosures and "Internal Dealing," with specific reference to transactions performed on the Company's financial instruments by key parties, the processing of inside information and the procedures for

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disclosing releases and information to the public.

In this regard, with reference to the aforementioned regulations, the Board of Statutory Auditors noted the main changes stemming from Regulation (EU) no. 596/2014 (MAR), which entered into force on 3 July 2016, governing the measures to prevent unlawful conduct involving the wrongful use or manipulation of inside information (referred to as "market abuse"), ascertaining, in this regard, that the review be carried out of the "Ongoing Reporting" procedure, as well as of the management and operating procedures related to it, once the regulatory and legislative framework of reference is defined, as outlined with the publication, dated 13 October 2017, by CONSOB, of the "Guidelines for the Management of Regulated Information."

The new "Ongoing Reporting" procedure, as revised, was approved by the Board of Directors at its meeting of 5 February 2018, replacing the version of 14 July 2014, although the Company was in fact already aligned, in its behaviour and in the management of operating activities, with the new regulatory provisions.

At the board meeting of 21 September 2017, it became necessary to update the Internal Dealing Code already approved on 3 August 2016, to bring its content in line with CONSOB Resolution no. 19925 of 22 March 2017, which introduced some modifications to the Issuers' Regulations.

The Board of Statutory Auditors also monitored compliance with the provisions contained in art. 115-*bis* of the Consolidated Finance Act and of the Issuers' Regulations as to updating the List of persons with access to inside information. This operating procedure was abrogated since it merges into the revised "Ongoing Reporting" procedure, while the procedure on "Periodic Reporting," which will be approved by the Company during 2018, is in an advanced stage of updating.

1.1. Requests for information pursuant to Article 115, subsection 1 of Legislative Decree no. 58/1998

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During the year (7 November 2017), a request for information pursuant to art. 115, subsection 1, of the Consolidated Finance Act was received, in which, in connection with the press releases issued by Astaldi respectively on 14 and 23 June 2017, CONSOB asked:

- the Company to *"furnish information as to the verifications that may have been made regarding the holding, at the Repurchase date, of Equity Linked Bonds, coming due 2019, by investors other than qualified ones"*;
- the Company and the Board of Statutory Auditors to *"furnish assessments based on which it was held that the aforementioned structure of the transaction was suitable for guaranteeing "equal treatment" among all Bondholders, also taking into account the provisions pursuant to art. 92 of Legislative Decree no. 58/98"*.

On 20 November 2017, a letter of response was prepared by the Company, jointly with the Board of Statutory Auditors for the second query, in response to the requests formulated by the Supervisory Authority after a series of meetings of the Control Body, held on 10, 16, and 17 November 2017, also with Top Management, the corporate Managements involved in the transaction, the Manager of the Department of Corporate Affairs, Corporate Governance, and the Office of the Chairman, the Manager of the Internal Audit Department, and with the aid of leading legal consultants; at these meetings, the Board of Statutory Auditors was provided documentation relating to CONSOB's specific requests. As of the date of finalisation of this Report, CONSOB has not made additional requests for clarification and supplementary information.

1.2. Requests for information pursuant to Article 115, subsection 1, letters a) and b) of Legislative Decree no. 58/1998

Subsequently, the Company, on 17 November 2017, received a request for information pursuant to art. 115, subsection 1, letters a) and b), of the Consolidated Finance Act, in which CONSOB requested elements of information and documents relating to the press releases issued by the Company respectively on

- 9 November 2017, at 7:31 AM;

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- 14 November 2017, at 5:59 PM.

On 24 November 2017, the Company prepared its letter of response to the first requests formulated by the Supervisory Authority with reference to the afore-mentioned press releases, after a series of meetings of the Board of Statutory Auditors, held also jointly with the Control and Risks Committee and the Company's Supervisory Body, the Top Management, the Manager of the Department of Corporate Affairs, Corporate Governance, and the Office of the Chairman, the Manager of the Internal Audit Department, and with the aid of leading legal consultants; at these meetings, the Board of Statutory Auditors was provided documentation relating to CONSOB's specific requests.

At the same time, the Board of Statutory Auditors – along with the other control bodies – initiated, with the support of the Internal Audit Department, an internal investigation aimed at verifying compliance with the procedures, and any problems encountered.

On 16 March 2018, with regard to the internal investigation, the Company sent CONSOB the overview document with the results of the activity performed by the Company on the queries raised by CONSOB.

As of the date of finalisation of this Report, the Supervisory Authority has not made additional requests for clarification and supplementary information.

1.3 Request for information pursuant to art. 2.6.1. of the Regulation of the Markets organised and managed by Borsa Italiana S.p.A.

On 5 December 2017, the Company received a request for information on the "Recapitalisation" operation, as per the press release issued to the markets on the morning of 9 November 2017; the Company replied with a letter on 15 December 2017.

As of the date of finalisation of this Report, Borsa Italiana S.p.A. has not made additional requests for clarification.

2. Atypical and/or unusual transactions, including intragroup or with related

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parties; appropriateness of relative information contained in the Directors' Report

We did not receive any notification from the Board of Directors, the independent auditors KPMG, the Administrative Management, the Manager of the Department of Corporate Affairs, Corporate Governance, and the Office of the Chairman, the Manager of the Internal Audit Department or the shareholders themselves regarding performance during the year of atypical and/or unusual transactions with third parties, related parties or group companies. And we did not find evidence of performance of these transactions while performing our checks.

The information included by the Company's Directors in the Management Report and in the Notes to the Separate Financial Statements was appropriate to describe the transactions with related parties and intragroup transactions performed during 2017, which were consistent, responded to the company's interests, and were regulated under market conditions.

In compliance with the provisions of International Accounting Standard – IAS 24 and CONSOB Notification no. 6064293 dated 28 July 2006, concerning identification of the notion of related parties, we would like to note that the Notes to the Company's Separate Financial Statements and the Consolidated Financial Statements list transaction amounts and the current balances of financial and commercial relations with related parties, as well as the fees due to Directors, Statutory Auditors and General Managers. In this regard, there were no atypical or unusual transactions other than routine operations.

In this regard, during the year we met with the corporate offices tasked with monitoring the activities, and respectively the Administrative Management and the Manager of the Department of Corporate Affairs, Corporate Governance, and the Office of the Chairman.

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3. Reports as per Article 2408 of the Italian Civil Code omissions or reprehensible facts, other opinions rendered, actions undertaken

The Board notes that:

- during the year, it issued no opinions pursuant to art. 2389, subsection 3, of the Italian Civil Code;
- no reports were submitted pursuant to art. 2408 of the Italian Civil Code, nor were any petitions of any kind filed by third parties.

