Astaldi Group Annual Financial Report

ASTALDI Società per Azioni
Registered Office/Head Office: Via Giulio Vincenzo Bona 65 - 00156 Rome (Italy)
Registered with the Companies Register of Rome
Tax code No.: 00398970582
R.E.A. No. 152353
VAT No. 0080281001
Share capital: EUR 196,849,800.00 fully paid-in

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Annual Financial Report 2016

MISSION

ASTALDI GROUP's mission is to contribute to the development and wellbeing of the countries where it operates, adopting its own style which sees design, construction and multi-year operation of major infrastructures go hand in hand with integration with the territory and the technical-managerial training of the people involved. ASTALDI translates ideas into reality, meeting the needs of its own customers and opening new paths to progress by constructing distinctive, state-of-the-art works able to combine functionality and aesthetic beauty. ASTALDI is representative of Italy as regards infrastructures. It has long exported technology, know-how and innovative solutions for customers throughout the world, with an approach to dialogue which leads to the creation of a real partnership with customers. ASTALDI contributes to the affirmation of Italy's excellence the world over, cultivating talent and optimising brilliance, through an ongoing creation process in Italy and abroad.

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Western High Speed Diameter, St. Petersburg - Russia

(12 kilometres of motorway, with two cable-stayed bridges)

Built in just 4 years, opened in December 2016.

State of progress – January 2016.

General Information

DISCLAIMER

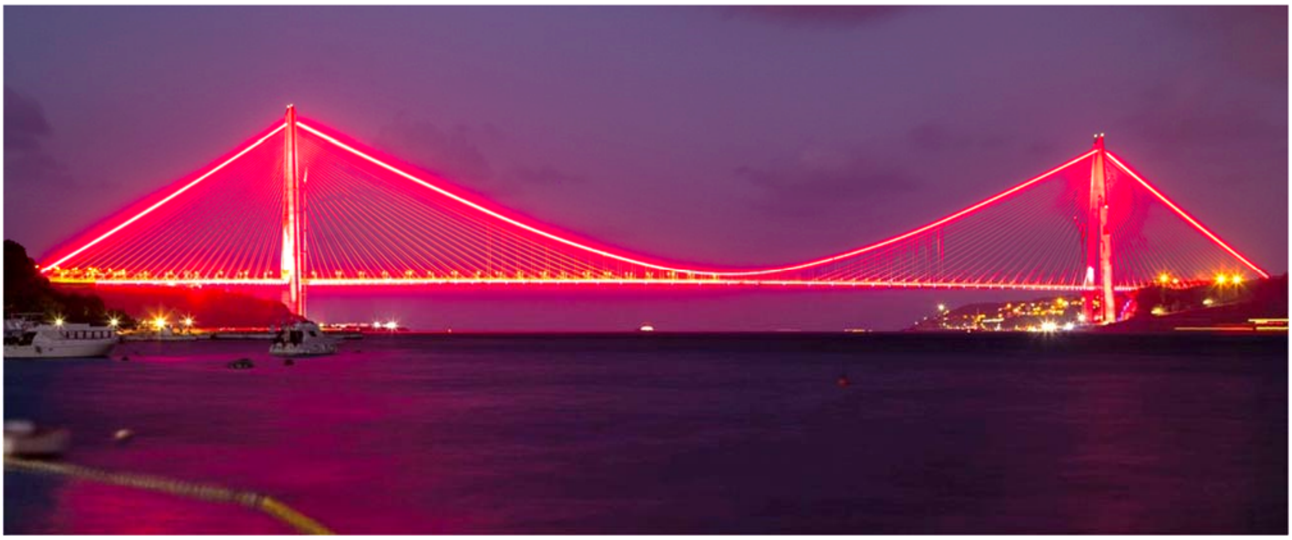
ASTALDI GROUP's Annual Financial Report for the year ending 31 December 2016 contains forecasts, especially in the section entitled «Outlook ». Forecasts in themselves contain an element of risk and uncertainty insofar as dependent on the occurrence of future events and developments. Therefore, the actual future results may differ, including significantly, compared to those forecasts as a result of a number of factors including: actual start-up times of new projects, management ability to perform business plans and successful commercial negotiations, future evolution of the demand, actual operating performance, general macroeconomic conditions, geopolitical factors such as international tension and socio-political instability, amendments to reference economic and legislative framework, successful development and application of new technologies, changes in shareholder expectation, competitor action.

ASTALDI GROUP's economic and financial performance was also assessed on the basis of indicators not provided for in the IFRS (International Financial Reporting Standards). The alternative performance indicators used are described at the end of the section herein entitled "Operating Performance"

Third Bosphorus Bridge, Turkey

(longest and widest hybrid bridge in the world, with taller towers than the Eiffel Tower)

Built in just 3 years, opened to the public in August 2016.



State of progress in January 2016.

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Corporate bodies

(As at draft date of Annual Financial Report)

BOARD OF DIRECTORS

CHAIRMAN
- Paolo Astaldi

DEPUTY CHAIRMEN
- Ernesto Monti
- Michele Valensise

CHIEF EXECUTIVE OFFICER
- Filippo Stinellis

DIRECTORS
- Caterina Astaldi
- Paolo Cuccia
- Piero Gnudi
- Chiara Mancini
- Nicoletta Mincato

GENERAL MANAGERS

ADMINISTRATION AND FINANCE
- Paolo Citterio

DOMESTIC
- Marco Foti

INTERNATIONAL
- Cesare Bernardini
- Fabio Giannelli
- Francesco Maria Rotundi

BUSINESS SERVICES
- Mario Lanciani

INDEPENDENT AUDITORS

KPMG S.p.A.

HONORARY CHAIRMAN

Vittorio Di Paola

BOARD OF STATUTORY AUDITORS

Paolo Fumagalli[1] (*Chairman*)
Anna Rosa Adiutori (*Standing Auditor*)
Lelio Fornabaio (*Standing Auditor*)
Andrea Lorenzatti[1] (*Alternate Auditor*)
Giulia De Martino (*Alternate Auditor*)
Francesco Follina (*Alternate Auditor*)

CONTROL AND RISKS COMMITTEE

Nicoletta Mincato (*Chairwoman*)
Paolo Cuccia
Ernesto Monti

APPOINTMENTS AND REMUNERATION COMMITTEE

Piero Gnudi (*Chairman*)
Paolo Cuccia
Ernesto Monti

RELATED PARTIES COMMITTEE

Chiara Mancini (*Chairman*)
Paolo Cuccia
Nicoletta Mincato

[1] Auditor appointed through slates submitted by minority shareholders

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Muskrat Falls Hydroelectric Project - Canada

(Part of the most important hydroelectric project in progress in Canada)

State of progress in January 2016.

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Summarised data

INCOME STATEMENT
(Figures shown in EUR/000)

	31.12.2016	*% of total revenue*	31.12.2015 *	*% of total revenue*	YOY change (%)
Total revenue	3,004,255	100%	2,854,949	100%	+5.2%
EBITDA	379,858	12.6%	355,188	12.4%	+6.9%
EBIT	316,973	10.6%	276,232	9.7%	+14.7%
EBT	129,096	4.3%	111,474	3.9%	+15.8%
Net profit from continuing operations	**97,442**	**3.2%**	**78,286**	**2.7%**	**+24.5%**
Net loss from discontinued operations	(24,811)	-0.8%	1,220	0.0%	n.m
Net profit attributable to owners of the Parent	**72,457**	**2.4%**	**80,876**	**2.8%**	**-10.4%**
ROI	18.6%	-	18.4%	--	--

(*) Figures at 31 December 2015 referring to the jointly-controlled RE.CONSULT INFRASTRUTTURE were presented in compliance with IFRS-5 ("Non-current assets held for sale and discontinued operations").

STATEMENT OF FINANCIAL POSITION
(Figures shown in EUR/000)

	31.12.2016	31.12.2015	30.09.2016
Total net non-current assets	1,007,371	957,948	948,187
Operating working capital	804,861	689,460	915,878
Total provisions	(21,215)	(21,851)	(24,610)
Net invested capital	1,791,017	1,625,557	1,839,455
Total loans and borrowings / loan assets *	**(1,092,532)**	**(988,526)**	**(1,231,132)**
Equity attributable to owners of the Parent	692,384	631,405	602,904
Total equity	**698,485**	**637,031**	**608,323**

(*)Including treasury shares in portfolio equal to EUR 3.9 million at 31 December 2016, EUR 4.2 million at 30 September 2016 and EUR 5.8 million at 31 December 2015.

Group Profile

ASTALDI is a **business group of international standing**, operating in the field of major public works. It boasts consolidated leadership in Italy and abroad where it has a diversified presence in 6 reference macro-areas. It mainly operates as an EPC[2] *Contractor*, but it is also the concession holder for various projects developed using the concession and project finance formulas.

ASTALDI designs, builds and operates state-of-the-art works in the Transport Infrastructures, Energy Production Plants, Civil and Industrial Construction, and Plant Engineering and Facility Management segments. It is **one of the top 30 contractors in Europe** and the number three in the world for bridge construction, number five for hydroelectric plants, number fourteen for mass transit and rail, number nineteen for hospitals, and number twenty-one for airports[3].

ASTALDI can boast **over 90 years of history** and **has been listed on the Italian Stock Exchange for 15 years**. It ended 2016 with a turnover of more than EUR 3 billion and an order backlog of EUR 27 billion. It employs **over 11,500 people at more than 100 sites** worldwide and operates in approximately 25 countries.

The internationalisation of its business activities has always been a hallmark of ASTALDI GROUP. More than 84% of its turnover was generated abroad in 2016. The areas where it is most present, in addition to Italy, are Central-Eastern Europe (Poland, Russia and Romania) and Turkey, the Maghreb (Algeria), America (USA and Canada) and Latin America (Chile, Peru, Central America, Bolivia, and Venezuela). It has opened its doors more recently to Sweden, Argentina, Cuba, Panama, Iran and the Far East (Indonesia, Vietnam and Singapore).

ASTALDI is representative of «**Italian-style infrastructures**»: it exports technology and know-how, offering its customers skills, construction ability and creativity for the performance of **hallmark works, able to combine functionality and aesthetic beauty**.

The most recently-constructed works of international prestige include **the longest, widest hybrid bridge in the world** (Third Bosphorus Bridge) and **the world's fourth-longest suspension bridge** (Izmit Bay Bridge) in Turkey, the **Western High Speed Diameter crossing over St. Petersburg Bay, Line 2 of the Warsaw underground** in Poland (one of the most modern undergrounds in Europe, also built using the innovative technique of freezing soil in order to guarantee stability during excavation), **Toledo station of the Naples underground** in Italy (named the most beautiful underground station in Europe and winner of the ITA 2015 Award).

At the present moment, it is involved in construction of the Brenner tunnel which will be the **longest underground tunnel in the world, the world's largest optical telescope** (E-ELT, Chile), the **most important hydroelectric project in progress in North America** (Muskrat Falls, Canada), the **largest healthcare facility under construction in Europe** (Etlik Integrated Health Campus in Ankara, Turkey), as well as performance of the project for **underground expansion of the world's largest open-pit copper mine** (Chuquicamata) as well as construction and operation of one of South America's main airports (Arturo Merino Benítez International Airport in Santiago, Chile).

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[2] EPC (*Engineering, Procurement, Construction*) identifies all the phases of performance of a project assigned to a Contractor responsible for designing, performing and consigning the works to the customer.
[3] *Source*: «*The Global Sourcebook 2016*», by ENR *Engineering News Record*, December 2016 – rankings produced on the basis of turnover as at 31 December 2015.

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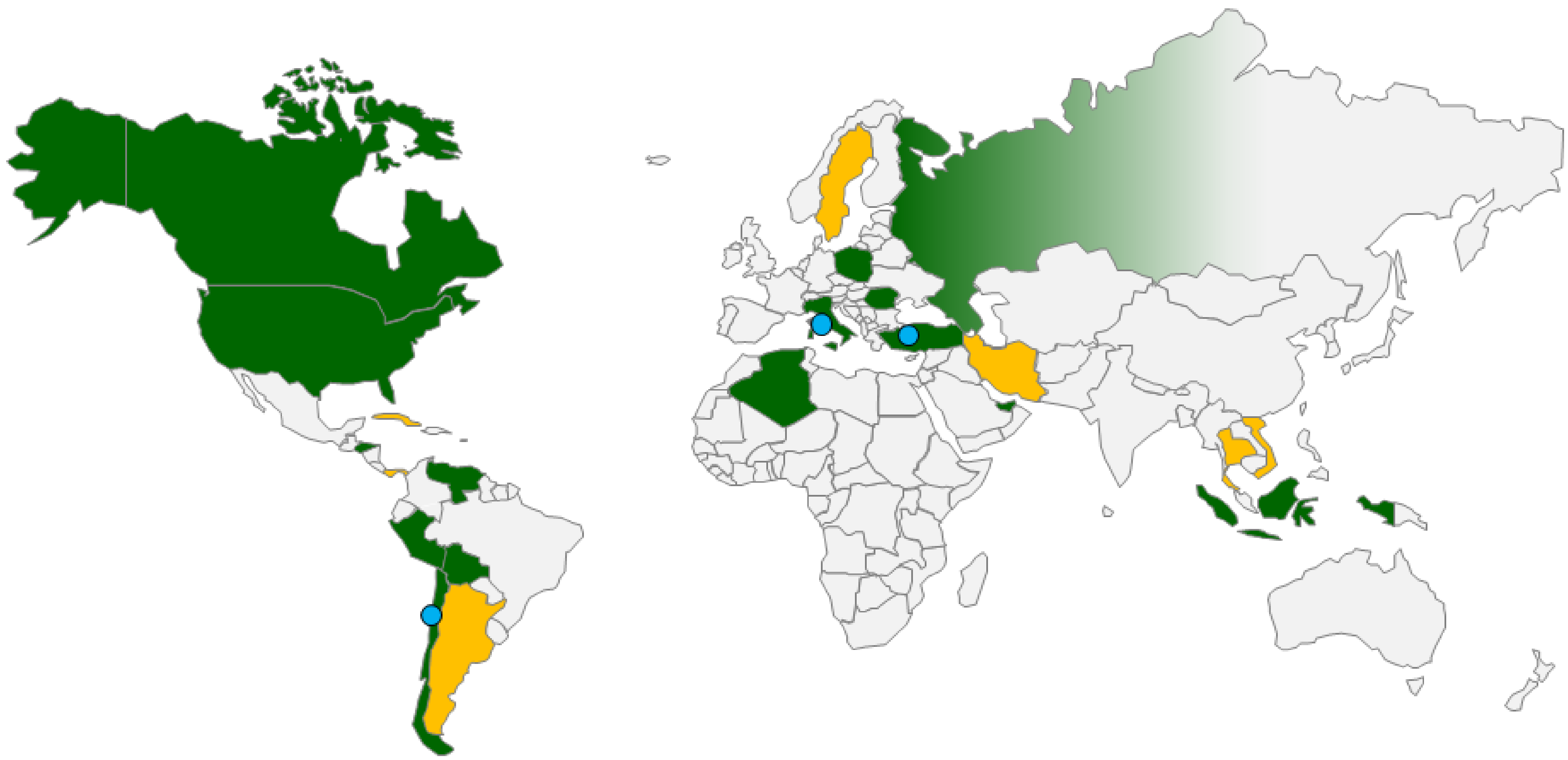
ASTALDI GROUP WORLDWIDE – OPERATING BRANCHES



Countries operating in construction segment

- Algeria
- Bolivia
- Canada
- Chile
- Honduras
- Indonesia
- Italy
- Nicaragua
- Peru
- Poland
- Romania
- Russia
- Turkey
- UAE
- USA
- Venezuela

New markets

- Argentina
- Cuba
- Iran
- Panama
- Singapore
- Sweden
- Vietnam

Concessions

- Chile
- Italy
- Turkey

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Izmit Bay Bridge, Turkey

(4th longest suspension bridge in the world)

The infrastructure has been operational since June 2016.

State of progress in January 2016.

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Management Report

ASTALDI GROUP's Annual Financial Report at 31 December 2016 has been compiled by applying the same accounting standards adopted for the Annual Financial Report at 31 December 2015 except for those coming into effect as from 1 January 2016 outlined in the section of the Consolidated Financial Statements entitled "Newly-issued and endorsed accounting standards and interpretations, in force from 1 January 2016" which should be referred to.

The Annual Financial Report comprises the Management Report, Consolidated Financial Statements, Separate Financial Statements, Report on Corporate Governance and Ownership Structure and relative annexes. Considering the Group's structure, the Group has already availed itself for some years now of the possibility, pursuant to Legislative Decree No. 32 of 2 February 2007, of presenting information previously contained in the Management Reports of the Consolidated Financial Statements and of the Parent Astaldi S.p.A.'s Separate Financial Statements, in a single document known as the Management Report.

Etlik Integrated Health Campus in Ankara

(The largest healthcare complex under construction in Europe)

Currently under construction, it will provide more than 3,577 beds for a total surface are of 1,100,000 m^2.

State of progress at the start of 2016.

Macroeconomic scenario

ASTALDI GROUP's reference market is the global major infrastructures market. The areas of greatest interest are Italy, Central-Eastern Europe (Poland, Russia and Romania) and Turkey, the Maghreb (Algeria), North America (USA and Canada), and Latin America (Chile, Peru, Central America, Bolivia and Venezuela). It has more recently opened its doors to Sweden, Argentina, Cuba, Panama, Iran and the Far East (Indonesia, Vietnam and Singapore). Its presence in these areas is the result of a business development model aimed at consolidating countries where traditionally present that continue to invest in multi-year programmes (e.g. USA, Turkey, Chile, etc.), and at examining new countries with stable economies and clear investment programmes, able to offer additional growth opportunities. Please find below a short overview of the trend of the infrastructures market in the countries of greatest commercial interest for the GROUP's business.

As regards Italy, macroeconomic trends during 2016 did not allow for the creation of favourable conditions for a real upturn in the construction sector: the increase in public non-residential construction investments was estimated as recording a 0.4% increase (in absolute terms) compared to last year. While 2017 could be the year of recovery for the sector: early forecasts speak of a 0.8% increase in real terms ((+1,8% in nominal terms) of construction investment, also given the measures set forth in the 2017 Financial Statements Act, aimed at relaunching infrastructure investment and consolidating existing tax initiatives (ANCE forecasts, December 2016)[4].

As for Poland, the country can rely on major resources for the Infrastructure segment. The EU budget for 2014-2020 has allocated EUR 105.8 billion to Poland (EUR 4.5 billion more than the previous budget). Cohesion funds will total EUR 79.2 billion. The local government has also approved a national Economic Development Plan based on five pillars: re-industrialisation, improvement of the reference legislative framework, European investment (public and private) management, export support and help for the development of rural areas. The vehicle for financing this plan will be the Polish Development Fund with a forecast investment of approximately EUR 230 billion, covered by public and private funding, including EU Structural Funds. From a segment viewpoint, the priority will go to the energy segment. Poland pursues a policy of diversifying procurement sources and cutting dependency on Russian resources. The local government has also set up an Energy Ministry, bringing together areas of responsibility that were previously split into various ministries, offering a clear sign of the segment's importance.[5]

As regards Turkey, the economy experienced a slowdown in 2016 as from the third quarter, basically as a result of the failed military coup in July. Despite this, the major infrastructure investment programme in progress was not affected. In February 2017, the Turkish government announced the transfer of some major state-owned companies to the Turkiye Varlike Fonu sovereign wealth fund, set up following the failed coup in order to breathe new life into the Turkish economy. The fund's aims include financing of the country's major infrastructure projects. Specifically, investments are planned for the energy segment given that Turkey aims to cut its dependency on imports. Turkey is aiming to have at least 20 nuclear reactors up and running by 2030 and has approved a national action plan to increase the share of energy from renewable sources in the national energy scene, increase supply safety and reduce greenhouse gas emissions. The country's declared goal is to increase its installed capacity by 30% by 2023.[5]

The economy in Russia was virtually stabilised in 2016. The Russian government's forecasts tally with those of the leading international financial institutions and foresee an upturn as from 2017. The IMF forecasts a 1.1% increase in the GDP during 2017, maintaining that the country has finally absorbed the dual shock of sanctions and low oil prices. Measures to curb inflation have proved effective, as has partial reorganisation of

[4] Source: *Osservatorio Congiunturale sull'Industria delle Costruzioni – Gennaio 2017*, by ANCE's (Italy's Building Association) Research Dept. .

[5] Source: Country Files – Ministry of Foreign Affairs and International Cooperation.

the banking system. Tax consolidation still has to be performed. This should also promote greater investments for the Infrastructures segment.[6]

The economic programme presented in Romania in 2015 provides for a plan to reduce the tax burden during 2016-2020, cut excise taxes from 24 to 20% (to the minimum level provided for in EU directives) and eliminate the special tax on constructions and dividends. Expansive measures have been introduced (increase of state employee salaries and reduction of VAT) which should result in a GDP increase in 2017. In the wake of the IMF's recommendations, Romania is carrying out a programme involving the sale of share packages of the main state-owned companies. In January the local government and the World Bank signed a Memorandum of Understanding which provides for assistance provided by the World Bank to generate structural reforms through to 2023. In light of these actions, an increase in state investment is expected, also thanks to EU co-funded projects. For long-term growth, the country needs to build the infrastructures needed to get new production sites up and running in all areas of the country.[6]

Sweden has a flexible, competitive and highly advanced economy, with inflation that is forecast as limited. The Swedish economy is the most important of the Scandinavian countries and scientific innovation is traditionally its driving force. The country's appeal is increased by its institutional stability, the quality of its infrastructure system, solid technology, support for research and development and highly qualified workforce, as well as by the Swedish government's choice to lower corporate tax to 22% in 2013. The draft budget provides for EUR 1.3 billion to build up green energy production centres. The government also proposed to assign EUR 300 million for maintenance and improvement of urban transport and the railway network. An additional EUR 600 million will be assigned for the latter during 2019-2020.[6]

The new US administration has restated its intent to re-launch employment a large-scale infrastructure programme., funding of which (for 1 trillion dollars) will be guaranteed by a P-P-P and by a tax policy aimed at promoting local industry throughout the country. The US macroeconomic situation is stable. Abatement of appreciation of the dollar and stabilisation of oil prices should respectively support export and investment.[6]

Iran is the 18th world economy and second in the MENA region. 45% of Iran's GDP refers to the industrial sector – including oil and natural gas production and export (85% of the total). The country can rely on a large stock of foreign reserves and public debt is limited. The suspension of financial sanctions and Iran's reintegration into the SWIFT network should generate growth in segments not strictly linked to oil. Measures are also being studied to promote the economy through foreign investment in both infrastructures and in the use of gas and oil-related resources The draft budget for 2017 (486 million dollars, +11% compared to 2016) singles out employment, water resource management, railways and environmental protection as priority areas of action, that shall be allocated almost double the amount of previous funding.[6]

Canada's 2016-2017 federal draft budget identified support for a major infrastructure investment plan as a priority. As regards action planned for the next five years, for which there is funding of approximately 12 billion dollars, a major share (5 billion dollars in 5 years) will be allocated to the construction of water plants, eco-sustainable projects and projects aimed at reducing greenhouse gas emissions. 3.4 billion in 3 years will be allocated to public transport and 3.4 billion in 5 years to social infrastructures (council housing, etc.). Note must also be taken of 8.4 billion over the next five years to upgrade water systems in some areas[6]

As regards Chile, the Central Bank estimated a growth in GDP for 2016 of between 2% and 3%. The country is extremely open to foreign investment: foreign investors are treated on par with national operators and they are allowed to operate in almost all segments. Mining is the main component of the GDP and minerals are the main exports, including copper. Therefore, this segment offers interesting development opportunities, especially as regards spin-offs lined to large-scale mining plants. The local government has also presented an "Agenda for Infrastructures, Development and Inclusion" which represents the backlog of the most ambitious public works (both direct investments and concessions) of the last ten years worth a total of EUR 27 billion. As regards the railway segment, a network upgrading and extension plan is currently being drawn up by Empresa

[6] Source: Country Files – Ministry of Foreign Affairs and International Cooperation.

de Ferrocarriles del Estado, which provides for the performance of 18 projects by 2020, worth a total of approximately 8,000 million dollars. An Energy Agenda has also been introduced, promoting above all the development of unconventional renewable energies.[7]

Peru is the second copper producer in the world (since 2009) and one of the economies boasting the highest level of development in South America (+4.5% in 2016). Given the traditionally excellent bilateral relations between Italy and Peru, bilateral negotiations are expected to resume for the signing of an agreement to combat dual taxation. The Infrastructures segment offers interesting opportunities, with specific reference to interoceanic corridors and major works (roads, motorways, railways, ports and airports, water treatment and management) which the Peruvian government is focusing on in order to integrate rural areas and improve access to water and electricity. Other segments offering numerous opportunities are renewable energies, water treatment and solid waste[7]

Investments in the Infrastructures segment in Argentina during the first six months of 2016 totalled approximately EUR 15 billion, three times more than the figure for the same period of 2015. The most representative segments are mining, energy and telecommunications, also considering the country's infrastructures that are lacking. Environment and energy represents a segment of potential interest insofar as the government looks on expansion of the use of renewable sources as a priority. The nuclear segment could offer additional investment opportunities, taking into account that Argentina is the leading country for the construction of nuclear plants.[7]

As for Cuba, 2016 saw the death of Fidel Castro, but the focus remains on updating of the economic model which, combined with the increase in direct foreign investment, could generate interesting opportunities for the Infrastructures segment. The 2014 Foreign Investment Law allowed for the influx of foreign capital, with tax exemptions of up to 50% benefitting mixed companies. To date, the investment programme provides for 365 multi-segment projects for a total of 9.5 billion dollars – projects under examination include those for tourism (construction of hotels and real estate complexes with golf courses, tourist ports and theme parks, airport infrastructures). The country's 2016-2030 development plan also includes the issue of legislation for greater efficiency of the tax system as regards private investors' new projects.[7]

Venezuela is experiencing a complex economic situation due to the drop in oil prices and socio-political difficulties. Another problem is control of the exchange rate: foreign imports are paid by asking a dedicated state body (CENCOEX) for currency assignment at the official exchange rate. Since the drop in oil prices prevents the state from having sufficient currency to cover all requests, assignments are made on the basis of input which have little to do with actual planning of priorities. Despite all of this, the country has not technically defaulted, continuing to date to pay the service of its international debt. Moreover, even given the difficult situation outlined, energy and infrastructures continue to be of potential interest insofar as considered priority and fundamental for the country's economy. Specifically, Venezuela's railway development plan involves the construction of approximately 13,600 kilometres of railway used by Instituto de Ferrocarriles del Estado by 2030.[7]

Operating Performance

The results at 31 December 2016 were the result of **significant updating by the Group**, in various areas during the year. Management changes and the targets and strategies set forth in the 2016-2020 Strategic Plan helped boost business activities. As regards commitments undertaken, choices were made and action formulated which allowed for the achievement of end-of-year targets, also reinforcing 2017 forecasts.

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[7] Source: Country Files – Ministry of Foreign Affairs and International Cooperation.

2016 witnessed **achievement of the target of EUR 3 billion of turnover,** with earnings in keeping with the segment's reference best practices This result was achieved through totally endogenous growth and reflects the significant working efforts made during the year to complete complex works of international standing such as:

- Third Bosphorus Bridge in Turkey, the longest and widest hybrid bridge in the world;
- Izmit Bay Bridge in Turkey, the 4th longest suspension bridge;
- Western High Speed Diameter crossing over St. Petersburg Bay;
- Police Officers Academy in Florence, Italy, one of the largest military construction works in Europe;
- Cerro del Águila Hydroelectric Project in Peru;
- Apuane Hospital in Massa-Carrara, Italy, currently operated by ASTALDI GROUP;
- Łódź Fabryczna Railway Station in Poland.

At 31 December 2016, the **order backlog in execution totalled EUR 19.5 billion** (+9%, compared to the end of 2015), with construction contracts accounting for EUR 10 billion and concession initiatives for the remaining EUR 9.5 billion. If we are to include all the options and orders which the GROUP already holds an acquisition right on, **the total order backlog amounts to over EUR 27 billion**. It is also important to note that the figures shown do not include the effects of agreements signed in relation to the Asset Disposal programme provided for in the 2016-2020 Strategic Plan. Further to implementation of this programme, the shares of the concession backlog corresponding to assets disposed of will be gradually reversed during 2017. This effect will be partially offset by forecast transfer agreements able to promote ASTALDI holding onto O & M (*Operation and Maintenance*) activities that will, therefore, become strategic for the Group' development.

New orders for the year totalled EUR 4.5 billion. Plurality of elements lies at the base of the award procedure for the most important contracts secured during the year such as the E-ELT[8] in Chile (the world's largest optical telescope), the Brenner tunnel in Italy (the world's longest underground rail link) and the I-405 highway in California. This has favoured the **backlog's increasing focus on EPC contracts** that are able to make the most of the Group's improved integrated offer capacity.

Net financial debt at 31 December 2016 amounted to EUR 1.09 billion, compared to EUR 983 million at the end of 2015. The year's figure included the effect of an **extremely demanding half-year** (due to the major support provided for projects in Turkey, completed ahead of schedule) followed by a second half of the year which witnessed the GROUP's improved ability to generate cash. Indeed, the year's figure shows a **drop of approximately EUR 140 million in Q4 and almost EUR 300 million in HY2. This trend can be attributed to** (i) incisive improvement of working capital efficiency, (ii) a commercial strategy aimed at acquiring contracts with an independent financial profile, (iii) progressive performance of the asset disposal programme provided for in the strategic plan. The year's trend also included the positive effects of the agreement to complete the hydroelectric project in progress in Canada (Muskrat Falls), that allowed for lower cash absorption in Canada as from July (further to signing of a preliminary bridge agreement with the customer, then converted into a final agreement in December). Lastly, it must be recalled that the financial undertakings (covenants) related to the Group's main credit facilities were realigned with the Strategic Plan's targets.

2016 also saw marked progress made on the concession asset disposal programme. During the first half of the year, the interest in A4 HOLDING was sold to the Spanish company ABERTIS (financial closing in July, cash-in in September, equal to EUR 110 million). An agreement with FERROVIE DELLO STATO ITALIANE was signed during the second half of the year for the sale of 36.5% of M5, the concession holder of Line 5 of the Milan underground (financial closing expected in 2017 upon completion of the authorisation procedure). During the first part of 2017, additional agreements were signed regarding the Chacayes Hydroelectric Plant and West Metropolitan Hospital in Santiago, Chile. The section entitled "Events after the reporting period" should be referred to for further details.

At an organisational level, development and consolidation of the structure continued. Specifically, further to appointment of a new CEO (in March 2016), in order to make action throughout the country more incisive

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[8] E-ELT = *European - Extremely Large Telescope*.

and direct, the General Management's areas of responsibility were amended in relation to business strategies, and two Deputy General Managers – International were appointed (in addition to the two appointed in 2015). General Management – Business Services was also consolidated with the aim achieved of creating a centre of transversal skills and know-how for the GROUP (procurement, engineering, project control, etc.), able to promote diffusion of quality and production standards, while at the same time ensuring appealing economies of scale.

2016 ended with a more than 5% increase in total revenue to over EUR 3 billion (EUR 2.85 billion in 2015). EBITDA increased by approximately 7% to approximately EUR 380 million (EUR 335 million in 2015) with a growth in the EBIT margin to 12.6%. EBIT increased by 14.7% to EUR 317 million (EUR 276 million for 2015), with an EBIT margin of 10.6% (9.7% in 2015). Net profit from continuing operations increased by over 24% to EUR 97.4 million (EUR 78 million in 2015). Net profit totalled EUR 72.5 million (EUR 80.8 million in 2015) excluding the forecast effects linked to the sale of A4 Holding with advance collection (already posted in the first half of 2016).

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Alternative performance indicators. The economic and financial performance of the GROUP and its business segments are also assessed on the basis of indicators not provided for in the IFRS (International Financial Reporting Standards), whose specific components are described below.

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

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

EBT. This is calculated like EBIT excluding financial income and expense.

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

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

Net financial position. This is obtained by subtracting non-current loan assets and financial assets from concession activities from the net financial debt, as well as other specific components such as treasury shares, calculated as required under CONSOB Communication DEM/6064293 dated 28 July 2006 that refers to European Securities and Markets Authority (ESMA, formerly CESR) Recommendation dated 10 February 2005 and provisions contained in CONSOB Communication dated 28/07/2006.

Total financial debt. This is obtained by subtracting the total of non-current financial receivables and financial assets from concessions from net financial position (debt), calculated as required under CONSOB DEM/6064293 Statement dated 28 July 2006 that refers to European Securities and Markets Authority (ESMA, formerly CESR) Recommendation dated 10 February 2005 and provisions contained in CONSOB Communication dated 28/07/2006.

Net non-current assets. These are to be taken as the total of non-current assets; specifically, intangible assets, the Group's property, plant and equipment, equity investments as well as other non-current assets.

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

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

ROI. This is the ratio between net operating profit or loss (EBIT) and net invested capital.

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Income Statement for 2016

INCOME STATEMENT
(Figures shown in thousands of Euro)

	31.12.2016	% of total revenue	31.12.2015 (*)	% of total revenue	YOY change (%)
Total revenue	3,004,255	100%	2,854,949	100%	+5.2%
EBITDA	379,858	12.6%	355,188	12.4%	+6.9%
EBIT	316,973	10.6%	276,232	9.7%	+14.7%
EBT	129,096	4.3%	111,474	3.9%	+15.8%
Profit from continuing operations	**97,442**	**3.2%**	**78,286**	**2.7%**	**+24.5%**
Loss from discontinued operations	(24,811)	-0.8%	1,220	0.0%	n.a
Profit attributable to owners of the Parent	**72,457**	**2.4%**	**80,876**	**2.8%**	**-10.4%**

(*) Figures at 31 December 2015 referring to the jointly-controlled RE.CONSULT INFRASTRUTTURE were presented in compliance with IFRS-5 ("Non-current assets held for sale and discontinued operations").

PRODUCTION

Total revenue for 2015 **increased by approximately 5.2% totalling over EUR 3 billion** (EUR 2.9 billion in 2015) mainly thanks to a good project trend in Europe (Turkey, Russia, Poland and Romania), America (Canada, United States and Chile) and the Maghreb (Algeria). Italy accounted for approximately 16% of revenue, holding steady compared to the previous year. As regards total revenue, **operating revenue accounted for EUR 2.8 billion** (+4.5% YOY compared to EUR 2.7 billion in 2015) and **other operating revenue for EUR 152.4 million** (+22.4%, EUR 124.9 million in 2014); the latter refer to activities supplementary to the main construction contracts while still expressing the Group's operating and production capacity. The year's figures reflected the intensification of the Group's activities following consignment of key international works such as the Third Bosphorus Bridge over Izmit Bay in Turkey and the Police Officers Academy in Florence, Italy.

BREAKDOWN OF REVENUE BY SEGMENT

Construction activities mainly accounted for the year's revenue, but operating activities also made a contribution. It must be recalled that the Group's business model for investment in concession activities results in limiting of the risk associated with individual projects, providing mainly for minority investments in specific projects. This makes it impossible to consolidate the results of concession holders using the full consolidation method. This means that the share of revenue from Concessions included in the Income Statement only expresses a part of the return on projects in progress in this segment. The rest is quantified as results from projects in progress under the heading "Share of profits/(losses) of joint ventures and associates". **Construction accounted for over 99% of operating revenue equal to EUR 2.8 billion** (EUR 2.7 billion in 2015). **Concessions accounted for the remaining 1% of revenue, equal to EUR 16 million** (EUR 24 million in 2015).

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OPERATING REVENUE BY SEGMENT
(Figures shown in millions of Euro)

(EUR/millions)	31.12.2016	%	31.12.2015	%	YOY change (%)
CONSTRUCTION	**2,836**	**99.4%**	**2,706**	**99.1%**	**+4.8%**
Transport Infrastructures	1,799	63.1%	1,875	68.7%	-4.1%
Roads and motorways	*460*	16.1%	*604*	*22.1%*	*-23.8%*
Railways and undergrounds	*1,282*	45.0%	*1,179*	*43.2%*	*+8.7%*
Ports and airports	*57*	2.0%	*92*	*3.4%*	*-38.0%*
Energy Production Plants	406	14.2%	425	15.6%	-4.5%
Civil and Industrial Construction	283	9.9%	240	8.8%	+17.9%
Facility Management and Plant Engineering	348	12.2%	166	6.1%	+109.6%
CONCESSIONS	**16**	**0.6%**	**24**	**0.9%**	***-33.3%***
TOTAL OPERATING REVENUE	**2,852**	**100.0%**	**2,730**	**100.0%**	**+4.5%**

Construction. The sector generated EUR 2.8 million, fuelled mainly by **Transport Infrastructures which accounted for approximately 63% of operating revenue.** Roads and Motorways generated approximately EUR 1.3 billion thanks to projects in Turkey (Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir Motorway which became operational during the year), Russia (WHSD in St. Petersburg, M-11 Moscow-St. Petersburg motorway),Poland (S-5 National Road Poznań-Wrocław Lot 3), as well as Romania and the United States. As regards Italy, progress was made on the Marche-Umbria Quadrilatero road network. Good results were also recorded in the Railways and Undergrounds segment which generated EUR 460 million thanks to progress on works in Algeria (Saida-Moulay Slissen and Saida-Tiaret), Poland (Line 2 of Warsaw Underground) and Italy (Line 4 of Milan Underground, Naples-Afragola HS Station). Ports and Airports accounted for EUR 57 million thanks to the Arturo Merino Benítez International Airport project in Santiago de Chile and the John Paul II International Airport Krakow-Balice project in Poland. **Energy Production Plants generated EUR 406 million (14% of operating revenue)**, thanks to good project results in Canada (Muskrat Falls Hydroelectric Plant) Peru (Cerro del Águila Hydroelectric Project) and Italy (Monte Nieddu Dam). **Civil and Industrial Construction contributed with EUR 283 million**, **equal to 10% of operating revenue** thanks to works related to the new hospital in Naples ("Ospedale del Mare"), operations performed by the Canadian subsidiary TEQ Construction Enterprise, construction of the West Metropolitan Hospital in Santiago de Chile and progress of the Etlik Integrated Health Campus in Ankara in Turkey. **Facility Management and Plant Engineering contributed with EUR 348 million, equal to 12% of operating revenue,** doubling its contribution compared to the previous year thanks to the good results achieved by NBI (in Italy and abroad), the progress of works for the Chuquicamata Mine in Chile and the progress of Phase 2 (Plants) of Line 5 of the Bucharest underground.

Concessions. Concessions generated revenue of EUR 16 million thanks to operation of the four hospitals in Tuscany. While the results of the relative SPVs the Group holds non-controlling interests in are included among EBITDA under "Share of profits/(losses) of joint ventures, SPVs and associates", as detailed further on.

BREAKDOWN OF REVENUE BY GEOGRAPHICAL SEGMENT

2016 confirmed the major internationalisation of the GROUP's activities: indeed, international projects accounted for approximately 84% of operating revenue, equal to EUR 2.4 billion, thanks above all to good results achieved in Europe and America.

OPERATING REVENUE BY GEOGRAPHICAL SEGMENT
(Figures shown in millions of Euro)

	31.12.2016	%	31.12.2015	%	YOY change (%)
ITALY	**452**	**15.8%**	**468**	**17.1%**	**-3.4%**
INTERNATIONAL	**2,400**	**84.2%**	**2,262**	**82.9%**	**+6.1%**
Rest of Europe	1,250	43.8%	1,255	46.0%	-0.4%
America	989	34.7%	835	30.6%	+18.4%
Asia (Middle East and Far East)	15	0.5%	49	1.8%	-69.4%
Africa (Algeria)	146	5.1%	123	4.5%	+18.7%
TOTAL OPERATING REVENUE	**2,852**	**100.0%**	**2,730**	**100.0%**	**+4.5%**

Italy. The domestic sector generated revenue of EUR 452 million down by 3% compared to EUR 468 in 2015. The year's figure reflected the good progress of railways and undergrounds (Naples-Afragola HS station, Line 4 of Milan underground, Line C of Rome underground), healthcare construction (Ospedale del Mare in Naples) and Roads and Motorways (Marche-Umbria Quadrilatero Road Network). Operation of the Tuscan Hospitals (through the investee GE.SAT, which ASTALDI GROUP has a 35% interest in) also made a positive contribution. A good contribution was also recorded from NBI (100% ASTALDI-owned), specialising in the Plant Engineering and Facility Management segment which is developing interesting synergies generated within the Group, especially in Turkey and Chile. In a YOY comparison, the 2016 figure reflects the significant reduction of Italy's Infrastructures market, which, in recent years, has limited the possibility of offsetting gradual completion of key works (e.g. Line 5 of Milan underground) with the acquisition of contracts of equal importance.

International. International activities accounted for approximately 84% of operating revenue, equal to EUR 2.4 billion. The year's figure showed a 6.1% growth compared to EUR 2.3 billion in 2015. This result was helped by good progress recorded for works in Europe which generated EUR 1.25 billion attributable to projects in Turkey (Third Bosphorus Bridge, Gebze-Orhangazi-Izmir, Motorway and Etlik Integrated Health Campus in Ankara), Russia (WHSD in St. Petersburg, M-11 Moscow-St. Petersburg motorway) and Poland (S-8 Wiśniewo-Meżenin National Road, S-5 Poznań-Wrocław National Road, Line 2 of Warsaw Underground), as well as the steady contribution guaranteed from works in progress in Romania. America showed a marked increase (+18% YOY) and generated operating revenue of EUR 989 million thanks to the hydroelectric project in Canada (Muskrat Falls) and projects in Chile (West Metropolitan Hospital, Chuquicamata Mine, Arturo Merino Benítez International Airport in Santiago), as well as project management works in Canada performed through TEQ Construction Enterprise (100%-owned by ASTALDI and subject to Canadian law). The Maghreb contributed EUR 146 million, equal to approximately 5% of operating revenue as a result of the progress of railway works in Algeria (Saida-Moulay Slissen, Saida-Tiaret). The Middle-East and Far East contributed EUR 15 million mainly related to railway projects in Saudi Arabia.

TOTAL COSTS

Production costs for 2016 **totalled EUR 2 billion** (EUR 1.97 billion in 2015), with a further drop in the incidence on revenue from 69% to 68.4%. The year's figure can be attributed to cost curbing policies which the Group has already placed at the centre of its strategies for some years, providing for the centralisation of some processes (with consequent economies of scale) among other things.

Personnel expenses amounted to EUR 616.2 million (EUR 548.2 million at the end of 2015), with a 20% incidence on revenue (19% in 2015) and an annual rise which reflected the results of consolidation at a local level following increased production in North America and Chile. The year's figure also reflected the effects of organisational consolidation provided for in the strategic plan insofar as useful for ensuring the achievement of new levels of growth.

PROFIT AND MARGINS

EBITDA for 2016 increased by approximately 7% and totalled EUR 379.8 million, with an **EBITDA margin of 12.6%** (respectively 355.2 million and 12.4% in 2015). The figure includes equity accounting of concession initiatives which the Group held non-controlling interests in as at the end of 2016. Said equity accounting totalled EUR 87.8 million (EUR 52.9 million in 2015) and included the results of healthcare projects in Italy (four hospitals in Tuscany, Venice-Mestre Hospital), and Turkey (Etlik Integrated Health Campus in Ankara) and transport infrastructure projects in Turkey (Third Bosphorus Bridge, Gebze-Orhangazi-Izmir Motorway) and hydroelectric projects in Chile (Chacayes). Indeed, the Group considered it appropriate to align its own income statement to international practices as regards the representation of profit from equity investments in joint ventures, SPVs and associates. **EBIT**, excluding amortisation, depreciation, provisions and impairment, **totalled EUR 317 million, up by 15%** compared to EUR 276.2 million in 2015, with an **EBIT margin of 10.6%.** The year's figure confirmed profit in line with the segment's top companies and expressed a business model able to make the most of the Group's integrated offer capacity, skills and know-how and human capital.

FINANCING ACTIVITIES

Net financial expense amounted to EUR 187.9 million, up by 14% compared to EUR 164.8 million in 2015. The increase was mainly due to:

- Greater financial charges resulting from a higher level of debt compared to 2015, even if recovered as from September;
- Greater charges for sureties, especially in Russia, Turkey and Italy;
- Exchange rate trend (especially for the rouble).

PROFIT FOR THE YEAR

The aforementioned trends resulted in **EBT totalling EUR 129.1 million, up by 16% YOY** (EUR 111.5 million in 2015) with a 4.3% incidence on total revenue. Net profit from continuing operations increased by 25%, to approximately EUR 97.4 million (EUR 78.3 million in 2015) against a tax rate of 24.5%. The figure did not take into account losses from discontinued operations, which included the forecasts effects linked to the sale of RE.CONSULT INFRASTRUTTURE in Q3 2016. Indeed, even if the selling price of this project was in line with the book value, the agreement provided for payment in instalments. Hence, the negative effect included in the income statement too into account the charges linked to spot collection, as well as the sale costs incurred. **Net profit amounted to EUR 72.5 million** (EUR 80.9 million in 2015), equal to 2.4% of total revenue. Net profit, for 2016 inclusive of the non-recurring item regarding the sale of RE.CONSULT INFRASTRUTTURE, would show a marked improvement compared to the total for last year.

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Statement of financial position at 31 December 2016

STATEMENT OF FINANCIAL POSITION
(Figures shown in thousands of Euro)

	31.12.2016	31.12.2015	30.09.2016
Total net non-current assets	1,007,371	957,948	948,187
Operating working capital	804,861	689,460	915,878
Total provisions	(21,215)	(21,851)	(24,610)
Net invested capital	1,791,017	1,625,557	1,839,455
Loans and borrowings/loan assets *	**(1,092,532)**	**(988,526)**	**(1,231,132)**
Equity attributable to owners of the Parent	692,384	631,405	602,904
Total equity	**698,485**	**637,031**	**608,323**

* Figure shown inclusive of treasury shares in portfolio equal to EUR 3.9 million in December 2016, EUR 4.2 million in September 2016 and EUR 5.8 million in December 2015.

The Group's equity structure reflected concession (payment of equity and semi-equity) and technical investment programmes.

The **net financial position at 31 December 2016 amounted to EUR 1.09 billion.** The year's figure showed an increase when compared with EUR 988 million in 2015, but showed **an improvement of almost EUR 300 million in HY2**. This trend was due to the disposals made during the year, as well as to the improvement of working capital as a result of increasing project efficiency and average collection and payment timeframes during the second half of the year.

Net non-current assets increased to EUR 1,007.4 million (EUR 957.9 million in 2015) mainly as a result of:

- **equity investments for** Line 4 of Milan Underground in Italy and Arturo Merino Benítez International Airport in Santiago, Chile as well as for Gebze-Orhangazi-Izmir Motorway;
- sale of the interest in RE.CONSULT INFRASTRUTTURE;
- increase of net non-current assets as a result of acquisition of contractual rights referred to some works in Italy (Marche-Umbria Quadrilatero road network, Infraflegrea Project).

This item also included the balances related to assets being disposed of (West Metropolitan Hospital in Santiago and Chacayes Hydroelectric Plant in Chile, as well as the four hospitals in Tuscany and Line 5 of the Milan underground in Italy), insofar as, based on information available at the draft date of this report, it seems highly probable that these assets will be disposed of by the end of 2017.

Operating working capital showed a trend of a cyclical nature that is typical of the segment, consolidated by strategic action taken to control this area of the financial statement. The year's accounts show maximum absorption in June 2016 (EUR 1.01 billion) followed by a marked improvement in the second half of the year. Specifically, September **saw a significant reduction of approximately 9% with the figure dropping to EUR 916 million.** This improvement continued, in fact it intensified and efficiency was improves during the last **quarter allowed for an additional decrease of approximately 12% before settling at EUR 805 million in December 2016**. The overall improvement seen in HY2, amounting to over EUR 200 million, is to be even more appreciated if related to the volume of revenue. During 2016, the incidence of operating working capital on revenue dropped from 35% in June, to 31% in September and 27% in December. This trend is the result of an improved overall business performance, as well as of better performance with regard to contract advances. Specifically, advances were collected during the year for contracts in Chile (E-ELT, Chuquicamata), Italy (Brenner Tunnel), Canada (Muskrat Falls, following contractual renegotiation in December) and Poland.

Net invested capital totalled EUR 1,791 million (EUR 1,625.6 million at the end of 2015), as a result of the trends highlighted above.

Equity attributable to owners of the Parent totalled EUR 692 million (EUR 631 million at the end of 2015) further to the aforementioned economic trends and distribution of dividends totalling EUR 19.5 million in May.

In order to make the year's trends more comprehensible, please find below a table showing equity items, which shows the Group's ability to increase capital through profit retention.

BREAKDOWN OF EQUITY
(Figures shown in thousands of Euro)

	31.12.2016	**31.12.2015**
Share capital	195,535	195,248
Reserves	532,898	462,693
Profit for the year	72,457	80,876
Equity attributable to non-controlling interests	6,101	5,626
Total Equity	**806,991**	**744,443**
Cash-flow hedge reserves	(119,364)	(77,666)
Conversion reserves	10,857	(29,746)
Equity	**698,485**	**637,031**

Equity attributable to non-controlling interests amounted to EUR 6.1 million, largely the same as at the end of 2015 (EUR 5.6 million). Equity would have totalled EUR 807 million net of cash-flow hedges and conversion reserves, hence greater than the EUR 774 million recorded in December 2015.

Consolidated net financial debt

2016 saw additional undertakings by the Group as regards concession investments, as well as working capital support in relation to specific projects in Turkey, which were scheduled to become operational (Third Bosphorus Bridge and Izmit Bay Bridge). This undertaking, already described in detail when looking at working capital, resulted in similar trends with regard to the Group's net financial position. Indeed, the peak in June (EUR 1,374 million) was followed by a gradual yet marked improvement in September (EUR 1,227 million) followed by December which recorded EUR 1,089 million (compared to EUR 983 million in December 2015). The marked improvement in HY2 2016, equal to approximately EUR 285 million, was the result of the disposal of some concession assets (spot collection in September for EUR 110 million following sale of the interest held in A4 HOLDING through RE.CONSULT INFRASTRUTTURE) as well as the aforementioned working capital trends. The debt/equity ratio stood at 1.5x, while the corporate debt/equity ratio (which excludes the share of debt related to concessions insofar as self-liquidating) totalled approximately 0.9x.

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BREAKDOWN OF NET FINANCIAL DEBT
(Figures shown in thousands of Euro)

		31/12/2016	30/09/2016	30/06/2016	31/03/2016	31/12/2015
A	Cash	506,470	388,995	327,011	462,813	611,263
B	Securities held for trading	848	1,126	1,189	1,096	1,153
C	**Cash and cash equivalents**	**507,318**	**390,121**	**328,200**	**463,909**	**612,416**
-	Current loan assets	25,227	16,965	25,262	18,903	33,226
D	**Current loan assets**	**25,227**	**16,965**	**25,262**	**18,903**	**33,226**
E	Current portion of bank loans and borrowings	(336,408)	(471,276)	(513,799)	(526,681)	(518,144)
F	Current portion of bonds	(4,294)	(16,142)	(4,252)	(16,534)	(4,535)
G	Current portion of non-current debt	(154,801)	(201,004)	(150,516)	(94,224)	(118,776)
H	Other current loans and borrowings	(8,304)	(8,235)	(6,767)	(7,598)	(36,821)
I	**Current financial debt**	**(503,808)**	**(696,657)**	**(675,333)**	**(645,037)**	**(678,276)**
J	**Net current financial debt**	**28,737**	**(289,571)**	**(321,871)**	**(162,225)**	**(32,634)**
K	Non-current portion of bank loans and borrowings	(580,203)	(441,339)	(528,680)	(528,662)	(384,748)
L	Bonds	(874,333)	(873,799)	(873,256)	(872,734)	(872,228)
M	Other non-current financial liabilities	(24,722)	(24,801)	(15,070)	(14,826)	(15,655)
N	**Non-current financial debt**	**(1,479,258)**	**(1,339,940)**	**(1,417,006)**	**(1,416,221)**	**(1,272,631)**
O	**Gross financial debt from continuing operations**	**(1,983,065)**	**(2,036,597)**	**(2,092,339)**	**(2,061,258)**	**(1,950,908)**
P	**Net financial debt from continuing operations**	**(1,450,521)**	**(1,629,510)**	**(1,738,877)**	**(1,578,446)**	**(1,305,265)**
Q	**Net financial position of disposal groups**	**76,743**	**--**	**--**	**--**	**--**
R	**Net financial debt**	**(1,373,778)**	**(1,629,510)**	**(1,738,877)**	**(1,578,446)**	**(1,305,265)**
-	Non-current loan assets	36,440	33,295	35,731	35,391	38,140
-	Subordinated loans	240,416	261,072	243,274	248,739	236,691
-	Non-current portion of financial assets from concession activities	4,390	104,011	81,442	55,989	41,907
S	**Non-current loan assets**	**281,246**	**398,379**	**360,447**	**340,120**	**316,739**
T	**Total financial debt**	**(1,092,532)**	**(1,231,132)**	**(1,378,430)**	**(1,238,326)**	**(988,526)**
	Treasury shares in portfolio	**3,864**	**4,192**	**4,336**	**5,439**	**5,814**
	Total net financial debt	**(1,088,667)**	**(1,226,940)**	**(1,374,094)**	**(1,232,887)**	**(982,712)**

Investments

Capital expenditure for the year totalled EUR 44 million (1.5% of total revenue), mainly referring to projects in Canada (Muskrat Falls Hydroelectric Project), Chile (Chuquicamata, Arturo Merino Benitez International Airport in Santiago) and Turkey (Etlik Integrated Health Campus in Ankara).

Gross investments in concession activities totalled approximately EUR 109 million for the year, of which (i) EUR 56 million as capital injection in Turkey (Gebze-Orhangazi-Izmir Motorway), Chile (Arturo Merino Benítez International Airport in Santiago) and Italy (Line 4 of Milan underground) and (ii) EUR 53 million in the form of shareholder loan (semi-equity) mainly in Italy (Line 5 of Milan Underground) and Turkey (Third Bosphorus Bridge, Etlik Integrated Health Campus in Ankara). The result is EUR 849 million of investments in concessions to date (equity and semi-equity attributable to ASTALDI injected into the SPVS related to the projects in progress and relative operating working capital). The year's figure also included EUR 128 million for the West Metropolitan Hospital in Santiago de Chile and for La Punilla Hydroelectric Project in Chile, in the form of financial assets from concession activities – meaning the share of investments covered by guaranteed cash flow, as detailed in IFRIC-12. These figures included the effects of sale of the interest in RE.CONSULT INFRASTRUTTURE in Italy and AGUA DE SAN PEDRO SULA in Honduras.

At the draft date of this report, approximately 27% of the EUR 849 million invested in concessions is classed as «assets held for sale», as a result of progress of the concession asset disposal plan set forth in the 2016-2020 Strategic Plan.

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Reclassified Income Statement

(Figures shown in thousands of Euro)

	Reconciliation with Consolidated Financial Statements	**31/12/2016**	%	**31/12/2015 ***	%
Revenue	1	2,851,826	94.9%	2,730,024	95.6%
Other operating revenue	2	152,429	5.1%	124,925	4.4%
Total Revenue		**3,004,255**	**100.0%**	**2,854,949**	**100.0%**
Production cost	3-4	(2,054,253)	-68.4%	(1,968,504)	-69.0%
Added value		**950,003**	**31.6%**	**886,445**	**31.0%**
Personnel expenses	5	(616,203)	-20.5%	(548,249)	-19.2%
Other operating costs	6	(41,702)	-1.4%	(35,919)	-1.3%
Shares of profits of joint ventures and associates	7	87,760	2.9%	52,911	1.9%
EBITDA		**379,858**	**12.6%**	**355,188**	**12.4%**
Amortisation and depreciation	8	(58,210)	-1.9%	(74,784)	-2.6%
Provisions	9	(3,999)	-0.1%	(4,060)	-0.1%
Impairment losses	8	(676)	0.0%	(113)	0.0%
EBIT		**316,973**	**10.6%**	**276,232**	**9.7%**
Net financial expense	10-11	(187,877)	-6.3%	(164,757)	-5.8%
Pre-tax profit		**129,096**	**4.3%**	**111,474**	**3.9%**
Tax expense	12	(31,654)	-1.1%	(33,188)	-1.2%
Profit from continuing operations		**97,442**	**3.2%**	**78,286**	**2.7%**
Loss from discontinued operations	**13**	**(24,811)**	**-0.8%**	**1,220**	**0.0%**
Profit for the year		**72,631**	**2.4%**	**79,506**	**2.8%**
Profit attributable to non-controlling interests		(174)	0.0%	1,371	0.0%
Profit attributable to owners of the Parent		**72,457**	2.4%	**80,876**	2.8%

(*) The figures at 31 December 2015 referring to the jointly-controlled company RE.CONSULT INFRASTRUTTURE have been presented in compliance with IFRS-5 ("Non-current assets held for sale and discontinued operations").

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Reclassified Statement of Financial Position

(Figures shown in thousands of Euro)

	Reconciliation with Consolidated Financial Statements	**31/12/2016**	**31/12/2015**
Intangible assets	17	74,026	47,108
Property, plant, equipment and investment property	15-16	208,251	210,802
Equity investments	18	523,631	578,997
Other net non-current assets	12-19-20	149,378	121,041
Non-current assets held for sale	26	69,973	
Liabilities directly associable with non-current assets held for sale	26	(17,888)	
Non-current assets (A)		**1,007,371**	**957,948**
Inventories	21	50,008	70,676
Contract work in progress	22	1,555,110	1,242,991
Trade receivables	23	57,327	30,928
Amounts due from customers	23	666,449	662,066
Other assets	19-20	199,632	166,197
Tax assets	24	94,537	138,645
Payments on account from customers	22	(492,856)	(411,459)
Subtotal		**2,130,206**	**1,900,043**
Trade payables	31-20	(61,352)	(75,173)
Payables to suppliers	31-20	(934,748)	(809,006)
Other liabilities	12-28-29-32	(329,245)	(326,404)
Subtotal		**(1,325,346)**	**(1,210,583)**
Operating working capital (B)		**804,861**	**689,460**
Employee benefits	30	(7,506)	(8,057)
Non-current portion of provisions for risks and charges	33	(13,709)	(13,794)
Total Provisions(C)		**(21,215)**	**(21,851)**
Net invested capital (D) = (A) + (B) + (C)		**1,791,017**	**1,625,557**
Cash and cash equivalents	25	506,470	611,263
Current loan assets	19-20	25,227	33,226
Non-current loan assets	19	276,856	274,832
Securities	19	848	1,153
Current financial liabilities	28	(503,808)	(678,276)
Non-current financial liabilities	28	(1,479,258)	(1,272,631)
Net loans and borrowings (E)		**(1,173,664)**	**(1,030,434)**
Financial assets from concession activities	19	4,390	41,907
Net financial debt of disposal groups	26	76,743	
Total net loans and borrowings (F)		**(1,092,532)**	**(988,526)**
Equity attributable to owners of the Parent	27	(692,384)	(631,405)
Equity attributable to non-controlling interests	27	(6,101)	(5,626)
Equity (G) = (D) - (F)		**698,485**	**637,031**

Reconciliation between equity and profit for the year of the Parent and corresponding consolidated figures

(Figures shown in thousands of Euro)

	Equity 31/12/2016	Income Statement FY 2016	Equity 31/12/2015	Income Statement FY 2015
Amounts as per Astaldi S.p.A.'s separate financial statements	**691,368**	**73,316**	**627,531**	**77,491**
- Elimination of carrying amount of controlling interests	(169,310)	62,901	(204,305)	20,736
- Equity and profit for the year (calculated on the basis of same standards) of consolidated companies net of non-controlling interests	137,863	(64,240)	161,117	(34,649)
- Elimination of provisions for risks on investments in subsidiaries and equity-accounted investees	32,464	480	47,062	17,298
Consolidated carrying amount (attributable to owners of the Parent)	**692,384**	**72,457**	**631,405**	**80,876**
Consolidated carrying amount (attributable to non-controlling interests)	**6,101**	**174**	**5,626**	**(1,371)**
Consolidated carrying amount	**698,485**	**72,631**	**637,031**	**79,506**

Łódź Fabryczna Railway Station, Poland

Completed in December 2016.

State of progress in January 2016.

Order backlog

The **order backlog in execution increased to EUR 19.5 billion (**EUR 17.8 billion in December 2015**)**, with the contribution of **EUR 4.5 billion of new orders and contractual addenda.** 20% of new projects refer to Italy and the remaining 92% to international projects.

Therefore, the total backlog amounts to over EUR 27 billion, including EUR 8 billion of potential orders. The latter refer to rights that have been acquired but are subject to the occurrence of various conditions precedent (financial closing, approval by various types of qualified bodies, etc.), and hence cannot be converted into production in the medium-term.

As regards the backlog in execution, 70% of orders refers to international activities, while Italy accounts for the remaining 30%; from a segment viewpoint, Construction accounts for 51% and totals approximately EUR 10 billion (over EUR 4 billion in Italy), referring mainly to EPC contracts[9] and traditional contracts with a high technological content. The remaining 48% refers to Concessions, equal to EUR 9.5 billion (EUR 1.5 billion in Italy).

As regards the total backlog (including potential orders), 71% of orders refer to international activities, while Italy accounts for the remaining 39%. Construction accounts for 42% of the total, equal to EUR 12.8 billion, while the remaining 58% refers to Concessions, equal to EUR 14.6 billion.

MAIN ORDERS AND CONTRACTUAL INCREASES DURING THE YEAR

BRENNER TUNNEL (Lot «Mules 2-3») | Italy (*construction*) – EUR 1 billion with ASTALDI holding a 42.5% interest, for construction of the **world's longest underground rail link** under the Brenner. The contract was definitively awarded in May.

MUSKRAT FALLS HYDROELECTRIC PROJECT | Canada (*construction*) – Contractual increase of CAD 700 million following the **agreement finalised with the customer in December**, for completion of the power plant's civil works and intake facilities.

I-405 MOTORWAY | USA, California (*construction*) – USD 1.2 billion with ASTALDI holding a 40% interest, for the design and performance of works to upgrade **22 kilometres of highway** between Los Angeles and San Diego, in California. The project also involves the construction of 33 bridges and its complexity is increased by the need to keep the infrastructure operational for the complete duration of works. The contract was awarded in November.

CHUQUICAMATA MINING PROJECT (Contract No. 3) | Chile (*construction*) – USD 460 million for an additional contract related to the project for **underground expansion of the world's largest open-pit mine,** The project forms part of the largest mining investment in execution to date in Chile. The contract as awarded in May.

E-ELT (European Extremely Large Telescope) | Chile (*construction*) – EUR 400 million, with ASTALDI holding a 60% interest, for design and construction of the two main structures (*Dome* and *Main Structure*), of the E-ELT, t**he world's largest optical telescope**. The contract was signed in March.

WEST METROPOLITAN HOSPITAL, SANTIAGO | Chile (*construction and operation concession*) – EUR 212 million for civil works and supply of furnishings and electro medical equipment against a total investment of EUR 236 million for construction and operation of a **healthcare facility offering 523 beds**. The contract was included among new orders subsequent to the more than USD 250-million financial closing (structured on

[9] EPC (*Engineering, Procurement, Construction*) identifies all the phases of performance of a project awarded to a Contractor, in charge of designing, constructing and consigning the works to the Customer.

a non-recourse basis for ASTALDI GROUP), signed by a pool of international banks in April.

S-7 EXPRESSWAY (Naprawa-Skomielna Biała section and Zakopianka Tunnel) | Poland (*construction*) – Approximately EUR 190 million for construction of the Naprawa-Skomielna Biała section of the S-7 Krakow-Rabka Zdrój expressway, including the Zakopianka Tunnel, the **longest bored road tunnel in Poland.** The contract was signed in July.

BRASOV-ORADEA MOTORWAY | Romania (*construction*) – EUR 100 million, with ASTALDI holding a 48.5% interest, for the design and construction of **18 kilometres of motorway** (Brasov–Targu Mures–Cluj–Oradea, Section 2A; Ogra–Campia Turzii, Lot 2; Iernut–Chetani, from 3+600 km to 21+500 km), including 3 viaducts, 5 overpasses, 3 flyovers and 1 exit. The contract was acquired in April.

RZESZÓW WASTE-TOENERGY PLANT | Poland (*construction*) – EUR 67 million, with ASTALDI holding a 49% interest, for the executive design and construction of a waste-to-energy plant for the production of energy by transforming solid urban waste, and for the supply and installation of the processing technological system and equipment. The contract was awarded in January 2016.

MAIN OPTIONS AND CONTRACTS TO BE FORMALISED OR FINANCED TO DATE

LA PUNILLA HYDROELECTRIC PLANT | Chile (*construction and operation concession*) – Financial closing is pending for this project. The contract awarded to ASTALDI GROUP involves the design, construction and operation of a multi-purpose hydroelectric plant with an intake capacity of 625 million m^3 and installed power of 94 MW. The plant will be used to improve storage capacity of water for irrigation and to improve the BíoBío region's electricity generation capacity.

NAPLES-BARI HIGH SPEED RAILWAY LINE (Naples-Cancello section) | Italy (*construction*) – EUR 397 million, with ASTALDI holding a 40% interest, for the design and construction of a **first section of the Naples-Bari high-speed and high-capacity railway line** and the link from the new Naples-Afragola station (built by ASTALDI) to the Naples' hub railway transport. The contract was awarded in 2017 and will be included among new orders during the first quarter of the year.

GURASADA-SIMERIA RAILWAY LINE (Lot 3) | Romania (*construction*) – Completion of the procedure finalising awarding is pending for this project. The contract involves restoration of approximately 40 kilometres of the Frontieră–Curtici–Simeria railway line, for the section between Gurasada and Simeria of the 614-km section connecting Radna and Simeria, as well as related works.

VERONA-PADUA HS/HC RAILWAY LINE (Vicenza-Padua) | Italy (construction) – The project refers to the second phase of the contract for design and construction of the high-speed/high-capacity Verona-Padua railway line which ASTALDI holds a 37.49% interest in through Consorzio IRICAV DUE, the General Contractor awarded the works..

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SUMMARY TABLES

(Figures shown in millions of Euro)

	01/01/2016	Acquisitions 2016	Decreases for production	31/12/2016	Other projects	Potential backlog
Construction	**9,218**	**3,569**	**-2,836**	**9,951**	**2,853**	**12,804**
Transport Infrastructures	**7,665**	**1,874**	**-1,799**	**7,740**	**2,314**	**10,054**
Railways and undergrounds	*3,461*	*715*	*-460*	*3,716*	*1,913*	*5,629*
Roads and motorways	*3,754*	*1,140*	*-1,282*	*3,612*	*356*	*3,968*
Airports and ports	*450*	*19*	*-57*	*412*	*45*	*457*
Energy production plants	**664**	***469***	**-406**	***727***	**444**	***1,171***
Civil and industrial construction	**561**	***557***	**-283**	***835***	**84**	***919***
Facility Management and Plant Engineering	**328**	***669***	**-348**	***649***	**11**	***660***
Concessions	**8,631**	**937**	**-16**	**9,552**	**5,010**	**14,562**
BACKLOG IN EXECUTION BY SEGMENT	***17,849***	***4,506***	***-2,852***	***19,503***	***7,863***	***27,366***

(EUR/millions)	01/01/2016	Acquisitions 2016	Decreases for production	31/12/2016	Other projects	Potential backlog
Italy	**5,244**	**1,188**	**-452**	**5,980**	**1,853**	**7,833**
International	**12,605**	**3,318**	**-2,400**	**13,523**	**6,010**	**19,533**
Europe	*8,922*	*1,131*	*(1,250)*	*8,803*	*1,868*	*10,671*
America	*3,339*	*2,179*	*(989)*	*4,529*	*4,142*	*8,671*
Africa	*248*	*21*	*(146)*	*123*	*0*	*123*
Asia	*96*	*-13*	*(15)*	*68*	*0*	*68*
BACKLOG IN EXECUTION BY GEOGRAPHICAL SEGMENT	***17,849***	***4,506***	***-2,852***	***19,503***	***7,863***	***27,366***

(EUR/millions)	***01/01/2016***	***Acquisitions 2016***	***Decreases for production***	***31/12/2016***
ITALY - CONSTRUCTION	*3,650*	*1,201*	*(436)*	*4,415*
ITALY - CONCESSIONS	*1,594*	*(13)*	*(16)*	*1,565*
INTERNATIONAL - CONSTRUCTION	*5,568*	*2,368*	*(2,400)*	*5,536*
INTERNATIONAL - CONCESSIONS	*7,037*	*950*	*0*	*7,987*
ORDER BACKLOG IN EXECUTION	***17,849***	***4,506***	***-2,852***	***19,503***

Construction

Construction is the reference business segment for ASTALDI GROUP.

ASTALDI GROUP mainly operates in this segment as an EPC Contractor in the Transport Infrastructures, Energy Production Plants, Civil and Industrial Construction and Plant Engineering and Facility Management segments. It has achieved levels of excellence in each of these segments, which places it among the top positions in international rankings. As regards Transport Infrastructures, it is the third operator in the world for turnover generated by bridge construction, 14th for undergrounds, 19th for motorways and 21st for airports. As regards Energy Production Plants, it is 19th in the world for hospital construction[10].

The most important projects performed in this segment include the Third Bosphorus Bridge (the longest and widest hybrid bridge in the world, with towers higher than the Eiffel Tower, completed in just three years), Toledo Station of the Naples underground (winner of several awards for the most beautiful station in Europe and named as the winner of the ITA 2015 Award, of great prestige for underground works), the Rome-Naples high-speed/high-capacity railway line in Italy (the first line of its type in the world to use ETCS-Level 2 traffic control and management system), Chacayes hydroelectric plant in Chile (the country's first completely eco-compatible plant), Pont-Ventoux hydroelectric plant in Italy (the largest underground plant in Italy), the new Trade Fair Centre in Milan in Italy (one of the largest trade fair centres in the world, characterised by an impressive glass-winged structure).

While most important works currently under construction include the Brenner Tunnel in Italy (the world's longest underground tunnel) and the E-ELT in Chile (the world's largest optical telescope).

The GROUP operates in the Construction segment in each of the countries where it currently operates. Indeed, it is involved in the performance of EPC contracts in Italy, Europe (Poland, Russia, Romania and Sweden) and Turkey, America (USA, Canada, Chile, Peru, Venezuela and Central America), the Maghreb (Algeria), the Middle East (Saudi Arabia), the Far East (Indonesia). The current contracts are mainly contracts acquired to a logic comprising a number of elements of assessment and are characterised by a high technical and engineering content. Their acquisition is mainly the result of the Group's integrated offer capacity, which is now able to provide the customer with innovative solutions, combining functionality and appearance.

Please find below a summary table showing the state of progress of the main construction projects in execution in Italy and abroad at 31 December 2016.

[10] *Source*: «*The Global Sourcebook 2016*», by ENR *Engineering News Record*, December 2016 – listings drawn up on the basis of turnover generated at 31 December 2015.

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MAIN CONSTRUCTION PROJECTS IN PROGRESS

(Figures shown in millions of Euro)

Country	Main projects in progress	Contract value[1] (EUR / millions)	Residual order backlog[2] (EUR / millions)
Transport Infrastructures — Railways and Undergrounds			
Italy	Line C Rome Underground ………………………..………………	996.1	386.6
Italy	Line C Rome Underground (Verona-Vicenza) …….....................	770.4	770.4
Italy	Line 4 Milan Underground …………………………………...........	765.1	564.9
Italy	Brenner Tunnel ……………………..…...………………………......	422.1	421.9
Italia	Infraflegrea Project (Monte Sant'Angelo Bypass) ………………….	176.4	175.9
Italy	Line 1 Naples Underground (Capodichino Station) ………………	94.9	83.3
Italy	Naples-Afragola HS/HC railway station ………...…………………	51.0	22.7
Algeria	Saida-Mulay Slissen railway ……………...………………………	713.4	17.3
Algeria	Saida-Tiaret railway ………………….……………………………..	306.4	92.0
Poland	Line 2 Warsaw Underground (Phase 2)...………………………….	210.2	177.2
Romania	Line 4 Bucharest Underground...…………………………………….	148.9	18.6
Romania	Line 5 Bucharest Underground (Phase 1)………………………..…	114.6	18.9
Venezuela	Puerto Cabello-La Encrucijada Railway ………...……..................	1,932.2	884.2
Transport Infrastructures — Roads and Motorways			
Italy	NR-106 Jonica National Road (Lot DG-41) ..……………..............	1,112.0	1,095.4
Italy	Quadrilatero Road Network (Maxi-Lot 2)…………………………….	517.2	359.5
Italy	Infraflegrea Project (Roadworks) ……………..…………………….	158.9	39.6
Poland	Warsaw South ring road (Lot A) ..…………..………………………..	232.1	227.0
Poland	S-7 (Naprawa - Skomielna Biała and Zakopianka Tunnel) ……….	184.0	177.8
Poland	S-5 Wroclaw - Poznań (Korzensko - Widawa Lot 3) ……………......	113.2	34.1
Turkey	Third Bosphorus Bridge and Northern Marmara Highway.............	1,077.6	120.2
Turkey	Gebze-Orhangazi-Izmir Motorway …………………….…..............	815.7	296.8
Russia	M-11 Moscow-St. Petersburg Motorway ……………………............	483.3	353.2
USA	I-405 Highway…………………………………………………................	434.7	434.7
Transport Infrastructures — Ports and Airports			
Chile	Arturo Merino Benítez International Airport. Santiago ……..	398.8	354.3
Hydroelectric and Energy Production Plants			
Canada	Muskrat Falls Hydroelectric Project …………………………………	1,311.2	530.8

(cont.)

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Civil and Industrial Construction			
Chile	Chuquicamata mining project (Contract n. 3) ………………………	455.5	433.9
Chile	E-ELT …………………………………………………………..............	233.8	225.9
Chile	West Metropolitan Hospital in Santiago……………………………	212.5	141.8
Romania	Line 5 Bucharest underground (Phase 2)......………………………	62.8	38.4
Turkey	Etlik Integrated Health Campus in Ankara…………………………	443.0	357.8

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(1) This refers to the share of the construction contract related to ASTALDI GROUP unless the SPVs are fully consolidated due to the equity investment held in the project

(2) This represents the percentage of works to be performed out of the share of the construction contract related to Astaldi Group.

Progress of key projects in execution

Italy

BRENNER TUNNEL (Lot «Mules 2-3») | Italy
Customer: BBT - BRENNER BASIST, SE.
Contractor: BTC - BRENNERO T, CONSTRUCTION S.c.a.r.l. (ASTALDI has a 42.51% interest).
Amount: Approximately EUR 1 billion, 42.51% of which refers to ASTALDI's interest.
The contract refers to the performance of all underground works of the Italian section of the Brenner Tunnel, along the route from Mezzaselva to the state border. The tunnel being built under the Brenner forms part of a project to expand the Munich-Verona railway line and, upon completion, will be the **world's longest underground rail link**. Lot «Mules 2-3» involves the excavation of approximately 75 kilometres of tunnel (exploration tunnel, 2 main line tunnels, transversal tunnels, other secondary tunnels), performed in part using traditional methods and in part using 2 TBMs. The customer is BBT - BRENNER BASISTUNNEL, a company set up by Italy, Austria and the European Union to build the whole infrastructure. Works will last 7 years and will be funded by the EU. The contract was acquired in 2016 and start-up activities were carried out during the year. The excavation phase was officially launched in December, attended by local authorities.

ITALY – Brenner Tunnel (in flight images in December 2016).

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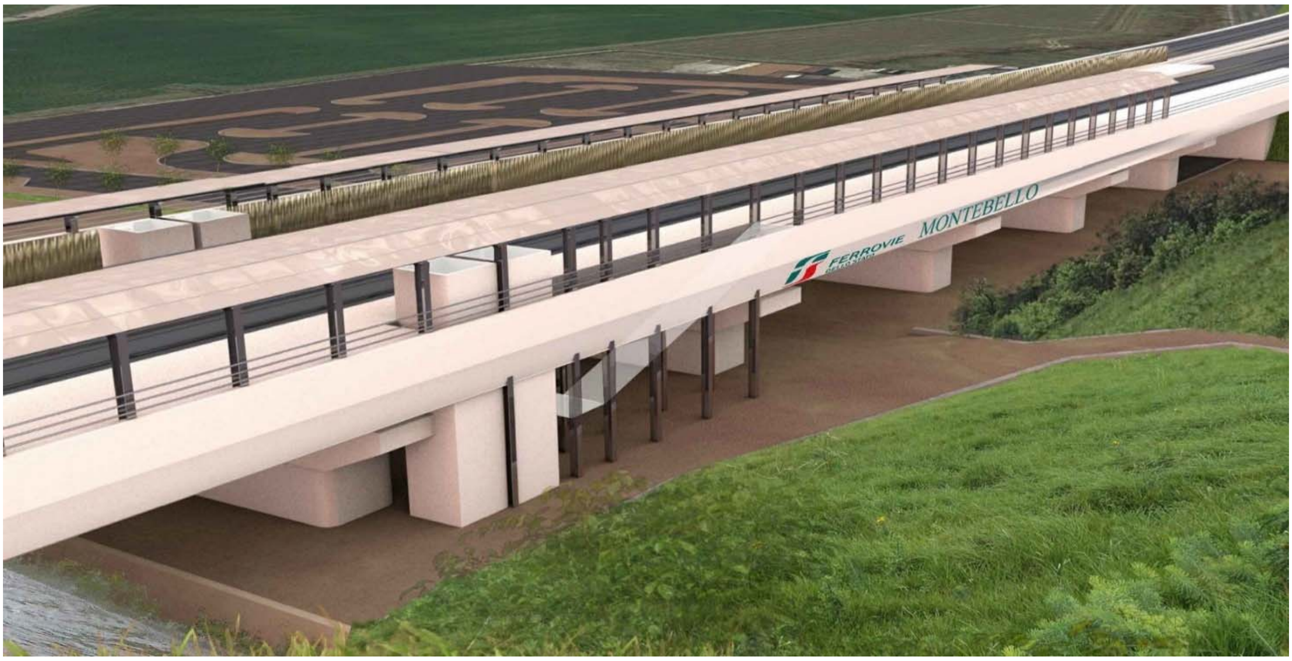
VERONA-PADUA HIGH-SPEED/HIGH-CAPACITY RAILWAY LINE (Verona-Vicenza) | Italy

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

Contractor: CONSORZIO IRICAV DUE (ASTALDI has a 37.49% interest).

Amount: Approximately EUR 770 million referring to ASTALDI's interest

The contract refers to works for design (final and executive) and construction of the Verona-Vicenza First Operational Lot, forming part of the Verona-Padua line, which Astaldi holds a 37.49% interest in through the consortium IRICAV DUE, the General Contractor the works were awarded to. This First Operational Lot was included among the backlog in 2015. In October of the same year, the customer sent the relative final design to the Ministry of Transport and Infrastructures. Following this, all the authorisation procedures provided for in Legislative Decree no. 163/2006 were started-up in 2016, with the opinion of the Higher Board of Public Works and consequent final approval by CIPE still pending. Signing of the Supplementary Deed of the First Operational Lot is expected during the second half of 2017, which is needed for the start-up of works as from 2018.



ITALY –Verona-Padua HS/HC railway line (Render of Montebello Vicentino Station).

NAPLES-AFRAGOLA HS/HC RAILWAY STATION | Italy

Customer: ITALFERR S.p.A. (Ferrovie dello Stato Group).

Contractor: ASTALDI.

Amount: EUR 61 million.

The contract, largely completed at the draft date of this report, involved works to complete the passengers building and systems of the new high-speed railway station at Afragola in the province of Naples. The project was the work of the leading architect Zaha Hadid. Works commenced in 2015 and are expected to be completed by the second half of 2017.

ITALY – Naples-Afragola HS/HC station.

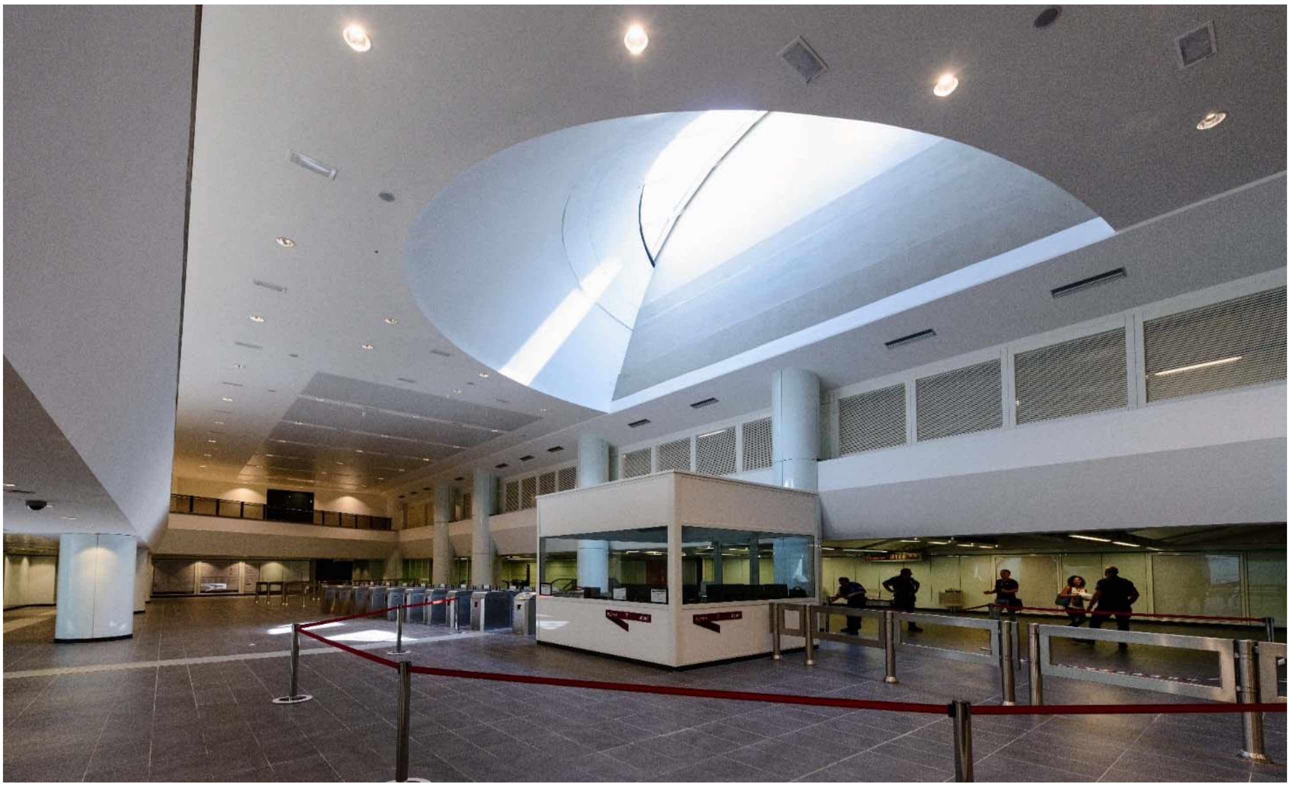
LINE C, ROME UNDERGROUND | Italy

Customer: ROMA METROPOLITANE (Municipality of Rome).

Contractor: METRO C S.c.p.A. (ASTALDI has a 34.5% interest), operating as General Contractor.

Amount of financed works: EUR 3.26 billion, approximately EUR 1 billion of which referring to ASTALDI's interest.

The contract involves the construction, supply of rolling stock and commissioning of a new underground line in Rome (25.4 kilometres and 29 stations) along the Monte Compatri/Pantano-Clodio/Mazzini route. Its construction entails a high level of complexity, also considering interaction with the area's pre-existing archaeological features and soil reinforcement techniques adopted during excavation. Astaldi was awarded the contract as part of a joint venture in 2006. The works are financed by the Ministry of Infrastructures and Transport, Lazio's regional authority and Rome's city authority. The works are being performed in operational lots still to be consigned. Specifically, the Monte Compatri/Pantano-Lodi (18 kilometres, 21 stations) was consigned to the Operator and is operational. The next step will be consignment of San Giovanni station, with construction works set to be completed by early 2017, with termination of system testing by the second half of 2017. The design of this station was amended following the findings of archaeological surveys. Further to the uncovering of ancient buildings during excavation, a museum-type project was set up inside the state at the request of Fine Arts and Monuments Service. The T-3 San Giovanni-Fori Imperiali/Colosseum section (3.6 kilometres, 2 stations, 2 ventilation shafts) is currently under construction. Works commenced in March 2013 and during excavation in the vicinity of Amba Aradam station, some important buildings were unearthed (a Roman barracks with more than thirty rooms and frescoes and mosaic flooring), which will be subject to a specific project to put them on display. Lastly, it must be recalled that, despite failure to pay and late payments by the administration, METRO C responsible decided to resume works in order to complete this project in February 2016 (after approximately two months during which works were suspended). It must also be noted that in July the company became aware of the fact that the Public Prosecutor's Office of Rome was carrying out an preliminary criminal investigation with reference to construction works for Line C of the Rome underground. These works were awarded by the customer, Roma Metropolitane to the SPV METRO C, which Astaldi holds a 34.5% interest in. Given the early phase of the proceedings, the Parent's management, also based on assessment by its own internal legal division, further backed up by independent professionals engaged for this purpose, does not feel that there are risks for Astaldi S.p.A. It must also be noted that there are no proceedings as per Legislative Decree No. 231/01 with regard to Astaldi S.p.A.



ITALY –Line C of Rome underground (Pigneto station).

LINE 4, MILAN UNDERGROUND | Italy

Customer: Municipality of Milan operating as Granting Authority.

Operator: SPV LINEA M4 S.p.A., a company with mixed private-public capital, with the JV awarded the contract (ASTALDI has a 28.9% interest) operating as private shareholder.

EPC Contractor: CONSORZIO MM4 (ASTALDI has a 32.135% interest), which operates through Metro Blu S.c.r.l. (Astaldi has a 50% interest) for civil works, permanent way and non-system plants.

Investment amount: EUR 2 billion.

EPC Contract amount: EUR 1 billion (ASTALDI has a 50% interest), including Centre and Tricolore amendments.

The project refers to the EPC Contract linked to the concession project for the construction and multi-year operation of the new Line 4 of the Milan underground. The construction contract involves the design (final and construction), and performance of all civil works, including permanent way, plants and supply of rolling stock. The new infrastructure will be a light, fully-automated underground line which will run along the San Cristoforo-Linate Airport route (15.2 kilometres, 21 stations and a maximum capacity of 24,000 passengers/hour in each direction). The construction of a Depot/Workshop for storing and maintaining rolling stock is also planned in the San Cristoforo area.