4. Compliance with principles of correct management

The Board of Statutory Auditors supervised – including through meetings with the managers of internal corporate departments and with the independent auditors KPMG – compliance with the principles of correct management and compliance with legislation and Company' Bylaws, noting the existence of a suitable corporate organisation which allows for compliance with provisions and fulfilment of obligations arising from said provisions.

The Board of Statutory Auditors feels that the instruments and principles of governance adopted by the Company represent an adequate means for controlling the principles of correct management in business practices.

During the year we controlled the correct application of checking criteria and procedures adopted by the Board of Directors in order to assess the independence of its members based on the provisions of Law and of the Code of Conduct; based on the statements received from individual statutory auditors and filed among corporate records, we checked the non-existence of reasons for the statutory auditors' ineligibility or incompatibility and the existence of the requirements for holding office provided for by law and in the Company's Bylaws, also with reference to the criteria set forth in the "Code of Conduct for Listed Companies" and provided for with regard to Independent Directors and members of the Board of Statutory Auditors.

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Pursuant to Article 144-*novies*, subsection 1-*ter* of CONSOB Regulation no. 11971, we notified the outcome of the checks (to assess eligibility) to the Board of Directors that included this in the Report on Corporate Governance presented to the Shareholders' Meeting

4.1. Diversity policies

The aforementioned verifications took account of the provisions of Legislative Decree no. 254 of 2016, which lays down obligations of transparent information regarding the "diversity policies" adopted by listed issuers, in the intent to enhance the diversity profiles of the members of the Board of Directors and the Board of Statutory Auditors, through the finalisation and approval on 14 November 2017 by the Board of Directors of a corporate document on this issue, after the prior examination of the Appointments and Remuneration Committee.

Moreover, we noted that the Company's Bylaws are in compliance with the provisions of Law no. 120/2011, which introduced into our legal system the principle of gender balance in the Board of Directors and the Board of Statutory Auditors.

The Report on Corporate Governance and Ownership Structure for 2017 describes the provisions contained in Legislative Decree no. 254/2016.

4.2. Remuneration policy

All information regarding the nature and scale of the remuneration policy is contained in the Report on Remuneration (pursuant to Article 123-*ter* of Legislative Decree no. 58/1998), presented at the meeting of the Board of Directors on 15 March 2017, and we have no observations to make in this regard. In this setting, in fact, the Directors illustrated the principles adopted to determine the remuneration of the members of the administration bodies and of key management personnel. Moreover, the same Report contains the table on the compensation paid to the members of the Board of Directors and the Board of

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Statutory Auditors, and to the key management personnel, as well as the Scheme regarding information on equity investments in the company's capital held by them.

During 2017, in the meetings of the Appointments and Remuneration Committee, held jointly with the Related Parties Committee, the Board of Statutory Auditors, in its totality, attended the meeting of 10 May, while Ms. Adiutori attending the meeting of 27 July 2017.

As to the main issues dealt with by said Committee, reference is to be made to the statements made in section 7 of the 2017 Report on Corporate Governance and Ownership Structure, with regard to the meetings of the Appointments and Remuneration Committee.

5. Suitability of organisational structure

We obtained information and checked, with regard to our areas of responsibility, the suitability of the company's organisational structure. In this regard, we noted the existence of a corporate organisation chart which identifies tasks, roles and areas of responsibility, integrated within a clear and well-defined system of mandates and powers. Decision-making is performed in accordance with vested powers, with suitable separation and balancing of responsibilities as regards duties and tasks.

In this regard, we examined all organisational charts and related organisational memorandums issued during 2017 through checks performed by the Board of Statutory Auditors (Check by the Board of Statutory Auditors for activities related to FY 2017).

As regards the organisational charts, we viewed those of 12 May and 19 September 2017, reflecting the organisational changes made by the company, in support of the actions aimed at reaching the targets of the Company's 2017-2021 Strategic Plan.

6. Suitability of administrative and accounting system and its ability to correctly represent company operations

With reference to checking of the suitability of the administrative-accounting system and

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its reliability, also with regard to the purposes as per Article 19 subsection 1 letter a) of Legislative Decree no. 39/2010, the Board of Statutory Auditors took note, including during meetings with the Control and Risks Committee, of the scheduled activities and testing on checks performed by the operating unit which assists the manager in charge of financial reporting, pursuant to Article 154-*bis*, subsection 4, of the Consolidated Finance Act.

We also checked that recommendations with regard to the aspects to be improved had been formulated, and that the recommendations put forward during previous testing (2016 follow-up) were implemented.

We thus reached an opinion of the substantial suitability of the administrative-accounting system and its ability to correctly represent company operations in compliance with law provisions regarding layout and formation of the Separate Financial Statements, Consolidated Financial Statements and Management Report, by obtaining information from the Managers of the respective departments, examining corporate documentation and analysing the independent auditors' work.

We also supervised the effectiveness of procedures related to formation, filing and publication of the financial statements and interim reports, the inclusion of mandatory content in the directors' report, as required by law, and the procedures used to collect, draft and forward releases containing significant financial information.

In this regard, we have been informed by the General Management, Administration and Finance and by the Administrative Department that upon the completion of the review of the administrative and accounting procedures, as well as of the risk matrices associated with them, during 2017 employees received training in the chief changes introduced by said procedures.

No specific problems or obstacles came to light concerning the issue of the statements by the Manager in charge of financial reporting and the Chief Executive Officer, with regard to the validity of the administrative and accounting procedures used to formulate Astaldi

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S.p.A.'s Separate Financial Statements and Consolidated Financial Statements for the year ending 31 December 2017.

In this regard, we noted that the Company assigned KPMG to perform the procedures needed to certify validity of the declarations included in the statements issued by the Chief Executive Officer, Mr. Filippo Stinellis, and by the Manager in charge of financial reporting, Mr. Paolo Citterio, pursuant to Article 154-*bis*, subsection 5, of Legislative Decree no. 58/1998.

7. Supervisory activity pursuant to Legislative Decree no. 39/2010

Pursuant to art. 19 of Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016, the Internal Control and Statutory Audit Committee, which in public-interest entities (which include listed companies) that adopt the traditional governance system is identified with the Board of Statutory Auditors, is tasked with:

- a) informing the Board of Directors of the audited entity of the outcome of the statutory audit, and transmitting to said Board the additional report pursuant to article 11 of the European Regulation (Regulation (EU) no. 537/2014), accompanied by any observations;
- b) monitoring the financial reporting process and submitting recommendations or proposals aimed at guaranteeing its integrity;
- c) monitoring the effectiveness of the company's internal risk management and quality control systems, and, if applicable, of the internal audit, as pertains to the financial reporting of the audited entity, without violating its independence;
- d) monitoring the statutory audit of the Separate Financial Statements and Consolidated Financial Statements, also taking account of any results and conclusions of the quality checks performed by CONSOB pursuant to article 26, paragraph 6, of the European Regulation, where available;
- e) verifying and monitoring the independence of the statutory auditors or of the

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independent auditors in compliance with articles 10, 10-bis, 10-ter, 10-quater, and 17 of this decree, and article 6 of the European Regulation, particularly as concerns the suitability of the rendering of services other than auditing to the audited entity, in compliance with article 5 of said Regulation;

- f) being responsible for the procedure aimed at selecting the statutory auditors or the independent auditors, and recommending the statutory auditors or independent auditors to be designated pursuant to article 16 of the European Regulation.

The Board of Statutory Auditors has interacted with the Control and Risks Committee established within the Board of Directors, with the purpose of coordinating the respective duties, implementing exchanges of information and constant dialogue, and avoiding any overlapping of activities.

With specific reference to the activities provided for by Legislative Decree no. 39/2010, it is pointed out that the following paragraphs will take account of the planned control activities.

8. Disclosure to the Board of Directors on the outcome of the statutory audit and on the additional report pursuant to art. 11 of the European Regulation (Regulation (EU) no. 537/2014)

The Board of Statutory Auditors states that the independent auditors KPMG S.p.A. (hereinafter also KPMG) issued, on 30 March 2018, the additional report pursuant to art. 11 of the European Regulation, which represents the results of the statutory audit of the accounts that was performed, and includes the independence declaration pursuant to art. 6, paragraph 2, letter a), of the Regulation, in addition to the disclosures required by art. 11 of said Regulation, without identifying significant shortcomings. The Board of Statutory Auditors will see to promptly informing the Board of Directors as to the outcome of the statutory audit, transmitting the additional report for this purpose, accompanied by any observations, pursuant to art. 19 of Legislative Decree no. 39/2010.

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9. Suitability of internal control and risk management system, especially as regards activities performed by the Manager of the Internal Audit Department and by the Manager of the Corporate Risk Management Department

We oversaw that the Company has an internal control and risk management system, also with reference to the Group, that is adequate for permitting the identification, measurement, management and monitoring of the chief corporate risks, and we also assessed and supervised the operations performed by the internal control and risk management system, by obtaining information from the Managers of the relevant corporate departments such as the Manager of the Internal Audit Department and the Manager of the Corporate Risk Management Department, examining reference documentation and analysing the results of work performed by the Independent Auditors as pertains to the certification made by them on the absence of significant shortcomings in the internal control system as relates to financial reporting, also joining in the work of the Control and Risks Committee, in this case through the Board of Statutory Auditors' attendance of the meetings of said Committee held on 25 January, 16 February, 6 July, and 15 November 2017.

Collaboration with the Control and Risks Committee made it possible to coordinate the respective activities, encouraging joint assessment of the control and risk management system.

Specifically, we supervised planning of the Internal Audit Department's activities and examined the relative audit reports, summarising the activities performed during the year, mainly focusing on checking compliance with and suitability of the Group's internal control and risk management system.

More specifically, checking concerned compliance with current legislation, Group guidelines and corporate procedures, compliance with mandates and correct conduct, as well as the proposal of corrective actions or solutions to improve the procedural and

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control system, also in order to achieve greater efficiency and efficacy of the company's organisation, as well as to protect the company's assets.

We also viewed the results of the auditing activities (special work) and the results of the internal investigation activity, related to the request for information pursuant to art. 115, subsection 1, letters a) and b) of Legislative Decree no. 58/1998, originating from CONSOB (paragraph 1.2 above).

With specific reference to the results of the investigative activity, we checked, in concert with the Supervisory Body and the Control and Risks Committee, that no violations or suspected violations of the object of the verifications were ascertained.

We found that no shortcomings in the Company's control and risk management system came to light, with the formulation of recommendations or suggestions for improvement with regard to certain areas of the processes subject to verification.

We also checked that with regard to improvement actions proposed during the previous year (2016 follow-up) the company undertook during the current year (2017) the improvement actions that were pointed out.

Along with the Control and Risks Committee, we also met with the Manager of the Corporate Risk Management Department, with regard to the risk management system, analysing the work schedules and related results of activities undertaken by the department with regard to ERM targets and the main corporate risks, singled out and assessed by the top management (Chief Executive Officer, General Managers), Country Managers and Project Managers as being of importance within the company's business context.

We also analysed the company's approach to risk management and the relative information provided to the Board of Directors, Control and Risks Committee, Board of Statutory Auditors, and company departments, including with reference to the Internal Audit Department, examining the methods used to identify, manage and monitor risks.

In this regard, we noted that during the financial year, the Board of Directors re-examined

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and defined the nature and risk level compatible with the Company's strategic objectives, following up on what was already finalised during 2016 with the approval of the "Group Risk Appetite Statement" in application of the recommendations of the Code of Conduct under application criterion 1.C.1. letter b).

The existing "appetite" levels for the leading risk categories were considered still consistent with the company's targets, adjusting the corresponding thresholds of tolerability, where necessary.

With reference to the "Sustainability" risk class, we also noted that the Company has acquired a management system highly oriented towards integrating corporate and environmental objectives into the corporate business, in the awareness that a clear, integrated strategy of "Corporate Social Responsibility (CSR)" can have a positive impact on investors' choices.

In this regard, following the entry into force of the regulations in the matter of "non-financial disclosure," we performed an activity of controlling, in concert with the Control and Risks Committee, the results of the activities in support of the preparation of the Non-Financial Statement pursuant to Legislative Decree no. 254 of 30 December 2016, approved by the Board of Directors at its session of 15 March 2018.

Again with regard to the internal control and risk management system, it must be noted that during 2017, the company's Integrated Management System was amended in order to incorporate: the organisational changes approved under BoD resolutions and in corporate organisational notifications; the impacts of CSR; the results of the auditing activity for the purposes of Internal Control and Legislative Decree no. 231/01; and specific requests by Control and Supervisory Bodies. We also noted the revision of Astaldi's Organisation, Management and Control Model pursuant to Legislative Decree no. 231-01 which took place at the BoD meeting on 21 September 2017, following the introduction of new predicate offences for the purposes of Legislative Decree no. 231-01, which regarded: Law no. 199 of 18 October 2016, which included the crime of "Unlawful intermediation

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and exploitation of labour" (art. 603-*bis* of the Italian criminal code) in the context of art. 25-*quinquies* of the Decree ("Crimes against individuals"); Law no. 236 of 11 December 2016, as well as Law no. 458 of 26 June 1967, which inserted into the Criminal Code the new article 601-*bis* ("Trafficking of organs removed from a living person") and included it among the offences that, pursuant to article 416, subsection 6 of the Italian criminal code, may constitute the criminal intent provided for therein ("Conspiracy"), and therefore including it in the provision pursuant to art. 24-*ter* of the Decree ("Offences of organised crime"); Legislative Decree no. 38/2017 repealing art. 2635 of the Italian civil code "Corruption among private individuals," which introduced the offence of "Instigation to corruption among private individuals" (art. 2635-*bis* of the Italian civil code) in the context of art. 25-*ter* of the Decree ("Corporate Offences).