The works are financed through a EUR 516-million loan (structured on a non-recourse basis for ASTALDI GROUP) subscribed in December 2014 by a syndicate of banks, and through public funding and own resources. The customer has approved two amendments during works in progress, for which completion of the approval procedure by CIPE is pending prior to being performed: (i) Tricolore approved in 2015 and related to the TBM excavation method in the areas of the historic city centre which resulted in a contractual increase of approximately EUR 56 million (Astaldi has a 50% interest); (ii) Centre, approved in July 2016 and related to the historic centre worksites between San Babila and Sant'Ambrogio stations, which implements some instructions by CIPE and improves the sites' impact on city traffic, leading to a contractual increase of approximately EUR 16 million (ASTALDI has a 50% interest). During 2016, further to approval of the Centre amendment, all construction works along the historic centre route commenced with the exception of Sforza

Policlinico Station (for which consignment of the areas is scheduled for March 2017); as regards the remaining part of the route, works experienced a slowdown (especially in the vicinity of Tricolore, Foppa, Washington-Bolivar and Tolstoj stations) as a result of failed consignment or a delay in consignment of the working areas. Works are scheduled for completion by the first half of 2022. Please refer to « Concessions», for more information.

ITALY – Line 4 of Milan underground.

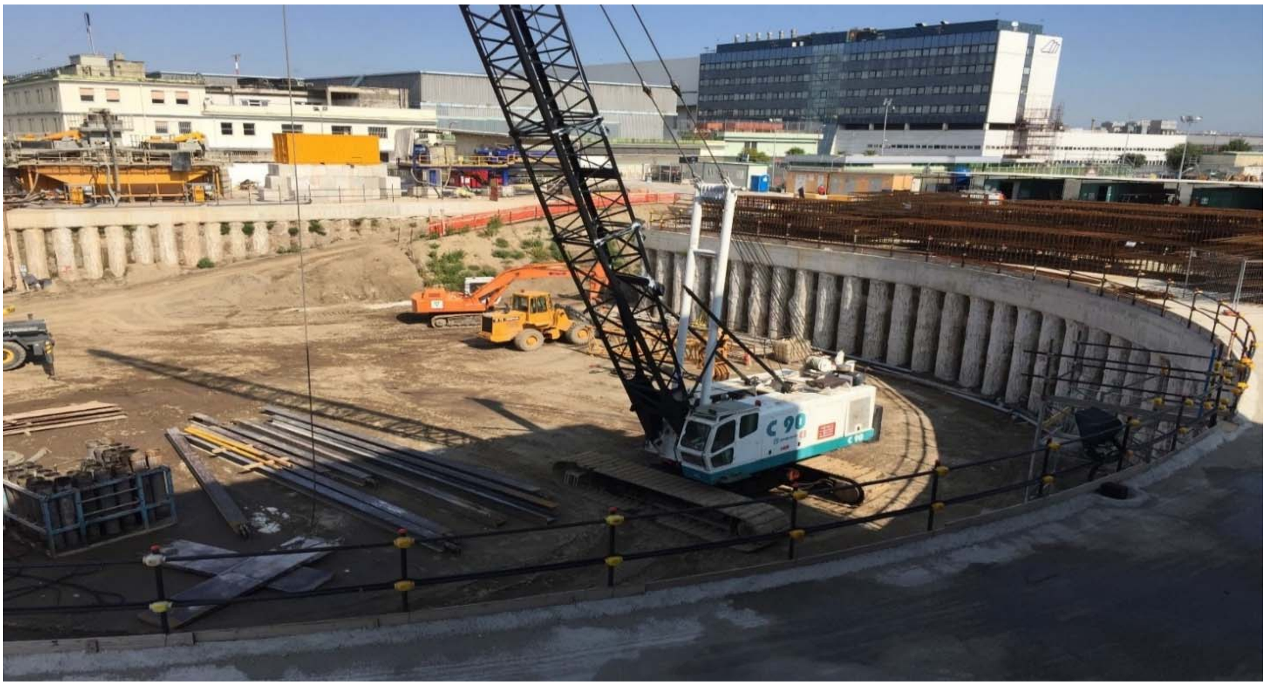
LINE 1, NAPLES UNDERGROUND (Capodichino Station) | Italy

Customer: M.N. Metropolitana di Napoli.

Contractor: CAPODICHINO AS.M. S.c.r.l. (Astaldi has a 66.85% interest).

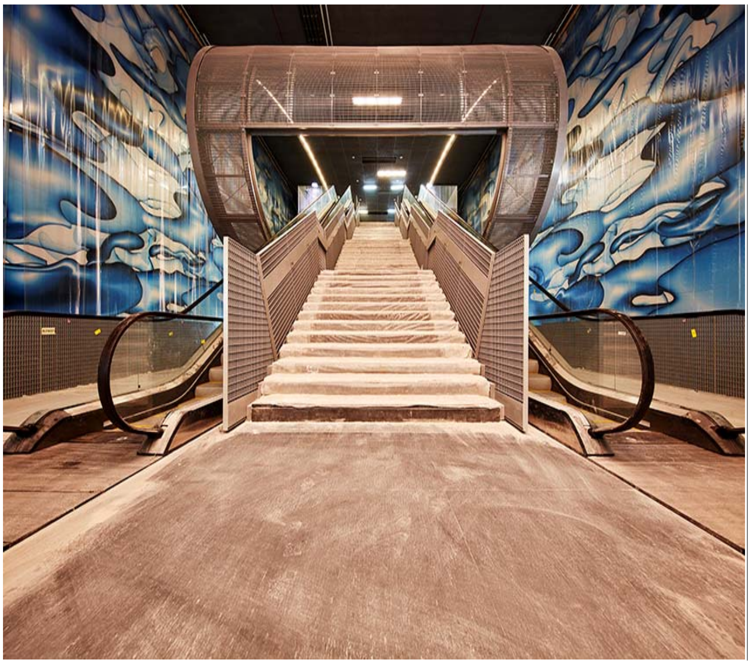
Amount: EUR 95 million.

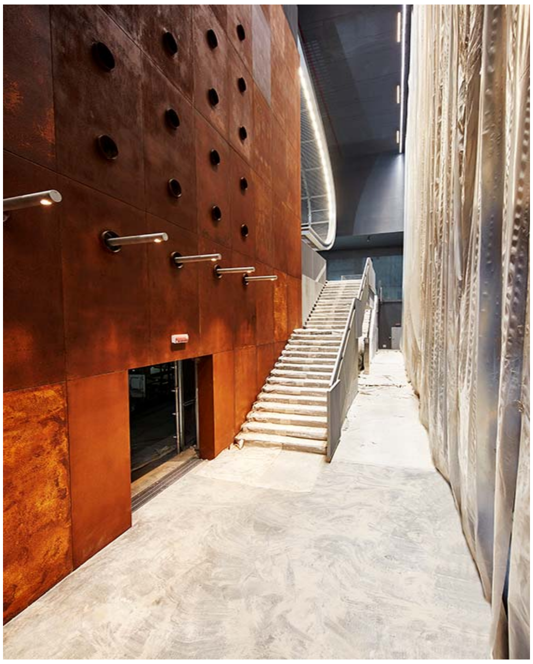
The contract basically involves the performance of civil works and plants for the construction of Capodichino Station. The new station will be used to connect the city centre with Naples International Airport. The project falls within the Concession framework which the Grantor, the Municipality of Naples, signed with the contractor M.N. Metropolitana di Napoli, to build Line 1 of the Naples Underground (Centro Direzionale-Capodichino section). The project forms part of the "Art Stations" programme for which ASTALDI GROUP has already built Università and Toledo stations (the winners of various international awards). Works on Capodichino Station commenced in May 2015 and are scheduled for completion in 2020. Archaeological surveys of the whole area were completed during 2016 and 70% of the diaphragms related to the station shaft and preliminary works were built using a hydro TBM. Moreover, a First Supplementary Act was signed in December 2016, with a plan of the interchange car park and substitute awarding of additional works related to the tunnel attachment shafts using TBMs.



ITALY – Line 1 of Naples underground (Capodichino Station)

LINE 6, NAPLES UNDERGROUND (San Pasquale Station) | Italy
Customer: ANSALDO STS.
Contractor: AS.M. S.c.r.l. (ASTALDI has a 75.91% interest).
Amount: EUR 68 million, EUR 52 million of which referring to ASTALDI's interest.
The contract involves the performance of civil works for construction of San Pasquale station. The project forms part of the concession framework which the Grantor, the Municipality of Naples, signed with the Contractor, ANSALDO STS, for design, works supervision and construction of the new Line 6 of the Naples Underground (Mergellina-Municipio section). All works that could be performed were performed during 2016; an amendment related to completion of station finishes and arrangement of external areas was approved in December and was being carried out at the draft date of this report.





ITALY – Line 6 of Naples underground (San Pasquale Station).

JONICA NATIONAL ROAD (SS-106), LOT DG-41 | Italy

Customer: ANAS S.p.A.

Contractor: SJRIO S.c.p.A. (Astaldi has a 60% interest and is the lead company) operating in the capacity of General Contractor.

Amount: EUR 1.1 billion (inclusive of additions made during Public Agencies' Meeting).

The contract involves performance, using the EPC formula, of Mega Lot 3 of the Jonica National Road (also known as DG-41). The project involves the construction on a new roadbed of the section running from the junction with SS-534 National Road (near Sibari) to Roseto Capo Spulico. The section runs along a route measuring 38 kilometres with 3 twin-tube bored tunnels, 19 viaducts, 6 cut-and-cover tunnels and 6 junctions. The planned duration of works is just over 11 years, 5 years and 2 months of which for design activities (final and construction) and the remaining 6 years and 3 months for construction activities.

The funding available for the project amounts to EUR 969 million (Ministry of Transport/Ministry of Economic Interministerial Decree Nos. 88 of 2013 and 89 of 2013). On the basis of said partial funding, the contract provides for awarding of the final design of the whole Mega Lot and executive design and performance of works for a first functional section. While performance of the rest of the project activities, currently not funded, shall be subordinated to the actual acquisition of supplementary funding. At the draft date of this report, approval of the final design by CIPE is pending in order to commence works.

QUADRILATERO ROAD NETWORK (Maxi Lot 2) | Italy

Customer: QUADRILATERO MARCHE UMBRIA S.p.A.

Contractor: DIRPA 2, operating in the capacity of General Contractor that awarded construction works to ASTALDI.

Amount: Over EUR 500 million.

The contract refers to the completion of works to upgrade the Perugia-Ancona Road and modernisation of the Pedemontana delle Marche Road. The works consist in upgrading, using the general contracting formula, of the Perugia-Ancona Road along the Fossato di Vico-Cancelli and Albacina-Valtreara Tunnel-Serra San Quirico sections of the SS-76 National Road (Lot 1.1 – Sub Lots 1.1.1, 1.1.2, 1.1.3) and the Pianella-Valfabbrica section of the SS-138 National Road (Lot 1.2), as well as the construction on the new roadbed of the Pedemontana delle Marche Road along the route between Fabriano and Muccia/Sfercia (Lots 2.1 and 2.2). Works along the Perugia-Ancona Road were going ahead as at the date of this report, with works on the Pianello-Valfabbrica section of the SS-138 completed in July 2016, along with approval of some contractual renegotiations (Amendment Report No. 4) included in a Supplementary Act signed in July 2016. As regards the Pedemontana delle Marche road, following signing of the Supplementary Act in July, works commenced in September on the Fabriano-Matelica North section (1st operational section), while, as regards the Matelica North-Castelraimondo South section (2nd operational section), CIPE Ruling No. 109/2015 was published in the Official Gazette in May, approving and funding the relative final design. Approval of the executive design is pending for this section, forwarded by DIRPA 2 to the customer in August 2016.

ITALY –Marche-Umbria Quadrilatero road network (Pianello-Valfrabbrica section).

INFRAFLEGREA PROJECT (Monte Sant'Angelo rail link and other road works) | Italy

Customer: President of Campania's regional authority in the capacity of Government Special Commissioner pursuant to Article 11, subsection 18, of Law no. 887/1984.

Contractor: Infraflegrea Progetto S.p.A. (Astaldi has a 51% interest) operating in the capacity of General Contractor.

Amount: EUR 230 million.

The project refers to a number of activities involving the urban road network in the municipality of Naples and Pozzuoli (Phlegrean Area). The project involves upgrading and improvement of the existing infrastructures with the aim of achieving a single intermodal transport network in the area. The project is financed by Campania's regional authority and the Ministry of Infrastructures and Transport. The works involve construction of the Monte Sant'Angelo rail link (Soccavo-Mostra d'Oltremare section, with relative interim stations and interchange junctions), works to extend and upgrade Pozzuoli port, construction of a multi-storey car park and related works and upgrading of Lungomare Sandro Pertini and the urban road network in Pozzuoli. As regards this project, after a standstill of almost 6 years due to late payments and consequent litigation with the customer, construction activities for the Monte Sant'Angelo rail link recommenced in September 2016. Moreover, ASTALDI acquired the contractual rights to perform works previously awarded to GIUSTINO COSTRUZIONI S.p.A: in August 2016. The Monte Sant'Angelo rail link is the most important part of the whole project. It involves 5 kilometres of underground with 5 new stations, guaranteeing a railway link for the university city of Monte Sant'Angelo. At the present time, the works that have been funded and which are underway are related to completion of Lot 1 (Soccavo-Monte Sant'Angelo section) and completion of Lot 2 (Monte Sant'Angelo-Parco San Paolo section). Monte Sant'Angelo Station was designed by the Anglo-Indian artist Anish Kapoor, and stands out for the two mega-sculptures characterising the two entrances.

ITALY –Infraflegrea Project (Render of Monte Sant'Angelo Station).

POLICE OFFICERS ACADEMY IN FLORENCE | Italy

Customer: Ministry of Infrastructures and Transport.

Contractor: S.CAR. S.c.r.l. (Astaldi has a 61.4% interest)

Amount: EUR 217.2 million, of which EUR 133.4 million in relation to Astaldi's interest.

The contract involved construction of the new Police Officers' Academy [Scuola Marescialli e Brigadieri dei Carabinieri] in Florence. The infrastructure is one of the largest military construction projects in Europe. It occupies a vast surface area measuring over 260,000 m^2 with 4 functional centres: (i) a sports centre including a football and athletics stadium, indoor swimming pool, tennis courts and gyms; (ii) a centre to accommodate 1,900 students; (iii) a logistics centre with an auditorium, teaching rooms, canteen and kitchens, infirmary, command offices, cadre housing, shooting range and technological facilities; (iv) a centre for residences to be used to house academy workers and their families. The academy was inaugurated in September 2016.

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ITALY – Inauguration of Police Officers Academy in Florence.

NEW HOSPITAL IN NAPLES ("OSPEDALE DEL MARE") | Italy

Customer: Naples Local Health Authority (Napoli 1 Centro).

Contractor: Partenopea Finanza di Progetto S.c.p.A. (ASTALDI has a 99.99% interest).

Amount: approximately EUR 150 million in relation to ASTALDI's interest.

The contract involved the construction of one of the **largest public works in Europe located on seismic isolators**. It entailed the design (final and construction) and performance of works to complete a highly-specialised hospital complex in the eastern area of Naples with 450 hospital beds. The hospital was opened to the public in phases, with final consignment of works in February 2017.

ITALY – Ospedale del Mare in Naples.

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Turkey

GEBZE-ORHANGAZI-IZMIR MOTORWAY | Turkey

Customer: KGM (Motorways General Directorate, Turkish Ministry of Transport) operating in the capacity of Granting Authority.

Operator: OTOYOL (Astaldi Group has an 18.86% interest).

EPC Contractor: NOMAYG (Astaldi has a 17.5% interest).

Value of investment: approximately USD 7 billion.

EPC Contract: more than USD 5 billion (Astaldi has a 17.5% interest).

The project refers to the BOT contract for the design and construction, using the concession formula, of a new section of more than 400 kilometres of motorway along the Gebze-Orhangazi-Bursa-Izmir route in Turkey. The project also includes a bridge over Izmit bay (the world's 4th longest suspension bridge), 3 tunnels, 33 viaducts, 187 bridges, minor hydraulic works, 26 intersections, 20 motorway toll gates, 6 maintenance centres and 17 service areas. The works are financed through a USD 5-billion non-recourse loan, subscribed in June 2015 by a syndicate of international banks – said loan has guaranteed sufficient funding for completion of the works and for refinancing at more advantageous conditions of the sections financed in previous years. The project is being performed in separate functional lots: Phase 1 (53 kilometres, Gebze-Orhangazi section, including Izmit Bay Bridge), Phase 2A (25 kilometres, Orhangazi-Bursa section) and Phase 2B (301 kilometres, Bursa-Izmir section). Once completed, the infrastructure will ensure the link between the cities of Gebze (near Istanbul) and Izmir (on the Aegean coast), halving the current car journey times which currently are in excess of eight hours. Phase 1 was completed and opened to the public in June 2016 while construction works are also going ahead along the sections related to Phases 2A and 2B. Please refer to "Concession Projects" and "Events after the reporting period" for more information.

TURKEY – Gebze-Orhangazi-Izmir motorway (Izmit Bay bridge).

THIRD BOSPHORUS BRIDGE AND NORTHERN MARMARA HIGHWAY PROJECT | Turkey

Customer: Turkish Ministry of Transport operating in the capacity of Grantor.

Operator: JV awarded the contract (Astaldi Group has a 33.33% interest).

EPC Contractor: ICA (Astaldi has a 33.33% interest).

Amount: USD 3.8 billion

EPC Contract: over USD 3 billion (Astaldi has a 33.33% interest).

The project refers to the concession contract for the construction and subsequent operation of a section of approximately 160 kilometres of motorway links between the cities of Odayeri and Paşaköy, as well as a hybrid (cable-stayed/suspension) in Istanbul. This bridge, also known as the Third Bosphorus Bridge, will hold a number of records such as (i) the only suspension bridge in the world whose deck includes a motorway and railway on the same level, (ii) the widest suspension bridge in the world, (iii) the longest suspension bridge in the world whose deck features a railway line and (iv) the suspension bridge with the tallest "A"-shaped towers in the world. The bridge connects Europe to Asia and measures 59 metres in width with a clear span of 1.4 kilometres, the equivalent of 14 football pitches lined up. It also has 2 towers measuring 322 metres (more than the Eiffel Tower). In addition to the bridge, the project also involves the construction of approximately 95 kilometres of motorway, 27 kilometres of link roads, 67 kilometres of access roads, 64 viaducts, 2 double-tube motorway tunnels, 2 cut-and-cover railway tunnels, 47 underpasses, 52 overpasses, 213 minor hydraulic works, 20 intersections, 5 service areas and 2 maintenance centres. Construction activities for this contract commenced in 2013 subsequent to signing of the concession contract. The works are financed through a USD 2.3 billion non-recourse loan subscribed in May 2014 by a syndicate of Turkish banks. The bridge and basic section were completed and opened to traffic in August 2016 and are currently in the operational phase. Works to construct additional motorway sections, for which subsequent contracts were drawn up, are going ahead. Completion of these works is scheduled in operational lots by the end of 2017 with subsequent start-up of operation. Please refer to "Concessions" for more information.

TURKEY – Third Bosphorus Bridge.

ETLIK INTEGRATED HEALTH CAMPUS IN ANKARA | Turkey

Customer: Turkish Ministry of Health operating in the capacity of Grantor.
Operator: JV awarded the contract (Astaldi Group has a 51% interest).
EPC Contractor: JV ASTALDI-TURKELER (Astaldi has a 51% interest).
Value of investment: EUR 1.12 billion.
EPC Contract: EUR 870 million (Astaldi has a 51% interest)

Commissioned by the Turkish Ministry of Health, the project consists in the design, construction and supply of electro medical equipment and furnishings, as well as the management under concession of a hospital complex boasting 3,577 beds split among 8 healthcare facilities and a hotel, for a total of approximately 1,080,000 m^2. For its size, the project is one of the most extensive to date in Europe in the healthcare sector. The works are financed through a EUR 883 million loan (structured on a non-recourse basis for ASTALDI GROUP), subscribed in June 2015 by a syndicate of international banks. Construction activities are going ahead. For more information, please see "Concessions".

TURKEY – Etlik Integrated Health Campus in Ankara.

Russia

WESTERN HIGH-SPEED DIAMETER, ST. PETERSBURG | Russia

Customer: NCH LLC.

Contractor: ICA Astaldi-IC Ictas WHSD Insaat A.S. (Astaldi has a 50% interest).

Amount: equivalent of EUR 2.2 billion (Astaldi has a 50% interest).

The contract refers to the general contracting project to build the link between the northern and southern sections of the Western High Speed Diameter in St. Petersburg. The works were opened in December 2016 during a ceremony attended by local authorities and the President of the Russian Federation. The project involved the design and construction of 12 kilometres of motorway, 80% of which are viaducts, mostly over the Baltic Sea, with two cable-stayed bridges for ships to pass through. Construction of the viaducts also entailed the performance of complex seabed foundation works.

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RUSSIA – Western High Speed Diameter in St. Petersburg.

M-11 MOSCOW-ST. PETERSBURG MOTORWAY | Russia

Customer: TWO CAPITALS HIGHWAY.

EPC Contractor: Astaldi-IC Ictas Joint Venture (Astaldi has a 50% interest).

Amount: 68 billion roubles, 50% of which refers to Astaldi's interest.

The contract was acquired in 2015 and refers to the design and construction of 140 kilometres of the M-11 Moscow-St. Petersburg Motorway. ASTALDI is performing the works as part of a joint venture and in the capacity of General Contractor on behalf of TWO CAPITALS HIGHWAY – comprising VTB Group and VINCI Concessions – which was awarded the concession for construction and operation of the motorway by AVTDOR, the state company in charge of building and developing the Russian Federation's toll motorway network. The new motorway route will comprise both 6-lane and 4-lane sections with a maximum speed of 150 km/h.

Poland

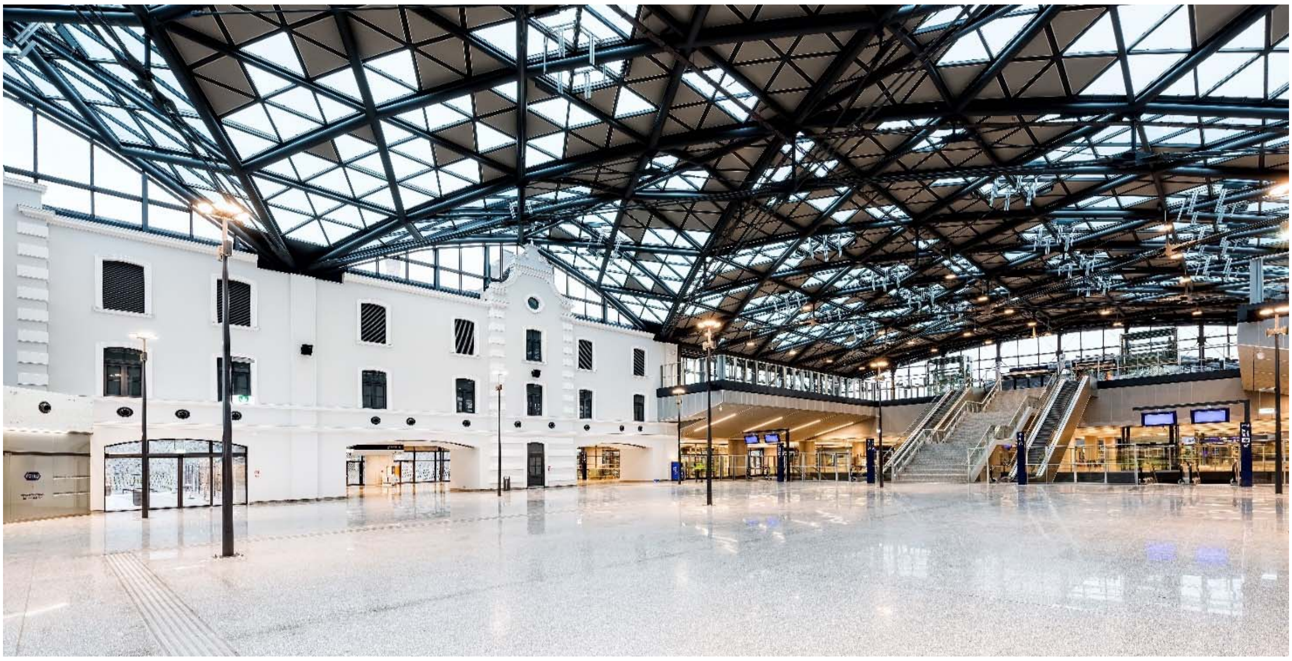
ŁÓDŹ RAILWAY PROJECT AND ŁÓDŹ FABRYCZNA STATION | Poland

Customer: PKP and PKP Polskie Linie Kolejowe S.A. (Poland's railways), and the Municipality of Łódź.

Contractor: Torpol-Astaldi-PBDiM-Intercor Consortium (Astaldi has a 40% interest).

Amount: EUR 340 million (Astaldi has a 40% interest).

The contract involved the design and performance of all works connected to upgrading of the section of railway from Łódź Widzew to Łódź Fabryczna, with construction of the passengers building and underground station of Łódź Fabryczna (4 platforms, 8 tracks), a double-track, double-tube tunnel (1.5 kilometres) and the systems and permanent way of the whole section, as well as an underground car park and multi-modal interchange junction at Fabryczna railway station. The project forms part of the Infrastructure and Environment Operating Programme, funded by the European Union, and is of great importance for both the national railway system (it will be the first work already boasting high-speed standards) and for the city of Łódź (Poland's number-two city for its number of inhabitants). Works were completed in December 2016 with opening to railway traffic and the public.



POLAND –Łódź Fabryczna Station

LINE 2, WARSAW UNDERGROUND (Phase 2) | Poland
Customer: Municipality of Warsaw.
Contractor: ASTALDI.
Amount: EUR 210 million.
The contract refers to the extension of Line 2 of the Warsaw Underground, already completed by ASTALDI for the Rondo Daszynskiego-Dworzec Wilenski section. The extension involves the construction of 3 kilometres of tunnels and 3 underground stations, along the east section of the line from Dworzec Wileński station to the depot tracks behind C-18 Station. The use of 2 TBMs is planned for tunnel excavation. The contract also involves the installation of civil and railway systems, permanent way and all related works. Works are to be completed in 36 months, and are financed with European funds and local funding. Works to shift the subservices and construct diaphragms and ventilation shafts were started up during 2016.

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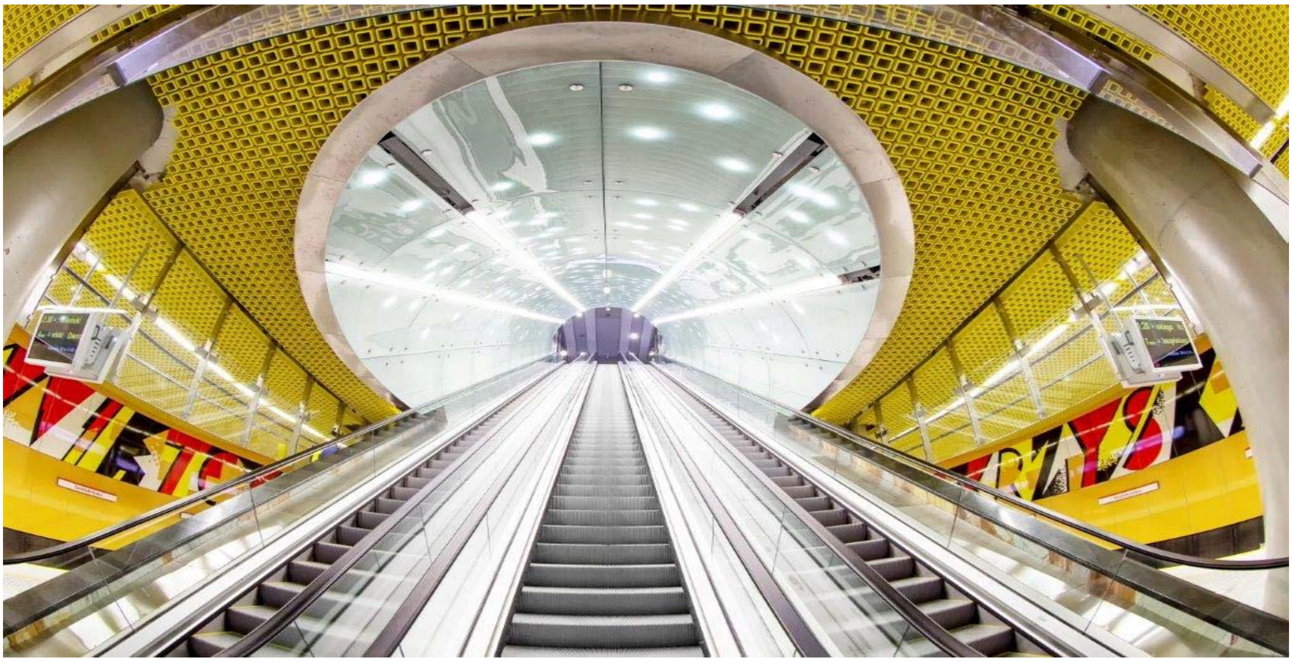

POLAND – Line 2 of Warsaw underground.

WARSAW SOUTH BYPASS ROAD (Lot A) | Poland

Customer: GDDKiA (Poland's Roads and Motorways Authority).
Contractor: Astaldi.
*Amount: a*pproximately EUR 240 million.

The contract involves the design and construction of approximately 5 kilometres of expressway, with 2 separate carriageways each comprising 3 lanes in each direction, The construction of a series of complex works including 9 bridges and other works (viaducts, overpasses), a twin-tube 2.3-km tunnel, 2 road junctions and related works is planned along the route. The works are financed through funding provided by the European Community and local state funding. The works will last 41 months and design and site installation works were going ahead at the draft date of this report together with start-up of preliminary works.

S-5 WROCLAW-POZNAN EXPRESSWAY, Korzensko-Widawa Section (Lot 3) | Poland

Customer: GDDKiA (Poland's Roads and Motorways Authority).
Contractor: ASTALDI.
Amount: EUR 116 million.

The contract involves the design and construction of approximately 19 kilometres of dual carriageway expressway with two lanes in each direction, 2 road junctions and expansion of an existing junction, as well as ancillary works. At the draft date of this report, construction works were going ahead and are scheduled for completion by the end of 2017.

S-7 EXPRESSWAY, Naprawa-Skomielna Biała Section and Zakopianka Tunnel | Poland

Customer: GDDKiA (Poland's Roads and Motorways Authority).
Contractor: ASTALDI.
Amount: EUR 190 million.

The contract was acquired in 2016. It involves construction of the Naprawa-Skomielna Biała section of the S-7 Krakow-Rabka Zdrój Expressway, including Zakopianka Tunnel, the longest bored road tunnel in Poland. It will involve the construction of 3 kilometres of new expressway, including 2 kilometres of twin-tube tunnel, external works, plants and environmental protection works. The planned duration is 54 months as from signing of the contract in July 2016. The works will be financed with European and local government funding.

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Romania

LINE 5, BUCHAREST UNDERGROUND (Phase 1 – civil works) | Romania

Customer: METROREX S.A., under the control of Romania's Ministry of Transport and Infrastructures.

Contractor: JV ASTALDI-FCC-DELTA ACM-AB CONSTRUCT (ASTALDI has a 47.495% interest and is the lead company).

Amount: EUR 226 million (ASTALDI has a 47.495% interest).

The project refers to construction of the new Line 5 of the Bucharest Underground for the Drumul Taberei-Pantelimon section, using the Design and Build formula. The project forms part of a wider programme to expand Bucharest's underground network, 85% of which is funded by the European Investment Bank and 15% by the State. The project involves the design and performance of civil works related to a new underground line, along the section between Raul Doamnei and the Bucharest Opera House, with 9 stations and 8 kilometres in total of tunnels dug using TBMs. Six stations and over 5 kilometres of tunnel had been consigned to the customer at the draft date of this report. Works are expected to be completed by 2017.

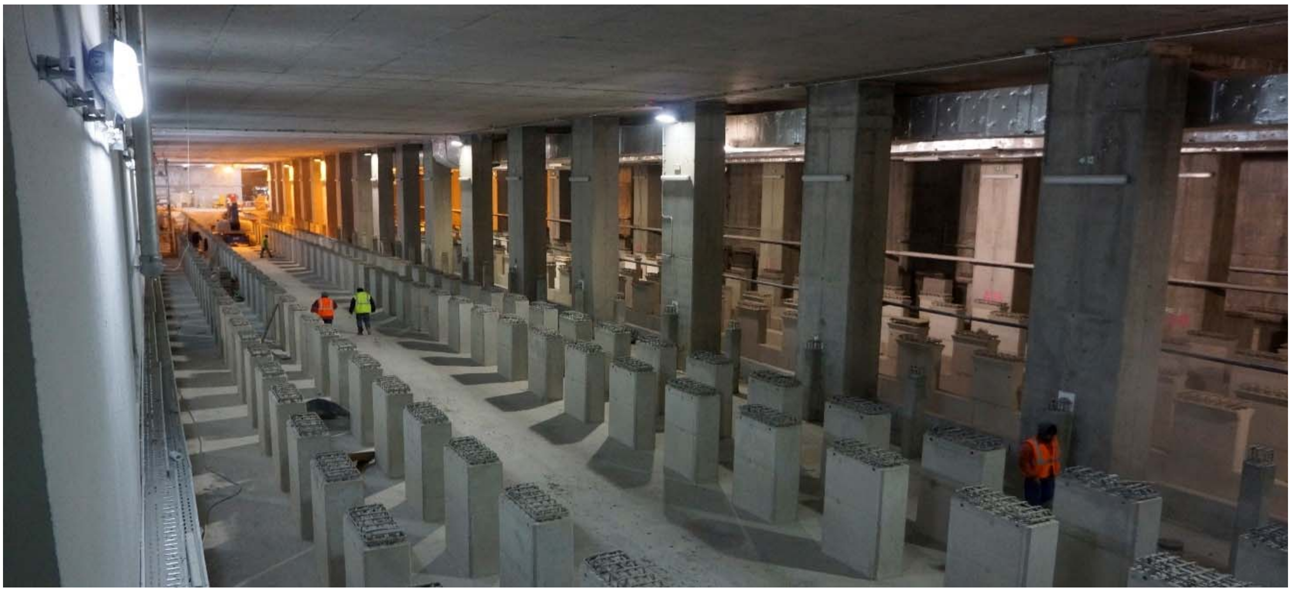
LINE 5, BUCHAREST UNDERGROUND (Phase 2 – systems and architectural works) | Romania

Customer: METROREX S.A., under the control of Romania's Ministry of Transport and Infrastructures.

Contractor: JV ASTALDI-FCC S.A.-UTI GROUP-ACTIVE GROUP (ASTALDI has a 39.495% interest and is the lead company).

Amount: over EUR 160 million (ASTALDI has a 39.495% interest).

The contract refers to a final phase of the project to construct Line 5 of the Bucharest Underground. It involves the performance of architectural works, electromechanical plants and infrastructure installations for the Drumul Taberei-Pantelimon section (Raul Doamnei-Opera) where ASTALDI is already carrying out civil works. In 2016 works commenced at all the stations and tunnel sections, the areas for which had been consigned by the customer. Works on these sections will be completed by September 2017. The remaining part of planned works will be completed by the first quarter of 2018.



ROMANIA – Line 5 of Bucharest underground.

LINE 4, BUCHAREST UNDERGROUND | Romania

Customer: METROREX S.A., under the control of Romania's Ministry of Transport and Infrastructures.

Contractor: JV ASTALDI-SOMET-TIAB-UTI (ASTALDI has a 40% interest and is the lead company).

Amount: over EUR 160 million (direct + indirect share).

The contract involved the design and performance of structural works and plants of the new Line 4 of the Bucharest Underground, along the Laminorului-Straulesti section. The route will run for approximately 2 kilometres with 1.8 kilometres of tunnels to be dug using a TBM. These works and two additional stations were completed during 2016. Construction of a depot with an intermodal terminal will be completed by the end of 2017. Approximately 70% of the project is financed by European cohesion funding (POS-T) and the remaining 30% by the Romanian government.

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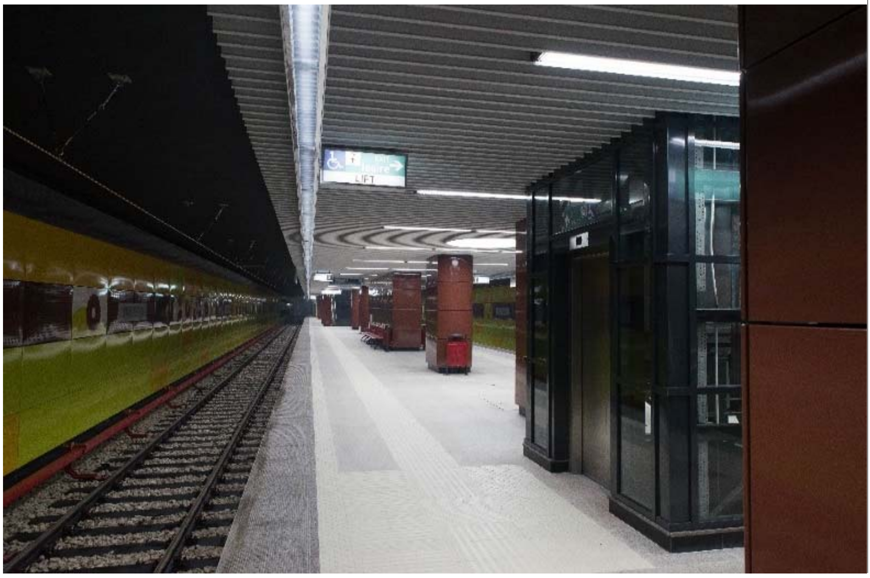


ROMANIA – Line 4 of Bucharest underground.

Algeria

SAIDA-TIARET RAILWAY LINE | Algeria

Customer: Algeria's Transport Ministry through *Agence Nationale d'Etude et du Suivi de la Réalisation des Investissements Ferroviaires* (ANESRIF).

Contractor: GROUPEMENT ASTALDI-COSIDER TP (ASTALDI has a 60% interest).

Amount: EUR 417 million (ASTALDI has a 60% interest).

The contract refers to the design and construction of 153 kilometres of a new single-track railway line from Saida to Tiaret with 45 railway bridges and viaducts, 35 road overpasses, 4 main stations and 9 interchange stations. The contract also includes the installation of signalling, telecommunications and energy-related plants. The route runs along the *Rocade des Hauts Plateaux* and is the natural continuation of the railway line linking Saida and Moulay-Slissen which is already under construction by ASTALDI. Division of the works among partners means that ASTALDI is responsible for the complete executive design and all rail works between 105.5 km and 153 km (including plants and related works). The definitive version of Amendment No. 7 was sent during 2016 which extends the project performance time to April 2018.

SAIDA-MOULAY SLISSEN RAILWAY LINE | Algeria

Customer: Algeria's Transport Ministry through A*gence Nationale d'Etude et du Suivi de la Réalisation des Investissements Ferroviaires (ANESRIF).*

Contractor: ASTALDI*.*

Amount: over EUR 700 million

The project refers to the design and construction of 120 kilometres of a new single-track (but ready to accommodate a second track) railway line along the Saida-Moulay Slissen section. The route forms part of the Rocade des Hauts Plateaux, which stretches from East to West in the northern part of the country's high plateaux. Construction of 19 viaducts, 17 overpasses, 33 underpasses, 4 passenger stations and 1 freight station is also planned, as well as installation of signalling, telecommunications and energy systems. Amendment No. 5 was notified during 2016 and Amendment No. 6 was definitively agreed during 2016, with the result being an extension of the project timeframe to June 2017.

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ALGERIA – Saida-Moulay Slissen railway.

United States

I-405 HIGHWAY | USA, California

Customer: OCTA (Orange County Transportation Authority)

Contractor: OC 405 PARTNERS (ASTALDI has a 40% interest)

Amount: USD 1.2 billion, 40% of which referring to ASTALDI.

The contract involves the design and performance of works to upgrade 21 kilometres of I-405 Highway between Los Angeles and San Diego. The project entails widening of the carriageways with the addition of 2 lanes and the construction/expansion of 33 bridges. The project is the most important one awarded in California for the infrastructures segment for the next 3 years. Its complexity is heightened by the need to keep the existing infrastructure up and running for the complete duration of works. The works have been financed by local, state and federal funding. The planned duration of works is 6 years. The contract was signed in February 2017.

USA (California) – Render I-405 Highway in Los Angeles.

Canada

MUSKRAT FALLS HYDROELECTRIC PROJECT | Canada
Customer: MUSKRAT FALLS CORP., a SPV owned by Nalcor Energy (a Canadian company responsible for the development, transmission and supply of energy in Newfoundland and Labrador).
Contractor: ASTALDI CANADA Inc. (100% ASTALDI -owned).
Amount: CAD 1.8 billion
The contract involves the performance of civil works related to a hydroelectric plant on the Lower Churchill River (Newfoundland and Labrador, NL) with an 820-MW installed capacity. The project forms part of a larger investment project that also involves the construction of two dams. Within said project, ASTALDI is responsible for construction of the plant and the performance of related water intake and tailrace structures. The project experienced initial problems due to working circumstances that penalised the start-up phase. The new contractual deed signed by NALCOR and ASTALDI CANADA (in force since 1 December 2016) redefined the contract amount from the initial figure of CAD 1.1 billion to CAD 1.8 billion. The agreement reached in December grants ASTALDI the right to receive higher fees while performing the project. The new agreement provides for the definition of a new baseline[11] and new working milestones, also changing the works completion date which has been extended to June 2019. From a financial viewpoint, an additional advance of CAD 112 million was also acknowledged.

[11] The project baseline refers to the reference point used to calculate differences of the main variables involved in management of a project.

CANADA –Muskrat Falls Hydroelectric Project (© Alberto Audisio).

Chile

ARTURO MERINO BENÍTEZ INTERNATIONAL AIRPORT, SANTIAGO | Chile
Customer: Chile's Ministry of Public Works (M.O.P.), operating in the capacity of Grantor.
Operator: CONSORCIO NUEVO PUDAHUEL (ASTALDI GROUP has a 15% interest).
EPC Contractor: JV ASTALDI-VINCI CONSTRUCTION (ASTALDI has a 50% interest).
The contract refers to the EPC contract related to the concession initiative to expand and operate Arturo Merino Benítez International Airport in Santiago de Chile. The airport, currently one of the most important airports in South America for the level of passenger traffic, is of specific strategic importance for the country. The concession contract involves
(i) modernisation and extension of the existing terminal; (ii) funding, design and construction of a new passenger terminal with a surface area of 198,000 m^2 which will increase the airport's capacity to 30 million passengers per year; (iii) operation of all infrastructures (existing and new terminals, car parks and future commercial activities) for 20 years. CONSORCIO NUEVO PUDAHUEL, comprising ASTALDI (with a 15% interest) and the French companies, AÉROPORT DE PARIS (45%) and VINCI AIRPORTS (40%) are responsible for operation of the facilities. The concession came into effect as from 1 October 2015 insofar as CONSORCIO NUEVO PUDAHUEL awarded the contract took over from the previous operator as from said date. As regards the EPC contract, design and construction activities are being performed by ASTALDI (with a 50% interest), and the French firm VINCI CONSTRUCTION (50%). At the draft date of this report, design activities were underway, site installation had been completed and the activities preliminary to construction of the new terminal airport had commenced. CONSORCIO NUEVO PUDAHUEL signed a USD 513-million loan (structured on a non-recourse base for ASTALDI GROUP) with a syndicate of international banks in July 2016 to support construction works. Please refer to «Concessions», for more information.

CHILE – Render of Arturo Merino Benítez International Airport in Santiago de Chile.

CHUQUICAMATA MINING PROJECT | Chile

Customer: CODELCO (Corporación Nacional del Cobre de Chile), a Chilean state-owned company.

Contractor: ASTALDI.

Amount: over EUR 900 million

The contract forms part of the underground expansion project for Chuquicamata, the world's largest open-pit copper mine. The contract (split into 3 lots) involves the construction of 79 kilometres of tunnel of various sections (to access the cultivation areas planned for the future underground mine) and 9.2 kilometres of vertical excavation of ventilation shafts. The works are highly complex; a complexity that is increased by the fact that they are being performed at the same time as the normal surface mine activities. The amounts listed take into account Contract No. 3 acquired in 2016 and included herein among new orders under «Order Backlog». Works continued during the year, in line with contractual forecasts. Completion of works is scheduled for the second half of 2019.

CHILE – Chuquicamata Mine.

E-ELT (*EUROPEAN EXTREMELY LARGE TELESCOPE*) | Chile
Customer: ESO (European Southern Observatory)
Contractor: CONSORZIO ACE (ASTALDI has a 60% interest).
Amount: EUR 400 million.
The contract will result in construction of the world's largest optical telescope. The telescope will be built in the central part of the Atacama desert at an altitude of 3,000 metres above sea level. It is the most important project to date approved by the ESO (European Southern Observatory). The contract involves the design and construction of the E-ELT's two main structures (dome and main structure) and the works will be performed by CONSORZIO ACE, comprising ASTALDI (60%, leader) and Cimolai (40%) with EIE Group. Once completed, the telescope will have a focusing capacity 100,000,000 times better than the human eye and can collect more light than all the planet's existing large telescopes, which have primary mirrors measuring 8 to 10 metres in diameter while the new E-ELT will have a mirror of 39.3 metres. This project was awarded in 2016. The contract signing ceremony was held in May 2016 and design activities are currently underway.

CHILE – Render of the E-ELT on Cerro Armazones.

WEST METROPOLITAN HOSPITAL SANTIAGO | Chile

Customer: Chile's Ministry of Public Works (M.O.P.), operating in the capacity of Grantor.
EPC Contractor: ASTALDI.
Value of investment: EUR 236 million.
EPC Contract: EUR 212 million.
Investment amount: EUR 236 million (ASTALDI has a 100% interest), including the supply of electro medical equipment and furnishings.

The project refers to the EPC contract related to the concession initiative for the construction and operation of the West Metropolitan Hospital in Santiago in Chile. The facility will provide 523 hospital beds over a surface area of 120,000 m^2. The contract provides for EUR 212 million for civil works and the supply and of electro medical equipment and furnishings against an overall investment of EUR 236 million. Construction activities are supported by a loan of the equivalent of USD 252 million, structured on a non-recourse base for ASTALDI GROUP and signed by a syndicate of international banks in April 2016. 48.6% of works had been completed at the draft date of this report. Moreover, the contractual obligation undertaken with the MOP to achieve 35% of works was met in August 2016. Lastly, it must be noted that in February 2017, ASTALDI GROUP signed an agreement to allow the infrastructure fund MERIDIAM LATAM HOLDING to join the capital of this project's concession holder – please refer herein to «Events after the reporting period» for more information. It has been deemed appropriate to specify herein that the amounts shown do not take into account this agreement. Please refer to «Concessions», for more information.

CHILE – West Metropolitan Hospital in Santiago.

Peru

CERRO DEL ÁGUILA HYDROELECTRIC PROJECT | Peru
Customer: KALLPA Generación S.A.
Contractor: CONSORCIO CERRO DEL ÁGUILA S.A. (ASTALDI has a 50% interest and is the lead company).
Amount: USD 670 million (ASTALDI has a 50% interest).
The contract involves the performance of civil and electromechanical works related to Cerro del Águila Hydroelectric Plant in Peru, using the EPC formula. The project consists in the design and construction of a hydroelectric plant with a nominal power of 510 MW, making use of water provided by the Mantaro river. The contract involved the construction of an RCC 460,000 m^3 dam, a tailrace tunnel measuring 6 kilometres, a 140 metre-deep headrace shaft and an underground power station. The contract also included the upgrading of 170 kilometres of access roads and the construction of 50 kilometres of new road. The plant was completed in 2016 and became commercially operational as from August of last year.

PERU –Cerro del Águila Hydroelectric Plant.

Venezuela

PUERTO CABELLO - LA ENCRUCIJADA RAILWAY LINE | Venezuela
Customer: I.F.E. (Instituto de Ferrocarriles del Estado).
Contractor: Consorcio Grupo Contuy-Proyectos y Obras de Ferrocarriles (ASTALDI has a 33.33% interest).
Contract base value: EUR 3.3 billion (ASTALDI has a 33.33% interest).
The contract involves the construction of 128 kilometres of a double-track railway line, with 33 km of tunnels, 23 km of viaducts and 10 stations. The works are performed under the aegis of a Cooperation Agreement signed by the Italian and Venezuelan governments in February 2001, and ratified with a series of subsequent agreements. As regards this project, it is well-known that works have been suspended since 2015 as a result of the economic situation the country has been experiencing for some years and consequent slowdown in payments.
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Concessions

For ASTALDI, Concessions are complementary segment to the core business of Construction. In recent years the Group has developed specialist skills and know-how in the operation of public infrastructures, backed up by the expert construction skills and know-how it is able to boast. This has allowed for major improvement of its integrated offer capacity.

ASTALDI GROUP mainly operates in this segment as a concession holder and multi-year operator of infrastructure assets. The segments concerned are motorways, railways, healthcare construction and energy production plants. The works are generally performed by ASTALDI thanks to a business development model which considers Concessions to be a flywheel for supporting growth of the core business of Construction, but also the complementary O&M segment. Indeed the projects of interest are concessions with a sustainable financial structure, able to perform works using the BOT (*Build-Operate-Transfer*) formula, and with public funding or guaranteed minimums able for the GROUP not to be affected by the risk of use of the operated infrastructure.

Generally speaking, project are financed on a non-recourse basis, through equity injections, dedicated project debt, medium/long-term bridge loans and project finance. The investment model sees a prevalence among the projects in progress of projects financed through public funding and which provide for guaranteed minimums disbursed by the Grantor.

Examples of key projects in progress in the Concessions segment and currently under operation are the new hospital in Venice-Mestre in Italy (Italy's first project finance initiative applied to the healthcare construction segment) and Chacayes Hydroelectric Plant in Chile (Chile's first completely eco-compatible plant).

Projects seeing the involvement of ASTALDI GROUP (mainly through ASTALDI CONCESSIONI) at 31 December 2016 comprise participation in projects in Italy and abroad (Turkey, Chile) regarding the following segments:

- Healthcare construction – 7 hospitals for a total of over 6,800 beds and more than 17,200 parking spaces
- Transport Infrastructures (undergrounds, motorways, airports) – over 570 kilometres of motorway, approximately 30 kilometres of underground, 1 airport with technical transportation capacity of 30,000,000 passengers/year
- Energy Production Plants – 1 hydroelectric plant (111 MW, with production capacity of 557 Gw/year)
- Mining Infrastructures – 1 plant for the recovery of 3,200 tonnes/year of copper.

In order to provide complete information, please find below the state of progress of the asset disposal programme provided for in the 2016-2020 Strategic Plan. It must be recalled that this programme provides for gradual disinvestment in some concession projects in progress, generally following the construction phase. This decision is made based on models that aim to ensure ASTALDI GROUP a greater interest in the construction part of the contract and more limited interest in the concession holder's capital. The aim is to allow the GROUP to expand (also in Concessions) with a smaller financial undertaking for projects in progress.

Progress of asset disposal programme

- In December 2013 ASTALDI GROUP (through its subsidiary ASTALDI CONCESSIONI) sold to a group of institutional investors 95% of AST VT S.r.l. and AST B S.r.l., holders of the concessions related to the Group's "Car Parks Division" (comprising "Riva Reno" and "Piazza VII Agosto" car parks in Bologna, "C.so Stati Uniti" and "Porta Palazzo" Car parks in Turin and "P.zza Cittadella" car park in Verona). In relation to this, the Group's Car Park Division was valued at EUR 50.5 million. Financial closing took place during the first half of 2014. At the draft date of this report, ASTALDI GROUP still holds %% of the share capital of the transferred SPVs;
- In May 2016, ASTALDI GROUP (through its subsidiary ASTALDI CONCESSIONI), signed – together with CIF, IL, INFRA and 2G – an agreement to sell RE.CONSULT INFRASTRUTTURE, the SPV, holder of a

44.85% interest in A4 Holding (the concession holder for over 160 kilometres of motorway related to the Brescia-Verona-Vicenza-Padua motorway and the A-31) to the Spanish company ABERTIS. In this regard, the 31.85% interest sold by ASTALDI was valued at approximately EUR 130 million, in line with the book value and taking into account repayment of RE.CONSULT's debt and minor accounting effects. The agreement set the payment price in January 2023 and hence, ASTALDI and the other sellers formulated an operation to assign credit without recourse at the same time, which allowed the company to collect the net amount of EUR 110 million upon financial closing in July 2016;

- In December 2016, ASTALDI signed an agreement to sell its interest in M5 S.p.A., concession holder for Line 5 of the Milan underground to FERROVIE DELLO STATO ITALIANE. The operation provides for the sale of a 36.7% interest (capital and shareholder loan), valued at EUR 64.5 million. Upon completion, ASTALDI will still be a shareholder in M5 with a 2% share of the capital, thus ensuring maintenance of construction rights in relation to any future extension of the line. Financial closing is scheduled for 2017, further to completion of the authorisation procedure;
- In February 2017, ASTALDI GROUP signed an agreement which saw MERIDIAM LATAM HOLDING S.L., an infrastructure fund specialising in the operation of transport and hospital infrastructures, joining the capital of Sociedad Concesionaria Metropolitana de Salud S.A. (SCMS), concession holder for the West Metropolitan Hospital in Santiago de Chile. Please refer to «Events after the reporting period» herein, for more information.
- In March 2017, ASTALDI signed an agreement for the sale of its interest in the concession holder for the Chacayes hydroelectric plant, to PACIFIC HYDRO CHILE, that already owns the remaining 72.7% and is a Chilean subsidiary of the Chinese group SPIC OVERSEAS. Please refer to «Events after the reporting period» herein, for more information.

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Please find below, a short summary of the concession projects in progress at the draft date of this report. For related construction contracts, please refer to «Construction».

Projects in operation

VENETA SANITARIA FINANZA DI PROGETTO | Italy

Infrastructure: New Hospital in Venice-Mestre ("Ospedale dell'Angelo")
Project status: in operation.
Concession expiry: 2032.
Financial indicators: 680 hospital beds, 1,240 parking spaces.
Grantor: Local Health Authority U.L.S.S. 12 Veneziana.
Operator: Veneta Sanitaria Finanza di Progetto S.p.A. (ASTALDI GROUP has a 37% interest).

The infrastructure was built by Astaldi and has been operational since 2008. It provides 680 beds and 1,240 parking spaces and occupies a surface area of 127,000 m^2 (plus an additional 5,000 m^2 for the Eye Bank). The concession provides for construction and multi-year operation of the whole complex, using the concession formula, and its purpose is hospital and commercial services. Operation continued as planned in 2016 and in full compliance with the Agreement. Moreover, in order to implement the approved rules of the final award announced in February regarding this project, the Grantor undertook to pay the Company receivables regarding services provided through to 2014 and to restart payment of services provided after this date in compliance with contractual terms and conditions. In any case, the appeal court ruling, brought by both parties against law provision as per Legislative Decree No. 95/2012 (Spending Review).

ITALY – New Venice-Mestre Hospital

SAT | Italy

Infrastructure: Four Hospitals in Tuscany - San Luca Hospital in Lucca, San Jacopo Hospital in Pistoia, New Hospital in Prato, Apuane Hospital in Massa-Carrara

Project status: in operation.

Concession expiry: 2033.

Financial indicators: 2,019 beds, 4,450 parking spaces, surface area of 200,000 m^2.

Grantor: Reference local health authorities.

Operator: SA.T S.p.A. (ASTALDI GROUP has a 35% interest).

The concession refers to the project finance initiative for the construction and subsequent operation of four hospitals in Tuscany (San Luca Hospital in Lucca, San Jacopo Hospital in Pistoia, the new Hospital in Prato and Apuane Hospital in Massa-Carrara).The hospitals were all built by ASTALDI and occupy a total surface area of more than 200,000 m^2 for a total of 2,019 hospital beds. 49 operating rooms and 4,450 parking spaces. The concession has a duration of 25 years and 8 months, 3 years and 2 months of which for design and construction activities and 19 years for operation of the works (built by ASTALDI), and of non-healthcare services. The project Operator is SA.T S.p.A., a SPV which ASTALDI GROUP holds a 35% interest in, that awarded the concession services to GE.SAT S.c.a.r.l. (ASTALDI GROUP has a 35% interest). The project provided for public funding during construction in addition to the payment of charges for the provision of non-healthcare services (with a guaranteed minimum for variable charges) by the Grantor during the operation phase. The agreement also includes exclusive user rights for commercial services. A refinancing contract was signed for this project in November 2015 with improved earning margins. The operation is now structured on a non-recourse loan of a total of EUR 134 million with a financial leverage of 23/77, and contribution of own resources (shareholder loan and equity) of approximately EUR 39 million. Public funding amounts to EUR 273 million excluding VAT. The total investment is EUR 411 million (financial expense and excluding VAT). As regards operation activities, annual revenue of EUR 60 million are forecast, EUR 28.8 million of which for the supply of fixed-charge services (works and systems maintenance, cleaning, automated transport, maintenance of green areas), EUR 29 million of guaranteed minimums for variable-charge services (catering services for patients and employees, laundry and clothing management, surgical instrument sterilisation, waste disposal, private medical services provided inside public facilities), and EUR 2.4 million for commercial services (car parks, coffee bars, bank, vending machines, newsstand/bookshop, etc.). At the draft date of this report, all the hospitals had been completed and were under operation. San Jacopo Hospital in Pistoia (466 beds) has been operational since July 2013, the new Hospital in Prato (635 beds) since September 2013, San Luca Hospital in Lucca (492 beds) was opened to the public in May 2014, and Apuane Hospital in Massa-Carrara (426 beds) was opened in January 2016. Operation continued as planned during 2016, in full compliance with the agreements in force. ASTALDI GROUP was involved in negotiations regarding the sale of its interest in SAT at the draft date of this report, in compliance with the guidelines set forth in the 2016-2020 Strategic Plan. Please refer to the Notes to the Finance Statements for further information.

ITALY –Apuane Hospital in Massa-Carrara.

M5 | Italy
Line 5, Milan Underground (Garibaldi-Bignami and Garibaldi-San Siro sections)
Project status: in operation.
Concession expiry: 2040.
Financial indicators: approximately 13 kilometres of line, 19 stations, maximum transport capacity of 26,000 passengers per hour in each direction.
Grantor: Municipality of Milan.
Operator: Metro 5 S.p.A. (ASTALDI GROUP has a 38.7% interest).
The infrastructure was built by ASTALDI. The Concession entails the design (final and construction), construction and subsequent multi-year operation, using the concession formula, of the new line's public transport service for the Garibaldi-Bignami section (Phase 1: 6 kilometres, 9 stations) and the Garibaldi-San Siro extension (Phase 2: 7.1 kilometres, 10 stations). As regards this project, two different Arrangements were initially signed (one for each section), then converted into a Single Arrangement in 2014. Subsequent to signing of the Single Arrangement and Single Economic and Financial Plan, signing of the relative single Financing Agreement to refinance the whole project was performed during 2015. The concession, as amended further to signing of the Single Arrangement, has a duration of 34 years and expires in December 2040. The operation is structured on a non-recourse, EUR 495-million loan for ASTALDI GROUP with financial leverage of 21/79 which provides for a contribution of EUR 135 million from own resources (share capital and subordinated loan). The concession includes the performance of civil works, signalling, supply of rolling stock and operation of the complete section. The total investment amounts to EUR 1.4 billion (excluding financial expense and VAT) with a public contribution of EUR 824 million, excluding VAT (EUR 116 million from the Municipality of Milan and the remaining sum from the state), and an additional cash flow of EUR 125 million from line operation. The services provided for by the concession agreement are operation and maintenance of the complete line; concession revenue for services provided in the form of availability charges are forecast in the sum of EUR 77 million per year from 2016 to 2035 and subsequently, EUR 56 million per year through to concession expiry. As regards this project, in December 2016, ASTALDI signed an agreement to sell 36.7% of the concession

holder – for more information, please refer to the section dedicated to Asset Disposal under the heading «Concessions». It has been deemed appropriate herein to note that the figures listed do not yet take into account this agreement.

ITALY– Line 5 of Milan underground (Garibaldi FS Station).

PACIFIC HYDRO CHACAYES | Chile
Chacayes Hydroelectric Project
Project status: in operation
Concession expiry: perpetual.
Financial indicators: installed capacity of 111 MW.
PPA Contract Customer: CHILECTRA, Chile's leading energy distribution company.
Regulator: Dirección General de Aguas-DGA
Operator: Pacific Hydro Chacayes S.A. (ASTALDI GROUP has a 27.3% interest).

The project consists in the equity investment in the SPV PACIFIC HYDRO CHACAYES S.A., responsible for constructing and operating the Chacayes Hydroelectric Plant (111 MW), built by ASTALDI. The investment in the S.P.V. is through a 100% interest in INVERSIONES ASSIMCO LTD., that, in turn, owns 100% of CACHAPOAL INVERSIONES Ltd. and that, in turn, holds 27.3% of PACIFIC HYDRO CHACAYES S.A. The Chacayes Hydroelectric Plant is located in the Alto Cachapoal valley (Andes mountain range) and is a run-of-river hydroelectric plant, in other words it works by exploiting the kinetic energy generated by the plentiful flow of the rivers located in the valley. Indeed, the infrastructure is the first totally eco-friendly plant in Chile, a characteristic which has won it the title of 2012 Best Hydro Project Award in the World, an international award given by the *Renewable Energy World Magazine*. The concession contract provides for user rights for an unlimited period of time: a PPA contract means that 60% of the energy produced is sold to CHILECTRA, Chile's leading energy distribution company at a set PPA price (Node Price discounted by 4%), while the remaining 40% is for the spot market. Operation of the plant commenced in October 2011 and the PPA contract came into force as of 1 January 2012. At 31 December 2016 Pacific Hydro Chacayes had achieved revenue of 27 million dollars and EBITDA of 15 million. Lastly, it must be noted that in March 2017, ASTALDI signed an agreement with the Chinese group SPIC OVERSEAS for sale of the interest in the concession holder of this project. Please refer herein to "Events after the reporting period" for more information. It has been deemed appropriate to highlight that the figures listed herein do not take into account this agreement.

CHILE – Chacayes Hydroelectric Plant.

CONSORCIO NUEVO PUDAHUEL | Chile

Arturo Merino Benítez International Airport in Santiago de Chile

Project status: Phase 1 (existing terminal) – In operation. Phase 2 (new terminal) – Under construction (with start-up of construction at the end of July 2016).

Concession expiry: 2035.

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

Grantor: Chile's Ministry of Public Works (M.O.P.).

Operator: CONSORCIO NUEVO PUDAHUEL (ASTALDI GROUP has a 15% interest).

The investment refers to the concession initiative to expand and operate Arturo Merino Benítez International Airport in Santiago de Chile. The concession involves (i) modernisation and extension of the existing terminal; (ii) funding, design and construction of a new passenger terminal with a surface area of 198,000 m^2 which will increase the airport's transport capacity to 30 million passengers per year; (iii) operation of all infrastructures (existing and new terminals, car parks and future commercial activities) for 20 years. CONSORCIO NUEVO PUDAHUEL, comprising ASTALDI (with a 15% interest through its investee ASTALDI CONCESSIONI) and the French companies, AÉROPORT DE PARIS (45%) and VINCI AIRPORTS (40%) are responsible for operation of the facilities. The concession came into effect as from 1 October 2015 insofar as the JV awarded the contract took over from the previous operator the operation of the existing facilities as from said date. Construction activities continued during 2016. Performance of the works is guaranteed by a USD 513-million loan (structured on a non-recourse base for ASTALDI GROUP), subscribed in July 2016 by a syndicate of local and international banks. Please refer to «Construction», for further information regarding the construction contract.

CHILE – Render of Arturo Merino Benítez International Airport, Santiago de Chile.

VALLE ACONCAGUA | Chile
Relaves Project
Project status: in operation.
Concession expiry: 2032.
Grantor: CODELCO, Chilean state company and leading global producer of copper.
Operator: Valle Aconcagua S.A. (ASTALDI GROUP has a 80.06% interest).
The investment refers to the concession contract for the design, construction and subsequent operation of a plant to treat sludge produced by the Andes mine for the recovery of copper and molybdenum. The mine is owned by CODELCO, a Chilean state company set up in 1976 and the leading global producer of copper. The total value of the investment is USD 55 million with total concession revenue through the duration of the concession amounting to USD 120 million. The plant was built by ASTALDI and has been in operation since the second half of 2013. It has a recovery capacity of 2,200 tons of copper per year which CODELCO has undertaken to buy at set conditions. At 31 December 2016, concession revenue for the year totalled approximately USD 9 million. 2016 showed a marked improvement compared to previous years. In 2016 Astaldi Group increased its interest in the SPV for this project from 77.51% to 80.06%. With regard to group synergies, operation of the plant was assigned to NBI Chile (Astaldi Group) in May 2016. It must also be noted that a checking process aimed at further optimising the plant's efficiency parameters is underway. While recording suitable operating levels, the plant's production is penalised by the quality of materials it handles.

OTOYOL | Turkey
Gebze-Orhangazi-Izmir Motorway
Project status: Phase 1 – in operation Phase 2-A and Phase 2-B - under construction.
Concession expiry: 2035.
Financial indicators: over 400 kilometres of motorway sections, including Izmit Bay Bridge.
Grantor: KGM (Turkish Ministry of Transport's National Motorway Authority).
Operator: OTOYOL (Astaldi Group has an 18.86% interest).
Investment amount: Approximately USD 7 billion.
EPC Contract amount: more than USD 5 billion (ASTALDI has a 17.5% interest).

The investment refers to the design and construction, using the concession formula, of a new section of motorway in Turkey. The route will run along the Gebze-Orhangazi-Bursa-Izmir route in Turkey for more than 400 kilometres, including a suspension bridge, the 4th longest in the world (Izmit Bay Bridge). The contractual duration of the concession is 22 years and 4 months, including a maximum of 7 years for construction and approximately 19 years for operation of Phase 1 (Gebze-Orhangazi including Izmit Bay Bridge). The concession contract between the customer KGM and the operator OTOYOL was signed in September 2010 and the works are being performed in separate functional phases. The works are currently under construction as regards Phase 2-A (Orhangazi-Bursa) and Phase 2-B (Bursa-Izmir) and the part of the route referring to Phase 1 has been in operation since June 2016. Progress of works is supported by a USD 5-billion loan (structured on a non-recourse basis for ASTALDI GROUP), subscribed in June 2015 by a syndicate of international banks. This guaranteed, inter alia, rebalancing of the project's financial leverage (debt/equity ratio) to 78/22 (from the initial 50/50) without any need for additional injection of equity by ASTALDI. The resulting total investment amounts to approximately USD 7 billion, with a guaranteed minimum of 67% of forecast concession revenue. The services provided are operation and maintenance of the whole section and, USD 17 million of operating revenue is forecast for the concession holder with regard to the services provided. As regards this project, Phase 1 was opened to the public and became operational during the first half of 2016 (including Izmit Bay Bridge). In addition to this, also the first 40 kilometres of motorway, already open to traffic along the route running from Gebze to Orhangazi. At the draft date of this report, an average of 23,000 vehicles per day passed along the whole route. For more information regarding the construction phase, please refer to «Construction» and «Events after the reporting period».

TURKEY – Izmit Bay Bridge.

ICA IC ICTAS ASTALDI | Turkey
Third Bosphorus Bridge and Northern Marmara Highway

Project status: Phase 1 (Bridge and basic section) – In operation. Phase 2 (additional works) - under construction.
Financial indicators: over 160 kilometres of motorway, including a bridge crossing over the Bosphorus.
Grantor: KGM (Turkish Ministry of Transport's National Motorway Authority).
Operator: ICA IC ICTAS ASTALDI (ASTALDI GROUP has a 33.33% interest).
Investment amount: USD 3.8 billion
EPC Contract amount: over USD 3 billion (ASTALDI GROUP has a 33.33% interest)

The investment refers to the concession contract for the construction and subsequent operation of a section of over 160 kilometres of motorway links between the cities of Odayeri and Paşaköy, as well as a hybrid bridge with a 1.408-km clear span between the neighbourhoods of Poyrazköy and Garipçe in Istanbul, connecting Europe and Asia. The bridge will boast many engineering firsts insofar as the longest and widest hybrid bridge in the world, with A-shaped towers taller than the Eiffel Tower. The concession duration is 10 years, 2 months and 20 days, 30 months of which for design and construction activities and the remaining 7 years, 8 months and 20 days for operation and maintenance. The estimated investment totals over USD 3 billion with a guaranteed minimum of 90%. The services provided for by the concession agreement are operation and maintenance of the motorway section, including service areas. Operating revenue totalling USD 6 billion is forecast. As regards this project, closing of a USD 2.3 billion loan was seen in May 2014 (structured on a non-recourse base for ASTALDI GROUP), subscribed by a syndicate of Turkish banks. Subsequently, further to additional works requested by the customer, two additional sets of works were funded, with loans totalling USD 630 million. The subscribed loans are used to ensure progress of works as planned. At the present moment, the additional works only are being performed. Indeed, the bridge was inaugurated and opened to the public at the end of August. Please refer herein to “Construction” for further information regarding the construction phase.

TURKEY – Third Bosphorus Bridge.

Projects under construction

SPV LINEA M4 | Italy
Line 4, Milan Underground
Project status: under construction.
Concession expiry: 2040.
Financial indicators: 15.2 kilometres of line, 21 stations, maximum transport capacity of 24,000 passengers per hour in each direction.
Grantor: Municipality of Milan.
Operator: SPV Linea M4 S.p.A. (ASTALDI GROUP has a 9.7% interest).
Investment amount: EUR 2 billion.
EPC contract amount: EUR 1 billion (ASTALDI has a 50% interest), including the Centre and Tricolore amendments.
The investment refers to the construction and subsequent operation of Line 4 of the Milan Underground, to be performed using the PPP formula. The infrastructure will be a driverless, fully-integrated, light underground with a CBTC (Communication Based Train Control) signalling system and platform doors. The project entails the design, construction and multi-year operation of the public transport system of the complete line which runs from San Cristoforo to Linate Airport, for a total of 15.2 kilometres and 21 stations, with a maximum transportation capacity of 24,000 passengers/hour in each direction. The construction of a Depot/Workshop in the San Cristoforo area is also planned to be used to house and maintain rolling stock (47 vehicles). The

concession has a duration of 372 months as from signing of the Arrangement (in December 2014), 90 months of which for construction and 282 months for operation. The project's Operator is SPV Linea M4 S.p.A. with a public-private mixed capital where 2/3 of shares are held by the municipality granting the concession and 1/3 by private shareholders awarded the concession and in which Astaldi holds a 9.7% interest. The operation provides for the disbursement of public funding (municipal and state funding) during construction and the payment of a minimum guaranteed fee by the Grantor during the operation phase. The concession includes civil and technological works and the supply of rolling stock as well as maintenance and operation (technical, operational, administrative and financial) of the whole line. The total resulting investment amounts to EUR 1.7 billion, plus VAT (EUR 1.1 billion of which of public funding). As regards this project, a EUR 516-million loan (on a non-recourse basis for the Astaldi Group), signed by a syndicate of leading banks and to be used to compete works, was closed in December 2014. Construction activities were going ahead at the draft date of this report. Please refer to "Construction" for more information regarding the construction phase.

ITALY – Line 4 of Milan underground.

ANKARA ETLIK HASTANESI | Turkey
Etlik Integrated Health Campus - Ankara

Project status: under construction.
Concession expiry: 2042
Financial indicators: over 3,577 beds.
Grantor: Turkish Ministry of Health (MOH).
Operator: ANKARA ETLIK HASTANESI A.S. (ASTALDI GROUP has a 51% interest).
Investment amount: EUR 1.12 billion.
EPC contract amount: EUR 870 million (ASTALDI GROUP has a 51% interest).

Ankara Etlik Hastanesi A.S. is the SPV responsible for the design, construction and operation, using the concession formula, of the Etlik Integrated Health Campus in Ankara, Turkey. The project is being performed on behalf of the Turkish Ministry of Health (MOH) by the joint venture in which ASTALDI GROUP holds a 51% interest and the Turkish company, Türkerler, the remaining 49%. The investment involves the construction of a healthcare facility that will provide over 3,577 beds occupying a total surface area of approximately 1,100,000 m^2. The duration of the concession is 27.5 years, 3.5 of which for design and construction activities and the remaining 24 years for the operation of non-healthcare hospital services (cleaning, internal catering, waste collection, laundry, pest control, security, patient assistance, help desk, maintenance of civil works, IT services and green spaces) as well as clinical services (laboratories, imaging, sterilisation, rehabilitation) and commercial services (coffee bar, public services, car parks). Non-inflated concession revenue of EUR 5.6 billion (ASTALDI has a 51% interest) is forecast for the supply of services. The investment amounts to approximately EUR 1.1 billion with a guaranteed minimum of approximately 66%. Construction activities are supported by a EUR 883-million loan agreement (structured on a non-recourse basis for ASTALDI GROUP), subscribed in June 2015 by a syndicate of international banks. As regards this project, a new contract (including additional works requested by the customer) was approved in November 2014 by Turkey's High Planning Council. Construction activities have being going ahead from that date and are currently fully operational. Please refer to "Construction" for more information about the construction phase.

TURKEY – Etlik Integrated Health Campus, Ankara.

SOCIEDAD CONCESIONARIA METROPOLITANA DE SALUD | Chile
West Metropolitan Hospital, Santiago de Chile

Project status: under construction.

Concession expiry: 2033.

Financial indicators: 523 beds, 599 parking spaces.

Grantor: Chile's Ministry of Public Works.

Operator: Sociedad Concesionaria Metropolitana de Salud S.A. (100% ASTALDI-owned prior to the agreement signed in December 2016 with MERIDIAM infrastructure fund).

Investment amount: EUR 236 million.

EPC contract amount: EUR 212 million (100% ASTALDI-owned), including the supply of electro medical equipment and furnishings.

Sociedad Concesionaria Metropolitana de Salud (SCMS) is the holder of the concession contract for the design, financing, construction and operation of commercial and non-medical services of the West Metropolitan Hospital in Santiago de Chile. The supply and maintenance of electro medical equipment and furnishings is also provided for. The new facility will occupy 10 floors (plus a heliport), for a total of 523 beds, 599 parking spaces and a surface area of 125,000 m^2. The total investment amounts to EUR 236 million, EUR 212 million of which for construction activities and the supply of electro medical equipment and furnishings. The concession will last 20 years, with 52 months for construction and 15 years for operation. The works have been commissioned by Chile's Ministry of Public Works (MOP - *Ministerio Obras Publicas)* and will be financed by private capital. The investment made will be repaid by approximately EUR 500 million of total concession revenue, 95% of which is guaranteed in the form of availability charges. Construction works are backed by a local currency loan equivalent to USD 252 million (structured on a non-recourse basis for ASTALDI GROUP), subscribed in April 2016 by a syndicate of international banks. Construction was going ahead at the draft date of this report with progress in line with the obligations undertaken by the customer. For more information about the construction phase, please refer to "Construction". It must also be noted that as regards this project, a strategic partnership was embarked on in December 2016 with the infrastructure fund e MERIDIAM LATAM HOLDING regarding its gradual entry into the capital of SCMS. Therefore, at the draft date of this report, ASTALDI held a 51% interest in SCMS. Please refer to "Events after the reporting period" for more information.

CHILE – West Metropolitan Hospital, Santiago.

Main projects to be financed

SCAP | Chile
Multi-purpose dam
Project status: to be financed.
Financial indicators: intake capacity of 625 million m^3 and 94 MW of installed power.
Grantor: Chile's Ministry of Public Works (MOP).
Operator: ASTALDI.
The project for which financial closing is pending refers to the multi-year concession for the design, construction and operation of a multi-purpose hydroelectric plant with an intake capacity of 625 million m^3 and installed power of 94 MW. The plant will be built in San Fabián, in Chile, and will be used to improve the storage capacity of irrigation water and to increase the Bío Bío region's power generation capacity. The concession will have a duration of 45 years, with 2 years for design and 5 years and 3 months for construction. It entails:

- Design and construction of a Concrete Faced Rockfill Dam, with an intake capacity of 625 million m^3 and installed power of 94 MW;
- Operation for 37 years and 9 months of irrigation water storage and distribution for which the operator shall receive a set public contribution;
- Operation for a similar period of the electricity generation plant against sale on the Chilean electricity market of the power produced.

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Main Group Companies

Astaldi S.p.A. (Parent)

While being the Group's holding company, Astaldi S.p.A. maintains a high level of operations insofar as the projects carried out through branches and/or directly are, in any case, significant.

The company's total revenue at 31 December 2016 totalled EUR 2.2 billion (in line with 2015), accounting for approximately 74% of the Group's revenue. EBITDA totalled EUR 297.6 million (EUR 319.1 million in 2015). It must be recalled that this income statement item also includes "Shares of profit/(losses) from joint ventures and associates" as from 2016, insomuch as, following implementation of the changes introduced under EU Regulation No. 2015/2441 to IAS-27 "Separate Financial Statements", the company availed itself of the faculty (cited in IAS-27) to use equity accounting for interest in subsidiaries, associates and joint ventures (hence 2015 comparative figures were restated). EBIT totalled EUR 249.9 million (EUR 248.4 million in 2015). The pre-tax result stood at EUR 100.1 million (EUR 109.8 million in 2015) and net profit totalled EUR 73.3 million (EUR 77.5 million in 2015).

FINANCIAL RESULTS

Total revenue amounted to EUR 2.2 billion, largely the same as last year and comprising EUR 2.08 billion of revenue from works and EUR 140.4 million of other operating revenue.

International operations accounted for approximately 82% of operating revenue, equal to approximately EUR 1.7 billion (respectively EUR 1.69 billion and 80% in 2015) thanks to the contribution from Europe (EUR 1.16 billion) due to good progress achieved in relation to the M-11 Moscow-St. Petersburg motorway in Russia and to activities in progress in Turkey (Third Bosphorus Bridge, Gebze-Orhangazi-Izmir motorway). The contribution to the value of production coming from America also showed an increase, benefitting from the positive effect of production in Chile (West Metropolitan Hospital and Arturo Merino Benítez International Airport in Santiago, Chuquicamata). The contribution from the Maghreb was related to railway works in progress in Algeria. As regards Italy, excellent progress was recorded for the Marche-Umbria Quadrilatero road network and Line 4 of the Milan underground, as well as the results achieved for operation of the four hospitals in Tuscany.

ASTALDI S.P.A. OPERATING REVENUE BY GEOGRAPHICAL SEGMENT
(Figures shown in millions of Euro)

(EUR/millions)	31.12.2016	%	31.12.2015	%	YOY change (%)
Italy	**374**	**18.0%**	**410**	**19.5%**	**-8.8%**
International	**1,706**	**82.0%**	**1,697**	**80.5%**	**0.5%**
Europe	*1,159*	*55.7%*	*1,190*	*56.5%*	*-2.6%*
America	*401*	*19.3%*	*385*	*18.3%*	*4.2%*
Asia	*1*	*0.0%*	*0*	*0.0%*	*n.a.*
Africa (Algeria)	*145*	*7.0%*	*122*	*5.8%*	*18.9%*
TOTAL OPERATING REVENUE	**2,080**	**100.0%**	**2,107**	**100.0%**	**-1.3%**

ASTALDI S.P.A. OPERATING REVENUE BY SEGMENT
(Figures shown in millions of Euro)

(EUR/millions)	31.12.2016	%	31.12.2015	%	YOY change (%)
Transport infrastructures	**1,593**	**76.6%**	**1,714**	**81.3%**	**-7.1%**
Energy production plants	**58**	**2.8%**	**127**	**6.0%**	**-54.3%**
Civil and industrial construction	**149**	**7.2%**	**135**	**6.4%**	**10.4%**
Facility management and Plant Engineering	**264**	**12.7%**	**119**	**5.6%**	**121.8%**
Concessions	**16**	**0.8%**	**12**	**0.6%**	**33.3%**
TOTAL OPERATING REVENUE	**2,080**	**100.0%**	**2,107**	**100.0%**	**-1.3%**

The **production cost** totalled EUR 1,599.5 million (EUR 1,598.4 million in 2015) with an unchanged incidence of 72% on revenue. **Personnel expenses** totalled EUR 317.9 million, showing an increase compared to EUR 296.9 million in 2015, above all due to the higher levels of production achieved in South America. Other operating costs totalled EUR 32.9 million (EUR 36.8 million in 2015), with a drop in the incidence on revenue to 1.5%.
As from 2016, equity accounting under "Shares of profits/(losses) from joint ventures and associates can be found on the Parent's financial statements too, as a result of the aforementioned IAS-27. The company chose to avail itself of the faculty to use this method for all investees, resulting in a contribution to the income statement of approximately EUR 27.7 million compared to EUR 32,6 million in 2015 (restated).
Amortisation and depreciation totalled EUR 46.1 million (EUR 50.6 million in 2015) and took into account property, plant and equipment and intangible assets.
EBIT totalled EUR 249.9 million with an EBIT margin of 11.3% (EUR 248.4 million in 2015).
Net financial expense amounted to EUR 149.1 million (EUR 138.7 million in 2015), with a 6.7% incidence on revenue (6.3% in 2015), due above all to the negative trend of some foreign currencies as well as higher than average levels of debt.
EBT totalled EUR 100.8 million (EUR 109.8 million in 2015). The **operating profit** totalled EUR 73.3 million (EUR 77.5 million in 2015) following taxes of EUR 27.4 million (with an estimated tax rate of 27.2%).

FINANCIAL POSITION

Net non-current assets increased to EUR 1,088.2 million (EUR 972.9 million in 2015), showing a trend mainly reflecting the results of equity investments made in relation to concession projects in progress in Turkey (Gebze-Orhangazi-Izmir Motorway), as well as the acquisition of contractual rights related to the completion of works for the Marche-Umbria Quadrilatero Road Network and works related to its partner Giustino in the Naples area (Infraflegrea Project). It must be noted that "Non-current assets held for sale" include assets related to Line 5 of Milan underground and the four hospitals in Tuscany since it is probable that they will be sold in 2017
Operating working capital amounted to EUR 964.3 million, compared to the total of EUR 840.6 million at the end of 2015 as a result of the **increase in contract work in progress to EUR 1,350.4 million** (from EUR 1,115.5 million in 2015). Said increase was due above all to the increase in production volumes in Turkey (Gebze-Orhangazi-Izmir Motorway, Third Bosphorus Bridge), Italy (Line 4 of Milan Underground, Marche-Umbria Quadrilatero Road Network) and Chile (Chuquicamata). Note must also be taken of the trend in contractual advances as a result of the partial recovery related to construction works for the WHSD in St. Petersburg in Russia and the Etlik Integrated Health Campus in Ankara in Turkey, partially offset by advances received in Italy (Brenner Tunnel) and Chile (E-ELT, Chuquicamata).
Equity increased to EUR 691.4 million (EUR 627.5 million in 2015) thanks to operating profit, items entered in the statement of comprehensive income and payment of dividends totalling EUR 19.5 million in May 2016.

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NET FINANCIAL DEBT

Please find below the statement showing a breakdown of Astaldi S.p.A.'s net financial debt. For an analysis of the year's trends, please refer to what has already been mentioned when representing changes at a consolidated level.

BREAKDOWN OF NET FINANCIAL DEBT
(Figures shown in thousands of Euro)

		31/12/2016	31/12/2015
A	Cash	400,387	455,140
B	Securities held for trading	848	1,153
C	**Cash and cash equivalents**	**401,234**	**456,294**
-	Current loan assets	58,716	30,968
-	Current portion of financial assets from concession activities		
D	**Current loan assets**	**58,716**	**30,968**
E	Current portion of bank loans and borrowings	(312,867)	(459,289)
F	Current portion of bonds	(4,294)	(4,535)
G	Current portion of non-current debt	(152,545)	(111,442)
H	Other current loans and borrowings	(97,077)	(6,825)
I	**Current financial debt**	**(566,782)**	**(582,091)**
J	**Net current financial debt**	**(106,832)**	**(94,830)**
K	Non-current portion of bank loans and borrowings	(575,473)	(379,591)
L	Bonds	(874,333)	(872,228)
M	Other non-current financial liabilities	(13,653)	(2,761)
N	**Non-current financial debt**	**(1,463,458)**	**(1,254,580)**
O	**Gross financial debt from Continuing operations**	**(2,030,240)**	**(1,836,672)**
P	**Net financial debt from Continuing operations**	**(1,570,291)**	**(1,349,410)**
Q	**Net financial debt of Disposal groups**	**40,703**	
R	**Net financial debt**	**(1,529,587)**	**(1,349,410)**
-	Non-current portion of loan assets		
-	Subordinated loans	217,240	227,629
-	Non-current portion of financial assets from concession activities		
S	**Non-current loan assets**	**217,240**	**227,629**
T	**Total financial debt**	**(1,312,347)**	**(1,121,782)**
	Treasury shares in portfolio	**3,864**	**5,814**
	Total net financial debt	**(1,308,483)**	**(1,115,967)**

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RECLASSIFIED INCOME STATEMENT
(Figures shown in thousands of Euro)

	Reconciliation with separate financial statements	**31/12/2016**		**31/12/2015**	
Revenue	1	2,079,703	93.7%	2,106,765	95.0%
Other operating revenue	2	140,438	6.3%	111,835	5.0%
Total Revenue		**2,220,141**	**100.0%**	**2,218,600**	**100.0%**
Production cost	3-4	(1,599,492)	-72.0%	(1,598,443)	-72.0%
Added value		**620,649**	**28.0%**	**620,157**	**28.0%**
Personnel expenses	5	(317,910)	-14.3%	(296,886)	-13.4%
Other operating costs	6	(32,891)	-1.5%	(36,779)	-1.7%
Shares of profits / (losses) of joint ventures and associates	7	27,741	1.2%	32,624	1.5%
EBITDA		**297,589**	**13.4%**	**319,115**	**14.4%**
Amortisation and depreciation	8	(46,074)	-2.1%	(50,627)	-2.3%
Provisions	9	(1,467)	-0.1%	(20,015)	-0.9%
Impairment losses	8	(166)	0.0%	(25)	0.0%
EBIT		**249,882**	**11.3%**	**248,448**	**11.2%**
Net financial expense	10-11	(149,119)	-6.7%	(138,669)	-6.3%
Pre-tax profit		**100,763**	**4.5%**	**109,780**	**4.9%**
Tax expense	12	(27,447)	-1.2%	(32,288)	-1.5%
Profit for the year		**73,316**	3.3%	**77,491**	3.5%

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RECLASSIFIED STATEMENT OF FINANCIAL POSITION
(Figures shown in thousands of Euro)

	Reconciliation with separate financial statements	**31/12/2016**	**31/12/2015**
Intangible assets	16	51,298	20,995
Property, plant and equipment and investment property	14-15	171,076	171,850
Equity investments	17	674,485	594,727
Other net non-current assets	12-18-19	154,295	185,394
Non-current assets held for sale	25	37,053	
Total non-current assets (A)		**1,088,207**	**972,965**
Inventories	20	37,942	56,813
Contract work in progress	21	1,350,412	1,115,495
Trade receivables	22	141,796	99,352
Amounts due from customers	22	643,685	653,060
Other assets	18-19	464,177	367,339
Tax assets	23	68,767	101,892
Payments on account from customers	21	(407,417)	(364,063)
Subtotal		**2,299,361**	**2,029,887**
Trade payables	30-19	(394,700)	(319,849)
Amounts due to suppliers	30-19	(684,360)	(625,805)
Other liabilities	12-27-28-31	(255,983)	(243,627)
Subtotal		**(1,335,043)**	**(1,189,281)**
Operating working capital (B)		**964,318**	**840,606**
Employee benefits	29	(4,727)	(5,246)
Non-current portion of provisions for risks and charges	32	(44,083)	(59,014)
Total provisions (C)		**(48,810)**	**(64,259)**
Net invested capital (D) = (A) + (B) + (C)		**2,003,714**	**1,749,312**
Cash and cash equivalents	24	400,387	455,140
Current loan assets	18	58,716	30,968
Non-current loan assets	18	217,240	227,629
Securities	18	848	1,153
Current financial liabilities	27	(566,782)	(582,091)
Non-current financial liabilities	27	(1,463,458)	(1,254,580)
Net loans and borrowings (E)		**(1,353,050)**	**(1,121,782)**
Net financial debt of disposal groups	25	40,703	
Total loans and borrowings (F)		**(1,312,347)**	**(1,121,782)**
Equity attributable to the owners of the Parent	26	(691,368)	(627,531)
Equity attributable to non-controlling interests			
Equity (G) = (D) - (F)		**691,368**	**627,531**

Astaldi Concessioni

ASTALDI CONCESSIONI (100%-owned by ASTALDI) is the ASTALDI GROUP company dedicated to developing and operating concession and project finance initiatives.