In this regard, we were informed by the Manager of the Internal Audit Department and Supervisory Body during six-monthly meetings and in the Supervisory Body's Report forwarded also to the Board of Statutory Auditors, in compliance with the information provided to the Corporate Bodies, Control Bodies, and Top Management, of the main reviews made to existing corporate procedures and of the issue of new management and operating procedures.

We were also informed and updated with regard to the finalisation of other key projects related to the control system which involved:

- the completion of the implementation of the functions of the software (MEGA) introduced to support the IAD in audit activities, also in a vision integrated with compliance with Legislative Decree no. 231/01;
- the conduct of a cross-section assessment of the various elements of Astaldi's information system, for an evaluation of the suitability of components and their supports, also for the purpose of preventing the offences pursuant to Legislative Decree no. 231/01;
- performance of operativity checks on anti-fraud procedures identified during 2016,

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following the update of the Fraud/IT Audit Risk Assessment;

- continuation of the IAD's path towards Quality Assurance, in compliance with international standards (IPPF);
- continued delivery of training activities for the purpose of Legislative Decree no. 231, within the Group, through advanced modes of e-learning, in order to ensure the delivery of extensive, flexible, and traceable training.

In this way, in consideration of the supervisory activity performed, and taking account of the assessments of suitability, effectiveness, and actual function as formulated by the Control and Risks Committee, we reached an opinion of substantial suitability of the company's internal control and risk management system on the whole, including in terms of efficiency in implementing the improvement actions requested.

10. Supervisory activity on the financial reporting process and significant aspects that came to light during meetings held with the independent auditors pursuant to Article 150, subsection 3 of Legislative Decree no. 58/1998

The Board of Statutory Auditors verified the existence of rules and procedures in support of the process of forming and disseminating financial reporting. The Board of Statutory Auditors, assisted by the Manager in charge of financial reporting, examined the procedures related to the activity of forming the Company's Separate Financial Statements and Consolidated Financial Statements, as well as the other regular accounting documents. The Board of Statutory Auditors was also informed as to the process that allowed the Manager in charge of financial reporting and the Chief Executive Officer delegated for this to issue, on the occasion of the Separate Financial Statements, Consolidated Financial Statements and Interim Financial Report, the certifications provided for by art. 154-*bis* of the Consolidated Finance Act.

With reference to the supervision required by art. 19 of Legislative Decree no. 39/2010 on the financial reporting process, the Board of Statutory Auditors verified that, for the

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purposes of the certifications that the Chief Executive Officer and the Manager in charge of financial reporting must make, revised administrative/accounting procedures were published during 2017, as the activity to update the internal control system from the financial reporting standpoint had been completed the previous year. The effective application of the administrative and accounting procedures was verified by the Manager in charge of financial reporting, relying on the competent internal offices (including the Internal Audit Department), and on leading consulting firms.

We oversaw the adequacy of the provisions imparted by the Company to the leading subsidiaries pursuant to article 114, subsection 2, of Legislative Decree no. 58/1998, and through the collection of information from the Managers of the relevant corporate offices, and meetings with the Independent Auditors and the corresponding Control Bodies, for the purpose of the mutual exchange of important data and information.

In this regard, we believe we were adequately informed during a meeting called by the Board of Statutory Auditors, on the aspects of greatest importance, represented exhaustively by the corresponding Control Bodies of some "relevant" subsidiaries of Astaldi S.p.A. such as the Chairman of the Board of Statutory Auditors of Astaldi Concessioni S.p.A., Pierumberto Spanò, and the Standing Auditors, Roberto La Rosa and Gregorio Antonio Greco, the latter also Statutory Auditor of NBI S.p.A., also through the explanations provided by suitable supporting reports.

On 15 March 2018, the Chief Executive Officer and the Manager in charge of financial reporting issued the certifications of the Separate Financial Statements and of the Consolidated Financial Statements pursuant to art. 81-ter of the CONSOB Regulation of 14 May 1999 and subsequent modifications and supplements.

11. Supervision of statutory audit of Separate Financial Statements and Consolidated Financial Statements

We also supervised the statutory audit of accounts, examining with the Manager in charge

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of financial reporting the Independent Auditors' working plan, the areas of importance in the financial statements, and the potential effect of significant risks that may be highlighted in the financial statements, supervising the effectiveness of the audit process through regular meetings and exchange of information with the auditors, and in relation to accounting criteria and practices to be used, also checking the non-existence of data and information specifically requested by the independent auditors that were not duly followed up.

At regular meetings held with the Board of Statutory Auditors, the Independent Auditors found nothing of note.

At the express request of the Board of Statutory Auditors, on the occasion of the definition of its own calendar of activities for 2017, the Independent Auditors KPMG were asked to attend the Board of Statutory Auditors meetings.

In this regard, the Independent Auditors forwarded to the Board of Statutory Auditors the report regarding key questions that emerged during statutory audit at the various meetings that were held, leading up to approval of the draft of the Financial Statements by the Board of Directors.

The report highlighted no significant shortcomings in the internal control and risk management system as regards the financial disclosure process.

The Board of Statutory Auditors was also informed by the independent auditors on the regular keeping of the company's accounts, and the proper recognition of the company operations in the accounting records.

It is lastly pointed out that the Board of Statutory Auditors did not receive from the independent auditors, during the performance of its work, reports on the instructions of International Standard on Auditing no. 260 "Communication with Those Charged With Governance".

In this regard, we held meetings with representatives of the Independent Auditors KPMG during 2017, on 25 January, 14, 24, and 27 March, 10 May, 20 June, 2 August, and 14

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November, while, as regards 2018, with a view to approving the 2017 financial statements, we met the Independent Auditors KPMG on 26 January, 22 February, 15 March, 28 March, and 30 March, pursuant to article 150 of Legislative Decree no. 58/1998, which updated us in detail on the progress of the activities, while providing adequate information in this regard.

Moreover, during the Board of Statutory Auditors meetings held on 25 January and 14 March 2017, we shared with the Independent Auditors KPMG the regulatory developments and impacts arising both from Legislative Decree no. 135 of 17 July 2016 in implementation of Directive 2014/56/EU which amended Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, and from Regulation (EU) no. 537/2014 of the European Parliament and of the Council of the European Union on specific requirements regarding statutory audit of public-interest entities. We also examined the new criteria established for entrusting the assignment of statutory audit, and the new duties of the Board of Statutory Auditors.

On 30 March 2018, the Independent Auditors issued the report on the audit of the Separate Financial Statements and the report on the audit of the Consolidated Financial Statements.

On this point, it is stated that:

- both reports contain: (i) the opinion of truthful and proper representation of the financial position of Astaldi S.p.A. and of the Group at 31 December 2017, of the financial performance and of the cash flows for the financial year ending at that date, in compliance with the International Financial Reporting Standards adopted by the European Union, as well as with the provisions issued in implementation of art. 9 of Legislative Decree no. 38/2005; (ii) description of the key aspects of the audit, and the auditing procedures in response to the key aspects; (iii) opinion of the consistency of the Management Report with the Separate Financial Statements and the Consolidated Financial Statements at 31 December 2017, and its compliance with the regulations of law; (iv) opinion of consistency of certain

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information in the Report on Corporate Governance and Ownership Structure indicated in art. 123-bis, subsection 4, of Legislative Decree no. 58/1998, with the Separate Financial Statements and Consolidated Financial Statements at 31 December 2017; (v) confirmation that the opinion on the Separate Financial Statements and the Consolidated Financial Statements expressed in the respective reports is in line with what was indicated in the additional report to this Board of Statutory Auditors, in its function as internal control and audit committee, prepared pursuant to art. 11 of the European Regulation;

- the aforementioned reports contain no observations, but a reference to information – to be discussed in greater depth below – on “*Significant going-concern uncertainty*”;
- in the report on the audit of the Consolidated Financial Statements, the Independent Auditors note having verified the approval, by the Directors, of the non-financial statement.

12. Independence of the Independent Auditors, in particular as concerns the performance of services other than auditing

We supervised the independent auditors' independence, checking both compliance with relative law provisions and the nature and scale of services other than auditing furnished to the Issuer and its subsidiaries by the independent auditors and organisations belonging to its network.

In this regard, it must be noted that the independent auditors forwarded to us the list of assignments made during 2017 and we have no observations to make in this regard.

Specifically, the fees paid by Astaldi Group to the independent auditors KPMG and to companies belonging to the KPMG network were as follows

	EUR/000
Auditing	1,408
Certification services (related to auditing)	531

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Other services	228
Total	2,166

The incidence of "Other services" compared to "Auditing" and "Certification services (related to auditing)" was monitored and therefore equals 11.76%.

Moreover, complete information regarding the fees paid to the independent auditors was provided in the Financial Report to the Financial Statements, pursuant to Article 149-*duodecies* of the Issuers' Regulations.

Taking into account the "Annual Transparency Report" compiled by KPMG S.p.A., published on its website and notified to the Board of Statutory Auditors, as well as formal notification of its independence issued by KPMG and notification of the assignments granted, including through organisations belonging to its network, by Astaldi S.p.A. and its consolidated companies, we verified that no assignments were given for services that might impair the Independent Auditors' independence. Pursuant to art. 6, paragraph 2, letter a) of Regulation (EU) no. 537/2014 and pursuant to paragraph 17 of the international standard on auditing (ISA Italia) 260, the Board of Statutory Auditors does not feel that situations or evidence exists that would raise problems regarding the independence of KPMG S.p.A.

The Company adopted a procedure aimed at regulating the granting of assignments other than statutory audit, while the procedure aimed at selecting the Audit Firms and recommending the auditing firms to be designated pursuant to article 16 of Regulation (EU) no. 537/2014 is at an advanced stage of development.

13. Company's compliance with the Corporate Governance Committee's Code of Conduct for listed companies

The company complies with the Code of Conduct for listed companies, created by Borsa Italiana S.p.A. and its internal structure satisfies the Code's recommendations, as set forth in the Report on Corporate Governance and Ownership Structure.

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The Company's current governance complies with the recommendations of the Code of Conduct, in its latest edition published in July 2015 by the Corporate Governance Committee.

In line with the policy adopted, and to better represent the principle of "comply or explain," the Report sets out the recommendations of the Code of Conduct that it was deemed fit not to adopt, providing suitable justification and a description of any alternative measures adopted.

Astaldi S.p.A., like its strategic subsidiaries, is not subject to non-Italian provisions of law that influence the Company's corporate governance.

The Board of Statutory Auditors checked compliance with the aforementioned Code, as suitably detailed in the Report on Corporate Governance and Ownership Structure, pursuant to Article 124-ter of the Consolidated Finance Act and Article 89-bis of CONSOB Regulations, with reference to FY 2017.

14. Supervisory Body's activities

With reference to the activities of an organisational and procedural nature performed pursuant to Legislative Decree no. 231/2001 regarding the administrative responsibility of organisations for the offences set out by the regulations, we obtained information in meetings and direct exchange of information (regular reporting on the activity performed) with the Supervisory Body set up by the Company and the Manager of the Internal Audit Department.

In this regard, in compliance with the provision contained in the Company's Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001, we held two meetings jointly with the Supervisory Body in order to be updated as regards activities performed by the latter for the purpose of compliance with Legislative Decree no. 231/2001 during the first and second half of 2017, respectively on 20 June and 14 November 2017.

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The Supervisory Body also updated the Board of Directors as regards activities performed during 2017, in accordance with the content of the Annual Report on Corporate Governance and Ownership Structure at your disposal and with its Interim Financial Report performed in compliance with the Supervision Plan approved for 2017.

Both of the Supervisory Body's detailed reports were forwarded to the Board of Statutory Auditors, in compliance with the provisions contained in the General Part of the Company's Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001.

For the updates carried out with the Company's Model pursuant to Legislative Decree no. 231/2001, aimed at adopting the regulatory modifications and internal organisational and procedural updates and at the projects finalised during the year, for the purposes of the risk management and control system for the impacts as per law no. 231/2001, please refer to what was already stated above.

During 2017, the Board of Statutory Auditors noted the resignation tendered, on 7 July 2017, by a member of the Supervisory Body, Marco ANNONI, attorney-at-law.

The Supervisory Body's is currently composed of three members. The new structure at any rate complies with the provisions of paragraph 4.1 of the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001.

The supervision activity brought to light no significant problems for the purposes of the effectiveness and efficacy of the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001 adopted by the Company.

15. Health, Safety, Environment, and Sustainability

As regards supervisory activities related to health, safety, the environment, and sustainability we noted that the Company is continuing in its programme of implementing and maintaining certifications for areas of discipline, as per acknowledged standards (ISO 14001 "Environment," OHSAS 18001 "Health and Safety," as replaced by ISO 45001,

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ISO 26000 guidelines on "Social Responsibility"), of management systems that are effective in minimising specific risks.