The company was set up in 2010 as part of a broader project to streamline ASTALDI GROUP's activities in the Concessions segment which entailed the standardisation of skills and know-how acquired at a central level, in terms of planning, organisation and start-up of these specific projects, within a vision of consolidating its integrated offer capacity. ASTALDI CONCESSIONI is now an independent and highly specialised company, also able to work in partnerships with leading operators of private and public infrastructures – as for example in Santiago de Chile for Arturo Merino Benítez International Airport (with the VINCI Group) or, more recently with the West Metropolitan Hospital in Santiago (with the MERIDIAM infrastructure fund).

In keeping with ASTALDI GROUP's growth strategies, the concessions of interest for ASTALDI CONCESSIONI are normally projects developed using the BOT (Build-Operate-Transfer) formula characterised by (i) an initial construction phase during which Astaldi Group operates as an EPC Contractor and service provider, (ii) multi-year operation of the infrastructure, (iii) a last phase of transfer of the infrastructure to the concession Grantor upon completion of the operation period. The development model also provides for the skills and know-how acquired by the GROUP in O& M to be used for the project following transfer to the Grantor, through ASTALDI CONCESSIONI and, more recently, NBI (a Group company dedicated to the Facility Management and Plant Engineering segment).

Generally speaking, projects are financed on a non-recourse basis through equity injections, project debt, medium/long-term bridge loans and project finance.

At the draft date of the report, the project being performed by ASTALDI CONCESSIONI (on its own or on behalf of the Group) comprised involvement in projects in Italy, Turkey and Chile, related to the following segments:

- Healthcare Construction – 7 hospitals, for a total of more than 6,800 beds and more than 17,200 parking spaces
- Transport Infrastructures (undergrounds, motorways, airports) – 572 kilometres of motorway, 28 kilometres of underground, 1 airport with technical transportation capacity of 30 million passengers per year
- Energy Production Plants – 1 111-MW hydroelectric plant with a production capacity of 557 Gw/year
- Mining Infrastructures – 1 plant for the recovery of 3,200 tonnes/year of copper from mine sludge.

The concessions currently in progress are:

- Projects in operation in Italy and abroad (Turkey and Chile)
  a. 1 underground line in Italy (Line 5 of Milan underground for which a transfer agreement was signed at the end of 2016, to be performed by 2017),
  b. 5 hospitals in Italy (four hospitals in Tuscany, Venice-Mestre hospital);
  c. 2 motorways in Turkey (Third Bosphorus Bridge, Gebze-Orhangazi-Izmir motorway Phase 1)
  d. 1 airport in Chile (Arturo Merino Benítez International Airport in Santiago Phase 1),
  e. 1 hydroelectric plant in Chile (Chacayes Hydroelectric Plant),
  f. 1 industrial plant for the mining sector in Chile (Relaves Plant);
- Projects under construction in Italy and abroad (Turkey and Chile)
  a. 1 underground in Italy (Line 4 of Milan underground),
  b. 1 hospital in Turkey (Etlik Health Integrated Campus in Ankara),
  c. 1 hospital in Chile (West Metropolitan Hospital in Santiago)
  d. 5 car parks in Italy (sale of the remaining 5%, following sale of the other 95% in July 2014).

The segment's investment model sees a prevalence among current initiatives of projects also financed through state funding and which provide for forms of guaranteed minimums paid by the Grantor. Concession activities are generally performed through SPVs which non-controlling interests are held in.

For a description of each project, please see "Order Backlog". It has been deemed appropriate herein to highlight the results achieved by ASTALDI CONCESSIONI with regard solely to the operation of projects specifically attributable to its consolidation area.

ASTALDI CONCESSIONI produced revenue of approximately EUR 11 million (a little more than EUR 10 million in 2015), to be attributed mainly to activities developed in Chile and Turkey, as well as Italy. EBITDA totalled EUR 3.2 million (EUR 2.3 million in 2015) with an EBITDA margin of 29.4% (compared to 23.3% at the end of 2015).

Astaldi Construction Corporation

ASTALDI CONSTRUCTION CORPORATION (100% owned by ASTALDI) is the company operating under U.S. law, based in Florida, which has handled the Group's activities in the USA for over 20 years. It performs transport infrastructure construction projects (mainly motorways and viaducts) for public counterparties.

Among projects in progress or completed in 2016, mention must be made in particular of those with the customer, FDOT - Florida Department of Transportation involving the following infrastructures:

- *NW 25th Street (Doral, Miami-Dade County, FL)*: USD 58 million for the upgrading and widening to 4-6 lanes of an expressway in Doral, in Miami-Dade County, in the vicinity of Miami International Airport. Works include the construction of a steel frame overpass near SR-826 Palmetto Expressway and of a viaduct, for a total length of 1.9 km. The works were completed in August 2016. The project stood out, among other things, for the occupational safety targets achieved while performing works.
- *SR-5/US1 (Cocoa, Brevard County, FL)*: USD 30.4 million for the upgrading and widening from 4 to 6 lanes of a 6-km long section of the SR-5/US1 in Cocoa City, Brevard County. Acquisition of this project is especially strategic given the infrastructure plans to be developed in the Orlando area which, in the medium-term, include the performance of significant motorway, railway and airport projects. The works were completed in September 2016.
- *Veterans Expressway, SR-589 (Tampa, Hillsborough County, FL)*: USD 46 million for the widening and upgrading, including automatic toll systems, of 5 kilometres of the Veterans Expressway SR-589 in Tampa, along the Memorial Highway-Barry Road section. The works are being completed.
- *I-95 Spanish River Interchange (Boca Raton, Palm Beach County, FL)*: USD 66.6 million for the design and construction of approximately 6 kilometres of route along the Interstate I-95, the main motorway linking the east coast of the United States, from the north intersection with Yamato Road to the south intersection with Spanish River Boulevard in Boca Raton city. The contract also involves the widening and construction of 13 bridges and road works along the I-95 and Yamato Road. Approximately 76% of works had been completed in December 2016. Consignment is scheduled for September 2017
- *I-75 from Charlotte/Sarasota County Lines to Toledo Blade* – USD 72.9 million for the performance of road resurface works and widening from 2 to 3 lanes, in both directions, for State Road 93 (I-75), an expressway located between Port Charlotte in Charlotte County and North Port in Sarasota County, for a total of approximately 25 kilometres. The contract also provides for the widening of 7 concrete bridges for a total length of 0.5 kilometres, hydraulic improvements and barriers, signalling, lighting and smart traffic management system. The duration of works is approximately 22 months. Approximately 65% of works were completed in 2016. Consignment is scheduled for September 2017.
- *SR 528 (Beach line)* – USD 32 million. The contract was acquired in June 2016. The contractual duration is 800 days with the start-up of works in January 2017. Works are to be completed by March 2019. The project involves widening of the SR-528 from 6 to 8 lanes, for a total length of approximately 5 miles. The project also entails widening of three existing bridges.

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- *Halls River* – Approximately USD 6 million, with the start-up of works in January 2017 and consignment in November of the same year. The project involves the demolition of an existing bridge with relative reconstruction of a 5-span bridge. The bridge will be built with glass fibre (GFRP) and carbon fibre (CFRP) bars. The use of these materials makes the work of prime importance in Florida since it is the first bridge built using fibre-reinforced material. Because of this, construction works will be supervised by the University of Miami.
- *I-405 Los Angeles, California* – USD 1.2 billion, acquired as part of a JV with OHL USA, for the extension of approximately 21 kilometres of carriageway with 2 additional lanes and the construction/widening of 33 bridges. It is the most important infrastructure project awarded for the coming years in California. Successful awarding of this contract responds to ASTALDI GROUP's new strategy implemented in Italy, which is aimed at acquiring significant D&B project as partners with local or already established companies, so as to be able to ensure a sizeable increase in revenue over the next 3 years.

ASTALDI CONSTRUCTION CORPORATION ended 2016 with a residual order backlog of approximately USD 555 million, against revenue from work of USD 88 million. Following some commercial projects with a negative outcome for the company, as well as the conditions of the local construction market that differed greatly from tender forecasts, the company closed the year's accounts with a loss. Action at the beginning of the year to strengthen ASTALDI's organisation in the USA, so as to be able to allow the company to pursue a greater number of opportunities in the major infrastructures segment so as to guarantee an increase in turnover in the short-term with optimisation of results, already generated positive signals at the end of 2016, represented by the operating results in the I-75 project, started up in 2016, and above all by acquisition of the I-405 project in California.

USA – Render of I-405 highway in Los Angeles, California.

NBI

NBI is the Astaldi Group company dedicated to developing the Facility Management and Plant Engineering segment, specialising also in Renewable Energies, Engineering and Management of Complex Systems. 100%-owned by ASTALDI S.p.A., it is the result of ASTALDI GROUP's acquisition of a business unit of the longstanding company Busi Impianti, based in Bologna and operational since 1952. NBI is among the leading Italian companies working in the Engineering and Civil and Industrial Plant Engineering segment in the private and public sectors, also thanks to the high level of specialisation it can boast. At an international level, it works with ASTALDI, offering specialist support where the Group operates.

The main segments of interest for NBI are as follows: healthcare, commerce, industry, infrastructures, airports, hotel and tourism, pharmaceutics and renewable energies (photovoltaic, wind energy, micro-cogeneration and sustainable development). The main activities performed are integrated design and construction; electrical, mechanical, special and technological systems; heating, conditioning and hydraulic systems; electrical distribution systems; engineering; civil works; special integrated systems; automation of civil and industrial systems; security systems; global maintenance engineering; and electrical and thermal energy production systems.

NBI Group's total production in 2016 was approximately EUR 110 million, which each of the reference segments contributed to, as better detailed below.

SYSTEMS DIVISION ITALY. The segment's performance during 2016 was largely in line with forecasts. The year's results for this segment are to be attributed to (i) works performed with Astaldi (Pedelombarda S.c.p.a., Apuane Hospital in Massa-Carrara, Line 5 of Milan underground, New Ospedale del Mare, Amendola airbase, Line 4 of Milan underground, Naples-Afragola HS station; Marche-Umbria Quadrilatero road network, Angelini pharmaceutical group's offices in Rome), (ii) as well as independent contracts with third parties (Prosthesis Centre in Vigorso, Building A and Canteen M1 for Seb Investments' offices in Rome, Careggi Hospital in Florence, Bologna Trigeneration Plant belonging to Finanziaria Bolognese Metropolitana; Maggiore Hospital in Bologna; new Lamborghini building; Leonardo da Vinci di Roma-Fiumicino International Airport; new location of Clinica Paideia in Roma; new HERA offices in Bologna). Additional contracts were acquired during the year which will be launched in 2017 (Passarella Tunnel in Milan; Expansion of Ferrari's engine test benches and completion of new GeS; Executive design and performance of works to build a workshop, centralised warehouse and parade ground for S. Martino barracks in Mantua.

MAINTENANCE AND ENERGY DIVISION ITALY. In 2016, the Division's operations, both in the Maintenance and Facility Management segments, allowed for confirmation of the levels of production and margins forecast and estimated for the Italian market, with openings and development programmes for the international market too. Development programmes entail confirmation of the approach to consolidation of positions on the specific market of complex public and private technological management contracts, improvement of strategic synergy and interaction with ASTALDI, as well as access to additional valuable market opportunities, including abroad. Specifically, the main contracts that continued and developed during 2016 at a national level were as follows:

- Sorrentina National Road – tunnel plant maintenance
- Bologna university – thermo-technical, electrical and special plant maintenance
- HERA Bologna Offices – substation maintenance district heating system;
- Villalba and Villatorri – technological plant maintenance;
- Bologna City Theatre – technological plant maintenance;
- ALMAMATER (Bologna university) – plant maintenance for various faculties;
- METRO 5 Milano – plant maintenance logistic fields;
- GOGLIO S.p.A. (Daverio plant, Varese) – plant maintenance
- San Luca Hospital in Lucca – standard and non-recurring full-risk maintenance for 20 years
- Apuane Hospital in Massa Carrara – standard and non-recurring full-risk maintenance for 20 years
- San Matteo Hospital in Pavia – plant maintenance
- European Commission Research Centre in Ispra (VA) - standard and non-recurring maintenance of conditioning and water systems
- Coop. Adriatica – photovoltaic plant maintenance;
- IDEA FIMIT SGR S.p.A. – plant renovation;
- Banca d'Italia – new electrical systems;
- ALMAVIVA – construction of various railway station plants;
- Cassa di Risparmio di Trieste – Renovation of former wine warehouse
- ATM Metro-Mi – Construction of electrical substations;

- Police Officers Academy in Florence – photovoltaic plant
- Centostazioni S.p.A. – integrated standard and non-recurring maintenance of energy service at real estate complex of railway stations belonging to the Centostazioni SPA network
- Global services for real estate innovation of Via Olona 2 Milan.

INTERNATIONAL DIVISION. 2016 was a year of major increase for the company's international activities. NBI works abroad, providing specialist support to the parent ASTALDI in its reference markets: Poland, Romania, Russia, Turkey, Chile and Peru. Specifically, it operates directly in Turkey through its subsidiary NBI ELEKTRIK, and in Chile, through a branch set up in October 2014. The Turkish company NBI ELEKTRIK performed some Plant Engineering works in relation to construction of the Third Bosphrous Bridge and is currently working at the Etlik Integrated Health Campus in Ankara. In Chile, in addition to continuation of Plant Engineering works for the West Metropolitan Hospital in Santiago and design works for Arturo Merino Benìtez International Airport in Santiago, the contracts related to water supply systems for Chuquicamata Mine and operation and maintenance of plants to extract copper from sludge from mining performed by CODELCO in the Andes mine (Relaves Project) also commenced. The contract for construction of part of the MEP plants of the international airport in Santiago was also formalised, with activities set to start as from 2017. As regards maintenance, a partnership was set up with ASTALDI for O&M works at the West Metropolitan Hospital in Santiago, to be launched upon completion of construction of the hospital. NBI is also involved in the creation of electromechanical and hydro mechanical plants for La Punilla Hydroelectric Project, which will start as from 2017. Supervision activities and consulting for the construction, operation and commissioning of plants related to the Cerro del Águila Hydroelectric Project have been completed in Peru.

ITALY – Apuane Hospital in Massa-Carrara (plants).

TEQ Construction Enterprise

TEQ Construction Enterprise (TEQ), is the Astaldi Group company dedicated to supporting development of the Canadian market. TEQ is based in Montreal, operates within the Canadian province of Quebec, and boasts specific skills and know-how in the civil construction segment, as both a contractor and as an operator in relation to construction management.

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At 31 December 2016, TEQ recorded a turnover of CAD 92 million, to be attributed mainly to the performance of projects related to public and private contracts. Some of the main projects the company is currently involved in are listed below.

Ilot Balmoral Office Tower in Montreal – Equivalent of EUR 56 million for construction management services in relation to the project to build a 17-storey building in the centre of Montreal which will occupy a total surface area of 32,500 m^2.

Circus Art School – Equivalent of EUR 8 million for renovation of a building, construction of a new theatre able to hold 444 spectators and 120 m^2 dedicated to a school room and offices for the circus company.

Bercy Municipal Garage – EUR 17 million for construction of a 3-storey building measuring 8,900 m^2. The building includes offices, a maintenance workshop for heavy machinery and 25,900 m^2 of car parking areas for municipal vehicles. The project aims to achieve LEED Gold Certification.

Federal Office at 715 Peel – Equivalent of EUR 16 million for renovation of a 5-storey federal building, for an total surface area of 17,688 m^2. The project aims to achieve LEED-CI Silver certification.

Maisonneuve-Rosemont Hospital (Lot 3) – Equivalent of EUR 35 million for expansion and renovation of the Accident & Emergency Department at Maisonneuve-Rosemont Hospital. The complexity of the works is linked to the need to maintain a part of the structure operational for the complete duration of works.

CANADA – Render of Ilot Balmoral Office Tower in Montréal

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Human Resources

Personnel trends

During 2015 ASTALDI GROUP's average workforce totalled 11,511 units, showing a 5.9% increase compared to the previous year. Two aspects of this increase must be noted:

- The increase of the workforce occupying key roles
- The quality turnover of the workforce occupying corporate positions

As regards key roles, in other words project and country management positions, there was a 26% increase compared to 2015, confirming the increasingly significant role of Contractor which the GROUP holds within its business segments. As regards the Corporate force, there was an overall 28.5% turnover in 2016 which, combined with the previous year's figure, results in a total turnover of 55% for the two-year period.

Astaldi Corporate Academy

In 2016, Astaldi Corporate Academy's second year, the Group's management training school was in full operation, involving a greater number of professional positions and high-potential youngsters, with the number of resources involved totalling 485 (+38% compared to 2015) from all over the world. 41 different editions were held, + 64% compared to 2015, but of a shorter duration, for a total of 11,000 training hours.

On the basis of 2015 feedback received through training success survey tools, new courses (9) were designed and provided, increasingly focused on fitting tools and methods learnt in the classroom into the real working situation. All the Project Management, Economics, Procurement, Leadership & People Management courses used real company cases. Specifically, the Project Work courses held by Project Managers with methodological support provided by Milan Polytechnic's Business School, were key opportunities for sharing knowledge and experience accrued on some of the company's most important projects. As for last year, a large part of training was financed by interprofessional funds.

«Future Managers» Project

During 2016, the programme of selecting and hiring young graduates with growth potential, to be assigned to a management career scheme within the Group's production divisions went ahead successfully. The young graduates holding top marks in technical and business university qualifications, and able to speaking several foreign languages, were chosen through a selection procedure comprising individual interviews, psychological and attitude testing and assessment centres. .

Two years on from its launch, the Future Managers programme resulted in assignment to projects for a first group of 15 resources who, upon completion of two years of rotational training, took on positions of responsibility in the various project areas for the first time.

At the same time new hirings were made, confirming the positive experience of the past years, in terms of the new entries' adaptability and enthusiasm, and excellent assessment by the working teams they were included in.

The resources will also continue to be monitored and followed along their training and career following project assignment.

IT tools to support HR processes

In 2016, expansion of the personnel management software (Talentia) included North America (Canada and the United States). Therefore, to date, 93% of the Group's population is mapped on Talentia, which is set to become the primary and sole source of personnel data.

Talentia also acquired an additional function - self service employee – an instrument which allows all employees to enter into their own profile and contribute and add to the information the company has, supplementing their own curriculum vitae and professional skills. In this way, mobility processes are promoted and professional development opportunities increased.

"Job Evaluation" Project

In line with consolidation of HR process management tools, in 2016 the company adopted a method widely used in international companies to assess company positions. "Job evaluation" is a process which makes it possible to calculate company importance, in other words the value related to roles within the company. The purpose is to objectively and fairly support rewarding, mobility and resource development policies. Activities performed in 2016 resulted in the evaluation of more than 500 positions held by Grade 7 managers, executives and employees in Italy and abroad.

Trade union relations

As regards trade union relations, note must be taken of two memorandums of understanding signed with local trade union organisations which regulate work organisation, and all related issues, with regard to the contracts for construction of Naples-Afragola High-Speed station (by the consortium company Afragola S.c.r.l.) and Capodichino Station of the Naples underground (by the consortium company Capodichino AS.M S.c.r.l.). A safety and prevention memorandum was also signed in December 2016 with the local trade union organisations in Ancona regarding the site for construction of the Marche-Umbria Quadrilatero network. Lastly, following completion of Line 5 of the Milan underground and the new hospital in Naples, the respective personnel reduction procedures were started up and terminated during the last half of 2016.

Organisation

Organisation

In line with consolidation of the organisation structure provided for in the 2016-2020 Strategic Plan, ASTALDI GROUP saw some structural changes during 2016, aimed at ensuring greater, more successful control of the areas and projects being carried out.

Specifically, the process of developing and consolidating the company's "matrix" organisational structure continued with the following initiatives:

- Updating of the General Management's geographical areas of responsibility in relation to business strategies;
- Appointment of two Deputy General Managers – International in addition to the two appointed in 2015;
- Creation of the position of Strategic and Financial Senior Advisor, to support the management in defining and implementing financial strategies;
- Change of the name of the Legal and Contractual Affairs Department to Legal Affairs Division, in order to improve the close partnership with General Management as regards defining business policies;
- Creation of a single Commercial Development Division for Italy and abroad;
- Consolidation of General Management – Business Services as a centre of competence to be used by the Group, by boosting the Engineering and Procurement departments;
- Start-up of implementation of Area HR Coordination with responsibility for geographical macro areas.

IT systems

The strategy to improve IT systems and Group Organisation (Pentagon Project) continued during 2016. This strategy is based on five pillars: digitalisation, centralisation, spending review, disaster recovery and IT security. The prime aim is to promote the creation, sharing and protection of corporate information with consequent benefits in terms of knowledge management, process efficiency and economies of cost.

Digitalisation

Digitalisation is one of the all-important levers for further improvement of the efficiency and efficacy of the GROUP's working processes. In 2016 this mainly concerned projects aimed at promoting the safety of staff based abroad ("Where we are in the world" Project for the forwarding of data regarding foreign transfers to the Foreign Ministry); personnel growth (employee-Human Resources Division interaction, Self Service Employee); information flow management (management of incoming and outgoing protocols for the head office, certified electronic mail management).

Centralisation

Centralisation of the Group's IT systems has played an important role for many years with regard to model standardisation and cost curbing. During 2016, the plan to extend IT system to outlying areas continued with consequent roll-out of the HR management system in North America and of the Cash Management System in Chile, Peru, Turkey, Panama, Canada and the USA.

Spending review

In recent years, the centralisation of some IT processes has allowed for the re-negotiation of important framework agreements, with a significant reduction of IT costs and benefits in terms of economies of scale achieved at a Group level.

Disaster Recovery

Considering the ever increasing importance of the Corporate data centre and after careful risk analysis, the IT Disaster Recovery plan was started up in 2016, resulting in the creation of a secondary data centre in Milan. A process of assessing and adopting Cloud as a tool to improve corporate efficiency has also already been undertaken for some years.

IT Security

Major focus on IT security has traditionally been part of the Group's IT strategies. The effectiveness of the measures and paradigms implemented by the Group in this regard is periodically assessed by an independent company specialising in IT Audits.

Additional projects and initiatives were also completed during the year, such as:

- Implementation of the Job Evaluation process to analyse and assess organisational roles and support for key HR processes, together with the Human Resources Division;
- "Collaborative Disclosure Management" with the civil law-management consolidation system;
- redesign of the surety management process;
- complete overhaul of ASTALDI GROUP's institutional website;
- Consolidation of the "Building Information Modelling" (BIM) model, implemented to optimise construction planning, performance and operation, by using software which the Group increasingly applies to its own projects.

Sustainability Management

ASTALDI GROUP places Sustainability among the values at the base of its own business model and business development. As far as ASTALDI is concerned, Sustainability is an asset able to generate value, a challenge to be tackled along the path to constantly improving competitiveness, which ASTALDI GROUP undertakes daily through the construction of high-quality, state-of-the-art works, as well as one of the founding principle of the Group's Code of Ethics. From this viewpoint, each work completed represents an instrument of value for shareholders and stakeholders, including the areas and communities that will make use of them.

In order to support this commitment, ASTALDI GROUP further developed its own business model during 2016 with the end goal of increasingly inserting and integrating the Sustainability issue into the Group's processes and real actions. The result was consolidation of management of operating risks, together with an overall improvement of the Group's capacity come up with real solutions for a market that focuses more and more on "sustainability" issues

The process of re-examining performance at all levels (Head Office, Country, Project) – also thanks to non-financial reporting and the achievement of goals and policies established at a corporate level, together with Enterprise Risk Management-related activities, integrated at a project level with local needs – makes it possible to determine whether there are needs or opportunities to be considered as an integral part of ASTALDI's ongoing improvement, and increase the Group's competitive advantage.

The Sustainability Model adopted is the natural evolution of the model focusing on Quality, Health, Safety and Environment (QHSE) Integrated Management which the Group has adopted for many years and constantly improved on a voluntary basis. Specifically, ASTALDI ensures the ongoing eligibility, suitability and efficacy, as well as alignment to strategic guidelines and policy, of the Sustainability Model adopted through the Sustainability Committee which has the authority and responsibility to perform Management Review of the management system.

ASTALDI GROUP's Sustainability Model is based on a series of commitments and targets, set down in ASTALDI's Sustainability Policy, which can be summarised as follows:

- Pursuit of an approach based on shared values so as to increasingly link the Group's success with social progress, generating an economic result and at the same time producing a tangible value for the Group;
- Construction of works that improve people's lives, at the same time increasing the areas' competitiveness and attractiveness and hence, indirectly the social wellbeing of the people who live there;
- Promotion and pursuit of employees' wellbeing through health and life protection programmes in the workplace, but also of the development of skills and knowledge;
- Involvement in the challenges of climate change and pollution, monitoring projects/opportunities through suitable business development organisation and management and taking advantage of the boosts provided by the new energy investment sectors aimed at doing away with the dependency on fossil fuels;
- Involvement of the supplier chain and third parties in general with whom it works, in the commitment to sustainable development through strict selection, qualification and measurement of the performance achieved.

The many projects undertaken and aimed at developing the Model within the Group include:

- Re-examination of the corporate management systems, in relation to sustainability, further to issue of the Sustainability Policy in 2016 which led to formalisation of the Corporate Social Responsibility(CSR)-related process and improvement of codification of anti-fraud and anti-corruption measures within the reference management procedures;
- A closer analysis of partnership management within a risk-based thinking vision;

- Formalisation, within the Enterprise Risk Management area, of the “zero tolerance” statement for risks associated with social and environment aspects;
- Integration of non-financial reporting, also in relation to social and environmental performance based on international accounting guidelines;
- Focus on issues and processes forming the base of integrated quality, safety and environment management inside country branches and through an awareness programme targeted at all the management.

The DNV-GL certification body, as per regulations governing certification management, performed periodical independent audits, both in Italy and abroad, regarding the quality, safety and environment components of the integrated management system which resulted in maintenance of the validity of conformity certification issued pursuant to ISO 9001, ISO 14001 and BS OHSAS 18001.

Main risks and uncertainties

Further to formalisation of the Risk Appetite Statement by the Board of Directors of 9 March 2016, the Group continued structuring of the Enterprise Risk Management model during 2016, meaning an integrated system for the management of types of business-related risks. Risk Appetite means the maximum level of risk the company is willing to undertake when performing its business in relation to the main problem sources (or "Over the Top" risk categories), when pursuing strategic plan targets singled out by the management as typical or recurrent.

In compliance with the provisions contained in the Italian Stock Exchange's Code of Conduct (Art. 7 – Internal Audit System and Risk Management) safeguarding shareholders, the risk management system adopted is based on the principles of protection and value increase with the aim of supporting the company in creating a sustainable competitive advantage through ongoing, proactive risk assessment and management, aimed at optimising risks, also meant as opportunities.

The increasingly key role of the attentive and consolidated risk management policies the Group has adopted, becoming a genuine asset shared within the company, translates into flexibility and the ability to promptly react to the different reference contexts the Group operates within.

Specifically, in relation to the Group's risk governance system, cross-departmental working groups have been established, in addition to definition of risk management coordination at a corporate and area/project level, assigned to the head of the Management Control and Corporate Risk Management Department. Said groups, with specific reference to "Over the Top" risk categories" (Financial Structure; Human Resources; Reference Context; Partnership; Sustainability and QHSE), guarantee periodical and systematic monitoring of Key Risk Indicators and checking of their importance and compliance with Business Plan targets, as well as validation of the respective tolerance levels, suggesting reviews or implementation if necessary.

Monitoring is performed on "Over the Top" risk categories and hence on compliance with Risk Appetite, is an interactive process which can be reviewed and amended as a result of working group activities once it has been defined and approved.

Financial Structure-related risks. This category specifically includes risks linked to the possibility that a business is unable to meet its financial obligations arising from contractual undertakings and, more generally from its financial liabilities, as well as default of specific covenants, i.e. binding clauses for the Group which access to specific sources of financing depends on, upon penalty of withdrawal of the loan or renegotiation at less favourable conditions). The Group also focuses on the potential consequences of the extreme volatility of the currency markets it operates in, and considering the Group's high level of currency exposure, it adopts control measures with suitable hedging operations (natural and non-natural hedging) in order to mitigate possible exchange rate and interest rate fluctuation which can be an additional key risk factor for the achievement of international growth targets.

Reference Situation-related risks. The major inclination for internationalisation which has always been a hallmark of the Group's commercial development policies has entailed and still entails the obligation of assessing the set of risks arising from economic, political and social events (hence not dependent on Astaldi) which are able to negatively affect earnings and protection of the value of the Group's assets. The Group has set tolerance levels for the so-called Country Risk, set down in the Risk Appetite Statement, which take into account the aforementioned international diversification. Specifically, monitoring performed by the dedicated cross-departmental working group is performed by analysing key indicators based on the credit rating assigned to the reference countries by the main international rating companies, and on the Group's balance sheet and income statement figures generated in each individual country (in terms of percentages of order backlog, turnover and product margins as regards total values) with tolerance levels set to avoid excessive concentration of activities in individual countries. For the purpose of providing complete information, please find below a brief description of the countries where the Group operates that are felt to be most exposed to this type of risk.

- *Venezuela*. The conservative approach adopted by the Group as from 2012 has led to a limitation of works on contracts in progress in the country, following the economic difficulties experienced in recent years which have meant a delay in the (public) customer's payment obligations as regards contracts in progress in Venezuela to date. Therefore, a substantial standstill of projects in execution (railway projects) can be confirmed with a view to limiting capital invested in the country, pending a scenario able to ensure greater stability for works in progress.
- There are no problems in **Turkey** such as to negatively affect construction and operation activities in the country (motorways, healthcare construction). Construction and operation related to projects in progress are going ahead and significant inaugurations ahead of schedule were recorded in this regard. While as far as the concession asset disposal strategy is concerned, it must be recalled that the recently-approved strategic plan provides for sale and optimisation of Turkish assets once the assets become fully operational (scheduled by the end of 2017).

Partnership-related risks. The increasing complexity of works performed and/or opportunities for sharing project risks is linked to the decision to adopt project management models involving partnerships with other operators in the reference segment. In compliance with this approach and in keeping with the Risk Appetite Statement which set tolerance levels and appetite regarding partner management-related risks, the Group adopts a preliminary partners selection process performed on the basis of business criteria (technical capacity, experience in reference business segment, qualifications held), income statement criteria (recent turnover and margins) and financial criteria (levels of debt, financial liquidity), also taking into account information obtained via legal checks (absence of pending lawsuits, disqualifications for the legal representative and investigations underway regarding crimes against the P.A. both in Italy and abroad), checking of ethics/honourability and checking of governance models adopted. Monitoring of this type of risk is guaranteed by effective assignment of roles and responsibilities within the individual strategic projects, as well as correct application of the process to define and manage shareholders' agreements.

Human resources-related risks. The increasing complexity of works, both in terms of volumes and type and the diversity of political and economic contexts which, in relation to the partnerships the company finds itself working with, make it necessary to be able to rely on resources, especially for "key positions" which, in addition to guaranteeing availability within a suitable timeframe, also ensure high levels of technical and specialist skills and know-how. Therefore the key risk indicators adopted by the Group for Human Resource-related monitoring and analysis are aimed at managing four risk factors at an area level: percentage of key figure cover; outgoing turnover; retention capacity; ratio between key figures and income statement items (turnover/profit/order backlog) in order to check that the area is suitably and proportionately structured over time in compliance with the evolution of financial undertakings. It is fitting to highlight that the Group has had a computerised human resources management system for some time which makes it possible to plan the trend of the internal population and relative costs/benefits. Astaldi Corporate Academy, a training school inside the Group dedicated to the managerial development and growth of resources, is successfully going ahead, with the aim of bringing to light and increasing distinctive corporate skills, thus generating additional value.

Sustainability and QHSE-related risks. A clear CSR (Corporate Social Responsibility) policy can have a positive impact on the investment choices of institutional investors, with a resulting increase in the value generated by Group activities. However, CSR targets which fail to be met, such as accidents and/or breach of HSE regulations can expose the Group to risk as regards reputation. Moreover, some markets are excluded to companies with a bad track record as regards QHSE issues (QHSE Compliance). In order to control these types of risks, the Group has adopted a QHSE management system, certified by independent third-parties. For more details, please refer to the section of the 2016 Annual Financial Report entitled "Sustainability, Quality, Safety and Environment".

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FOCUS ON MUSKRAT FALLS HYDROELECTRIC PROJECT – As regards this project, please refer to the information contained in «Construction ». It has been considered appropriate herein to highlight that an agreement between ASTALDI and the Customer was reached in December 2016 for completion of civil works related to construction of the plant and intake facilities. The agreement, in force from 1st December 2016, redefined the contractual amount as CAD 1.8 billion (from CAD 1.1 billion) and approves ASTALDI's request for acknowledgement of greater charges to perform the project.

Events after the reporting period

The first part of 2017 saw key steps taken with regard to the asset disposal programme.

In February 2017, Astaldi reached a final agreement with MERIDIAM LATAM HOLDING, an infrastructure fund specialising in transport infrastructure and hospital management, for entry of the fund into the capital of SCMS, the concession holder for the West Metropolitan Hospital in Santiago in Chile. Further to this agreement MERIDIAM LATAM HOLDING entered SCMS, acquiring a 49% interest: the operation is the first step of a sale which comprises two additional share transfer transactions before reaching 100% upon completion of construction activities, as provided for in local legislation. Review of the concession holder's governance rules is planned upon transfer of the first group of shares in order to ensure the fund has the possibility to take part in defining management policies. Astaldi shall remain fully responsible for construction activities (in progress at the draft date of this report), as well as the right to the management contract for O&M activities through the subsidiary Sociedad Austral Manutenciones y Operaciones S.p.A. The financial effects of this transaction as regards Astaldi involve deconsolidation of approximately EUR 100 million of non-recourse debt referable to the concession holder SCMS and collection of EUR 10 million for the transferred interest, in line with the book value. The transaction is in keeping with the content of ASTALDI's 2016-2020 Strategic Plan. Indeed, the agreement makes it possible to flank ASTALDI GROUP's working capacity with the knowledge of a financial partner of international standing, promoting consolidation of a business growth model which is based on its ability to attract and optimise strategic partnerships at a global level.

In March 2017, Astaldi signed an agreement for transfer of its interest in the concession holder of the Chacayes Hydroelectric Plant in Chile, to PACIFIC HYDRO CHILE, already the owner of the remaining 72.7% and Chilean subsidiary of the Chinese Group, SPIC OVERSEAS. The interest sold by ASTALDI GROUP, equal to 27.3%, was valued at 44 million dollars, including the subordinate loan. The agreement provides for closing of the transaction by the first quarter of 2017, subsequent to conclusion of the necessary authorisation procedure.

At an operating level, Astaldi was awarded, as part of a consortium, the EUR 397 million railway contract (Astaldi has a 40% interest) for the first lot of the Naples-Bari High Speed/High Capacity line (Naples-Can cello section) in March. The project, commissioned by ITALFERR S.p.A. and to be completed by 2022, concerns the first section of the Naples-Bari route and is of strategical importance within the overall reorganisation of the whole railway line. In the section between Naples and Cancello, the line will make it possible to bring the line's tracks to the new Naples-Afragola station which will become the future interchange station for passengers between regional and HS services, increasing overall accessibility to railway transport within the Naples hub. Construction of a new station in Acerra and two new underground stops, Casalnuovo and Centro Commerciale is planned. The route will run for 15.5 km through the areas of Casoria, Casalnuovo, Afragola, Caivano and Acerra. Upgrading and development of the Naples-Bari route, which forms part of Corridor 5 Scandinavia-Mediterranean of the Trans-European Network (TEN), is aimed at improving the competitiveness of railway transport and integrating the South-East railway network with the HS/HC system, as well as at increasing the percentages of railway freight transport. Signing of the contract is expected following checking of bid participation requisites, as provided for in the award procedure.

At an operational level, two additional sections of the Gebze-Orhangazi-Izmir motorway in Turkey were opened in March: Specifically, 20 kilometres of Phase 2-B were consigned and the Phase 2-A link to Bursa was completed with consequent start-up of relative operation activities. Also in March, TBM excavation in the direction of the city centre commenced at the Via Cardinale Mezzofanti site for Line 4 of the Milan underground in Italy.

Outlook

In keeping with plan strategies, the GROUP will focus over the coming months on achieving planned growth targets.

The focus will be on guaranteeing balanced geographical diversification of business and greater focus on financially autonomous contracts. The acquisition of contracts assessed using a logic comprising various technical-qualitative elements will be promoted; said contracts will be able to put the Group's improved integrated offer capacity to best use. From a geographical viewpoint, the Group will aim to consolidate its presence in countries where traditionally active (e.g. Chile, the USA) and to establish itself in new areas offering high development potential (e.g. Sweden). Encouraged by the success of recent projects (e.g. the Third Bosphorus Bridge), an additional commercial boost will come from consolidation of international partnerships, as has already occurred in Chile for the West Metropolitan Hospital and Arturo Merino Benítez International Airport in Santiago.

The O&M segment will also offer an additional boost to growth and, combined with operating capacity the GROUP already has in the Plant Engineering segment thanks to its subsidiary NBI, it will definitively integrate the product range offered in relation to complex infrastructures. As regards the asset disposal programme, the tendency will be to favour disposal agreements able to promote the Group's retention of O&M activities for the transferred infrastructures, as well as construction activities already in progress. This will result in a reference development model, already tested in Chile for the West Metropolitan Hospital and Arturo Merino Benítez International Airport in Santiago).

This will result in an improvement of projects in execution, with earnings that will total the current backlog's average values, but with a more sizeable production contribution capacity and more stable financial profile. This will make the overall risk profile more balanced, projecting the GROUP towards its planned growth in a more coherent manner.

Curbing of debt levels and costs will remain a strategic priority. Management choices will be focused on a logic of strict working capital management. Action aimed at reducing working capital absorption will also continue (for projects in progress) and, more generally, at promoting more efficient circulation of its components. At a commercial level, the acquisition of financially autonomous contracts will be promoted, also thanks to the forecast of contractual advances, especially in areas able to guarantee improvement of the overall business risk profile, with positive effects on valuation of the Group's credit rating and consequent reduction of the cost of debt and guarantees furnished.

The asset disposal programme will continue. Following the results achieved thanks to transfer of A4 Holding, and the agreements reached for Line 5 of the Milan underground in Italy and the West Metropolitan Hospital in Santiago and the Chacayes Hydroelectric Plant in Chile, the company will be focused over the coming months on concluding the additional transfers provided for in the plan, also in light of the number of commercial options currently under examination. At the same time, the strategic option of developing concessions using a model based on a lower level of invested capital shall remain valid, along the lines of what has already been tested for Arturo Merino Benítez International Airport in Santiago de Chile.

Therefore, Concessions will continue to represent a way of growth, but with a different approach than in the past. The focus will be on a project development model which sees Astaldi taking part with a smaller interest in SPVs, and hence a smaller investment in terms of equity paid in. The result will be a flywheel for a further increase in EPC contracts but with a significantly smaller investment in terms of invested capital than in the past, and compatible with set growth targets. Specifically, as regards the Third Bosphorus Bridge, operation activities commenced, assigned in full to the other partner, in keeping with the plan which provides for gradual disinvestment upon conclusion of construction activities. In any case, Astaldi Group project's financial value remains unvaried with regard to forecasts.

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Other information

Resolutions regarding Information Documents in the event of Significant Transactions. ASTALDI's Board of Directors has already resolved for some years now to avail itself of the faculty to depart from publication obligations regarding information documents in the event of significant transactions such as mergers, demergers, share capital increases, contributions of goods in kind, acquisitions and disposals. This resolution was formulated pursuant to the provisions contained in Article 70, subsection 8, and Article 71, subsection 1-*bis* of the "Issuer Regulation" issued by CONSOB (the Italian Commission for Listed Companies and the Stock Exchange).

Report on Remuneration. For information regarding the remuneration of the company's Directors, Statutory Auditors and key personnel, please refer to the content of the "Report on Remuneration" drafted by the Board of Directors pursuant to Article 123-*ter* of the "Consolidated Finance Act" (Legislative Decree no. 58, 24 February 1998, as subsequently amended). This document is also available in the "Governance" section of the Group's website (www.astaldi.com), in accordance with the procedures and timeframe provided for by law.

ASTALDI S.p.A. shares held by Directors, Statutory Auditors and key management personnel at 31 December 2016. For information in this regard, please see the "Report on Remuneration".

Treasury shares. In relation to ASTALDI's share buy-back plan implemented during the year, 450,538 shares were purchased during 2016 while 593,837 shares were sold, 201,412 of which in relation to stock grant plans. Treasury shares in portfolio at 31 December 2016 amounted to 657,471 with a nominal amount of EUR 2.

Parent shares held by subsidiaries. No Parent shares were held by subsidiaries at the draft date of this report.

Information on related party transactions. As regards related party transactions during 2016, please refer to the Notes to the Consolidated and Separate Financial Statements at 31 December 2016. It has been considered appropriate herein to state that said transactions form part of the Group's ordinary operations and are regulated at market conditions. It must also be noted that no "significant" transactions were performed during the year pursuant to relevant legislation and relative procedures adopted by the Company. As regards relations among Group companies, it must be specified that these are regulated at market conditions, taking into account the quality of goods and/or services provided. These relations do not feature any interests classed as significant of other related parties of ASTALDI. For more details, please refer to the relevant "Report on Corporate Governance and Ownership Structure".

Management and coordination activities (pursuant to Article 2497 et seq. of the Italian Civil Code). ASTALDI is not subject to "management and coordination" by any of its shareholders insofar as the company's Board of Directors is fully and independently responsible for all the most appropriate decisions related to management of the company's activities.

Research and development. The Group did not incur any costs for research and development during 2016.

Atypical or unusual transactions. No atypical or unusual transactions were performed during 2016.

Conclusions

Dear Shareholders,

ASTALDI GROUP's consolidated financial statements at 31 December 2016 show a profit of EUR 72.5 million, excluding amortisation and depreciation, provisions and consolidation adjustments. ASTALDI S.p.A.'s separate financial statements at the same date show a profit of EUR 73.3 million, net of amortisation and depreciation and provisions.

On behalf of the Board of Directors

(The Chairman)

Statement pursuant to Article 36 of CONSOB Regulation no. 16191/07

Astaldi S.p.A. hereby states that its internal procedures are aligned with the provisions as per Article 36, letters a), b) and c) of Market Regulations ("*Conditions for listing of shares of parents controlling companies incorporated and regulated by legislation of states not belonging to the European Union*"), issued to implement Article 62, subsection 3-*bis* of Legislative Decree no. 58/1998.

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

1. The Parent, Astaldi S.p.A., has access in an ongoing manner to the bylaws and composition of corporate bodies of all significant, non-EU subsidiaries as per Article 36, subsection 2 of the Market Regulations, with listing of the corporate offices held;

2. The Parent, Astaldi S.p.A., makes available to the public, inter alia, the accounts of all significant, non-EU subsidiaries as per Article 36, subsection 2 of the Market Regulations, formulated for the purpose of drafting consolidated financial statements comprising at least the statement of financial position and income statement;

3. The administrative, accounting and reporting procedures currently adopted by Astaldi Group are suitable for making available to the Parent's senior management and auditors, at regular intervals, the financial data of significant, non-EU foreign subsidiaries as per Article 36, subsection 2 of the Market Regulations, needed to draft consolidated financial statements.

As regards ascertainment by the Parent of the flow of information to the central auditors, of use for annual and interim auditing of the Parent's accounts, it is felt that the current process of communicating with the independent auditors, organised on various levels of the corporate auditing chain and active throughout the whole year, is effective in this regard.

The application scope, with regard to 2016, concerns 6 subsidiaries, with offices in 3 countries not belonging to the European Union that are of specific significance as per subsection 2 of the aforementioned Article 36.

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Naples-Afragola HS Station, Italy
(Designed by the Architect Zaha Hadid and already classified as the most beautiful station in Italy)

The station will be opened by the first half of 2017.

State of progress in January 2016.

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Consolidated Financial Statements

Income Statement[1]

(EUR/000)	notes	2016	2015
Revenue	1	2,851,826	2,730,024
of which with related parties		*726,158*	*652,083*
Other Operating Revenue	2	152,429	124,925
of which with related parties		*13,484*	*13,237*
Total Operating Revenue		**3,004,255**	**2,854,949**
Purchase costs	3	(449,134)	(456,635)
Service costs	4	(1,605,119)	(1,511,869)
of which with related parties		*(46,967)*	*(79,109)*
Personnel expenses	5	(616,203)	(548,249)
Other operating costs	6	(41,702)	(35,919)
of which with related parties		*(35)*	*(414)*
Total Operating Costs		**(2,712,158)**	**(2,552,672)**
Share of profits (losses) of joint ventures and associates	7	87,760	52,911
EBITDA		**379,858**	**355,188**
Amortisation, depreciation and impairment losses	8	(58,885)	(74,897)
Provisions	9	(3,999)	(4,060)
Operating Profit		**316,973**	**276,232**
Financial income	10	100,041	84,079
of which with related parties		*17,139*	*9,100*
Financial expense	11	(287,918)	(248,836)
of which with related parties		*(612)*	*(591)*
Net financial expense and net gains on investments		**(187,877)**	**(164,757)**
Pre-tax profit from continuing operations		**129,096**	**111,474**
Tax expense	12	(31,654)	(33,188)
Profit from continuing operations		**97,442**	**78,286**
Profit / (Loss) from discontinued operations	13	**(24,811)**	**1,220**
PROFIT FOR THE YEAR		**72,631**	**79,506**
Profit attributable to owners of the Parent		72,457	80,876
Profit attributable to non-controlling interests		174	(1,371)
Earnings per share			
Basic	14	EUR 0.74	EUR 0.83
Diluted	14	EUR 0.65	EUR 0.78
Earnings per share from continuing operations			
Basic	14	EUR 1.00	EUR 0.82
Diluted	14	EUR 0.87	EUR 0.76

[1] The economic data for the year 2015 referring to the jointly-controlled entity Re.Consult Infrastrutture S.p.A. have been restated in compliance with the provisions of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

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Statement of Comprehensive Income[2]

(EUR/000)	notes	2016	2015
Profit for the year (A)		**72,631**	**79,506**
Change in fair value of cash flow hedge derivatives		(2,436)	866
Exchange rate differences from translation of financial statements in foreign currencies		20,479	1,138
Share of other comprehensive expense of equity accounted entities		(3,227)	(6,876)
Share of other comprehensive expense of disposal groups		(15,678)	0
Tax Effect		9,326	3,821
Other comprehensive income (expense) net of tax effect that will be subsequently reclassified to profit or loss (b1)	27	**8,465**	**(1,052)**
Actuarial gains (losses) on employee defined benefit plans		(118)	257
Share of other comprehensive income (expense) of equity accounted entities		0	89
Other comprehensive income (expense) net of tax effect that will not be subsequently reclassified to profit or loss (b2)	27	**(118)**	**345**
Total Other comprehensive income (expense) net of tax effect (b1)+(b2)=(B)		**8,347**	**(706)**
TOTAL COMPREHENSIVE INCOME (A)+(B)	27	**80,978**	**78,800**
of which attributable to Astaldi		80,561	80,044
- from continuing operations		*105,402*	*78,672*
- from discontinued operations		*(24,841)*	*1,372*
attributable to non-controlling interests		417	(1,244)

2 The economic data for the year 2015 referring to the jointly-controlled entity Re.Consult Infrastrutture S.p.A. have been restated in compliance with the provisions of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

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Statement of Financial Position

Assets

(EUR/000)	notes	**2016**	**2015**
ASSETS			
Non-current assets			
Property, plant and equipment	15	207,558	210,120
Investment property	16	693	682
Intangible assets	17	74,026	47,108
Equity investments	18	523,631	578,997
of which:			
Equity-accounted investments		*493,191*	*555,393*
Non-current financial assets	19	289,363	325,627
of which with related parties		*242,760*	*240,363*
Other non-current assets	20	42,355	50,509
Deferred tax assets	12	98,906	61,644
Total Non-current assets		**1,236,532**	**1,274,687**
Current assets			
Inventories	21	50,008	70,676
Amounts due from customers	22	1,555,110	1,242,991
of which with related parties		*230,368*	*104,454*
Trade receivables	23	723,775	692,994
of which with related parties		*54,651*	*26,163*
Current financial assets	19	26,719	34,646
of which with related parties		*765*	*1,975*
Tax assets	24	94,537	138,645
Other current assets	20	295,170	294,989
of which with related parties		*50,103*	*37,473*
Cash and cash equivalents	25	506,470	611,263
Total Current assets		**3,251,788**	**3,086,202**
Non-current assets held for sale	26	***248,764***	***0***
of which with related parties		*47,854*	*0*
Total Assets		**4,737,085**	**4,360,889**

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Statement of Financial Position
Equity and liabilities

(EUR/000)	notes	2016	2015
EQUITY AND LIABILITIES			
Equity	27		
Share capital		196,850	196,850
Treasury shares		(1,315)	(1,602)
Reserves:			
Legal reserve		33,062	31,141
Extraordinary reserve		314,663	296,328
Retained earnings		161,250	118,891
Other reserves		(1,917)	(311)
Other comprehensive expense		(109,007)	(107,766)
Deferred tax from other comprehensive income		26,341	16,996
Total capital and reserves		**619,927**	**550,528**
Profit for the year		72,457	80,876
Equity attributable to owners of the Parent		**692,384**	**631,405**
Profit (loss) attributable to non-controlling interests		174	(1,371)
Other comprehensive income (expense) attributable to non-controlling interests		231	(30)
Deferred tax on other comprehensive income attributable to non-controlling interests		20	38
Capital and Other Reserves attributable to non-controlling interests		5,677	6,988
Equity attributable to non-controlling interests		**6,101**	**5,626**
Total Equity		**698,485**	**637,031**
Non-current liabilities			
Non-current financial liabilities	28	1,495,737	1,288,473
of which with related parties		*14,062*	*14,580*
Other non-current liabilities	29	3,047	15,257
Employee benefits	30	7,506	8,057
Deferred tax liabilities	12	41,866	20,713
Total Non-current liabilities		**1,548,156**	**1,332,501**
Current liabilities			
Amounts due to customers	22	492,856	411,459
of which with related parties		*165,724*	*142,318*
Trade payables	31	1,092,282	1,013,237
of which with related parties		*55,051*	*66,241*
Current financial liabilities	28	508,537	655,726
Tax liabilities	32	84,090	66,444
Provisions for risks and charges	33	13,709	13,794
Other current liabilities	29	179,034	230,698
of which with related parties		*962*	*5,066*
Total Current liabilities		**2,370,507**	**2,391,358**
Liabilities directly associated with non-current assets held for sale	26	***119,937***	***0***
Total Liabilities		**4,038,600**	**3,723,858**
Total Equity and Liabilities		**4,737,085**	**4,360,889**

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Statement of changes in equity in 2016

(EUR/000)	*note*	*Share capital*	*Legal reserve*	*Extraordinary reserve*	*Hedging reserve*	*Translation Reserve*	*Actuarial gains (losses)*	*Gains (Losses) on measurement of AFS*	*OCI deferred tax*	*Other reserves*	*Retained earnings*	*Profit for the year*	*Equity attributable to owners of the Parent*	*Non-controlling interests*	*Total equity*
Balance at 01/01/2016	**27**	**195,248**	**31,141**	**296,328**	**(77,666)**	**(29,746)**	**(383)**	**29**	**16,996**	**(311)**	**118,891**	**80,876**	**631,405**	**5,626**	**637,031**
Profit from continuing operations 2016	27	0	0	0	0	0	0	0	0	0	0	72,457	**72,457**	174	**72,631**
Other comprehensive income (expense)	27	0	0	0	(41,697)	40,603	(118)	(29)	9,345	0	0	0	**8,104**	243	**8,347**
TOTAL COMPREHENSIVE INCOME (EXPENSE)	**27**	**0**	**0**	**0**	**(41,697)**	**40,603**	**(118)**	**(29)**	**9,345**	**0**	**0**	**72,457**	**80,561**	**417**	**80,978**
Owner transactions and other changes in equity:															
Treasury shares	27	287	0	1,663	0	0	0	0	0	(1,179)	0	0	**771**	0	**771**
Dividends	27	0	0	0	0	0	0	0	0	0	0	(19,524)	**(19,524)**	(147)	**(19,671)**
Provision as per art. 27	27	0	0	0	0	0	0	0	0	0	0	(192)	**(192)**	0	**(192)**
Transactions with non-controlling interests	27	0	0	0	0	0	0	0	0	0	(209)	0	**(209)**	207	**(2)**
Change in consolidation scope	27	0	0	0	0	0	0	0	0	0	0	0	**0**	(2)	**(2)**
Allocation of 2015 profit from continuing operations	27	0	1,921	16,672	0	0	0	0	0	0	42,567	(61,160)	**0**	0	**0**
Other changes	27	0	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**
Stock Grant reserve	27	0	0	0	0	0	0	0	0	(427)	0	0	**(427)**	0	**(427)**
Balance at 31/12/2016	**27**	***195,535**	**33,062**	***314,663**	**(119,364)**	**10,858**	**(501)**	**0**	**26,341**	**(1,917)**	**161,250**	**72,457**	**692,384**	**6,101**	**698,485**

*The amount indicated in the highlighted items is shown net of total investment in treasury shares totalling EUR 3,864 thousand of which EUR 1,315 thousand, corresponding to the nominal amount of the shares, shown as reduction of share capital, and EUR 2,549 thousand shown as reduction of the extraordinary reserve.

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Statement of changes in equity in 2015

(EUR/000)	*note*	*Share capital*	*Legal reserve*	*Extraordinary reserve*	*Hedging reserve*	*Translation Reserve*	*Actuarial gains (losses)*	*Gains (Losses) on measurement of AFS*	*OCI deferred tax*	*Other reserves*	*Retained earnings*	*Profit for the year*	*Equity attributable to owners of the Parent*	*Non-controlling interests*	*Total equity*
Balance at 01/01/2015	**27**	**195,057**	**27,934**	**256,581**	**(49,767)**	**(52,535)**	**(735)**	**(34)**	**13,133**	**491**	**102,373**	**81,559**	**574,058**	**5,998**	**580,056**
Profit from continuing operations 2015	27	0	0	0	0	0	0	0	0	0	0	80,876	**80,876**	(1,371)	**79,506**
Other comprehensive income (expense)	27	0	0	0	(27,899)	22,789	351	63	3,863	0	0	0	**(833)**	126	**(706)**
TOTAL COMPREHENSIVE INCOME (EXPENSE)	**27**	**0**	**0**	**0**	**(27,899)**	**22,789**	**351**	**63**	**3,863**	**0**	**0**	**80,876**	**80,044**	**(1,244)**	**78,800**
Owner transactions and other changes in equity:															
Treasury shares	27	191	0	(808)	0	0	0	0	0	1,073	0	0	**456**	0	**456**
Dividends	27	0	0	0	0	0	0	0	0	0	0	(19,522)	**(19,522)**	(207)	**(19,729)**
Provision as per art. 27	27	0	0	0	0	0	0	0	0	0	0	(641)	**(641)**	0	**(641)**
Transactions with non-controlling interests	27	0	0	0	0	0	0	0	0	0	(1,115)	0	**(1,115)**	1,057	**(58)**
Changes in consolidation scope	27	0	0	0	0	0	0	0	0	0	0	0	**0**	22	**22**
Allocation of 2014 profit from continuing operations	27	0	3,207	40,555	0	0	0	0	0	0	17,633	(61,395)	**0**	0	**0**
Other changes	27	0	0	0	0	0	0	0	0	(827)	0	0	**(827)**	0	**(827)**
Stock Grant reserve	27	0	0	0	0	0	0	0	0	(1,048)	0	0	**(1,048)**	0	**(1,048)**
Balance at 31/12/2015	**27**	***195,248**	**31,141**	*** 296,328**	**(77,666)**	**(29,746)**	**(383)**	**29**	**16,996**	**(311)**	**118,891**	**80,876**	**631,405**	**5,626**	**637,031**

* The amount indicated in the highlighted items is shown net of total investment in treasury shares totalling EUR 5,814 thousand of which EUR 1,602 thousand corresponding to the nominal amount of the shares, shown as reduction of share capital, and EUR 4,212 thousand shown as reduction of the extraordinary reserve.

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Statement of cash flows

Operating activities

(EUR/000)		2016	2015
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year attributable to owners of the Parent and non-controlling interests		**72,631**	**79,506**
Tax expense		31,654	33,188
Pre-tax profit		**104,285**	**112,694**
Adjustments for:			
• Non-monetary items			
Amortisation and depreciation		58,210	74,784
Impairment losses		676	113
Net gains on equity-accounted investees		(87,760)	(54,131)
Post-employment benefits and defined benefit plan costs		1,288	1,391
Stock grant plan costs		1,255	1,211
Accruals to provisions for risks and charges		3,999	4,060
Fair value losses		(9,556)	(4,558)
Losses from discounting		1,673	15,434
Subtotal		**(30,215)**	**38,304**
• Monetary items			
Gains (losses) from disposals		15,472	(14,612)
• Other adjustments needed to reconcile profit with cash flow from operating activities			
Net interest income and expense and dividends received / (Coverage of losses)		90,598	86,704
Subtotal		**106,071**	**72,092**
Cash flows from operating activities before changes in net working capital		**180,140**	**223,090**
Change in working capital			
Trade receivables		(32,906)	193,804
of which with related parties		*(28,488)*	*20,145*
Inventories and amounts due from customers		(295,450)	(81,655)
of which with related parties		*(125,914)*	*(23,244)*
Trade payables		76,816	(47,260)
of which with related parties		*(11,190)*	*7,184*
Provisions for risks and charges		(277)	(4,315)
Amounts due to customers		81,397	(177,630)
of which with related parties		*23,406*	*15,712*
Other operating assets		4,289	(21,446)
of which with related parties		*(12,629)*	*(17,649)*
Other operating liabilities		(27,602)	38,419
of which with related parties		*(4,104)*	*4,274*
Payments of post-employee benefits and defined benefit plans		(1,924)	(2,672)
Subtotal		**(195,657)**	**(102,755)**
Effect of exchange rate differences from translation of foreign operations		**24,471**	**1,138**
Cash flows from operating activities		**8,954**	**121,473**
Interest and dividends received / (Coverage of losses)		24,712	17,611
Interest paid		(114,755)	(103,834)
Tax paid		(20,029)	(48,555)
A) Net cash flows from (used in) operating activities	25	**(101,118)**	**(13,305)**

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Statement of cash flows

Investing and financing activities

(EUR/000)		**2016**	**2015**
CASH FLOW FROM INVESTING ACTIVITIES			
Construction			
Net intangible assets		(7,082)	(1,623)
Property, plant and equipment		(32,641)	(40,334)
Proceeds from the sale or reimbursement of property, plant and equipment		17,715	24,423
Change in financing of equity investments		771	134
of which with related parties		*831*	*228*
Acquisitions of investments in associates and other companies		(88)	(8)
Gains on the sale of investments in associates and other companies		0	25
Sale / (Purchase) of securities		306	242
Change in other loan assets, net		10,064	(24,001)
Total Construction		**(10,955)**	**(41,141)**
Concessions			
Change in financial assets from concession activities		(86,266)	(17,319)
Change in financing of equity investments		(94,525)	(120,919)
of which with related parties		*(89,911)*	*(120,499)*
Acquisitions of investments in associates and other companies		(9,686)	(49,493)
Gains on the sale of investments in associates and other companies		1,478	1,952
Change in other loan assets, net		3,129	(4,625)
of which with related parties		*1,519*	0
Change in finance lease receivables		555	(787)
Subtotal Concessions		**(185,314)**	**(191,190)**
Net cash flow from discontinued operations		108,322	0
Total Concessions		**(76,992)**	**(191,190)**
Purchase of business division		**(28,760)**	**(7,240)**
B) Cash flows used in investing activities	25	**(116,707)**	**(239,571)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends distributed to owners of the Parent		(19,524)	(19,522)
Dividends distributed to non-controlling interests		(147)	(207)
Net investment in treasury shares		1,950	(616)
Sale of treasury shares		(1,180)	1,073
Net use of credit lines		152,726	373,030
Change in other financial liabilities		663	(2,487)
of which with related parties		*(519)*	*(54)*
Repayment of finance leases		(11,581)	(11,735)
Change in non-controlling interests and other changes		(2,719)	(5,610)
C) Cash flows from financing activities	25	**120,188**	**333,926**
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	25	**(97,637)**	**81,050**
Cash and cash equivalents at the start of the year		**611,263**	**530,212**
Cash and cash equivalents at the end of the year*		**513,625**	**611,263**

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

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Notes to the Consolidated Financial Statements

General Information

Astaldi Group has been active for over 90 years in Italy and abroad in the design and construction of major civil engineering works, and is one of the most important corporate groups operating in the construction sector on an international level. It is a leader in Italy as general contractor and a sponsor of project finance initiatives.

The Group operates through the Parent Astaldi S.p.A., a company limited by shares with registered offices in Rome, Via Giulio Vincenzo Bona 65, listed on the STAR segment of the Milan Stock Exchange since June 2002.

The duration of the Company is currently set to 31 December 2100.

On the draft date of the consolidated financial statements, Astaldi S.p.A. was not subject to the management and coordination of any of its shareholders since its Board of Directors makes any and the most appropriate decisions with regard to its management, in full and complete independence and autonomy.

These consolidated financial statements at 31 December 2016 were approved by the Board of Directors of the Parent at the meeting of 14 March 2017.

Basis of preparation and segment reporting

The consolidated financial statements of Astaldi Group at 31 December 2016 were drafted in compliance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), recognised in the European Union pursuant to EC Regulation no. 1606/2002 in force at the end of the year.

All the standards and pertinent interpretations stated above and taken together are henceforth referred to as “IFRS –EU”. Reference is also made to the measures issued by CONSOB implementing paragraph 3, Art. 9 of Legislative Decree 38/2005.

The 2016 consolidated financial statements consist of the following statements:

1. Income statement;
2. Statement of comprehensive income;
3. Statement of financial position;
4. Statement of cash flows;
5. Statement of changes in equity;
6. Notes.

In this regard, it is pointed out that the Group has decided to present the Statement of Comprehensive Income in two separate statements, allowed by IAS 1.81. Thus, it presents a statement showing the profit (loss) items for the year (income statement) and a second statement which adds to the profit (loss) for the year the “other comprehensive income” (statement of comprehensive income).

It is likewise pointed out that the income statement is prepared based on a classification of each individual item by nature. This classification reflects the management reporting methods used in the Group and is therefore considered more representative compared to presentation of items according to their destination, providing more relevant indications with respect to their specific segment.

With reference to the Statement of financial position, a form of presentation has been adopted with the distinction of assets and liabilities into current and non-current, as allowed by paragraph 60 and following of IAS 1.

The Statement of cash flows presents the cash flows occurring in the year, classified in operating, investing and financing activities. The cash flows deriving from the operating activities are shown using the indirect method. It is likewise recalled that cash flows from investments are shown separately for construction and concessions.

The Statement of changes in equity was drawn up in compliance with IAS 1, obviously taking into account the comprehensive income.

Finally, with regard to segment reporting, the so-called management approach was applied, meaning that the elements that senior management uses for taking its strategic and operational decisions are considered, thus determining the specific operating segments. The operating segments subject to disclosure referred especially to the various geographical segments where the Group works, and were determined on the basis of the same accounting standards used for drawing up the consolidated financial statements. Refer to note 37 for a presentation of segment reporting.

Basis of preparation

The consolidated financial statements were drafted applying the historical cost method, except for the items in the financial statements which, in accordance with IFRS, are recognised at fair value, as indicated in the criteria for measurement of the individual items.

All the amounts are shown in thousands of Euro unless otherwise indicated. Therefore, in some statements, the totals could be slightly different from the sum of the single amounts composing them, due to round-offs.

The consolidated financial statements have been drawn up with the prospect of the Group's ability to continue as a going concern.

Preliminary notes on the comparability of data

Discontinued operations

In the context of the Strategic Plan for 2016-2020 and with a view to rationalising its investments in the concessions sector, Astaldi has undertaken in 2016 the **discontinuation of the motorways concessions sector developed on the domestic level.**

In this context, upon occurrence of the suspensive conditions stated in the preliminary transfer agreement, on 7 September 2016, the Astaldi Group, through the subsidiary Astaldi Concessioni S.p.A., signed the agreement with the Spanish company Abertis for the sale of its shares[3] in **Re.Consult Infrastrutture S.p.A**. The latter company controls **A4 Holding S.p.A., an important industrial Group[4] operating in motorways and related services through the development of concessions connected with most of the motorway sections in North-Eastern Italy[5]**.

In the light of the above, and given the conditions stated in paragraph 32 letter A) of IFRS 5 “Non-current assets held for sale and discontinued operations”, it was deemed necessary to classify the income items pertaining to Re.Consult under operating assets.

Furthermore, applying paragraph 34 of the aforesaid accounting principle, the comparative data of the income statement and statement of cash flows have been restated, with the income items totally referring to that investee company in 2015 were restated at EUR 1,220 thousand and EUR 152 thousand respectively.

Changes introduced in the Consolidated Comprehensive Income Statement

3 Equivalent to 31.85% of the share capital of the investee company.

4 The A4 Holding Group recorded total sales of EURO 560 mln in 2015.

5 The A4 motorway in the Brescia-Padua section, the A31 Valdastico motorway in the original Vicenza-Piovene Rocchette strech and in the southern section from Vicenza to Badia Polesine (Ro).

Note: This English translation is for reference purposes only. 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.

It is observed that from the current financial year, due to the effect of the changes made to EU Regulation 2015/2406 to IAS 1 "Presentation of financial statements"[6], it was necessary separately enter in the Consolidated Comprehensive Income Statement the share pertaining to *Other Comprehensive Income* referring to Joint Ventures and associates using the net assets accounting method.

Given this, it was necessary to restate the corresponding data of the previous year in order to guarantee the accurate comparability with those of the period being examined.

Consolidation scope

At 31 December 2016 the consolidation scope of the Astaldi Group was as follows:

	Type of influence	Consolidation method	Constructions	Concessions	Maintenance and plant	Total
Subsidiaries	Control	Full	49	8	9	66
- *of which Italy*			*25*	*1*	*8*	*34*
Joint Ventures	Joint control	Equity	17	4	0	21
- *of which Italy*			*13*	*0*	*0*	*13*
Associates	Significant influence	Equity	38	11	2	51
- *of which Italy*			*29*	*7*	*2*	*38*

The Astaldi Group companies

Subsidiaries

Construction	Registered office	Operating headquarters	Share/quota capital nominal amount	Funct. currency	% interest	Direct interest	Indirect interest	Companies with indirect interest
Italy								
Afragola FS S.c.r.l.	Rome	Italy	10,000 EUR	EUR	100.00%	82.54%	17.46%	NBI S.p.A.
AR.GI S.c.p.A.	Rome	Italy	35,000,000 EUR	EUR	99.99%	99.99%	0.00%	
AS. M. S.c.r.l.	Naples	Italy	10,000 EUR	EUR	75.91%	75.91%	0.00%	
Bussentina S.c.r.l. in liquidation	Rome	Italy	25,500 EUR	EUR	78.90%	78.90%	0.00%	
C.O.MES. in liquidation S.r.l.	Rome	Italy	20,000 EUR	EUR	55.00%	55.00%	0.00%	
Capodichino AS.M S.c.r.l.	Naples	Italy	10,000 EUR	EUR	66.83%	66.83%	0.00%	
CO.ME.NA. S.c.r.l. in liquidation	Naples	Italy	20,658 EUR	EUR	70.43%	70.43%	0.00%	
CO.MERI S.p.A.	Rome	Italy	35,000,000 EUR	EUR	99.99%	99.99%	0.00%	
Consorzio Stabile Operae	Rome	Italy	500,000 EUR	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	EUR	99.98%	0.00%	99.98%	Consorzio Stabile Operae
Forum S.c.r.l. in liquidation	Rome	Italy	51,000 EUR	EUR	79.98%	79.98%	0.00%	
Garbi Linea 5 S.c.a.r.l.	Rome	Italy	10,000 EUR	EUR	100.00%	100.00%	0.00%	
Infraflegrea Progetto S.p.A.	Naples	Italy	500,000 EUR	EUR	51.00%	51.00%	0.00%	
Italstrade IS S.r.l.	Rome	Italy	16,515,578 EUR	EUR	100.00%	100.00%	0.00%	
Messina Stadio S.c.r.l. in liquid.	Milan	Italy	45,900 EUR	EUR	100.00%	100.00%	0.00%	
Mormanno S.c.r.l. in liquidation	Rome	Italy	10,200 EUR	EUR	74.99%	74.99%	0.00%	
Ospedale del Mare S.C.r.l. in liquidation	Rome	Italy	50,000 EUR	EUR	100.00%	100.00%	0.00%	
Partenopea Finanza di Progetto S.c.p.A.	Naples	Italy	9,300,000 EUR	EUR	99.99%	99.99%	0.00%	

[6] For more details see the further information in the section below on Newly-issued and endorsed accounting standards and interpretations, in force from 1 January 2016.

Portovesme S.c.r.l. in liquidation	Milan	Italy	25,500 EUR	EUR	99.98%	99.98%	0.00%	
S. Filippo S.c.r.l. in liquidation	Rome	Italy	10,200 EUR	EUR	80.00%	80.00%	0.00%	
S.P.T. - Società Passante Torino S.C.r.l.	Rome	Italy	50,000 EUR	EUR	74.00%	74.00%	0.00%	
Scuola Carabinieri S.C.r.l.	Rome	Italy	50,000 EUR	EUR	61.40%	61.40%	0.00%	
SIRJO S.C.P.A.	Rome	Italy	30,000,000 EUR	EUR	60.00%	60.00%	0.00%	
Susa Dora Quattro S.c.r.l. in liquidation	Rome	Italy	51,000 EUR	EUR	90.00%	90.00%	0.00%	
Toledo S.c.r.l. in liquidation	Naples	Italy	50,000 EUR	EUR	90.39%	90.39%	0.00%	

International

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	54,979,619 DZD	DZD	100.00%	100.00%	0.00%	
Astaldi Arabia Ltd.	Riyadh (Saudi Arabia)	Saudi Arabia	5,000,000 SAR	USD	100.00%	60.00%	40.00%	Astaldi International Ltd.
Astaldi Bulgaria LTD	Sofia (Bulgaria)	Bulgaria	5,000 BGN	BGN	100.00%	100.00%	0.00%	
Astaldi Canada Design & Construcion Inc.	Montreal (Canada)	Canada	100 CAD	CAD	100.00%	0.00%	100.00%	Astaldi Canada Enterprises Inc.
Astaldi Canada Enterprises Inc.	Montreal (Canada)	Canada	100 CAD	CAD	100.00%	100.00%	0.00%	
Astaldi Canada Inc	Montreal (Canada)	Canada	50,020,000 CAD	CAD	100.00%	100.00%	0.00%	
Astaldi Construction Corporation	Davie (Florida-USA)	USA	6,000,000 USD	USD	100.00%	100.00%	0.00%	
Astaldi de Venezuela C.A.	Caracas (Venezuela)	Venezuela	110,300 VEF	EUR	99.80%	99.80%	0.00%	
Astaldi International Inc.	Monrovia (Liberia)	Liberia	3,000,000 USD	EUR	100.00%	100.00%	0.00%	
Astaldi International Ltd.	London (United Kingdom)	United Kingdom	2,000,000 GBP	GBP	100.00%	100.00%	0.00%	
Astaldi Polska Sp. z o.o.	Warsaw (Poland)	Poland	120,000 PLN	PLN	100.00%	100.00%	0.00%	
Astaldi-Max Bogl-CCCF JV S.r.l.	Bucharest (Romania)	Romania	40,000 RON	EUR	66.00%	66.00%	0.00%	
Astalnica S.A.	Managua (Nicaragua)	Nicaragua	2,000,000 NIO	NIO	98.00%	98.00%	0.00%	
Astalrom S.A.	Calarasi (Romania)	Romania	3,809,898 RON	RON	99.68%	99.68%	0.00%	
Astur Construction and Trade AS	Ankara (Turkey)	Turkey	35,500,000 TRY	USD	100.00%	100.00%	0.00%	
Consorcio Rio Pallca	Lima (Peru)	Peru	- - - -	USD	60.00%	60.00%	0.00%	
Constructora Astaldi Cachapoal Limitada	Santiago (Chile)	Chile	10,000,000 CLP	CLP	99.90%	99.90%	0.00%	
Italstrade CCCF JV Romis S.r.l.	Bucharest (Romania)	Romania	540,000 RON	EUR	51.00%	51.00%	0.00%	
Kopalnia Kruszywa S5 Sp. z o.o.	Warsaw (Poland)	Poland	5,000 PLN	PLN	100.00%	0.00%	100.00%	Astaldi Polska Sp. z o.o.
Redo-Association Momentanée	Kinshasa (Congo)	Congo	0,5 CDF	EUR	100.00%	75.00%	25.00%	Astaldi International Ltd.
Romairport S.r.l.	Rome (Italy)	Romania	500,000 EUR	EUR	99.26%	99.26%	0.00%	
Seac S.p.a.r.l. in liquidation	Kinshasa (Congo)	Congo	400 CDF	EUR	100.00%	100.00%	0.00%	
T.E.Q. Construction Enterprise Inc.	Montreal (Canada)	Canada	11,080,515 CAD	CAD	100.00%	0.00%	100.00%	Astaldi Canada Inc.

Concessions

Italy

Astaldi Concessioni S.p.A.	Rome	Italy	83,000,000 EUR	EUR	100.00%	100.00%	0.00%	

International

Cachapoal Inversiones Limitada	Santiago (Chile)	Chile	37,234,761 USD	USD	100.00%	0.00%	100.00%	Inversiones Assimco Limitada
Inversiones Assimco Limitada	Santiago (Chile)	Chile	40,633,000 USD	USD	100.00%	0.00%	100.00%	Astaldi Concessioni S.p.A.
Mondial Milas - Bodrum Havalimani Uluslararasi Terminal Isletmeciligi Ve Yatirim A.S.	Ankara (Turkey)	Turkey	37,518,000 TRY	EUR	100.00%	0.00%	100.00%	Astaldi Concessioni S.p.A.

Sociedad Austral Mantenciones y Operaciones S.p.A.	Santiago (Chile)	Chile	1,000,000 CLP	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	40,000,000,000 CLP	CLP	99.99%	0.00%	99.99%	Astaldi Concessioni S.p.A.
Sociedad Concesionaria Metropolitana de Salud s.a.	Santiago (Chile)	Chile	15,000,000,000 CLP	CLP	100.00%	0.00%	100.00%	Astaldi Concessioni S.p.A. NBI S.p.A.
Valle Aconcagua S.A.	Santiago (Chile)	Chile	15,002,991,411 CLP	CLP	80.06%	0.00%	80.06%	Astaldi Concessioni S.p.A.

Maintenance and plant		**Operating headquarters**	**Share/quota capital nominal amount**	**Funct. currency.**	**% interest**	**Direct interest**	**Indirect interest**	**Companies with indirect interest**
Italy								
NBI S.p.A.	Rome	Italy	7,500,000 EUR	EUR	100.00%	100.00%	0.00%	
Bielle Impianti S.c.a.r.l.	Bologna	Italy	100,000 EUR	EUR	75.00%	0.00%	75.00%	NBI S.p.A.
CO.VA. Società a Responsabilità Limitata	Bologna	Italy	10,000 EUR	EUR	60.00%	0.00%	60.00%	NBI S.p.A.
Consorzio Stabile Busi	Bologna	Italy	100,000 EUR	EUR	95.00%	0.00%	95.00%	NBI S.p.A. 3E System S.r.l.
DEAS Società Consortile a Responsabilità Limitata	Bologna	Italy	10,000 EUR	EUR	57.00%	0.00%	57.00%	NBI S.p.A.
Sartori Tecnologie Industriali S.r.l.	Brindisi	Italy	200,000 EUR	EUR	100.00%	0.00%	100.00%	NBI S.p.A.
Tione 2008 Scrl in liquidation	Bologna	Italy	100,000 EUR	EUR	76.00%	0.00%	80.00%	Consorzio Stabile Busi
3E System Srl	Bologna	Italy	50,000 EUR	EUR	100.00%	0.00%	100.00%	NBI S.p.A.
International								
nBI Elektrik Elektromekanik Tesisat Insaat Sanayi Ve Ticaret L.S.	Istanbul (Turkey)	Turkey	200,000 TRY	TRY	100.00%	0.00%	100.00%	NBI S.p.A. Astur Construction and Trade A.S.

Main joint arrangements and associates *

Joint Ventures	**Registered office**	**Op. headquarters**	**Op. segment**	**Share/quota capital nominal amount**	**Funct. currency**	**% interest**	**Direct interest**	**Indirect interest**	**Companies with indirect interest**
Ankara Etlik Hastane Salik Hizmetleri Isletme Yatirim A.s.	Istanbul (Turkey)	Turkey	CO	130,820,000 TRY	EUR	51.00%	5.00%	46.00%	Astaldi Concessioni S.p.A.

Joint operations

Asocierea Astaldi Spa-FCC Construccion Sa-Uti Grup SA-Activ Group Management SRL	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%	
Consorzio Łódź	Łódź (Poland)	Poland	C	- - - -	EUR	40.00%	40.00%	0.00%	
Consorzio Rio Mantaro	Lima (Peru)	Peru	C	- - - -	USD	50.00%	50.00%	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	Saint Petersburg (Russia)	Russia	C	- - - -	RUB	50.00%	50.00%	0.00%	
Ica Astaldi -Ic Ictas WHSD Insaat AS	Ankara (Turkey)	Russia	C	2,000,000 TRY	RUB	50.00%	50.00%	0.00%	
ICA ICTAS – ASTALDI Joint Venture	Ankara (Turkey)	Turkey	C	- - - -	USD	33.30%	33.30%	0.00%	
Metro Blu S.c.r.l.	Milan (Italy)	Italy	C	10,000 EUR	EUR	50.00%	50.00%	0.00%	

UJV Astaldi Spa Chile branch, Vinci CGP Chile 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	400,000,000 TRY	USD	33.33%	33.33%	0.00%	
Metro 5 S.p.A.	Milan (Italy)	Italy	CO	53,300,000 EUR	EUR	38.70%	38.70%	0.00%	
METRO C S.c.p.a.	Rome (Italy)	Italy	C	150,000,000 EUR	EUR	34.50%	34.50%	0.00%	
Otoyol Yatirim Ve Isletme A.S.	Ankara (Turkey)	Turkey	CO	3,000,000,000 TRY	TRY	18.86%	18.86%	0.00%	
Pacific Hydro Chacayes	Santiago (Chile)	Chile	CO	117,843,221 USD	USD	27.30%	0.00%	27.30%	Cachapoal Inversiones Limitada
Veneta Sanitaria Finanza di Progetto S.p.A. - V.S.F.P. S.p.A.	Mestre (VE) (Italy)	Italy	CO	20,500,000 EUR	EUR	37.00%	31.00%	6.00%	Astaldi Concessioni S.p.A.

* The associates and joint ventures considered relevant are those with a carrying amount over EUR 15 million, and joint operations with revenue of over EUR 15 million.

C = Construction; CO = Concession

Interests in unconsolidated structured entities

Astaldi S.p.A., also through subsidiaries, does not hold interests in structured entities in which voting rights or similar rights are not the dominant factor for establishing the control of such entity (paragraphs 24-31 IFRS 12 and paragraph B21 of Operational Guide for IFRS 12).

Information on fully consolidated Group Companies with significant non-controlling interests

Non-controlling interests in Group companies do not comprise holdings that can individually affect in a significant way the financial position and results of operations of the Group. Furthermore, even if evaluated as a whole, the quota pertaining to non-controlling interests in the Group's net assets, cash flows and overall profit should be considered marginal with respect to the corresponding consolidated figures, as shown below:

	2016	%	2015	%
Revenue	23,669	0.79%	14,075	0.49%
Operating loss	1,346	0.59%	(1,302)	-0.47%
Loss	174	0.24%	(1,371)	-1.72%
Net financial resources	8,347	-0.71%	3,599	-0.36%
Net cash flows used	5,420	-5.55%	(1,078)	-1.33%
Dividends paid to non-controlling interests	147		207	

In most cases, the entitlement of voting rights owned by the minorities reflects the effective share in the profits and of the net assets of the group companies.

Evaluations and assumptions used in defining the consolidation scope

Some evaluations and assumptions were needed to identify the correct inclusion of some interests, in particular with reference to:

- **Control of specific assets:**

As already pointed out in the Notes to the Consolidated Financial Statements for 2015, on 22 July 2015, in the context of the broader transaction for the purchase of the Quadrilatero Industrial Complex, Astaldi S.p.A. acquired from the special commissioner of the companies Impresa and SAF the subsidiary Consorzio Stabile Operae (CSO or Consortium). In this context, the aforesaid purchase contract guaranteed Astaldi S.p.A. the complete equity of CSO on the purchase date by the commitment by Dirpa S.c.r.l. under extraordinary administration[7] not to press its credit claims against CSO except insofar as they correspond to the actual revenue accrued by CSO from Impresa S.p.A. under extraordinary administration, thus also ensuring the bankruptcy discharge of CSO's payables to third parties at the date of acquisition.

In the light of the provisions of the purchase contract and the specific regulations on extraordinary administration, the senior management of the Parent decided that:

- the equity relationships of CSO previous to the transfer should be approached as a separate entity (silo) pursuant to IFRS 10, paragraph B76 and following;
- the silo is not controlled by Astaldi, since all the relevant management activities are controlled de facto by the extraordinary administration.

In the light of the aforesaid considerations, no consolidation of assets and liabilities of this separate entity has been made also for the current financial year.

- **Companies that are subsidiaries although the Group owns less than half the voting rights:**

As pointed out in the notes to the 2014 and 2015 consolidated financial statements, 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 the voting rights. This is because Astaldi S.p.A., main shareholder and lead company, has the de facto power of autonomously determining the management and financial policies of that company following the internal agreements signed in 2013 to regulate the governance of the joint venture as to functioning of the Executive Committee.

- **Companies that are not subsidiaries although the Group owns over half the voting rights:**

Astaldi S.p.A. has interests in various projects conducted in partnership with other companies in the sector, where the unanimous approval of the parties is required for decisions concerning the major activities. Consequently, in some of these entities - referring to projects not especially significant for the Group's business - although Astaldi S.p.A. holds over half the voting rights -, these entities have been classified as Joint Arrangements.

- **Companies in which the Group exercises considerable influence although holding less than 20% of the voting rights:**

Considering the occurrence of the circumstances stated in IAS 28 paragraph 6, the Group feels that it can exercise considerable influence on the investees that are developing the project regarding the Gebze-Orhangazi-Izmir Motorway in Turkey although its holds less than 20% of the voting rights in these entities (Astaldi S.p.A. holds 18.86% of the voting rights). Especially, the analysis conducted leads us to believe that the Parent can actively participate in defining the corporate policies of the investees in the light of the following considerations:

(i) The capital of the investees is held by 6 shareholders, 5 of which all hold interests of approximately 20%;

(ii) None of the project shareholders can, individually or in combination with others, exercise control

[7] Special purpose vehicle incorporated by the joint venture of Consorzio Operae, Toto, and Ergon – general contractor awarded Maxi-Lot 2 of Quadrilatero Umbria Marche Road Network – for the joint operation referable to building the aforementioned project.

or joint control over these entities;

(iii) The Parent has adequate representation on the board of the investees.

- **Type of Joint Arrangements when the Joint Arrangement is structured through a separate vehicle:**

During the year 2016, Astaldi S.p.A. took part in two new Joint Arrangements (JA). In order to classify these agreements as Joint Operations (JO) rather than Joint Ventures (JV), a comprehensive analysis of said arrangements was done in order to verify, also with the specific support of opinions formulated in this respect, whether these confer upon the Venturers direct rights and obligation on the JA assets and liabilities. Studies conducted showed that both the arrangements made in 2016 can be defined as JOs, since they are structured through "transparent" vehicles not implying the segregation of the vehicle equity with respect to that of the participants.

This analysis follows the assessments conducted in the years 2014 and 2015, used as the basis for examining all the agreements existing on the date of these statements. In this context, for a very limited number of structured agreements through corporate vehicles (three agreements, one of which divested during 2016), for the purposes of the aforesaid analysis it was necessary to verify whether the clauses of the agreements went beyond the "corporate screen" of the vehicle to accrue rights and responsibilities deriving from the performance of the projects directly to the shareholders. On the basis of the analyses conducted at that time, the specific opinions acquired from experts of primary standing, and the overall agreements signed, the senior management of the Parent had deemed that these agreements involved the assignment to the Venturers (and thus to Astaldi) of titles on assets and obligations on liabilities of the corporate vehicles, thus showing the qualification of the JAs as joint operations pursuant to IFRS11.