In this regard, during the year, following the organisational changes made to the company's structure as regards corporate health, safety and environmental supervision of operational projects, we had feedback from the activities carried out, in the area of General Management – Industrial Services, through the Manager of the Project Health, Safety and Environment Department and the Sustainability, Organisation and Integrated Management Manager.

This was in the context of regular meetings with the Supervisory Body – both through the results of the audit activities performed for the purposes of Internal Control and Legislative Decree no. 231/2001, and by the visit by the Board of Statutory Auditors to a construction site in Italy, at which the existing HSE control system was examined in order to acquire, by the managers so charged, its compliance with the standards subject to certification, the regulations of reference, and the provisions of procedures and contracts.

During 2017, the Group also updated its safety policies to guarantee a suitable level of protection of personal data subjected to processing in application of the new regulations in the matter of privacy, following the entry into force of European Regulation no. 2016/679. Supplementing what was already stated in point 6 of this Report, Astaldi already adopted, in 2016, its own sustainability policy with reference to which the Company undertakes to pursue its growth objectives provided for by the business plan, with a view to sustainable development.

As concerns updating of the Health, Safety and Environment (HSE) component, along with Sustainability, within the Corporate Integrated Management System, also as regards maintenance of the aforementioned certification, the Corporate Manager of the Group's Sustainability, Organisation and Integrated Management Department, whom the Board of Statutory Auditors met at the meeting of 22 February 2018, is responsible for this.

In this regard, with reference to the provisions of Legislative Decree no. 254/2016, we

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were updated on the approach, objectives, and results pertaining to these issues, as reported in the Sustainability Profile Document prepared by the Company for 2017.

16. Board of Statutory Auditors supervision over important or extraordinary transactions

During 2017, the Board of Statutory Auditors took note – through the disclosures received from Top Management, from the competent corporate departments, from the independent auditors KPMG, and at Board meetings – of the continuation of the process of disposing of the assets under concession, in line with the provisions of its Strategic Plan.

Note was also taken of the results of the auditing activities performed by the Internal Audit Department on the procedure related to the “Management of Extraordinary Transactions” which, approved on 08 November 2016, had already been brought to our attention during the previous financial year.

Moreover, the Company initiated a capital and financial strengthening programme, already made known to the public with a press release this past 14 November 2017. In this setting, the Company obtained, from the syndicate of financing banks, the redefinition of the covenants at 31 December 2017, with the establishment of new levels with a headroom suitable for accommodating the effects of the impairment of the Group's exposure to Venezuela.

Moreover, this Group's capital and financial strengthening programme requires reinforcing the equity following the effects of the Venezuela impairment and endowing the Group with resources aimed at supporting implementation of the strategic plan. The same programme is also aimed at placing the Group in the best possible condition in the overall process of refinancing the long-term debt, through the extension of the maturity dates beyond 2022 and, subject to market conditions, the reduction of the cost of debt.

As concerns the evolution of the content of the planned manoeuvre, it is specified that, following the work performed in recent months in concert with the relationship banks and

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the advisors, the Company redefined the terms of the capital and financial strengthening operation, increasing the total amount of the capital increase to EUR 300,000,000 and accompanying it with the request for the leading banks with which the Group maintains financial relations to be willing to support the Group's commercial and business activity. The Company believes it can call a Board of Directors meeting by the end of the month of April 2018, to approve the final capital and financial strengthening programme, and the new 2018-2021 business plan.

On these issues, the Board of Directors was constantly kept updated by the Chairman and the Chief Executive Officer with regard to the development status and the various circumstances characterising this process in recent months. Although the performance of the actions described above (financial strengthening and disposing of assets) represents significant uncertainty that may give rise to major doubts as to the company's ability to continue operating based on the going concern assumption, the directors, on the basis of the Group's current liquidity plan, which also includes the provision of the transfer of assets and the concrete possibility of quickly reaching a positive definition of the capital and financial strengthening programme, deemed that the prerequisites are met for drawing up the financial statements on a going concern basis. They took note of this in the paragraph "Main risks and uncertainties" in the Management Report, and in the paragraph "Basis of preparation" of the Notes to the Separate Financial Statements and the Consolidated Financial Statements.

17. Supervision of the structure of the Separate Financial Statements and the Consolidated Financial Statements

Astaldi's financial statements were drafted based on IASs/IFRSs issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, as well as in compliance with measures issued by CONSOB implementing subsection 3 of Article 9 of Legislative Decree no. 38/2005.

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The Management Report compiled by the directors summarises the main risks and uncertainties and provides an overview of the company's outlook.

The Company's financial statements were drafted in compliance with law provisions and accompanied by the documents required by Italian civil code and the Consolidated Finance Act (T.U.F.).

As regards the Separate Financial Statements, the Board of Statutory Auditors checked directly and through information provided by the independent auditors, compliance with law provisions regulating formation and layout of the Financial Statements and Management Report, the reporting formats adopted and the accounting standards, described in the Notes to the Financial Statements and in the Management Report.

As previously stated, the effects of transactions with related parties are specifically indicated in the reporting formats, in accordance with CONSOB Ruling no. 15519/2006.

Information provided for in international accounting standards with regard to the impairment of assets can be found in the Notes to the Separate Financial Statements.

Correspondence of the impairment test procedure with the provisions of IAS 36 and the joint Banca d'Italia/CONSOB/ISVAP Notification no. 4 dated 3 March 2010 was the subject of formal approval by the Board of Directors on 2 August 2017, prior to approval of the 2017 interim financial report, and at the Board meeting of 5 February 2018, prior to approval of the 2017 Separate Financial Statements, following preliminary checks performed by the Control and Risks Committee, having heard the opinion of the independent auditors, during two joint meetings with the Board of Statutory Auditors, the Company's General Management – Administration & Finance, and the Company's Administrative Management and the Internal Audit Department, held on 6 July 2017 and 18 January 2018 respectively, during which the document drafted respectively for the interim financial report and the yearly financial statements, reporting the analyses made and the results obtained in the impairment activity, was analysed and discussed.

The Board of Statutory Auditors acknowledges that the Control and Risks Committee

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specifically checked suitability of the impairment test process from a methodological viewpoint.

The Chief Executive Officer and the Manager in charge of financial reporting issued the statements, pursuant to Article 81-ter of CONSOB Regulation no. 11971/1999 as subsequently amended and supplemented and Article 154-bis of Legislative Decree no. 58/1998 (Consolidated Finance Act).

The Financial Statements correspond to the facts and information which the Board of Statutory Auditors has become aware of while exercising its supervisory duties and powers of control and inspection.

The Board also assessed the adequacy of the information provided in the Management Report, as to the non-existence of significant atypical and/or unusual transactions, including intragroup or with related parties, and non-intragroup.

The Management Report, in fact, complies with legal requirements and tallies with financial statements data and results. It provides extensive information about the most important transactions and activities, about the main risks of the Company and its subsidiaries and about intragroup transactions and with related parties, and about the process of updating corporate organisation to the principles of corporate governance, in keeping with the Code of Conduct for listed companies.

Pursuant to Article 123-ter of Legislative Decree 58/1998 (Consolidated Finance Act), the Report on Remuneration, examined by the Remuneration Committee and the Control and Risks Committee was presented to the Shareholders' Meeting.

18. Observations and proposals regarding the comments and requests for information contained in the independent auditors' report

The Independent Auditors today issued the reports regarding the Separate Financial Statements and the Consolidated Financial Statements for the year ending 31 December 2017, drafted in compliance with the International Financial Reporting Standards adopted

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by the European Union, and measures issued to implement these contained in Article 9 of Legislative Decree no. 38/2005, along with the additional report pursuant to article 11 of Regulation (EU) no. 537/2014.

These reports state that both the Separate Financial Statements and Consolidated Financial Statements of Astaldi S.p.A. have been drafted in a clear manner and provide a true and fair view of the financial position, financial performance and cash flows for the year ending on said date. Moreover, the Audit Reports expressed opinions on the consistency of the Management Report, and of the information contained in the Report on Corporate Governance and Ownership Structure pursuant to art. 123-*bis* of Legislative Decree no. 58/1998, with the aforementioned financial statements and the opinion of compliance of the Management Report with the regulations of law. Said reports contain no observations but a reference to information on "*Significant going-concern uncertainty*." In particular, the Independent Auditors called attention to what was described by the Directors in the paragraph "Main risks and uncertainties" in the Management Report, and in the paragraph "Basis of preparation" of the Notes to the Separate Financial Statements, with regard to events and circumstances pointing to the existence of significant uncertainty that may give rise to significant doubts as to the company's ability to continue operating as an entity in operation, and as to the reasons on the basis of which the Directors deemed it appropriate to use the going concern assumption in drafting the Separate Financial Statements at 31 December 2017.

On this aspect of particular importance, the Board of Statutory Auditors, in line with what was expressed by the CONSOB recommendations, dialogued and exchanged information with the Independent Auditors, with the Chief Executive Officer, with the Manager in charge in this matter, and with the company's management.

In particular, it monitored and supervised the adequacy of the process for obtaining elements of proof to be furnished to the Independent Auditors to certify the appropriate use by the Company's Directors of the going concern assumption. This circumstance was

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thus a key aspect in the auditing.

The audit procedures that involved the Independent Auditors' activity included:

- comprehending and analysing the cash flow plan prepared by the Company, and its main underlying hypotheses and assumptions;
- analysing the main transactions that were concluded and started up during the year by the Company and the Group, with particular reference to the disposal of the concession assets identified in the 2017-2021 strategic plan;
- analysing the relevant communications with the advisors of the leading financing banks, with regard to the Company's capital and financial strengthening programme;
- obtaining written certifications from the Directors and the majority shareholder with regard to the future action plans and their feasibility;
- analysing the minutes of the meetings of the Company's corporate bodies;
- analysing the events that took place following the reference date of the financial statements, that provide information elements of use for the purposes of assessing the appropriateness of using the going concern assumption in drafting the Separate Financial Statements;
- examining the appropriateness of the financial statements' reporting with regard to the going concern assumption.

Upon the conclusion of this analysis process, the Independent Auditors' opinion is expressed without observations of relevance to this aspect.

The Board of Statutory Auditors, in constantly monitoring the situation's evolution, asked the Company's Chief Executive Officer and management to keep the Board of Directors and the Board of Statutory Auditors constantly updated on these aspects, also through regular reporting.

Lastly, the Independent Auditors, in their report on the financial statements, identify certain key aspects of the audit. The key aspects of the audit are those aspects which, according to the independent auditors' professional opinion, were most significant in the

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context of auditing the Separate Financial Statements in question. These aspects were dealt with in the auditing and in forming the opinion on the separate financial statements overall.

In addition to what is described in the section *Significant going-concern uncertainty*, the aspects described below were identified as key aspects of the audit, about which the Board of Statutory Auditors was informed and reported to:

- a) Estimate of the recoverable value of the Other non-current assets for trade receivables, and amounts due from customers in connection with the works performed in Venezuela;
- b) Assessment of the amounts due from/to customers in connection with construction contracts being carried out, and recognition of the revenue thereof;
- c) Recoverability of the Company's net assets.

19. 2017 Consolidated non-financial statement – Sustainability profile

Astaldi's Board of Directors approved the 2017 consolidated non-financial statement – Sustainability profile, drawn up pursuant to Legislative Decree no. 254/2016.

On 30 March 2018, the Independent Auditors issued the report on the compliance of the information provided in the consolidated non-financial statement with the regulations of law and the adopted reporting standard.

The Board of Statutory Auditors supervised compliance with the provisions established in Legislative Decree no. 254/2016, and has no observations to report in this regard herein.

20. Conclusions regarding the results of supervisory activities performed

The supervisory activities, as detailed above, comprised 16 meetings of the Board of Statutory Auditors held during 2017, whose resolutions are set down in the Board's ledger, attendance of 2 Shareholders' Meetings (for approval of the 2016 financial statements and for the share capital increase decided upon on 15 December 2017), 9

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meetings of the Board of Directors held in 2017, and 4 meetings of the Control and Risks Committee held in 2017.

The Board of Statutory Auditors also attended 2 meetings jointly with the Supervisory Body held on 20 June and 14 November 2017, and 2 meetings of the Appointments and Remuneration Committee held jointly with the Related Parties Committee, of which the one on 10 May was attended by the entire Board of Statutory Auditors, while the one on 27 July was attended by the Standing Auditor Anna Rosa Adiatori, as was that of the Appointments and Remuneration Committee, also on 27 July 2017. In this regard, the activities performed by the Control and Risks Committee were referred to the Board of Directors and can be found in the Annual Report on Corporate Governance and Ownership Structure.

As regards activities performed by the Supervisory Body, these were also referred to the Board of Directors and can be found in the Annual Report on Corporate Governance and Ownership Structure.

During the supervisory activities performed and on the basis of information obtained from the independent auditors, no omissions and/or reprehensible actions and/or irregularities, or, in any case, important facts requiring notification to the Boards of Statutory Auditors or mention herein were noted.