Main changes in the consolidation scope

The following table shows the main changes in the consolidation scope compared to the previous year:

Name	Type of company	Event
Sociedad Concesionaria Aguas de Punilla S.A.	Subsidiary	Setting up
Sociedad Austral Mantenciones y Operaciones S.p.A.	Subsidiary	Setting up
Re.Consult Infrastrutture S.p.A.	Joint Venture	Discontinued operation
Brennero Tunnel Construction S.c.r.l.	Associate	Setting up

Losses of control over the investees occurring during the year

In 2016, Astaldi S.p.A., also through subsidiaries, did not perform any operations involving the loss of control over investees.

Changes in the Group's interest in subsidiaries after operations not involving the loss of control over the investees

The main changes occurring in the year are shown below:

December 2016	% acquired (sold)	Amount paid (received)	Adjustment of non-controlling interests
Valle Aconcagua S.A.	2.55%	441	(231)
Sociedad Concesionaria Metropolitana de Salud s.a.	0.01%	2	(1)
Consorzio Stabile Operae	(1.00%)	(5)	5

With regard to the subsidiary Valle Aconcagua S.A., it is pointed out that during 2016, the Shareholders' of the investee resolved, by a resolution passed in the month of May, the increase in the share capital from CLP

13,302,991,411 to CLP 15,002,991,411 by the issue of 1,700,000 new shares. In this context, the Group, through the subsidiary Astaldi Concessioni S.p.A., subscribed the entire capital increase resolved, increasing its interest from 77.51% to 80.06%. As a result of this transaction, the Group, for the payment of the share in the capital increase theoretically pertaining to non-controlling interests (equivalent to EUR 441 thousand), has acquired a share of equity corresponding to EUR 231 thousand.

Reference dates of financial statements of consolidated companies

The reference dates of the financial statements of the subsidiaries coincide with that of the Parent. With regard to a limited number of associates and Joint Ventures, it is pointed out that the last financial statements officially sent to the Parent, though referring to a date not coinciding with the reference date, have been used to draft these consolidated financial statements.

It is pointed out that the companies involved, of which the Group does not control the administrative management, generally operate on specific projects for contract work pending testing or nearing completion. It should in any case be stressed that the economic effects of these projects are in general reflected in the consolidated financial statements since these companies are characterised by the fact of pursuing their activities exclusively for the purpose of consortiums (so-called special purpose vehicles – Consortium Companies and Consortiums), reversing all the charges they incur for performing the works to the consortium members referable to Astaldi Group.

Accounting Standards adopted

The most significant accounting standards and measurement criteria adopted for drawing up the consolidated financial statements at 31 December 2016 are the following.

Basis of consolidation

Subsidiaries

An investor controls an investee when it has the effective capacity to unilaterally manage the activities that significantly influence the economic returns of the investee.

With special regard to the consolidation procedures adopted, it is pointed out that the Group, as stated in IFRS 10 “Consolidated Financial Statements”, Appendix A, uses the global integration method to aggregate the assets and liabilities, charges and income of the Parent and its subsidiaries, adding up the corresponding amounts of assets, liabilities, equity and the revenue and expenses. In this context, it should likewise be pointed out that the figures of the subsidiaries are included in the consolidated financial statements starting from the date when Astaldi took the controlling interest and up to the date of cessation of such control.

In order to present accounting information on the Group as if it were a single economic entity, the following adjustments were made subsequently:

a) The carrying amount of the investments is offset by the corresponding portion of the equity of the investees;
b) The portions of equity and profit attributable to non-controlling interests are recognised under specific items of equity and the income statement;
c) Profits deriving from transactions between consolidated companies and not yet realised and attributable to non-controlling interests are eliminated; receivables, payables, revenue and charges, guarantees, commitments and the risks between consolidated companies are also offset;
d) Infragroup losses are not offset since they represent a real lower value of the asset disposed.

In the presence of interests acquired after control has been taken (acquisition of interests attributable to non-controlling interests), any difference between the purchase cost and the corresponding portion of equity acquired is recognised in the equity attributable to owners of the Parent; similarly, the effects deriving from the transfer of shares attributable to minority interests without loss of control are recognised in equity. On the other hand, the transfer of shares involving the loss of control is recognised under profit or loss: (i) for any gains/losses calculated as the difference between the amount received and the corresponding portion of consolidated equity transferred; (ii) for the effect of reversal of impairment losses on any residual investment maintained in order to align it to fair value; (iii) for any amounts recognised under Other comprehensive income pertaining to the former subsidiary, involving recognition in profit or loss.

Interests in Joint Arrangements

A joint arrangement is an agreement over which two or more parties share joint control of the arrangement, which is to say when the decisions concerning the relevant activities correlated with it require the unanimous consent of the parties.

As concerns the procedure for measurement and representation in the financial statements, IFRS 11 provides for different procedures for:

- 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.

IFRS 11's formulation as to the distinction between JO and JV is therefore based on the rights and obligations derived for the joint venturers in connection with participation in the joint arrangement, which is to say on the substance of the relationship and not on its legal form.

With regard to the recognition of the JVs in the consolidated financial statements, IFRS 11 states that the equity method is the sole method usable.

As regards JOs, since the parties to the arrangement share rights to the assets and take on the obligations for the liabilities connected with the agreement, IFRS 11 provides that each joint operator must recognise, in its own financial statements, the proportional amount of the assets, liabilities, costs, and revenue of the JO.

Investments in associates

An associate is an entity over which Astaldi exercises considerable influence, allowing it, while not having control or joint control, to participate in the decision of the financial and management choices of the company. Investments in associates are measured with the equity method.

Equity method

The investments in joint ventures and associates are measured with the equity method. At the time of initial recognition with the equity method, the investments are recorded at purchase cost.

Any difference between the cost incurred and the portion of interest in the fair value of the net identifiable assets of the investee, calculated on the basis of IFRS 3 "Business Combinations", is covered as shown below:

a) <u>Cost of investment higher than the portion of interest in the fair value of the individual assets and liabilities acquired</u>: the difference usually results in goodwill for the acquisition of the investee which in accordance with IAS 28 (paragraph 32), is not an autonomous element of assets, but rather an item to be included in the carrying amount of the investment;
b) <u>Cost of investment lower than the portion of interest in the fair value of the individual assets and liabilities acquired</u>: this difference is recognised under profit or loss for the year of the investee in the year in which acquisition takes place.

After the carrying amount is adjusted to take into account: (i) the share pertaining to the investor of the profit or loss of the investee realised after the acquisition date; and (ii) the share pertaining to the investor in the Other comprehensive income of the investee. The dividends distributed by the investee are recognised as an offset to the carrying amount of the investment.

The profit deriving from transactions with companies measured by the equity method and not yet realised, attributable to non-controlling interests, are eliminated for the share pertaining to the Group, while losses are not offset since they represent an effective lower value of the assets disposed.

Translation of items and financial statements in foreign currency

The consolidated financial statements of the Astaldi Group are drafted in Euro, which is the functional and presentation currency of the Parent.

Translation of operations in foreign currency into the functional currency

The balances included in the financial statements of each Group company are recorded in the currency of the primary economic setting where the entity operates (functional currency). In the context of the individual financial statements, the items expressed in a currency other than the functional currency, whether monetary (cash and cash equivalents, assets and liabilities payable or receivable with pre-set or determinable sums of money) or non-monetary (inventories, property, plant and equipment, goodwill, other intangible assets etc.) are initially recognised at the exchange rate in force on the transaction date. The items are subsequently translated into the functional currency on the basis of the exchange rate at the reporting date, and the resulting differences are recognised in profit or loss. With regard to the latter it should be pointed out that the exchange rate gains or losses are classified in the income statement, on the basis of the type of equity item that has generated them.

The non-monetary items are kept at the translation rate at the transaction date, unless they are measured at fair value, in accordance with the pertinent accounting standards. In the latter context the exchange rate differences for non-monetary elements follow the accounting rules laid down for the changes of value of these elements, and thus can be recognised (i) in profit or loss if associated with property investments measured at fair value pursuant to IAS 40 or as reductions of fair value recognised in accordance with IAS 16, or alternatively (ii) with the equity method if referring to equity instruments classified under assets available for sale, or as increases of fair value recognised in accordance with IAS 16.

Translation of the financial statements into the presentation currency

The rules for translating financial statements expressed in foreign currency into the presentation currency are as follows:

- assets and liabilities included in financial statements are translated at the exchange rate on the reporting date;
- costs and revenue, charges and income included in financial statements are translated at the average exchange rate for the closing financial year, or at the exchange rate on the transaction date should this differ significantly from the average rate;
- equity items, with the exception of profit for the year, are translated at the historical exchange rates;
- the “translation reserve” includes both the exchange rate gains or losses generated by translation of income statement items at a different rate from the year-end rate, and the differences generated by translation of opening equity balances at a different rate than the year-end one.

The following main exchange rates were used for the translation into Euro of income statement and statement of financial position amounts of foreign companies with a functional currency other than the Euro:

Currency	End of December 2016	Average 12 months 2016	End of December 2015	Average 12 months 2015
Dinar - Algeria	116.3790	121.0972	116.7020	111.3613
New Lev - Bulgaria	1.9558	1.9558	1.9558	1.9558
Dollar - Canada	1.4188	1.4659	1.5116	1.4186
Peso - Chile	704.9452	748.4767	772.7130	726.4062
Kroner - Denmark	7.4344	7.4452	7.4626	7.4587
Dirham - Arab Emirates	3.8696	4.0634	3.9966	4.0733
Indonesian Rupiah	14,173.4300	14,720.8298	15,040.0000	14,870.3892
Dirham - Morocco	10.6568	10.8499	10.7881	10.8140
Cordoba Oro Nicaragua	30.9071	31.6830	30.4055	30.2445
Nuevo Sol - Peru	3.5402	3.7356	3.7083	3.5324
Pound Sterling - UK	0.8562	0.8195	0.7340	0.7258
Zloty - Poland	4.4103	4.3632	4.2639	4.1841
New Leu - Romania	4.5390	4.4904	4.5240	4.4454
Rouble - Russia	64.3000	74.1446	80.6736	68.0720
Dollar - USA	1.0541	1.1069	1.0887	1.1095
Lira - Turkey	3.7072	3.3433	3.1765	3.0255
Bolivar - Venezuela	708.5171	500.4624	6.8502	6.9812

In case of economies with hyperinflation under the definition set forth in IAS 29, the measurement provided for in this standard shall apply.

To conclude, as regards, in particular, the exchange rate utilised for the translation into Euro of the income statement and statement of financial position amounts expressed in Venezuelan bolivares, it is pointed out that during the Q1r 2016, the local government changed the country's currency system. Namely, through Exchange Rate Regulation No. 35, published in Official Journal no. 40.865 of 9 March 2016, the Central Bank of Venezuela, in collaboration with the government executive, enacted two foreign exchange mechanisms:

- A Protected Exchange Rate – DIPRO – representing a preferential rate reserved for the purchase of "essential goods and services";
- A Supplementary Market Fluctuating Exchange Rate – DICOM – representing, as indicated by the Venezuelan Government, the exchange rate to be applied to the wide range of commercial transactions.

In the light of the above, from 10 March 2016, the Parent management adopted the DICOM as the exchange rate for the conversion of foreign currency transactions. This has required the revision of the estimates for the valuation of the items expressed in local currency, regarding amounts calculated up to the date of the financial statement, as well as the updating of budgeted amounts for the entire lifetime of the railway works under way in the area. The comprehensive net economic effects recorded in 2016, regarding the updating of these estimates, are not especially significant, starting from previous years, with reduction to a minimum of the discrepancy between the items expressed in bolivares, also following the gradual reduction of operating activities of the Group in the area.

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 charges for dismantling and removal needed to restore the site to its original conditions.

Charges incurred for routine and/or cyclical maintenance are charged directly to the income statement in the financial year when incurred. Costs related to extension, renovation or the improvement of facilities owned or used by third parties are capitalised exclusively within the limits in which they can meet the requirements for separate classification as an asset. Financial expense is capitalised when the conditions envisaged by IAS 23 occur, i.e. when are specifically referred to loans received to purchase single 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, and depreciation of assets cannot be undertaken according to the revenue generated by them during their useful lifetime.

Depreciation is applied when the asset becomes available for use. The useful life estimated by the Group for the various categories of assets is as follows:

	Years
Buildings	20 - 33
Plant and equipment	5 - 10
Equipment	3 - 5
Other goods	5 - 8

Land, including land pertaining to buildings, is not depreciated.

Should the asset subject to depreciation be composed of distinctly identifiable elements, whose useful life differs significantly from that of the other components forming the asset, depreciation is applied separately for each of the components forming the asset, applying the component approach policy.

Profits and losses deriving from the sale of assets or groups of assets are calculated by comparing the fair value, net of costs to sell, with the relevant carrying amount.

Leased property, plant and equipment

A lease is an agreement through which the lessor transfers to the lessee, in exchange for a payment or a series of payments, the right to use an asset for a defined period of time.

In some types of leases, the economic substance of the operation may qualify the *operation* as leases even without having the legal form of a lease.

Determining whether a lease exists within a contractual agreement that does not expressly contain this case must be based, as provided for by accounting interpretation IFRIC 4, on the substance of the agreement, and requires that two conditions be met:

a) *Fulfilment of the agreement depends on the use of one or more specific assets; and*

b) *The agreement conveys a right to use 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 fulfil the arrangement by providing the use of alternative assets, even implicitly, to the identified asset.

The second requirement, on the other hand, is met when *one of the underlying conditions is met:*

a) *the purchaser has the ability or right to operate the asset or direct others to operate the asset as they wish while obtaining or controlling more than an insignificant amount of the output or other benefit of the asset;*

b) *the purchaser has the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output or other benefit of the asset);*

c) *the facts and circumstances indicate there is only a remote possibility that parties other than the purchaser will take more than an insignificant amount of the output or other benefit generated by the asset during the period in which the agreement is effective, and the price that the purchaser will pay is neither contractually fixed per unit of output nor equal to the current market price at the time of delivery.*

IAS 17 distinguishes two categories of lease:

- **Finance lease**
  Property, plant and equipment owned through ***finance leases***, which basically transfer to the Group all the risks and rewards of ownership, are recognised in the financial statements at the effective date of the agreement as Group assets at their present value or, if lower, at the present value of the

minimum lease payments, including the sum to be paid for exercising the purchase option. The corresponding liabilities vis-à-vis the lessor are included under financial liabilities.

If there is no reasonable certainty that ownership of the asset shall be acquired upon expiry of the lease, the leased assets are depreciated over a term of the lease or the useful life of such asset, whichever is shorter.

- **Operating lease**

  Leases in which the lessor substantially maintains all the risks and rewards connected with owning the assets are classified as operating leases. The payments for operating leases are recognised in profit or loss in the financial years of the lease term.

Intangible assets

Intangible assets are non-monetary items having no physical consistency, and clearly identifiable and suited to generating future economic benefits for the company. These items are recognised in the financial statements at purchase and/or production cost, including expenses that may be directly attributed during the preparation phase to bring them into operation, net of accumulated amortisation (with the exception of assets with an indefinite useful life, whose carrying amount is subjected to impairment tests 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 recorded for the first time.

Industrial patents and intellectual property rights are recognised at purchase cost net of amortisation and impairment losses accumulated over time.

Amortisation is calculated starting from the financial year in which the rights, for which ownership has been acquired, make the asset available for use, and takes into account the useful life (2 –5 years).

Licenses and similar rights are recognised at cost net of amortisation and impairment losses accumulated over time. Amortisation is calculated starting from the financial year in which ownership is acquired in relation to their useful life.

Rights for the utilisation of infrastructures under concession are amortised over the duration of the concession, with criteria reflecting the way in which the economic benefits are estimated to accrue to the company. Amortisation is calculated from the time when the rights for the utilisation of the infrastructures under concession start to produce the relative economic benefits.

The use of the revenue generated by single assets cannot generally be used as a basis for calculating depreciation. This prohibition can only be overcome by application of one of the following conditions:

a) *The intangible asset is expressed as a measure of revenue:* The use of an intangible asset, in this case, depends on a fixed amount of revenue to be generated and not on a pre-set time period or on a certain amount of goods produced or sold.

b) *It has been demonstrated that the expected revenue and the consumption of the economic benefits of the intangible asset are closely correlate:* In this case, it must be clearly shown that the use of revenue as a basis for calculating the depreciation of an intangible asset does not involve significant differences with respect to the other methods allowed by IAS 38.

Goodwill, recognised in relation to business combinations, is allocated to each Cash Generating Unit identified and is recorded under intangible assets. It represents the positive difference between the cost incurred for the acquisition of a company or business unit and the quota of interest acquired with regard to the present value of these assets and liabilities forming the capital of that company or business unit. The potential assets and liabilities (including the respective non-controlling interests) acquired and identifiable are recognised at their present value (fair value) on the date of acquisition. While any negative difference is recognised in the profit or loss at the time of purchase. Goodwill, after the initial recognition, is not subject to amortisation, but tested for impairment, if any.

It is subjected to impairment testing, in accordance with the provisions of IAS 36 (Impairment of Assets) annually, or more frequently if specific events or changed circumstances indicate that goodwill may have been impaired.

Business Combinations

At first-time adoption of 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 financial year are recognised in accordance with the provisions of IFRS 3 (2004). Specifically, these combinations are recognised using the acquisition method, where the acquisition cost equals the fair value on the transfer date of the assets, of the liabilities incurred or undertaken, plus the costs directly attributable to the acquisition. This cost is allocated by recognising the assets, liabilities and contingent liabilities identifiable for the acquisition at fair value. Any surplus of acquisition costs compared to fair value of the share in net assets attributable to owners of the Parent is recorded 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 amount of equity attributable to non-controlling interests is determined proportionally to the non-controlling interests held in net assets. In business combinations undertaken in several phases, the adjustments at fair value for the net assets previously owned by the purchaser are shown under equity at the time of acquisition of the controlling interest. Any adjustments arising from the completion of the valuation process are detected within twelve months of the acquisition date.

Business combinations after 1 January 2010 are recognised in accordance with the provisions of IFRS 3 (2008). Specifically, these combinations are recognised using the acquisition method, where the acquisition cost equals fair value on the transfer date of the assets, of the liabilities incurred or undertaken, plus the costs directly attributable to the acquisition, plus any equity instruments issued by the purchaser. The costs directly attributable to the acquisition are recognised in profit or loss. The acquisition cost is allocated by recognising the assets, liabilities and contingent liabilities identifiable of the purchased entity at fair value on the acquisition date. Any surplus between the amount of the assets transferred, measured at fair value on the acquisition date, and the amount of any non-controlling interests, compared to the net amount of the assets and liabilities identifiable in the acquisition, measured at fair value, is recognised as goodwill; or under profit or loss if the balance is negative. The amount of equity attributable to non-controlling interests is determined proportionally to the non-controlling interest held in net assets identifiable in the acquisition, or their fair value on the acquisition date.

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 detected within twelve months of the acquisition date, with adjustment of corresponding figures.

In a business combination is undertaken in several phases, the net assets previously owned by the purchaser are adjusted at fair value at the time of acquisition of the controlling interest, and any differences (positive of negative) are shown in profit or loss.

Business combinations undertaken in 2016

During 2016 no business combinations were undertaken.

Investment property

Investment property is recognised as an asset when it held for the purpose of receiving rent or appreciation of the invested capital, provided that the cost of the asset can be reliably established and the relevant economic future benefits can be used by the company.

Investment property is measured at purchase or production cost, increased by any additional costs, net of accumulated depreciation and any impairment losses.

The useful life of the property is between 20 and 33 years.

Investment property is eliminated from the financial statements when transferred or when the investment is unusable in the long-term and no future economic benefits are expected from its transfer.

Impairment of assets

The Impairment Test for intangible assets with an indefinite useful life, and for assets under development with a definite useful life is done at least annually.

For property, plant and equipment, intangible assets (other than those with an indefinite useful life, or under development), it is verified, at every reporting date, that there are no events or changes of circumstances that can give rise to any impairment.

In addition to the provisions of IAS 36, the directors of the Parent, at any reporting date, measure, pursuant to IAS 39 (paragraphs 58-62) whether, with reference to the financial assets representing equity instruments, there is any objective evidence of an impairment.

The Group, where necessary, performs the Impairment Test on the smallest group of assets that generates financial flows broadly independent of the financial flows generated by other assets or groups of assets ("Cash Generating Units"), if it is not possible to determine the recoverable amount of the individual assets.

The impairment test is done by comparing the carrying amount of the asset (or groups of assets) and the corresponding recoverable amount[8]. Should the carrying amount be greater than the corresponding recoverable amount, the asset is depreciated by recognition of an impairment loss in the income statement. Should the prerequisites for the previously performed impairment cease to exist, such impairment loss is reversed within the limits of the carrying amount of the asset. 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.

Finally, it is pointed out that the Parent management utilised an international network and consultants of primary standing to perform the Impairment Tests.

These were performed, pursuant to the provisions of IAS 36, according to the procedures adopted by the Group and approved pursuant to the Banca d'Italia – Consob and Isvap Joint Document no. 4 of 3 March 2010, and to Art. 7.C.2 of the New Code of Conduct for Listed Companies.

At the outcome of the impairment tests, there was no need to recognise any losses due to impairment.

Presence of impairment indicators – Market capitalisation lower than Equity

Taking into account that the Market Capitalisation of Astaldi S.p.A. (EUR 547,242 thousand) was, on 31/12/2016, lower than the Group equity (EUR 692,384 thousand), the Management decided to verify the presence of potential impairment on goodwill and other assets having special relevance in the Group.[9]

It was decided, also on the basis of the provisions of the Organismo Italiano di Valutazione, to conduct a second level Impairment Test as well in order to compare the recoverable amount of the Group's net assets with the carrying amount of its equity.

The second level Impairment Test involved the identification of two macro CGUs in the Construction and Concessions segments in order to calculate the recoverable amount of each of them.

Specifically, the recoverable amount of the CGU for the construction segment was obtained through a method based on revenue flows involving the discounting of the revenue for each year, determined on the basis of

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[8] In particular, the recoverable amount is defined as the greater between the fair value less costs to sell and the asset's value in use.

[9] The results of the first level impairment tests conducted will be detailed subsequently in these notes, also in relation to the methods and assumptions applied to develop the single tests.

projections developed on reasonable and sustainable assumptions capable of representing the best estimate it is possible to make by the Parent's management. For the discount process, a rate equivalent to the cost of equity (Ke) of the Parent (7.9%) was used. The flow used for calculation of the Terminal Value was set at the average net revenue over the Plan period, with a conservative hypothesis of growth rate zero and an add-on to the Ke of 4%.

With regard to the CGU for the Concessions segment it is pointed out that the relative recoverable amount was calculated by the method of the sum of the parts. Specifically, the value of the investees was estimated separately using a bottom-up cascade model so that at each level the carrying amount of the investments is replaced with the respective proportionate amount.

With special regard to the measurement techniques applied to the main investees, it is pointed out that the value of each was identified by the "Dividend Discount Model" (DDM), discounting the flows of future dividends expected by the management of the companies. In order to apply this method, the economic-financial plans of the investees were used as drafted by the pertinent bodies of the individual companies.

After the second level impairments tests, also integrated with additional specific sensitivity analyses, the recoverable amount of the net assets of the Group expressed per ordinary share resulted to be considerably higher than the corresponding Market Capitalisation, thus confirming the full recoverability of the Group's equity.

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 application of IFRIC 12 "Service Concession Arrangements" (IFRIC 12 and/or Interpretation), if they are referred to infrastructures relative to important economic and social services rendered to the public. IFRIC 12 envisages that the following conditions must be fully respected for its application:

- the grantor controls or regulates the services that the operator must provide with the infrastructure, to whom it must supply them and at what price;
- the grantor controls any remaining interest in the infrastructure at the expiry date of the arrangement through its ownership or in another way.

According to the interpretation, in particular, under a service concession arrangement, the operator operates as a service provider which essentially involves:

- Construction and improvement services: the operator builds or improves the infrastructure to be used by the same operator to provide the public service;
- Operation services: the operator operates and maintains the infrastructure throughout the duration of the concession.

The amounts due from the grantor for the operation services is thus distributed over the services provided in relation to the respective fair value amounts in order to reflect the substance of the operation.
With regard to the measurement of the progress of the contract activities, the operator measures the amounts for the service it provides (i) in accordance with IAS 11 paragraph 22 with regard to the construction and improvement phase and (ii) in accordance with IAS 18 paragraph 20 for the operation services.

The interpretation also states that if the concession contract has certain characteristics, the right to use the infrastructure (asset in concession) for providing the service can be recognised as:

- *A financial asset*, when there is an unconditional right of the operator to receive a fee whatever the effective use of the infrastructure by the public (minimum guaranteed payment). Under this model, the operator recognises a financial asset in its financial statements - IAS 39 "Financial Instruments: Recognition and Measurement" - on which interest receivable accrues. This financial asset is initially recognised for an amount corresponding to the fair value of the infrastructures built, and subsequently at amortised cost. The credit is settled by the minimum guaranteed payments received by the grantor. The interest receivable calculated on the basis of the effective interest rate are recognised under financial income;

- An intangible asset, when there is a right to charge the users for the use of the public service (charging right). In this regard, IFRIC 12 specifies that the services under concession, in terms of recognition and measurement, come within the sphere of application of IAS 38. With regard to the method for amortising the intangible asset, it is pointed out that this asset is amortised on a straight-line basis over the duration of the concession in such a way as to reflect the procedures by which it is presumed that the future economic benefits deriving from the use of the infrastructures will be received by the Group.
- *Both an intangible asset and a financial asset (so-called "mixed method")*, when the operator is paid for the construction of the infrastructure with both of the above forms. In this case the intangible asset is calculated as the difference between the fair value of the investment made and the amount of the financial asset obtained by the discounting of cash flows deriving from the minimum guaranteed payment. With regard to the measurement of the present value of the minimum guaranteed fees, it is pointed out that the discount rate used by the Group for concession arrangements is equal to the effective interest rate recognised for each individual project as already remarked with reference to the financial assets model.

There follows a brief description of the main concession projects of the Astaldi Group.

Concessions	Segment	Main activity	Subject to IFRIC 12	Accounting model	Expiry	Country	%
Subsidiaries							
Sociedad Concesionaria Metropolitana de Salud s.a.	Healthcare	Felix Bulnes Hospital	Yes	Financial assets	2033	Chile	100.00%
Valle Aconcagua S.A.	Mines	Relaves Mining Plant	No	N.A.	2032	Chile	80.06%
Joint Ventures							
Ankara Etlik Hastane Saglik Hizmetleri Isletme Yatirim A.S.	Healthcare	Etlik Integrated Health Campus	Yes	Financial assets	2043	Turkey	51.00%
Associates							
Veneta Sanitaria Finanza di Progetto S.p.A. - V.S.F.P. S.p.A.	Healthcare	New Hospital in Venice - Mestre	Yes	Financial assets	2032	Italy	37.00%
Metro 5 S.p.A.	Underground lines	Milan Underground Line 5	Yes	Financial assets	2040	Italy	38.70%
Pacific Hydro Chacayes	Water	Chacayes Hydroelectric Power Plant	No	N.A.	Perpetual	Chile	27.30%
Otoyol Yatirim ve Isletme A.S.	Motorways	Gebze - Orhangazi - Izmir Motorway	Yes	Financial assets	2035	Turkey	18.86%
ICA Ic ICTAS - Astaldi Ücüncü Bogaz Köprüsü ve Kuzey Marmara Otoyolu Yatirim ve Isletme AS	Motorways	Third Bosphorus Bridge and Northern Marmara Highway	Yes	Financial assets	2026	Turkey	33.33%

Equity investments

Equity investments in companies other than subsidiaries, associates and joint ventures (in which the Group generally holds a share of less than 20%) are classified, at the time of purchase, under "equity investments" classifiable in the category of financial instruments available for sale as defined by IAS 39. These instruments are initially recognised at cost, recorded at the date when the transaction took place, as representing fair value, inclusive of transaction costs directly referring to the transaction.

After initial recognition, these investments are measured at fair value, if determinable, with recognition of the effects in the statement of comprehensive income, and, then in a specific equity reserve. At the time of realisation or recognition of an impairment loss, in case of objective evidence that these instruments have undergone a significant and prolonged reduction of value, the profits and losses recognised in this reserve are reclassified in profit or loss.

If at the updating of the corresponding fair value the impairment loss has been wholly or partially reversed, the related effects will also be recognised in the statement of comprehensive income, while then charging the specific reserve set up previously.

If the fair value cannot be reliably determined, the investments classified among the financial instruments available for sale are measured at cost, adjusted for impairment.

Inventories

Inventories are recognised at cost or the net recoverable amount, whichever is lower. The amount of inventories is calculated at weighted average cost, applied to homogeneous categories of goods. The cost includes all charges related to purchase and transformation and all other costs incurred to bring inventories to the site where being used and in the conditions to be suitable for the production process.

Construction contracts

Contract work in progress is recognised based on the contractual payments accrued with reasonable certainty as to their progress, using the percentage of completion method, determined using the cost to cost method.

The measurement reflects the best estimate of works performed at the reporting date. Assumptions, underlying measurements, are periodically updated. Any income statement effects deriving therefrom are accounted for in the year in which such update is made.

Contract revenue includes:

- the contract amounts agreed, changes in works, price reviews and incentives, to the extent to which these are likely to occur and that may be reliably calculated, with application of the conditions set forth in IAS 11 "Construction Contracts".

In this regard, the valuations made refer to:

- specific legislation regarding public works and international legislation;
- contract clauses;
- the status of negotiations with the customer and likelihood that these negotiations will have a positive result;
- 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 include:

- all costs that refer directly to the contract, costs that may be attributed to contract activity in general and that may be allocated to such contract, as well as any other costs that may be specifically charged to the customer on the basis of contract clauses.

Such 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, construction site installation costs), as well as
- post-operating costs incurred after completion of the contract (site removal, return of equipment and/or machinery to base, insurance, etc.), and additionally
- costs for services to be performed after the completion of works, remunerated in the contract referring to the project activity (for example, routine maintenance, assistance and supervision during the first phase of operation of individual works).

Finally, it is noted that contract costs include financial expense, as allowed by the amendment to IAS 11 in connection with IAS 23, resulting from financing specifically referred to the works performed. As early as the tender phase, in fact, based on the specific regulatory provisions, special payment conditions are defined that require the Group to rely on structured finance transactions on the invested project capital, the charges for which affect the determination of the corresponding payments.

Should it be forecast that completion of a contract may generate a loss, this shall be entirely recorded in the financial year when reasonably expected.

When the outcome of a long-term contract cannot be reasonably estimated, the amount of contract work in progress is calculated on the basis of costs incurred, assuming it is reasonably expected that such will be recovered without recognition of the margin.

When favourable or unfavourable events attributable to present situations at the reporting date occur after the reporting date, the amounts recognised in the financial statements are adjusted to reflect the consequent income statement and statement of financial position effects.

Contract work in progress is presented net of any allowance for impairment and/or losses on contracts, as well as of any advances for the contract in progress.

In this regard, it is noted that invoiced amounts related to individual progress reports (Advances) reduce the gross contract amount, if the latter is higher, and any surplus is recognised under liabilities. On the other hand, invoiced advances are considered as financial transactions and are not relevant for the purpose of revenue recognition. Therefore, since advances represent simple financial events, these transactions are always recognised among liabilities insofar as received not as consideration for works carried out. However, such advances are progressively decreased, usually by virtue of contract agreements, to offset invoicing of the contract.

With reference to the allowance for losses on contracts, it is noted that in case such allowance exceed the contract amount recognised among assets, this excess is recorded under “Amounts due to customers”.

Such analyses are carried out on a contract-by-contract basis: should the differential be positive (due to contract work in progress being greater than the amount of advances), such amount is classified among assets under “Amounts due from customers”; on the other hand, should this differential be negative, the amount is classified among liabilities, under “Amounts due to customers”.

Receivables and financial assets

The Group classifies financial assets in the following categories:

- assets at fair value through profit or loss;
- receivables and loans;
- held to maturity investments;
- financial assets available for sale.

Classification depends on the reasons why the asset was acquired, the nature thereof and the valuation made by management at the purchase date.

All financial assets are initially recognised at fair value, increased by additional charges in the case of assets other than those classified at fair value through profit or loss.

The Group determines the classification of its own financial assets after initial recognition and, if appropriate and allowed, reviews such classification at the end of each financial year.

Financial assets at fair value through profit or loss

This category includes the financial assets acquired for short-term trading or financial assets originally designated for this purpose by management. Assets held for trading include all assets purchased in order to be sold in the short term. Derivatives, including separated derivatives, are classified as held-for-trade financial instruments 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 the inconsistency of recognition which would arise by measuring the assets or recognising gains and losses generated by such assets in accordance with a different criterion; or (ii) the assets are part of a group of managed financial assets and their return is measured on the basis of their fair value, in accordance with a documented risk management strategy.

Receivables and loans

This category includes assets which are not derivatives and that are not quoted in an active market, from which fixed or calculable payments are expected. Such assets are initially recognised at fair value net of the transaction costs, and then measured at the amortised cost based on the effective interest rate method. Any impairment losses calculated through the impairment test are recognised in profit or loss. These assets are classified as current assets, except for portions whose terms expire after more than 12 months, which are included under non-current assets.

Held to maturity investments

This category comprises assets which are not derivatives, with a pre-set maturity and for which the Group has the intention and capacity to hold in its portfolio to maturity.

Such assets are initially recognised at fair value, calculated at the trading date, and subsequently measured at the amortised cost based on the effective interest rate method. Assets with a contract maturity within the subsequent 12 months are included within current assets. Any impairment losses calculated through the impairment test are recognised in profit or loss.

Financial assets available for sale

This category includes financial assets which are not derivatives, and that have been designated as such or are not classified in any of the three previous categories. They are measured at fair value, with changes in the amount shown against a specific equity reserve ("reserve for assets available for sale"). This reserve is recognised in profit or loss only when the financial asset is effectively transferred, or if there is real evidence that it has undergone a significant and prolonged impairment loss. The classification as current or non-current asset depends on management's intentions and on the real negotiability of the security itself: assets whose realisation is expected in the subsequent 12 months are recognised among current assets.

Impairment losses on financial assets

At the end of each financial year the Group verifies whether any financial asset or group of financial assets were impaired according to the following criteria.

Assets measured at amortised cost

If there is actual evidence that financing or a receivable recognised at amortised cost might be impaired, an impairment test is performed in order to determine the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding losses on future receivables not yet incurred) discounted by the initial actual rate of interest of the financial assets (i.e. the actual interest rate calculated at the date of initial recognition). The carrying amount of the asset will be reduced by application of an allowance. The amount of the loss will be recognised in profit or loss.

With reference to trade receivables, impairment losses are recognised when there is objective evidence, largely based on the nature of the counterpart, that there is no possibility of collecting such receivables according to the original conditions. If, subsequently, the amount of impairment loss decreases, and such decrease can be objectively referred to an event occurred after the impairment recognition, the impairment 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.

Financial assets available for sale

In the case of impairment losses on a financial asset available for sale, an amount corresponding to the difference between its cost (net of repayment of capital and amortisation) and its current fair value is deducted from equity and recognised in profit or loss, net of any impairment loss previously recognised in profit or loss.

Reversals of impairment losses relating to equity investments classified as available for sale are not recognised in 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 attributed to an event which occurred after the impairment losses were 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 within the context of hedging strategies aimed at neutralising the risk of fluctuations of forecast cash flows with regard to contractually defined or highly probable transactions (cash flow hedge). In particular, fair value fluctuations of derivatives designated as cash flow hedges and qualified as such are recognised, limited to the "effective" share only, in a specific reserve charged to the statement of comprehensive income ("hedging reserve"), which is then recognised in the income statement when the income statement effects of the hedged item arise. The difference in fair value referable to the ineffective share is immediately recognised in the income statement for the year. If the derivative instrument is transferred or no longer qualified as an effective hedge against the risk for which the transaction had been made, or the occurrence of the underlying transaction is no longer considered highly probable, the relative share of the "hedging reserve" is immediately reversed to the income statement. These derivatives are initially recognised at fair value at the execution date; subsequently, such value is periodically adjusted. Derivative instruments are recognised as assets when the fair value is positive, and as liabilities when the fair value is negative. Possible gains or losses deriving from changes in the fair value of derivatives not suitable for hedge accounting are recognised directly in profit or loss during the year. The effectiveness of hedging transactions is documented both at the start of the transaction and periodically (at least at every date of publication of financial statements or interim reports), 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.

It is pointed out that the Group does not execute derivative contracts for speculative purposes. However, not all derivative transactions carried out for risk hedging purposes are recognised in accordance with the rules of hedge accounting.

Calculation of fair value

Fair value is defined by IFRS 13 as a criterion of market valuation, not specific to the entity, that represents 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 cannot be measured for an identical asset or liability, the fair value is assessed by applying another measurement technique that maximises the use of observable inputs and minimises the use of unobservable inputs.

It may be appropriate to use single or multiple measurement techniques. If a number of measurement techniques are used to measure the fair value, the results must be assessed taking into account the reasonability of the range of values shown for these results.

The three most widely used measurement techniques are:

- **Market approach:** uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities;
- **Cost approach:** reflects the amount that would be required currently to replace the service capacity of an asset; and
- **Income approach:** converts future amounts (cash flows or income and expense) into a single current amount at present value.

Based on the observability of the relevant inputs used in the employed measurement technique, the assets and liabilities valued at fair value in the consolidated financial statements are measured and classified in accordance with the fair value hierarchy established by IFRS 13:

- **Level 1 inputs**: refer to quoted (non-adjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level 2 inputs**: are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- **Level 3 inputs:** refer to unobservable inputs for the asset or liability.

The entire fair value of an asset or of a liability is classified on the basis of the hierarchical level corresponding to that for the lowest significant input used for the 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 from financial statements when:

- the rights to receive cash flow from the asset have expired;
- the right to receive cash flow from the asset is retained, but according to contractual obligations such cash flow has to be paid immediately and entirely to a third party;
- the Group transferred the right to receive cash flows from the asset and the Group: (a) has substantially transferred all risks and rewards deriving from ownership of the financial asset, or (b) has neither transferred nor kept all the risks and rewards deriving from the asset, but has transferred the control of the asset.

When the Group has transferred the rights to receive cash flow from an asset and has neither transferred nor kept all the risks and rewards or has not lost the control of the asset, the asset is recognised in the Group's financial statements to the extent of the Group's residual involvement in the asset itself. The residual involvement which, by way of example, is represented by a guarantee on the transferred asset, is measured at the initial carrying amount of the asset or the maximum value of the consideration the Group may be required to pay, whichever is lower.

Financial liabilities are derecognised from the financial statements when the obligation underlying the liability expires, is cancelled, or discharged. In the cases where an existing financial liability is replaced by another liability from the same lender, under substantially different conditions, or the conditions of an existing liability are substantially changed, such replacement or change is considered as derecognition of the original liability and recognition of a new liability with the consequent recognising in profit or loss of any differences between carrying amounts.

Cash and cash equivalents

These include cash, deposits or other amounts with banks or other financial institutions, available for current transactions, postal current accounts, and other equivalent securities, as well as investments with terms expiring within three months of the purchase date. Cash and cash equivalents are recognised at fair value, which normally corresponds to their nominal amount.

Assets held for sale and discontinued operations

The non-current assets or disposal groups[10] are classified as being intended for disposal if their book value will be recovered mainly via sale rather than by continuing use.

[10] A disposal group is a set of directly associated assets and liabilities intended for disposal by sale or other ways, in a single transaction.

This condition is considered to be respected when the sale is highly probable and the disposal asset or group is available for immediate sale in its current conditions.

The non-current assets for disposal and the disposal groups are recognised in the statement of financial position separately from the other Group assets and liabilities. Immediately before being classified among disposal groups, they are recognised on the basis of the specific IFRS applicable for each asset and liability, and subsequently recognised at the carrying amount or presumed fair value, whichever is lower, net of the related selling costs. Any losses are recognised immediately in profit or loss. Afterwards, the non-current assets held for sale are not subject to depreciation and are value at the book value or the fair value, whichever is lower, minus the sale charges. The classification of a stake or a portion of this stake, valued with the equity method, as an asset held for sale, implies the suspension of this criterion of valuation to the entire stake or only to the portion classified as an asset held for sale. Any eventual interests not classified as assets held for sale will continue to be valued with the equity method up to the completion of the disposals procedure. Any eventual difference between the book value of the non-current assets and the fair value minus sales charges is recognised in the income statement as depreciation; eventual subsequent recoveries of value are recorded up to the amount of the depreciation recorded previously, including amounts recorded previous to the qualification of the asset as an asset held for sale.

The disposal non-current assets and disposal groups, classified as being held for sale, form the discontinued operation if, alternatively: *(i)* they represent a significant autonomous branch of activity or a geographical area of significant activity; *(ii)* they are part of a disposals procedure of a significant autonomous branch of activity or a geographical area of significant activity; or *(iii)* they are a subsidiary acquired exclusively for purpose of sale.

The results of a discontinued operations, and the eventual surplus/loss realised after disposal, are indicated separately in the income statement under a specific item, net of the related tax effects, The economic values of the discontinued operations are also shown separately for the years compared to the year of the financial statements.

Equity

Share capital

The share capital comprises the Parent's subscribed and paid up capital. Costs strictly related to share issues are classified as reducing the share capital when such costs are directly attributable to the capital transaction.

Treasury shares

Treasury shares are recognised as a reduction of equity. Specifically, the nominal amount of treasury shares is recognised as a reduction of the issued share capital, while the excess of the purchase value compared to the nominal amount is carried-over to reduce other reserves as resolved at the Shareholders' Meeting. Therefore, profits or losses relating to the purchase, sale, issue, or cancellation of treasury shares are not recognised in profit or loss.

Retained earnings (losses carried forward)

These include the profits or losses of previous years for the part not distributed or allocated to reserves (in the case of profit) or balanced (in the case of loss).

Other reserves

These are reserves deriving from first-time application of international financial reporting standards and other equity reserves (such as the stock grant reserve).

Other comprehensive income

The items of comprehensive income (O.C.I.) include income items recognised directly under the equity reserves in compliance with IFRS rules regarding their origin and changes.

The items included in the statement of comprehensive income of these consolidated financial statements are presented according to type and grouped in two categories:

(i) Items that will not be subsequently reclassified to profit or loss:

- Actuarial gains and losses on defined benefit plans (IAS 19);

(ii) Items to be subsequently reclassified to profit or loss, when certain specific conditions occur as required by IFRS:

- Gains and losses from the translation of the financial statements of foreign operations using a functional currency other than the Euro (IAS 21);
- Gains and losses on measurement of available-for-sale financial assets (IAS 39);
- Effective part of gains and losses from hedging instruments (IAS 39).

Financial liabilities

Financial liabilities are initially recognised in the financial statements at fair value net of transaction costs, and are subsequently measured at their amortised costs.

Any difference between the sum received (net of transaction costs) and the nominal amount of the payable is recognised in profit or loss by applying the effective interest rate method.

Financial liabilities are classified as current liabilities, unless the Group has the contractual right to fulfil its obligations at least more than 12 months after the reporting date.

It is noted that the Group has not designated any financial liability at fair value through profit or loss.

Convertible bonds

Convertible bonds are generally financial instruments consisting of a liabilities component and an Equity component. At the date of issue, the fair value of the liabilities component is estimated using the current market interest rate for similar non-convertible bonds. The difference between the net amount gained for the issue and the fair value assigned to the liabilities component, which represents the implicit option to convert the bonds into Group shares, is included under Equity.

On the other hand, convertible bonds offering the issuer with the choice between repayment through ordinary shares, or alternatively by payment in cash (Cash Settlement Option), are referred to as hybrid financial instruments.

In this case, the relative financial liability is measured at the amortised cost, while the implicit incorporated amount representing the conversion option is recognised at fair value through profit or loss.

Trade payables and other payables

Trade payables, whose term of expiry falls within the normal commercial terms, are not discounted and are recognised at cost (identified by their nominal amount).

Tax expense

Current taxes
Current taxes for the year and those of previous years are recognised at the amount expected to be paid to the tax authorities. Tax rates and tax laws used to calculate the amount are those substantially issued at the reporting date in the individual countries where the Group operates.

Deferred taxes
Deferred taxes are calculated by adopting the so-called liability method, applied to the temporary taxable or deductible differences between the carrying amount of assets and liabilities recognised in the financial statements and the taxable amount.

Deferred tax liabilities are recognised against all temporary taxable differences, except when:

- deferred tax liabilities derive from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and which at the moment of the transaction does not affect the profit for the year, calculated for the purpose of the financial statements, or the profit or loss calculated for tax purposes;
- as regards temporary taxable differences related to interests in subsidiaries, associates, and joint ventures, the reversal of the temporary differences may be checked and it is likely that it will not occur in the future.

Deferred tax assets are recognised against all deductible temporary differences and for tax losses carried forward, to the extent to which sufficient future tax profits that can make its use applicable are likely, except when the deferred tax asset results from initial recognition of an asset or liability in a transaction that is not a business combination and that, at the moment of the transaction, does not affect the profit for the year, calculated for the purpose of financial statements, or the profit or loss calculated for tax purposes.

The amount of deferred tax assets to be recognised in the financial statements is reassessed at each reporting date and reduced to the extent in which sufficient future tax profits are no longer likely, in order to allow all or part of the credit to be used. Deferred tax assets that are not recognised are reassessed on an annual basis at the reporting date, and are recognised in the extent in which it is likely that the tax profit is sufficient to allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured on the basis of tax rates expected to be applied for the period in which such assets will be realised or such liabilities will be settled, considering the rates in force and those already substantially issued at the reporting date.

Deferred tax assets and liabilities are offset in the event of a legal right to offset current tax assets with current tax liabilities and when the deferred taxes refer to the same tax entity and the same tax authority.

Tax expense (deferred and current) referring to items recognised directly under equity are also recognised under equity and not in profit or loss.

Employee benefits

Benefits due to employees for early termination of employment

The benefits owed for termination of employment are represented by amounts payable to employees following the company's choice to terminate the employment of an employee before the retirement date and the employee's decision to accept voluntary resignation in exchange for this indemnity.

These benefits must be recognised as liabilities and expenses (i) on the date when the Company can no longer withdraw the offer of said benefits; or (ii) the date when the Company recognises the costs for a restructuring included within the scope of application of IAS 37, which involves the payment of benefits owed for termination of employment, whichever is sooner. These liabilities are measured based on the nature of the benefit being granted. In particular, if the benefits that are granted represent an improvement of other benefits following the conclusion of employment paid to the employees, the corresponding liability is measured in accordance with the provisions of IAS 19 par. 50-60 "Post-employment Benefits". Otherwise, the provisions to be applied to measure the benefits owed to employees for termination of employment differ depending on the timeframe in which said benefits are to be paid:

- if the benefits are expected to be entirely paid by twelve months of the close of the financial year, the provisions established for short-term employee benefits (IAS 19 par. 9-25) are applied;
- if the benefits are not expected to be paid off within twelve months of the close of the financial year, the provisions for the other long-term benefits (IAS 19 par. 153-158) are applied.

Post-employment benefits

The liabilities for benefits guaranteed to employees, paid coinciding with or after termination of employment through defined benefit plans, are recognised in the financial year the right accrues, in line with the working services needed to obtain benefits based on actuarial hypotheses and net of advances paid. The liabilities are assessed by independent actuaries using the "Projected unit credit method".

In this context, the following items are recognised among personnel expenses in the income statement:

- Costs from current working services, which are the actuarial estimates of the benefits to which employees are entitled for the work performed during the year;
- The net interest cost, which is the change in the amount of the liability during the year due to the passage of time; and
- The costs and income from changes to the defined benefit plans ("costs or income from past working services") fully recognised during the period in which the changes take place.

Moreover, the changes in the amounts of liabilities for defined benefit plans with regard to actuarial gains or losses are fully recognised in the financial year they accrue, in the Other Comprehensive Income (OCI) section of the statement of comprehensive income.

Liabilities from benefits guaranteed to employees, paid coinciding with or after termination of employment through defined contribution plans, are recognised for the amount accrued at the end of the year.

Liabilities for other employee benefits are recognised for the amount accrued at the end of the year also on the basis of the actuarial hypotheses if referring to medium/long-term benefits.

Stock grant plan

The Parent has set up an incentive plan for senior management (CEO with delegated powers for economic and financial management and General Managers), which consists of the free disbursement of Company's shares upon achieving specific financial targets.

The stock grant plan as structured falls within the scope of application of IFRS 2, in the "equity settled" type of operations.

The cost of the incentive plan is divided along the period to which the incentive refers (the "vesting period") and is determined with reference to the fair value of the right assigned to the senior management on the date the commitment is made, so as to reflect the market conditions existing on the date in question.

At every reporting date, the hypotheses regarding the number of stock grants expected to come due are verified. The charges for the financial year are recognised in profit or loss, among the personnel expenses, and are offset by an equity reserve.

Provisions for risks and charges

Allocations to provisions for risks and charges are recognised when at the reporting date there is a current obligation (legal or implicit) resulting from a past event, the outflow of resources to settle the obligation are likely and a reliable estimate of the obligation can be made.

The provisions are recognised at the amount representing the best estimate to settle the obligation or to transfer it to third parties at the reporting date. If the effect of discounting the cash outflow is significant, the provisions are calculated by discounting the future expected financial flows at a pre-tax discount rate that reflects the current market valuation. When discounting is performed, the increase in the provision due to the passing of time is recognised as a financial charge in profit or loss.

Revenue other than contract work in progress

Revenue is measured at the fair value of the payment received, taking into account any discounts and reductions linked to quantities.

Revenue related to the sale of goods is recognised when the company has transferred the significant risks and rewards connected with ownership of the assets to the buyer, which in many cases coincides with transferring ownership or possession to the purchaser, or when the amount of the revenue may be reliably calculated.

Revenue from services rendered is recognised, when it can be reliably estimated, on the basis of the percentage-of-completion method.

Government grants

Government grants are recognised in the financial statements at fair value, when there is reasonable certainty that such grants will be received and all the conditions relating thereto are met. When the grant relates to cost items, it is recognised as revenue, but is systematically released over the years in such proportion that it offsets the corresponding costs. Should the grant be linked to an asset, the grant's fair value is recognised as a reduction of the asset. The grant is accrued among liabilities should the underlying asset not be in operation or should it be under construction and the related amount is not included in the amount of the asset.

Financial expense

Interest is recognised on an accruals basis under the effective interest method by using the interest rate that makes all incoming and outgoing flows (including premiums, discounts, commissions, etc.) related to such transaction financially equivalent. Financial expense is capitalised in accordance with provisions set out by IAS 23.

Dividends

Dividends are recognised when the right arises from shareholders to receive the payment that normally corresponds to the dividend distribution resolved at the Shareholders' Meeting. Distribution of dividends to the shareholders is recorded as a liability in the financial statements for the year in which the distribution thereof is resolved at the Shareholders' Meeting, and reflected as a change in equity.

Costs

Costs are recognised on an accruals basis and on the basis of the Group companies' ability to continue as a going concern.

Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shares by the weighted average of outstanding ordinary shares, adjusted to take treasury shares into account. Diluted earnings per share are calculated by adjusting the profit or loss attributable to ordinary shares, as well as the weighted average of outstanding shares, as defined above, to take into account the effects of all the potential ordinary shares with a dilution effect.

Use of estimates

Preparing the financial statements and notes in compliance with IFRS rules requires the formulation of estimates and assumptions affecting the carrying amounts of assets and liabilities and the disclosure regarding potential assets and liabilities.

In the light of the Banca d'Italia / CONSOB / ISVAP Joint Document no. 2 of 6 February 2009 it should be pointed out that such estimates are based on the most recent information available to senior management at the time of preparing these financial statements, the reliability of which is, therefore, unprejudiced. Estimates are used, inter alia, to perform impairment tests and recognise the allowance for impairment, receivables discounting on the grounds of the estimated collection times, contract revenue, amortisation and depreciation, impairment losses on assets, employee benefits, taxes, other accruals, and provisions.

The final results may differ from these estimates. Estimates and assumptions are periodically reviewed and the effects of all changes are reflected in the income statement of the period when the change occurred.

In particular, taking into account the group's specific segment which involves a payment amount at the time when the individual contracts are assigned, it is to be noted that the margins on these contracts, credited in the income statement on the basis of systematic calculation criteria, may undergo changes with respect to the initial estimate. This is related to the likelihood of being able to recover the higher charges that may be incurred during the performance of the works.

Newly-issued and endorsed accounting standards and interpretations, in force from 1 January 2016

There follows a summary of the approved EU Regulations effective at 1 January 2016.

<u>Commission Regulation (EU) 2015/28 of 17 December 2014</u>, published in Official Journal L 5 of 9 January 2015: Annual Improvements to the IFRSs 2010-2012 cycle.

The amendments introduced by the regulation to IFRS 8 "Operating Segments" and IAS 16 "Property, Plant and Equipment", IAS 24 "Related Party Disclosures" and IAS 38 "Intangible Assets" contain slight changes, essentially technical and textual, in the aforesaid international financial reporting standards. The amendments to IFRS 3 "Business Combinations" provide further indications regarding the recognition of the contingent amount connected with a business combination. The amendments to IFRS 2 "Share-based Payments" utilise the definition of the "vesting condition", contained in Appendix A of the aforesaid standard, to define the "service condition" and "performance condition" and provide some clarifications regarding the definition of "market condition".

The changes introduced did not produce effects with regard to the valuation of the financial statement items and the notes to the financial statements.

<u>Commission Regulation (EU) 2015/29 of 17 December 2014</u>, published in Official Journal L 5 of 9 January 2015: Amendments to IAS 19 "Employee Benefits".

The amendments introduced aim to simplify and clarify the recognition of the contributions by employees or third parties connected with the defined benefit plans, allowing them, upon occurrence of certain conditions, to recognise these contributions as a reduction of costs for providing employment services ("service costs") in the period when such work has been done.

The changes introduced did not produce effects with regard to the valuation of the financial statement items and the notes to the financial statements.

<u>Commission Regulation (EU) 2015/2113 of 23 November 2015</u>, published in Official Journal L 306 of 24 November 2015: Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture".

With the amendments introduced to IAS 16 and IAS 41, the IASB has clarified that the plants used exclusively for the cultivation of agricultural products over various years, known as bearer plants, must be subjected to the same accounting treatment utilised for property, plant and equipment pursuant to IAS 16.

The changes introduced did not produce effects with regard to the valuation of the financial statement items and the notes to the financial statements.

<u>Commission Regulation (EU) 2015/2173 of 24 November 2015</u>, published in Official Journal L 307 of 25 November 2015: Amendments to IFRS 11 "Joint Arrangements".

The amendments introduced by the IASB on IFRS 11 "Joint Arrangements" aim to clarify the accounting procedure that a joint operator must apply in its financial statements for the acquisitions of interests in a joint operation.

Specifically, it was clarified that if the joint operation involved constitutes a business pursuant to IFRS 3 "Business Combinations", the joint operator must apply the accounting rules set forth by the latter standard for recognition of the accounting effects connected with the acquisition.

The changes introduced did not produce effects with regard to the valuation of the financial statement items and the notes to the financial statements.

<u>Commission Regulation (EU) 2015/2231 of 2 December 2015</u>, published in Official Journal L 317 of 3 December 2015: Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets".

The amendments introduced by the IASB to IAS 16 "Property, Plant and Equipment" are aimed to clarify that the method for depreciation and amortisation for items included within the scope of application of the aforesaid standard can never be based on the estimate of the revenue produced by such assets over their useful life.

This assertion is due to the fact that the method for depreciation and amortisation of assets must reflect the procedures by which their economic benefits are expected to be utilised, and not on the value of the economic benefits that the assets are able to generate over their useful life.

The IASB has also amended IAS 38 "Intangible Assets" introducing, with reference to intangible assets with defined useful life, a general prohibition to utilise the revenue as a basis for calculating the amortisation, which can be waived only upon the following conditions:

- **a)** *The intangible asset is expressed as a measurement of revenue:* The use of an intangible asset, in this case, depends on a fixed amount of revenue to be generated and not on a pre-set time period or a given amount of goods produced or sold.
- **b)** *The entity manages to demonstrate that the forecast revenue and utilisation of the economic benefits of the intangible asset are closely related:* In this case, it must be clearly demonstrated that the use of revenue as a basis for calculating the amortisation of an intangible asset does not involve significant differences compared to the other methods allowed by IAS 38.

The changes introduced did not produce significant effects with regard to the valuation of the financial statement items and the notes to the financial statements.

<u>Commission Regulation (EU) 2015/2343 of 15 December 2015</u>, published in Official Journal L 330 of 16 December 2015: Annual Improvements to the IFRS 2012-2014 cycle.

The amendments introduced by the regulation to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", IFRS 7 "Financial Instruments: Disclosures", IAS 19 "Employee Benefits" and IAS 34 "Interim Financial Reporting" are the result of the annual process of improvement to simplify and clarify some aspects, essentially technical and textual, of the aforesaid International Financial Reporting Standards. This also involved the amendment of accounting standard IFRS 1 "First-time Adoption of International Financial Reporting Standards" in order to ensure the consistency of the international financial reporting standards as a whole.

The changes introduced did not produce effects with regard to the valuation of the financial statement items and the notes to the financial statements.

Commission Regulation (EU) 2015/2406 of 18 December 2015, published in Official Journal L 333 of 19 December 2015: Amendments to IAS 1 "Presentation of the Financial Statements".

The amendments introduced to IAS 1 "Presentation of Financial Statements" are aimed at defining specific areas of improvement for the presentation and disclosure of the financial statements taking into account the principle of materiality, also with regard to the information to be provided to the notes to the financial statements.

In this regard, in 2016 the Parent management started a process of internal auditing of the overall financial statements structure in order to assess the eventual corrections to be made in the document.

After the analysis conducted, and awaiting developments in international best practices, it has been decided not to make for the moment significant corrections to the structure of the financial statements, being deemed generally able to guarantee the efficacy of the financial disclosure.

With the adopting of the amendments to IAS 1, it has also been determined that the pertinent quota of *Other Comprehensive Income* referring to Joint Ventures and Associates recognised with the equity method must be shown separately in the section other comprehensive income of the consolidated financial statements.

In compliance a these rules, from the current year these amounts have been shown in the prospectus of consolidated comprehensive income on an aggregate basis, distinguishing the portion that can be restated subsequently under profit for the year from the quota that will never be recognised in the income statement. This separation by type into single items has been shown in the notes to the financial statements.

Commission Regulation (EU) 2015/2441 of 18 December 2015, published in Official Journal L 336 of 23 December 2015: Amendments to IAS 27 "Separate Financial Statements".

The regulation makes some amendments to IAS 27 in order to introduce the possibility, in the context of drafting the separate financial statements, of using the equity method for the recognition of investments in subsidiaries, associates or joint ventures.

The amendments did not have any effect on the measurement of the items in question, since the provision refers exclusively to the drafting of the separate financial statements.

Commission Regulation (EU) 2016/1703 of 22 September 2016, published in Official Journal L 257 of 23 September 2016: Investment Entities – Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).

The changes introduced aim to provide details on the exemptions provided for the investment entities regarding the consolidation criteria and the procedures used for valuation of the interests held in associates and joint ventures, contained respectively in international accounting principles IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures". In this respect it should also be pointed out that the investment entities that valuate their subsidiaries at fair value must in any case provide the disclosure required by IFRS 12 "Disclosure of interests in other entities" with regard to the latter entities.

The changes introduced, applied in prospectus form starting from the current year, did not produce effects with regard to the measurement of the financial statement items and financial reporting.

Endorsed standards and interpretations not adopted early by the Group

Commission Regulation (EU) 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 principle) provides new regulations, which in 2018 will replace all the previous accounting rules regarding revenue from the sale of goods and services to the customers present in the following documents:

- IAS 11 "Construction Contracts";
- IAS 18 "Revenue";
- IFRIC 13 "Customer Loyalty Programmes";
- IFRIC 15 "Agreements for the Construction of Real Estate";
- IFRIC 18 "Transfer of Assets from Customers";
- SIC 31 "Revenue – Barter Transactions Involving Advertising Services".

The aim of the new Principle is to guarantee to the users of the financial statements a greater comprehension of the nature, amount, timing and uncertainties of the revenue and cash flows produced by the contracts with customers. There are various innovations introduced by IFRS 15, involving a detailed series of accounting rules that as a whole form the new single model for entering revenue from contracts with customers. Very briefly, the new principle requires the undertaking of the following 5 steps for the determination of revenue:

- Step 1 – Identification of the contract;
- Step 2 – Identification of the performance obligations;
- Step 3 – Determination of the price of the operation;
- Step 4 – Allocation of the price of the operation to the performance obligations;
- Step 5 – Recognition of revenue.

In the light of the substantial innovations introduced by IFRS 15 the Astaldi management has deemed it suitable to initiate, well in advance of the date of first application, a project to identify the potential impact deriving from the adoption of the new principle both in business terms and with respect to the currently existing processes and procedures.

In this context, the Astaldi management has set up a specific working group that is focusing its activities on the following aspects:

- Analysis to compare the accounting policies adopted by the Group in terms of the determination of revenue with respect to the requirements of the new international accounting principle;
- Determination of the main differences in principle that could potentially lead to significant accounting, organisational or system impact;
- Identification of the main contracts with customers stipulated by Group Companies, and analysis of the relative contract structure in order to verify the existence of potential impact deriving from the application of the new accounting principle;
- Analysis of the process for the determination of the contract cost (pre-operational and operational) adopted by the Group in order to undertake the identification of the main categories of costs charged to the contract;
- Verification of the correspondence of each category of costs identified on the basis of the activities mentioned in the previous point with the guidelines included in the new accounting principle;
- Analysis of the transition options involved in the new international accounting principle.

In the light of the analyses made thus far, some substantial innovations have emerged in the rules contained in IAS11 "Construction Contracts" and in the provisions of IFRS 15 regarding the determination of revenue from the contracts in the construction sector. There follow the main differences observed.

Pre-operational costs

With respect to the previous contents of IAS 11 para. 21 regarding the inclusion in the contract costs of the charges incurred to acquire the works contract, IFRS 15 introduces stricter rules according to which assets can only be *(i)* the external incremental costs incurred for the sole fact of obtaining the contract (commissions and success fees) and *(ii)* the costs incurred to "satisfy" the contract (for example the costs for designing the work incurred in the bid phase).

Combination and Sub-division of construction contracts

The new principle introduces stricter rules on the "combining" of a group of contracts in a single construction work, stating that this can be possible only when the contracts are made at the same time or almost at the same time, with the same customer and one or more of the following conditions are respected:

a) the contracts are negotiated together with a single commercial objective;

b) the contract amount depends on another contract.

c) the goods and services promised in the contracts are considered as a single obligation to fulfil (performance obligation)

With regard to the identification of the separate obligations to act contained in a single contract, with regard to IAS 11, it will be necessary to apply greater care about the high level of interrelation and integration of the different elements of the construction contract in order to consider it as single performance obligation.

Significant financial components in the contract

On the basis of the current IAS/IFRS regulations, if a contract with a customer involves an extension of payment outside of the normal market conditions, the amount agreed must be actualised to the present value. The current IAS/IFRS rules do not, however, provide indications on the accounting treatment of payments received early. With the new principle, it will always be necessary to verify whether there is a significant financial component in each contract, and consequently determining the implicit interest rate in the transaction, reflecting the credit rating of the contract that has obtained the funding. The implicit interest rate is determined at the start of the contract, and no subsequent updating is required to reflect changes in circumstances.

Variable fees

The new principle states that variable fees must be estimated at the expected value or the most probable value. IFRS 15 also states that these amounts must be recognised insofar as they are highly probable and at a subsequent time when the uncertainty associated with such valuation is resolved, leading to a significant downward adjustment of the amount of revenue recognised.
Highly probable is a new concept, not included in IAS 11, and included in the new regulatory context through specific application guidelines.

Contract changes

IAS 11, para. 13, states that a change must be included in the contract revenue only if *(i)* it is probable that it will be approved, and *(ii)* the amount of revenue associated with it can be reliably determined. Para. 14 of the aforesaid principle also states that the claims for price revision must be taken into account only when *(i)* the negotiations with the customer are in such an advanced stage that it is probable that the latter has accepted the requests for revision, and *(ii)* the probable amount that will be accepted by the customer can be reliably determined.

The general approach of IFRS15, with regard both to changes and to price revision claims is based on the fact that the contract changes must be taken into account only when the related rights and obligations are "owed" by the contract parties. In order to determine whether the rights and obligations created or modified by the change are owed, the entity must consider all the pertinent facts and circumstances, including the terms of the contract and other elements of proof.

As already anticipated, the new standard will be applicable starting from the year 2018. At the present time, given the complexity of the topic, it has not yet been possible to fully evaluate the effects that the new standard may produce in terms of the measurement of the financial statement items and the financial disclosure to be provided.

Commission Regulation (EU) 2016/2067 of 22 November 2016, published in Official Journal L 323 of 29 October 2016: Adoption of IFRS 9 "Financial Instruments"

From the year 2018, IFRS 9 "Financial Instruments" will replace the accounting principle IAS 39 "Financial Instruments: Recognition and Measurement" with a view to the rationalisation and simplification of the accounting rules applicable to the classification and measurement of financial instruments.

In particular, the new provisions, among other things, provide a model for classification and valuation of the financial instruments based exclusively on the following categories *(i)* Financial instruments valued at the amortised cost, *(ii)* Financial instruments valued at the fair value through profit or loss, *(iii)* Financial instruments valued at the fair value recognised in other comprehensive income.

This classification must also take into account the business model of the entity and the characteristics of the cash flows.

The new principle likewise states that the equity holdings other than subsidiaries, joint subsidiaries or associates are valued at fair value with recognition of the effects in the income statement. If such equity is not held for trading purposes, the changes in fair value can be recognised in the comprehensive income prospectus, maintaining in the income statement exclusively the effects connected with the distribution of dividends; upon the sale of the equity, there is no recognition in the income statement of the amounts entered in the comprehensive profit and loss.

With regard to financial liabilities valued at fair value and recognised under profit and loss for the year, the new rules require changes in fair value connected with changes in own credit risk to be recognised in through comprehensive profit and loss.

With regard to derivatives and hedging items, while confirming most of the basic principles of IAS 39, IFRS 9, has introduced some innovations in hedge accounting aimed at guaranteeing that the hedges are aligned with the risk management strategies of the companies, more principles-based compared to the past.

In particular, the main changes regard: *(i)* valuation only on a prospectus basis of the effectiveness of the hedging; *(ii)* absence of a defined rang (80% - 125% under IAS 39) to verify the efficacy of hedging *(iii)* a wider range of circumstances qualifying for hedging and more instruments usable as hedging instruments; *(iv)* the possibility of intervening in the hedging operation after the initial designation (rebalancing) in the presence of unchanged risk management objectives; *(v)* the recognition of the time value of options or forward contract premiums, excluded from the valuation of hedging efficacy, in accordance with the characteristics of the purpose of the hedge.

As already anticipated, the new standard will be applicable from the year 2018, and analysis is now under way as to the potential impact that the new accounting principle may involved on the valuation of the items in the financial statements. Initial results of such analysis in any case lead us to believe that the potential effects that the new standard may produce in terms of measurement of the net financial position, comprehensive income and other equity items are not likely to be significant.

Notes to the Consolidated Financial Statements

1 Revenue: EUR 2,851,826 thousand (EUR 2,730,024 thousand)

Revenue at 31 December 2016 totals EUR 2,851,826, up by EUR 121,802 thousand compared to the previous year. The item is composed as follows:

	2016	2015	Change
Revenue from goods and services	2,819,227	2,696,322	122,905
Concessions - Commercial services under arrangement	20,152	24,417	(4,265)
Periodical instalments on plant maintenance contracts	12,447	7,976	4,471
Closing inventories of assets and plant under construction	0	1,309	(1,309)
Total	**2,851,826**	**2,730,024**	**121,802**

The "Revenue from goods and services" item includes the amount of the works performed and accepted by the respective customers, including the portion of long-term works done during the financial year, but not yet completed.

This item has shown a net increase of EUR 122,905 thousand, basically deriving from the development of current activities in the American continent (Chile and Canada).

The "Concessions – Commercial services under arrangement" item comprises the amounts accrued for infrastructure operation services, essentially regarding: *(i)* the four hospitals in Tuscany (Euro 15,572 thousand) and *(ii)* the plant in Chile (Relaves Project), for the treatment and recovery of the copper and molybdenum contained in the residues of the Codelco Mine (EUR 4,580 thousand).

The "Periodical instalments on plant maintenance contracts", on the other hand, comprises the activities undertaken in the year by the subsidiary NBI, the company operating in the plant engineering and facility management segment, complementary to the current activities of the Group, but also useful for providing it with relevant industrial and commercial synergies, with the contribution of top level professional skills.

The "Closing inventories of assets and plant under construction" item not utilised during the year, included in 2015 the value of the further investments made for bringing the Relaves Project into full operation.

The revenue in terms of geographical breakdown is as follows.

	2016	%	2015	%	Change
Italy	451,499	15.83%	468,109	17.15%	(16,610)
Europe	1,249,773	43.82%	1,254,847	45.96%	(5,074)
America	989,025	34.68%	834,599	30.57%	154,426
Africa	146,293	5.13%	123,362	4.52%	22,931
Asia	15,236	0.53%	49,107	1.80%	(33,871)
Total	**2,851,826**	**100.00%**	**2,730,024**	**100.00%**	**121,802**

Domestic production benefits from the positive contribution of: *(i)* the new contracts acquired during 2015 (Quadrilatero Marche-Umbria Road Network, Maxi-Lot 2 – 1st Functional Phase, Naples-Afragola High Speed Railway Station) and *(ii)* the works of Milan Underground Line 4. This effect only partly mitigates the planned reduction of production on other projects that have now been completed or are nearing completion (Jonica State Highway, Line 5 of the Milan Underground, Pedemontana Lombarda Motorway, new hospital in Naples ("Ospedale del Mare"), Line C of the Rome Underground).

For the European Area, we should point out *(i)* the increase in production volumes of the contracts Etlik Health Campus in Turkey and the M-11 Motorway Moscow-St. Petersburg in Russia and *(ii)* the positive advancement of the activities under way in Turkey for the Third Bridge on the Bosphorus and the Motorway Gebze-Orhangazi-Izmir Motorway projects. However, this area, compared to 2015, was affected by *(i)* the planned reduction of the production volumes of some contracts being executed in Poland (John Paul II International Airport of Krakow-Balice, Warsaw-Lodz Railway Lt.2) and Russia (WHSD in St. Petersburg) that are now nearing their scheduled completion; *(ii)* the effect of the end of the Concession for the management of the Milas-Bodrum International Airport in Turkey (which expired on schedule in October 2015).

There has been strong growth in the contribution to revenue recorded by the American area, which has benefited from the positive effect of the works in progress in Chile (West Metropolitan Hospital in Santiago, Santiago Airport, and the Chuquicamata Mining project).

With regard to the American area, and in particular Canada, we can point out the positive advancement of the activities for the Muskrat Falls Hydroelectric Project, following the overall revision of the contract agreements. In the second half of 2016, a new contract agreement was signed with the customer "Muskrat Falls Corporation" to bring the value of the contract to CAD 1,830 million, and setting a new date for the completion of the works in line with the current advancement of the activities.

With regard to Venezuela, we should point out that in line with the situation in the previous year, the suspension of the railway works in the portfolio is substantially confirmed, while awaiting resumption of works planning in the context of an adequate operational context.

In the African area, the contribution, compared to the previous year, of the work under way in Algeria due to the acceleration of the activities (i.e. signalling, telecommunication and energy installations) in view of the forthcoming schedules delivery of the Saida – Moulay Slissen railway section.

The Asian area is affected by reduction of the activities under way in Saudi Arabia, due to the slowdown of some work phases at the Jeddah and KAEC High Speed Stations.

For further details on this item see Note 37 in the Sector Disclosure pursuant to IFRS 8.

2 Other Operating Revenue: EUR 152,429 thousand (EUR 124,925 thousand)

Other operating revenue, totalling EUR 152,429 thousand, comprises economic items not directly related to the main production activity of the Group, but nevertheless accessory to the characteristic activity.

	2016	2015	Change
Revenue from sale of goods	21,036	20,868	168
Services – third parties	70,206	56,043	14,163
Services – management of joint projects	537	1,975	(1,438)
Rents and leases	2,569	5,029	(2,460)
Net gains on disposals of property, plant and equipment	14,734	15,684	(950)
Other	43,347	25,326	18,021
Total	**152,429**	**124,925**	**27,504**

The increase in the item "Services to third parties" is basically attributable to the Turkish area (Third Bridge on the Bosphorus and North Marmara Highway), which contributed to the production in the period, also through the greater development of the accessory activities connected with the main contract.

The item "Other" comprises the revision of estimates of some liabilities recognised in previous financial statements, besides the assessment of insurance compensation. The change stated in the item mainly refers to the European area and is attributable to the recognition of insurance reimbursements and the adjustment of some cost estimates, already shown in previous years, in operations for which the operational phase has basically been completed.

3 Purchase costs: EUR 449,134 thousand (Euro 456,635 thousand)

Purchase costs at 31 December 2016, including the change in raw materials and consumables, totalled EUR 449,134 thousand, showing a decrease of EUR 7,501 thousand compared to the previous year.

	2016	2015	Change
Purchase costs	431,815	463,.039	(31,224)
Change in raw materials, consumables and goods	17,319	(6,404)	23,723
Total	**449,134**	**456,635**	**(7,501)**

Below is a detailed analysis of the geographical breakdown of the item.

	2016	%	2015	%	Change
Italy	78,549	17.49%	75,750	16.59%	2,799
Europe	244,587	54.46%	251,191	55.01%	(6,604)
America	105,169	23.42%	105,039	23.00%	130
Africa	20,804	4.63%	24,647	5.40%	(3,843)
Asia	25	0.01%	8	0.00%	17
Total	**449,134**	**100.00%**	**456,635**	**100.00%**	**(7,501)**

The decrease recorded for the foreign sector is mainly related to: *(i)* the completion of some working phases of the project for the construction of the Third Bridge on the Bosphorus in Turkey, and which in 2015 required further supplies of raw materials for constructing the works; *(ii)* items for the Algerian railway contracts now nearing their scheduled completion.

4 Service costs: EUR 1,605,119 thousand (EUR 1,511,869 thousand)

Service costs, totalling EUR 1,605,119 thousand, are up compared to 2015 by EUR 93,250 thousand. This item consists of the following:

	2016	2015	Change
Consortium costs	92,726	129,683	(36,957)
Subcontracts and other services	1,265,381	1,142,133	123,248
Technical, administrative and legal consultancy	113,128	102,724	10,404
Directors' and statutory auditors' fees	3,970	3,862	108
Utilities	7,720	10,210	(2,490)
Travel and transfers	6,201	6,261	(60)
Insurance	16,954	26,698	(9,744)
Leases and other costs	55,272	39,770	15,502
Lease and building management costs	10,675	10,668	7
Maintenance of third party assets	569	1,530	(961)
Other	32,523	38,330	(5,807)
Total	**1,605,119**	**1,511,869**	**93,250**

The consortium costs connected with the performance of works, in association with other entities in the segment, show a decrease of EUR 36,957 thousand compared to the previous year. The change is mainly due to the lower contribution of initiatives for construction works of the Pedemontana Lombarda Motorway, Line C of the Rome Underground, and Łódź Fabryczna Station in Poland.

With regard to the item “Subcontracts and other services”, up compared to the previous year by EUR 123,248 thousand, the geographical breakdown is shown below:

	2016	%	2015	%	Change
Italy	162,721	12.86%	159,700	13.98%	3,021
Europe	662,598	52.36%	602,510	52.75%	60,088
America	345,760	27.32%	289,399	25.34%	56,361
Africa	80,230	6.34%	42,113	3.69%	38,117
Asia	14,072	1.11%	48,411	4.24%	(34,339)
Total	**1,265,381**	**100.00%**	**1,142,133**	**100.00%**	**123,248**

The changes of this item substantially reflect the production trend in the period, and as stated in the note on revenue (Note 1) shows a growth in the volumes for works under way in Turkey (Etlik Health Campus), Russia (M-11 Motorway Moscow-St. Petersburg), Chile (West Metropolitan Hospital in Santiago, Santiago Airport) and Algeria (Saida – Moulay Slissen railway), partly compensated by the effects of the reduction of the values for projects under way in Saudi Arabia (Jeddah and KAEC High Speed Stations) and Peru ("Cerro de Aquila" Project) that are coming to the scheduled end of the activities.

We should likewise point out an increase in leasing mainly to the development of the activities under way in Chile (Chuquicamata Mining Project) and Russia (M-11 Motorway Moscow-St. Petersburg).

5 Personnel expenses: EUR 616,203 thousand (EUR 548,249 thousand)

This item consists of the following:

	2016	2015	Change
Wages and salaries	445,493	395,011	50,482
Social security contributions	87,792	81,003	6,789
Other costs	80,381	69,648	10,733
Other post-employment benefits	1,282	1,376	(94)
Cost of share-based payments	1,255	1,211	44
Total	**616,203**	**548,249**	**67,954**

The other costs mainly refer to expenses incurred for costs for meals and lodging, accrual for post-employment benefits as a defined contribution plan set forth in IAS 19, as well as to expenses incurred for the training of employees.

The accrual for post-employment benefits in the context of the "defined benefit plan" is included in the "Other post-employment benefits item".

The geographical breakdown of personnel expenses is shown below:

	2016	%	2015	%	Change
Italy	102,622	16.65%	99,446	18.14%	3,176
Europe	94,361	15.31%	98,782	18.02%	(4,421)
America	397,632	64.53%	324,796	59.24%	72,836
Africa	20,149	3.27%	23,910	4.36%	(3,761)
Asia	1,439	0.23%	1,315	0.24%	124
Total	**616,203**	**100.00%**	**548,249**	**100.00%**	**67,954**

As for the geographical breakdown of personnel costs, there was a significant increase in the foreign sector related to: *(i)* the greater production volumes recorded in Chile (West Metropolitan Hospital in Santiago, Santiago Airport, Chuquicamata Mining Project); *(ii)* items attributable to the works under way in Canada which, in the fourth quarter 2016, benefited from a positive impulse due to the redefinition of the relative contract terms.

5.1 Average number of employees

The average number of employees by category is the following:

	2016	2015	Change
Managers	296	284	12
Junior managers	215	197	18
White collars	3,714	3,335	379
Blue collars	7,285	7,050	235
Average number of employees	**11,510**	**10,866**	**644**

On 31 December 2015, the Group had an average workforce of 11,510 employees. On an aggregate basis, the figure recorded an increase of 6% compared to the previous year, and confirms the prevalence of personnel employed abroad (9.0% of the total), due to the significant revenue produced outside Italy as well as the larger number of contracts in progress involving direct works.

5.2 Senior management incentive plan

Stock Grant Plan

The “Cost of share-based payments” item includes the valuation of an incentive plan for senior managers linked to their achievement of specific financial targets. The main features of the plan are defined hereunder.

The Plan consists in the assignment of Parent Company shares to the Beneficiaries, gratuitously. The beneficiaries were as follows: the CEO and up to a maximum of *(i)* six General Managers and *(ii)* two “Top managers with relevant responsibilities in the Group”. The assignment period refers to the 2016-2018 three-year period.

The CEO can be assigned, free of charge, a maximum number of 100,000 shares for each year of validity of the plan, and each General Manager can be assigned, free of charge, a maximum number of 40,000 shares for each year of validity of the plan; each “Top manager with relevant responsibilities” can be assigned gratuitously for each year of validity of the Plan, a maximum number of 40,000 shares.

The maximum number of shares that can be assigned as a whole to the Beneficiaries during each year will be equal to 420,000, and they cannot exceed the number of 1,260,000 shares during the three-year period of validity of the plan.

Assignment of the shares every year is subordinate to the Group’s achievement of the financial performance targets defined each year by the Board of Directors; in accordance with the regulations, the assignment date of the shares is the date of resolution with which the Board of Directors ascertains achievement of said targets and the occurrence of the required conditions and consequently provides for assigning the shares to the Beneficiaries.

In connection with what has been described up to this point, the plan has determined for the year in question a cost of EUR 1,255 thousand, with a balancing entry in an equity reserve.

The following are the actuarial assumptions with regard to the plan’s calculation:

- Dividend rate: 5.00%;
- Volatility: 60%;
- Free risk rate: deduced from Euroswap rates on the measurement dates.

It was also hypothesised that the performance objectives are achieved with the following likelihood:

- 95% for 2016;
- 90% for 2017;
- 85% for 2018.

Medium term incentives plan – “Management By Objectives” (MBO)

The Parent Company Board of Directors, upon proposal by the Appointments and Remuneration Committee, in the session of 27 June 2016 approved a medium term incentives plan to be provided for the Chairman, connected with the task of implementing the programme for the disposal of some assets under concession in accordance with the Strategic Plan for 2016-2020.

The maximum of the bonus to be paid upon reaching all of the planned targets totals EUR 6,000 thousand. During the last quarter of 2016, after the completion of the sale to the Spanish Group Abertis of the equity holding in Re.Consult Infrastrutture S.p.A., the Chairman, as provided in the incentives plan, was granted a bonus (Euro 1.1 mln) coherent with the net amount received by this operation. At the end of the year, the charges connected with the incentives plan were recognised in relation to the further disposal assets (on the basis of actuary valuation, totalling EUR 278 thousand).

6 Other operating costs: EUR 41,702 thousand (EUR 35,919 thousand)

Other operating costs total EUR 41,702 thousand and show an increase of EUR 5,783 thousand compared to the previous year. Details are shown in the following table:

	2016	2015	Change
Prior year expense and fair value losses	2,642	3,807	(1,165)
Tax expense	11,563	11,762	(199)
Other administrative and sundry costs	27,497	20,350	7,147
Total	**41,702**	**35,919**	**5,783**

The item "Other administrative and sundry costs" rose substantially due to the effect (EUR 3,866 thousand) of the losses recorded due to the sale of machinery and equipment, mainly with reference to contracts no longer operational in the European area.

7 Share of profits (losses) of joint ventures and associates: EUR 87,760 thousand (EUR 52,911 thousand)

The value of this item rose by EUR 34,849 thousand compared to the previous year, substantially due to the development of the important concessions initiatives in the Turkish area (Third Bridge on the Bosphorus and the Gebze-Orhangazi-Izmir Motorway).

	2016	2015	Change
Associates	85,869	53,215	32,654
Joint Ventures	1,891	(304)	2,195
Total	**87,760**	**52,911**	**34,849**

At 31 December 2016 the balance of this item refers in particular to *(i)* EUR 49,411 thousand for the design, construction and management of the Third Bridge on the Bosphorus, *(ii)* EUR 29,938 thousand for Otoyol Yatirim Ve Isletme A.S., holder of the concession for the design, construction and management of the new Gebze-Orhangazi-Izmir Motorway in Turkey.

8 Amortisation, depreciation and impairment losses: EUR 58,885 thousand (EUR 74,897 thousand)

Amortisation, depreciation and impairment losses totalled EUR 58,885 thousand, decreasing in absolute terms compared to the previous year by EUR 16,012 thousand. This item consists of the following:

	2016	2015	Change
Amortisation	11,713	19,844	(8,131)
Depreciation	46,497	54,940	(8,443)
Impairment losses on receivables	675	113	562
Total	**58,885**	**74,897**	**(16,012)**

The balance of the item "Amortisation, depreciation and impairment losses" is basically attributable to the amortisation of the contract rights acquired for the development of the works for "Maxi-Lot 2" of the Quadrilatero Marche-Umbria Road Network (EUR 9,303 thousand) and the "Infraflegrea" project[11] (EUR 856 thousand). With regard to the comparative data, it is pointed out that at 31 December 2015 this item mainly comprised (EUR 14,523 thousand) the amortisation quotas of the concession rights for the Mondial Milas-Bodrum International Airport in Turkey, which expired on schedule in the month of October 2015.

The decrease in depreciation tangible assets mainly concerns: *(i)* the Russian area, which during 2015 required a greater in the use of Group Company machinery and equipment for the execution of special working phases referring to the works for execution of the WHSD in St. Petersburg; *(ii)* Peru, where the production volumes achieved during 2016 were lower compared to the previous year.

9 Provisions: EUR 3,999 thousand (EUR 4,060 thousand)

Provisions for risks and charges, totalling EUR 3,999 thousand at 31 December 2016, basically refer to: *(i)* the valuation made pursuant to para. 36 of IAS 11 "Construction Contracts" of the economic result for the entire lifetime of some contracts being executed mainly in Poland and the United States (EUR 2,606 thousand); *(ii)* the revision of the estimated provisions for risks deemed possible in relation previous operational situations mainly regarding the domestic area (EUR 1,388 thousand).

With regard to provisions for the equity investment risk fund, it is pointed out that the losses for the period (EUR 5 thousand) in associates and joint ventures with an equity deficit were fully recognised as not being recoverable. The reason is that although there are no direct recapitalisation requirements, the Group intends in any case to ensure full respect of its obligations in the investee companies.

10 Financial income: EUR 100,041 thousand (EUR 84,079 thousand)

Financial income increased compared to the previous year by EUR 15,962 thousand and consists of the following:

11 Cumana Railway and the Monte Sant'Angelo Bypass in Naples.

	2016	2015	Change
Income from associates	301	287	14
Income from other investees	0	227	(227)
Income from financial transactions with banks	2,159	3,555	(1,396)
Commissions on sureties	6,656	1,798	4,858
Exchange rate gains	56,817	41,589	15,228
Financial income on leases	1,769	1,510	259
Income from derivatives	2,805	1,054	1,751
Fair value gains on the derivative embedded in convertible bonds	1,959	0	1,959
Interest income on financial assets from concession activities	6,154	2,448	3,706
Other financial income	21,421	31,611	(10,190)
Total	**100,041**	**84,079**	**15,962**

The "Other financial income" item basically comprises *(i)* the amount of default interest payable by single customers totalling EUR 5,716 thousand, for contract work in progress in Italy and abroad and *(ii)* the amount of interest on loans issued to associates, joint ventures and partners in joint projects for EUR 14,735 thousand.

The decrease of this item compared to 2015 è da is due to default interest deriving from the works for Line C of the Rome Underground. This item included the realignment of interest recognised and paid in the year 2015 with the contents of the summons issued against the contracting authority.

With regard to currency management, we can point to an increase in the exchange rate gains, ascribable to the fluctuating Dollar and Rouble.

Finally, we can point out that the updating of the valuation of the fair value of the embedded derivative, connected with the potential exercise of the cash settlement on the convertible bonds, involved the reduction of the pertinent liabilities for EUR 1,959 thousand, with the economic counterpart being recognised in the aggregate amount. This valuation was affected, in particular, by the price of the Astaldi shares and bonds, which at 31/12/2016 has lower values compared to 31/12/2015.

11 Financial expense: EUR 287,918 thousand (EUR 248,836 thousand)

Financial expense rose compared to the previous year by EUR 39,082 thousand, and consist of the following:

	2016	2015	Change
Interest on bonds	61,153	61,105	48
Commissions on sureties	45,404	34,331	11,073
Expense on financial transactions with banks	59,254	44,994	14,260
Exchange rate losses	88,405	67,097	21,308
Expense on derivatives	9,444	6,253	3,191
Fair value losses on the derivative embedded in convertible bonds	0	2,291	(2,291)
Lease expense	1,187	1,522	(335)
Interest for extended payment terms on trade items	5,979	6,048	(69)
Factoring of receivables without recourse	8,837	5,009	3,828
Discount expense	1,673	15,434	(13,761)
Other financial expense	5,849	4,155	1,694
Total	**287,185**	**248,239**	**38,946**
Impairment losses on equity investments	723	494	229
Impairment losses on securities and receivables	10	103	(93)
Total	**733**	**597**	**136**
Total financial expense	**287,918**	**248,836**	**39,082**

There was an increase in the value of Commissions on sureties of EUR 11,073 thousand, both for the foreign sector (Russia and Turkey), and with reference to the domestic sector (Brenner Railway Tunnel). With regard to the latter project, we can point out that the Parent Company has already transferred that charge to the SPV that is developing the initiative. The effects of this action can be seen in the item "Commissions on sureties" shown under the heading of "Financial income" as in Note 10 above.

There was also an increase in the charges deriving from financial transactions with banks (EUR 14,260 thousand) due to the increase in the average level of indebtedness recorded in 2016 compared to the previous year.

With regard to foreign exchange management, we can cite the greater values of exchange rate losses (EUR 21,308 thousand) recorded above all with reference to the American and European areas. This effect is partially compensated by the rise in foreign exchange gains commented on in Note 10.

With regard to the item "discount expense", it is pointed out that it comprises the effects deriving from the determination of the current value of credit items certified by the customer, updated to the close of the financial year, with reference to Chaguarama-Cabruta and Los Morros-San Fernando de Apure railway works. The discount process was defined taking into account the updated estimate of the time necessary for receipt of the relative amounts, in relation to the possible changes in operational and financial development plans in the country's infrastructure investments, as well as well as for the lack of financial coverage for such investments in the government budget for 2017.

As to the financial variables used in the discounting process, it is also specified that the discounting rate applied to the corresponding nominal amounts of the receivables was established on the basis of the macroeconomic components of specific reference to Venezuela. Particular consideration was made of the Country Risk, of the expected Inflation Rate, and of the trend in the bonds issued in strong currency by the Venezuelan government.

12 Tax expense: EUR 31,654 thousand (EUR 33,188 thousand)

The total amount of the tax expense for the year is EUR 31,654 thousand.

The tax rate for the year, including the impact of IRAP, is 25% (2015: 29%). The details of the item are shown in the table below:

	2016	2015	Change
Current income tax (*)	41,384	43,420	(2,036)
Deferred income tax (*)	(16,344)	(1,650)	(14,694)
IRAP, current	1,404	1,002	402
IRAP, deferred	27	2	25
Tax expense of previous financial years and other	5,183	(9,586)	14,769
Total	**31,654**	**33,188**	**(1,534)**

(*) Income tax refers to IRES for Italy and similar taxes for the foreign areas

The above table shows the overall effects, already seen in the financial statements at 31 December 2015, deriving from the recent measures on international taxation adopted by the tax authorities and that have also had effects on previous years. In particular, the new measures have clarified that the activities conducted abroad through Joint Operations, when the conditions allow, are subject to taxation exclusively in the country where the relative income is produced, and are thus exempt for purposes of World Wide Taxation pursuant to the current legislation in Italy.

Moreover, as usual, the tax rate takes into account the various taxation regimes in force in the countries where the Group operates, with specific reference to the modes of taxation of the income produced in the sphere of long-term contracts.

The determination of tax for the year has been made, as in previous years, by applying the Italian rules on Foreign Tax Credit for the offset of double taxation for income produced abroad by stable organisations.

With reference to the alternative system of Branch Exemption, introduced in Italian legislation under Legislative Decree N. 147 of 14 September 2015, and starting in 2016, it is observed that without the implementation measure, it would not have been possible to valuate the overall effects that would derive from the application of the new system.

The following is a breakdown of deferred tax assets totalling EUR 98,906 thousand and deferred tax liabilities totalling EUR 41,866 thousand.

	31/12/2016	31/12/2016	31/12/2015	31/12/2015
Statement of financial position	***IRES***	***IRAP***	***IRES***	***IRAP***
a) Deferred tax assets deriving from:	**110,595**	**355**	**80,122**	**208**
- taxed provisions for risks	18,380	355	18,184	208
- taxed allowance for impairment - default interest	2,140	0	2,056	0
- exchange rate gains or losses	18,879	0	6,079	0
- tax losses	7,383	0	7,722	0
- interest expense pursuant to art, 96 and other minor	63,813	0	46,081	0
b) Deferred tax liabilities deriving from:	**(53,261)**	**(648)**	**(38,865)**	**(532)**
- buildings recognised to fair value in substitution of cost	(3,401)	(532)	(3,401)	(532)
- dividend taxable share	(164)	0	(183)	0
- default interest to be collected	(17,276)	0	(18,394)	0
- foreign items taxable in subsequent years	(34,711)	0	(19,474)	0
- other + hedging reserve	2,291	(116)	2,587	0
c) Net deferred tax assets (liabilities) (a + b)	**57,334**	**(293)**	**41,257**	**(324)**
d) Deferred taxes for the year recognised in profit or loss	**(16,344)**	**27**	**(1,650)**	**2**

The increase in net deferred tax assets from the 2015 financial year, equal to approximately EUR 16 million, is due essentially to the effects derived from recent provisions in the matter of international taxation, adopted by the tax authorities nationally which, as mentioned above, affected the previous financial years as well.

Furthermore, as regards the recognition and measurement of deferred tax assets deriving from tax losses – mainly recognised with regard to the subsidiary Valle Aconcagua S.A. - it must be noted that the item in question was recognised in so far as there is considerable evidence that this investee will generate a future taxable income that will allow for offsetting in the medium-term of tax losses accrued during project start-up.

To this end, it must be noted that the check in question was conducted by examining forecast earnings obtained from the financial plan approved by the board of the subsidiary holding the concession for the construction and operation of a plant to recover the copper and molybdenum contained in tailings from the mines belonging to CODELCO (Chilean State-Owned Copper Mining Company).

Reconciliation, for income tax (IRES) purposes only, between the tax recognised in the accounts (current and deferred) and the theoretical tax resulting from the application of the tax rate currently in force in Italy (27.5%) to the pre-tax profit is the following:

	2016	%	31/12/15	%
Pre-tax profit	**129,096**		**112,694**	
Theoretical income tax	35,498	27.50%	30,991	27.50%
Net effect of permanent increases (decreases)	1,021	0.79%	(610)	(0.54%)
Net effect of deferred and current taxation of foreign entities and other adjustments	(11,479)	(8.89%)	11,389	10.11%
Tax of previous years and other	5,183	4.01%	(9,586)	(8.51%)
IRAP (current and deferred)	1,431	1.11%	1,004	0.89%
Income tax recognised in the financial statements (current and deferred)	**31,654**	**24.52%**	**33,188**	**29.45%**

It is finally pointed out that on 16 December 2016, the Regional Tax Department, Major Taxpayers Office, acquired data on the Parent Company to start up a general verification for purposes of income tax, VAT and withholding tax for the tax period 2013. At the time of drafting of this note, verification is still under way, and no issues have been raised or violations claimed.

13 Profit (Loss) from discontinued operations: EUR -24,811 thousand (EUR -1,220 thousand)

This item comprises the income items for the investee company Re.Consult Infrastrutture S.p.A. (the asset) sold to the Spanish company Abertis in the fourth quarter of 2016.

With regard to the amount agreed for the sale of the asset, it is pointed out that it is substantially in line with the book value of the investee company. The agreement governing the sale set the 78th month after the closing date as the deadline for such payment.

The result for the period thus basically derives from: *(i)* the loss recorded (EUR 3,113 thousand) due to the effect of the equity valuation of the investee up to the period just before reclassification in discontinued operations (i.e. 20 April 2016); *(ii)* the financial expense (EUR 18,867 thousand) connected with the transfer without recourse of the amount agreed for the sale of the asset; *(iii)* amounts referring to the sales costs connected with the transaction (EUR 1,187 thousand).

14 Earnings per share: EUR 0.74 (EUR 0.83)

Basic earnings per share are calculated as follows:

		2016	2015
Numerator (EUR/000)			
Profit from continuing operations of ordinary shareholders of the Parent	**(a)**	97,268	79,656
Profit attributable to the ordinary shareholders of the Parent	**(b)**	72,457	80,876
Denominator (in units)			
Weighted average shares (all ordinary)		98,424,900	98,424,900
Weighted average treasury shares		(738,097)	(805,387)
Weighted average shares used to calculate basic earnings per share	**(c)**	**97,686,803**	**97,619,513**
Basic earnings per share - (EUR)	**(b)/(c)**	**EUR 0.7417**	**EUR 0.8285**
Basic earnings per share from continuing operations - (EUR)	**(a)/(c)**	**EUR 0.9957**	**EUR 0.8160**

Diluted earnings per share equal to 0.6543 (EUR 0.8687), taking into consideration only the earnings from continuing operations, were calculated by dividing the profit for the year attributable to the ordinary shareholders of the Parent – adjusted by the amount of the revenue items that it is assumed will not be incurred after conversion of the potential ordinary shares (net charges of EUR 3,257 thousand) – by the weighted average Astaldi S.p.A. shares in circulation in the year, excluding treasury shares, incremented by the weighted average shares that could potentially be placed in circulation (no. shares 18,038,517) in relation to:

(i) Stock grant plans (470,000 shares) for key management personnel, and more precisely the shares already assigned to the beneficiaries and awaiting delivery, referring to 2015 of the 2013-2015 Incentive Plan, and those that could be assigned for 2016 of the 2016-2018 Plan;

(ii) The possible exercise of the conversion option for the Equity Linked bond issue of EUR 130,000 thousand. To this end, it is pointed out that, starting from February 2014, the bonds can be converted at a fixed conversion price of EUR 7.3996, into existing or newly issued ordinary shares of the Parent (max. 17,568,517 shares). Astaldi S.p.A. is entitled to settle any conversion by cash payment or a combination of ordinary shares and cash.

Note: This English translation is for reference purposes only. 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.

15 Property, plant and equipment: EUR 207,558 thousand (EUR 210,120 thousand)

The following table shows changes in the amount of property, plant and equipment at the beginning and at the end of the year:

	Land and Buildings	Generic and specific plant	Excavators, power shovels, and vehicles	Sundry equipment and machines	Assets under construction and payments on account	Total
Amount at 31 December 2015, net of depreciation (1)	47,590	94,010	31,322	27,422	9,776	210,120
Additions from acquisitions	4,241	17,764	18,453	8,852	3,029	52,338
Gross amount	**51,831**	**111,774**	**49,774**	**36,274**	**12,805**	**262,458**
Depreciation	(1,207)	(23,110)	(12,067)	(10,105)	0	(46,489)
Other disposals	(90)	(9,357)	(1,908)	(1,991)	(40)	(13,387)
Reclassification and transfers	0	1,484	(517)	59	(1,025)	0
Net exchange rate gains (losses)	216	2,147	990	851	1,578	5,783
Change in consolidation scope and other changes	0	(240)	(470)	73	(170)	(807)
Amount at 31 December 2016, net of depreciation (2)	**50,750**	**82,698**	**35,801**	**25,161**	**13,148**	**207,558**

	Land and Buildings	Generic and specific plant	Excavators, power shovels, and vehicles	Sundry equipment and machines	Assets under construction and payments on account	Total
(1) of which at 31/12/2015:						
Cost	61,041	195,805	133,994	93,364	9,776	493,980
Accumulated depreciation	(13,451)	(101,795)	(102,673)	(65,942)	0	(283,860)
Carrying amount	**47,590**	**94,010**	**31,322**	**27,422**	**9,776**	**210,120**
(2) of which at 31/12/2016:						
Cost	65,367	183,634	134,788	91,751	13,148	488,687
Accumulated 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**

It is specified that the “Assets under construction and payments on account” item mainly includes the costs incurred for the acquisition of equipment – not yet ready for the use for which it is intended – necessary for the implementation of the contracts recently acquired in Chile (extension of the Chuquicamata Underground Mining Project, Santiago Airport).

The following most significant changes are pointed out:

- The increases of EUR 52,388 thousand mainly refer to the investments made for the projects under way in Chile (extension of the Chuquicamata Underground Mining Project, Santiago Airport) and Turkey (Third Bridge on the Bosphorus, Etlik Health Integrated Campus in Ankara);
- Depreciation for the year totalling EUR 46,489 thousand;
- The disposals made in the year (EUR 13,387 thousand) mainly regard the disposal of assets of projects being completed in Peru (Cerro del Águila) and Romania (Underground 4 in Bucharest).

The amount of property, plant and equipment includes a component of leased goods for a carrying amount of EUR 27,573 thousand as shown in the following table:

	Land and Buildings	Generic and specific plant	Excavators, power shovels and vehicles	Sundry equipment and machines	Total at 31/12/2016
Historical cost	1,196	16,784	24,848	593	43,421
Accumulated depreciation	(173)	(6,771)	(8,847)	(57)	(15,848)
Total	**1,023**	**10,013**	**16,002**	**536**	**27,573**

16 Investment property: EUR 693 thousand (EUR 682 thousand)

The "Investment property" item, totalling EUR 693 thousand, includes buildings and land held for investment purposes, whose amount, substantially stable in comparison with the previous financial year, increases essentially due to the effect of the translation of the balances of the subsidiaries with a functional currency different from the presentation currency, an effect compensated by the normal depreciation rate (EUR 8 thousand).

In relation to measurement of fair value, it is noted that since the indicators were not wholly reliable and due to the low significance of the investment in question, it was not deemed necessary to list a precise measurement or a range of fair values.

17 Intangible assets: EUR 74,026 thousand (EUR 47,108 thousand)

Net intangible assets consist of the following:

	2016	2015	Change
Goodwill	14,745	14,745	0
Other assets	59,281	32,363	26,918
Total	**74,026**	**47,108**	**26,918**

17.1 Goodwill: EUR 14,745 thousand (EUR 14,745 thousand)

This item does not show changes compared to the previous year. In particular, the amount of EUR 14,745 thousand comprises the following:

- EUR 11,634 thousand for goodwill recognised following the acquisition of the BUSI IMPIANTI business unit, completed in 2012, with reference to the plant engineering and maintenance segment, allocated to the *Cash Generating Unit "Plant and maintenance",* which comprises the assets of NBI and its investees. This combination represents the basic reference unit within the Group for which goodwill is monitored by management for management purposes, and thus to determine whether or not to include it in the financial statements. At the end of the year, the recoverability of the investment was identified through the impairment test. In particular, the value in use of the CGU was estimated by discounting the operating cash flow, i.e. the flow available before reimbursement of financial payables and shareholder remuneration (the Unlevered Discounted Cash Flow – UDCF method) derived from the financial plan approved by the subsidiary's Board of Directors for the period 2017-2019. In this context, the terminal value of the CGU was likewise estimated using the Present Value of Growing Perpetuity formula. In particular, the stabilised was determined on the basis of the operating flow forecast for the year 2019 without any increase in the growth rate.
  The weighted average cost of capital (WACC) considered for purposes of the application of the UDCF method was estimated as being 7.40%. The impairment test did not show any need for impairment of the goodwill value. We should likewise point out that the sensitivity analysis showed that the reasonable change in the financial parameters used for calculating the discount rate (+100 bps) seems to confirm that headroom is substantially sufficient, and a hypothetical change of -10% in annual EBITDA on a straight line basis for all the years of the plan seems to confirm the stability of goodwill.
- EUR 3,111 thousand for goodwill recognised, during 2012, following the acquisition of T.E.Q. Construction

Enterprise Inc. that was allocated to the Cash Generating Unit with reference to the investee alone. This is because it is believed that it will generate incoming cash flows, deriving from the continuity of the pertinent corporate activities, broadly independent from the other activities of the Group. At the end of the year, the recoverability of the investment was confirmed through the impairment test. Specifically, the recoverable amount of the CGU was considered to be equal to the relative fair value identified by the market multiples method for comparable companies, applied to the 2016 EBITDA, as stated in the IFRS Reporting Package prepared by the company.

The multiple utilised is the ratio Enterprise Value/EBITDA on a sample of comparable companies. Implicit goodwill was thus calculated by adjusting the Enterprise Value to take into account net invested capital.

The result of the impairment test on goodwill, recognised after the acquisition of T.E.Q. Construction Enterprise Inc., did not show any need to apply impairment.

17.2 Other intangible assets: EUR 59,281 thousand (EUR 32,363 thousand)

The following table shows the changes in this item:

	2015	Increases from acquisitions	Amortisation	Other changes	2016
Cost	49,861	38,631	0	(882)	**87,610**
Amortisation provision	(17,498)	0	(11,713)	882	**(28,329)**
Net value	**32,363**	**38,631**	**(11,713)**	**0**	**59,281**

The change in value of other intangible assets is substantially to: *(i)* the acquisition of contract rights for the Infraflegrea Project[12] (EUR 34,496 thousand) and *(ii)* in relation to the normal amortisation cycle (EUR 11,713 thousand).

It is likewise pointed out that at the end of 2016, this item basically refers to the net value of the contract rights acquired by third parties for the execution of: *(i)* Maxi-Lot 2 of the Quadrilatero Marche-Umbria Road Network (EUR 20,725 thousand); *(ii)* the Infraflegrea Project (EUR 33,640 thousand).

With reference to the latter activities, considering the presence of impairment indicators connected with the price of the Astaldi S.p.A. shares, the recoverability of those investments was verified at the end of the year.

More specifically, the value in use was estimated by discounting the operating cash flows (the Unlevered Discounted Cash Flow – UDCF method) determined on the basis of the forecasts developed on reasonable and sustainable assumptions to represent the best estimate that could be made by the Parent Company management. Each year's cash flow was suitably discounted (mid-year convention) at the Weighted Average Cost of Capital (WACC) of 8.52%.

The impairment test did not show any need for the amortisation of *i*ntangible assets. It is likewise pointed out that the sensitivity analysis made shows that the reasonable change in the measurement of the financial parameters used for the determination of the discount rate (+100 bps) seems to confirm that headroom is substantially sufficient, and a hypothetical change of -10% in annual EBITDA on a straight line basis in all the years of the plan seems to confirm the stability of the book value of the intangible asset.

Finally, it can be pointed out that this item does not contain any leased assets.

18 Equity investments: EUR 523,631 thousand (EUR 578,997 thousand)

Equity investments net of accumulated impairment, totals EUR 523,631 thousand, down by EUR 55,366 thousand compared to 2015.

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12 Cumana Railway and Monte Sant'Angelo By-pass in Naples

	2016	2015	Change
Equity investments measured at cost	30,440	23,604	6,836
Equity-accounted investments	493,191	555,393	(62,202)
Total	**523,631**	**578,997**	**(55,366)**

With regard to this item it is pointed out that the main changes occurred during 2016, besides the overall economic effects resulting from equity-accounted investments are due to: *(i)* further capital flows guaranteed to the Group by the Otoyol Yatirim Ve Isletme A.S. Project (EUR 46,945 thousand); *(ii)* the completion of the transfer of Re.Consult Infrastrutture S.p.A. (EUR 132,252 thousand); *(iii)* the reclassification in the context of the disposal groups, of the carrying value of the associates Metro 5 S.p.A. (EUR 29,476 thousand), SA.T. S.p.A. (EUR 7,577 thousand), and Pacific Hydro Chacayes (EUR 24,033 thousand) as stated in greater detail in Note 26 below.

Finally, it is pointed out that the carrying amounts of the investments, as in the previous year, are shown net of injections still to be made on the quotas and/or shares subscribed.

18.1 Verification of the existence of permanent losses of value

At the end of the year 2016, considering the presence of impairment indicators connected with the political situation in Turkey and the consequent flows of the main macroeconomic indicators in the area, it was decided to verify the status of the investments in the investee companies ICA Ic Ictas - Astaldi Kuzey Marmara Otoyolu and Otoyol Yatirim Ve Isletme A.S.

Considering the presence of impairment indicators connected with the market capitalisation of Astaldi S.p.A.,[13] the management likewise verified the stability of the carrying amounts of the other equity investments in the concessions sector that are relevant in the Group.

In particular, with regard to the valuation techniques used for purposes of performing the impairment test on the above-mentioned investees, it is pointed out that the recoverable value of each of these is identified using the Dividend Discount Model (DDM), with the discounting of future dividend flows expected from the performance of the companies. In order to apply this method, the economic plans drawn up by the management the investee companies were used.

There follows a table summarising the impairment tests conducted.

Name	Project	Concession phase	% held	Ke
Ica Ic Ictas Astaldi Ucuncu Bogaz Koprusu Kuzey Marmara Otoyolu Yatirim Ve Isletme A.S.	Third Bosphorus Bridge and Northern Marmara Highway	Construction	33.33%	15.6%
Veneta Sanitaria Finanza di Progetto S.p.A.	New Hospital in Venice - Mestre	Management	37.00%	6.7%
Otoyol Yatirim Ve Isletme A.S.[14]	Gebze - Orhangazi – Izmir Motorway	Construction	18.86%	15.6%
Sociedad Concesionaria Nuevo Pudahuel S.A.[15]	Arturo Merino Benítez International Airport in Santiago (Chile)	Construction	15.00%	6.9%

The result of the impairment test did not show any need for depreciation of the carrying value of the equity holdings. We should likewise point out that further simulation conducted showed that the reasonable change in the measurement of the financial parameters used for the determination of the discount rate (+50 bps) seems to confirm that headroom is substantially sufficient, and that a hypothetical change of -5% of the dividend flow on a straight line basis in all the years of the plan seems to confirm the stability of the equity investments.

[13] The market capitalisation of Astaldi S.p.A. (EUR 547,242 thousand) as at 31/12/2016 was lower than the Group equity (EUR 692,384 thousand)

[14] On the date of these financial statements, Phase 1 had been duly completed, while the activities for the sections regarding Phase 2-A and Phase 2-B are still continuing.

[15] From 1 October 2015, the Consorcio Nuevo Pudahuel took over the management of the existing structures from the previous management. Activities are continuing for the modernisation of the existing terminal.

18.2 Information on main Joint Ventures, SPVs and Associates

The following table shows the main financial data derived from the IFRS Reporting Packages of the main joint ventures and equity-accounted investees.

It is likewise pointed out that the data on equity and overall profit shown in the tables below include, when applicable, the component related to non-controlling interests.

Main financial data at 31/12/2016 of Joint Ventures, Special Purpose Vehicles and Associates

Amounts at 31/12/16	Ankara Etlik Hastante (*)	Non-significant JVs	**Total Joint Ventures**	Otoyol Yatirim Ve Isletme A.S.	ICA Ic Ictas Astaldi - 3rd Bridge	Metro C	Veneta Sanitaria	Non-significant associates	**Total SPVs and Associates**	**Total SPVs, Associates and Joint Ventures**
Statement of financial position										
Non-current assets	277,907	571,128	**849,035**	4,173,661	3,508,653	2,973	115,492	666,043	**8,466,823**	**9,315,858**
Current assets	150,091	51,840	**201,931**	591,686	356,277	159,332	90,972	735,365	**1,933,631**	**2,135,563**
Total Assets	**427,998**	**622,968**	**1,050,966**	**4,765,347**	**3,864,930**	**162,305**	**206,464**	**1,401,409**	**10,400,455**	**11,451,420**
Non-current liabilities	408,313	622,560	**1,030,873**	2,935,183	3,260,178	1,608	112,397	420,405	**6,729,771**	**7,760,644**
Current liabilities	20,615	242	**20,857**	481,710	111,216	122,126	28,371	827,459	**1,570,882**	**1,591,739**
Equity	(930)	166	**(764)**	1,348,454	493,536	38,571	65,697	153,545	**2,099,801**	**2,099,038**
Total equity and liabilities	**427,998**	**622,968**	**1,050,966**	**4,765,347**	**3,864,930**	**162,305**	**206,464**	**1,401,409**	**10,400,455**	**11,451,420**
Income statement										
Revenue	143,667	257,313	**400,980**	1,153,458	1,039,900	39,708	54,834	182,688	**2,470,588**	**2,871,568**
Amortisation, depreciation and impairment losses	(2)	(7,526)	**(7,528)**	0	0	(1,358)	(1,268)	(1,927)	**(4,553)**	**(12,081)**
Operating profit (loss)	(0)	6,321	**6,321**	409,563	344,983	991	10,690	(2,518)	**763,709**	**770,030**
Financial income and expense	4,037	(5,770)	**(1,733)**	(206,011)	(157,707)	(767)	3,552	15,567	**(345,366)**	**(347,099)**
Tax expense	(935)	(44)	**(979)**	(44,816)	(39,027)	(225)	(846)	(6,439)	**(91,354)**	**(92,332)**
Profit for the year	3,102	507	**3,609**	158,736	148,248	0	13,395	6,610	**326,989**	**330,599**
Other comprehensive income (expense)	(34,853)	(164)	**(35,016)**	68,253	18,072	0	444	2,019	**88,789**	**53,772**
Total comprehensive income (expense)	**(31,750)**	**343**	**(31,407)**	**226,989**	**166,320**	**0**	**13,839**	**8,630**	**415,778**	**384,371**
Group quota										
Investment	51.00%			18.86%	33.33%	34.50%	37.00%			
Carrying amount	**0**	**1,034**	**1,034**	**254,318**	**164,495**	**19,671**	**24,308**	**29,364**	**492,157**	**493,191**
Profit (**)	1,582	309	**1,891**	29,938	49,411	0	4,956	215	**84,520**	**86,411**
Other comprehensive income (expense)**	(17,775)	82	**(17,693)**	12,873	6,023	0	164	(629)	**18,432**	**739**
Overall profit (loss)	**(16,193)**	**391**	**(15,802)**	**42,810**	**55,435**	**0**	**5,120**	**(414)**	**102,952**	**87,150**
Dividends received	0	0	**0**	0	0	0	0	865	**865**	**865**

* Cash and cash equivalent totalling EUR 3,249 thousand; Non-current financial liabilities totalling EUR 311,385 thousand,

** The values do not include the effect of equity method valuation of the equity holding classified, in accordance with IFRS 5, in the context of the disposal groups

Main financial data at 31/12/2015 of Joint Ventures and Associates

Amounts at 31/12/15	Re.Consult Infrastrutture (*)	Ankara Etlik Hastante (**)	Non-significant JVs	**Total Joint Ventures**	Otoyol Yatirim Ve Isletme A.S	ICA Ic Ictas Astaldi - 3rd Bridge	Pacific Hydro Chacayes	Metro 5	Metro C	Veneta Sanitaria	Non-significant associates	**Total Associates**	**Total Associates and Joint Ventures**
Statement of financial position													
Non-current assets	2,036,113	104,890	10,502	**2,151,505**	3,320,389	2,700,734	387,032	665,322	6,326	118,739	285,383	**7,483,925**	**9,635,430**
Current assets	329,222	164,617	143,314	**637,153**	219,463	89,452	24,449	133,817	309,658	94,974	616,552	**1,488,365**	**2,125,518**
Total Assets	**2,365,335**	**269,507**	**153,816**	**2,788,658**	**3,539,852**	**2,790,186**	**411,481**	**799,138**	**315,984**	**213,713**	**901,934**	**8,972,288**	**11,760,946**
Non-current liabilities	780,744	208,348	4	**989,096**	2,244,221	2,458,166	280,567	635,875	2,368	116,026	258,752	**5,995,975**	**6,985,071**
Current liabilities	594,932	29,408	154,314	**778,654**	423,077	4,804	33,278	79,701	256,598	45,829	535,686	**1,378,973**	**2,157,627**
Equity	989,660	31,750	(502)	**1,020,908**	872,553	327,215	97,636	83,562	57,018	51,858	107,497	**1,597,339**	**2,618,247**
Total equity and liabilities	**2,365,335**	**269,507**	**153,816**	**2,788,658**	**3,539,852**	**2,790,186**	**411,481**	**799,138**	**315,984**	**213,713**	**901,934**	**8,972,288**	**11,760,946**
Income statement													
Revenue	559,242	89,507	35,806	**684,554**	1,269,469	1,352,977	67,150	27,730	91,588	58,484	291,408	**3,158,806**	**3,843,360**
Amortisation, depreciation and impairment losses	(181,378)	(3)	(410)	**(181,791)**	0	0	(8,062)	(660)	(3,606)	(6,544)	(3,548)	**(22,420)**	**(204,211)**
Operating profit	46,549	(0)	2,384	**48,933**	271,021	237,934	19,622	(367)	2,267	6,857	2,842	**540,176**	**589,109**
Financial income and expense	(15,212)	1,406	(2,932)	**(16,738)**	(115,323)	(144,880)	(19,072)	16,662	(1,684)	1,418	(897)	**(263,776)**	**(280,514)**
Tax expense	(19,025)	(784)	(11)	**(19,820)**	(29,889)	(19,493)	(346)	(6,463)	(584)	(3,239)	(4,314)	**(64,328)**	**(84,148)**
Profit (loss) for the year	12,313	(168)	(560)	**11,585**	125,809	73,561	204	9,832	0	5,036	(2,368)	**212,074**	**223,659**
Other comprehensive income (expense)	1,062	(12,575)	(68)	**(11,581)**	(51,971)	26,082	(1,139)	10,222	0	2,640	670	**(13,496)**	**(25,077)**
Total comprehensive income (expense)	**13,374**	**(12,743)**	**(628)**	**4**	**73,837**	**99,643**	**(935)**	**20,054**	**0**	**7,676**	**(1,699)**	**198,576**	**198,580**
Group quota													
Investment	31.85%	51.00%			18.86%	33.33%	27.30%	38.70%	34.50%	37.00%			
Carrying amount	**132,252**	**16,193**	**652**	**149,096**	**164,564**	**109,061**	**26,655**	**32,338**	**19,671**	**19,187**	**34,821**	**406,297**	**555,393**
Profit	1,220	(86)	(218)	**916**	23,728	24,518	56	3,805	0	1,863	(754)	**53,215**	**54,131**
Other comprehensive income (expense)	152	(6,413)	(34)	**(6,296)**	(9,802)	8,693	(311)	3,956	0	977	280	**3,793**	**(2,502)**
Overall profit (loss)	*****1,372**	**(6,499)**	**(253)**	**(5,380)**	**13,926**	**33,211**	**(255)**	**7,761**	**0**	**2,840**	**(474)**	**57,009**	**51,629**
Dividends received	0	0	0	**0**	0	0	0	0	0	0	0	**0**	**0**

* Cash and cash equivalents totalling EUR 172,580 thousand; Non-current financial liabilities totalling EUR 707,526 thousand; Current financial liabilities totalling EUR 276,847 thousand.

** Cash and cash equivalents totalling EUR 3,882 thousand; Current financial liabilities totalling EUR 186,390 thousand.

*** Overall income data for 2015 for the joint control company Re.Consult Infrastrutture S.p.A., in compliance with IFRS 5, was restated under net profit and loss of discontinued operations

The “Non-significant JVs” and “Non-significant Associates” items include investees that are not strategic for the development of the Group business, and generally undertake their business for exclusively consortium purposes (so-called special purpose vehicles – Consortium Companies and Consortiums), with a carrying amount lower than EUR 15 million.

18.3 Significant restrictions on Joint Ventures and Associates

At 31 December 2016, the commitments of the Group with respect to the equity-accounted investees operating in the Concessions segment, defined as future injections of capital or subordinated loans, for initiatives involving, up to now, a defined commitment, totalled approximately EUR 178 million to be paid in the following five financial years.

With regard to the associates and joint ventures operating in the concessions segment, the project finance agreements generally involve covenants which can, in case of non-compliance, limit the payments of the dividends of these entities or the repayments on the subordinated loans granted by the Group.

Moreover, pledging to financial institutes of the shares of associates and joint ventures operating in the concessions segment is envisaged.

19 Financial assets

19.1 Non-current financial assets: EUR 289,363 thousand (EUR 325,627 thousand)

The following table shows the composition of non-current financial assets:

	2016	2015	Change
Financial assets from concession activities	4,390	41,907	(37,517)
Non-current financial assets	240,416	236,691	3,725
Other financial assets - investees	7,932	8,764	(832)
Other financial assets – third parties	185	125	60
Finance lease receivables	36,440	38,140	(1,700)
Total	**289,363**	**325,627**	**(36,264)**

At 31 December 2016 the balance of financial assets from concession activities exclusively comprise the non-current portion of the present value of minimum payments guaranteed by the grantors, related to the Chile area and especially the concession for the Punilla hydroelectric project. The significant change occurring in this item compared to 31/12/2015 is substantially attributable to the reclassification of the values for the concession of the West Metropolitan Hospital in Santiago in the context of the disposal groups as stated in greater detail in Note 26 below.

The “Non-current financial assets” item refers substantially to the market-rate interest-bearing loans issued in favour of Associates and Joint Ventures, and providing financial support to the Group operational strategy, especially in the concessions segment.

There follow the amounts issued to the main Associates and Joint Ventures.

	2016	2015	Change
Ica Ic Ictas-Astaldi Kuzey Marmara Otoyolu	188,219	140,416	47,803
Otoyol Yatirim Ve Isletme A.S.	22,714	45,703	(22,989)
Metro 5 S.p.A.	1,764	32,462	(30,698)
SA.T. S.p.A.	0	6,806	(6,806)
Veneta Sanitaria di Progetto SpA	2,437	2,307	130
Ankara Etlik Hastante A.S.	19,289	2,550	16,739
Pacific Hydro Chacayes	0	1,406	(1,406)
Ast VT Parking S.r.l.	3,842	3,842	0
Ast B Parking S.r.l.	1,199	1,199	0
Sociedad Concesionaria Nuevo Pudahuel S.A.	496	0	496
SP M4 S.C.p.A. in liquidation	456	0	456
Total	**240,416**	**236,691**	**3,725**

With regard to this item, we can point out that the changes recorded during 2016 are mainly due to: *(i)* the amounts used to offset the amount due to the increase the share capital approved by Otoyol Yatirim Ve Isletme A.S. on 30 March 2016 (EUR 46,945 thousand)[16]; *(ii)* the reclassification in the context of the disposal groups, of the subordinated loans issued to the Special Purpose Vehicle Metro 5 S.p.A. (EUR 33,522 thousand), SA.T. S.p.A. (EUR 7,182 thousand) and Pacific Hydro Chacayes (EUR 7,150 thousand), as stated in greater detail in Note 26 below; *(iii)* references to further payments made for the funding of concession works connected with ICA Ic Ictas -Astaldi Kuzey Marmara Otoyolu (EUR 47,803 thousand) and Ankara Etlik Hastane A.S. (EUR 16,739 thousand).

Financial lease receivables regard the transaction, pursuant to IFRIC 4, implemented by the subsidiary Valle Aconcagua A.S with reference to the Relaves Project.

For the “Other financial assets - investees” item, see note 36 “Disclosure on related party transactions”.

19.2 Current financial assets: EUR 26,719 thousand (EUR 34,646 thousand)

Current financial assets totalling EUR 26,719 thousand decreased compared to the previous year by EUR 7,927 thousand and consist of the following:

	2016	2015	Change
Securities in portfolio	848	1,153	(305)
Derivatives	660	266	394
Current loan assets	25,211	33,227	(8,016)
Total	**26,719**	**34,646**	**(7,927)**

The “Current loan assets” item decreased by EUR 8,016 thousand substantially as a result of the repayment of part of the financial resources that at the end of the previous financial year had been made available on a transitory basis for funding some activities undertaken by the Group in partnership in Turkey.

The agreements governing the above-mentioned loan contracts, also in terms of return of the investment, provide for the recovery of the amounts stated by the year 2017.

[16] In this regard it should be pointed out that the change in the period also includes the increase from the further payments made over the year (totalling approximately EUR 24,000 thousand).

20 Other assets

20.1 Other non-current assets: EUR 42,355 thousand (EUR 50,509 thousand)

The composition of this item is shown in the table below.

	2016	2015	Change
Indirect tax	21,853	22,706	(853)
Direct tax	2,318	7,064	(4,746)
Tax assets	**24,171**	**29,770**	**(5,599)**
Advances to suppliers and subcontractors	1,090	5,221	(4,131)
Guarantee deposits	3,610	3,136	474
Prepaid insurance premiums	7,916	7,483	433
Prepaid surety commissions	2,606	4,058	(1,452)
Other prepayments	2,958	838	2,120
Receivables from social security institutions	2	0	2
Receivables from employees	2	3	(1)
Other assets	**18,184**	**20,739**	**(2,555)**
Total	**42,355**	**50,509**	**(8,154)**

The indirect tax item, substantially stable compared to the previous year (i) increased due to the reclassification from current assets of VAT tax assets related to contracts no longer operational in Central and South America and (ii) decreased in relation to the receipt of part of the VAT assets related to projects under way in the Turkish area.

The change recorded in the direct tax assets item mainly refers to the domestic sector, and more specifically to the receipt of reimbursement of amounts requested in the year 2015 for the restatement of taxable corporate revenue for the years 2010 and 2011. Applications for these amounts had been made due to the change in interpretation of the tax system for foreign joint operations, which, under certain conditions, are eligible for exemption in Italian legislation.

20.2 Other current assets: EUR 295,170 thousand (EUR 294,989 thousand)

The “Other current assets” totalling EUR 295,170 thousand increases compared to the previous year by EUR 181 thousand.

	2016	2015	Change
Receivables from third parties for the sale of goods and services	168,742	136,984	31,758
Advances to suppliers and subcontractors	96,182	129,058	(32,876)
Receivables from employees	1,266	955	311
Receivables from social security institutions	5,954	4,680	1,274
Prepaid insurance premiums	5,518	4,977	541
Prepaid commissions on sureties	5,383	4,230	1,153
Other prepayments	1,710	2,462	(752)
Other sundry receivables	10,415	11,643	(1,228)
Total	**295,170**	**294,989**	**181**

The “Receivables from third parties for the sale of goods and services” item, totalling EUR 168,742 thousand, up compared to the previous year by EUR 31,758 thousand, refers to its counterpart mentioned in the “Other revenue” item for individual items not directly related to production for works by the group, but nevertheless accessory to the core business and conducted on a continuing basis over time. The geographical breakdown of this item is shown below:

	2016	%	2015	%	Change
Italy	10,065	5.96%	989	0.72%	9,076
Europe	119,164	70.62%	91,168	66.55%	27,996
America	22,793	13.51%	27,714	20.23%	(4,921)
Africa	11,366	6.74%	12,134	8.86%	(768)
Asia	5,354	3.17%	4,979	3.63%	375
Total	**168,742**	**100.00%**	**136,984**	**100.00%**	**31,758**

The significant change recorded in the European area is basically due to the trend in the item "Other operating revenue" which, as shown in Note 2, reflects the increase in volumes for Turkey (Third Bridge on the Bosphorus and the North Marmara Highway).

The "Advances to suppliers and subcontractors" item decreases by EUR 32,876 thousand, referring essentially to the Third Bosphorus Bridge and Gebze-Orhangazi-Izmir projects in Turkey, and in particular due to the normal use of the contractual advances paid, deducted from the amount owed for the services rendered by the subcontractors.

It is pointed out that the recoverable amount of receivables from third parties has been adjusted as shown below:

	2015	Accruals	Use Profit or loss	Use Statement of financial position	Exchange rate differences and other changes	2016
Allowance for impairment	(5,455)	(1,202)	592	534	(9)	**(5,540)**
Total	**(5,455)**	**(1,202)**	**592**	**534**	**(9)**	**(5,540)**

21 Inventories: EUR 50,008 thousand (EUR 70,676 thousand)

This item consists of the following:

	2016	2015	Change
Raw materials, consumables and supplies	48,283	68,267	(19,984)
Finished goods	1,525	1,575	(50)
Goods and materials in transit	200	834	(634)
Total	**50,008**	**70,676**	**(20,668)**

The following table shows the geographical breakdown of this item:

	2016	%	2015	%	Change
Italy	7,631	15.26%	7,647	10.82%	(16)
Europe	11,307	22.61%	18,964	26.83%	(7,657)
America	29,371	58.73%	38,174	54.01%	(8,803)
Africa	1,699	3.40%	5,891	8.34%	(4,192)
Total	**50,008**	**100.00%**	**70,676**	**100.00%**	**(20,668)**

This item shows a general decrease compared to the comparative data mainly resulting from the new commercial orientations of the Group aimed at guaranteeing the optimisation of the materials phases of the materials required for the execution of the works.

Besides this, we can point out, for the foreign sector, the decrease was recognised in the following contracts: *(i)* Saida Tiaret Railway in Algeria; *(ii)* Western High Speed Diameter in St. Petersburg, Russia; *(iii)* I-95 & Spanish River Interchange DB in the United States, connected with the completion of some working phases of these contracts and the consequent use of stocks at 31 December 2015.

22 Amounts due from customers: EUR 1,555,110 thousand (EUR 1,242,991 thousand) Amounts due to customers: EUR 492,856 thousand (EUR 411,459 thousand)

These items are shown in the following table:

	2016	2015	Change
CURRENT ASSETS			
Contract work in progress	16,263,171	13,405,951	2,857,220
Allowance for impairment losses on contracts	(9,528)	(10,865)	1,337
Total contract work in progress	**16,253,643**	**13,395,086**	**2,858,557**
Progress billings	(14,698,533)	(12,152,095)	(2,546,438)
Total amounts due from customers	**1,555,110**	**1,242,991**	**312,119**
CURRENT LIABILITIES			
Contract work in progress	2,362,231	2,752,544	(390,313)
Provision for contract losses to complete	(2,503)	(2,441)	(62)
Total contract work in progress	**2,359,728**	**2,750,103**	**(390,375)**
Progress payments	(2,417,531)	(2,816,261)	398,730
Subtotal	**(57,803)**	**(66,158)**	**8,355**
Contractual advances	(435,053)	(345,301)	(89,752)
Total amounts due to customers	**(492,856)**	**(411,459)**	**(81,397)**

Contract work in progress, recognised separately between amounts due from customers and amounts due to customers, has, for the international sector, shown an increase with reference in particular to the greater production volumes achieved during 2016, with regard to the works in progress in Chile (Chuquicamata Mining Project), and the Third Bosphorus Bridge in Turkey and the Muskrat Falls Hydroelectric Project in Canada.

Contract work in progress also grew in the domestic setting, mainly in the sector of transport infrastructure (Line 4 of the Milan Underground, Maxi-Lot 2 of Quadrilatero Marche-Umbria Road Network).

We should likewise point out the increase of the item “contract advances” due above all in relation to the amounts collected during the second half of the year for:

- the construction of the Brenner Base Tunnel, Lot “Mules 2-3” in Italy;
- the construction of the E-ELT (European Extremely Large Telescope) at Cerro Armazones and the

extension of the Chuquicamata Underground Mining Project in Chile;

- the Muskrat Falls hydroelectric plant in Canada, after the redefinition of the relative commercial agreements.

This increase is partly compensated by the partial recovery of the contract amounts accrued in the period with reference to the works for the construction of the Western High Speed Diameter in St. Petersburg, Russia, the Third Bridge on the Bosphorus and the Etlik Health Campus in Turkey, and the railway works in Algeria.

23 Trade receivables: EUR 723,775 thousand (EUR 692,994 thousand)

Trade receivables show an increase from the previous financial year by EUR 30,781 thousand, and consist of the following:

	2016	2015	Change
Customers	681,131	678,925	2,206
Investees	54,999	26,872	28,127
Allowance for impairment	(12,355)	(12,803)	448
Total	**723,775**	**692,994**	**30,781**

The geographical breakdown of this item is shown in the following table:

	2016	%	2015	%	Change
Italy	201,492	27.84%	213,896	30.87%	(12,404)
Europe	195,066	26.95%	136,009	19.63%	59,057
America	319,566	44.15%	325,919	47.03%	(6,353)
Africa	7,619	1.05%	16,395	2.37%	(8,776)
Asia	32	0.00%	775	0.11%	(743)
Total	**723,775**	**100.00%**	**692,994**	**100.00%**	**30,781**

With regard to the geographical breakdown of trade receivables, a slight reduction was recorded in the domestic setting, attributable to the collection of part of the payments accrued for the works to build Line 4 of the Milan Underground and Pedemontana Lombarda Motorway.

On the other hand, an increase was recorded in the European area, basically due to the start-up of the activities for the contract for the M-11 Motorway Moscow-St. Petersburg in Russia, and for an amount attributable to the works for constructing the Third Bridge on the Bosphorus in Turkey. With regard to the receivables regarding the railway contracts in Romania totalling approximately EUR 77,000 thousand, after the recognition of its right to credit in the arbitration procedure, the Parent Company has undertaken the process allowed under current legislation in order to ensure collection within a reasonably short time.

With reference to trade receivables for undertaking the railway works in Venezuela (EUR 248,910 thousand), we can point out that: *(i)* the Venezuelan Government has officially recognised, through the contracting firm IFE, the total amount of the receivables overdue; *(ii)* the extension of the contract deadlines for the construction works of the sections San Juan De Los Morros – San Fernando De Apure and Chaguarama – Cabruta (the South Lots). These initiatives are seen as reflecting the country’s willingness to respect its contract obligations. Moreover, the contracts had been signed under specific Framework Agreements between Italy and Venezuela, and govern the reciprocal rights and obligations regarding the promotion of investments in their respective countries in sectors of public relevance, including the construction of sections of railway in Venezuela.

On the institutional level, evaluations are under way in Italy with regard to possible concrete intervention to undertake in order to support the position of the Italian firms working in Venezuela.

We should finally point out that the Venezuelan Government, also in view of the elections called for 2018, is apparently about to present an infrastructures development programme that suggests the reactivation of investment flows for the major public works being undertaken in the country.

In this regard, assessing the situation as a whole, taking into account all the elements available as shown in the accounts, today we believe that there is no reason for assuming that these amounts will not be collected.

Nevertheless, considering the priorities that the Venezuelan Government seems to have assigned to the various types of infrastructure works under way in the country, at the end of 2016 the receivables for the South Lots have been recognised at the corresponding current value as determined on the basis of what is shown under Note 11 commenting the financial expenses.

The changes in the allowance for impairment are as follows:

	31/12/15	Accruals	Use Profit or loss	Use Statement of financial position	Other changes	2016
Allowance for impairment	(11,037)	0	0	0	(1)	**(11,038)**
Allowance for impairment - default interest	(1,766)	0	10	439	0	**(1,317)**
Total	**(12,803)**	**0**	**10**	**439**	**(1)**	**(12,355)**

24 Tax assets: EUR 94,537 thousand (EUR 138,645 thousand)

This item consists of the following:

	2016	2015	Change
Indirect tax assets	72,721	89,238	(16,517)
Direct tax assets	22,014	49,605	(27,591)
Allowance for impairment	(198)	(198)	0
Total	**94,537**	**138,645**	**(44,108)**

The reduction recorded in indirect tax assets mainly refers to reclassification under non-current assets of VAT tax credit items on contracts no longer operative in Central and South America and which evidently can no longer qualify for rebate under periodical VAT payments since these refer to projects, which have now been concluded. In this regard it is pointed out that the activities for the collection of these assets were undertaken, within the deadlines and under the procedures stated by the tax regulations of the pertinent countries.

There was also a reduction in direct tax assets due to the collection of part of the tax assets following the application of the specific regulations connected with systems for offsetting double taxation for income produced by permanent organisations abroad.

25 Cash and cash equivalents: EUR 506,470 thousand (EUR 611,263 thousand)

The Cash and cash equivalents are down compared to 2015 by EUR 104,793 thousand and consist of the following:

	2016	2015	Change
Bank and post office accounts	506,147	610,656	(104,509)
Cash-in-hand and cash equivalents	323	607	(284)
Total	**506,470**	**611,263**	**(104,793)**

The following table shows the geographical breakdown of this item:

	2016	%	2015	%	Change
Italy	218,438	43.13%	192,301	31.46%	26,137
Europe	151,730	29.96%	285,673	46.73%	(133,943)
America	6,582	1.30%	104,080	17.03%	(97,498)
Africa	108,619	21.45%	22,828	3.73%	85,791
Asia	21,101	4.17%	6,381	1.04%	14,720
Total	**506,470**	**100.00%**	**611,263**	**100.00%**	**(104,793)**

25.1 Disclosure on the statement of cash flows

The cash flow rates for the 2016 financial year, comprising the rise in bank account items for the disposal groups (EUR 7,155 thousand), show an overall decrease in net cash and cash equivalents of EUR 97,638 thousand, compared to an increase of EUR 81,050 thousand recorded in 2015.

Cash flows from operating activities
Cash flows from operating activities during the 2016 financial year, equal to EUR 101,118 thousand substantially reflect the effects of the major investments made in the period: (i) to guarantee the completion of Phase 1 of the Gebze-Orhangazi-Izmir Motorway, and the Third Bridge on the Bosphorus In Turkey; (ii) to ensure lo development of the activities under way in Chile (Chuquicamata Mining Project) and in Russia (M-11 Motorway Moscow-St. Petersburg), that have showed significantly higher production volumes.

Cash flows from investing activities
Cash flow used in investing activities for 2016 totalled EUR 116,707 thousand and is due essentially to the following:

- EUR 23,956 thousand for payments made as equity and subordinated loans to the Special Purpose Vehicle “Otoyol Isletme Ve Bakim A.S.” owner of the concession for the Gebze - Orhangazi – Izmir Motorway in Turkey;
- EUR 47,802 thousand for subordinated loans issued to the Special Purpose Vehicle “Ica Ic Ictas-Astaldi Kuzey Marmara Otoyolu” that is developing the initiative for the concession for the Third Bridge on the Bosphorus and the Northern Marmara Highway in Turkey;
- EUR 81,877 thousand for capital invested in the concession initiative under way in Chile regarding the design, construction and subsequent management of the West Metropolitan Hospital in Santiago, Chile;
- EUR 28,760 thousands for amounts provided for the payment of the amount agreed in relation to the purchase of the Quadrilatero industrial complex;
- EUR 14,926 thousand for the capital invested in technical installations and equipment for construction contracts.

These effects are also compensated by cash flows attributable to disposed assets (EUR 108,322 thousand) referring to the receipt of the amount for the sale of the investee Re.Consult S.p.A.

Cash flows from financing activities
In 2016, cash flows from financing activities produced financial resources for EUR 120,188 thousand. These flows basically reflect the combined effect of the partial utilisation of the revolving credit facility and the repayment of part of other existing revolving committed and uncommitted credit lines. With regard to financing activities, we should point out that during 2016, dividends totalling EUR 19,524 thousand were paid to the Parent Company shareholders.

26 Non-current assets held for sale (*Disposal Groups*) and Directly-Associated Liabilities: EUR 248,764 (EUR 0 thousand) and EUR 119,937 thousand (EUR 0 thousand) respectively

The Parent management is committed to the disposal of some assets in the concessions sector, on the basis of the guidelines stated in the strategic plan for 2016-2020. According to the information available at the end of the year, it is highly probable that the disposal of these assets will be mainly completed by early 2017. It precisa, is likewise pointed out that these assets refer to business segments and geographical areas that are still of interest for development of the Astaldi Group activities. It has thus been decided that from 31 December 2016 these assets shall be recognised in the category "non-current assets held for sale" in accordance with IFRS 5.

There follow the pertinent details on the status of these operations.

Sociedad Concesionaria Metropolitana de Salud S.A.

On 19 November 2016 the Group, through the subsidiary Astaldi Concessioni, signed a preliminary agreement with the infrastructures fund Meridiam Latam Holding S.L. (the fund) for its entry in the subsidiary Sociedad Concesionaria Metropolitana de Salud S.A. (SCMS). This agreement, also under the subsequent addenda signed, provides for the sale of the investee company in three separate share transfer transactions, to be undertaken partly (49% of the shares) upon the occurrence of the suspensive conditions contained in the agreement, and with the further quotas in subsequent separate steps scheduled at the end of the construction period, as allowed under local legislation. Upon the transfer of the first tranche of the shares and while awaiting the completion of the transfer operation, the new shareholding status will be taken into account, and consequently, the rules of governance for the Company will be revised in order to guarantee the possibility of participation in the major management policies of SCMS.

In the context of this agreement, it was agreed that the Astaldi Group, besides maintaining full ownership of the construction activities, would also keep the entitlement to the contract for the management of the operating activities and maintenance through the subsidiary Sociedad Austral Mantenciones y Operaciones S.p.A. With regard to the effectiveness of the preliminary transfer agreement, we can point out that, as more extensively detailed in the note on events after the end of the year, on the date of approval of these financial statements, the relative suspensive conditions have been completely resolved, so that on 27 February 2017 the definitive agreement was signed for the transfer of the first 49% of the shares.

On the date of the drafting of the financial statements, as set forth in IFRS 5, the value of the net asset referring to SCMS was measured at the book value or the fair value net of sales costs, whichever was lower (the fair value net of sales costs was determined taking into account the terms of the pertinent transaction). Upon completion of this valuation, the value of the assets was fully recoverable, so that no depreciation was applied.

Metro 5 S.p.A.

On 12 December 2016, Astaldi S.p.A. signed an agreement with the company Ferrovie dello Stato Italiane S.p.A. for the transfer of a stake of 36.7% (capital and shareholder funding) owned by the Group in Metro 5 S.p.A. (M5) the concession company of Line 5 of the Milan Underground.

Upon conclusion of this operation, Astaldi will retain a 2% stake in the M5 share capital, thus ensuring its support for the development of the activities pertaining to it. The closing of the operation will take place at the end of the planned authorisation process and upon completion of the valuation of the Antitrust Authority. Regarding the suspensive conditions provided in the agreement, it is pointed out that on the date of approval of these consolidated financial statements, the deadline for exercising the option has expired, and we are awaiting the formal authorisation by the Grantor or, in second instance, tacit approval after 60 days have elapsed for its application. It is recalled that the quota being transferred derives both from the original quota underwritten by Astaldi and the quota acquired by Astaldi from the bankruptcy of Torno Global Contracting SPA; this allowed the Group to acquire full title of the construction rights both for the basic section of the Underground and for the first extension to San Siro, as well as the possibility of making the further extension, currently being studied. All this was governed by the agreement with Ferrovie dello Stato Italiane S.p.A.

Considering the aforesaid, it is pointed out that as set forth in IFRS 5, the value of the assets mentioned was measured at the book value or fair value net of the sales costs, whichever was lower (the fair value net of sales costs was determined taking into account the terms of the transaction being defined). Upon completion of this valuation, the value of the assets was fully recoverable, so that no depreciation was applied.

Pacific Hydro Chacayes

With regard to the Chacayes hydroelectric plant in Chile, in the last quarter of 2016 the negotiating terms were defined to achieve the transfer of the 27.30% stake (equity and shareholder financing) of Pacific Hydro Chacayes to the Chilean subsidiary of the Chinese group SPIC Overseas which now holds the remaining 72.70% of the company. This activity led to the signature of the relative preliminary transfer agreement on 9 March 2017. The closing of the operation will take place, probably by the first quarter of 2017, upon completion of the required authorisation procedure.

Considering the aforesaid, it is pointed out that as set forth in IFRS 5, the value of the assets mentioned was measured at the book value or fair value net of the sales costs, whichever was lower. The fair value net of sales costs was determined taking into account the terms of the transaction being defined. Upon completion of this valuation, the value of the assets was fully recoverable, so that no depreciation was applied

SAT S.p.A.

During the last quarter of 2016, the Parent Company management, implementing the guidelines of the strategic plan for 2016-2020, undertook a series of negotiations for the sale of S.AT. S.p.A. (equity and shareholder funding), the concession holder of the four hospitals in Tuscany. After these activities, Astaldi received an offer from an international infrastructures investment fund for the acquisition of these assets. This offer involves an initial transfer of shares at the closing date and the transfer of the remaining quota after the commissioning of the works scheduled for completion by the 2017 financial year.

On the date of approval of these consolidated financial statements, negotiations with the purchaser were at an advanced stage for the signature of the sales contract within a short time.

Considering the aforesaid, it is pointed out that as set forth in IFRS 5, the value of the assets mentioned was measured at the book value or fair value net of the sales costs, whichever was lower. Taking into account the status of the negotiation, the fair value net of sales costs was measured with a number of criteria, namely: (i) taking into account the terms of the transaction being defined; (ii) using the financial criterion. With regard to the latter valuation, it is pointed out that the stability of the carrying amount was verified using the Dividend Discount Model (DDM), discounting the flows of future dividends expected from corporate performance, at a rate of 7% equal to the *Ke* (cost of equity) of the company.

The combined use of the two criteria enabled us to mutually define the results of each one and to show with absolute certainty that the value of the assets is definitely recoverable.

There follow the details of the assets and associated liabilities of the disposal groups*:*

	Sociedad Concesionaria Metropolitana de Salud S.A.	Metro 5 S.p.A.	Pacific Hydro Chacayes	SAT S.p.A.	Total
Property, plant and equipment	16	0	0	0	**16**
Equity investments	0	29,476	24,033	7,577	**61,086**
Non-current financial assets	123,784	33,522	7,150	7,182	**171,637**
Other Non-current assets	11	0	0	0	**11**
Deferred tax assets	335	0	0	0	**335**
Other Current financial assets	3,402	0	0	0	**3,402**
Tax assets	4,346	0	0	0	**4,346**
Other Current assets	777	0	0	0	**777**
Cash and cash equivalents	7,155	0	0	0	**7,155**
Total Assets	**139,826**	**62,998**	**31,183**	**14,759**	**248,764**

	Sociedad Concesionaria Metropolitana de Salud S.A.	Metro 5 S.p.A.	Pacific Hydro Chacayes	SAT S.p.A.	Total
Non-current financial liabilities	102,049	0	0	0	**102,049**
Other non-current financial liabilities	17,043	0	0	0	**17,043**
Trade payables	782	0	0	0	**782**
Tax liabilities	25	0	0	0	**25**
Other current liabilities	38	0	0	0	**38**
Total Liabilities	**119,937**	**0**	**0**	**0**	**119,937**
Net Assets/Liabilities	**19,889**	**62,998**	**31,183**	**14,759**	**128,827**

With regard to SCMS, it should likewise be pointed out that the recognition of items in the disposal groups refers only to existing relationships with third parties, and thus does not include intragroup items eliminated in the normal process of consolidation of the investee company. The overall value of the net assets being transferred and considered on an overall basis, totalling EUR 18,193 thousand.

27 Equity: EUR 698,485 thousand (EUR 637,031 thousand)

27.1 Share capital: EUR 196,850 thousand (EUR 196,850 thousand)

The share capital subscribed and fully paid in comprises 98,424,900 ordinary shares with a nominal amount of EUR 2 and totals EUR 196,850 thousand.

At 31 December 2016, according to the Shareholders' Ledger and other information in this respect obligatory by law (pursuant to Art. 120 of Legislative Decree 58/98), the shareholders of Astaldi S.p.A. holding a share in excess of 3% are shown below:

DIRECT SHAREHOLDER	Number of shares	% investment
Fin.Ast S.r.l.	39,605,495	40.239%
Finetupar International S.A.	12,327,967	12.525%
Total Fin.Ast. S.r.l.	**51,933,462**	**52.765%**
FMR LLC	9,629,926	9.784%
Total shareholders with significant investment	**61,563,388**	**62.549%**
Treasury shares	657,471	0.668%
Market	36,204,041	36.783%
Grand total	**98,424,900**	**100.000%**

On 31 December 2016, outstanding shares thus totalled 97,767,429 (97,624,130 shares at 31 December 2015) and recorded a decrease, compared with the previous financial year, of 143,299 shares calculated as follows:

Shares outstanding		2016
01/01/2016		**97,624,130**
Outgoing for buy-back		(450,538)
Incoming for buy-back		392,425
Incoming for stock grand plan		201,412
31/12/2016		**97,767,429**

The shares of the Parent gradually granted to employees under the stock grant plan totalled 1,625,130 shares at the end of the year (1,423,718 shares at the end of 2015).

27.2 Other financial instruments giving right to subscribe newly-issued shares

During 2013, the Parent issued, with qualified Italian and foreign investors, a 6-year Equity Linked bond for a nominal amount totalling EUR 130 million.

Starting from February 2014, the bonds can become convertible into ordinary shares of the Parent, existing or newly issued. The conversion price of the bonds was set at EUR 7.3996, which incorporates a conversion premium equal to 35% of the weighted average price for the volumes of Astaldi shares traded on the Italian stock exchange during the timeframe between the bond issue and the pricing equal to EUR 5.4812.

The Parent is entitled to settle any future conversion by cash payment or a combination of ordinary shares and cash (cash settlement option).

Towards this end, at their Meeting of 23 April 2013, the shareholders approved the proposed share capital increase, reserved exclusively and irrevocably in service of the “Equity Linked” bond issue, in cash, for payment and also in separate issues, with the exclusion of the pre-emption right pursuant to art. 2441, paragraph 5, of the Italian Civil Code, for a total nominal amount of EUR 35,137 thousand, to be released in one or more tranches through the issue of a maximum of 17,568,517 ordinary shares of the Company of a nominal amount of EUR 2.00, having the same characteristics as the outstanding ordinary shares. The number of shares servicing any conversion will be determined by dividing the nominal amount of the bonds, for which the conversion request will be submitted, by the conversion price.

It is also specified that as of the reporting date, no conversion requests were submitted to the Parent.

27.3 Treasury shares owned by Parent: EUR 1,315 thousand (EUR 1,602 thousand)

Treasury shares owned by the Parent at the end of the year are totalled 657,471, equivalent to 0.668% of share capital (800,770 shares in 2015), with the nominal amount totalling EUR 1,315 thousand being recognised in accordance with the international financial reporting standards as a decrease of share capital.

27.4 Reserves: EUR 424,392 thousand (EUR 355,280 thousand)

The composition of the reserves is shown in the following table:

	2016	2015	Change
Legal reserve	33,062	31,141	1,921
Extraordinary reserve	314,663	296,328	18,335
Retained earnings	161,250	118,891	42,359
Other reserves	(1,917)	(311)	(1,606)
Other comprehensive expense	(109,007)	(107,766)	(1,241)
Deferred tax from other comprehensive income	26,341	16,996	9,345
Total	**424,392**	**355,280**	**69,112**

- **Legal reserve**

The legal reserve increased by EUR 1,921 thousand in relation to the provision of Art. 2430 of the Italian Civil Code.

- **Extraordinary reserve**

The extraordinary reserve increased compared to the previous year by EUR 18,335 thousand. In detail:

- EUR 16,781 thousand as the remaining amount of the allocation of profit of the year of the Parent for 2015;
- EUR 1,663 thousand as a result of the buyback transactions;
- EUR -109 thousand substantially as a result of the use by the subsidiary Consorzio Stabile Busi of this

reserve to cover the losses accrued in 2015.

With regard to buyback transactions, it should be pointed out that the total of the provision for treasury shares held in the portfolio set up pursuant to Art. 2357-*ter* of the Italian Civil Code totalled EUR 3,864 thousand and pursuant to the relevant accounting standards, applying EUR 2,549 thousand to reduce the Extraordinary Reserve and Euro 1,315 thousand corresponding to the nominal amount of treasury shares in the portfolio, to reduce the share capital.

- **Retained earnings**

Retained earnings, totalling EUR 161,250 thousand, reflected the financial effects arising from the consolidation of investments in subsidiaries, and from the application of the equity method for the valuation of associates and joint ventures.

This item also includes entries related to transactions regarding the acquisition of non-controlling interests in entities that are already controlled by the Group as governed by IFRS 10.

- **Dividends distributed**

In 2016, dividends totalling EUR 19,524,321 were paid (EUR 19,522,029 in 2015). The dividend approved at the Shareholders' Meeting of 20 April 2016 of EUR 0.20 per share (EUR 0.20 in 2015), was paid on 11 May 2016, ex-dividend date on 9 May 2016; likewise, part of the profit for 2015, EUR 192 thousand, was allocated to the provision pursuant to art. 27 of the Company's Bylaws.

- **Other reserves**

The composition of the item is shown in the table below:

	2016	2015	Change
Stock grant reserve	1,618	2,045	(427)
IFRS FTA reserve	(2,977)	(2,977)	0
Reserve for trading in treasury shares	2,638	3,817	(1,179)
Other	(3,196)	(3,196)	0
Total	**(1,917)**	**(311)**	**(1,606)**

The stock grant reserve represents the amount of the shares assigned to employees, but not yet handed over, calculated in accordance with current regulations and the relative actuarial appraisal.

The IFRS FTA reserve represents the total amount of adjustments recorded in the opening statement of financial position of the first set of financial statements drawn up in accordance with IFRS as well as the amount recorded following subsequent endorsements of IFRS compared to the FTA.

The reserve for trading in treasury shares includes the gains and losses from the buyback plan.

The "Other" item includes minor items deriving from the equity accounting of some associates.

- **Other comprehensive income**

The following is the breakdown of and changes in other comprehensive income.

	Hedging reserve	Translation Reserve	Profit (loss) from AFS financial assets	Net actuarial gains (losses)	Tax effect	Total
Balance 01/01/2015	(49,767)	(52,535)	(34)	(735)	13,133	(89,937)
Change from subsidiaries and JOs	691	1,139	0	263	(422)	1,671
Change from associates and JVs	(28,590)	21,650	63	89	4,285	(2,503)
Balance 31/12/2015	**(77,666)**	**(29,746)**	**29**	**(383)**	**16,996**	**(90,770)**
Change from subsidiaries and JOs	(2,520)	20,301	0	(118)	465	18,128
Change from associates and JVs	(19,820)	16,623	(29)	0	3,937	711
Change from disposal groups	(19,358)	3,679	0	0	4,943	(10,736)
Balance 31/12/2016	**(119,364)**	**10,858**	**0**	**(501)**	**26,341**	**(82,666)**

When analysing other comprehensive income, note must be taken of the positive effect from the translation of items in the statements of financial position expressed in currencies other than the Euro, attributable in particular to the translation of the financial statements expressed in dollars for companies measured with equity accounting in addition to the translations of items expressed in Roubles for the Joint Operations in Russia. On the other hand, in this setting, mention is to be made of the change in the cash flow hedge attributable essentially to the Special Purpose Vehicle that is developing the Concession referring to Etlik Integrated Health Campus in Ankara, Turkey.

Regarding the latter item, it should be pointed out that the cost of financing, determined by the hedging ratios at a fixed rate, will be offset in future years with the profits accruing from the individual initiatives. Therefore, such amount does not constitute an effective diminution of equity, but just a temporary accounting entry of the fair value of the hedging derivatives.

27.5 Equity attributable to non-controlling interests: EUR 6,101 thousand (EUR 5,626 thousand)

The equity attributable to non-controlling interests is substantially stable compared to the previous year, with changes basically resulting from the comprehensive income and expense for the year.

The changes in other comprehensive income attributable to non-controlling interests are shown below:

	Hedging reserve	Translation Reserve	Net actuarial gains (losses)	Tax effect	Total
Balance 01/01/2015	(339)	142	(1)	80	(118)
Change for the year	176	(1)	(6)	(42)	126
Balance 31/12/2015	**(164)**	**140**	**(7)**	**38**	**8**
Change for the year	84	178	0	(19)	243
Balance 31/12/2016	**(80)**	**319**	**(7)**	**20**	**251**

27.6 Capital management

There follows the disclosure required by IAS 1 – paragraph 134.

A) Qualitative information

By capital, the Group means both shareholder contributions, and operating profit (retained earnings and other reserves). On the other hand, the Group does not include in this definition the equity items recognised after the measurement of cash flow hedging derivatives, since these will be offset against income components in future years, thus enabling the Group to undertake this hedging.

The objectives identified by the Group regarding capital management are the creation of value for shareholders as a whole, the safeguarding of the continuation of business and support to its growth. The Group thus intends to maintain an adequate level of capitalisation, in order to achieve both a satisfactory economic return for the shareholders and to guarantee economical access to external sources of funding. The Group constantly monitors the evolution of the level of debt in relation to equity and in particular the level of net debt and the generation of cash flow from operating activities with the effects derived from the investing activities both in the construction and in the concessions segments, all in line with the provisions of the Business Plan. In order to achieve the above goals, the Group pursues the constant improvement of the profitability of the business segments where it operates.

To complete the qualitative information, it is pointed out that the Group has respected the financial covenant required with reference to corporate "committed" borrowing with banks financing the Group. For further information, see note 28 below.

B) Quantitative information

There follows the quantitative analysis of the individual capital items as defined in the previous paragraph.

	2016	2015
A - Total financial debt	**(1,092,532)**	**(988,526)**
Total equity	698,485	637,031
Less amounts accumulated in equity for cash flow hedges	(119,444)	(77,830)
B - Adjusted capital	**817,929**	**714,861**
C - Debt/Capital ratio (A/B)	**1.34**	**1.38**

28 Financial liabilities

28.1 Non-current financial liabilities: EUR 1,495,737 thousand (EUR 1,288,473 thousand)*

Non-current financial liabilities show a total increase of EUR 207,264 thousand, and consist of the following:

	2016	2015	Change
Convertible bonds	130,000	130,000	0
Senior unsecured bonds	750,000	750,000	0
Bonds - Nominal amount	**880,000**	**880,000**	**0**
Issue and placement commissions	(5,667)	(7,772)	2,105
Cash Settlement Option – Fair Value	4,966	6,925	(1,959)
Total Bonds	**879,299**	**879,153**	**146**
Banks loans and receivables	587,414	394,222	193,192
Loans backed by personal guarantees	4,436	4,708	(272)
Finance lease payables	24,722	15,655	9,067
Banks loans and borrowings and finance lease payables - Nominal amount	**616,572**	**414,585**	**201,987**
Loan commissions	(11,647)	(14,182)	2,535
Hedging derivatives	10,430	7,328	3,102
Total bank loans and borrowings and finance lease payables	**615,355**	**407,731**	**207,624**
Other loans and borrowings	21	9	12
Loans and borrowings - associates and joint ventures	1,062	1,580	(518)
Total	**1,495,737**	**1,288,473**	**207,264**

(*) included in NFD for an amount of EUR 1,479,258 thousand (2015: EUR 1,272,631 thousand)

The overall increase shown in this item, compared to 31 December 2015, is to be related to investments in the concessions segment, in particular in Turkey, and more generally to the financing of the capital invested in projects in progress.

With reference to the Concessions segment, it ought to be pointed out that the corresponding debt is by its very nature "without recourse" or, at any rate, self-liquidating, also taking into account the financial assets from concession activities guaranteed by the Grantor.

Bonds

Bonds contain, in addition to the nominal amount of the loans, determined and expressed based on the amortised cost, the fair value of the cash settlement option equal to EUR 4,966 thousand for the equity linked bond issue falling due in 2019.

This option confers to the subscriber the power to exercise the conversion right in the timeframe of 1 February 2014 to expiration.

As of December 2016, the Group's bonds are broken down as follows:

- The issue in January 2013 of an Equity-Linked senior unsecured bond reserved for qualified Italian and foreign investors. The bond issue, of a nominal amount of EUR 130 million, has a 6-year duration (falling due 31 January 2019), and a fixed-rate six-month coupon equal to 4.50% per annum, payable on 31 January and 31 July every year. The bonds may become convertible into ordinary shares of the Company, existing or newly issued, starting 1 February 2014, without prejudice to the Company's right to regulate any conversion request through the delivery of ordinary shares, or through payment in cash or by a combination of ordinary shares and cash (the "cash settlement option"). The bonds' conversion price was set at EUR 7.3996 and incorporates a conversion premium of 35% of the average price of Astaldi shares traded on the Italian stock exchange on 14 January 2013.

- A fixed-rate senior unsecured bond issued in December 2013 for an amount of EUR 500 million, falling due in 2020. The bonds have a yearly coupon of 7.125% and the issue price is 100%. The bonds have received ratings of B1 (Moody's), B+ (Fitch) and B+ (S&P), have been offered exclusively to qualified investors, and are quoted on the official listings of the Luxembourg stock exchange.
- Integration in December 2013 to the aforementioned fixed-rate senior unsecured bond for an amount of EUR 100 million, falling due in 2020 (the "1st Tap"). The bonds, having the same characteristics, terms, and conditions as those issued in accordance with the similar senior bond for EUR 500 million and entirely combinable with them, were placed at a price equal to 102.250% of their nominal amount by the same banks that acted for the placement of the first senior unsecured bond issue.
- Additional integration in February 2014 to the fixed-rate senior unsecured bond issued in December 2013, for an amount of EUR 150 million falling due in 2020 (the "2nd Tap"). The bonds, having the same characteristics, terms, and conditions as those issued in accordance with the similar senior bond for EUR 500 million and entirely combinable with them, were placed at a price equal to 105.00% of their nominal amount by the same banks that acted for the placement of the first senior unsecured bond issue.

As to the indication of the fair value measurement of the bonds, it is specified that, based on the market prices measured at the end of 2016, the value of the notes for equity linked bonds was 99.228, while the value of the senior unsecured bonds was 104.526.

The total fair value of the bonds at 31 December 2016 thus equals EUR 912,941 thousand.

Bank loans and loans backed by personal guarantees

T Among the main bank loan transactions performed during the year, the following are noted:

- Bilateral "committed" loan for the sum of EUR 12 million, subscribed in January 2016 with Banco do Brasil and repaid in December 2016.
- Bilateral "committed" loan for the sum of EUR 11 million, subscribed in January 2016 with Banco do Brasi and with final expiry in December 2017.
- Bilateral "committed" loan for the sum of EUR 30 million, subscribed in January 2016 with Credito Valtellinese (counterguaranteed by SACE for 50% of the amount) and with final expiry in December 2017.
- Bilateral "committed" loan for the sum of EUR 45 million, subscribed in February 2016 with BNP Paribas (counterguaranteed by SACE for 70% of the amount) and with final expiry in July 2017.
- Bilateral "committed" loan for the sum of EUR 10 million, subscribed in May 2016 with Banco do Brasil and with final expiry in May 2017.
- Renegotiation of the bilateral "committed" loan for the sum of EUR 50 million, subscribed in December 2016 with Cariparma (counterguaranteed by SACE for 60% of the amount) and with final expiry in December 2018.
- Bilateral "committed" loan for the sum of EUR 25 million, subscribed in July 2016 with Banca Ubae and with final expiry in July 2018.

As to the loan repayment operations carried out in 2016 we can point out the repayment of the EUR 30 million "committed" loan subscribed in May 2013 with Banca del Mezzogiorno and with final expiry in June 2016.

The following table shows the key data with regard to the Group's main bank loans existing at 31 December 2016.

Type of loan	Company	Outstanding 31/12/16	Signing date	Expiry*
Bilateral - BNP Paribas	Astaldi S.p.A.	45,000	23/02/2016	31/07/2017
Bilateral - Cariparma	Astaldi S.p.A.	50,000	29/12/2016	31/12/2018
Bilateral - Credito Valtellinese	Astaldi S.p.A.	15,000	28/01/2016	R.P. 31/01/2017
Bilateral - Banco Popolare	Astaldi S.p.A.	15,000	13/07/2015	R.P. 31/01/2018
Bilateral - Banca del Mezzogiorno	Astaldi S.p.A.	37,708	06/03/2015	R.P. 31/03/2018
Bilateral - Banco do Brasil	Astaldi S.p.A.	17,333	29/05/2015	R.P. 11/05/2018
Bilateral - Banco do Brasil	Astaldi S.p.A.	6,667	04/09/2015	R.P. 17/08/2018
Bilateral - Banca popolare dell'Emilia Romagna	Astaldi S.p.A.	15,000	30/06/2015	R.P. 30/06/2018
Bilateral - Banca Carige	Astaldi S.p.A.	3,620	19/10/2015	R.P. 30/06/2019
Bilateral - Banca Ubae	Astaldi S.p.A.	25,000	11/07/2016	11/07/2018
Bilateral - Banco do Brasil	Astaldi S.p.A.	11,000	07/01/2016	27/12/2017
Syndicate	Astaldi S.p.A.	45,000	22/12/2014	R.P. 31/07/2018
Syndicate	Astaldi S.p.A.	420,000	07/11/2014	07/11/2019
Other Corporate loans		379,575		
Total loans and borrowings		**1,085,903**		
of which non-current		591,850		
of which current		494,053		

*R.P. = Repayment Plan

We can recall that an agreement was reached with the main lending banks for updating the covenants to the new objectives of the strategic plan for the period 2016-2020. The new covenants, defined on the basis of coherence with the Group plans for expected development, are positioned at higher levels compared to those set previously, and guarantee the flexibility necessary to face the new industrial planning cycle. The covenant compliance limits at 31/12/2016 were as follows:

- Ratio between Net Financial Debt[17] (NFD) and Net Worth (NW) less than or equal to 2.20x;
- Ratio between Net Financial Debt[17] (NFD) and EBITDA less than or equal to 4.60x;
- Priority Leverage Ratio[17] less than or equal to 0,50x;
- Gross Debt[17] less than or equal to Euro mln 2,100.

Besides the financial covenants, the borrowing contracts govern other aspects, in line with international practice, such as those regarding *pari-passu*, negative pledge and change of control.

All covenants were fully complied with at 31 December 2016.

Finance lease payables

The Group, during this financial year, signed finance leases for EUR 18,021 thousand. The leases involved assets regarding the categories of heavy vehicles, generic machinery and plant, specific machinery and plant, light constructions, excavators and power shovels; these leases contain a redemption clause. The following table shows the amount of future instalments deriving from finance leases and the present value of the instalments.

	31/12/16		31/12/15	
	Instalments	Present value	Instalments	Present value
Within one year	9,747	8,305	10,232	9,256
Over one year and within five years	25,193	22,566	12,563	10,271
Over five years	2,332	2,156	5,993	5,384
Total lease instalments	**37,272**		**28,788**	
Financial expense	4,245		3,877	
Present value	**33,027**	**33,027**	**24,911**	**24,911**

28.2 Current liabilities: EUR 508,537 thousand (EUR 655,726 thousand)*

Current financial liabilities show an overall decrease totalling EUR 147,189 thousand from the previous year, and are composed as follows:

	2016	2015	Change
Bonds	6,401	6,494	(93)
Issue and placement commissions	(2,107)	(1,959)	(148)
Total Bonds	**4,294**	**4,535**	**(241)**
Bank loans and borrowings	339,252	520,286	(181,034)
Current portion of loans	154,519	118,543	35,976
Current portion of loans backed by personal guarantees	282	233	49
Finance lease payables	8,304	9,256	(952)
Bank loans and borrowings and finance lease payables - Nominal amount	**502,358**	**648,318**	**(145,960)**
Loan commissions	(7,195)	(5,469)	(1,726)
Interest on bank loans	4,351	3,327	1,024
Hedging derivatives	4,729	5,015	(286)
Total loans and borrowings and finance lease payables	**504,243**	**651,191**	**(146,948)**
Total	**508,537**	**655,726**	**(147,189)**

(*) Included in NFD for an amount of EUR 503,808 thousand (2015: EUR 678,276 thousand)

The "Bonds" item refers to the instalment of the coupons accrued and not yet paid, adjusted by the portion of the costs of issue and placement, so as to reflect the value at expiration of the bonds based on the effective interest.

Bank loans and borrowings have decreased mainly due to the partial repayment of the short-term revolving facilities (committed and uncommitted).

Note: This English translation is for reference purposes only. 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.

28.3 Net financial debt

The following table shows the amount of the net financial debt with the details of the main items as required by CONSOB communication no. DEM/6064293 of 28 July 2006, which refers to the Recommendation of the European Securities and Markets Authority – ESMA (formerly CESR) of 10 February 2005.

			2016	2015
A	Cash		506,470	611,263
B	Securities held for trading		848	1,153
C	**Cash and cash equivalents**	**(A+B)**	**507,318**	**612,416**
	Current loan assets		25,227	33,226
	of which from related parties		*765*	*1,975*
D	**Current loan assets**		**25,227**	**33,226**
E	Current portion of bank loans and borrowings		(336,408)	(518,144)
F	Current portion of bonds		(4,294)	(4,535)
G	Current portion of non-current debt		(154,801)	(118,776)
H	Other current loans and borrowings		(8,304)	(36,821)
I	**Current financial debt**	**(E+F+G+H)**	**(503,808)**	**(678,276)**
J	**Net current financial debt**	**(I+D+C)**	**28,737**	**(32,634)**
K	Non-current portion of bank loans and borrowings		(580,203)	(384,748)
L	Bonds		(874,333)	(872,228)
	of which to related parties		*(13,000)*	*(13,000)*
M	Other non-current financial liabilities		(24,722)	(15,655)
N	**Non-current financial debt**	**(K+L+M)**	**(1,479,258)**	**(1,272,631)**
O	**Net financial debt from Continuing operations**	**(J+N)**	**(1,450,521)**	**(1,305,265)**
P	**Net financial debt of disposal groups**		**76,743**	**0**
	of which with related parties		*47,854*	*0*
Q	**Net financial debt**	**(O+P)**	**(1,373,778)**	**(1,305,265)**
	Non-current loan assets		36,440	38,140
	Subordinated loans		240,416	236,691
	of which to related parties		*234,879*	*231,649*
	Non-current portion of financial assets from concession activities		4,390	41,907
R	**Non-current loan assets**		**281,246**	**316,739**
S	**Total financial debt**	**(Q+R)**	**(1,092,532)**	**(988,526)**

The total financial debt takes into account, in addition to the net financial debt (letter Q in the above table) determined in accordance with the provisions of the recommendation of the European Securities and Markets Authority – ESMA (formerly CESR) of 10 February 2005, the non-current loan assets – mostly, as regards Special Purpose Vehicles established for activities under Project Financing. With regard to the latter entities, it is pointed out that the financial position of the disposal groups includes EUR Euro 102,048 thousand for the no recourse payables of the subsidiary Sociedad Concesionaria Metropolitana de Salud S.A., holder of the concession for the construction and management of the new “Hospital Félix Bulnes” in Santiago, Chile.

It is also pointed out that the Parent has treasury shares in its portfolio totalling EUR 3,864 thousand which determine a net financial debt totalling EUR 1,088,667 thousand. It is likewise pointed out that the net financial debt, also in comparative terms, does not contain the amount of the derivatives used in hedging activities since by their very nature they do not represent financial amounts.

The increase in total debt found in comparison with the previous financial year reflects the Group’s significant commitment to the Concessions segment, but also the support for the working capital of the important initiatives in progress.

29 Other liabilities

29.1 Other Non-current liabilities: EUR 3,047 thousand (EUR 15,257 thousand)

The difference recorded in this item compared to the previous year is basically due to the reclassification in other current liabilities of the payables to Simest S.p.A. (EUR 11,593 thousand) for the acquisition of non-controlling interest of the subsidiary Inversiones Assimco Limitada. This reclassification was necessary since the relative contract agreements provide for the payment of the sales amount by the first half of 2017.

29.2 Other Current liabilities: EUR 179,034 thousand (EUR 230,698 thousand)*

Other current liabilities totalled EUR 179,034 thousand and consist of the following:

	2016	2015	Change
Associates and joint ventures	962	5,066	(4,104)
Other companies	1,362	1,313	49
Personnel	23,848	19,163	4,685
Social security institutions	16,082	13,934	2,148
Accrued expenses and deferred income	6,056	4,167	1,889
Other	130,724	187,055	(56,331)
Total	**179,034**	**230,698**	**(51,664)**

(*) Included in NFD for an amount of EUR 0 thousand (2015: EUR 27,565 thousand).

The "Other" item decreased compared to 2015 by EUR 56,331 thousand, with reference mainly to the international sector. This item mainly contains the effects of the consolidation of the Group's operating entities with reference to the value of existing relations with various partners in joint initiatives.

As for relations with associates and Joint Ventures, see note 36, with information on related parties.

We should finally point out that amounts due to associates and Joint Ventures for principal to be paid and not yet called-up by the individual Boards of Directors, were reclassified, as in the previous year, as a direct reduction of the respective carrying amounts of equity investments.

30 Employee benefits: EUR 7,506 thousand (EUR 8,057 thousand)

This item's amount, and the changes taking place during the year, are summarised in the following table.

Actuarial value	Defined benefit plans	Liabilities for redundancy incentives	31/12/16
a) Amount at 01/01/2016	**7,318**	**739**	**8,057**
b) Increases during the year			
b.1) Service Cost	1,121	0	1,121
b.2) Interest Cost	98	15	113
b.3) Actuarial Gains or Losses	(73)	0	(73)
b.4) Actuarial Gains or Losses from change in financial hypothesis	193	0	193
c) Amount of the year	(1,543)	(380)	(1,924)
d) Exchange rate differences and other changes	20	0	20
e) Total amount of Defined Benefit obligation at 31/12/2016	**7,132**	**374**	**7,506**

30.1 Employee benefits

The item refers mostly to the post-employment benefits regulated by article 2120 of the Italian Civil code.

Features of the plan

At 31 December 2006, the post-employment benefits of Italian companies were considered to be a defined benefit plan. The rules in this regard were changed by Law dated 27 December 2006, no. 296 (2007 Finance Law) and subsequent decrees and regulations issued in the early months of 2007. In the light of said amendments, and with specific regard to companies with a minimum of 50 employees, said provision is to be classified as a defined benefit plan solely for sums accrued prior to 1 January 2007 (and still to be paid at the reporting date), while subsequent to this date it is to be considered a defined contribution plan.

The liability referring to post-employment benefits, recognised Group's statement of financial position, net of any advance payments made, show (i) the Group's obligation as regards the sums acknowledged to employees up to 31 December 2006 that will be paid upon the employee leaving the company, as regards companies with more than 50 employees, (ii) the progressive amount of benefits due to employees, accrued during their working life, recognised on an accruals basis in keeping with the provision of services needed to obtain benefits, as regards other companies.