21. Proposals to the Shareholders' Meeting pursuant to Article 153, subsection 2, of Legislative Decree no. 58/1998

Taking into account the above, the Board of Statutory Auditors, with regard to its areas of responsibility, has no objections to the approval of the financial statements at 31 December 2017, as drafted and approved by the Board of Directors at its meeting of 15 March 2018, or of the proposals of resolution as formulated by the Board of Directors.

The Company is thanked for the confidence given with the mandate conferred by the Shareholders' Meeting for the 2015-2017 period.

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Rome, 30 March 2018

For the BOARD OF STATUTORY AUDITORS

Chairman

(Paolo Fumagalli)

Shareholders' Meeting Resolutions

Astaldi's Shareholders' Meeting, which met in first call on 27 April 2018, specifically resolved upon the following:

- to approve the separate financial statements of Astaldi S.p.A. at 31 December 2017, in the terms proposed by the Board of Directors on 15 March 2018, as well as to supplement the unavailable reserve pursuant to Article 6, subsection 2 of Legislative Decree No. 38/2005, for the sum of EUR 123.4 million by using the extraordinary reserve and to allocate to the latter a part of the already unavailable reserve pursuant to Article 6, subsection 2 of Legislative Decree No. 38/2005, disposing of EUR 23.7 million at 31 December 2017, subject to allocation of the 5% share to the legal reserve, equal to EUR 1.2 million;
- to carry forward the loss of EUR 98.7 million recorded by Astaldi S.p.A. for FY 2017;
- to appoint the following as members of the Board of Statutory Auditors for the 2018-2020 period: Mr. Giovanni Fiore (Chairman), Mr. Lelio Fornabaio (Standing Auditor), Ms. Anna Rosa Adiutori (Standing Auditor), Ms. Giulia De Martino (Alternate Auditor), Mr. Francesco Follina (Alternate Auditor), Mr. Gregorio Antonio Greco (Alternate Auditor);
- to allocate a fee of EUR 75,000 p.a. to the Chairman of the Board of Statutory Auditors and a fee of EUR 50,000 p.a. to each of the Standing Auditors;
- to renew for an additional 12-month period as from 29 May 2018, authorisation for the Board of Directors to purchase ordinary company shares at a unit price of no less than EUR 2.00 and no greater than the average price of the last ten days of stock exchange trading prior to the purchase date, increased by 10%. This authorisation to purchase shares is limited to a revolving maximum of 9,842,490 shares with a par value of EUR 2.00 each, with the additional restriction that the amount of treasury shares on hand must not exceed the total counter value of EUR 24.6 million, at any given time. Authorisation is granted with the aim of promoting regular trading and ensuring suitable support for market liquidity, as well as maintaining the so-called share stock. In any case, purchase operations shall be performed in compliance with Article 2357 et seq. of the Italian Civil Code and Article 132 of the Consolidated Finance Act (TUF), and using the procedures as per Article 144-*bis*, subsection 1, letter b) of CONSOB Regulation No. 11971/99 as subsequently amended. As regards the procedures for transfer and/or disposal of purchased shares, without prejudice to authorisation already granted in this regard, with no time limits, by the Shareholders' Meeting of 18 April 2011, and in addition to this, the Shareholders' Meeting has authorised the Board of Directors - in relation to the equity-linked bond approved on 13 June 2017 - as from the date of the Shareholders' Meeting and without time limits - to use shares allocated to the share stock also to satisfy the right of bondholders to request the conversion of equity-linked bonds into existing ordinary company shares, in compliance with Bond regulations, within the limits provided for by CONSOB Regulation No. 16839 of 19 March 2009 and without prejudice to the provisions set forth in EU Regulation No. 596/2014. At the same time, authorisation granted by the Shareholders' Meeting on 23 April 2013 was revoked; this authorisation concerned the use of shares allocated to the share stock to satisfy the right of holders of the equity-linked bonds resolved upon on 23 January 2013 to request the conversion of bonds into ordinary company shares, and was revoked insofar as fully repaid;
- to approve, pursuant to Article 123-*ter*, point 6, of Legislative Decree No. 58 of 24 February 1998, Section I of the Report on Remuneration, drafted by the Company pursuant to the aforementioned Article 123-*ter*.



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Major works that build a great future.



More than 100 operational sites in over 30 countries, employing more than 11,500 people mainly in Italy, Europe, Americas, Maghreb and Asia. Astaldi Group is the lead player in performing the infrastructure development programmes of each country it operates in, working with local communities and maintaining deep respect for the areas that are home to major works. This is the business model we believe in, this is the world we want.





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KEY STATEMENT OF PROFIT OR LOSS FIGURES AS AT 31 DECEMBER 2017

(Figures shown in EUR/000)

	31/12/2017 post-impairment(*)	31/12/2017 pre-impairment(**)	31/12/2016	Annual variation post-impairment(*)	Annual variation pre-impairment(**)
Total revenue	3,060,733	3,060,733	3,004,255	+1.9%	+1.9%
EBITDA	366,376	366,376	379,858	(3.5%)	(3.5%)
EBITDA margin	12.0%	12.0%	12.6%	–	–
Impairment losses (*)	(235,529)	(5,529)	(676)	n.s.	n.s.
EBIT	76,345	306,345	316,973	n.s.	(3.4%)
EBIT margin	2.5%	10.0%	10.6%	–	–
Profit (loss) attributable to the owners of the parent	(101,175)	103,561	72,457	n.s.	+42.9%

(*) Figures including the effects of the impairment of the assets in Venezuela - see the "Introduction" section of this report for more information.

(**) Figures excluding the effects of the above-mentioned impairment.

KEY STATEMENT OF FINANCIAL POSITION FIGURES AS AT 31 DECEMBER 2017

(Figures shown in EUR/000)

	31/12/2017 post-impairment(*)	31/12/2017 pre-impairment(**)	31/12/2016
Total non-current assets	1,292,154	1,088,990	1,007,371
Operating working capital	553,262	961,162	804,861
Total provisions	(28,925)	(28,925)	(21,215)
Net invested capital	1,816,490	2,021,227	1,791,017
Net loans and borrowings (***)	(1,267,049)	(1,267,049)	(1,092,532)
Equity	549,442	754,178	698,485

(*) Figures including the effects of the impairment of the assets in Venezuela - see the "Introduction" section of this report for more information.

(**) Figures excluding the effects of the above-mentioned impairment.

(***) Figures shown inclusive of treasury shares in portfolio (€3.1 million and €3.9 million at 31 December 2017 and 2016, respectively).

REVENUE ACCORDING TO GEOGRAPHICAL SEGMENT

(Amounts expressed in EUR/000,000)

24.3% Italy



75.7% International