Main assumptions used

The following are the main assumptions used for the purposes of the actuarial estimate of post-employment benefits at 31 December 2016:

- Annual discounting rate: 1.31%
- Annual inflation rate: 1.50%
- Annual rate of increase of post-employment benefits: 2.625%
- Annual rate of remuneration increase:
  - Managers: 2.50%
  - Junior managers / White collars / Blue collars: 1.00%

Sensitivity analysis

The following table shows the potential effects that would be found for the defined benefits obligation following hypothetical changes in the actuarial hypotheses reasonably possible at the reporting date:

	Turnover frequency		Inflation rate		Discounting rate	
	+ 1%	- 1%	+1/4 %	-1/4 %	+1/4 %	-1/4 %
Change in the total amount of the obligation	(30)	33	83	(81)	(115)	119

Effect of the defined benefits plan on the Group's future cash flows

There follows a summary, based on the estimates reasonably possible at the reporting date, of effects on the Group's future cash flows with regard to the defined benefit plan:

- Contributions to the plan planned for the 2017 financial year: EUR 987 thousand
- Average weighted duration of the benefits obligation: 10.88 years
- Payments planned:
  - 2017: EUR 1,717 thousand
  - 2018: EUR 753 thousand
  - 2019 and following: EUR 13,878 thousand.

30.2 Liabilities for redundancy incentives

The "Liabilities for redundancy incentives" item reflects the estimates of the charges related to the agreements taking place during 2014 – based on the provisions established by article 4, paragraphs 1 – 7-*ter* of Law no. 92 of 2012, the so-called "Fornero Law" – for consensual early terminations of the employment relationship of eight employees in the Italian main office.

In particular, the agreement in question, authorised by Istituto Nazionale della Previdenza Sociale on 27 November 2014, guarantees early retiring employees a benefit for an amount equal to the pension that would be owed based on the rules in force and the accrual of additional imputed contributions necessary for achieving the minimum pension requirements.

As to the main assumptions used to determine the present value of the obligation, it is specified that the discount rate was determined with reference to the Eurirs index at two years (in line with the duration of the plan in question).

31 Trade payables: EUR 1,092,282 thousand (EUR 1,013,237 thousand)

This item consists of the following:

	2016	2015	Change
Suppliers	1,030,930	938,064	92,866
Associates and joint ventures	55,052	66,241	(11,189)
Other investees	6,300	8,932	(2,632)
Total	**1,092,282**	**1,013,237**	**79,045**

Payables to suppliers increased by EUR 92,866 thousand, mainly due to the greater production volumes of contracts under way in Chile (Santiago Airport and Chuquicamata Mining Project) and Russia (M-11 Motorway Moscow-St. Petersburg), as well as to the domestic sector.

With regard to the latter area, it is pointed out that the increase recorded is basically due to the purchase by the company Giustino Costruzioni S.p.A. of the contract rights (with a nominal total of EUR 37,641 thousand) for the execution of the works for the Infraflegrea[17] project. It is pointed out in this regard that the various agreements signed by the parties provide for the payment of the relative amounts, net of the advances already paid, to be made in sixty monthly instalments payable from 1 October 2016. On the closing date of the financial statements, the current value of the corresponding liabilities was thus determined (EUR 34,719 thousand) taking into account the relative contract terms, and a discount rate similar to the credit rating of Astaldi S.p.A.

Finally, for the foreign sector, we can recall the considerable decrease recorded in the item with regard to Turkey, mainly related to the financial support guaranteed to suppliers and subcontractors in order to ensure the completion of Phase 1 of the Gebze-Orhangazi-Izmir Motorway and of the Third Bridge on the Bosphorus.

Payables to associates and joint ventures fell above all in the domestic sector, basically due to the low volumes recorded for the works on the Pedemontana Lombarda Motorway and Line C of the Rome Underground.

32 Tax liabilities: EUR 84,090 thousand (EUR 66,444 thousand)

Tax liabilities increased by EUR 17,646 thousand compared to the previous year and consist of the following:

	2016	2015	Change
Indirect tax liabilities	22,572	7,881	14,691
Direct tax liabilities	57,142	50,164	6,978
Withholding tax liabilities	4,376	8,399	(4,023)
Total	**84,090**	**66,444**	**17,646**

The increase in the item “indirect tax liabilities” is mainly attributable to Algeria and in particular to the VAT accrued on the milestones invoiced during the year in relation to the railway works being executed.

[17] Cumana Railway and Monte Sant’Angelo Bypass in Naples

33 Provisions for risks and charges: EUR 13,709 thousand (EUR 13,794 thousand)

The composition of provisions for risks and charges is as follows:

	Provisions for contractual obligations	Provisions for risks on equity investments	Provision for potential losses	Provisions as per Art. 27 of Company Bylaws	Total
Balance at 31/12/2015	**7,147**	**2,824**	**1,552**	**2,271**	**13,794**
Allocations	0	38	1,388	0	1,426
Utilisation	0	(34)	(1,000)	(523)	(1,557)
Allocation of 2015 profit	0	0	0	192	192
Restatement	0	(156)	9	0	(147)
Balance at 31/12/2016	**7,147**	**2,672**	**1,949**	**1,940**	**13,709**

- Provisions for contractual obligations mainly include the conservative provision for losses relating to works that have already been performed, for which the final phase of the respective contracts has not yet been defined, as well as activities related to contract work in progress;
- Provisions for risks on equity investments reflect the Group's deficit of investees considering to investment's carrying amounts;
- The provision for potential losses includes the accrual for likely risks measured on a case-by-case basis carried out with the help of external consultants and based on both objective and evaluation elements;
- The provision as per Art. 27 of the Company's Bylaws was used for charitable donations and increased through the allocation of profits in accordance with specific resolutions.

Disclosure on potential risks

It is pointed out that on 3 November 2010 the Group Company COMERI S.p.A. received a Formal Notice of Assessment from the Italian Tax Police, Rome Unit, following a general check made for the purposes of direct and indirect taxation.

During the 2015 financial year, the Internal Revenue Office issued the company an assessment report that adopted wholesale the same findings contained in the aforementioned notice of assessment. The Company therefore promptly challenged this notice and at the same time, submitted an appeal to the Office in order to secure the administrative annulment of the assessment.

The Rome Provincial Tax Commission, with Sentence N. 29543/50/16 issued on 17 November 2016 and deposited on 20 December 2016, accepted the appeal submitted by Comeri.

For complete information, we can recall that the aforementioned Notice of Assessment contains an objection concerning taxation of the agreement signed between Astaldi and ANAS S.p.A. on 3 May 2010, regarding the definition of technical reserves included in the construction site accounts up to 31 December 2008, some of which were erroneously considered by the Tax Police to be additional fees rather than penalties for compensation of damage, and thus fully subject to 20% VAT.

In relation to the objection raised, it was shown that COMERI S.p.A. had previously registered the out-of-court settlement in question with the Revenue Office on 15 June 2010; on this occasion the Internal Revenue Office requested and accepted payment of the proportional registration tax on the aforesaid reserves, thus conclusively confirming the tax treatment for these amounts for the purposes of indirect taxation, considering them to be compensatory and thus excluded from VAT taxation. Given that, as mentioned, the Internal Revenue Office adopted the same arguments contained in the notice of assessment, without providing additional arguments in support of the finding, the Company, also with the consultants' support, confirms, as already reported in the financial statements for the previous years, the risk of an adverse decision as remote.

To complete the information provided regarding provisions for risks and charges, there follows a summary of the allowances and provisions recognised in the financial statements with indication of their nature and specific category.

		2016	2015
Provisions deducted directly from assets	**note**	**27,703**	**29,328**
Allowance for impairment (equity investments)	18. Equity investments	81	8
Allowance for impairment losses on contracts	22. Amounts due from customers	9,528	10,865
Allowance for impairment	23. Trade receivables	11,038	11,037
Allowance for impairment - default interest	23. Trade receivables	1,317	1,765
Allowance for impairment - default interest due to tax authorities	24. Tax assets	198	198
Allowance for impairment - other assets	20. Other current assets	5,541	5,455
Provisions recognised under liabilities			
Provisions for risks and charges		**16,211**	**16,235**
of which:			
• For risks on equity investments	33. Provisions for risks and charges	2,672	2,824
• For contractual obligations	33. Provisions for risks and charges	7,147	7,147
• For contract losses to complete	22. Amounts due to customers	2,503	2,441
• Other provisions for risks and charges	33. Provisions for risks and charges	3,889	3,823
Total provisions/allowances		**43,914**	**45,563**

34 Fair value measurement

The following table provides the fair value hierarchy of the Group's assets and liabilities:

	Measurement date	Total	Measurement at fair value with		
			Prices quoted in active markets (Level 1)	Observable significant inputs (Level 2)	Unobservable significant inputs (Level 3)
Assets measured at fair value					
Forward exchange contracts	31-Dec-16	(362)		(362)	
Securities	31-Dec-16	848	848		
Liabilities measured at fair value					
Interest Rate Swaps	31-Dec-16	(14,118)		(14,118)	
Conversion options - bonds	31-Dec-16	(4,966)			(4,966)

34.1 Measurement techniques and inputs used to process measurements

a) Assets and liabilities measured at fair value on a recurring basis

- **Interest rate swap**

The fair value of the derivatives was measured through the use of a pricing tool. The floating-rate, indexed leg was measured by generating the forward rates for the deadlines provided for by the contract, and then calculating the present value by discounting the corresponding cash flows.
The fixed-rate, indexed leg was measured by calculating the present value of the flows.
The forward rates and discount rates were calculated starting from the zero coupon rates implicit in the curve of short-term rates (deposits quotation) and long-term rates (swap rates quotation) at 31 December 2016.
To calculate the fair value of the derivatives, the Debit Value Adjustment (DVA) was used in order to take into account the non-fulfilment risk.
The total value of the instrument is provided by the difference of the present values of the floating and fixed component.
With reference to the effectiveness of the transaction, this is determined by means of internal assessment models using the Dollar Offset Method, relying on the use of the hypothetical derivative for determining the fair

value of the hedged item.

- **Forward exchange rate contracts**

The instruments in question were measured through the use of a pricing tool.
The measurement was done through discounting of the value at maturity of the contract, determined as the difference between the forward exchange rate at maturity, quoted by the market on the measurement date, and the working exchange rate provided for by the contract, considering the notional amount provided for by the contract.
The discount rates were calculated starting from the zero coupon rates implicit in the curve of short-term rates (deposits quotation) and long-term rates (swap rates quotation) at 31 December 2016. The forward exchange rates were estimated by linear interpolation starting from the curve of exchanges at term acquired from the info provider.

- **Securities**

The fair value of the securities is equal to the market price referring to the quotations (bid price) on the measurement year's reference date.

- **Conversion options - bonds**

A convertible bond entitles the holder to convert the bond into a given number of shares of the issuer. The instrument may therefore be classified as a standard obligation that incorporates the sale of a call-type plain vanilla option.
The pricing tool is used to measure the convertible bond.
The measurement model breaks the instrument down into its basic components: an equity component and a debt component. Towards this end, it defines a hypothetical "cash only part of the convertible bond" instrument. The amount of the two aforementioned components is determined based on the Black-Scholes equation.
The model uses the following input data: the market price of the Parent's shares, the rate curves (swap and deposits), volatility of the share price, and the company's credit spread.
Of the aforementioned input data, the Parent's credit spread is not a figure that is currently observable on the market.

b) Assets and liabilities measured at fair value on a non-recurring basis

As at 31 December 2016, there are no assets and liabilities measured at fair value on a non-recurring basis making it necessary to make the additional disclosures stated in IFRS 13 "Fair value measurement".

c) Transfers of financial instruments between the various levels of the fair value hierarchy

During the financial year, there were no transfers between 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 in an international context where transactions are performed in various currencies; moreover, in order to support and develop its own industrial activities, it funds itself with external sources of financing in Euro and foreign currencies.

The Astaldi Group is therefore exposed to the following financial risks:

- Market risk: exposure of the Group to fluctuations in interest rates and exchange rates;
- Liquidity risk: the possibility that the Astaldi Group might not be able to meet its financial commitments deriving from contracts and, more generally, from its short-term financial commitments;
- Credit risk: exposure of the Group to potential loss deriving from the failure to fulfil commitments undertaken by counterparts.

The various types of risk are monitored in such a way as to evaluate in advance their potential negative effects, and take suitable mitigating actions. The optimisation and reduction of risk levels is pursued by an adequate organisational structure, the adopting of rules and procedures, the implementation of targeted commercial and purchasing policies, and the use of insurance policies and hedging derivatives.

In order to maintain corporate value, the Astaldi Group has drawn up guidelines for controlling its exposure to market risks and entrusted the definition of policies and strategies to be adopted to manage the same through derivatives and monitoring of hedged positions, to a Risks Committee.

With respect to these policies, the Astaldi Group mainly uses cash flow hedging to cover exposure to fluctuations in cash flows especially due to risks identified and associated with assets or liabilities, or for a planned transaction highly likely to have an effect on the income statement.

There follow the hedging derivatives transactions at 31 December 2016, with a distinction between hedge accounting, representing most of the Astaldi Group's transactions, and non-hedge accounting transactions shown for each type of financial instruments with fair value, notional value and the changes in the respective provisions and the income statement. For transactions in currencies other than the Euro, the corresponding amounts are calculated at the exchange rate at the end of the year.

Interest rate risk

Group exposure to the risk of changes in interest rates is mainly related to floating interest financial debt; changes in interest rates affect the market value of financial assets and liabilities of the company and the level of net financial expense.

Astaldi Group, also taking into account contract obligations, duly assesses exposure to the risk of changes in interest rates and manages these risks by the use of non-speculative derivatives, in order to pursue a Cash Flow Hedge strategy. The Group's hedging policy, governed by a specific interest rate risk management policy, involved the definition of an ideal mix between fixed rate and floating rate borrowing (mainly Euribor) in the borrowing structure in order to reduce borrowing costs and their volatility.

Therefore, Astaldi Group undertakes hedging transactions through simple derivatives ("plain vanilla"), on a cash flow hedge basis, in order to convert the floating rate into a fixed rate (Interest Rate Swap), or to allow a limited interest rate fluctuation within a predefined range (Collar), and in any event guaranteeing a maximum risk exposure level (Cap). These instruments are generally at zero cost.

At 31 December 2016, the notional value of derivatives hedging on the interest rate risk totalled EUR 448.1 million. Taking these hedges into account, as well as the fixed rate debt associated with the bond issues, the percentage of fixed rate debt equalled approximately 63% of the gross debt.

The following tables show the aforementioned transactions, all designed to hedge financial flows, split into cash flow hedges and transactions for which Astaldi Group decided not to apply hedge accounting.

Type of derivative	Hedged item	Notional remainder 31/12/16	Fair Value 31/12/16	Fair Value 31/12/15
IRS	Medium/long-term debt	333,946	(13,983)	(11,714)
CCS	Medium/long-term debt	108,664	(13,641)	0
Total		**442,610**	**(27,624)**	**(11,714)**

With reference to the aforesaid Hedge Accounting, the change in value had an impact on the Group's equity, leading to a final balance of the hedging reserve of 27.6 million.

Details on changes in the hedging reserve in 2016 are shown below:

Hedging reserve - interest rate risk		31/12/16	31/12/15
Opening reserve		(11,547)	(12,412)
Impact on reserve net of release to profit or loss		(16,076)	865
Final reserve		**(27,623)**	**(11,547)**
Ineffectiveness		0	(168)

With regard to transactions for which hedge accounting has not been applied, the changes in amounts of these financial instruments were recognised directly in profit or loss.

Type of derivative	Hedged item	Notional remainder 31/12/16	Fair Value 31/12/16	Fair Value 31/12/15
IRS	Medium/long-term debt	5,498	(136)	(589)
Total		**5,498**	**(136)**	**(589)**

- **Sensitivity analysis**

The potential effects of a hypothetical increase or decrease in interest rates on the Company's Income Statement and Statement of Financial Position are shown hereunder in terms of higher or lower interest expense payable over the entire remaining duration of floating rate financial payables.

The analysis was carried out based on market curves at 31 December 2016 and considers a parallel rate shock by 1% upwards (shock up) and 0.30% downwards (shock down) on interest rates.

Interest rate risk	Income Statement		Equity	
Sensitivity analysis	Shock up 31/12/16	Shock down 31/12/16	Shock up 31/12/16	Shock down 31/12/16
Financial liabilities				
• cash flow	(30,703)	9,211		
Hedging derivatives				
• cash flow	13,981	(7,198)		
Total	**(16,722)**	**2,013**	**0**	**0**
• fair value	28	(9)	13,953	(4,354)

With reference to 31 December 2016 the analysis shows how, considering a hypothetical 1% increase in interest rates, as a consequence of hedging through derivatives (approximately EUR 13.9 million), financial expense would get worse by EUR 16.7 million; in this hypothetical scenario the negative fair value of hedging recognised in profit or loss, compared to the effective amount recorded at 31 December 2016, would show an improvement of EUR 28 thousand, while the equity reserve would show an improvement of EUR 13.9 million.

Similarly, as shown in the table, a shock down of 0.30% in interest rates would lead to an improvement of financial liabilities of approximately EUR 2 million; in this hypothetical scenario, the negative fair value of the hedging recognised under income, compared to the effective one recognised at 31/12/2016, would show a worsening of EUR 9 thousand while the reserve (negative) under equity would show a worsening of EUR 4.3 million.

Since this analysis is aimed at identifying the possible comprehensive impact deriving from the fluctuation of interest rates, the position of Sociedad Concesionaria Metropolitana de Salud s.a. sold during the month of February 2017 was not taken into account.

Currency risk

With reference to currency risk, the Astaldi Group provides hedging of currency risk with specific foreign contracts in order to mitigate exchange rate fluctuations.

The Group policy is aimed at hedging a percentage of exposure to currency risk depending on the characteristics of the business and the particular volatility of certain currencies, for the entire duration of the works regarding specific contracts, and when this is not possible, for a period of 12 months.

Hedging is performed by the use of forward plain vanilla derivatives, cost zero cylinders, knock-in forward.

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 currency imbalance between trade receivables and payables in local currency through financial debt in the same currency (the so-called "natural hedge").

At 31 December 2016, the notional value of existing currency risk hedges amounted to a total counter-value of EUR 173 million with a negative fair value of EUR 0.3 million.

Type of derivative	Notional remainder 31/12/16	Fair Value 31/12/16	Income Statement
Cross Eur/CAD	73,000	(109)	(109)
Cross Eur/USD	100,000	(253)	(253)
Total	**173,000**	**(362)**	**(362)**

Liquidity risk

The main factors determining the Group's liquidity risk are, on one hand, the cash flows generated by or used in corporate operating and investing activities, and on the other, the characteristics of debt maturity and use of cash, as well as contingent cash terms of financial markets.

Astaldi Group aims to maintain a sufficient cash margin to allow for coverage of financial requirements with the availability of committed and uncommitted credit lines.

Cash flows, the need for financing and the liquidity are constantly monitored and managed with the aim of guaranteeing effective and efficient management of financial resources.

The following table shows the timeframe of the Group's financial liabilities:

Analysis of maturities	Use	On sight	2017	2018	2019	2020	2021	Beyond
Short-term loans*	(339,252)	339,252						
Medium/long-term loans*	(779,677)		163,106	170,966	428,001	6,525	2,462	8,617
Equity-Linked bond	(130,000)				130,000			
Senior unsecured bonds	(750,000)					750,000		
Total	**(1,998,929)**	**339,252**	**163,106**	**170,966**	**558,001**	**756,525**	**2,462**	**8,617**
Derivatives								
- interest rate risk derivatives**	(14,118)	0	3,622	4,678	3,548	1,579	680	10
- currency risk derivatives**	(362)		362					
Total	**(14,480)**	**0**	**3,984**	**4,678**	**3,548**	**1,579**	**680**	**10**
EXPOSURE AT 31 DECEMBER 2016		**339,252**	**167,090**	**175,644**	**561,549**	**758,104**	**3,142**	**8,627**

Note:

* The figures shown in the table coincide with the nominal amount of financial liabilities and therefore do not include (i) commission directly related to the granting of loans that in turn are included in the measurement at amortised cost of the financial liabilities, and (ii) accrued interest still to be liquidated.

** The figures coincide with the total amount of the payable and receivable derivative Financial Instruments, and therefore do not include the accrued interest on the differentials accrued and yet to be liquidated.

The analysis of the expiry shown in the above table does not take into account the financial liabilities[18] for the subsidiary Sociedad Concesionaria Metropolitana de Salud s.a. sold in the month of February 2017.

Astaldi Group has adopted a series of policies and processes aimed at making the most of management of sources of financing, reducing the liquidity risk, such as, in particular:

[18] At 31/12/2016 this totalled EUR 102,049 thousand plus the hedging items (EUR 13,640 thousand). In this regard, it is pointed out that the relative contract terms provide for the repayment of the borrowing starting from the 2019 financial year.

• orientation towards centralised management of collection and payment flows (cash management systems) where deemed advantageous in compliance with the various civil, currency and tax laws of the countries where the Company operates, and in keeping with the rules for managing the financial flows of individual contracts;

• 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), guaranteeing an adequate availability of committed (unused) lines;

• access to the debt capital market;

• monitoring of future liquidity conditions in relation to corporate planning.

Finally, it is pointed out that the liquidity available and the possibility of using revolving credit lines, both committed and uncommitted, provide the Group with an adequate capacity to cover the planned financial commitments.

Credit risk

The credit risk is the Group's exposure to potential default risks by a counterpart.

The Group's credit risk is limited by the solvency characteristics of the customers served. The portfolio of receivables maturing is constantly monitored by the appropriate departments.

The Group customers are basically government and public bodies, by their very nature solvent.

Therefore, the credit risk, represented by the possible default of customers, is considered to have little significance, also considering the insurance coverage that can be set up by policies with insurance companies.

We should likewise point out that for some countries, collection times may go beyond the usual terms. At 31 December 2016 the percentage of overdue trade receivables was approximately 30%, of which 25% for those overdue by over 12 months. However, the analysis of credit risk exposure according to maturity is not very significant, since the receivables are measured in relation to the other items of working capital and in particular the payables to subcontractors and suppliers typical in the segment the due dates of which, in the management of operational leverage, tend to be aligned to the collection time by customers (back to back).

With regard to Turkey, we can point out that although in 2016 the country underwent a temporary phase of political and social instability, the Group believes that there is currently no evidence that there will be an increased risk with respect to the overall payment of the amounts owed, or any critical items that may negatively influence construction and management activities under way in the area (motorways, hospital construction).

With regard to receivables for the railway contracts in Romania, totalling approximately EUR 77,000 thousand, after the recognition of its right to credit in the arbitration procedure, the Parent Company has undertaken the process allowed under current legislation in order to ensure collection within a reasonably short time.

With reference to trade receivables for undertaking the railway works in Venezuela (EUR 248,910 thousand), we can point out that: *(i)* the Venezuelan Government has officially recognised, through the contracting firm IFE, the total amount of the receivables overdue; *(ii)* the extension of the contract deadlines for the construction works of the sections San Juan De Los Morros – San Fernando De Apure and Chaguaramas – Cabruta (the "South Lots"). These initiatives are seen as reflecting the country's willingness to respect its contract obligations. Moreover, the contracts had been signed under specific Framework Agreements between Italy and Venezuela, and govern the reciprocal rights and obligations regarding the promotion of investments in their respective countries in sectors of public relevance, including the construction of sections of railway in Venezuela.

On the institutional level, evaluations are under way in Italy with regard to possible concrete intervention to undertake in order to support the position of the Italian firms working in Venezuela.

We should finally point out that the Venezuelan Government, also in view of the elections called for 2018, is apparently about to present an infrastructures development programme that suggests the reactivation of investment flows for the major public works being undertaken in the country.

In this regard, assessing the situation as a whole, taking into account all the elements available as shown in the accounts, today we believe that there is no reason for assuming that these amounts will not be collected.

35.2 Guarantees and sureties

Personal guarantees

The total amount of the personal guarantees provided is EUR 3,047,578 thousand and refers to the following cases:

- sureties for opening credit facilities, to be used to ensure regular cash flow in relation to individual contracts, issued in favour of joint ventures, associates and other investees, set up for this purpose pursuant to the relevant current laws for the amount of EUR 68,507 thousand of which EUR 10,152 thousand referring to joint ventures;
- sureties for works, issued in the Group's interest by banks and insurance companies in favour of customers for various purposes, on its own account and in the interest of subsidiaries, joint ventures, associates and other investees for the total amount of EUR 2,910,103 thousand, of which EUR 105,847 thousand referring to joint ventures;
- Other sureties issued for various purposes for a total of EUR 68,968 thousand of which EUR 9,564 thousand referring to joint ventures.

Third party sureties given to the Group

They refer to sureties of EUR 426,836 thousand issued by banks and insurance companies on behalf of Italian and foreign suppliers and subcontractors, in relation to contract obligations vis-à-vis the Group.

36 Disclosure on related party transactions and fees due to Directors, Statutory Auditors, General Managers and other key management personnel

In accordance with IAS 24, as well as CONSOB communication no. 6064293 of 28 July 2006, there follow the totals of existing transactions and balances resulting from financial and commercial relations with related parties. In this regard, it is noted that the relevant transactions were carried out at market conditions. It should be pointed out that relations with consortia and consortium companies (special purpose vehicles), taking into account the specific segment the Group operates in, are to be related to receivables due from third parties – recognised under Trade Receivables (note 23) – not summarised in the following table:

Note: This English translation is for reference purposes only. 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.

Company name	Amounts due from Customers	Receivables and other assets	Financial assets	AFS assets	Amounts due to Customers	Payables and Other liabilities	Financial liabilities	Operating revenue	Operating costs	Financial income and expense
Parents										
Fin.Ast. S.r.l.	0	3	0	0	0	0	6,500	12	0	(293)
Company under joint control										
Finetupar International S.A.	0	0	0	0	0	0	6,500	0	0	(293)
Joint ventures										
Ankara Etlik Hastante A.S.	0	4,518	20,054	0	78,591	316	0	55,988	0	846
Astaldi Bayindir J.V.	0	6,138	0	0	0	598	0	0	0	0
Consorzio A.F.T. Kramis	0	5,099	578	0	0	246	0	0	25	37
Ic Içtaş Astaldi Ica Inşaat Anonim Şirket	22,373	33,687	0	0	78,258	0	1,062	136,310	0	(14)
Other*	0	7,117	433	0	0	3,748	0	13	180	6
	22,373	**56,559**	**21,065**	**0**	**156,849**	**4,907**	**1,062**	**192,312**	**205**	**875**

	Amounts due from Customers	Receivables and other assets	Financial assets	AFS assets	Amounts due to Customers	Payables and Other liabilities	Financial liabilities	Operating revenue	Operating costs	Financial income and expense
Associates										
Brennero Tunnel Construction S.c.a.r.l.	0	5,839	0	0	0	365	0	1,381	2,104	4,341
Consorzio Iricav Due	0	358	0	0	0	16,389	0	749	2,259	(8)
Consorzio MM4	19,891	88	311	0	0	511	0	52,606	1,010	0
Diga di Blufi S.c.r.l. in liq.	0	6,837	0	0	0	5,466	0	0	2	2
GE. SAT S.c.a.r.l.	0	18,333	0	0	0	14,706	0	21,598	12,650	0
ICA Ic Ictas Astaldi ucuncu bogaz koprusu ve kuzey marmara otoyolu yatirim ve isletme AS	145,586	72	188,219	0	6,162	0	0	351,610	0	7,408
Metro 5 S.p.A.	0	751	1,764	33,522	954	280	0	4,814	208	2,000
METRO C S.c.p.a.	439	3,255	0	0	0	5,732	0	964	19,458	0
Otoyol Yatirim Ve Isletme AS	35,255	111	22,714	0	1,712	0	0	109,958	0	1,641
Pacific Hydro Chacayes	0	35	0	7,150	0	0	0	0	0	0
SA.T. S.p.A.	6,824	22	0	7,182	0	155	0	1,280	0	375
Other*	0	12,491	9,453	0	47	7,502	0	2,358	9,106	478
	207,995	**48,193**	**222,460**	**47,854**	**8,875**	**51,106**	**0**	**547,319**	**46,798**	**16,238**
Total	**230,368**	**104,754**	**243,525**	**47,854**	**165,724**	**56,013**	**14,062**	**739,642**	**47,002**	**16,528**
Percentage of incidence	**14.81%**	**9.87%**	**77.04%**	**19.24%**	**33.63%**	**4.40%**	**0.70%**	**24.62%**	**1.73%**	**8.80%**

* for relations of a unit amount under EUR 5,000 thousand.

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Information regarding fees due to Directors, Statutory Auditors and General Managers of the Parent is shown in the table below in accordance with the provisions of the Report on Remuneration as per Art. 123-ter of the Consolidated Finance Act.

Category	Fixed fees	Fees for committee meetings	Variable non-equity fees (bonuses and other incentives)	Non-monetary benefits	Other fees	Total	Fair Value of equity fees
Directors	3,630	43	1,100	37	14	**4,825**	330
Statutory Auditors	120	0	0	0	0	**120**	0
General Managers	1,835	0	0	38	35	**1,908**	660

37 Segment reporting

The operating segments subject to segment reporting were determined according to reporting used by senior management as an information set for their decisions. This reporting is specifically based on the various geographical segments where the Group operates, and it is determined by using the same accounting policies used to draw up the consolidated financial statements.

The following tables show the segment disclosure as per IFRS 8.

Reporting at 31/12/2016	Italy	Europe	America	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**
Net gains on 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)**
Pre-tax profit 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 holdings						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 information								
Segment assets	10,783	60,921	96,626	2,700	316	39,901	(3,688)	**207,558**
of which investments	66,650	382	123	0	0	3,761	3,111	**74,026**
Segment liabilities	1,380	22,590	21,159	2,285	193	3,669	(4,786)	**46,489**
Other segment reporting						3,999		**3,999**

Reporting at 31/12/15 restated	Italy	Europe	America	Africa	Asia	Other activities	Adjustments and eliminations	Total
Revenue	683,305	1,306,703	865,861	123,362	49,107	517	(298,832)	**2,730,024**
Net gains on equity-accounted investees								**52,911**
Operating profit (loss)	30,009	155,587	23,488	17,257	(2,690)	(815)	53,396	**276,232**
Net financial expense								**(164,757)**

Pre-tax profit and non-controlling interests								**111,474**
Tax expense								**(33,188)**
Profit for the year								**80,876**
Assets and liabilities								
Segment assets	1,552,116	2,420,384	1,451,924	305,026	29,075	2,311,610	(3,709,245)	**4,360,889**
of which investments						890,220	(311,223)	**578,997**
Segment liabilities	(1,264,807)	(2,199,544)	(1,333,323)	(313,826)	(31,092)	(1,801,727)	3,220,462	**(3,723,858)**
Other segment reporting								
Property, plant and equipment	11,305	71,271	85,110	4,986	479	43,638	(6,671)	**210,120**
Intangible assets	42,709	417	25	0	0	846	3,111	**47,108**
Depreciation of property, plant and equipment	3,334	24,034	21,887	3,386	197	3,978	(1,905)	**54,911**
Provisions						4,060		**4,060**

38 Other information

Non-recurring significant events and transactions

The financial position and results of operations of the Astaldi Group were not affected in the year 2016 by non-recurring significant events and transactions as defined in CONSOB Communication no. DEM/6064293.

Positions or transactions deriving from atypical or unusual transactions

In 2016, the Astaldi Group did not undertake any atypical or unusual transactions as defined in CONSOB Communication no. DEM/6064293.

38.1 Authorisation for publication

The publication of the Consolidated Financial Statements was authorised by the Parent's Board of Directors meeting of 14 March 2017.

At that time, the Board likewise voted to submit to the approval of the Shareholders' Meeting the proposal to distribute a dividend, to be transferred from the extraordinary reserve, for a total amount of EUR 19,556,223 (EUR 0.20 for each share outstanding on that date), with ex-dividend date on 15 May 2017, record date on 16 May 2017, and payment on 17 May 2017. It is specified that this amount was determined taking into account the division in proportion to outstanding shares of the dividend for 643,786 treasury shares held on hand.

38.2 Events after the reporting period

The first part of 2017 has seen important steps forward for the assets disposal plan.

In February, Astaldi concluded the agreement with MERIDIAM LATAM HOLDING, an infrastructures fund specialised in the management of transportation and hospital infrastructures, for its entry in the share capital of SCMS, the Concession holder of the West Metropolitan Hospital in Santiago, Chile. After this agreement, MERIDIAM LATAM HOLDING came into SCMS with an interest of 49%. The operation is the first step in a transfer process involving two other separate share transfers, reaching 100% at the end of the construction phase, as required under local legislation. There will also be a revision of the governance rules of the concession holder at the time of transfer of the first tranche, in order to enable the fund to participate in the definition of management policies. On its part, Astaldi maintains full title to the construction activities (currently under way), and the right to the contract for the management of the O&M (Operation and Maintenance) activities through the subsidiary Sociedad Austral Manutenciones y Operaciones S.p.A. The financial effects on Astaldi of the operation involve the removal from the consolidated financial statements of approximately EUR 100 million of non-recourse payables pertaining to the concession holder SCMS and the receipt of EUR 10 million for the quota sold, in line with the book value. The operation is in line with the Astaldi Strategic Plan for 2016-2020. Under the agreement, the operational capacities of the Astaldi Group will be combined with the skills of a major international financial partner, favouring the consolidation of a growth model of the activities on the basis of its capacity to attract and highlight strategic partnerships on the global level.

In March 2017, Astaldi signed an agreement for the transfer of its equity holdings in the concession holder of the Chacayes hydroelectric plant to Pacific Hydro Chile, which already held the remaining 72.7%, the Chilean subsidiary of the Chinese Group SPIC Overseas. The 27.3% stake sold by the Astaldi Group was valued at 44 million dollars, comprehensive of the subordinated loan. The agreement provides for the closing of the operation by 31 March 2017, at the end of the required authorisation procedure.

Moreover, in March 2017, Astaldi acquired, in a consortium form, the contract for the first lot of the Naples-Bari high speed railway (Naples-Cancello section), with a value of EUR 397 million (of which 40% for the Astaldi quota). The project, commissioned by Italferr S.p.A. to be completed by 2022, regards to first section of the Naples-Bari line, and is strategic in the overall revision of the entire railway line. The work in the section between Naples and Cancello will allow for bringing the tracks of this line to the new station of Naples-Afragola, which in the future will become the station for passenger transfer between the regional and high speed services, increasing the overall accessibility for railway transport in the Naples area. It is also planned to construct the new station of Acerra and two new stops for urban services, Casalnuovo and Centro Commerciale. The route will go for approximately 15.5 km in the towns of Casoria, Casalnuovo, Afragola, Caivano and Acerra. The updating and development of the Naples-Bari route, forming part of Corridor 5 Scandinavia-Mediterranean of the Trans European Network (TEN). The purpose of the latter is to enhance the competitiveness of rail transport and the integration of the South-East railway network with the high speed/advanced mobility system, and to increase the share of goods transport by rail. The signature of the contract is expected after verification of the requisites for participation in the bid, as required in the assignment procedure.

From the operational point of view, in March, two additional sections of the Gebze-Orhangazi-Izmir Motorway in Turkey were inaugurated, with reference to Phase 2-B and Phase 2-A, and the management activities have started. In Italy, in March, excavations of the TBMs in the central direction were started at the construction site in Via Cardinale Mezzofanti, Line 4 of the Milan Underground.

38.3 Fees payable to independent auditors KPMG and their network pursuant to Art. 149-*duodecies* of the Issuer Regulations

There follow the fees payable in the year 2016 to KPMG on the basis of their audit engagement for the financial years 2011-2019, assigned by shareholders' resolution dated 18 April 2011:

		2016
Type		
A) Auditing services		**1,180**
- Referred to Parent Astaldi S.p.A. (*)		585
- Referred to subsidiaries		595
B) Attestation services (**)		**206**
C) Other Services		**356**
Total fees		**1,742**
(*) Including expenses and CONSOB fees		
(**) Referred to Parent Astaldi S.p.A.		206
of which:		
1) For fees regarding limited verification procedures connected with compliance of certain covenants involved in the bond issue		21
2) For fees for activities regarding agreed-upon procedures, signing of tax declarations and other attestation activities		185

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Certification of the Consolidated Financial Statements pursuant to Article 154-bis of 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 2016 consolidated financial statements.

2. The administrative and accounting procedures used to formulate the consolidated financial statements at 31 December 2016 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 accounting standards acknowledged within the European Community pursuant to (EC) Reg. No. 1606/2002 of the European Parliament and Council of 19 July 2002;
   b) tally with ledgers and account entries;
   c) are suitable for providing a truthful and accurate representation of the equity, economic and financial situation 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 they are exposed to.

Rome, 14 March 2017

Signed Filippo Stinellis
Chief Executive Officer

Signed Paolo Citterio
Manager in charge of financial reporting

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Separate Financial Statements of Astaldi S.p.A.

Income Statement

(EUR)	notes	**2016**	**2015 *Restated**
Revenue	1	2,079,702,883	2,106,765,145
of which with related parties		*765,747,833*	*670,264,868*
Other Operating Revenue	2	140,438,126	111,834,563
of which with related parties		*19,989,028*	*14,725,175*
Total Operating Revenue		**2,220,141,009**	**2,218,599,708**
Purchase costs	3	(352,689,066)	(366,308,553)
Service costs	4	(1,246,802,633)	(1,232,134,650)
of which with related parties		*(206,671,590)*	*(216,624,319)*
Personnel expenses	5	(317,909,979)	(296,886,257)
Other operating costs	6	(32,891,210)	(36,779,402)
of which with related parties		*(169,368)*	*(13,409,987)*
Total Operating Costs		**(1,950,292,888)**	**(1,932,108,862)**
Share of profits (losses) of subsidiaries, joint ventures and associates	7	27,741,010	32,623,787
EBITDA		**297,589,131**	**319,114,633**
Amortisation, depreciation and impairment losses	8	(46,239,978)	(50,651,632)
Provisions	9	(1,466,765)	(20,014,769)
Operating Profit		**249,882,388**	**248,448,232**
Financial income	10	99,278,161	84,929,313
of which with related parties		*31,305,413*	*19,058,098*
Financial expense	11	(248,397,534)	(223,597,901)
of which with related parties		*(2,044,045)*	*(3,707,413)*
Net financial expense and net gains on investments		**(149,119,373)**	**(138,668,588)**
Pre-tax profit from continuing operations		**100,763,015**	**109,779,644**
Tax expense	12	(27,447,037)	(32,288,221)
PROFIT FOR THE YEAR		**73,315,978**	**77,491,423**
Earnings per share			
Basic	13	EUR 0.75	EUR 0.79
Diluted	13	EUR 0.66	EUR 0.75

* Further to application of IAS 27 rev. 2015 “Separate Financial Statements”, figures relative to 2015, shown for the purpose of comparison, were restated.

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Statement of Comprehensive Income

(EUR)	notes	**2016**	**2015 *Restated**
Profit for the year (A)		**73,315,978**	**77,491,423**
Change in fair value of cash flow hedge derivatives		(2,829,571)	716,260
Exchange rate differences from translation of financial statements in foreign currencies		21,840,668	(2,637,900)
Share of other comprehensive expense of equity accounted entities		(11,398,955)	(4,895,274)
Share of other comprehensive expense of disposal groups		(6,943,060)	0
Tax effect		9,344,639	3,863,106
Other comprehensive income (expense) net of tax effect to be subsequently reclassified to profit or loss (B1)	26	**10,013,721**	**(2,953,808)**
Actuarial gains (losses) on employee defined benefit plans		(75,721)	199,454
Share of other comprehensive income (expense) of equity accounted entities		(44,036)	167,841
Other comprehensive income (expense) net of tax effect that will not be subsequently reclassified to profit or loss (B2)	26	**(119,757)**	**367,295**
Total Other comprehensive income (expense) net of tax effect (B1)+(B2)=(B)		**9,893,964**	**(2,586,513)**
TOTAL COMPREHENSIVE INCOME (A)+(B)		**83,209,942**	**74,904,910**

* Further to application of IAS 27 rev. 2015 “Separate Financial Statements”, figures relative to 2015, shown for the purpose of comparison, were restated.

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Statement of Financial Position - Assets

(EUR)	**notes**	**2016**	***2015 Restated**	***2014 Restated**
ASSETS				
Non-current assets				
Property, plant and equipment	14	170,925,352	171,691,634	189,155,283
Investment property	15	150,319	157,985	165,652
Intangible assets	16	51,298,070	20,994,675	3,207,890
Equity investments	17	674,485,061	594,727,036	479,853,578
Of which equity accounted		*660,819,088*	*584,567,584*	*479,519,326*
Non-current financial assets	18	256,193,254	319,798,119	224,891,300
of which with related parties		*254,843,855*	*319,623,062*	*224,781,053*
Other non-current assets	19	27,361,867	40,084,883	44,645,968
Deferred tax assets	12	87,979,897	53,139,620	25,133,563
Total Non-current assets		**1,268,393,820**	**1,200,593,952**	**967,053,234**
Current assets				
Inventories	20	37,941,596	56,812,964	53,875,197
Amounts due from customers	21	1,350,411,902	1,115,494,943	987,966,898
of which with related parties		*237,254,097*	*142,264,881*	*113,378,759*
Trade receivables	22	785,480,749	752,411,897	909,425,740
of which with related parties		*233,716,231*	*182,984,118*	*222,517,933*
Current financial assets	18	209,127,576	128,800,254	20,932,533
of which with related parties		*185,099,079*	*98,321,593*	*18,315,907*
Tax assets	23	68,766,808	101,891,609	72,617,863
Other current assets	19	407,224,133	395,693,068	343,383,996
of which with related parties		*199,941,666*	*180,704,794*	*69,652,234*
Cash and cash equivalents	24	400,386,829	455,140,150	467,230,598
Total Current assets		**3,259,339,593**	**3,006,244,885**	**2,855,432,825**
Non-current assets held for sale	25	***77,756,483***	***0***	***0***
of which with related parties		*40,703,231*	*0*	*0*
Total Assets		**4,605,489,896**	**4,206,838,837**	**3,822,486,059**

* Further to application of IAS 27 rev. 2015 "Separate Financial Statements", figures relative to 2015 and 2014, shown for the purpose of comparison, were restated.

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Statement of Financial Position – Equity and Liabilities

(EUR)	**notes**	**2016**	***2015 Restated**	***2014 Restated**
Equity	26			
Share capital		196,849,800	196,849,800	196,849,800
Treasury shares		(1,314,942)	(1,601,540)	(1,793,002)
Legal reserve		33,062,370	31,141,468	27,934,260
Extraordinary reserve		311,540,724	293,096,745	253,131,219
Retained earnings		74,685,147	77,257,818	77,257,818
Other reserves		84,951,981	44,912,321	34,545,347
Other comprehensive income (expense)		(108,064,291)	(108,613,616)	(102,163,997)
Deferred tax from other comprehensive income		26,340,966	16,996,327	13,133,221
Total capital and reserves		**618,051,755**	**550,039,323**	**498,894,666**
Profit for the year		73,315,978	77,491,423	75,313,281
Total Equity		**691,367,733**	**627,530,746**	**574,207,947**
Non-current liabilities				
Non-current financial liabilities	27	1,480,409,348	1,270,074,737	1,152,003,972
of which with related parties		*14,325,094*	*14,725,864*	*14,850,384*
Other non-current liabilities	28	1,684,500	922,558	2,247,833
Employee benefits	29	4,727,092	5,245,612	6,281,344
Deferred tax liabilities	12	40,136,052	19,308,072	9,525,406
Total Non-current liabilities		**1,526,956,992**	**1,295,550,979**	**1,170,058,555**
Current liabilities				
Amounts due to customers	21	407,417,083	364,063,382	425,431,789
of which with related parties		*174,352,108*	*149,378,134*	*110,677,254*
Trade payables	30	1,171,671,409	1,070,686,799	1,018,608,269
of which with related parties		*396,874,581*	*318,969,020*	*255,019,642*
Current financial liabilities	27	571,258,766	586,832,719	350,811,563
of which with related parties		*91,204,203*	*0*	*0*
Tax liabilities	31	62,209,772	55,045,344	94,734,279
Current portion of provisions for risks and charges	32	44,082,985	59,013,757	41,397,228
Other current liabilities	28	130,525,156	148,115,111	147,236,429
of which with related parties		*8,307,329*	*15,990,725*	*12,580,766*
Total Current liabilities		**2,387,165,171**	**2,283,757,112**	**2,078,219,557**
Total Liabilities		**3,914,122,163**	**3,579,308,091**	**3,248,278,112**
Total Equity and Liabilities		**4,605,489,896**	**4,206,838,837**	**3,822,486,059**

* Further to application of IAS 27 rev. 2015 “Separate Financial Statements”, figures relative to 2015 and 2014, shown for the purpose of comparison, were restated.

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Statement of changes in equity in 2016

	note	*Share capital*	*Legal reserve*	*Extraordinary reserve*	*Hedging reserve*	*Translation reserve*	*Actuarial gains (losses)*	*Gains (Losses) on measurement of AFS financial assets*	*OCI deferred tax*	*Other reserves*	*Retained earnings*	*Profit for the year*	*Total Equity*
Balance at 01/01/2016		**195,248,260**	**31,141,468**	**293,096,745**	**(10,751,917)**	**(50,584,495)**	**(220,696)**	**0**	**2,725,777**	**39,842,999**	**77,257,818**	**38,418,044**	**616,174,003**
Effects from adoption of IAS 27(2015)		0	0	0	(66,914,497)	19,993,342	(164,724)	29,371	14,270,550	5,069,322	0	39,073,379	**11,356,743**
Balance at 01/01/2016 restated	**26**	**195,248,260**	**31,141,468**	**293,096,745**	**(77,666,414)**	**(30,591,153)**	**(385,420)**	**29,371**	**16,996,327**	**44,912,321**	**77,257,818**	**77,491,423**	**627,530,746**
Profit from continuing operations 2016	26											73,315,978	**73,315,978**
Other comprehensive income (expense)	26				(41,695,876)	42,394,329	(119,757)	(29,371)	9,344,639				**9,893,964**
TOTAL COMPREHENSIVE INCOME (EXPENSE)	**26**	**0**	**0**	**0**	**(41,695,876)**	**42,394,329**	**(119,757)**	**(29,371)**	**9,344,639**	**0**	**0**	**73,315,978**	**83,209,942**
Owner transactions and other changes in equity:													
Treasury shares	26	286,598		1,663,248						(1,179,635)			**770,211**
Dividends	26											(19,524,321)	**(19,524,321)**
Provisions as per Art. 27	26											(192,090)	**(192,090)**
Allocation of 2015 profit from continuing operations	26	0	1,920,902	16,780,731						41,646,050	(2,572,671)	(57,775,012)	**0**
Stock grant reserve	26									(426,755)			**(426,755)**
Balance at 31/12/2016	**26**	**195,534,858**	**33,062,370**	**311,540,724**	**(119,362,290)**	**11,803,176**	**(505,177)**	**0**	**26,340,966**	**84,951,981**	**74,685,147**	**73,315,978**	**691,367,733**

* Further to application of IAS 27 rev. 2015 “Separate Financial Statements”, figures at 31/12/2014, shown for the purpose of comparison, were restated.

** The amount shown in these items is net of overall investment in treasury shares of EUR 3,864 thousand, of which EUR 1,315 thousand corresponding to the nominal amount of the shares, reducing the share capital, and EUR 2,549 thousand reducing the Extraordinary Reserve.

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Statement of changes in equity in 2015

	note	*Share capital*	*Legal reserve*	*Extraordinary reserve*	*Hedging reserve*	*Translation reserve*	*Actuarial gains (losses)*	*Gains (Losses) on measurement of AFS financial assets*	*OCI deferred tax*	*Other reserves*	*Retained earnings*	*Profit for the year*	*Total Equity*
Balance at 01/01/2015		**195,056,798**	**27,934,260**	**253,131,219**	**(11,468,177)**	**(47,946,595)**	**(420,150)**	**0**	**3,153,749**	**39,817,731**	**77,257,818**	**64,144,165**	**600,660,818**
Effects from adoption of IAS 27(2015)		0	0	0	(38,298,957)	(3,663,990)	(332,565)	(33,563)	9,979,472	(5,272,384)	0	11,169,116	**(26,452,871)**
Balance at 01/01/2015 restated	**26**	**195,056,798**	**27,934,260**	**253,131,219**	**(49,767,134)**	**(51,610,585)**	**(752,715)**	**(33,563)**	**13,133,221**	**34,545,347**	**77,257,818**	**75,313,281**	**574,207,947**
Profit from continuing operations 2015	26											77,491,423	**77,491,423**
Other comprehensive income (expense)	26				(27,899,280)	21,019,432	367,295	62,934	3,863,106			0	**(2,586,513)**
TOTAL COMPREHENSIVE INCOME (EXPENSE)	**26**	**0**	**0**	**0**	**(27,899,280)**	**21,019,432**	**367,295**	**62,934**	**3,863,106**	**0**	**0**	**77,491,423**	**74,904,910**
Owner transactions and other changes in equity:													
Treasury shares	26	191,462		(807,960)						1,073,213			**456,715**
Dividends	26											(19,522,029)	**(19,522,029)**
Provisions as per Art. 27	26											(641,442)	**(641,442)**
Allocation of 2014 profit from continuing operations	26		3,207,208	40,773,486						11,169,116		(55,149,810)	**0**
Other changes	26									(827,410)			**(827,410)**
Stock grant reserve	26									(1,047,945)			**(1,047,945)**
Balance at 31/12/2015	**26**	****195,248,260**	**31,141,468**	****293,096,745**	**(77,666,414)**	**(30,591,153)**	**(385,420)**	**29,371**	**16,996,327**	**44,912,321**	**77,257,818**	**77,491,423**	**627,530,746**

* Further to application of IAS 27 rev. 2015 “Separate Financial Statements”, figures at 31/12/2014, shown for the purpose of comparison, were restated.

** The amount shown in these items is net of overall investment in treasury shares of EUR 5,814 thousand, of which EUR 1,602 thousand corresponding to the nominal amount of the shares, reducing the share capital, and EUR 4,212 thousand reducing the Extraordinary Reserve.

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Statement of Cash Flow
Operating activities

		2016	2015 Restated*
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		**73,315,978**	**77,491,423**
Tax expense		27,447,037	32,288,221
Pre-tax profit		**100,763,015**	**109,779,680**
Adjustments for:			
• Non-monetary items			
Amortisation and depreciation		46,074,002	50,626,850
Impairment losses		165,982	(8,176)
Net gains on equity-accounted investees		(27,741,010)	(32,623,787)
Post-employment benefits and defined benefit plan costs		550,292	647,576
Stock grant plan costs		1,254,836	1,211,145
Accruals to provisions for risks and charges		1,466,765	20,014,769
Fair value losses		(7,555,769)	(4,598,844)
Losses from discounting		1,672,680	15,433,953
Subtotal		**15,887,778**	**50,703,486**
• Monetary items			
Gains from disposals		(8,000,380)	(10,096,378)
• Other adjustments needed to reconcile profit with cash flow from operating activities			
Net interest income and expense and dividends received / (Coverage of losses)		**84,145,966**	**70,748,640**
Subtotal		**76,145,586**	**60,652,262**
Cash flows from operating activities before changes in net working capital		**192,796,379**	**221,135,428**
Change in working capital			
Trade receivables		(34,684,827)	140,859,450
of which with related parties		*(50,732,231)*	*39,533,815*
Inventories and amounts due from customers		(216,045,591)	(128,671,880)
of which with related parties		*(123,875,338)*	*(28,886,122)*
Trade payables		88,412,665	32,878,530
of which with related parties		*77,905,727*	*63,949,378*
Provisions for risks and charges		(3,662,917)	(3,039,682)
Amounts due to customers		43,353,701	(60,672,749)
of which with related parties		*24,973,974*	*38,700,880*
Other operating assets		(9,229,012)	(88,525,740)
of which with related parties		*(19,236,872)*	*(111,052,560)*
Other operating liabilities		8,426,455	(35,490,628)
of which with related parties		*(7,683,396)*	*3,409,959*
Payments of post-employment benefits and for defined benefit plans		(1,144,533)	(1,483,854)
Subtotal		**(124,574,059)**	**(144,146,553)**
Effect of exchange rate differences from translation of foreign operations		21,840,668	(2,637,900)
Cash flows from operating activities		**90,062,988**	**74,350,975**
Interest and dividends received (Coverage of losses)		25,254,442	28,626,683
Interest paid		(107,415,970)	(98,698,977)
Taxes paid		(15,469,659)	(44,080,476)
A) Net cash flows from (used in) operating activities	**24**	**(7,568,176)**	**(39,801,819)**

* Further to application of IAS 27 rev. 2015 “Separate Financial Statements”, 2015 figures, shown for the purpose of comparison, were restated.

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Statement of Cash Flow
Investing and financing activities

		2016	2015 Restated*
CASH FLOW FROM INVESTING ACTIVITIES			
Net intangible assets		(6,991,519)	(1,104,577)
Property, plant and equipment		(25,085,513)	(24,591,495)
Proceeds from the sale or reimbursement of property, plant and equipment		14,901,713	13,434,548
Change in financing of equity investments		(103,195,496)	(225,288,030)
of which with related parties		*(103,195,496)*	*(225,194,486)*
Acquisitions of investments in subsidiaries, associates, joint ventures and other companies		(67,068,577)	(42,873,548)
Sale / (Purchase) of securities		305,824	6,079
Change in other loan assets, net		6,944,583	(11,498,056)
of which with related parties		*1,974,583*	*16,341,324*
Acquisition of business unit		(19,200,000)	(4,850,000)
B) Cash flows used in investing activities	**24**	**(199,388,985)**	**(296,765,079)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends distributed to Astaldi's shareholders		(19,524,321)	(19,522,029)
Net investment in treasury shares		1,949,846	(616,498)
Sale of treasury shares		(1,179,635)	1,073,213
Net use of credit lines		91,631,504	357,442,560
Change in other Financial Liabilities		89,947,891	(1,978,047)
of which with related parties		*90,803,433*	*(124,520)*
Repayment of finance leases		(8,939,661)	(9,663,682)
Other changes		(1,681,761)	(2,259,090)
C) Cash flows from financing activities	**24**	**152,203,864**	**324,476,427**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	**24**	**(54,753,321)**	**(12,090,448)**
Cash and cash equivalents at the start of the year		**455,140,150**	**467,230,598**
Cash and cash equivalents at the end of the year		**400,386,829**	**455,140,150**

* Further to application of IAS 27 rev. 2015 "Separate Financial Statements", 2015 figures, shown for the purpose of comparison, were restated.

Notes to the Separate Financial Statements of Astaldi

General information

Astaldi S.p.A. (the "Company") is a company limited by shares with registered offices at Via Giulio Vincenzo Bona 65, Rome, and has been listed on the STAR segment of the Milan Stock Exchange since June 2002.

The Company has been operating for over 90 years in Italy and abroad in the segment of the design and construction of major civil engineering works, and is one of the most important corporate groups operating in the construction segment on the international level; it is a leader in Italy as general contractor and a sponsor of project finance initiatives.

The duration of the Company is currently set to 31 December 2100.

On the date of the drawing up of the separate financial statements, Astaldi S.p.A. was not subject to the management and coordination of any of its shareholders, since its Board of Directors, in complete autonomy and independence, takes all the suitable decisions with regard to its management.

These draft separate financial statements were approved by the Board of Directors of the Company at the meeting of 14 March 2017.

The Company, which holds significant controlling interests in other entities, also drafts the Group consolidated financial statements, published at the same time as these separate financial statements.

Basis of preparation and segment reporting

The separate financial statements of Astaldi S.p.A. at 31 December 2016 have been drawn up in compliance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), recognised in the European Union pursuant to EC Regulation no. 1606/2002 in force at the end of the year. All the standards and pertinent interpretations stated above and taken together are henceforth referred to as "IFRS". Reference has likewise been made to CONSOB regulations implementing subsection 3, Art. 9 of Legislative Decree no. 38/2005.

The 2016 separate financial statements include the following statements:

1. Income statement;
2. Statement of comprehensive income;
3. Statement of financial position;
4. Statement of cash flows;
5. Statement of changes in equity;
6. Notes.

It should be pointed out that the Company decided to present the Statement of comprehensive income in two separate statements as allowed by IAS 1.81. Therefore, it presents a statement showing the profit (loss) items for the year (income statement) and a statement which adds to the profit (loss) for the year and the "other comprehensive income" (statement of comprehensive income).

It should likewise be highlighted that the income statement is prepared based on a classification of each individual item by nature. This classification reflects the management reporting methods used in the

Company and is therefore considered more representative compared to presentation of items according to their destination, providing more relevant indications with respect to their specific segment.

With reference to the statement of financial position, it was decided to enter items by separating assets and liabilities into current and non-current assets and liabilities, in accordance with the provisions of paragraph 60 and following of IAS 1.

The statement of cash flows shows cash flow for the year, broken down into operating, investing and financing activities; cash flows from operating activities are recognised using the indirect method.

The statement of changes in equity was prepared in compliance with IAS 1, obviously taking into account comprehensive income.

Finally, with regard to segment reporting, the so-called management approach was applied, meaning that the elements that senior management uses for taking its strategic and operational decisions are considered. The operating segments subject to disclosure referred in particular to the various geographical segments where the Company works, and were determined on the basis of the same accounting standards used for drawing up the separate financial statements. Refer to note 34 for a presentation of segment reporting.

Basis of preparation

The separate financial statements were drafted taking into account the ongoing nature of activities, applying the historical cost method with the exception of those items that in accordance with IFRS were recognised at fair value, as indicated in the individual items' measurement criteria.

The financial statements are shown in Euro units, while the related notes are shown in thousands of Euro unless indicated otherwise. Therefore, in some statements, the total amounts could slightly deviate from the sum of the individual addenda comprising the amount due to round-offs.

Preliminary Notes

The Company, following the entry into force of EU Regulation 2015/2441[3], which adopted the changes proposed by the IASB to the International Accounting Standard IAS 27 "Separate Financial Statements," relied on the faculty established by that standard for the assessment of investments in subsidiaries, associates, and joint ventures with the equity method; this is for the purpose of (i) representing in the financial statements the performance of own investments in these investee companies and (ii) ensuring a sort of economic correlation between the income and the cost of the financial hedging needed to make these investments.

In particular, this assessment method was applied to each category of investments retroactively (IAS 8 par. 22), thus restating the opening values of the Equity at 01 January 2015, and the equity and comprehensive income statement for the 2015 financial year, as if this principle had been applied. Lastly, it is pointed out that the income components referring to the Companies assessed with the equity method, like the provisions for investment risks, were represented in the income statement for the financial year, within the Operating profit (loss). This representation was thus deemed capable of reproducing, as reliably as possible, the Company's business model, since the investee companies in question, established in the form of independent legal entities for the sole purpose of better guaranteeing the achievement of the Group's economic and financial targets, are fully included within Astaldi's typical activity.

The adoption of this Accounting Standard has effects on the distribution of profits and reserves by the Company. In particular, art. 6 of Legislative Decree no. 38/2005 states that it is impossible to distribute profits

[3] See the Section "Newly-issued and endorsed accounting interpretations, in force from 1 January 2016" for more details.

in a measure corresponding to the capital gains recorded in the income statement, net of the relative tax burden, that descend from application of the aforementioned valuation criterion.

The profits derived from said capital gains must be entered in a specific unavailable equity reserve and should they be of an amount lower than said capital gains, the reserve shall be replenished to cover the difference, using the reserves of available profits or, in their absence, the profits of the subsequent financial years. This unavailable reserve is reduced over time in a measure corresponding to the amount of the capital gains earned or that became non-existent as a result of depreciation. It may also be used to cover operating losses only after having used the available profits reserves and the legal reserve. In this case, it is replenished using the profits of subsequent financial years.

Accounting standards

The most important accounting standards and measurement criteria adopted for the drawing up of the separate financial statements at 31 December 2016 are shown below.

Translation of items and financial statements in foreign currency

The separate financial statements of Astaldi S.p.A. are drafted in Euro, which is the Company's presentation and functional currency.

The balances recognised in each foreign activity have been recognised in the currency of the entity's main economic environment (functional currency). In particular, IAS 21, under paragraph 11, identifies the elements to be taken into consideration for verifying whether or not an operation's functional currency coincides with the functional currency of the Parent. Specifically, the two functional currencies coincide when the activities of the foreign operation are carried out without a significant degree of autonomy, in such a way as to represent, de facto, an extension of the Parent's activity. While when foreign operations are carried out autonomously, the Entity's functional currency is the currency of the prevalent economic setting where it operates.

In the case of economies in hyperinflation in accordance with the definition provided by IAS 29, account is made of the measurement criteria provided for in that standard.

In the individual financial statements, the items expressed in a currency other the functional currency, whether monetary (cash and cash equivalents, assets and liabilities payable or receivable with pre-set or determinable sums of money) or non-monetary (inventories, property, plant and equipment, goodwill, other intangible assets etc.) are initially recognised at the exchange rate in force on the transaction date. The monetary items are subsequently translated into the functional currency on the basis of the exchange rate at the reporting date, and the resulting differences are recognised in profit or loss. With regard to the latter it should be pointed out that the exchange rate gains or losses are classified in the income statement, on the basis of the type of equity item that has generated them.

The non-monetary elements are maintained at the translation exchange at the transaction date, unless they are measured, based on the accounting standards of reference, at fair value. In this latter setting, the exchange differences regarding non-monetary elements follow the accounting treatment established for the variations of value of these elements, and therefore may be recognised in (i) the profit or loss, if associated with real estate investments measured at fair value pursuant to IAS 40, or with decreases in fair value measured on the basis of the provisions of IAS 16 or, alternatively (ii) equity, if referring to equity instruments, classified in the activities available for sale or to fair value increases measured on the basis of the provisions of IAS 16.

Translation of financial statements into presentation currency

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The rules for translating financial statements expressed in foreign currency into the presentation currency are as follows:

- assets and liabilities included in financial statements are translated at the exchange rate on the reporting date;
- costs and revenue, charges and income included in financial statements are translated at the average exchange rate for the closing financial year, or at the exchange rate on the transaction date should this differ significantly from the average rate;
- equity items, with the exception of profit for the year, are translated at the historical exchange rates;
- the "translation reserve" includes both the exchange rate gains or losses generated by translation of income statement items at a different rate from the year-end rate, and the differences generated by translation of opening equity balances at a different rate than the year-end one.

The main exchange rates used for translation into Euro of the income statement and statement of financial position figures of foreign operations with functional currencies other than the Euro were as follows:

Currency	End of December 2016	Average 12 months 2016	End of December 2015	Average 12 months 2015
Dinar - Algeria	116.3790	121.0972	116.7020	111.3613
New Lev - Bulgaria	1.9558	1.9558	1.9558	1.9558
Dollar - Canada	1.4188	1.4659	1.5116	1.4186
Peso - Chile	704.9452	748.4767	772.7130	726.4062
Kroner - Denmark	7.4344	7.4452	7.4626	7.4587
Dirham - Arab Emirates	3.8696	4.0634	3.9966	4.0733
Indonesian Rupiah	14,173.4300	14.720.8298	15,040.0000	14,870.3892
Dirham - Morocco	10.6568	10.8499	10.7881	10.8140
Cordoba Oro Nicaragua	30.9071	31.6830	30.4055	30.2445
Nuevo Sol - Peru	3.5402	3.7356	3.7083	3.5324
Pound Sterling - UK	0.8562	0.8195	0.7340	0.7258
Zloty - Poland	4.4103	4.3632	4.2639	4.1841
New Leu - Romania	4.5390	4.4904	4.5240	4.4454
Rouble - Russia	64.3000	74.1446	80.6736	68.0720
Dollar - USA	1.0541	1.1069	1.0887	1.1095
Lira - Turkey	3.7072	3.3433	3.1765	3.0255
Bolivar - Venezuela	708.5171	500.4624	6.8502	6.9812

To conclude, as regards, in particular, the exchange rate used for the translation into Euro of the income statement and statement of financial position amounts expressed in Venezuelan Bolivares, it is pointed out that during Q1 2016, the local government changed the country's currency system. Namely, through Exchange Rate Regulation No. 35, published in Official Journal no. 40.865 of 9 March 2016, the Central Bank of Venezuela, in collaboration with the government executive, enacted two foreign exchange mechanisms:

- A Protected Exchange Rate – DIPRO – representing a preferential rate reserved for the purchase of "essential goods and services";
- A Supplementary Market Fluctuating Exchange Rate – DICOM – representing, as indicated by the Venezuelan Government, the exchange rate to be applied to the wide range of commercial transactions:

In the light of the above, from 10 March 2016, the Company management adopted the DICOM as the exchange rate for the conversion of foreign currency transactions. This has required the revision of the estimates for the valuation of the items expressed in local currency, regarding amounts calculated up to the date of the financial statement, as well as the updating of budgeted amounts for the entire lifetime of the railway works under way in the area. The comprehensive net economic effects recorded in 2016, regarding the updating of these estimates, are not especially significant, starting from previous years, with reduction to a minimum of the discrepancy between the items expressed in *bolivares*, also following the gradual reduction of operating activities of the Company in the area.

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 charges for dismantling and removal needed to restore the site to its original conditions.

Charges incurred for routine and/or cyclical maintenance are charged directly to the income statement in the financial year when incurred. Costs related to extension, renovation or the improvement of facilities owned or used by third parties are capitalised exclusively within the limits in which they can meet the requirements for separate classification as an asset or part of an asset. Financial expense incurred is capitalised when the conditions set forth in IAS 23 are met, which is to say when specifically referable to financing received for the purchase of 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 its use based on its useful life, and depreciation of assets cannot be undertaken according to the revenue generated by them during their useful lifetime.

Depreciation is applied when the asset becomes available for use. The useful life for the various categories of assets is 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 relevant elements, whose useful life differs significantly from that of the other components forming the asset, depreciation is performed separately for each of the components forming the asset, applying the component approach policy.

Profits and losses deriving from the sale of assets or groups of assets are calculated by comparing the fair value, net of costs to sell, with the relevant carrying amount.

Leasing property, plant and equipment

A lease is an agreement through which the lessor transfers to the lessee, in exchange for a payment or a series of payments, the right to use an asset for a defined period of time.

In some types of leases, the economic substance of the operation may qualify the *operation* as leases even without having the legal form of a lease.

Determining whether a lease exists within a contractual agreement that does not expressly contain this case must be based, as provided for by accounting interpretation IFRIC 4, on the substance of the agreement, and requires that two conditions be met:

a) Fulfilment of the agreement depends on the use of one or more specific assets; and

b) The agreement conveys a right to use 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 fulfil the arrangement by providing the use of alternative assets, even implicitly, to the identified asset.

The second requirement, on the other hand, is met when *one of the underlying conditions is met:*

a) *the purchaser has the ability or right to operate the asset or direct others to operate the asset as they wish while obtaining or controlling more than an insignificant amount of the output or other benefit of the asset;*

b) *the purchaser has the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output or other benefit of the asset);*

c) *the facts and circumstances indicate there is only a remote possibility that parties other than the purchaser will take more than an insignificant amount of the output or other benefit generated by the asset during the period in which the agreement is effective, and the price that the purchaser will pay is neither contractually fixed per unit of output nor equal to the current market price at the time of delivery.*

IAS 17 distinguishes two categories of lease:

- **Finance lease**
  Property, plant and equipment owned through ***finance leases***, which basically transfer to the Company all the risks and rewards of ownership, are recognised in the financial statements at the effective date of the agreement as Astaldi S.p.A. assets at their present value or, if lower, at the present value of the minimum lease payments, including the sum to be paid for exercising the purchase option. The corresponding liabilities vis-à-vis the lessor are included under financial liabilities.
  If there is no reasonable certainty that ownership of the asset shall be acquired upon expiry of the lease, the leased assets are depreciated over a term of the lease or the useful life of such asset, whichever is shorter.

- **Operating lease**
  Leases in which the lessor substantially maintains all the risks and rewards connected with owning the assets are classified as operating leases. The payments for **operating leases** are recognised in profit or loss in the financial years of the lease term.

Intangible assets

Intangible assets are non-monetary items having no physical consistency, and clearly identifiable and suited to generating future economic benefits for the company. These items are recognised in the financial statements at purchase and/or production cost, including expenses that may be directly attributed during the preparation phase to bring them into operation, net of accumulated amortisation (with the exception of assets with an indefinite useful life, whose carrying amount is subjected to impairment tests as per IAS 36) and any impairment losses. Amortisation is calculated from when the asset is available for use, and is applied on a straight-line basis in relation to the residual possibility of its use, i.e. based on 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 impairment losses accumulated over time.

Amortisation is calculated starting from the financial year in which the purchased right is available for use and takes into account the useful life (2-5 years).

Licenses and similar rights are recognised at cost net of amortisation and impairment losses accumulated over time. Amortisation is calculated starting from the financial year in which ownership is acquired in relation to their useful life.

Rights for the utilisation of infrastructures under concession are amortised over the duration of the concession, with criteria reflecting the way in which the economic benefits are estimated to accrue to the company. Amortisation is calculated from the time when the rights for the utilisation of the infrastructures under concession start to produce the relative economic benefits.

The use of the revenue generated by single assets cannot generally be used as a basis for calculating depreciation. This prohibition can only be overcome by application of one of the following conditions:

a) *The intangible asset is expressed as a measure of revenue:* The use of an intangible asset, in this case, depends on a fixed amount of revenue to be generated and not on a pre-set time period or on a certain amount of goods produced or sold.

b) *It has been demonstrated that the expected revenue and the consumption of the economic benefits of the intangible asset are closely correlate:* In this case, it must be clearly shown that the use of revenue as a basis for calculating the depreciation of an intangible asset does not involve significant differences with respect to the other methods allowed by IAS 38.

Goodwill, recognised in relation to business combinations, is allocated to each Cash Generating Unit identified and is recorded under intangible assets. It represents the positive difference between the cost incurred for the acquisition of a business unit and the quota of interest acquired with regard to the present value of these assets and liabilities of that business unit. The potential assets and liabilities acquired and identifiable are recognised at their present value (fair value) on the date of acquisition. While any negative difference is recognised in the profit or loss at the time of purchase. Goodwill, after the initial recognition, is not subject to amortisation, but tested for impairment, if any.

It is subjected to testing to identify any impairment losses, in accordance with the provisions of IAS 36 (Impairment of Assets) annually, or more frequently if specific events or changed circumstances indicate that goodwill may have been impaired.

Business combinations

Business combinations are measured based on the provisions of IFRS 3. Specifically, these business combinations are recognised using the acquisition method, where the acquisition cost equals the fair value on the acquisition date of the assets transferred, of the liabilities incurred or undertaken, as well as capital instruments, if any, issued by the acquirer. The costs directly attributable to the acquisition are recognised in profit or loss. The acquisition cost is allocated by recognising the assets, liabilities and contingent liabilities identifiable of the acquired entity at the relevant fair value on the acquisition date. Any surplus between the amount of the assets transferred, measured at fair value at the acquisition date compared to the net amount of the assets and liabilities identifiable in the acquisition, measured at fair value, is recognised as goodwill, or under profit or loss if the balance is negative.

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, with adjustment of corresponding figures.

Business Combinations undertaken in 2016

During 2016 no business combinations were undertaken.

Investment property

Investment property is recognised as an asset when it is held for the purpose of receiving rent or appreciation of the invested capital, provided that the cost of the asset can be reliably established and the relevant economic future benefits can be used by the company.

Investment property is measured at purchase or production cost, increased by any additional costs, net of accumulated depreciation and any impairment losses.

The useful life of the property belonging to the following item is between 20 and 33 years.

Investment property is eliminated from the financial statements when transferred or when the investment is unusable in the long-term and no future economic benefits are expected from its transfer.

Impairment of assets

The Impairment Test for intangible assets with an indefinite useful life, and for assets under development with a definite useful life is done at least annually.

For property, plant and equipment, intangible assets (other than those with an indefinite useful life, or under development), it is verified, at every reporting date, that there are no events or changes of circumstances that can give rise to any impairment.

In addition to the provisions of IAS 36, the Company's directors, at any reporting date, measure, pursuant to IAS 39 (paragraphs 58-62) whether, with reference to the financial assets representing equity instruments, there is any objective evidence of an impairment.

The Company, where necessary, performs the Impairment Test on the smallest group of assets that generates financial flows broadly independent of the financial flows generated by other assets or groups of assets ("Cash Generating Units"), if it is not possible to determine the recoverable amount of the individual assets.

The impairment test is done by comparing the carrying amount of the asset (or groups of assets) and the corresponding recoverable amount[4]. Should the carrying amount be greater than the corresponding recoverable amount, the asset is depreciated by recognition of an impairment loss in the income statement. Should the prerequisites for the impairment performed previously no longer apply, such impairment loss is reversed within the limits of the carrying amount of the asset. 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.

Finally, it is pointed out that the Company management utilised an international network and consultants of primary standing to perform the Impairment Tests.

These were performed, pursuant to the provisions of IAS 36, according to the procedures adopted by the Group and approved pursuant to the Banca d'Italia – Consob and Isvap Joint Document no. 4 of 3 March 2010, and to Art. 7.C.2 of the New Code of Conduct for Listed Companies.

At the outcome of the impairment tests, there was no need to recognise any losses due to impairment.

Presence of impairment indicators – Market capitalisation less than Equity

Taking into account that the Market Capitalisation of Astaldi S.p.A. (EURO 547,242 thousand) was, on 31/12/2016, lower than the Company equity (EUR 691,368 thousand), the Management decided to verify the presence of potential impairment on goodwill and other assets having special relevance in the Company.[5]

Furthermore, it was decided, also on the basis of the provisions of the Organismo Italiano di Valutazione, to conduct a second level Impairment Test in order to compare the recoverable amount of the Company's net assets with the carrying amount of its equity.

The second level Impairment Test involved the identification of two macro CGUs in the Construction and Concessions segments in order to calculate the recoverable amount of each of them.

[4] In particular, the recoverable amount is defined as the greater between the fair value less costs to sell and the asset's value in use.

[5] The results of the first level impairment tests conducted will be detailed subsequently in these notes, also in relation to the methods and assumptions applied to develop the single tests.

Specifically, the recoverable amount of the CGU for the construction segment was obtained through a method based on revenue flows involving the discounting of the revenue for each year, as determined based on the projections developed on the basis of reasonable and sustainable assumptions capable of representing the best estimate that can be made by Company management.

For the discount process, a rate equivalent to the cost of equity (Ke) of Astaldi S.p.A. (7.9%) was used. The flow used for calculation of the Terminal Value was set at the average net revenue over the Plan period, with a conservative hypothesis of growth rate zero and an add-on to the Ke of 4%.

With regard to the CGU for the Concessions segment, it is pointed out that the relative recoverable amount was calculated by the method of the sum of the parts. Specifically, the value of the investees was estimated separately using a bottom-up cascade model so that at each level the carrying amount of the investments is replaced with the respective proportionate amount.

With special regard to the measurement techniques applied to the main investees, it is pointed out that the value of each was identified by the “Dividend Discount Model” (DDM), discounting the flows of future dividends expected by the management of the companies. In order to apply this method, the economic-financial plans of the investees were used as drafted by the pertinent body of the individual companies.

After the second level impairments tests, also integrated with additional specific sensitivity analyses, the recoverable amount of the net assets of the Company expressed per ordinary share emerged as considerably higher than the corresponding Market Capitalisation, thus confirming the full recoverability of equity.

Investments in subsidiaries, associates and joint ventures

The Company, following the adoption of the modifications introduced by Regulation (UE) 2015/2441[6] to the IAS 27 “Separate Financial Statements,” relied on the faculty provided for by that standard for the assessment of investments in subsidiaries, associates, and joint ventures with the equity method [7].

Equity method

At the moment of the initial entry with the equity method, the investments are recorded at the purchase cost.
Any difference between the cost of the investment and the entity’s share of the fair value of the investee’s identifiable assets and liabilities, determined on the basis of the dictates of IFRS 3 “Business Combinations,” is treated as shown below:

a) Cost of investment in excess of the entity’s share of the fair value of the individual acquired assets and liabilities: this difference is normally the case of goodwill related to the acquisition of the investee which, in accordance with the provisions of IAS 28 (par.32), is not an independent element of the assets, but must be included in the investment’s carrying amount;
b) Cost of investment in lower than the entity’s share of the fair value of the individual acquired assets and liabilities: this difference is stated in the profit or loss in the period in which the investment is acquired.

The carrying value is then sufficient to take into account: (i) the entity’s share of the investee’s profit or loss after the acquisition is made; and (ii) the entity’s share of the other components of the investee’s total profit. The dividends distributed by the investee are entered against the investee’s carrying value.
The profits derived from operations with companies assessed using the equity method and unrealised with regard to third parties are eliminated, while the losses are not eliminated to the extent that the transaction provides evidence of a reduction in the value of the transferred asset.

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[6] See the section “Newly-issued and endorsed accounting standards and interpretations, in force from 1 January 2016” for more details.

[7] The Accounting Standard IAS 28 “Investments in Associates and Joint Ventures” defines the accounting rules to be applied for the valuation of investments with the net equity method.

Investments in other entities

Equity investments in entities other than subsidiaries, associates and joint ventures (generally with a share of less than 20%) are classified, at the time of purchase, in the category of financial instruments available for sale as defined in IAS 39, and are initially recorded at the cost determined on the settlement date as representing fair value, inclusive of directly-related transaction costs.

After initial recognition, these investments are measured at fair value, if this can be determined, with the effects being recognised in the statement of comprehensive income, and therefore in a specific equity reserve. At the time of realisation or recognition of an impairment loss, in presence of objective evidence that the aforementioned instruments have been affected by a significant and long-lasting impairment, the profits and losses accrued in this reserve are reclassified in profit or loss.

If, upon the outcome of updating of fair values, any impairment losses are reversed, in whole or in part, their effects will also be recognised in the statement of comprehensive income, through the specific reserve already established.

Should it not prove possible to reliably determine the fair value, the investments classified under financial instruments available for sale are measured at cost, adjusted for impairment, if any.

Interests in joint arrangements

A joint arrangement is an arrangement over which two or more parties share joint control of the arrangement, which is to say when the decisions concerning the relevant activities correlated with it require the unanimous consent of the parties.

As concerns the procedure for measurement and representation in the financial statements, IFRS 11 provides for different procedures for:

- 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.

IFRS 11's formulation as to the distinction between JO and JV is therefore based on the rights and obligations derived for the joint venturers in connection with participation in the joint arrangement, which is to say on the substance of the relationship and not on its legal form.

As regards JOs, since the parties to the arrangement share rights to the assets and take on the obligations for the liabilities connected with the agreement, IFRS 11 provides that each joint operator must recognise, in its own financial statements, the proportional amount of the assets, liabilities, costs, and revenue of the JO.

On the other hand, for that which concerns the representation of joint ventures in the financial statements, the company, as already pointed out, relying on the new faculty introduced by IAS 27 "Separate Financial Statements," values these investees with the equity method.

Assessments and assumptions used in the classification of joint arrangements

During the 2016 financial year, Astaldi S.p.A. took part in two new joint arrangements (JAs). For the purpose of classifying these arrangements as Joint Operations (JO) rather than Joint Ventures (JV), a comprehensive analysis of said arrangements was done in order to verify, also with the specific support of opinions formulated in this respect, whether these confer upon the Venturers direct rights and obligation on the JA assets and liabilities. Studies conducted showed that both the arrangements made in 2016 can be defined as JOs, since they are structured through "transparent" vehicles not implying the segregation of the vehicle equity with respect to that of the participants.

This analysis follows the assessments conducted in the years 2014 and 2015, used as the basis for examining all the agreements existing on the date of these statements. In this context, for a very limited number of structured agreements through corporate vehicles (three agreements, one of which divested during 2016), for the purpose of this analysis, it had been necessary to verify whether the clauses of the contractual agreements exceeded the vehicle's "corporate screen" to ascribe directly to the shareholders the rights and responsibilities derived from carrying out the projects. Based on the analyses done at the time, the specific opinions acquired from professionals of top standing, as well as the agreements signed overall, the corporate management had deemed that these agreements configured for the Venturers (and therefore Astaldi) titles on assets e obligations on liabilities of corporate vehicles, highlighting with this the JAs' qualification as joint control activities pursuant to IFRS 11.

Inventories

Inventories are recognised at cost or the net recoverable amount, whichever is lower. The amount of inventories is calculated, at the time of recognition, at the weighted average cost, applied to homogenous categories of goods. The cost includes all charges related to purchase and transformation and all other costs incurred to bring inventories to the site where being used and in the conditions to be suitable for the production process.

Construction contracts

Contract work in progress is recognised based on the contractual payments accrued with reasonable certainty as to their progress, using the percentage of completion method, determined using the cost to cost method.

The measurement reflects the best estimate of works performed at the reporting date. Assumptions, underlying measurements, are periodically updated. Any income statement effects deriving therefrom are accounted for in the year in which such update is made.

Contract revenue includes:

- the contract amounts agreed, changes in works, price reviews and incentives, to the extent to which these are likely to occur and that may be reliably calculated, with application of the conditions set forth in IAS 11 "Construction Contracts".

In this regard, the valuations made refer to:

- specific legislation regarding public works and international legislation;
- contract clauses;
- the status of negotiations with the customer and likelihood that these negotiations will have a positive result;
- 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 include:

- all costs that refer directly to the contract, costs that may be attributed to contract activity in general and that may be allocated to such contract, as well as any other costs that may be specifically charged to the customer on the basis of contract clauses.

Such 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, construction site installation costs), as well as

- post-operating costs incurred after completion of the contract (site removal, return of equipment and/or machinery to base, insurance, etc.), and additionally
- costs for services to be performed after the completion of works, remunerated in the contract referring to the project activity (for example, routine maintenance, assistance and supervision during the first phase of operation of individual works).

Finally, it is noted that contract costs include financial expense, as allowed by the amendment to IAS 11 in connection with IAS 23, resulting from financing specifically referred to the works performed. As early as the tender phase, in fact, based on the specific regulatory provisions, special payment conditions are defined that require the Company to rely on structured finance transactions on the invested project capital, the charges for which affect the determination of the corresponding payments.

Should it be forecast that completion of a contract may generate a loss, this shall be entirely recorded in the financial year when reasonably expected.

When the outcome of a long-term contract cannot be reasonably estimated, the amount of contract work in progress is calculated on the basis of costs incurred, assuming it is reasonably expected that such will be recovered without recognition of the margin.

When favourable or unfavourable events attributable to present situations at the reporting date occur after the reporting date, the amounts recognised in the financial statements are adjusted to reflect the consequent income statement and statement of financial position effects.

Contract work in progress is presented net of any allowance for impairment and/or losses on contracts, as well as of any advances for the contract in progress.

In this regard, it is noted that invoiced amounts related to individual progress reports (Advances) reduce the gross contract amount, if the latter is higher, and any surplus is recognised under liabilities. On the other hand, invoiced advances are considered as financial transactions and are not relevant for the purpose of revenue recognition. Therefore, since advances represent simple financial events, these transactions are always recognised among liabilities insofar as received not as consideration for works carried out. However, such advances are progressively decreased, usually by virtue of contract agreements, to offset invoicing of the contract.

With reference to the allowance for losses on contracts, it is noted that in case such allowance exceed the contract amount recognised among assets, this excess is recorded under “Amounts due to customers”.

Such analyses are carried out on a contract-by-contract basis: should the differential be positive (due to contract work in progress being greater than the amount of advances), such amount is classified among assets under “Amounts due from customers”; on the other hand, should this differential be negative, the amount is classified among liabilities, under “Amounts due to customers”.

Receivables and Financial assets

Astaldi classifies financial assets in the following categories:

- assets at fair value through profit or loss;
- receivables and loans;

- held to maturity investments;
- financial assets available for sale.

Classification depends on the reasons why the asset was acquired, the nature thereof and the valuation made by management at the purchase date.

All financial assets are initially recognised at fair value, increased by additional charges in the case of assets other than those classified at fair value through profit or loss.

It is also pointed out that the classification of financial assets is reviewed upon the close of each financial year, where this is appropriate and allowed.

Financial assets at fair value through profit or loss

This category includes the financial assets acquired for short-term trading or financial assets originally designated for this purpose by management. Assets held for trading include all assets purchased in order to be sold in the short term. Derivatives, including separated derivatives, are classified as held-for-trade financial instruments 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 the inconsistency of recognition which would arise by measuring the assets or recognising gains and losses generated by such assets in accordance with a different criterion; or (ii) the assets are part of a group of managed financial assets and their return is measured on the basis of their fair value, in accordance with a documented risk management strategy.

Receivables and loans

This category includes assets which are not derivatives and that are not quoted in an active market, from which fixed or calculable payments are expected. Such assets are initially recognised at fair value net of the transaction costs, and then measured at the amortised cost based on the effective interest rate method. Any impairment losses calculated through the impairment test are recognised in profit or loss. These assets are classified as current assets, except for portions whose terms expire after more than 12 months, which are included under non-current assets.

Held to maturity investments

This category comprises assets which are not derivatives, with a pre-set maturity and for which the Company has the intention and capacity to hold in its portfolio to maturity.

Such assets are initially recognised at fair value, calculated at the trading date, and subsequently measured at the amortised cost based on the effective interest rate method. Assets with a contract maturity within the subsequent 12 months are included within current assets. Any impairment losses calculated through the impairment test are recognised in profit or loss.

Financial assets available for sale

This category includes financial assets which are not derivatives, and that have been designated as such or are not classified in any of the three previous categories. They are measured at fair value, with changes in the amount shown against a specific equity reserve (“reserve for assets available for sale”). This reserve is recognised in profit or loss only when the financial asset is effectively transferred, or if there is real evidence that it has undergone a significant and prolonged impairment loss. The classification as current or non-current asset depends on management’s intentions and on the real negotiability of the security itself: assets whose realisation is expected in the subsequent 12 months are recognised among current assets.

Impairment losses on financial assets

At the end of each financial year, it is verified whether any financial asset or group of financial assets were impaired according to the following criteria.

Assets measured at amortised cost

If there is actual evidence that financing or a receivable recognised at amortised cost might be impaired, an impairment test is performed in order to determine the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding losses on future receivables not yet incurred) discounted by the initial actual rate of interest of the financial assets (i.e. the actual interest rate calculated at the date of initial recognition). The carrying amount of the asset will be reduced by application of an allowance. The amount of the loss will be recognised in profit or loss.

With reference to trade receivables, impairment losses are recognised when there is objective evidence, largely based on the nature of the counterpart, that there is no possibility of collecting such receivables according to the original conditions. If, subsequently, the amount of impairment loss decreases, and such decrease can be objectively referred to an event occurred after the impairment recognition, the impairment 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.

Financial assets available for sale

In the case of impairment losses on a financial asset available for sale, an amount corresponding to the difference between its cost (net of repayment of capital and amortisation) and its current fair value is deducted from equity and recognised in profit or loss, net of any impairment loss previously recognised in profit or loss.

Reversals of impairment losses relating to equity investments classified as available for sale are not recognised in 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 attributed to an event which occurred after the impairment losses were 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 Astaldi, 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, use is made of derivatives within the context of hedging strategies aimed at neutralising the risk of fluctuations of forecast cash flows with regard to contractually defined or highly probable transactions (cash flow hedge). In particular, fair value fluctuations of derivatives designated as cash flow hedges and qualified as such are recognised, limited to the "effective" share only, in a specific reserve charged to the statement of comprehensive income ("hedging reserve"), which is then recognised in the income statement when the income statement effects of the hedged item arise. The difference in fair value referable to the ineffective share is immediately recognised in the income statement for the year. If the derivative instrument is transferred or no longer qualified as an effective hedge against the risk for which the transaction had been made, or the occurrence of the underlying transaction is no longer considered highly probable, the relative share of the "hedging reserve" is immediately reversed to the income statement. These derivatives are initially recognised at fair value at the execution date; subsequently, such value is periodically adjusted. Derivative instruments are recognised as assets when the fair value is positive, and as liabilities when the fair value is negative. Possible gains or losses deriving from changes in the fair value of derivatives not suitable for hedge accounting are recognised directly in profit or loss during the year. The effectiveness of hedging transactions is documented both at the start of the transaction and periodically (at least at every date of publication of financial statements or interim reports), 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.

It is pointed out that Astaldi does not execute derivative contracts for speculative purposes.

Calculation of fair value

Fair value is defined by IFRS 13 as a criterion of market valuation, not specific to the entity, that represents 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 cannot be measured for an identical asset or liability, the fair value is assessed by applying another measurement technique that maximises the use of observable inputs and minimises the use of unobservable inputs.

It may be appropriate to use single or multiple measurement techniques. If a number of measurement techniques are used to measure the fair value, the results must be assessed taking into account the reasonability of the range of values shown for these results.

The three most widely used measurement techniques are:

- **Market approach:** uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities;
- **Cost approach:** reflects the amount that would be required currently to replace the service capacity of an asset; and
- **Income approach:** converts future amounts (cash flows or income and expense) into a single current amount at present value.

Based on the observability of the relevant inputs used in the employed measurement technique, the assets and liabilities valued at fair value in the separate financial statements are measured and classified in accordance with the fair value hierarchy established by IFRS 13:

- **Level 1 inputs**: refer to quoted (non-adjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level 2 inputs**: are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- **Level 3 inputs:** refer to unobservable inputs for the asset or liability.

The entire fair value of an asset or of a liability is classified on the basis of the hierarchical level corresponding to that for the lowest significant input used for the 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 from financial statements when:

- the rights to receive cash flow from the asset have expired;
- the right to receive cash flow from the asset is retained, but according to contractual obligations such cash flow has to be paid immediately and entirely to a third party;
- the right is transferred to receive cash flows from the asset and the Company: (a) has substantially transferred all risks and rewards deriving from ownership of the financial asset, or (b) has neither transferred nor kept all the risks and rewards deriving from the asset, but has transferred the control of the asset.

When the Company has transferred the rights to receive cash flow from an asset and has neither transferred nor kept all the risks and rewards or has not lost the control of the asset, the asset is recognised in the financial statements to the extent of the residual involvement in the asset itself. The residual involvement which, by way of example, is represented by a guarantee on the transferred asset, is measured at the initial carrying amount of the asset or the maximum value of the consideration the Company may be required to pay, whichever is lower.

Financial liabilities are derecognised from the financial statements when the obligation underlying the liability expires, is cancelled, or discharged. In the cases where an existing financial liability is replaced by another liability from the same lender, under substantially different conditions, or the conditions of an existing liability are substantially changed, such replacement or change is considered as derecognition of the original liability and recognition of a new liability, with the consequent recognising in profit or loss of any differences between carrying amounts.

Cash and cash equivalents

These include cash, deposits or other amounts with banks or other financial institutions, available for current transactions, postal current accounts, and other equivalent securities, as well as investments with terms expiring within three months of the purchase date. Cash and cash equivalents are recognised at fair value, which normally corresponds to their nominal amount.

Non-current assets held for sale and discontinued operations

The non-current assets or a disposal group[8] are classified as held for sale if their carrying value will be recovered through sale instead of through continued use.

This condition is considered respected when the sale is highly probable and the asset or the disposal group is available for an immediate sale in its current conditions.

The non-current assets held for sale, and the disposal groups, are reported in the statement of financial position separately from the Company's other assets and liabilities. Immediately prior to being classified in the disposal groups, they are reported on the basis of the specific IFRS of reference applicable to each asset and liability, and then entered at either the book value or the presumed fair value, whichever is lower, net of the sale costs. Any losses are reported immediately in the income statement. Subsequently, the non-current liabilities held for sale are not the object of impairment, and are valued at book value or the corresponding fair value, whichever is lower, reduced by the sale charges. The classification of an investment valued in accordance with the equity method, or of a share in said investment, like the asset held for sale, implies suspending application of this valuation criterion to the entire investment or to only the share classified as asset held for sale. Any shares not classified as assets held for sale continue to be valued in accordance with the equity method until the conclusion of the sale programme. Any difference between the book value of the non-current assets and the reduced fair value of the sale charges is charged to the income statement as a impairment; any subsequent reversals of impairment were recognised until equalling the impairments recognised earlier, including those recognised before the asset's qualification as held for sale.

The non-current assets held for sale and the disposal groups classified as held for sale are discontinued operations if, alternatively: *(i)* they represent a significant autonomous branch of activity or a geographical area of significant activity; *(ii)* they belong to a programme of disposing of a significant autonomous branch of activity or a geographical area of significant activity; or *(iii)* they are a subsidiary acquired exclusively for the purpose of being sold.

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[8] A disposal group is a set of directly associated assets and liabilities intended for disposal by sale or other ways, in a single transaction.

The results of the discontinued operations, as well as any capital gain/loss following the disposal, are itemised in the income statement, net of their tax effects; the financial positions of the discontinued assets are also represented separately for the financial years in comparison with the one presented.

Equity

Share capital

The share capital is the subscribed and paid up capital. Costs strictly related to share issues are classified as reducing the share capital when such costs are directly attributable to the capital transaction.

Treasury shares

Treasury shares are recognised as a reduction of equity. Specifically, the nominal amount of treasury shares is recognised as a reduction of the issued share capital, while the excess of the purchase value compared to the nominal amount is carried-over to reduce the extraordinary reserve as resolved at the Shareholders' Meeting. Therefore, profits or losses relating to the purchase, sale, issue, or cancellation of treasury shares are not recognised in profit or loss

Retained earnings (losses carried forward)

This includes the profits or losses of the previous financial years for the part not distributed or allocated to reserves (in the case of profit) or balanced (in the case of loss).

Other reserves

These are reserves deriving from first-time application of international financial reporting standards and other equity reserves (such as the stock grant reserve).

Other comprehensive income

The items of comprehensive income (O.C.I.) include income items recognised directly under the equity reserves in compliance with IFRS rules regarding their origin and changes.

The items included in the statement of comprehensive income of these separate financial statements are presented according to type and grouped in two categories:

(i) Items that will not be subsequently reclassified to profit or loss:

- Actuarial gains and losses on defined benefit plans (IAS 19);

(ii) Items to be subsequently reclassified to profit or loss, when certain specific conditions occur as required by IFRS:

- Gains and losses from the translation of the financial statements of foreign operations using a functional currency other than the Euro (IAS 21);
- Gains and losses on measurement of available-for-sale financial assets (IAS 39);
- Effective part of gains and losses from hedging instruments (IAS 39).

Financial liabilities

Financial liabilities are initially recognised in the financial statements at fair value net of transaction costs, and are subsequently measured at their amortised cost.

Any difference between the sum received (net of transaction costs) and the nominal amount of the payable is recognised in profit or loss by applying the effective interest rate method.

Financial liabilities are classified as current liabilities unless the Company has the contractual right to fulfil its obligations at least more than 12 months after the reporting date.

It is noted that Astaldi has not designated any financial liability at fair value through profit or loss.

Convertible bonds

Convertible bonds are generally financial instruments consisting of a liabilities component and an Equity component. At the issue date, the fair value of the liabilities component item is estimated using the current market interest rate for similar non-convertible bonds. The difference between the net amount gained for the issue and the fair value assigned to the liabilities component, which represents the implicit option to convert the bonds into Astaldi shares, is included under Equity.

On the other hand, convertible bonds offering the issuer with the choice between repayment through ordinary shares, or alternatively by payment in cash (Cash Settlement Option), are referred to as hybrid financial instruments.

In this case, the relative financial liability is measured at the amortised cost, while the implicit incorporated amount representing the conversion option is recognised at fair value through profit or loss.

Trade payables and other payables

Trade payables, whose term of expiry falls within the normal commercial terms, are not discounted and are recognised at cost (identified by their nominal amount).

Tax expense

Current taxes

Current taxes for the year and those of previous years are recognised at the amount expected to be paid to the tax authorities. Tax rates and tax laws used to calculate the amount are those substantially issued at the reporting date in the individual countries where Astaldi operates.

Deferred taxes

Deferred taxes are calculated by adopting the so-called liability method, applied to the temporary taxable or deductible differences between the carrying amount of assets and liabilities recognised in the financial statements and the taxable amount.

Deferred tax liabilities are recognised against all temporary taxable differences, except when:

- deferred tax liabilities derive from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and which at the moment of the transaction does not affect the profit for the year, calculated for the purpose of the financial statements, or the profit or loss calculated for tax purposes;
- as regards temporary taxable differences related to interests in subsidiaries, associates, and joint ventures, the reversal of the temporary differences may be checked and it is likely that it will not occur in the future.

Deferred tax assets are recognised against all deductible temporary differences and for tax losses carried forward, to the extent to which sufficient future tax profits that can make its use applicable are likely, except when the deferred tax assets results from initial recognition of an asset or liability in a transaction that is not a business combination and that, at the moment of the transaction, does not affect the profit for the year, calculated for the purpose of financial statements, or the profit or loss calculated for tax purposes.

The amount of deferred tax assets to be recognised in the financial statements is reassessed at each reporting date and reduced to the extent in which sufficient future tax profits are no longer likely, in order to allow all or part of the credit to be used. Deferred tax assets that are not recognised are reassessed on an annual basis at the reporting date, and are recognised to the extent to which it is likely that the tax profit is sufficient to allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured on the basis of tax rates expected to be applied for the period in which such assets will be realised or such liabilities will be settled, considering the rates in force and those already substantially issued at the reporting date.

Deferred tax assets and liabilities are offset in the event of a legal right to offset current tax assets with current tax liabilities and when the deferred taxes refer to the same tax entity and the same tax authority.

Tax expense (deferred and current) referring to items recognised directly under equity are also recognised under equity and not in profit or loss.

Employee benefits

Benefits due to employees for early termination of employment

The benefits owed for termination of employment are represented by amounts payable to employees following the company's choice to terminate the employment of an employee before the retirement date and the employee's decision to accept voluntary resignation in exchange for this indemnity.

These benefits must be recognised as liabilities and expenses (i) on the date when the Company can no longer withdraw the offer of said benefits; or (ii) the date when the Company recognises the costs for a restructuring included within the scope of application of IAS 37, which involves the payment of benefits owed for termination of employment, whichever is sooner. These liabilities are measured based on the nature of the benefit being granted. In particular, if the benefits that are granted represent an improvement of other benefits following the conclusion of employment paid to the employees, the corresponding liability is measured in accordance with the provisions of IAS 19 par. 50-60 "Post-employment Benefits". Otherwise, the provisions to be applied to measure the benefits owed to employees for termination of employment differ depending on the timeframe in which said benefits are to be paid:

- if the benefits are expected to be entirely paid by twelve months of the close of the financial year, the provisions established for short-term employee benefits (IAS 19 par. 9-25) are applied;
- if the benefits are not expected to be paid off within twelve months of the close of the financial year, the provisions for the other long-term benefits (IAS 19 par. 153-158) are applied.

Post-employment benefits

The liabilities for benefits guaranteed to employees, paid coinciding with or after termination of employment through <u>defined benefit plans</u>, are recognised in the financial year the right accrues, in line with the working services needed to obtain benefits based on actuarial hypotheses and net of advances paid. The liabilities are assessed by independent actuaries using the "Projected unit credit method".

In this context, the following items are recognised among personnel expenses in the income statement:

- Costs from current working services, which are the actuarial estimates of the benefits to which employees are entitled for the work performed during the year;
- The net interest cost, which is the change in the amount of the liability during the year due to the passage of time; and
- The costs and income from changes to the defined benefit plans ("costs or income from past working services") fully recognised during the period in which the changes take place.

Moreover, the changes in the amounts of liabilities for defined benefit plans with regard to actuarial gains or losses are fully recognised in the financial year they accrue, in the Other Comprehensive Income (OCI) section of the statement of comprehensive income.

Liabilities from benefits guaranteed to employees, paid coinciding with or after termination of employment through defined contribution plans, are recognised for the amount accrued at the end of the year.

Liabilities for other employee benefits are recognised for the amount accrued at the end of the year also on the basis of the actuarial hypotheses if referring to medium/long-term benefits.

Stock grant plan

The Company has set up an incentive plan for senior management (CEO with delegated powers for economic and financial management and General Managers), which consists of the free disbursement of Astaldi shares upon achieving specific financial targets.

The stock grant plan as structured falls within the scope of application of IFRS 2, in the "equity settled" type of operations.

The cost of the incentive plan is divided along the period to which the incentive refers (the "vesting period") and is determined with reference to the fair value of the right assigned to the senior management on the date the commitment is made, so as to reflect the market conditions existing on the date in question.

At every reporting date, the hypotheses regarding the number of stock grants expected to come due are verified. The charges for the financial year are recognised in profit or loss, among the personnel expenses, and are offset by an equity reserve.

Provisions for risks and charges

Allocations to provisions for risks and charges are recognised when at the reporting date there is a current obligation (legal or implicit) resulting from a past event, the outflow of resources to settle the obligation are likely and a reliable estimate of the obligation can be made.

The provisions are recognised at the amount representing the best estimate to settle the obligation or to transfer it to third parties at the reporting date. If the effect of discounting the cash outflow is significant, the provisions are calculated by discounting the future expected financial flows at a pre-tax discount rate that reflects the current market valuation. When discounting is performed, the increase in the provision due to the passing of time is recognised as a financial charge in profit or loss.

Revenue other than contract work in progress

Revenue is measured at the fair value of the payment received, taking into account any discounts and reductions linked to quantities.

Revenue related to the sale of goods is recognised when the company has transferred the significant risks and rewards connected with ownership of the assets to the buyer, which in many cases coincides with transferring ownership or possession to the purchaser, or when the amount of the revenue may be reliably calculated.

Revenue from services rendered is recognised, when it can be reliably estimated, on the basis of the percentage-of-completion method.

Government grants

Government grants are recognised in the financial statements at fair value, when there is reasonable certainty that such grants will be received and all the conditions relating thereto are met. When the grant relates to cost items, it is recognised as revenue, but is systematically released over the years in such proportion that it offsets the corresponding costs. Should the grant be linked to an asset, the grant's fair value is recognised as a reduction of the asset. The grant is accrued among liabilities should the underlying asset not be in operation or should it be under construction and the related amount is not included in the amount of the asset.

Financial expense

Interest is recognised on an accruals basis under the effective interest method by using the interest rate that makes all incoming and outgoing flows (including premiums, discounts, commissions, etc.) related to such transaction financially equivalent. Financial expense is capitalised in accordance with provisions set out by IAS 23.

Dividends

Dividends are recognised when the right arises from shareholders to receive the payment that normally corresponds to the dividend distribution resolved at the Shareholders' Meeting. Distribution of dividends to the shareholders is recorded as a liability in the financial statements for the year in which the distribution thereof is resolved at the Shareholders' Meeting, and reflected as a change in equity.

Costs

Costs are recognised on an accruals basis and on the basis of the Company's ability to continue as a going concern.

Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shares by the weighted average of outstanding ordinary shares, adjusted to take treasury shares into account. Diluted earnings per share are calculated by adjusting the profit or loss attributable to ordinary shares, as well as the weighted average of outstanding shares, as defined above, to take into account the effects of all the potential ordinary shares with a dilution effect.

Use of estimates

Preparing the financial statements and notes in compliance with IFRS rules requires the formulation of estimates and assumptions affecting the carrying amounts of assets and liabilities and the disclosure regarding potential assets and liabilities.

In the light of the Banca d'Italia / CONSOB / ISVAP Joint Document no. 2 of 6 February 2009 it should be pointed out that such estimates are based on the most recent information available to senior management at the time of preparing these financial statements, the reliability of which is, therefore, unprejudiced. Estimates are used, inter alia, to perform impairment tests and recognise the allowance for impairment, receivables discounting on the grounds of the estimated collection times, contract revenue, amortisation and depreciation, impairment losses on assets, employee benefits, taxes, other accruals, and provisions.

The final results may differ from these estimates. Estimates and assumptions are periodically reviewed and the effects of all changes are reflected in the income statement of the period when the change occurred.

In particular, taking into account the Company's specific segment which involves a payment amount at the time when the individual contracts are assigned, it is to be noted that the margins on these contracts, credited in the income statement on the basis of systematic calculation criteria, may undergo changes with respect to the initial estimate. This is related to the likelihood of being able to recover the higher charges that may be incurred during the performance of the works.

Newly-issued and endorsed accounting standards and interpretations, in force from 1 January 2016

There follows a summary of the approved EU Regulations effective at 1 January 2016.

Commission Regulation (EU) 2015/28 of 17 December 2014, published in Official Journal L 5 of 9 January 2015: Annual Improvements to the IFRSs 2010-2012 cycle.

The amendments introduced by the regulation to IFRS 8 "Operating Segments" and IAS 16 "Property, Plant and Equipment", IAS 24 "Related Party Disclosures" and IAS 38 "Intangible Assets" contain slight changes, essentially technical and textual, in the aforesaid international financial reporting standards. The amendments to IFRS 3 "Business Combinations" provide further indications regarding the recognition of the contingent amount connected with a business combination. The amendments to IFRS 2 "Share-based Payments" utilise the definition of the "vesting condition", contained in Appendix A of the aforesaid standard, to define the "service condition" and "performance condition" and provide some clarifications regarding the definition of "market condition".

The changes introduced did not produce effects with regard to the valuation of the financial statement items and the notes to the financial statements.

Commission Regulation (EU) 2015/29 of 17 December 2014, published in Official Journal L 5 of 9 January 2015: Amendments to IAS 19 "Employee Benefits".

The amendments introduced aim to simplify and clarify the recognition of the contributions by employees or third parties connected with the defined benefit plans, allowing them, upon occurrence of certain conditions, to recognise these contributions as a reduction of costs for providing employment services ("service costs") in the period when such work has been done.
The changes introduced did not produce effects with regard to the valuation of the financial statement items and the notes to the financial statements.

Commission Regulation (EU) 2015/2113 of 23 November 2015, published in Official Journal L 306 of 24 November 2015: Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture".

With the amendments introduced to IAS 16 and IAS 41, the IASB has clarified that the plants used exclusively for the cultivation of agricultural products over various years, known as bearer plants, must be subjected to the same accounting treatment utilised for property, plant and equipment pursuant to IAS 16.
The changes introduced did not produce effects with regard to the valuation of the financial statement items and the notes to the financial statements.

Commission Regulation (EU) 2015/2173 of 24 November 2015, published in Official Journal L 307 of 25 November 2015: Amendments to IFRS 11 "Joint Arrangements".

The amendments introduced by the IASB on IFRS 11 "Joint Arrangements" aim to clarify the accounting procedure that a joint operator must apply in its financial statements for the acquisitions of interests in a joint operation.

Specifically, it was clarified that if the joint operation involved constitutes a business pursuant to IFRS 3 "Business Combinations", the joint operator must apply the accounting rules set forth by the latter standard for recognition of the accounting effects connected with the acquisition.

The changes introduced did not produce effects with regard to the valuation of the financial statement items and the notes to the financial statements.

Commission Regulation (EU) 2015/2231 of 2 December 2015, published in Official Journal L 317 of 3 December 2015: Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets".

The amendments introduced by the IASB to IAS 16 "Property, Plant and Equipment" are aimed to clarify that the method for depreciation and amortisation for items included within the scope of application of the aforesaid standard can never be based on the estimate of the revenue produced by such assets over their useful life.

This assertion is due to the fact that the method for depreciation and amortisation of assets must reflect the procedures by which their economic benefits are expected to be utilised, and not on the value of the economic benefits that the assets are able to generate over their useful life.

The IASB has also amended IAS 38 "Intangible Assets" introducing, with reference to intangible assets with defined useful life, a general prohibition to utilise the revenue as a basis for calculating the amortisation, which can be waived only upon the following conditions:

- **a)** *The intangible asset is expressed as a measurement of revenue:* The use of an intangible asset, in this case, depends on a fixed amount of revenue to be generated and not on a pre-set time period or a given amount of goods produced or sold.
- **b)** *The entity manages to demonstrate that the forecast revenue and utilisation of the economic benefits of the intangible asset are closely related:* In this case, it must be clearly demonstrated that the use of revenue as a basis for calculating the amortisation of an intangible asset does not involve significant differences compared to the other methods allowed by IAS 38.

The changes introduced did not produce significant effects with regard to the valuation of the financial statement items and the notes to the financial statements.

Commission Regulation (EU) 2015/2343 of 15 December 2015, published in Official Journal L 330 of 16 December 2015: Annual Improvements to the IFRS 2012-2014 cycle

The amendments introduced by the regulation to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", IFRS 7 "Financial Instruments: Disclosures", IAS 19 "Employee Benefits" and IAS 34 "Interim Financial Reporting" are the result of the annual process of improvement to simplify and clarify some aspects, essentially technical and textual, of the aforesaid International Financial Reporting Standards. This also involved the amendment of accounting standard IFRS 1 "First-time Adoption of International Financial Reporting Standards" in order to ensure the consistency of the international financial reporting standards as a whole.
The changes introduced did not produce effects with regard to the valuation of the financial statement items and the notes to the financial statements.

Commission Regulation (EU) 2015/2406 of 18 December 2015, published in Official Journal L 333 of 19 December 2015: Amendments to IAS 1 "Presentation of the Financial Statements".

The amendments introduced to IAS 1 "Presentation of Financial Statements" are aimed at defining specific areas of improvement for the presentation and disclosure of the financial statements taking into account the principle of materiality, also with regard to the information to be provided to the notes to the financial statements.
In this regard, in 2016 the management started a process of internal auditing of the overall financial statements structure in order to assess the eventual corrections to be made in the document.
After the analysis conducted, and awaiting developments in international best practices, it has been decided not to make for the moment significant corrections to the structure of the financial statements, being deemed generally able to guarantee the efficacy of the financial disclosure.

With the adopting of the amendments to IAS 1, it has also been determined that the pertinent quota of Other Comprehensive Income referring to Joint Ventures and Associates recognised with the equity method must be shown separately in the section other comprehensive income of the consolidated financial statements.
In compliance of these rules, from the current year these amounts have been shown in the prospectus of consolidated comprehensive income on an aggregate basis, distinguishing the portion that can be restated subsequently under profit for the year from the quota that will never be recognised in the income statement. This separation by type into single items has been shown in the notes to the financial statements.

Commission Regulation (EU) 2015/2441 of 18 December 2015, published in Official Journal L 336 of 23 December 2015: Amendments to IAS 27 "Separate Financial Statements".

With the amendments to IAS 27, IASB introduced the possibility of recording in the separate financial statements the equity investments in subsidiaries, associates, or joint ventures following the equity method described in IAS 28 "Investments in Associates and Joint ventures".
This measurement method is in addition to other alternative methods already existing in IAS 27, which remained unchanged:

a) the cost method;
b) the method provided for by IAS 39 "Financial Instruments: Recognition and Measurement".

Given the above, starting form the 2016 financial year, the Company decided to rely on this possibility for each category of investment, which led to retroactively restating (IAS 8 par. 22) the opening values of the Equity at 01 January 2015, and the equity and net financial position of the 2015 financial year, as if this principle had always been applied.

Accounting effects connected with the first application of IAS 27 "Separate Financial Statements," as emended during the 2015 financial year (IAS 27 rev.2015)
The following are the economic and financial effects on the financial statements of the comparative financial years derived from application of IAS 27 rev.2015.

Statement of profit (loss) for the year	2015 Published	Effects of IAS 27 adoption	2015 Restated
Operating revenue	2,218,600	0	2,218,600
Operating costs	(1,932,109)	0	(1,932,109)
Share of profits (losses) of subsidiaries, joint ventures and associates	0	32,624	32,624
EBITDA	**286,491**	**32,624**	**319,115**
Amortisation, depreciation and impairment losses	(50,652)	0	(50,652)
Provisions	(2,340)	(17,675)	(20,015)
Operating profit	**233,500**	**14,949**	**248,448**
Financial area	(173,582)	34,913	(138,669)
Pre-tax profit	**59,918**	**49,862**	**109,780**
Tax expense	(21,500)	(10,789)	(32,288)
PROFIT FOR THE YEAR	**38,418**	**39,073**	**77,491**
Earnings per share – basic	EUR 0.39		EUR 0.79
Earnings per share – diluted	EUR 0.39		EUR 0.75

Statement of comprehensive income	2015 Published	Effects of IAS 27 adoption	2015 Restated
Profit for the year ***(a)***	38,418	39,073	77,491
Other comprehensive expense net of tax effect to be subsequently reclassified to profit or loss *(b)*	**(2,350)**	**(604)**	**(2,954)**
- of which hedging reserve net of tax effect	*288*	*(24,324)*	*(24,036)*
- of which translation reserve	*(2,638)*	*23,657*	*21,019*

Note: This English translation is for reference purposes only. 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.

- of which fair value hedging reserve of AFS financial assets	0	63	63
Other comprehensive income net of tax effect not to be subsequently reclassified to profit or loss *(c)*	**199**	**168**	**367**
- of which actuarial gains (losses) on defined benefit plans	*199*	*168*	*367*
TOTAL PROFIT *(a) + (b) + (c)*	**36,268**	**38,637**	**74,905**

Statement of financial position at 31/12/2015	**2015 Published**	**Effects of IAS 27 adoption**	**2015 Restated**
Non-current assets	**1,178,449**	**22,145**	**1,200,594**
- of which investments	*572,582*	*22,145*	*594,727*
Current assets	**3,006,245**	**0**	**3,006,245**
Total Assets	**4,184,693**	**22,145**	**4,206,839**
Equity	**616,174**	**11,357**	**627,531**
of which			
- Reserves	*636,587*	*5,070*	*641,657*
- Other comprehensive expense net of tax effect	*(58,831)*	*(32,786)*	*(91,617)*
- Profit for the year	*38,418*	*39,073*	*77,491*
Non-current liabilities	**1,284,762**	**10,789**	**1,295,551**
- of which deferred tax liabilities	*8,519*	*10,789*	*19,308*
Current liabilities	**2,283,757**	**0**	**2,283,757**
Total Equity and Liabilities	**4,184,693**	**22,145**	**4,206,839**

Statement of financial position at 31/12/2014	**2014 Published**	**Effects of IAS 27 adoption**	**2014 Restated**
Non-current assets	**993,506**	**(26,453)**	**967,053**
- of which investments	*506,306*	*(26,453)*	*479,854*
Current assets	**2,855,433**	**0**	**2,855,433**
Total Assets	**3,848,939**	**(26,453)**	**3,822,486**
Equity	**600,661**	**(26,453)**	**574,208**
of which:			
- Reserves and retained earnings	*657,342*	*5,898*	*663,240*
- Other comprehensive expense net of tax effect	*(56,681)*	*(32,350)*	*(89,031)*
Non-current liabilities	**1,170,059**	**0**	**1,170,059**
Current liabilities	**2,078,220**	**0**	**2,078,220**
Total Equity and Liabilities	**3,848,939**	**(26,453)**	**3,822,486**

Moreover, as regards the Statement of Cash Flow, it is specified that the modifications introduced by IAS 27 rev. 2015 did not result in changes in the cash flow, as they themselves represented the performance of the investments made in subsidiaries, associates, and joint ventures – operative chiefly in the concessions sector – that, although vested on the financial statements' reporting date, will yield their financial effects at the moment of disposal, as programmed in the strategic plan, or upon distribution of the profits thereof by the individual entities in accordance with the respective economic and financial plans.

Lastly, a statement is provided linking the values of the Equity and the Comprehensive Income Statement published in the 2015 financial statements and the corresponding data restated by effect of application of IAS 27 rev. 2015:

	Equity 01/01/2015	Statement of comprehensive income 2015	Other equity changes	Owner transactions and other changes in equity	Equity 31/12/2015
Amounts reported	**600,661**	**36,268**	**0**	**(20,755)**	**616,174**
Equity accounting of Associates and JVs					
- profit or loss	70,536	53,360	0	0	123,896
- other comprehensive income (expense)	(28,202)	3,462	0	0	(24,740)
- other changes	(2,368)	0	23	(827)	(3,172)
Equity accounting of Subsidiaries					
- profit or loss	(120,512)	(20,736)	0	0	(141,248)
- other comprehensive income (expense)	(4,147)	(3,899)	0	0	(8,046)
- other changes	0	0	271	0	271
Elmination of dividends and loss adjustment	0	(42)	0	0	(42)
Elimination of allowance for impairment	58,241	17,280	(294)	0	75,227
Related tax effect	0	(10,789)	0	0	(10,789)
Amounts restated	**574,208**	**74,905**	**0**	**(21,582)**	**627,531**

Commission Regulation (EU) 2016/1703 of 22 September 2016, published in Official Journal L 257 of 23 September 2016: Investment Entities – Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).

The changes introduced aim to provide details on the exemptions provided for the investment entities regarding the consolidation criteria and the procedures used for valuation of the interests held in associates and joint ventures, contained respectively in international accounting principles IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures". In this respect it should also be pointed out that the investment entities that valuate their subsidiaries at fair value must in any case provide the disclosure required by IFRS 12 "Disclosure of interests in other entities" with regard to the latter entities.

The changes introduced, since evidently applicable for preparing the consolidated financial statements of investment entities, did not produce any effect with regard to the measurement of the financial statement items and financial reporting.

Endorsed standards and interpretations not adopted early

Commission Regulation (EU) 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 principle) provides new regulations, which in 2018 will replace all the previous accounting rules regarding revenue from the sale of goods and services to the customers present in the following documents:

- IAS 11 "Construction Contracts";
- IAS 18 "Revenue";
- IFRIC 13 "Customer Loyalty Programmes";
- IFRIC 15 "Agreements for the Construction of Real Estate";

- IFRIC 18 “Transfer of Assets from Customers”;
- SIC 31 “Revenue – Barter Transactions Involving Advertising Services”.

The aim of the new Principle is to guarantee to the users of the financial statements a greater comprehension of the nature, amount, timing and uncertainties of the revenue and cash flows produced by the contracts with customers. There are various innovations introduced by IFRS 15, involving a detailed series of accounting rules that as a whole form the new single model for entering revenue from contracts with customers. Very briefly, the new principle requires the undertaking of the following 5 steps for the determination of revenue:

- Step 1 – Identification of the contract;
- Step 2 – Identification of the performance obligations;
- Step 3 – Determination of the price of the operation;
- Step 4 – Allocation of the price of the operation to the performance obligations;
- Step 5 – Recognition of revenue.

In the light of the substantial innovations introduced by IFRS 15 the Astaldi management has deemed it suitable to initiate, well in advance of the date of first application, a project to identify the potential impact deriving from the adoption of the new principle both in business terms and with respect to the currently existing processes and procedures.

In this context, the Astaldi management has set up a specific working group that is focusing its activities on the following aspects:

- Analysis to compare the accounting policies adopted by the Group in terms of the determination of revenue with respect to the requirements of the new international accounting principle;
- Determination of the main differences in principle that could potentially lead to significant accounting, organisational or system impact;
- Identification of the main contracts with customers stipulated by Group Companies, and analysis of the relative contract structure in order to verify the existence of potential impact deriving from the application of the new accounting principle;
- Analysis of the process for the determination of the contract cost (pre-operational and operational) adopted by the Group in order to undertake the identification of the main categories of costs charged to the contract;
- Verification of the correspondence of each category of costs identified on the basis of the activities mentioned in the previous point with the guidelines included in the new accounting principle;
- Analysis of the transition options involved in the new international accounting principle.

In the light of the analyses made thus far, some substantial innovations have emerged in the rules contained in IAS11 “Construction Contracts” and in the provisions of IFRS 15 regarding the determination of revenue from the contracts in the construction sector. There follow the main differences observed.

Pre-operational costs

With respect to the previous contents of IAS 11 para. 21 regarding the inclusion in the contract costs of the charges incurred to acquire the works contract, IFRS 15 introduces stricter rules according to which assets can only be *(i)* the external incremental costs incurred for the sole fact of obtaining the contract (commissions and success fees) and *(ii)* the costs incurred to “satisfy” the contract (for example the costs for designing the work incurred in the bid phase).

Combination and Sub-division of construction contracts

The new principle introduces stricter rules on the “combining” of a group of contracts in a single construction work, stating that this can be possible only when the contracts are made at the same time or almost at the same time, with the same customer and one or more of the following conditions are respected:

a) the contracts are negotiated together with a single commercial objective;

b) the contract amount depends on another contract.

c) the goods and services promised in the contracts are considered as a single obligation to fulfil (performance obligation).

With regard to the identification of the separate obligations to act contained in a single contract, with regard to IAS 11, it will be necessary to apply greater care about the high level of interrelation and integration of the different elements of the construction contract in order to consider it as single performance obligation.

Significant financial components in the contract

On the basis of the current IAS/IFRS regulations, if a contract with a customer involves an extension of payment outside of the normal market conditions, the amount agreed must be actualised to the present value. The current IAS/IFRS rules do not, however, provide indications on the accounting treatment of payments received early. With the new principle, it will always be necessary to verify whether there is a significant financial component in each contract, and consequently determining the implicit interest rate in the transaction, reflecting the credit rating of the contract that has obtained the funding. The implicit interest rate is determined at the start of the contract, and no subsequent updating is required to reflect changes in circumstances.

Variable fees

The new principle states that variable fees must be estimated at the expected value or the most probable value. IFRS 15 also states that these amounts must be recognised insofar as they are highly probable and at a subsequent time when the uncertainty associated with such valuation is resolved, leading to a significant downward adjustment of the amount of revenue recognised.
Highly probable is a new concept, not included in IAS 11, and included in the new regulatory context through specific application guidelines.

Contract changes

IAS 11, para. 13, states that a change must be included in the contract revenue only if *(i)* it is probable that it will be approved, and *(ii)* the amount of revenue associated with it can be reliably determined. Para. 14 of the aforesaid principle also states that the claims for price revision must be taken into account only when *(i)* the negotiations with the customer are in such an advanced stage that it is probable that the latter has accepted the requests for revision, and *(ii)* the probable amount that will be accepted by the customer can be reliably determined.

The general approach of IFRS15, with regard both to changes and to price revision claims is based on the fact that the contract changes must be taken into account only when the related rights and obligations are "owed" by the contract parties. In order to determine whether the rights and obligations created or modified by the change are owed, the entity must consider all the pertinent facts and circumstances, including the terms of the contract and other elements of proof.

As already anticipated, the new standard will be applicable starting from the year 2018. At the present time, given the complexity of the topic, it has not yet been possible to fully evaluate the effects that the new standard may produce in terms of the measurement of the financial statement items and the financial disclosure to be provided.

Commission Regulation (EU) 2016/2067 of 22 November 2016, published in Official Journal L 323 of 29 October 2016: Adoption of IFRS 9 "Financial Instruments"

From the year 2018, IFRS 9 "Financial Instruments" will replace the accounting principle IAS 39 "Financial Instruments: Recognition and Measurement" with a view to the rationalisation and simplification of the accounting rules applicable to the classification and measurement of financial instruments.

In particular, the new provisions, among other things, provide a model for classification and valuation of the financial instruments based exclusively on the following categories *(i)* Financial instruments valued at the amortised cost, *(ii)* Financial instruments valued at the fair value through profit or loss, *(iii)* Financial instruments valued at the fair value recognised in other comprehensive income.

This classification must also take into account the business model of the entity and the characteristics of the cash flows.

The new principle likewise states that the equity holdings other than subsidiaries, joint subsidiaries or associates are valued at fair value with recognition of the effects in the income statement. If such equity is not held for trading purposes, the changes in fair value can be recognised in the comprehensive income prospectus, maintaining in the income statement exclusively the effects connected with the distribution of dividends; upon the sale of the equity, there is no recognition in the income statement of the amounts entered in the comprehensive profit and loss.

With regard to financial liabilities valued at fair value and recognised under profit and loss for the year, the new rules require changes in fair value connected with changes in own credit risk to be recognised in through comprehensive profit and loss.

With regard to derivatives and hedging items, while confirming most of the basic principles of IAS 39, IFRS 9, has introduced some innovations in hedge accounting aimed at guaranteeing that the hedges are aligned with the risk management strategies of the companies, more principles-based compared to the past.

In particular, the main changes regard: *(i)* valuation only on a prospectus basis of the effectiveness of the hedging; *(ii)* absence of a defined rang (80% - 125% under IAS 39) to verify the efficacy of hedging *(iii)* a wider range of circumstances qualifying for hedging and more instruments usable as hedging instruments; *(iv)* the possibility of intervening in the hedging operation after the initial designation (rebalancing) in the presence of unchanged risk management objectives; *(v)* the recognition of the time value of options or forward contract premiums, excluded from the valuation of hedging efficacy, in accordance with the characteristics of the purpose of the hedge.

As already anticipated, the new standard will be applicable from the year 2018, and analysis is now under way as to the potential impact that the new accounting principle may involved on the valuation of the items in the financial statements. Initial results of such analysis in any case lead us to believe that the potential effects that the new standard may produce in terms of measurement of the net financial position, comprehensive income and other equity items are not likely to be significant.

Notes to the Separate Financial Statements

1 Revenue: EUR 2,079,703 thousand (EUR 2,106,765 thousand)

Revenue for 2016 amounted to EUR 2,079,703 thousand, decreased by EUR (27,062) thousand from the previous financial year. Details are shown in the following table:

	2016	2015	Change
Revenue from goods and services	2,064,130	2,095,511	(31,381)
Concessions – Commercial services under arrangement	15,572	11,254	4,318
Closing inventories of assets and plant under construction	1	0	1
Total	**2,079,703**	**2,106,765**	**(27,062)**

The "Revenue from goods and services" item includes the amount of the works performed and accepted by the respective customers, including the portion of long-term works done during the financial year, but not yet completed.

The item showed, on the whole, a net decrease of EUR (31,381) thousand, derived mainly from the reduced production volumes of the projects underway in Italy and Poland.

"Concessions – Commercial services under arrangement" includes the payments accrued for the operation services for the four hospitals in Tuscany.

Revenue broken down by geographical composition is shown below.

	2016	%	2015	%	Change
Italy	374,301	18.00%	409,994	19.46%	(35,693)
Europe	1,158,560	55.71%	1,189,991	56.48%	(31,431)
America	401,244	19.29%	384,845	18.27%	16,399
Africa	144,498	6.95%	121,963	5.79%	22,535
Asia	1,100	0.05%	(28)	0.00%	1,128
Total	**2,079,703**	**100.00%**	**2,106,765**	**100.00%**	**(27,062)**

Domestic production benefits from the positive contribution *(i)* of the new projects acquired during 2015 (Maxi-Lot 2 of the Quadrilatero Marche-Umbria Road Network – 1st Functional Phase, Naples-Afragola High-Speed railway station) and *(ii)* of the works on Line 4 of the Milan Underground. This effect makes it only partially possible to mitigate the planned reduced production for other projects that are now complete or headed towards the concluding phase in their activities (the Jonica national road, Line 5 of the Milan Underground, the Pedemontana Lombarda Motorway, the new hospital in Naples ("Ospedale del Mare"), Line C of the Rome underground).

For the European Area, noteworthy are: *(i)* the increased production volumes of the M-11 Moscow-Saint Petersburg motorway in Russia, and *(ii)* the good progress of the activities underway in Turkey with regard to the Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir motorway projects. However, compared with the 2015 financial year, this area is impacted by the planned reduction in production volumes of some projects underway in Poland (John Paul II International Airport Kraków-Balice, Warsaw – Lodz railway Lt.2) and Russia (WHSD in Saint Petersburg), whose activities are reaching their natural conclusion.

There has been a growth in the contribution to revenue recorded by the American area, which has benefitted from the positive effect of the works in progress in Chile (West Metropolitan Hospital in Santiago, Santiago Airport, and the Chuquicamata Mining project).

Concluding with Venezuela, it bears mentioning that, in line with what was done in the previous financial year, the stoppage of the railway works in the backlog is substantially confirmed, depending on the resumption of the works scheduling in line with a suitable operating context.

For the African area, the contribution of the works underway in Algeria has grown in comparison with the previous financial year, due to the acceleration of activities (i.e. signalling, telecommunications, and energy systems) in view of the upcoming planned delivery of the Saida – Moulay Slissen railway section.

For further details on this item, see note 36 on Segment reporting pursuant to IFRS 8.

2 Other operating revenue: EUR 140,438 thousand (EUR 111,835 thousand)

Other operating revenue, totalling EUR 140,438 thousand, comprises economic items not directly connected with the Company's main production activity, while however being accessory to the core business.

	2016	2015	Change
Revenue from sale of goods	19,442	20,226	(784)
Services - third parties	66,119	52,822	13,297
Services - management of joint projects	645	2,235	(1,590)
Rents and leases	2,290	4,285	(1,995)
Net gains on disposals of property, plant and equipment	13,260	10,763	2,497
Other	38,682	21,504	17,178
Total	**140,438**	**111,835**	**28,603**

The increase in the "Services – third parties" item is attributable essentially to the Turkish area (Third Bosphorus Bridge and North Marmara Highway), which contributed towards determining the period's production, also through a greater development of the accessory activities connected with the principal contract.

The "Other" item comprises the revision of estimates of certain liabilities found in the financial statements during the previous financial years, in addition to valuation of the insurance settlements. The change in this item refers for the most part to the European area, and may be attributed to the revenues earned from insurance reimbursements, as well as to cost estimates already entered in previous financial years, in projects that have substantially concluded their operative cycle.

3 Purchase costs: EUR 352,689 (EUR 366,309 thousand)

At 31 December 2016, the purchase costs, including the variation of raw materials and consumables, amount to EUR 352,689 thousand, showing a EUR 13,620 thousand decrease from the corresponding period the previous financial year.

	2016	2015	Change
Purchase costs	337,140	369,501	(32,361)
Change in raw materials, consumables, supplies and goods	15,549	(3,192)	18,741
Total	**352,689**	**366,309**	**(13,620)**

Below is a detailed analysis of the geographical breakdown of the item.

	2016	%	2015	%	Change
Italy	47,207	13.38%	47,306	12.91%	(99)
Europe	224,889	63.76%	229,787	62.73%	(4,898)
America	60,754	17.23%	65,513	17.88%	(4,759)
Africa	19,828	5.62%	23,696	6.47%	(3,868)
Asia	11	0.00%	7	0.00%	4
Total	**352,689**	**100.00%**	**366,309**	**100.00%**	**(13,620)**

The decrease found for the foreign sector is for the most part to be correlated with *(i)* the completion of certain working phases of the project for the construction of the Third Bosphorus Bridge in Turkey that, during 2015, required a greater procurement of raw materials for the performance of the works, in addition to *(ii)* what was reported for the "Cerro de Aquila" project in Peru, and with regard to the Algerian railway projects that whose activities are reaching their natural conclusion.

4 Service costs: EUR 1,246,803 (EUR 1,232,135)

Services costs, amounting to EUR 1,246,803 thousand, rose by EUR 14,668 thousand compared to 2015. Details are shown in the following table:

	2016	2015	Change
Consortium costs	169,438	213,337	(43,899)
Subcontracts and other services	908,034	836,573	71,461
Technical, administrative and legal consultancy	78,215	76,968	1,247
Directors' and statutory auditors' fees	3,194	3,152	42
Utilities	5,995	7,186	(1,191)
Travel and transfers	3,831	4,204	(373)
Insurance	12,614	23,729	(11,115)
Leases and other costs	41,457	23,141	18,316
Lease and building management costs	6,840	7,281	(441)
Maintenance of third party assets	386	1,359	(973)
Other	16,799	35,205	(18,406)
Total	**1,246,803**	**1,232,135**	**14,668**

The consortium costs connected with the performance of works, in association with other entities in the segment, show a decrease of EUR 43,899 thousand compared to the previous year. The change is mainly due to the lower contribution of initiatives for construction works of the Pedemontana Lombarda Motorway, Line C of the Rome Underground, the new hospital in Naples ("Ospedale del Mare), and Łódź Fabryczn Station in Poland.

To the contrary, the "Subcontracts and other services" item shows an increase from the previous financial year equal to EUR 71,461 thousand, with the following geographical breakdown:

	2016	%	2015	%	Change
Italy	110,980	12.22%	105,929	12.66%	5,051
Europe	609,107	67.08%	575,881	68.84%	33,226
America	107,585	11.85%	112,201	13.41%	(4,616)
Africa	80,209	8.83%	42,557	5.09%	37,652
Asia	153	0.02%	5	0.00%	148
Total	**908,034**	**100.00%**	**836,573**	**100.00%**	**71,461**

The variations in this item substantially reflect the production for the period, which shows, as detailed in the note on revenue (note 1), a growth in volumes related to the works in progress in Turkey (Etlik Integrated Health Campus), Russia (M-11 Moscow-Saint Petersburg motorway), Chile (West Metropolitan Hospital in

Santiago, Santiago Airport), Algeria (Saida – Moulay Slissen railway), partially offset by the effects of the decrease in values related to the project underway in Peru (Cerro de Aquila) whose activities are reaching their natural conclusion.

Mention should be made of the increased costs for leasing, attributable in good part to the development of the activities underway in Chile (Chuquicamata Mining Project) and Russia (M-11 Moscow-Saint Petersburg motorway).

The decrease from the 2015 financial year in the component "Other" component reflects the substantial conclusion of the works in Russia related to the Saint Petersburg motorway link and in particular to the absence of charges related to meeting contractual obligations accessory to the performance of the work in question.

5 Personnel expenses: EUR 317,910 thousand (EUR 296,886 thousand)

This item consists of the following:

	2016	2015	Change
Wages and salaries	223,019	207,356	15,663
Social security contributions	33,521	35,985	(2,464)
Other costs	59,531	51,686	7,845
Other post-employment benefits	584	648	(64)
Cost of share-based payments	1,255	1,211	44
Total	**317,910**	**296,886**	**21,024**

The other costs mainly refer to expenses incurred for costs for meals and lodging, accrual for post-employment benefits as a defined contribution plan set forth in IAS 19, as well as to expenses incurred for the training of employees.

The accrual for post-employment benefits in the context of the "defined benefit plan" is included in the "Other post-employment benefits item".

The geographical breakdown of personnel expenses is shown below:

	2016	%	2015	%	Change
Italy	70,944	22.32%	70,049	23.59%	895
Europe	87,701	27.59%	91,782	30.91%	(4,081)
America	138,611	43.60%	110,738	37.30%	27,873
Africa	19,744	6.21%	23,515	7.92%	(3,771)
Asia	910	0.29%	802	0.27%	108
Total	**317,910**	**100.00%**	**296,886**	**100.00%**	**21,024**

With regard to the geographical break down of personnel costs, worthy of note is an increase in the overseas sector related to the greater production volumes achieved in Chile (West Metropolitan Hospital in Santiago, Santiago Airport, Chuquicamata Mining Project).

5.1 Average number of employees

The average number of employees by category is the following:

	2016	2015	Change
Managers	209	208	1

Junior managers	164	151	13
White collars	2,933	2,618	315
Blue collars	5,013	5,296	(283)
Average number of employees	**8,319**	**8,273**	**46**

At 31 December 2016, the Company's workforce averaged 8,319 employees. On an aggregate basis, the figure shows an increase of less than 1% from the previous financial year, and the prevalence of personnel deployed abroad (92% of the total) is also confirmed due to the significant revenue produced outside Italy, but also to the presence overseas of a greater number of contracts that require being carried out through a greater reliance on direct performance.

5.2 Senior management incentive plan

Stock grant plan

The "Cost of share-based payments" item includes the valuation of an incentive plan for senior managers linked to their achievement of specific financial targets. The main features of the plan are defined hereunder.

The Plan consists of assigning Company shares to the Beneficiaries, free of charge. The Beneficiaries were identified as follows: CEO, and up to a maximum of *(i)* six General Managers and *(ii)* two "Top managers with relevant responsibilities within the Group" The assignment period refers to the 2016-2018 three-year period.

The CEO can be assigned, free of charge, a maximum number of 100,000 shares for each year of validity of the plan, and each General Manager can be assigned, free of charge, a maximum number of 40,000 shares for each year of validity of the plan; each "Top manager with relevant responsibilities" may be assigned, free of charge, for each year of validity of the plan, a maximum number of 40,000 shares.

The maximum number of shares that can be assigned as a whole to the Beneficiaries during each year will be equal to 420,000, and they cannot exceed the number of 1,260,000 shares during the three-year period of validity of the plan.

Assignment of the shares every year is subordinate to the Group's achievement of the financial performance targets defined each year by the Board of Directors; in accordance with the regulations, the assignment date of the shares is the date of resolution with which the Board of Directors ascertains achievement of said targets and the occurrence of the required conditions and consequently provides for assigning the shares to the Beneficiaries.

In connection with what has been described up to this point, the plan has determined a cost of EUR 1,255 thousand, with a balancing entry in an equity reserve.

The following are the actuarial assumptions with regard to the plan's calculation:

- Dividend rate: 5.00%;
- Volatility: 60%;
- Free risk rate: deduced from Euroswap rates on the measurement dates.

It was also hypothesised that the performance objectives are achieved with the following likelihood:

- 95% for 2016;
- 90% for 2017;
- 85% for 2018.

Medium-term incentive system– "Management By Objectives" (MBO)

The Company's Board of Directors, at the proposal of the Appointments and Remuneration Committee, at the session of 27 June 2016, approved a medium-term incentive plan to be paid to the Chairman, linked to the mandate to implement the programme to dispose of assets in concession, in accordance with the provisions of the 2016-2020 Strategic Plan.

The maximum amount of the bonuses to be paid upon achieving all the planned targets, equals a total of EUR 6.000 thousand.

During the last quarter of 2016, following the completion of the transfer operation of transfer to the Spanish Abertis group of the investment held in Re.Consult Infrastrutture S.p.A., the Chairman was paid, as provided for in the incentive plan, a bonus (EUR 1.1 million) commensurate with the net payment collected from said operation. Moreover, at the end of the financial year, charges connected with the incentive plan were measured with regard to the additional discontinued assets (equal, based on the corresponding actuarial assessment, to EUR 278 thousand).

6 Other operating costs: EUR 32,891 thousand (EUR 36,779 thousand)

Other operating costs totalling EUR 32,891 thousand show a slight decrease of EUR 3,888 from the previous year. Details are shown in the following table:

	2016	2015	Change
Prior year expense and fair value losses	2,369	2,169	200
Tax expense	9,106	8,468	638
Other administrative and sundry costs	21,416	26,142	(4,726)
Total	**32,891**	**36,779**	**(3,888)**

The decrease in the other administrative and sundry costs item, equal to EUR 4,726 thousand, may be attributed substantially to non-recurring income components that were manifested during 2015 related to the project referring to the construction of the Bodrum international airport in Turkey. In particular, during 2015, some receivables connected with this project were liquidated after the settlement reached with the Customer.

7 Share of profits (losses) of subsidiaries, joint ventures and associates: EUR 27,741 thousand (EUR 32,624 thousand)

The item consists of the following:

	2016	2015	Change
Subsidiaries	(62,901)	(20,737)	(42,164)
Associates	90,212	53,188	37,024
Joint Ventures	430	172	258
Total	**27,741**	**32,624**	**(4,883)**

Although holding substantially steady in comparison with the previous financial year, this item shows (i) a decisive increase (EUR 31,103 thousand) recorded by effect of the development of major initiatives under concession in the Turkish area (Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir motorway) and (ii) a more than proportional decrease referring mainly to the subsidiary Astaldi Concessioni S.p.A. (EUR 38,234 thousand). As regards the latter investee company, it is specified that the variation taking place during the period is for the most part attributable to non-recurring income components connected with the operation to dispose of the domestic area’s Motorway sector, which Astaldi Concessioni held through Re.Consult Infrastrutture S.p.A. (the asset). The loss for the period connected with this operation is therefore for the most part the result of the financial burden connected with the transfer without recourse of the payment agreed upon[9] for the sale of the asset to the Spanish group Abertis.

[9] In the agreement governing the transfer in question, the deadline for making the payment for the asset’s transfer was set at the 78th month following the closing date.

For further details regarding the individual components that went towards forming the economic balance of this item for the 2016 financial year, refer to the content of Annex 3 "Information on the movements of Investments."

In this regard, it is pointed out that pursuant to art. 6 of Legislative Decree no. 38/2005, the capital gains derived from applying the equity criterion to assess the investments in question, net of their tax burden, must be set aside in a reserve, unavailable for distribution, of the equity. The amount of these capital gains is summarised in the following table:

	2016
Subsidiaries	733
Joint Ventures	393
Associates	89,373
Total Capital Gains	**90,500**
Related tax effect	(12,695)
Total net of tax effect	**77,805**

This reserve is released over time in a measure corresponding to the capital gains earned or that have become non-existent as a result of impairment.

In the case in point, the capital gains in question relate to accrued economic results, mainly in the area of initiatives under concession, which will become liquid at the moment of disposal, as provided for in the strategic plan, or that will be subject to distribution by the investee companies in accordance with the procedures and deadlines established by their respective economic and financial plans for the individual initiatives.

8 Amortisation, depreciation and impairment losses: EUR 46,240 thousand (EUR 50,652 thousand)

Amortisation, depreciation and impairment losses, totalling EUR 46,240 thousand, have decreased in absolute terms by EUR 4,412 thousand in comparison with the previous financial year. The item consists of the following:

	2016	2015	Change
Amortisation	8,237	4,213	4,024
Depreciation	37,837	46,414	(8,577)
Impairment losses on receivables	166	25	141
Total	**46,240**	**50,652**	**(4,412)**

"Amortisations" grew essentially by effect of the greater values attributable to the amortisation of the contractual rights acquired for the performance of the works for the so-called "Maxi-Lot 2 of the Quadrilatero Marche-Umbria Road Network (EUR 4,212 thousand) and "Infraglegrea" project (EUR 856 thousand).

The decreased depreciation, on the other hand, for the most part regards *(i)* the Russia area, which during 2015 had relied more on the use of owned machinery and equipment for the performance of particular working phases related to the works to construct the WHSD in Saint Petersburg, and *(ii)* Peru, where the production volumes achieved during 2016 were more contained than the year before.

9 Provisions: EUR 1,467 thousand (EUR 20,015 thousand)

The provisions for risks and charges, totalling EUR 1,467 thousand at 31 December 2016, refer essentially to the revised estimate of provisions for risks deemed likely with regard to prior operative pertaining mainly to the domestic area.

The considerable variation that took place with respect to the comparative figure may be attributed essentially to the “Provisions for risks on investments” component which, in the 2015 financial year had taken on the charges related to the subsidiary Astaldi Canada Inc. (EUR 16,036 thousand). In particular, this provision had become necessary to accommodate the losses registered by the subsidiary, due mainly to the commercials costs for taking part in various tenders, as well as that company’s structural costs.

10 Financial income: EUR 99,278 thousand (EUR 84,929 thousand)

The financial income, up EUR 14,349 thousand from the previous financial year, is broken down as follows:

	2016	2015	Change
Income from subsidiaries	293	178	115
Income from financial transactions with banks	943	3,353	(2,410)
Commissions on sureties	11,935	5,380	6,555
Exchange rate gains	51,929	37,553	14,376
Income from derivatives	2,223	1,095	1,128
Fair value gains on the derivative embedded in convertible bonds	1,959	0	1,959
Other financial income	29,996	37,370	(7,374)
Total	**99,278**	**84,929**	**14,349**

The “Other financial income” item essentially includes (i) the amount of default interest payable by individual customers, for a total amount of EUR 5,651 thousand, for contract work in progress in Italy and abroad, and (ii) the interest on loans issued to associates, joint ventures, and partners in joint projects, totalling EUR 23,218 thousand.

The decrease in this item from the 2015 financial year may be attributed to the default interest component, referring in particular to the works to construct Line C of the Rome Underground. This item, in fact, included realigning the interest recognised and paid for 2015 with the content of the summons brought against the customer.

With regard to currency management, we can point to an increase in the exchange rate gains, ascribable to the fluctuating Dollar and Rouble.

Lastly, it is pointed out that update of the fair value assessment of the embedded derivative connected with the potential exercise of the cash settlement option on the Convertible Bond, brought about a reduction in the pertinent liability for EUR 1,959 thousand, whose economic balancing entry was measured in the aggregate in question. This assessment was particularly impacted by the listing of Astaldi’s stock and bond securities, which at 31 December 2016 were valued below their 31 December 2015 listings.

11 Financial expense: EUR 248,398 (EUR 223,598)

Financial expense increased compared to the previous year by EUR 24,800 thousand, and consists of the following:

	2016	2015	Change
Interest on bonds	61,153	61,105	48
Commissions on sureties	37,855	25,941	11,914
Expense on financial transactions with banks	50,751	39,843	10,908
Exchange rate losses	72,999	59,631	13,368
Expense on derivatives	9,418	6,287	3,131
Fair value losses on the derivative embedded in convertible bonds	0	2,291	(2,291)
Lease expenses	373	700	(327)
Interest for extended payment terms on trade items	2,498	3,591	(1,093)
Factoring of receivables without recourse	7,261	4,683	2,578
Discount expense	1,673	15,434	(13,761)
Other financial expense	4,406	4,089	317
Total	**248,387**	**223,595**	**24,792**
Impairment losses on equity investments	0	2	(2)
Impairment losses on securities and loans and receivables	10	1	9
Total	**10**	**3**	**7**
Total financial expense	**248,398**	**223,598**	**24,800**

Commissions on sureties rose by EUR 11,914 thousand, a growth that involved both the foreign sector (Russia and Turkey), and the domestic one (Brenner railway tunnel). As regards the latter project, it is pointed out that the Company has already reversed its expense onto the purpose company developing the initiative. The effects of this occurrence may be seen in the “Commissions on sureties” item reported in the aggregate “Financial income” as per note 10 above.

Also rising was the expense on financial transactions with banks (EUR 10,908 thousand) by effect of the increase in the average level of indebtedness recorded in 2016 in comparison with the previous financial year.

With regard to currency management, greater values were recorded, attributable to the exchange losses (EUR 13,368 thousand) suffered above all with reference to the American and European market. This effect was partially offset by the opposing variation in exchange rate gains commented upon in note 10 above.

As regards “discount expenses,” it is pointed out that this item includes the effects derived from determining the discounted value of the receivable certified by the customer, updated to the date of the end of the financial year, with reference to the Chaguaramas-Cabruta and Los Morros-San Fernando de Apure railway works. The discounting process was defined taking into account the updated estimate of the times needed to collect the payments, depending on what may be the revision of the operative and financial development plans of the country’s infrastructure investments, as well as in consideration of the lack of financial hedging of these investments in the state budget for 2017.

As to the financial variables used in the discounting process, it is also specified that the discounting rate applied to the corresponding nominal amounts of the receivables was established on the basis of the macroeconomic components of specific reference to Venezuela. Particular consideration was made of the Country Risk, of the expected Inflation Rate, and of the trend in the bonds issued in strong currency by the Venezuelan government.

12 Tax expense: EUR 27,447 (EUR 32,288)

The total amount of the tax expense for the year is EUR 27,447 thousand. The tax rate for the year, including the impact of IRAP, is 27% (2015: 29%). The details of the item are shown in the table below:

	2016	2015	Change
Current income tax (*)	39,103	39,165	(62)
Deferred income tax (*)	(17,250)	1,403	(18,653)
IRAP, current	905	578	327
IRAP, deferred	10	(23)	33
Tax expense of previous financial years and other	4,679	(8,835)	13,514
Total	**27,447**	**32,288**	**(4,841)**

(*) Income tax refers to IRES for Italy and similar taxes for the foreign areas

The table above shows the overall effects, already encountered in the financial statements at 31 December 2015, derived from the recent measures in the matter of international taxation, adopted by the financial administration at the national level, and that also had an effect on previous financial years, are confirmed. In particular, the new introductions have in fact made clear that the activities carried out abroad through the Joint Operations, where the conditions are met, are subject to taxation exclusively in the country where the income is produced, and with this considering it exempt for the purposes of “World Wide Taxation” pursuant to the relevant legislations in force in Italy.

Moreover, as usual, the tax rate takes into account the various taxation regimes in force in the countries where the Company operates, with specific reference to the modes of taxation of the income produced in the sphere of long-term contracts.

The determination of the taxes for the financial year was made, in continuity with the previous financial years, by applying the Foreign Tax Credit regime to neutralize double taxation for income produced abroad by stable organisations.

With reference to the alternative “Branch Exemption” regime introduced into national law with Legislative Decree no. 147 of 14 September 2015 – going into effect starting 2016 – the circumstance is noted that, lacking the corresponding implementation measure, the overall effects that would derive from applying the new regime could not be assessed.

The following is a breakdown of deferred tax assets totalling EUR 87,980 thousand and deferred tax liabilities totalling EUR 40,136 thousand.

Note: This English translation is for reference purposes only. 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.

	2016	2016	2015	2015
Statement of financial position	***IRES***	***IRAP***	***IRES***	***IRAP***
a) Deferred tax assets deriving from:	**99,809**	**295**	**71,124**	**208**
- taxed provisions for risks	17,949	295	18,184	208
- taxed allowance for impairment – default interest	2,140	0	2,056	0
- exchange rate gains or losses	17,511	0	6,731	0
- interest expense pursuant to art. 96 and other minor	62,209	0	44,153	0
b) Deferred tax liabilities deriving from:	**(51,729)**	**(532)**	**(36,969)**	**(532)**
- buildings recognised at fair value in substitution of cost	(3,401)	(532)	(3,401)	(532)
- dividend taxable share	(161)	0	(180)	0
- default interest to be collected	(17,276)	0	(18,394)	0
- foreign items taxable in subsequent years	(34,140)	0	(18,008)	0
- others + hedging reserve	3,249	0	3,014	0
c) Net deferred tax assets (liabilities) (a + b)	**48,080**	**(237)**	**34,155**	**(324)**
d) Deferred taxes for the year recognised in profit or loss	**(17,250)**	**10**	**1,403**	**(23)**

The increase in net deferred tax assets from the 2015 financial year, equal to approximately EUR 13 million, is due essentially to the effects derived from recent provisions in the matter of international taxation, adopted by the tax authorities nationally, and affecting the previous financial years as well.

Reconciliation, for income tax (IRES) purposes only, between the tax recognised in the accounts (current and deferred) and the theoretical tax resulting from the application of the tax rate currently in force in Italy (27.5%) to the pre-tax profit is the following:

	2016	%	2015	%
Pre-tax profit	**100,763**		**109,780**	
Theoretical income tax	27,710	27.50%	30,189	27.50%
Net effect of permanent increases (decreases)	(773)	(0.77%)	(369)	(0.34%)
Net effect of deferred and current taxation of foreign entities and other adjustments	(5,083)	-5.04%	10,748	9.79%
Tax of previous years and other	4,679	4.64%	(8,835)	(8.05%)
IRAP (current and deferred)	915	0.91%	555	0.51%
Income tax recognised in the financial statements (current and deferred)	**27,447**	**27.24%**	**32,288**	**29.41%**

It is lastly pointed out that on 16 December 2016, Regional Income Directorate (Direzione Regionale delle Entrate) – Major Taxpayers Office – accessed the Company to initiate a general audit regarding direct taxes, VAT, and withholding for the 2013 tax period. As of the writing of this note, the audit is in progress, and no findings have been raised or charged.

13 Earnings per share: EUR 0.75 (EUR 0.79)

Basic earnings per share are calculated as follows:

		2016	2015
Numerator (EUR/000)			
Profit attributable to the ordinary shareholders of the Parent	**(a)**	73,316	77,491
Denominator (in unit)			
Weighted average shares (all ordinary)		98,424,900	98,424,900
Weighted average treasury shares		(738,097)	(805,387)
Weighted average shares used to calculate basic earnings per share	**(b)**	**97,686,803**	**97,619,513**
Basic earnings per share - (EUR)	**(a)/(b)**	**EUR 0.7505**	**EUR 0.7938**

Diluted earnings per share (EUR 0.6617) were calculated by dividing the profit for the year - adjusted by the amount of the revenue items that it is assumed will not be incurred after conversion of the potential ordinary shares (net charges of EUR 3,257 thousand) – by the weighted average Astaldi S.p.A. shares in circulation in the year, excluding treasury shares, incremented by the weighted average shares that could potentially be placed in circulation (no. shares 18,038,517) in relation to:

(i) Stock grant plans (470,000 shares) for key management personnel, and more precisely the shares already assigned to the beneficiaries and awaiting delivery, referring to 2015 of the 2013-2015 Incentive Plan, and those that could be assigned for 2016 of the 2016-2018 Plan;

(ii) The possible exercise of the conversion option for the Equity Linked bond issue of EUR 130,000 thousand. To this end, it is pointed out that, starting form February 2014, the bonds can be converted at a fixed conversion price of EUR 7.3996, into existing or newly issued ordinary shares of the Company (max. 17,568,517 shares). Astaldi S.p.A. is entitled to settle any conversion by cash payment or a combination of ordinary shares and cash.

14 Property, plant and equipment: EUR 170,925 thousand (EUR 171,692 thousand)

The following table shows changes in the amount of property, plant and equipment at the beginning and at the end of the year:

	Land and buildings	Generic and specific plant	Excavators, power shovels, and vehicles	Sundry equipment and machines	Assets under construction and payments on account	Total
Amount at 31 December 2015, net of depreciation (1)	34,273	78,357	30,460	19,020	9,582	171,692
Additions from acquisitions	137	15,041	17,110	7,944	3,732	43,964
Gross amount	**34,410**	**93,398**	**47,569**	**26,965**	**13,314**	**215,656**
Depreciation	(1,052)	(18,747)	(11,449)	(6,582)	0	(37,829)
Other disposals	0	(8,209)	(1,737)	(1,921)	(36)	(11,903)
Reclassification and transfers	0	2,196	(261)	(141)	(1,794)	0
Net exchange rate gains (losses)	0	1,598	975	511	1,572	4,656
Other changes	0	976	(469)	9	(170)	345
Total amount net of depreciation (2)	**33,359**	**71,212**	**34,628**	**18,841**	**12,885**	**170,925**
(1) of which						
Cost	45,834	174,849	118,021	72,878	9,582	421,164
Accumulated depreciation	(11,561)	(96,493)	(87,562)	(53,857)	0	(249,472)
Carrying amount	**34,273**	**78,357**	**30,460**	**19,020**	**9,582**	**171,692**
(2) of which:						
Cost	45,971	164,030	119,670	71,827	12,885	414,383
Accumulated depreciation	(12,612)	(92,818)	(85,042)	(52,986)	0	(243,458)
Carrying amount	**33,359**	**71,212**	**34,628**	**18,841**	**12,885**	**170,925**

It is specified that the “Assets under construction and payments on account” item mainly includes the costs incurred for the acquisition of equipment – not yet ready for the use for which it is intended – needed for the performance of recently acquired projects in Chile (Extension of the Chuquicamata Underground Mining Project, Santiago Airport) and in Turkey (Third Bosphour Bridge, Etlik Integrated Health Campus in Ankara).

The following most significant changes are pointed out:

- The increases for EUR 43,964 thousand regard mainly the investments made for the projects underway in Chile (extension of the Chuquicamata Mining Project, Santiago Airport);
- Depreciation for the year totalling EUR 37,829 thousand;
- Disposals made in the year total EUR 11,903 thousand and mainly regard the disposal of assets for projects being completed in Peru (Cerro del Águila) and Romania (Underground 4 - Bucharest)).

The amount of property, plant and equipment includes a component of leased goods for a carrying amount of EUR 25,468 thousand as shown in the following table:

	Generic and specific plant	Excavators, power shovels and vehicles	Sundry equipment and machines	Total at 31/12/16
Historical cost	14,666	24,650	508	39,824
Accumulated depreciation	(5,702)	(8,654)	0	(14,356)
Total	**8,964**	**15,996**	**508**	**25,468**

15 Investment property: EUR 150 thousand (EUR 158 thousand)

The “Investment property” item, totalling EUR 150 thousand, includes buildings and land held for investment purposes, whose amount, substantially stable in comparison with the previous financial year, declines essentially due to the normal depreciation cycle (EUR 8 thousand). In relation to measurement of fair value, it is noted that since the indicators were not wholly reliable and due to the low significance of the investment in question, it was not deemed necessary to list a precise measurement or a range of fair values

16 Intangible assets: EUR 51,298 thousand (EUR 20,995 thousand)

The following table shows the movements in this item:

	2015	Increases from acquisitions	Amortisation	Other changes	2016
Historical cost	37,063	38,540	0	(728)	**74,875**
Accumulated depreciation	(16,068)	0	(8,237)	728	**(23,577)**
Net value	**20,995**	**38,540**	**(8,237)**	**0**	**51,298**

The value of the intangible assets varies substantially *(i)* by effect of the acquisition of contractual rights referring to the “Infraflegrea” intervention[10] (EUR 34,496 thousand) and *(ii)* in relation to the normal depreciation cycle (EUR 8,237 thousand).

It is also specified that at the end of the 2016 financial year, this item refers essentially to the net value of the contractual works acquired from third parties for the execution of *(i)* Maxi-Lot 2 of the Quadrilatero Marche-Umbria Road Network (EUR 12,851 thousand) and *(ii)* the “Infraflegrea” intervention (EUR 33,640 thousand).

In relation to measurement of fair value, it is noted that since the indicators were not wholly reliable and due to the low significance of the investment in question, it was not deemed necessary to list a precise measurement or a range of fair values With reference to the aforementioned activities, given the presence of impairment indicators connected with the price of Astaldi S.p.A. stock, the recoverability of the corresponding investments was verified at the end of the period.

More precisely, the estimate of the value in use was done by discounting the operative cash flows (Unlevered Discounted Cash Flow or UDCF method) as determined on the basis of the projections developed on reasonable and sustainable assumptions capable of representing the best estimate that may be made by Corporate Management. The cash flow for each year was appropriately discounted (mid-year convention) at the cost of the capital (WACC) equal to 8.3%.

[10] Cumana railway and Monte Sant’Angelo connector in Naples

The results of the impairment test showed that there was no need to recognise any impairment loss on the value of the intangible assets. It is also pointed out that the sensitivity analysis that was performed shows how the reasonable variation in the measurement of the financial parameters used with regard to determining the discounting rate (+100 bps) would confirm the substantial maintenance of headroom, and a hypothetical variation of -10% in the yearly 'EBITDA on a linear basis in all the years of the plan would confirm the endurance of the intangible assets' carrying value.

It is lastly pointed out that the aggregate in question includes no leased assets.

17 Equity investments: EUR 674,485 thousand (EUR 594,727 thousand)

Investments net of accumulated impairment amounted to EUR 674,485 thousand, for an increase compared to 31 December 2015 of EUR 79,758 thousand.

	2016	2015	Change
Subsidiaries	169,310	204,305	(34,995)
Associates and joint ventures	491,509	380,263	111,246
Other investees	13,666	10,159	3,507
Total	**674,485**	**594,727**	**79,758**

With regard to this item, it is pointed out that the main changes that took place during 2016 were due, beyond the overall economic effects caused by the equity accounting, also to:

- the additional contributions of capital guaranteed to the SPV Otoyol Yatirim Ve Isletme A.S (EUR 46,945 thousand);
- the capital injections made in favour of the investees Astaldi Canada Inc. (EUR 33,919 thousand) and Astaldi Construction Corporation (EUR 23,142 thousand);
- the reclassification, within the disposal group, of the carrying value of the Associates Metro 5 S.p.A. (EUR 29,476 thousand) and SA.T. S.p.A. (EUR 7,577 thousand), in accordance with what is more fully stated in note 25 below.

For additional details as to the individual components that went towards forming the economic balance of these items at 31 December 2016 financial year, refer to the content of Annex 3 "Information on the movements of Investments."
Lastly, it is specified that the carrying amount of the investments, in continuity with the previous financial year, are presented net of the capital proceeds yet to be paid in on subscribed shares and/or quotas.

17.1 Impairment tests

At the end of the 2016 financial year, given the presence of impairment indicators linked to the political context in the Turkey area and the consequent impacts on the area's leading macroeconomic indicators, it was deemed appropriate to verify the endurance of the investments referring to the investees ICA Ic Ictas - Astaldi Kuzey Marmara Otoyolu and Otoyol Yatirim Ve Isletme A.S.

Moreover, considering the presence of impairment indicators connected with Astaldi S.p.A.'s market capitalisation,[11] the endurance of the carrying amount of the interest held in Veneta Sanitaria Finanza di Progetto S.p.A. was verified, which has significant relevance with respect to the total value of the investments held in Special Purpose Vehicles[12] in the concessions sector. In this setting, however, it was not deemed necessary to verify the recoverability of the investments in the construction sector, and this is in

[11] Astaldi S.p.A.'s Market Capitalisation (EUR 547,242 thousand), at 31 December 2016, is lower than the equity (EUR 691,368 thousand).

[12] Investments held in Special Purpose Vehicles having a carrying value in excess of EUR 15 million were deemed relevant.

consideration of the fact that the equity is to be considered on its own a consistent expression of the recoverable value of the individual investments. This assumption is due to the fact that the Companies in question, operating exclusively in the context of special projects to order, already in fact reflect, in their own accounts, any losses[13] expected for the related contracts.

On the other hand, as concerns the technical assessments used for the purposes of drafting the impairment tests of the Investees in the Concessions sector, it is specified that the recoverable amount of each of them was identified using the Dividend Discount Model (DDM), discounting the future dividends forecast by company managements. For the purposes of the application of this method, use was made of the investees' economic and financial plans prepared by the individual companies' bodies.

Below is a table overviewing the impairment tests performed.

Company name	Project	Concession phase	% held	Ke
Ica Ic Ictas Astaldi Ucuncu Bogaz Koprusu Kuzey Marmara Otoyolu Yatirim Ve Isletme A.S.	Third Bosphorus Bridge and Northern Marmara Highway	Construction	33.33%	15.6%
Veneta Sanitaria Finanza di Progetto S.p.A.	New Hospital in Mestre (Venice)	Operation	37.00%	6.7%
Otoyol Yatirim Ve Isletme A.S.[14]	Gebze - Orhangazi – Izmir Motorway	Construction	18.86%	15.6%

The results of the Impairment Tests showed that there was no need to recognise any impairment loss on the equity investment. It is also pointed out that the additional simulation that was performed shows how the reasonable change in the measurement of the financial parameters used with regard to determining the discounting rate (+50 bps) would confirm the substantial maintenance of headroom, and a hypothetical change of -5% in the flow of dividends on a line-by-line basis in all the years of the plan would confirm the investees' endurance.

18 Financial assets

18.1 Non-current financial assets: EUR 256,193 thousand (EUR 319,798 thousand)

The following table shows the composition of non-current financial assets:

	2016	2015	Change
Non-current loan assets	217,240	227,629	(10,389)
Other financial assets - investees	37,654	92,045	(54,391)
Other financial assets - third parties	1,299	124	1,175
Total	**256,193**	**319,798**	**(63,605)**

The "Non-current loan assets" item substantially refers to market-rate interest-bearing loans given to Associates and Joint Ventures, that express the financial support to the operational strategy, particularly in the concessions business.

The following is the amount of the loans given to the main Associates and Joint Ventures:

[13] IAS 11 "Works to order" paragraph 36

[14] As of the reporting date, Phase 1 is completed and in regular service, the activities for constructing the sections for Phase 2-A and Phase 2-B continue.

	2016	2015	Change
Ica Ic Ictas-Astaldi Kuzey Marmara Otoyolu	188,219	140,416	47,803
Otoyol Yatirim Ve Isletme A.S	22,714	45,703	(22,989)
Metro 5 S.p.A.	1,764	32,462	(30,698)
SA.T. S.p.A.	0	6,806	(6,806)
Veneta Sanitaria di Progetto SpA	2,121	1,992	129
Ankara Etlik Hastante A.S.	1,966	250	1,716
SP M4 S.C.p.A. in liquidation	456	0	456
Total	**217,240**	**227,629**	**(10,389)**

With regard to this item, it is pointed out that the changes that took place during 2016 are due mainly *(i)* to the sums used against the amount owed for the capital increase decided upon by Otoyol Yatirim Ve Isletme A.S. on this past 30 march. (EUR 46,945) thousand [15], *(ii)* to the reclassification, within the disposal groups, of the subordinated loans paid to the Associates Metro 5 S.p.A. (EUR 33,522 thousand) and S.A.T. S.p.A. (EUR 7,182 thousand) as detailed in the following note 25, *(iii)* in addition to what was stated in reference to the further payments made for the financing of works under concession with regard to the Special Purpose Vehicle ICA Ic Ictas - Astaldi Kuzey Marmara Otoyolu (EUR 47,803 thousand).

Moreover, the "Other financial assets - investees" diminished, due substantially to the early repayment (EUR 50,757 thousand) by the subsidiary Astaldi Concessioni S.p.A. of the financing progressively paid to the subsidiary in previous financial years.

For more details as to "Other financial assets – Investees," see the financial statements annex regarding transactions with related parties.

18.2 Current financial assets: EUR 209,128 thousand (EUR 128,800 thousand)

Current financial assets, totalling EUR 209,128 thousand, grew from the previous financial year by EUR 80,328 thousand, and consist of the following:

	2016	2015	Change
Securities in portfolio	848	1,153	(305)
Derivatives	660	332	328
Current loan assets	207,620	127,315	80,305
Total	**209,128**	**128,800**	**80,328**

"Current loan assets" grew by EUR 80,305 thousand from the previous financial year, due mainly to the sums loaned to the subsidiary Astaldi Concessioni S.p.A. in order to give it the necessary resources to meet the investments made during the year, especially in Chile.

The agreements governing the mentioned loans, also in terms of repaying the investment, also include the repayment of the sums in question at latest by the end of the 2017 financial year.

19 Other assets

19.1 Other Non-current assets: EUR 27,362 (EUR 40,085 thousand)

The composition of this item is shown in the table below.

[15] In this regard, it is to be specified that the change for the period also includes the increase referring to the latest payments made during the financial year (equal to about EUR 24,000 thousand).

	2016	2015	Change
Indirect tax	13,408	19,731	(6,323)
Direct tax	1,197	5,932	(4,735)
Tax assets	**14,605**	**25,663**	**(11,058)**
Advances to suppliers and subcontractors	913	4,765	(3,852)
Guarantee deposits	2,942	2,617	325
Prepaid insurance premiums	4,978	5,248	(270)
Prepaid surety commissions	1,036	1,091	(55)
Other prepayments	2,886	698	2,188
Receivables from employees	2	3	(1)
Other assets	**12,757**	**14,422**	**(1,665)**
Total	**27,362**	**40,085**	**(12,723)**

The change in the indirect taxes item includes *(i)* a sharp reduction (EUR 15,950 thousand) referring to the collection of part of the VAT receivables attributable to the projects underway in the Turkish area, and *(ii)* a more contained growth (EUR 9,693 thousand) recorded due to the reclassification of the current asset of VAT receivables referring to projects no longer operative in the Central and South America area.

The change recorded in the direct taxes area, on the other hand, refers for the most part to the domestic setting, and more precisely to the collection of refund claims submitted during the 2015 financial year with regard to the restatement of the taxable corporate income for the years 2010 and 2011. These claims had been submitted as a consequence of the change in interpretation of the taxation regime of the overseas Joint Operations which, upon the occurrence of certain conditions, are qualified by exemption in the sphere of the national legal system.

19.2 Other Current assets: EUR 407,224 thousand (EUR 395,693 thousand)

Other current assets, totalling EUR 407,224 thousand, increased by EUR 11,531 thousand from the previous financial year.

	2016	2015	Change
Receivables from third parties for the sale of goods and services	291,778	251,641	40,137
Advances to suppliers and subcontractors	92,611	125,033	(32,422)
Receivables from employees	768	537	231
Receivables from social security institutions	4,869	3,508	1,361
Prepaid insurance premiums	3,187	2,604	583
Prepaid commissions on sureties	2,236	1,573	663
Other prepayments	1,178	1,673	(495)
Other sundry receivables	10,597	9,124	1,473
Total	**407,224**	**395,693**	**11,531**

The “Receivables from third parties for the sale of goods and services” item, totalling EUR 291,778 thousand, up by EUR 40,137 thousand from the previous year, refers to its counterpart mentioned in the “Other Operating revenue” item for individual items not directly related to production for works by the Company, but nevertheless accessory to the core business and conducted on a continuing basis over time. The geographical breakdown of this item is shown below:

	2016	%	2015	%	Change

Italy	109,048	37.37%	100,512	39.94%	8,536
Europe	118,376	40.57%	91,498	36.36%	26,878
America	49,561	16.99%	44,090	17.52%	5,471
Africa	9,401	3.22%	10,525	4.18%	(1,124)
Asia	5,392	1.85%	5,016	1.99%	376
Total	**291,778**	**100.00%**	**251,641**	**100.00%**	**40,137**

The significant change recorded in the Europe area is substantially correlated with the trend in the "Other operating revenue" item, which shows, as detailed in note 2, a growth of the volumes referring to the Turkish area (Third Bosphorus Bridge and North Marmara Highway).

The "Advances to suppliers and subcontractors" item decreases by EUR 32,422 thousand, referring essentially to the projects Third Bosphorus Bridge and Gebze-Orhangazi-Izmir Motorway in Turkey, and in particular due to the normal use – mostly related to the substantial completion of the Cerro del Águila Hydroelectric Project in Peru – of the contractual advances paid, deducted from the amount owed for the services rendered by the subcontractors.

It is pointed out that the recoverable amount of receivables from third parties has been adjusted as shown below:

	31/12/15	Accruals	Use Profit or Loss	Use Statement of financial position	Exchange rate differences and other changes	31/12/16
Allowance for impairment	(4,066)	(184)	0	527	0	**(3,723)**
Total	**(4,066)**	**(184)**	**0**	**527**	**0**	**(3,723)**

20 Inventories: EUR 37,942 thousand (EUR 56,813 thousand)

This item consists of the following:

	2016	2015	Change
Raw materials, consumables and supplies	37,743	55,980	(18,237)
Goods and materials in transit	199	833	(634)
Total	**37,942**	**56,813**	**(18,871)**

The following table shows the geographical breakdown of this item:

	2016	%	2015	%	Change
Italy	5,612	14.79%	5,626	9.90%	(14)
Europe	8,006	21.10%	15,805	27.82%	(7,799)
America	22,625	59.63%	29,491	51.91%	(6,866)
Africa	1,699	4.48%	5,891	10.37%	(4,192)
Total	**37,942**	**100.00%**	**56,813**	**100.00%**	**(18,871)**

This item shows a general decrease from the comparative data, to a large degree resulting from the Company's new commercial orientations, aimed at guaranteeing an optimisation of the phases in the procurement of the materials needed to perform the works.

Beyond what was already discussed, the foreign sector showed a decline with regard to the following projects *(i)* Saida Tiaret railway in Algeria, *(ii)* the motorway link (Western High Speed Diameter) of Saint Petersburg in Russia, linked to the completion of certain working phases of the aforementioned projects, and to the consequent use of inventories at 31 December 2015.

21 Amounts due from customers: EUR 1,350,412 thousand (EUR 1,115,495 thousand) Amounts due to customers: EUR 407,417 thousand (EUR 364,063 thousand)

These items are shown in the following table:

	2016	2015	Change
CURRENT ASSETS			
Contract work in progress	14,128,316	11,882,659	2,245,657
Allowance for impairment losses on contracts	(9,370)	(10,332)	962
Total contract work in progress	**14,118,946**	**11,872,327**	**2,246,619**
Progress billings	(12,768,534)	(10,756,832)	(2,011,702)
Total amounts due from customers	**1,350,412**	**1,115,495**	**234,917**
CURRENT LIABILITIES			
Contract work in progress	2,250,170	2,586,169	(335,999)
Provision for contract losses to complete	(620)	(689)	69
Total contract work in progress	**2,249,550**	**2,585,480**	**(335,930)**
Progress payments	(2,305,853)	(2,645,813)	339,960
Subtotal	**(56,303)**	**(60,333)**	**4,030**
Contractual advances	(351,114)	(303,730)	(47,384)
Total amounts due to customers	**(407,417)**	**(364,063)**	**(43,354)**

Contract work in progress, recognised separately between amounts due from customers and amounts due to customers, has, for the international sector, shown an increase with reference in particular to the greater production volumes achieved during 2016, with regard to the works in progress in Chile (Chuquicamata Mining Project), in addition to what was reported for the Third Bosphorus Bridge in Turkey.

Contract work in progress also grew in the domestic setting, mainly in the sector of transport infrastructure (Line 4 of the Milan Underground, Maxi-Lot 2 of the Quadrilatero Marche-Umbria Road Network).

Lastly, noteworthy is the increase in the “contractual advances” item, due above all to what was collected during the second half of the year for:

- the construction of the Brenner Base tunnel, “Mules 2-3” lot in Italy;
- the building of the E-ELT (European Extremely Large Telescope) of Cerro Armazones and the extension of the Chuquicamata Underground Mining Project in Chile.

This increase is in part offset by the partial recovery, against the contractual payments accruing in the reference period, in the area of the works to build the Western High-Speed Diameter in Saint Petersburg in Russia, the Third Bosphorus Bridge and Etlik Integrated Health Campus in Turkey, and the railway works in Algeria.

22 Trade receivables: EUR 785,481 thousand (EUR 752,412 thousand)

Trade receivables show an increase from the previous financial year by about EUR 33,069 thousand, and consist of the following:

	2016	2015	Change
Customers	650,159	573,909	76,250
Investees	139,468	183,097	(43,629)
Allowance for impairment	(4,146)	(4,594)	448
Total	**785,481**	**752,412**	**33,069**

The geographical breakdown of this item is shown in the following table:

	2016	%	2015	%	Change
Italy	301,854	38.43%	289,810	38.52%	12,044
Europe	190,719	24.28%	129,744	17.24%	60,975
America	289,177	36.82%	321,096	42.68%	(31,919)
Africa	3,731	0.48%	11,444	1.52%	(7,713)
Asia	0	0.00%	318	0.04%	(318)
Total	**785,481**	**100.00%**	**752,412**	**100.00%**	**33,069**

With regard to the geographical breakdown of trade receivables, a slight increase was recorded in the domestic setting may be largely attributed to the works referring to the Maxi-Lot of the Quadrilatero Marche-Umbria Road Network. This increase is then mitigated by the collection of part of the payments accrued in connection with the works to build Line 4 of the Milan Underground, and the Pedemontana Lombarda Motorway.

The Europe area is also growing, due chiefly to the start of activities referring tot he M-11 Moscow-Saint Petersburg motorway project in Russia, and to the extent attributable to the works to build the Third Bosphorus Bridge in Turkey. Lastly, as regards the credit position that may be attributed to railway projects in Romania equal to about EUR 77,000 thousand, the Company, after its credit claim was upheld in arbitration, activated the process permitted by the legislation in force in order to collect the debt in a reasonably contained timeframe.

With reference to the credit exposure for the performance of railway works in Venezuela (EUR 248,910 thousand), it is pointed out that *(i)* the Venezuelan Government has officially, through the customer IFE, recognised the total amount of the receivables due, as well as *(ii)* the extension of the contractual times with regard to the works to build the San Juan De Los Morros – San Fernando De Apure and Chaguaramas – Cabruta sections (the so-called “Southern Lots”). These concluding behaviours are to seen as testimony the national economic system’s concrete will to meet its contractual obligations. This, then, is by virtue of the fact that the contracts were signed under the aegis of specific Framework Agreements – executed by the two States – that govern the mutual rights and obligations with respect to promoting investment in the respective territories in sectors of public importance, including the construction of railway sections in Venezuela.

It also turns out that at our country’s institutional level as well, assessments are being initiated with regard to possible concrete interventions to be able to implement in support of the position of Italian enterprises operating in Venezuela.

Lastly, it is to be pointed out that the Venezuelan Government, also in view of the upcoming elections called for 2018, is submitting an infrastructure development programme that raises expectations of the reactivation of investment flows for the major public works in progress in the country.

In this regard, seeing the situation as a whole, and taking into account all the elements available as represented, it is thought that at present, the conditions do not exist that would suggest failure to recover debts in some degree.

However, in consideration of the priorities that the Venezuelan government has assigned to the different types of infrastructures in progress in the country, at the end of the 2016 financial year, the receivables for the Southern Lots were stated at the corresponding current value, as determined on the basis of what was stated in the comments on the financial expense in note 11 above.

The movement of the allowance for impairment is as indicated below:

	2015	Accruals	Use Profit or loss	Use Statement of financial position	Other changes	2016
Allowance for impairment	(2,904)	0	0	0	0	**(2,904)**
Allowance for impairment – default interest	(1,690)	0	10	439	0	**(1,241)**
Total	**(4,594)**	**0**	**10**	**439**	**0**	**(4,145)**

23 Tax assets: EUR 68,767 thousand (EUR 101,892 thousand)

This item consists of the following:

	2016	2015	Change
Indirect tax assets	53,621	58,029	(4,408)
Direct tax assets	15,344	44,061	(28,717)
Allowance for impairment	(198)	(198)	0
Total	**68,767**	**101,892**	**(33,125)**

The decrease in the "indirect tax assets" item refers for the most part to the reclassification in the non-current assets of the VAT receivables referring to projects no longer operative in the Central and South America area, which clearly cannot contribute to VAT payment, as the projects have been completed. In this regard, it is pointed out that, within the limits and in accordance with the procedures established by the tax regulations in the countries of reference, the activities established for the liquidation of these assets have been started.

Also decreasing are the "Direct tax assets" due to the collection of part of the tax assets determined in application of the regulations of specific reference, with regard to the systems established to neutralize double taxation on income produced abroad through stable organisations.

24 Cash and cash equivalents: EUR 400,387 thousand (EUR 455,140 thousand)

Cash and cash equivalents fell by EUR 54,753 thousand from 31 December 2015 and consist of the following:

	2016	2015	Change
Bank and post office accounts	400,137	454,794	(54,657)
Cash-in-hand and cash equivalents	250	346	(96)
Total	**400,387**	**455,140**	**(54,753)**

The following table shows the geographical breakdown of this item:

	2016	%	2015	%	Change
Italy	168,635	42.12%	93,829	20.62%	74,806
Europe	148,153	37.00%	270,866	59.51%	(122,713)
America	54,133	13.52%	62,557	13.74%	(8,424)
Africa	22,794	5.69%	21,507	4.73%	1,287
Asia	6,672	1.67%	6,381	1.40%	291
Total	**400,387**	**100.00%**	**455,140**	**100.00%**	**(54,753)**

24.1 Disclosure on the statement of cash flow

The cash flow rates for the 2016 financial year show an overall decrease in net cash and cash equivalents of EUR 54,753 thousand.

Cash flows from operating activities

Cash flows from operating activities during the 2016 financial year, equal to EUR 7,568 thousand, substantially reflects the effects of major investments made during the period (i) to guarantee the completion of Phase 1 of the Gebze-Orhangazi-Izmir Motorway as well as of the Third Bosphorus Bridge In Turkey and (ii) to ensure the development of the activities in progress in Chile (Chuquicamata Mining Project) and Russia (M-11 Moscow-Saint Petersburg motorway), that have recorded significantly growing production volumes.

Cash flows from investing activities

Cash flows used in investing activities during the 2016 financial year came to EUR 199,389 thousand, and may be attributed mainly to:

- For EUR 57,061 thousand, capital injections made to the subsidiaries Astaldi Canada Inc. (EUR 33,919 thousand) and Astaldi Construction Corporation (EUR 23,142 thousand);
- For EUR 23,956 thousand, payments made as equity and subordinated loans to the SPV “Otoyol Isletme Ve Bakim A.S.,” holder of the concession for the Gebze - Orhangazi – Izmir motorway in Turkey;
- Per EUR 47.802 thousand, subordinated loans paid to the Investee “Ica Ic Ictas-Astaldi Kuzey Marmara Otoyolu”, which is developing the initiative under Concession for the Third Bosphorus Bridge and the Northern Marmara Highway in Turkey;
- For EUR 32,893 thousand, the sums paid, net of the refunds made, to the subsidiary Astaldi Concessioni S.p.A., in order to provide it with the liquidity needed to cope with the investments for the period made above all with regard to Chile;
- For EUR 19,200 thousand, the sums distributed for the payment agreed upon with respect to the purchase of the Quadrilatero industrial complex;
- For EUR 10,184 thousand, the capital invested in technical apparatus and equipment for construction contracts.

Cash flows from financing activities

In 2016, cash flows from financing activities produced financial resources for EUR 152,203. These flows represent the combined effect *(i)* of the partial use of the revolving credit facility, *(ii)* of the refund of part of the additional existing committed and uncommitted revolving lines, *(iii)* as well as the sums received from the subsidiary Astaldi Concessioni in connection with the cash-pooling programme implemented in the Group for a more effective treasury management. With regard to the Financial activity, it is also to be pointed out that, during the 2016 financial year, dividends were paid to the Company’s shareholders for EUR 19,524 thousand.

25 Non-current assets held for sale (Disposal Groups): EUR 77,756 thousand (EUR 0 thousand)

The Company’s management is engaged in disposing of some assets under concession, in accordance with the guidelines provided for by the 2016-2020 strategic plan. Based on the information available as of this date, it is highly likely that the disposal of these assets will be prevalently completed before the end of the first part of 2017. It is also specified that these assets refer to sectors of business and geographical areas that continue to be of interest for the development of Astaldi S.p.A.’s activities. It is therefore held that starting from 31 December 2016, they are to be attracted to the “Non-current assets held for sale” category as provided for by IFRS 5.

The following are the necessary adjustments with regard to the status of the related operations.

Metro 5 S.p.A.

On 12 December 2016, Astaldi S.p.A. signed, with Ferrovie dello Stato Italiane S.p.A., an agreement for the transfer of a share equal to 36,7% (partners' investment and financing equal respectively EUR 29,476 thousand and EUR 33,522 thousand).

Upon the outcome of this operation, Astaldi will remain a shareholder of M5, with a 2% interest in its share capital, thus in fact ensuring itself support in the development of the activities under its purview. The operation's closing will take place at the end of the planned authorisation process, and at the outcome of the assessment by Autorità Garante della Concorrenza e del Mercato (the antitrust authority). With regard to the conditions precedent provided for by the agreement, it is specified that at the date of approval of these financial statements, the deadlines for exercising pre-emption have expired, while we are waiting to receive formal authorisation for the operation from the Grantor or, subordinately, once 60 days have passed for the purpose of tacit consent. It is pointed out that the share being transferred derives both from the original stake subscribed by Astaldi and from the share Astaldi itself took over from the bankruptcy of Torno Global Contracting SPA; this allowed the Company to acquire full ownership of the construction rights both of the base section of the Underground and of the first extension to San Siro, in addition to the possible of building a further extension, currently being studied. The above was regulated in this sense within the context of the agreement with Ferrovie dello Stato Italiane S.p.A.

Given these premises, it is specified that, as provided for by IFRS 5, the value of the assets in question was assessed at book value, or the corresponding fair value net of the sale costs, whichever was lower. The fair value net of the sale costs was determined taking into account the terms of the transaction being defined. Upon the outcome of this assessment, the value of the assets was fully recoverable, and thus no impairment was performed.

SAT S.p.A.

Over the course of the last quarter of 2016, Corporate Management, implementing the guidelines established by the 2016-2020 strategic plan, opened a series of negotiations regarding the transfer of S.AT. S.p.A. (partners' investment and financing equal respectively EUR 7,577 thousand and EUR 7,182 thousand), the concessionaire of the four hospitals in Tuscany. Downstream of these activities, Astaldi received a bid from an infrastructure investment fund for the acquisition of the assets in question. The bid structured in this way calls for an initial transfer of the shares at the closing date and for the remaining share of the intervening testing planned by the end of the 2017 financial year.

At the date of the approval hereof, negotiations are at an advanced stage with the acquirer for the purpose of having a sale contract signed in the short term.

Given these premises, it is specified that, as provided for by IFRS 5, the value of the assets in question was assessed at book value, or the corresponding fair value net of the sale costs, whichever was lower. Taking into account the state of the negotiation, the fair value net of the sale costs was assessed with a number of criteria, and to wit *(i)* taking into account the terms of the transaction being defined *(ii)* with the financial criterion. As regards this last assessment, it is specified that the endurance of the carrying amount was verified using the Dividend Discount Model (DDM) method, discounting the flows of the future dividends expected from corporate operations, at a rate of 6.7% equal to the Ke (cost of equity) of the company in question.

The simultaneous use of the two criteria made it possible to mutually find the results of each of them, thus being able in this way to establish, with absolute certainty, that the value of the assets is fully recoverable.

26 Equity: EUR 691,368 thousand (EUR 627,531 thousand)

26.1 Share capital: EUR 196,850 thousand (EUR 196,850 thousand)

The share capital subscribed and fully paid in comprises 98,424,900 ordinary shares with a nominal amount of EUR 2 and totals EUR 196,850 thousand.

At 31 December 2016, according to the Shareholders' Ledger and other information in this respect obligatory by law (pursuant to Art. 120 of Legislative Decree 58/98), the shareholders of Astaldi S.p.A. holding a share in excess of 3% are shown below:

DIRECT SHAREHOLDER	Number of shares	% investment
Fin.Ast S.r.l.	39,605,495	40.239%
Finetupar International S.A.	12,327,967	12.525%
Total Fin.Ast. S.r.l.	**51,933,462**	**52.765%**
FMR LLC	9,629,926	9.784%
Total shareholders with significant investment	**61,563,388**	**62.549%**
Treasury shares	657,471	0.668%
Market	36,204,041	36.783%
Grand total	**98,424,900**	**100.000%**

On 31 December 2016, outstanding shares thus totalled 97,767,429 (97,624,130 shares at 31 December 2015) and recorded a decrease, compared with the previous financial year, of 143,299 shares calculated as follows:

Shares outstanding in 2016	
01/01/2016	**97,624,130**
Outgoing with buy-back	(450,538)
Incoming for buy-back	392,425
Incoming for the stock grant plan	201,412
31/12/2016	**97,767,429**

The shares of the Company gradually granted to employees under the stock grant plan totalled 1,625,130 shares at the end of the year (1,432,718 shares at the end of 2015).

26.2 Other financial instruments giving the right to subscribe newly-issued shares

During 2013, the Company issued, with qualified Italian and foreign investors, a 6-year Equity Linked bond for a nominal amount totalling EUR 130 million.

Starting from February 2014 of the last financial year, the bonds can become convertible into ordinary shares of the Company, existing or newly issued. The conversion price of the bonds was set at EUR 7.3996, which incorporates a conversion premium equal to 35% of the weighted average price for the volumes of Astaldi shares traded on the Italian stock exchange during the timeframe between the bond issue and the pricing equal to EUR 5.4812.

The Company is entitled to settle any future conversion by cash payment or a combination of ordinary shares and cash (cash settlement option).

Towards this end, at their Meeting of 23 April 2013, the shareholders approved the proposed share capital increase, reserved exclusively and irrevocably in service of the "Equity Linked" bond issue, in cash, for payment and also in separate issues, with the exclusion of the pre-emption right pursuant to art. 2441, subsection 5, of the Italian Civil Code, for a total nominal amount of EUR 35,137 thousand, to be released in one or more tranches through the issue of a maximum of 17,568,517 ordinary shares of the Company of a nominal amount of EUR 2.00, having the same characteristics as the outstanding ordinary shares. The number of shares servicing any conversion will be determined by dividing the nominal amount of the bonds, for which the conversion request will be submitted, by the conversion price.

It is also specified that as of the reporting date, no conversion requests were submitted to the Company.

26.3 Treasury shares: EUR 1,315 thousand (EUR 1,602 thousand)

The treasury shares owned by the Company at the end of the year totalled 657,471 equivalent to 0.668% of share capital (800,770 shares in 2015), with the nominal amount totalling EUR 1,315 thousand being recognised in accordance with the international financial reporting standards as a decrease of the share capital.

26.4 Equity: EUR 422,517 thousand (EUR 354,791 thousand)

The composition of the reserves is shown in the following table:

	2016	2015	Change
Legal reserve	33,062	31,141	1,921
Extraordinary reserve	311,541	293,097	18,444
Retained earnings	74,685	77,258	(2,573)
Other reserves	84,952	44,912	40,040
Other comprehensive expense	(108,064)	(108,614)	550
Deferred tax from other comprehensive expense	26,341	16,996	9,345
Total	**422,517**	**354,791**	**67,726**

- **Legal reserve**

The legal reserve increased by EUR 1,921 thousand in relation to the provision of Art. 2430 of the Italian Civil Code.

- **Extraordinary reserve**

The extraordinary reserve increased compared to the previous year by EUR 18,444 thousand. In detail:

- EUR 16,781 thousand as the remaining amount of the allocation of profit for the 2015 financial year;
- EUR 1,663 thousand as a result of the buyback transactions.

With regard to buyback transactions, it should be pointed out that the total of the provision for treasury shares held in the portfolio set up pursuant to Art. 2357-*ter* of the Italian Civil Code totalled EUR 3,864 thousand and pursuant to the relevant accounting standards, applying EUR 2,549 thousand to reduce the Extraordinary Reserve and Euro 1,315 thousand corresponding to the nominal amount of treasury shares in the portfolio, to reduce the share capital.

- **Retained earnings**

This item includes the adjustments entered, with regard to the profits from prior financial years, due to the effect of retroactively applying the new accounting standards issued over time.

- **Dividends distributed**

In 2016, dividends totalling EUR 19,524,321 were paid (EUR 19,522,029 in 2015). The dividend approved at the Shareholders' Meeting of 20 April 2016 of EUR 0.20 per share (EUR 0.20 in 2015), was paid on 11 May 2016, ex-dividend date on 9 May 2016; likewise, part of the profit for 2015, EUR 192 thousand, was allocated to the provision pursuant to art. 27 of the Company's Bylaws.

- **Other reserves**

The composition of this item is shown in the following table:

	2016	2015	Change
Stock grant reserve	1,618	2,045	(427)
IFRS FTA reserve	(60,768)	(60,768)	0
Reserve for trading in treasury shares	2,638	3,817	(1,179)
Goodwill	11,000	11,000	0
Reserve, Art. 6 subsection 2 Legislative Decree no. 38/2005	131,647	91,798	39,849
Reserve, Art. 6 subsection 3 Legislative Decree no. 38/2005	2,012	215	1,797
Other	(3,196)	(3,196)	0
Total	**84,952**	**44,912**	**40,040**

The stock grant reserve represents the amount of the shares assigned to employees, but not yet handed over, calculated in accordance with current regulations and the relative actuarial appraisal.

The IFRS FTA reserve represents: (i) the total amount of adjustments recorded in the opening statement of financial position of the first set of financial statements drawn up in accordance with IFRS, and the amount recorded following subsequent endorsements of IFRS compared to the FTA.
The reserve for trading in treasury shares includes the gains and losses from the buyback plan.
The "goodwill" reserve originated from the merger of Italstrade S.p.A., an important company operating in the construction segment and completed in previous years (2001-2006); it represents the difference between the carrying amount of the investment and the corresponding portion of the equity of the incorporated assets.
The combined "Reserve, Art. 6 subsection 2 Legislative Decree no. 38/2005" and "Reserve, Art. 6 subsection 3 Legislative Decree no. 38/2005" incorporate the effects connected with the application of the IAS 27 rev. 2015 international accounting standard, in accordance with what is more fully commented upon in the section "Preliminary notes".

The other reserves include lesser components derived from assessment at equity of other related companies.

- **Other comprehensive income**

The following is the breakdown of and changes in other comprehensive income

	Hedging reserve	Translation reserve	Gains (losses) of AFS financial assets measur.	Net actuarial gains (losses)	Tax effect	Total
Balance at 01/01/2015	(49,767)	(51,611)	(34)	(753)	13,133	(89,031)
Changes for the year	717	(2,637)	0	200	(428)	(2,148)
Change from equity accounting	(28,616)	23,657	63	168	4,291	(437)
Balance at 31/12/2015	**(77,666)**	**(30,591)**	**29**	**(385)**	**16,996**	**(91,617)**
Changes for the year	(2,830)	21,840	0	(76)	534	19,468
Change from equity accounting	(31,923)	20,554	(29)	(44)	7,174	(4,268)
Change from disposal groups	(6,943)	0	0	0	1,636	(5,307)
Balance at 31/12/2016	**(119,362)**	**11,803**	**0**	**(505)**	**26,341**	**(81,723)**

When analysing other comprehensive income, note must be taken of the positive effect from the translation of items in the statements of financial position expressed in foreign currencies, attributable in particular to the translation of the financial statements expressed in dollars for companies measured with equity accounting in addition to the translations of items expressed in Roubles for the Joint Operations in Russia. On the other hand, in this setting, mention is to be made of the increase in the cash flow hedge attributable essentially to the Company that is developing the Concession referring to Etlik Integrated Health Campus in Ankara, Turkey.

With regard to this last component, it is to be pointed out that financing costs – established through corresponding hedging relationships in a fixed measure – will be offset in future financial years with the profits earned from the individual initiatives. Therefore, this amount is not an actual decrease of the equity, but only a temporary representation for accounting purposes of the fair value assessment of the hedging derivatives.

26.5 Capital management

There follows the disclosure required by IAS 1 – paragraph 134.

A) Qualitative information

By capital, the Company means both shareholder contributions, and operating profit (retained earnings and other reserves). On the other hand, the Company does not include in this definition the equity items recognised after the measurement of cash flow hedging derivatives, since these will be offset against income components in future years, thus enabling the company to undertake this hedging.

The objectives identified by the Company regarding capital management are the creation of value for shareholders as a whole, the safeguarding of the continuation of business and support to the growth. The Company thus intends to maintain an adequate level of capitalisation, in order to achieve both a satisfactory economic return for the shareholders and to guarantee economical access to external sources of funding. The Company constantly monitors the evolution of the level of debt in relation to equity and in particular the level of net debt and the generation of cash flow from operating activities with the effects derived from the investing activities both in the construction and in the concessions segments, all in line with the provisions of the Business Plan. In order to achieve the above goals, the Company pursues the constant improvement of the profitability of the business segments where it operates.

To complete the qualitative information, it is pointed out that the Company has respected the financial covenant required with reference to corporate “committed” borrowing with banks financing the company. For further information, see note 27 below.

B) Qualitative information

There follows the quantitative analysis of the individual capital items as defined in the previous paragraph.

	2016	2015
A – Total financial debt	**(1,312,347)**	**(1,121,782)**
Total equity	691,368	627,531
Less amounts accumulated in equity for cash flow hedges	(119,362)	(77,666)
B – Adjusted capital	**810,730**	**705,197**
C - Debt/Capital ratio (A/B)	**1.62**	**1.59**

26.6 Availability of equity reserves pursuant to Art. 2427 no. 7-*bis* of the Italian Civil Code

With reference to the availability of the equity reserves pursuant to Art. 2427 no. 7-*bis* of the Italian Civil Code, see the following table:

	2016	Possibility of use*	Available amount
Share capital	195,535		
Reserves:			
• Legal reserve	33,062	B	33,062
• Extraordinary reserve	311,541	A,B,C	311,541
• (Negative) goodwill	11,000	A,B,C	11,000
• Reserves (negative balances) from change in standards	13,917	A,B,C	13,917
• Stock grant reserve	1,618		
• Loss allocated directly to equity	(558)		
• Other comprehensive income	(81,723)		
• Reserve, Art. 6 subsection 2 of Legislative Decree no. 38/2005	131,647	B	131,647
• Reserve, Art. 6 subsection 3 of Legislative Decree no. 38/2005	2,012	A,B,C	2,012
Total	**618,052**		

* A: for capital increase – B: for coverage of losses – C: for distribution to shareholders

27 Financial liabilities

27.1 Non-current financial liabilities: EUR 1,480,409 thousand (EUR 1,270,075 thousand)*

Non-current financial liabilities show a total increase of EUR 210,334 thousand, and consist of the following:

	2016	2015	Change
Convertible bonds	130,000	130,000	0
Senior Unsecured bonds	750,000	750,000	0
Bonds - Nominal amount	**880,000**	**880,000**	**0**
Issue and placement commissions	(5,667)	(7,772)	2,105
Cash Settlement Option - Fair Value	4,966	6,925	(1,959)
Total Bonds	**879,299**	**879,153**	**146**
Bank loans and receivables	584,217	390,615	193,602
Loans backed by personal guarantees	2,903	3,136	(233)
Finance lease payables	13,653	2,761	10,892
Bank loans and borrowings and finance lease payables - Nominal amount	**600,773**	**396,513**	**204,260**
Loan commissions	(11,647)	(14,161)	2,514
Hedging derivatives	10,263	6,843	3,420
Total bank loans and borrowings and finance lease payables	**599,388**	**389,195**	**210,193**
Other loans and borrowings	16	0	16
Loans and borrowings - subsidiaries	263	145	118
Loans and borrowings - associates and joint ventures	1,062	1,580	(518)
Loans and borrowings – JOs	381	0	381
Total	**1,480,409**	**1,270,075**	**210,334**

(*) Included in the NFD for an amount of EUR 1,463,458 thousand (2015: EUR 1,254,580 thousand)

The overall increase shown in this item, compared to 31 December 2015, is to be related to investments in Turkey, in the concessions segment and more generally to the financing of the capital invested in projects in progress.

With reference to the Concessions segment, it ought to be pointed out that the corresponding debt is by its very nature “without recourse” or, at any rate, self-liquidating, also taking into account the financial assets from concession activities guaranteed by the Grantor.

Bonds

Bonds contain, in addition to the nominal amount of the loans, determined and expressed based on the amortised cost, the fair value of the cash settlement option equal to Euro 4,966 thousand for the equity linked bond issue falling due in 2019.

This option confers to the subscriber the power to exercise the conversion right in the timeframe of 1 February 2014 to expiration.

As of December 2016, the Company's bonds are broken down as follows:

- The issue in January 2013 of an Equity-Linked senior unsecured bond reserved for qualified Italian and foreign investors. The bond issue, of a nominal amount of EUR 130,000 thousand, has a 6-year duration (falling due 31 January 2019), and a fixed-rate six-month coupon equal to 4.50% per annum, payable on 31 January and 31 July every year. The bonds may become convertible into ordinary shares of the Company, existing or newly issued, starting 1 February 2014, without prejudice to the Company's right to regulate any conversion request through the delivery of ordinary shares, or through payment in cash or by a combination of ordinary shares and cash (the "cash settlement option"). The bonds' conversion price was set at EUR 7.3996 and incorporates a conversion premium of 35% of the average price of Astaldi shares traded on the Italian stock exchange on 14 January 2013.
- A fixed-rate senior unsecured bond issued in December 2013 for an amount of EUR 500,000, thousand, falling due in 2020. The bonds have a yearly coupon of 7.125% and the issue price is 100%. The bonds have received ratings of B1 (Moody's), B+ (Fitch) and B+ (S&P), have been offered exclusively to qualified investors, and are quoted on the official listings of the Luxembourg stock exchange.
- Integration in December 2013 to the aforementioned fixed-rate senior unsecured bond for an amount of EUR 100,000 thousand, falling due in 2020 (the "1st Tap"). The bonds, having the same characteristics, terms, and conditions as those issued in accordance with the similar senior bond for EUR 500,000 thousand and entirely combinable with them, were placed at a price equal to 102.250% of their nominal amount by the same banks that acted for the placement of the first senior unsecured bond issue.
- Additional integration in February 2014 to the fixed-rate senior unsecured bond issued in December 2013, for an amount of EUR 150,000 thousand falling due in 2020 (the "2nd Tap"). The bonds, having the same characteristics, terms, and conditions as those issued in accordance with the similar senior bond for EUR 500 million and entirely combinable with them, were placed at a price equal to 105.000% of their nominal amount by the same banks that acted for the placement of the first senior unsecured bond issue.

As to the indication of the fair value measurement of the bonds, it is specified that, based on the market prices measured at the end of 2016, the value of the notes for equity linked bonds was 99.228, while the value of the senior unsecured bonds was 104.526.

The total fair value of the bonds at 31 December 2016 thus equals EUR 912,941 thousand.

Bank loans and loans backed by personal guarantees

Among the main bank loan transactions performed in 2016, the following are noted:

- Bilateral "committed" loan for the sum of EUR 12 million, subscribed in January 2016 with Banco do Brasil and repaid in December 2016.
- Bilateral "committed" loan for the sum of EUR 11 million, subscribed in January 2016 with Banco do Brasil and with final expiry in December 2017.
- Bilateral "committed" loan for the sum of EUR 30 million, subscribed in January 2016 with Credito Valtellinese (counterguaranteed by SACE for 50% of the amount) and with final expiry in December 2017.
- Bilateral "committed" loan for the sum of EUR 45 million, subscribed in February 2016 with Bnp Paribas (counterguaranteed by SACE for 70% of the amount) and with final expiry in July 2017.

- Bilateral "committed" loan for the sum of EUR 10 million, subscribed in May 2016 with Banco do Brasil and with final expiry in May 2017.
- Renegotiation of the bilateral "committed" loan for the sum of EUR 50 million, subscribed in December 2016 with Cariparma (counterguaranteed by SACE for 60% of the amount) and with final expiry in December 2018.
- Bilateral "committed" loan for the sum of EUR 25 million, subscribed in July 2016 with Banca Ubae and with final expiry in July 2018.

As to the loan repayment operations carried out in 2016, mention is made of the repayment of the "committed" loan of EUR 30 million subscribed in May 2013 with Banca del Mezzogiorno and coming due in June 2016.

The following table shows the key data with regard to the main bank loans existing at 31 December 2016.

Type of loan	**Outstanding 31/12/16**	**Date taken out**	**Expiry***
Bilateral - BNP Paribas	45,000	23/02/2016	31/07/2017
Bilateral - Cariparma	50,000	29/12/2016	31/12/2018
Bilateral - Credito Valtellinese	15,000	28/01/2016	R.P. 31/01/2017
Bilateral - Banco Popolare	15,000	13/07/2015	R.P. 31/01/2018
Bilateral - Banca del Mezzogiorno	37,708	06/03/2015	R.P. 31/03/2018
Bilateral - Banco do Brasil	17,333	29/05/2015	R.P. 11/05/2018
Bilateral - Banco do Brasil	6,667	04/09/2015	R.P. 17/08/2018
Bilateral - Banca popolare dell'Emilia Romagna	15,000	30/06/2015	R.P. 30/06/2018
Bilateral - Banca Carige	3,620	19/10/2015	R.P. 30/06/2019
Bilateral - Banca Ubae	25,000	11/07/2016	11/07/2018
Bilateral - Banco do Brasil	11,000	07/01/2016	27/12/2017
Syndicate	45,000	22/12/2014	R.P. 31/07/2018
Syndicate	420,000	07/11/2014	07/11/2019
Other Corporate loans	349,184		
Total loans and borrowing	**1,055,512**		
of which non-current	587,120		
of which current	468,392		

*R.P. = Repayment Plan

It is pointed out that the agreement was reached with leading lending banks for adjusting the corresponding covenants to the new strategic plan targets for the 2016-2020 period. The new covenants, defined in accordance with a principle of consistency with the expected development plans, are positioned at levels higher than those established earlier, and guarantee the flexibility needed to cope with the new cycle of industrial programming. At 31 December 2016, the thresholds of the covenants to be complied with are as follows:

- Ratio between Net Financial Debt[16] (NFD) and Net Worth (NW) less than or equal to 2.20x;
- Ratio between Net Financial Debt [18] (NFD) and EBITDA less than or equal to 4.60x;
- Priority Leverage Ratio[18] less than or equal to 0.50x;
- Gross Debt[18] less than or equal to EUR 2,100 million.

In addition to the financial covenants, the loan agreements, in line with international practice, regulate additional cases such as those related to *pari passu*, negative pledge, and change of control.

All covenants were fully complied with at 31 December 2016.

[16] Measurements conventionally established by the loan agreements in force.

Finance lease payables

The Company, during this financial year, signed finance leases for EUR 18,021 thousand. The leases involved assets regarding the categories of heavy vehicles, generic machinery and plant, specific machinery and plant, excavators and power shovels; these leases contain a redemption clause. The following table shows the amount of future instalments deriving from finance leases and the present value of the instalments:

	31/12/16		31/12/15	
	Instalments	Present value	Instalments	Present value
Within one year	6,653	5,873	7,125	6,825
Over one year and within five years	14,505	13,653	3,034	2,761
Total lease instalments	**21,158**		**10,159**	
Financial expense	1,633		573	
Present value	**19,526**	**19,526**	**9,586**	**9,586**

27.2 Current financial liabilities: EUR 571,259 thousand (EUR 586,833 thousand)

Current financial liabilities show an overall decrease totalling EUR 15,574 thousand from the previous year, and are composed as follows:

	2016	2015	Change
Bonds	6,401	6,494	(93)
Issue and placement commissions	(2,107)	(1,959)	(148)
Total Bonds	**4,294**	**4,535**	**(241)**
Bank loans and borrowings	315,847	461,431	(145,584)
Current portion of loans	152,312	111,215	41,097
Current portion of loans backed by personal guarantees	233	227	6
Finance lease payables	5,873	6,825	(952)
Bank loans and borrowings and finance lease payables - Nominal amount	**474,264**	**579,698**	**(105,434)**
Loan commissions	(7,195)	(5,469)	(1,726)
Interest on bank loans	4,215	3,327	888
Hedging derivatives	4,476	4,741	(265)
Total bank loans and borrowings and finance lease payables	**475,761**	**582,298**	**(106,537)**
Infra-group treasury account	91,204	0	91,204
Total	**571,259**	**586,833**	**(15,574)**

(*)Included in the NFD for an amount of EUR 566,782 thousand (2015: EUR 582,091 thousand)

The “Bonds” item refers to the instalment of the coupons accrued and not yet paid, adjusted by the portion of the costs of issue and placement, so as to reflect the value at expiration of the bonds based on the effective interest.

Lastly, as regards the “infra-group treasury account” item, it is pointed out that it refers to the sums received from the subsidiary Astaldi Concessioni S.p.A. in connection with the cash-pooling programme implemented within the group for a more effective treasury management.

Bank loans and borrowings have decreased mainly due to the partial repayment of the short-term revolving facilities (committed and uncommitted).

27.3 Net financial debt

The following table shows the amount of the net financial debt with the details of the main items as required by CONSOB communication no. DEM/6064293 of 28 July 2006, which refers to the Recommendation of the European Securities and Markets Authority – ESMA (formerly CESR) of 10 February 2005.

			2016	2015
A	Cash		400,387	455,140
B	Securities held for trading		848	1,153
C	**Cash and cash equivalents**	**(A+B)**	**401,234**	**456,294**
	Current loan assets		58,716	30,968
	of which with related parties		*36,194*	*1,975*
D	**Current loan assets**		**58,716**	**30,968**
E	Current portion of bank loans and borrowings		(312,867)	(459,289)
F	Current portion of bonds		(4,294)	(4,535)
G	Current portion of non-current debt		(152,545)	(111,442)
H	Other current loans and borrowings		(97,077)	(6,825)
	of which with related parties		*(91,204)*	*0*
I	**Current financial debt**	**(E+F+G+H)**	**(566,782)**	**(582,091)**
J	**Net current financial debt**	**(I+D+C)**	**(106,832)**	**(94,830)**
K	Non-current portion of bank loans and borrowings		(575,473)	(379,591)
L	Bonds		(874,333)	(872,228)
	of which to related parties		*(13,000)*	*(13,000)*
M	Other non-current financial liabilities		(13,653)	(2,761)
N	**Non-current financial debt**	**(K+L+M)**	**(1,463,458)**	**(1,254,580)**
O	**Net financial debt from Continuing operations**	**(J+N)**	**(1,570,291)**	**(1,349,410)**
P	**Net financial debt of disposal groups**		**40,703**	**0**
	of which with related parties		*40,703*	*0*
Q	**Net financial debt**	**(O+P)**	**(1,529,587)**	**(1,349,410)**
	Non-current loan assets		217,240	227,629
	of which with related parties		*217,240*	*227,629*
R	**Non-current loan assets**		**217,240**	**227,629**
S	**Total financial debt**	**(Q+R)**	**(1,312,347)**	**(1,121,782)**

The total financial debt takes into account, in addition to the net financial debt (letter Q in the above table) determined in accordance with the provisions of the recommendation of the European Securities and Markets Authority – ESMA (formerly CESR) of 10 February 2005, the non-current loan assets – mostly, as regards Special Purpose Vehicles established for activities under Project Financing.

It is also pointed out that the company has treasury shares in its portfolio totalling EUR 3,864 thousand which determine a net financial debt totalling EUR 1,308,483 thousand. It is likewise pointed out that the net financial debt, also in comparative terms, does not contain the amount of the derivatives used in hedging activities since by their very nature they do not represent financial amounts.

The increase in total debt found in comparison with the previous financial year reflects the Company's significant commitment to the Concessions segment, but also the support for the working capital of the important initiatives in progress.

28 Other liabilities

28.1 Other current liabilities: EUR 130,525 thousand (EUR 148,115 thousand)

Other current liabilities amounted to EUR 130,525 thousand and consist of the following:

	2016	2015	Change
Subsidiaries	7,809	11,123	(3,314)
Associates and joint ventures	498	4,867	(4,369)
Other investees	1,235	1,188	47
Personnel	18,122	13,758	4,364
Social security institutions	13,027	11,399	1,628
Accrued expenses and deferred income	5,313	3,556	1,757
Others	84,521	102,224	(17,703)
Total	**130,525**	**148,115**	**(17,590)**

The “Other” item shows a decrease in comparison with the 2015 financial year by EUR 17,703 thousand, with reference mainly to the international sector, and substantially contains the existing relationships with various associates in joint initiatives.

As to relationships with subsidiaries, associates and Joint Ventures, for details see the annex on related parties. It is to be pointed out at this time that amounts due to subsidiaries, associates and joint ventures for principal to be paid and not yet called-up by the individual boards of directors, have been reclassified, as in the previous year, as a direct reduction of the respective carrying amounts of the equity investments.

29 Employee benefits: EUR 4,727 thousand (EUR 5,246 thousand)

This item’s amount, and the changes taking place during the year, are summarised in the following table:

Actuarial value	Defined benefit plans	Liabilities for redundancy incentives	31/12/16
a) Amount at 01/01/2016	**4,506**	**739**	**5,246**
Increases during the year			
b.1) Service Cost	478	0	478
b.2) Interest Cost	57	15	72
b.3) Actuarial Gains or Losses	(44)	0	(44)
b.4) Actuarial Gains or Losses from change in financial hypothesis	120	0	120
c) Amount of the year	(788)	(380)	(1,168)
d) Exchange rate differences and other changes	21	0	21
e) Total amount of Defined Benefit obligation at 31 December 2016	**4,353**	**374**	**4,727**

29.1 Defined benefits pension plans

The item refers mostly to the post-employment benefits regulated by article 2120 of the Italian Civil code.

Features of the plan

At 31 December 2006, the post-employment benefits of Italian companies were considered to be a defined benefit plan. The rules in this regard were changed by Law dated 27 December 2006, no. 296 (2007 Finance Law) and subsequent decrees and regulations issued in the early months of 2007. Following these changes this system is to be considered as follows:

- For companies with more than 50 employees, (i) a <u>defined benefit plan exclusively for the amounts</u>

accrued up to 1 January 2007 (and not yet paid out at the reporting date) and (ii) a defined contribution plan for the amounts accrued after that date;

- For companies with fewer than 50 employees, a defined benefit plan.

The following are the main assumptions used for the purposes of the actuarial estimate of post-employment benefits at 31 December 2016:

- Annual discounting rate: 1.31%
- Annual inflation rate: 1.50%
- Annual rate of increase of post-employment benefits: 2.625%
- Annual rate of remuneration increase:
  - Managers: 2.50%
  - Junior managers / White collars / Blue collars: 1.00%

Sensitivity analysis

The following table shows the potential effects that would be found for the defined benefits obligation following hypothetical changes in the actuarial hypotheses reasonably possible at the reporting date:

	Turnover frequency		Inflation rate		Discounting rate	
	+ 1%	- 1%	+1/4 %	-1/4 %	+1/4 %	-1/4 %
Change in the total amount of the obligation	(30)	33	83	(81)	(115)	119

Effect of defined benefit plan on future cash flows

The following are the effects on future cash flows referring to the defined benefit plan, based on the reasonably possible estimates at the reporting date:

- Contributions to the plan planned for the 2017 financial year: EUR 987 thousand
- Average weighted duration of the benefits obligation: 10.88 years
- Payments planned:
  - 2017: EUR 1,717 thousand
  - 2018: EUR 753 thousand
  - 2019 and following: EUR 13,878 thousand.

29.2 Liabilities for redundancy incentives

The "Liabilities for redundancy incentives" item reflects the estimates of the charges related to the agreements taking place during 2014 – based on the provisions established by article 4, paragraphs 1 – 7-*ter* of Law no. 92 of 2012, the so-called "Fornero Law" – for consensual early terminations of the employment relationship of eight employees in the Italian main office.

In particular, the agreement in question, authorised by Istituto Nazionale della Previdenza Sociale on 27 November 2014, guarantees early retiring employees a benefit for an amount equal to the pension that would be owed based on the rules in force and the accrual of additional imputed contributions necessary for achieving the minimum pension requirements.

As to the main assumptions used to determine the present value of the obligation, it is specified that the discount rate was determined with reference to the Eurirs index at two years (in line with the duration of the plan in question).

30 Trade payables: EUR 1,171,671 thousand (EUR 1,070,687 thousand)

The item consists of the following:

	2016	2015	Change
Suppliers	774,127	750,838	23,289
Subsidiaries	342,503	252,817	89,686
Associates and joint ventures	54,371	66,152	(11,781)
Other investees	670	880	(210)
Total	**1,171,671**	**1,070,687**	**100,984**

Trade payables to suppliers showed, overall a EUR 23,289 thousand correlated for the most part with the greater production volumes of the projects underway in Chile (Santiago Airport and Chuquicamata Mining Project) and Russia (M-11 Moscow-Saint Petersburg motorway), in addition to what is reported for the domestic setting.

As regards this last area, it is specified that the increase found is mainly attributable to the purchase from Giustino Costruzioni S.p.A. of the contractual rights (equal to a nominal EUR 37,641 thousand) for the performance of the works related to the “Infraflegrea”[17] intervention. In this regard, it is specified that the agreements signed overall by the parties state that the payments are to be made, net of the advances already paid, in sixty monthly instalments to be paid starting 01 October 2016. On the reporting date, the current value of the corresponding liability (EUR 34,719 thousand) was consequently determined taking into account the corresponding contractual deadlines and a discount rate nearing the creditworthiness of Astaldi S.p.A.

Again as regards trade payables to suppliers, the foreign sector shows a considerable decline recorded in the Turkey area, for the most part correlated with the financial support guaranteed to suppliers and subsuppliers for the purpose of ensuring the completion of Phase 1 of the Gebze-Orhangazi-Izimir motorway, as well as of the Third Bosphorus Bridge.

Also to be pointed out, as regards the trade payables to subsidiaries item, is the increase recorded domestically with regard to the payments owed *(i)* to Partenopea Finanza di Progetto S.c.p.A. (EUR 23,619 thousand) substantially attributable to the development of the activities related to the construction of Ospedale del Mare in Naples leading up to the final delivery of the works taking place in February 2017, and *(ii)* to the subsidiary Consorzio Stabile Opere (EUR 25,968 thousand) in connection with the Maxi-Lot 2 of the Quadrilatero Marche-Umbria Road Network project.

To the contrary, trade payables to associates and joint ventures are declining, domestically above all, essentially to the extent attributable to the lower volumes recorded in connection with the works for the Pedemontana Lombarda motorway and Line C of the Rome underground.

31 Tax liabilities: EUR 62,210 thousand (EUR 55,045 thousand)

Tax liabilities increased by EUR 7,165 thousand from the previous financial year and consist of the following:

[17] Cumana railway and Monte Sant’Angelo di in Naples

	2016	2015	Change
Indirect tax liabilities	21,187	6,545	14,642
Direct tax liabilities	38,678	41,454	(2,776)
Withholding tax liabilities	2,345	7,046	(4,701)
Total	**62,210**	**55,045**	**7,165**

The increase in the “indirect tax liabilities” item is for the most part attributable to the Algeria area and in particular to the VAT accrued for the milestones billed during the financial year, with regard to the railway works in progress.

32 Current portion of provisions for risks and charges: EUR 44,083 (EUR 59,014)

The composition of provisions for risks and charges is as follows:

	Provisions for contractual obligations	Provisions for risks on equity investments	Provision for potential losses	Provision as per Art. 27 of Company Bylaws	Total
Balance at 31/12/2015	**7,069**	**48,324**	**1,350**	**2,271**	**59,014**
Allocations	0	2,650	1,209	0	3,859
Utilisation	0	(16,070)	(1,000)	(523)	(17,593)
Allocation of 2015 profit	0	0	0	192	192
Changes in consolidation scope	0	(1,388)	0	0	(1,388)
Balance at 31/12/2016	**7,069**	**33,516**	**1,559**	**1,940**	**44,084**

- Provisions for contractual obligations mainly include the conservative provision for losses relating to works that have already been performed, for which the final phase of the respective contracts has not yet been defined, as well as activities related to contract work in progress;
- Provisions for risks on equity investments reflect the company’s deficit of investees compared to investment’s carrying amounts. The balance of the item in question refers mainly to the investees (i) Constructora Astaldi Cachapoal Limitada (EUR 19,929 thousand) and (ii) Seac S.p.a.r.l. in liquidation (EUR 10,263 thousand). These companies, now soon to be liquidated, operated exclusively in the area of specific projects related to now completed contract work. It also bears pointing out that Astaldi S.p.A. has already seen to the financial support of the operating activities of the Investees in question, through the payment of specifically dedicated financing. As regards the other movements for the period, mention is made of the reclassification of the provision for risks for the investee Astaldi Canada Inc., diminishing the carrying value on the investment; this followed the reduction of the carrying value for the corresponding investment, after the capital increase of the subsidiary that took place during the first quarter of 2016.
- The provision for potential losses includes the accrual for likely risks measured on an case-by-case basis carried out with the help of external consultants and based on both objective and evaluation elements;
- The provision as per Art. 27 of the Company’s by-laws was used for charitable donations and increased through the allocation of profits in accordance with specific resolutions.

It is pointed out that the Company is a party to civil and administration legal proceedings and lawsuits connected with the regular corporate activities. Based on information currently available, and taking account of existing allowances for impairment, it is deemed that these proceedings and legal actions will not have any negative impact on the separate financial statements, as the risk of losing the cases appears remote.

To complete the information provided regarding provisions for risks and charges, there follows a summary of the allowances and provisions recognised in the financial statements with indication of their nature and specific category.

		2016	2015
Provisions deducted directly from assets	**Note**	**17,443**	**19,198**
Allowance for impairment (equity investments)	17. Equity investments	7	7
Allowance for impairment losses on contracts	22. Amounts due from customers	9,369	10,333
Allowance for impairment	22. Trade receivables	2,904	2,904
Allowance for impairment - default interest	22. Trade receivables	1,242	1,690
Allowance for impairment - default interest due to tax authorities	23. Tax assets	198	198
Allowance for impairment - other assets	19. Other current assets	3,723	4,066
		2016	**2015**
Provisions recognised under liabilities	**Note**		
Provisions for risks and charges		**44,703**	**59,703**
of which:			
• For risks on equity investments	32. Provisions for risks and charges	33,516	48,324
• For contractual obligations	32. Provisions for risks and charges	7,069	7,069
• For contract losses to complete	21 Amounts due to customers	620	689
• Other provisions for risks and charges	32. Provisions for risks and charges	3,499	3,621
Total provisions/allowances		**62,146**	**78,901**

33 Fair value measurement

The following table provides the fair value hierarchy of assets and liabilities:

	Measurement date	Total	Measurement at fair value with: Prices quoted in active markets (Level 1)	Observable significant inputs (Level 2)	Unobservable significant inputs (Level 3)
Assets measured at fair value					
Forward exchange contracts	31/12/16	(362)		(362)	
Securities	31/12/16	848	848		
Liabilities measured at fair value					
Interest Rate Swaps	31/12/16	(13,717)		(13,717)	
Conversion options – bonds	31/12/16	(4,966)			(4,966)

33.1 Measurement techniques and inputs used to process measurements

a) Assets and liabilities measured at fair value on a recurring basis:

- **Interest rate swap**

The fair value of the derivatives was measured through the use of a pricing tool. The floating-rate, indexed leg was measured by generating the forward rates for the deadlines provided for by the contract, and then calculating the present value by discounting the corresponding cash flows.
The fixed-rate, indexed leg was measured by calculating the present value of the flows.
The forward rates and discount rates were calculated starting from the zero coupon rates implicit in the curve of short-term rates (deposits quotation) and long-term rates (swap rates quotation) at 31 December 2016.
In calculating the fair value of the derivatives, the so-called Debt Value Adjustment (DVA) was measured in order to take into account the risk of non-compliance.
The total value of the instrument is provided by the difference of the present values of the floating and fixed component.

With reference to the effectiveness of the transaction, this is determined by means of internal assessment models using the Dollar Offset Method, relying on the use of the hypothetical derivative for determining the fair value of the hedged item.

- **Forward exchange rate contracts**

The instruments in question were measured through the use of a pricing tool.
The measurement was done through discounting of the value at maturity of the contract, determined as the difference between the forward exchange rate at maturity, quoted by the market on the measurement date, and the working exchange rate provided for by the contract, considering the notional amount provided for by the contract.
The discount rates were calculated starting from the zero coupon rates implicit in the curve of short-term rates (deposits quotation) and long-term rates (swap rates quotation) at 31 December 2016. The forward exchange rates were estimated by linear interpolation starting from the curve of exchanges at term acquired from the info provider.

- **Securities**

The fair value of the securities is equal to the market price referring to the quotations (bid price) on the measurement year's reference date.

- **Conversion options - bonds**

A convertible bond entitles the holder to convert the bond into a given number of shares of the issuer. The instrument may therefore be classified as a standard obligation that incorporates the sale of a call-type plain vanilla option.
The pricing tool is used to measure the convertible bond.
The measurement model breaks the instrument down into its basic components: an equity component and a debt component. Towards this end, it defines a hypothetical "cash only part of the convertible bond" instrument. The amount of the two aforementioned components is determined based on the Black-Scholes equation.
The model uses the following input data: the market price of the Company's shares, the rate curves (swap and deposits), volatility of the share price, and the company's credit spread.
Of the aforementioned input data, the company's credit spread is not a figure that is currently observable on the market.

b) Assets and liabilities measured at fair value on a non-recurring basis

At 31 December 2016, there were no assets and liabilities measured at fair value on a non-recurring basis for which it is necessary to furnish the supplementary information provided for by IFRS 13 "Fair Value Measurement."

c) Transfers of financial instruments between the various levels of the fair value hierarchy

During the financial year, there were no transfers between the different levels of the fair value hierarchy.

34 Information on risk management, financial instruments and guarantees

34.1 Financial risk management

Astaldi operates in an international context where transactions are performed in various currencies; moreover, in order to support and develop its own industrial activities, it funds itself with external sources of financing in Euro and foreign currencies.

Astaldi is therefore exposed to the following financial risks:

- Market risk: exposure of the Company to fluctuations in interest rates and exchange rates;
- Liquidity risk: the possibility that Astaldi might not be able to meet its financial commitments deriving from contracts and, more generally, from its short-term financial commitments;
- Credit risk: exposure of the Company to potential loss deriving from the failure to fulfil commitments undertaken by counterparts.

The various types of risk are monitored in such a way as to evaluate in advance their potential negative effects, and take suitable mitigating actions. The optimisation and reduction of risk levels is pursued by an adequate organisational structure, the adopting of rules and procedures, the implementation of targeted commercial and purchasing policies, and the use of insurance policies and hedging derivatives.

In order to maintain corporate value, Astaldi has drawn up guidelines for controlling its exposure to market risks and entrusted the definition of policies and strategies to be adopted to manage the same through derivatives and monitoring of hedged positions, to a Risks Committee.

With respect to these policies, Astaldi mainly uses cash flow hedging to cover exposure to fluctuations in cash flows especially due to risks identified and associated with assets or liabilities, or for a planned transaction highly likely to have an effect on the income statement.

There follow the hedging derivatives transactions at 31 December 2016, with a distinction between hedge accounting, representing most of the Astaldi Company's transactions, and non-hedge accounting transactions shown for each type of financial instruments with fair value, notional value and the changes in the respective provisions and the income statement. For transactions in currencies other than the Euro, the corresponding amounts are calculated at the exchange rate at the end of the year.

Interest rate risk

Company exposure to the risk of changes in interest rates is mainly related to floating interest financial debt; changes in interest rates affect the market value of financial assets and liabilities of the company and the level of net financial expense.

Astaldi, also taking into account contract obligations, duly assesses exposure to the risk of changes in interest rates and manages these risks by the use of non-speculative derivatives, in order to pursue a Cash Flow Hedge strategy. The Company's hedging policy, governed by a specific interest rate risk management policy, involved the definition of an ideal mix between fixed rate and floating rate borrowing (mainly Euribor) in the borrowing structure in order to reduce borrowing costs and their volatility.

Therefore, Astaldi undertakes hedging transactions through simple derivatives ("plain vanilla"), on a cash flow hedge basis, in order to convert the floating rate into a fixed rate (Interest Rate Swap), or to allow a limited interest rate fluctuation within a predefined range (Collar), and in any event guaranteeing a maximum risk exposure level (Cap). These instruments are generally at zero cost.

At 31 December 2016, the notional value of derivatives hedging on the interest rate risk totalled EUR 325.5 million. Taking these hedges into account, as well as the fixed rate debt associated with the bond issues, the percentage of fixed rate debt equalled approximately 63% of the gross debt.

The following tables show the aforementioned transactions, all designed to hedge financial flows, split into cash flow hedges and transactions for which Astaldi decided not to apply hedge accounting.

Type of Derivative	Hedged item	Notional reminder 31/12/16	Fair Value 31/12/16	Fair Value 31/12/15
IRS	Medium/long-term debt	320,000	(13,581)	(10,919)
Total		**320,000**	**(13,581)**	**(10,919)**

With reference to the aforesaid Hedge Accounting, the change in value had an impact on the Company's equity, leading to a final balance of the hedging reserve of 13.6 million.

Details on changes in the hedging reserve in 2016 are shown below:

Hedging reserve – interest rate risk	**31/12/16**	**31/12/15**
Opening reserve	(10,751)	(12,412)
Impact on reserve net of release to profit or loss	(2,830)	1,661
Final reserve	**(13,581)**	**(10,751)**
Ineffectiveness	0	(168)

With regard to transactions for which hedge accounting has not been applied, the changes in amounts of these financial instruments were recognised directly in profit or loss.

Type of derivative	**Hedged item**	**Notional reminder 31/12/16**	**Fair Value 31/12/16**	**Fair Value 31/12/15**
IRS	Medium/long-term debt	5,498	(136)	(589)
Total		**5,498**	**(136)**	**(589)**

- **Sensitivity analysis**

The potential effects of a hypothetical increase or decrease in interest rates on the Company's Income Statement and Statement of Financial Position are shown hereunder in terms of higher or lower interest expense payable over the entire remaining duration of floating rate financial payables.

The analysis was carried out based on market curves at 31 December 2016 and considers a parallel rate shock by 1% upwards (shock up) and 0.30% downwards (shock down) on interest rates.

Interest rate risk *sensitivity analysis*	**Income statement**		**Equity**	
	Shock up 31/12/16	***Shock down 31/12/16***	***Shock up 31/12/16***	***Shock down 31/12/16***
Financial liabilities				
• cash flow	(29,067)	8,720		
Hedging derivatives				
• cash flow	13,575	(7,042)		
Total	**(15,492)**	**1,678**	**0**	**0**
• fair value	28	(9)	13,546	(4,199)

With reference to 31 December 2016 the analysis shows how, considering a hypothetical 1% increase in interest rates, as a consequence of hedging through derivatives (approximately EUR 13.6 million), financial expense would get worse by EUR 15.4 million; in this hypothetical scenario the negative fair value of hedging recognised in profit or loss, compared to the effective amount recorded at 31 December 2016, would show an improvement of EUR 28 thousand, while the equity reserve would show an improvement of about EUR 13.5 million.

Similarly, as shown in the table, a shock down of 0.30% in interest rates would lead to an improvement in financial liabilities of about EUR 1.7 million; in this hypothetical scenario, the negative fair value of the hedges recognised in profit or loss, compared to the effective value recorded at 31 December 2016, would show a worsening of EUR 9 thousand, while the equity reserve would show a worsening of about EUR 4.2 million.

Currency risk

With reference to the currency risk, Astaldi performs currency risk hedges for specific foreign orders, in order to mitigate the impacts resulting from exchange rate fluctuations.

The Company policy is aimed at hedging a percentage of exposure to currency risk depending on the characteristics of the business and the particular volatility of certain currencies, for the entire duration of the works regarding specific contracts, and when this is not possible, for a period of 12 months.

Hedging is performed by the use of forward plain vanilla derivatives, cost zero cylinders, knock-in forward and cross currency swaps.

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, Astaldi tends to protect the currency imbalance between trade receivables and payables in local currency through financial debt in the same currency (the so-called "natural hedge").

At 31 December 2016, the notional value of existing currency risk hedges amounted to a total counter-value of EUR 173 million with a negative fair value of EUR 0.3 million.

Type of derivative	Hedged item	Notional reminder 31/12/16	Fair Value 31/12/16	Income Statement
Forward Buy CAD/Sell EUR	Hedging of financing Canada	73,000	(109)	(109)
Forward Buy USD/Sell EUR		100,000	(253)	(253)
Total		**173,000**	**(362)**	**(362)**

Liquidity risk

The main factors determining the Company's liquidity risk are, on one hand, the cash flows generated by or used in corporate operating and investing activities, and on the other, the characteristics of debt maturity and use of cash, as well as contingent cash terms of financial markets.

Astaldi aims to maintain a sufficient cash margin to allow for coverage of financial requirements with the availability of committed and uncommitted credit lines.

Cash flows, the need for financing and the liquidity are constantly monitored and managed with the aim of guaranteeing effective and efficient management of financial resources.

The following table shows the timeframe of the Company's financial liabilities:

Analysis of maturities	Use	On sight	2017	2018	2019	2020	2021	beyond
Short-term loans*	(315,847)	315,847						
Medium/Long term loans*	(759,190)		158,417	168,325	425,792	4,494	263	1,899
Equity-Linked bond	(130,000)				130,000			
Senior unsecured bond	(750,000)					750,000		
Total	**(1,955,037)**	**315,847**	**158,417**	**168,325**	**555,792**	**754,494**	**263**	**1,899**
Derivatives								
- interest rate risk derivatives**	(13,717)	0	3,454	4,558	3,482	1,542	681	
- currency risk derivatives**	(362)		362					
Total	**(14,079)**	**0**	**3,816**	**4,558**	**3,482**	**1,542**	**681**	**0**
EXPOSURE AT 31 DECEMBER 2016		**315,847**	**162,233**	**172,883**	**559,274**	**756,036**	**944**	**1,899**

Note:
* The figures shown in the table coincide with the nominal amount of financial liabilities and therefore do not include (i) commission directly related to the granting of loans that in turn are included in the measurement at amortised cost of the financial liabilities, and (ii) accrued interest still to be liquidated.
** The figures coincide with the total amount of the payable and receivable derivative Financial Instruments, and therefore do not include the accrued interest on the differentials accrued and yet to be liquidated

Astaldi has adopted a series of policies and processes aimed at making the most of management of sources of financing, reducing the liquidity risk, such as, in particular:

- Orientation towards centralised management of collection and payment flows (cash management systems) where deemed advantageous in compliance with the various civil, currency and tax laws of the countries where the Company operates, and in keeping with the rules for managing the financial flows of individual contracts;
- 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), guaranteeing an adequate availability of committed (unused) lines;
- Access to the debt capital market;

- Monitoring of future liquidity conditions in relation to corporate planning.

It is lastly pointed out that the cash and cash equivalents, along with the possibility of using both committed and uncommitted revolving credit lines, confer suitable capacity to cope with the planned financial commitments.

Credit risk

The credit risk is the Company's exposure to potential default risks by a counterpart.

The Company's credit risk is limited by the solvency characteristics of the customers served. The portfolio of receivables maturing is constantly monitored by the appropriate departments.

The Company customers are basically government and public bodies, by their very nature solvent.

Therefore, the credit risk, represented by the possible default of customers, is considered to have little significance, also considering the insurance coverage that can be set up by policies with insurance companies.

We should likewise point out that for some countries, collection times may go beyond the usual terms. At 31 December 2016 the percentage of overdue trade receivables was approximately 28%, of which 25% for those overdue by over 12 months. However, the analysis of credit risk exposure according to maturity is not very significant, since the receivables are measured in relation to the other items of working capital and in particular the payables to subcontractors and suppliers typical in the segment the due dates of which, in the management of operational leverage, tend to be aligned to the collection time by customers (back to back).

As regards Turkey in particular, it is pointed out that during 2016, the country was in a phase of temporary political and social instability; the Company deems that there are no elements to affirm a risk with regard to the overall collectability of relative receivables, or critical areas that may negatively influence the construction and management activities underway in the area (motorways, hospital construction).

As regards the credit position that may be attributed to railway projects in Romania equal to about EUR 77,000 thousand, the Company, after its credit claim was upheld in arbitration, activated the process permitted by the legislation in force in order to collect the debt in a reasonably contained timeframe.

With reference to the credit exposure for the performance of railway works in Venezuela (EUR 248,910 thousand), it is pointed out that *(i)* the Venezuelan Government has officially, through the customer IFE, recognised the total amount of the receivables due, as well as *(ii)* the extension of the contractual times with regard to the works to build the San Juan De Los Morros – San Fernando De Apure and Chaguaramas – Cabruta sections (the so-called "Southern Lots"). These concluding behaviours are to seen as testimony to the national economic system's concrete will to meet its contractual obligations. This, then, is by virtue of the fact that the contracts were signed under the aegis of specific Framework Agreements – executed by the two States – that govern the mutual rights and obligations with respect to promoting investment in the respective territories in sectors of public importance, including the construction of railway sections in Venezuela.

It also turns out that at our country's institutional level as well, assessments are being initiated with regard to possible concrete interventions to be able to implement in support of the position of Italian enterprises operating in Venezuela.

Lastly, it is to be pointed out that the Venezuelan Government, also in view of the upcoming elections called for 2018, is said to be submitting an infrastructure development programme raising expectations of the reactivation of investment flows for the major public works in progress in the country.

34.2 Guarantees and securities

Personal guarantees

The total amount of the personal guarantees provided is EUR 3,936,234 thousand and refers to the following cases:

- sureties for opening credit facilities, to be used to ensure regular cash flow in relation to individual contracts, issued in favour of subsidiaries, joint ventures and associates and other investees, set up for this purpose pursuant to the relevant current laws for the amount of EUR 643,304 thousand of which EUR 10,152 thousand referring to joint ventures;
- sureties for works, issued in the Company's interest by banks and insurance companies in favour of customers for various purposes, on its own account and in the interest of subsidiaries, joint ventures, associates and other investees for the total amount of EUR 2,910,103 thousand, of which EUR 105,847 thousand referring to joint ventures;
- Other sureties issued for various purposes for a total of EUR 382,827 thousand of which EUR 9,564 thousand referring to joint ventures.

Third party sureties given to the Company

They refer to sureties of EUR 250,544 thousand issued by banks and insurance companies on behalf of Italian and foreign suppliers and subcontractors, in relation to contract obligations vis-à-vis the Company.

35 Disclosure on related party transactions and fees due to Directors, Statutory Auditors, General Managers and key management personnel

In accordance with IAS 24 as well as CONSOB communication no. 6064293 of 28 July 2006, Annex 1 to these Notes shows the totals of existing transactions and balances resulting from financial and commercial relations with related parties. In this regard, it is noted that the relevant transactions were carried out at market conditions. It should be pointed out that relations with consortia and consortium companies (special purpose vehicles), taking into account the specific segment the Company operates in, are to be related to receivables due from third parties – recognised under Trade Receivables (note 22) – not summarised in the annex regarding related party transactions.

Information regarding fees due to Directors, Statutory Auditors and General Managers is shown in the table below in accordance with the provisions of the Report on Remuneration as per Art. 123-ter of the Consolidated Finance Act.

Category	Fixed fees	Fees for committee meetings	Variable non-equity fees (bonuses and other incentives)	Non-monetary benefits	Other fees	Total	Fair Value of equity fees
Directors	3,630	43	1,100	37	14	**4,825**	330
Statutory Auditors	120	0	0	0	0	**120**	0
General Managers	1,835	0	0	38	35	**1,908**	660

36 Segment reporting

The operating segments subject to segment reporting were determined according to reporting used by senior management as an information set for their decisions. This reporting is specifically based on the various geographical segments where the Company operates, and it is determined by using the same accounting policies used to draw up the separate financial statements.

The following tables show the segment disclosure as per IFRS 8.

Note: This English translation is for reference purposes only. 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.

Reporting at 31/12/2016	Italy	Europe	America	Africa	Asia	Other activities	Adjustments and eliminations	**Total**
Revenue	511,485	1,161,798	403,126	144,498	1,100	711	(143,014)	**2,079,703**
Net gains on equity-accounted investees								**27,741**
Operating profit (loss)	14,553	155,821	45,921	9,636	(2,280)	2,054	24,177	**249,882**
Net financial expense								**(149,119)**
Pre-tax profit and non-controlling interests								**100,763**
Tax expense								**(27,447)**
Profit for the year								**73,316**
Assets and liabilities								
Segment assets	909,496	2,316,182	1,139,692	232,087	16,991	2,563,108	(2,572,065)	**4,605,490**
of which investments						688,710	(14,225)	**674,485**
Segment liabilities	(838,079)	(1,883,458)	(1,066,324)	(238,804)	(19,448)	(2,097,247)	2,229,238	**(3,914,122)**
Other segment reporting								
Property, plant and equipment	8,749	45,853	77,290	2,022	315	39,901	(3,205)	**170,925**
Intangible assets	47,118	347	73	0	0	3,761	0	**51,298**
Depreciation of property, plant and equipment	816	21,423	14,308	1,896	185	3,669	(4,469)	**37,829**
Provisions						1,467		**1,467**

Reporting at 31/12/2015 restated	Italy	Europe	America	Africa	Asia	Other activities	Adjustments and eliminations	**Total**
Revenue	450,039	1,214,753	387,317	121,963	(28)	517	(67,796)	**2,106,765**
Net gains on equity-accounted investees								**32,624**
Operating profit (loss)	23,327	148,045	46,460	17,721	(2,164)	(815)	15,875	**248,448**
Net financial expense								**(138,669)**
Pre-tax profit and non-controlling interests								**109,780**
Tax expense								**(32,288)**
Profit for the year								**77,491**
Assets and liabilities								
Segment assets	696,960	2,193,908	1,029,798	276,718	14,476	2,311,610	(2,316,631)	**4,206,839**
of which investments						575,097	19,630	**594,727**
Segment liabilities	(594,302)	(1,943,774)	(996,629)	(279,608)	(16,784)	(1,801,727)	2,053,517	**(3,579,308)**
Other segment reporting								
Property, plant and equipment	7,164	59,517	62,970	3,909	471	43,638	(5,978)	**171,692**
Intangible assets	19,750	373	25	0	0	846	0	**20,995**
Depreciation of property, plant and equipment	2,330	22,720	16,027	2,706	183	3,978	(1,538)	**46,406**
Provisions						20,015		**20,015**

37 Other information

Non-recurring significant events and transactions

The financial position and results of operations of Astaldi S.p.A. were not affected in the year 2016 by non-recurring significant events and transactions as defined in CONSOB Communication no. DEM/6064293.

Positions or transactions deriving from atypical or unusual transactions

In 2016, Astaldi did not undertake any atypical or unusual transactions as defined in CONSOB

Communication no. DEM/6064293.

37.1 Authorisation for publication

The publication of the Separate Financial Statements was authorised by the Parent's Board of Directors meeting of 14 March 2017.

On that occasion, the Board of Directors, taking into account that the amount of capital gains, net of the tax burden, derived from measurement with the equity method of the investments, is greater than the profit, decided also to submit the following to the upcoming Shareholders' Meeting on 21 April:

- Allocation of the entire profit for the financial year, equal to EUR 73,315,978, to the reserve unavailable for distribution pursuant to art. 6, subsection 2, of Legislative Decree no. 38/2005;
- Replenishment of this reserve unavailable for distribution pursuant to art. 6, subsection 2, of Legislative Decree no. 38/2005, for EUR 4,488,978, through the use of the available reserve derived from the change in accounting standards;
- Allocation to the extraordinary reserve of a portion of the reserve unavailable for distribution pursuant to art. 6 of Legislative Decree no. 38/2005, released during the financial year for EUR 2,012,336, after allocating to the legal reserve the 5% share equal to EUR 100,617.

At that same time, the Board of Directors also decided to submit to the Shareholders' Meeting the proposed distribution of a dividend, to be drawn from the extraordinary reserve, for a total of EUR 19,556,223 (EUR 0.20 for each share outstanding on that date), with ex-divided date on 15 May 2017, record date on 16 May 2017, and payment on 17 May 2017. It is specified that this amount was determined taking into account the division in proportion to outstanding shares of the dividend for 643,786 treasury shares held on hand.

37.2 Events after the reporting period

This first part of 2017 marked important steps forward for the asset disposal programme.

In February, Astaldi reached an agreement with MERIDIAM LATAM HOLDING, an infrastructure fund specialising in transport infrastructure and hospital operation, for its entry into the capital of SCMS, the concessionaire for the West Metropolitan Hospital in Santiago, Chile, with a 49% interest. The operation represents the first step in a transfer that calls for two stock transfer distinct operations to arrive at 100% at the end of the construction period, as provided for by local regulations. The concessionaire's governance rules will also be revisited at the end of the first tranche, to guarantee the fund the possibility of taking part in the definition of management policies. For its part, Astaldi maintains full ownership of the construction activities (currently in progress), as well as the right to the operation contract for O&M (*Operation and Maintenance*) activities through the subsidiary Sociedad Austral Manutenciones y Operaciones S.p.A. The financial effects of this transaction for ASTALDI involve deconsolidation of approximately EUR 100 million of non-recourse debt referable to the concessionaire SCMS and collection of EUR 10 million for the transferred interest, in line with the book value. The transaction is in keeping with the targets of ASTALDI's 2016-2020. Strategic Plan. The agreement in fact makes it possible to combine the operating capacity of the ASTALDI GROUP with the skills of a financial partner of international standing, thus fostering the consolidation of an activities growth model that leverages its ability to attract and enhance strategic partnerships on a global level.

In March 2017, ASTALDI signed an agreement for the transfer of its interest in the concessionaire of the Chacayes hydroelectric plant to PACIFIC HYDRO CHILE, already the owner of the remaining 72.7% and Chilean subsidiary of the Chinese group SPIC OVERSEAS. The interest sold by ASTALDI GROUP, equal to 27.3%, was valued at USD 44 million, including the subordinated loan. The agreement provides for the closing of the transaction by 31 March 2017, at the end of the planned authorisation process.

Moreover, in March 2017, ASTALDI in a consortium, was awarded the contract for the first lot of the Naples-Bari high-speed railway (Naples-Cancello section), valued at EUR 397 million (ASTALDI's interest: 40%). The design, commissioned by ITALFERR S.p.A. and to be completed before the end of 2022, involves the first section of the Naples-Bari main line, and is strategic in the overall reorganisation of the entire railway line. The work, in the section between Naples and Cancello, will allow the line's tracks to be brought to the service of the new Naples-Afragola station, which in the future will become the station for the interchange between regional and High-Speed services, thus increasing the overall accessibility to railway transport in the Naples node. Also planned is the building of the new Acerra station, and of two underground stops, Casalnuovo and Centro Commerciale. The route will extend for about 15.5 km in the territories of Casoria, Casalnuovo, Afragola, Caivano, and Acerra. The upgrade and development of the Naples-Bari itinerary, which is part of the Scandinavian-Mediterranean Corridor 5 in the Trans European Network (TEN), has the objective of improving the competitiveness of rail transport and the south-eastern railway network's integration with the High-Speed/High-Capacity system, as well as to increase the share of freight transport by rail. The contract is expected to be signed after verification of the prerequisites for taking part in the tender, as provided for by the award process

On the operative front, in March two additional sections of the Gebze-Orhangazi-Izmir motorway in Turkey were inaugurated, regarding Phase 2-B and Phase 2-A; the operations activity is thus beginning. In Italy, also in March, at the Via Cardinale Mezzofanti work site of Line 4 of the Milan Underground, TBM excavations towards central Milan began.

37.3 Fees payable to the independent auditors KPMG and their network pursuant to Art. 149-*duodecies* of the Issuer Regulation

There follow the fees payable in the year 2016 to KPMG on the basis of their audit engagement for the financial years 2011-2019, assigned by shareholders' resolution dated 18 April 2011:

Type	2016
A) Auditing services (*)	**585**
B) Attestation services (**)	**206**
C) Other services	**356**
Total fees	**1,147**

(*) Including expenses and CONSOB fees	
(**) of which	
1) For fees regarding limited verification procedures connected with observing certain covenants present in the context of the bond issue	21
2) For fees for activities regarding agreed-upon procedures, signing of tax declarations, and other attestation activities	185

Filippo Stinellis	**Paolo Citterio**
Chief Executive Officer	***Manager in charge of financial reporting***

Annexes to the Separate Financial Statements

ANNEX 1 – RELATED PARTIES (*Translation from the Italian original, which remains the definitive version*)

Group companies	Non-current financial assets	Amounts due from customers	Trade receivables	Current financial assets	Other current assets	AFS assets	Non-current financial liabilities	Amounts due to customers	Trade payables	Current financial liabilities	Other current liabilities	Revenue	Other operating revenue	Service costs	Other operating costs	Other financial income	Interest and other financial charges
3E System S.r.l.	0	0	0	0	1	0	0	0	0	0	0	0	1	0	0	0	0
Afragola FS s.c.r.l.	0	0	0	0	2,075	0	0	0	21,766	0	46	0	745	30,813	0	130	0
Ankara etlik Hastane A.S.	1,966	0	0	0	953	0	0	78,591	0	0	0	55,968	20	0	0	84	0
AR.GI S.c.p.A.	0	0	54,769	0	3,070	0	0	0	64,982	0	0	0	148	3,655	0	3	0
AS. M. S.c.r.l.	0	0	0	0	415	0	0	0	0	0	0	0	52	1,822	0	0	0
Astaldi - UTI - Romairport JV	0	0	12	0	233	0	0	0	0	0	4	0	0	0	0	0	0
Astaldi Algerie - E.u.r.l.	36	0	0	0	746	0	0	0	765	0	0	0	0	496	0	1	0
Astaldi Arabia Ltd.	1,232	0	0	0	4,267	0	45	0	4,084	0	426	0	19	0	0	46	0
Astaldi Bayindir J.V.	0	0	0	0	6,138	0	0	0	598	0	0	0	0	0	0	0	0
Astaldi Bulgaria LTD	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0
Astaldi Canada Enterprises Inc.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Astaldi Canada Inc.	0	0	0	19,971	8,968	0	0	0	0	0	0	0	390	2	5	5,817	0
Astaldi Concessioni S.p.A.	0	0	0	159,801	23,141	0	0	0	3,353	91,204	0	0	1,033	21	122	7,794	1,121
Astaldi Construction Corporation	0	0	0	475	2,653	0	0	0	817	0	818	0	319	399	6	0	237
Astaldi de Venezuela C.A.	0	0	0	0	32	0	141	0	2,003	0	50	0	0	112	0	0	13
Astaldi International Inc.	0	0	0	0	0	0	0	0	387	0	0	0	0	0	0	0	0
Astaldi International Ltd.	0	0	0	0	11	0	0	0	2,778	0	0	0	0	0	0	0	0
Astaldi Polska Sp. z o.o.	0	0	0	0	152	0	0	0	534	0	3	0	173	1,207	0	0	0
Astaldi-Max Bogl-CCCF JV S.r.l.	447	0	0	0	5,126	0	0	0	1,858	0	459	0	0	0	0	0	0
Astalnica S.A.	0	0	0	0	10	0	0	0	0	0	0	0	0	0	0	0	0
ASTALROM S.A.	0	0	0	0	14,892	0	0	0	11,715	0	1,401	0	141	3,957	0	0	0
Astur Construction and Trade A.S.	0	0	0	0	5,022	0	0	0	17,700	0	0	0	208	30,973	0	0	0
Autostrada Nogara Mare Adriatico S.c.p.a. in liquidation	0	0	0	0	0	0	0	0	9	0	0	0	0	19	0	0	0
Avola S.c.r.l. in liquidation	84	0	0	0	841	0	0	0	162	0	0	0	12	0	0	0	0
Avrasya Metro Grubu Srl in liquidation	0	0	0	0	112	0	0	0	37	0	0	0	1	52	0	0	0
Blufi 1 S.c.rl. In liquidation	0	0	0	0	48	0	0	0	0	0	0	0	0	0	0	0	0
BTC SCARL	0	0	0	0	5,839	0	0	0	365	0	0	0	1,381	2,104	0	4,341	0
Bussentina S.c.r.l. in liquidation	279	0	0	0	294	0	0	0	176	0	0	0	0	0	0	0	0
C.F.M. S.c.r.l. in liquidation	0	0	0	0	108	0	0	0	5	0	0	0	0	0	0	5	0
C.O.MES. In liquidation S.C.r.l.	0	0	0	0	1,083	0	0	0	0	0	0	0	0	1	0	0	0
Cachapoal Inversiones Limitada	0	0	0	0	2,245	0	0	0	0	0	460	0	0	0	0	79	0
Capodichino AS.M S.c.r.l.	0	0	0	0	1,308	0	0	0	3,062	0	0	0	642	4,576	0	0	0

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CO.ME.NA. S.c.r.l. in liquidation	0	0	0	0	129	0	0	0	1	0	0	0	0	0	0	0	0
CO.MERI S.p.A.	0	7,325	0	0	15	0	0	0	2,955	0	0	-2,565	0	0	0	8	0
Colli Albani S.c.r.l. in liquidation	10	0	0	0	819	0	0	0	343	0	0	0	0	0	0	0	0
Consorcio Astaldi-ICE	0	0	0	0	416	0	0	0	0	0	0	0	0	0	0	0	0
Consorcio Contuy Medio	0	0	0	0	0	0	0	0	1	0	191	0	0	0	0	0	0
Consorcio Grupo Contuy - Proyectos y Obras de Ferrocarriles	0	0	0	0	4,278	0	0	0	1,402	0	0	0	92	1,041	0	0	0
Consorcio Rio Pallca	0	0	0	0	39	0	0	0	0	0	0	0	0	-1	0	0	0
Consorzio A.F.T. in liquidation	375	0	0	0	467	0	0	0	15	0	226	0	0	1	0	0	0
Consorzio A.F.T. Kramis	578	0	0	0	5,099	0	0	0	246	0	0	0	0	25	0	37	0
Consorzio Consarno	127	0	0	0	70	0	0	0	109	0	0	0	0	22	0	0	0
Consorzio Consavia S.c.n.c. in liquidation	0	0	0	0	5	0	0	0	0	0	2	0	0	0	0	0	0
Consorzio Dipenta S.p.A. - Ugo Vitolo in liquidation	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0
C.E.A.A.V.	90	0	0	0	0	0	0	0	43	0	0	0	0	0	0	0	0
Consorzio Ferrofir in liquidation	0	0	0	0	0	0	0	0	402	0	0	0	0	94	0	0	0
Consorzio Gi.It. in liquidation	0	0	0	0	0	0	0	0	220	0	0	0	0	0	0	0	0
Consorzio Iricav Due	0	0	0	0	358	0	0	0	16,389	0	0	0	653	2,259	0	0	8
Consorzio Iricav Uno	0	0	0	0	956	0	0	0	955	0	0	0	222	251	0	0	0
Consorzio Ital.Co.Cer.	0	0	0	0	39	0	0	0	441	0	0	0	0	0	0	0	0
Consorzio Italvenezia	0	0	0	0	0	0	0	0	156	0	0	0	0	26	0	0	0
Consorzio MM4	311	19,891	0	0	6	0	0	0	511	0	0	52,572	34	1,009	1	0	0
Consorzio Novocen in liquidation	0	0	0	0	20	0	0	0	6	0	0	0	23	6	0	0	0
Consorzio Pedelombarda 2	0	0	199	0	0	0	0	0	121	0	0	0	0	5	0	244	0
Consorzio Qalat	0	0	0	0	0	0	0	0	91	0	0	0	0	0	0	0	0
Consorzio Stabile Busi	0	0	0	0	6	0	0	0	13,287	0	0	0	5	19,595	0	0	0
Consorzio Stabile Operae	12,500	0	931	0	7	0	0	0	48,725	0	0	0	0	14,120	0	0	0
Constructora Astaldi Cachapoal Limitada	6,994	0	0	0	19,819	0	0	0	2,798	0	3,877	0	0	0	0	374	0
Diga di Blufi S.c.r.l. in liquidation	0	0	6,199	0	638	0	0	0	5,438	0	28	0	0	2	0	2	0
Dirpa 2 S.c.ar.l.	0	0	45,736	0	86	0	0	0	1,138	0	0	0	92	63	0	0	0
Ecosarno S.c.r.l. in liquidation	0	0	0	0	0	0	0	0	615	0	0	0	0	604	0	0	0
Etlik Hastane PA S.r.l.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FINAST	0	0	0	0	3	0	6,500	0	0	0	0	0	12	0	0	0	293

ANNEX 1 – RELATED PARTIES (*Translation from the Italian original, which remains the definitive version*)

Group companies	Non-current financial assets	Amounts due from customers	Trade receivables	Current financial assets	Other current assets	AFS assets	Non-current financial liabilities	Amounts due to customers	Trade payables	Current financial liabilities	Other current liabilities	Revenue	Other operating revenue	Service costs	Other operating costs	Other financial income	Interest and other financial charges
FINETUPAR	0	0	0	0	0	0	6,500	0	0	0	0	0	0	0	0	0	293
Forum S.c.r.l. in liquidation	0	0	0	0	1,031	0	0	0	1,009	0	0	0	0	1	0	0	0
Fosso Canna S.c.r.l. in liquidation	210	0	0	0	254	0	0	0	78	0	0	0	0	0	0	0	0
Garbi Linea 5 S.c.a.r.l.	0	0	0	0	6,789	0	0	0	7,109	0	0	0	51	439	0	77	0
GE. SAT S.c.a. r.l.	0	0	14,331	0	4	0	0	0	14,169	0	0	15,582	1	12,650	0	0	0
GEI - Grupo Empresas Italianas	0	0	0	0	494	0	0	0	0	0	17	0	0	128	0	0	0
Grand Capital Ring	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Groupement Eurolep	0	0	0	0	0	0	0	0	0	0	26	0	0	0	0	0	0
Ic Içtaş Astaldi Ica Inşaat A.S.	0	22,373	25,820	0	7,866	0	1,062	78,258	0	0	0	128,390	7,920	0	0	0	14
ICA Ictas Astaldi Ucuncu Bogaz Koprusu Ve Kuzey Marmara Otoyolu Yatirim Ve Isletme Anonim Sirketi	188,219	145,586	0	0	11	0	0	6,162	0	0	0	351,552	0	0	0	7,408	0
Infraflegrea Progetto S.p.A.	0	0	1,559	0	1,135	0	0	0	62	0	0	1,559	183	0	0	0	62
Infraflegrea S.c.r.l. in liquid.	0	0	0	0	532	0	0	0	520	0	0	0	0	1	0	0	0
Inversiones Assimco Limitada	0	0	0	0	409	0	0	0	0	0	0	0	0	0	0	193	0
Italstrade CCCF JV Romis S.r.l.	0	0	0	0	342	0	0	0	164	0	0	0	6	0	0	0	0
Italstrade IS S.r.l.	0	0	0	4,852	204	0	0	0	7	0	31	0	23	0	0	176	0
Kopalnia Kruszywa S5 Sp. z o.o.	0	0	0	0	31	0	0	0	0	0	0	0	37	0	0	0	0
M.N. Metropolitana di Napoli S.p.A.	0	0	0	0	6	0	0	0	598	0	0	0	0	0	0	0	4
Messina Stadio S.c.r.l. in liq.	2,470	0	0	0	1,492	0	0	0	3,681	0	25	0	0	4	0	2	0
Metro Brescia S.r.l.	0	0	0	0	64	0	0	0	32	0	0	0	9	0	0	0	0
Metro 5 S.p.A.	1,764	0	0	0	750	33,522	0	954	280	0	0	4,338	476	190	18	2,000	0
METRO C S.c.p.a.	0	0	0	0	3,193	0	0	0	5,732	0	0	0	906	19,442	16	0	0
Metrogenova S.c.r.l.	0	0	0	0	246	0	0	0	235	0	4	0	23	518	0	0	0
Mondial Milas - Bodrum	0	0	0	0	47	0	0	0	53	0	13	0	2	0	0	0	0
Mormanno S.c.r.l. in liquid.	34	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0
Mose Bocca di Chioggia scrl	0	0	0	0	39	0	0	0	0	0	0	0	57	956	0	0	0
Mose-Treporti S.c.r.l.	0	0	0	0	546	0	0	0	1,667	0	0	0	190	1,863	0	0	0
N.P.F. S.c.r.l. in liquidation	0	0	0	0	180	0	0	0	0	0	0	0	0	159	0	0	0
nBI Elektrik	0	0	0	0	92	0	0	0	2,789	0	0	0	68	2,765	0	0	0
nBI S.p.A.	2,260	0	0	0	7,172	0	0	0	10,104	0	0	0	784	19,901	0	26	0
Nova Metro S.c.r.l. in	0	0	0	0	0	0	0	0	38	0	0	0	0	0	0	0	0

ANNEX 1 – RELATED PARTIES (*Translation from the Italian original, which remains the definitive version*)

Group companies	Non-current financial assets	Amounts due from customers	Trade receivables	Current financial assets	Other current assets	AFS assets	Non-current financial liabilities	Amounts due to customers	Trade payables	Current financial liabilities	Other current liabilities	Revenue	Other operating revenue	Service costs	Other operating costs	Other financial income	Interest and other financial charges
liquidation																	
Ospedale del Mare S.C.r.l. in liq	0	0	0	0	331	0	0	0	2,276	0	0	0	0	1	0	0	0
Otoyol Isletime Ve Bakim AS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Otoyol Yatirim Ve Isletme A.S.	22,714	35,255	0	0	111	0	0	1,712	0	0	0	109,935	23	0	0	1,641	0
Pacific Hydro Chacayes	0	0	0	0	35	0	0	0	0	0	0	0	0	0	0	0	0
Partenopea Finanza di Progetto S.c.p.A.	0	0	76,169	0	1,837	0	0	0	86,182	0	0	0	73	19,043	0	0	0
Passante Dorico S.p.A.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pedelombarda S.c.p.A.	0	0	290	0	171	0	0	0	309	0	0	0	75	2,013	0	0	0
Pegaso S.c.r.l. in liquidation	0	0	0	0	745	0	0	0	0	0	0	0	35	336	0	0	0
Piana di Licata S.c.r.l. in liq.	312	0	0	0	259	0	0	0	139	0	0	0	0	0	0	0	0
Pont Ventoux S.c.r.l. in liq.	0	0	0	0	1,064	0	0	0	762	0	0	0	0	34	0	0	0
Portovesme S.c.r.l. in liq.	0	0	0	0	253	0	0	0	5	0	0	0	0	1	0	0	0
Principe Amedeo S.c.r.l. in liq.	0	0	0	0	253	0	0	0	256	0	0	0	0	0	0	0	0
Progetto Nuraghe S.c.r.l.	0	0	0	0	2,247	0	0	0	0	0	0	0	853	898	0	0	0
Redo-Association Momentanée	0	0	0	0	0	0	0	0	569	0	0	0	0	0	0	0	0
Romairport S.r.l.	0	0	0	0	11,409	0	0	0	2,978	0	49	0	111	105	0	0	0
S. Filippo S.c.r.l. in liquidation	0	0	0	0	1,008	0	0	0	89	0	0	0	0	0	2	0	0
S. Leonardo S.c.r.l. in liq.	27	0	0	0	2,630	0	0	0	698	0	0	0	0	0	0	0	0
S.E.I.S. S.p.A.	4,580	0	0	0	41	0	0	0	0	0	0	0	3	0	0	81	0
S.P.T. S.C.r.l.	0	0	0	0	2,359	0	0	0	15	0	0	0	3	794	0	0	0
SA.T. S.p.A.	0	6,824	19	0	4	7,182	0	0	155	0	0	1,101	179	0	0	375	0
Sartori Tecnologie Industriali S.r.l.	0	0	0	0	1,330	0	0	0	474	0	15	0	7	583	0	0	0
Scuola Carabinieri S.C.r.l.	0	0	0	0	3,911	0	0	0	3,012	0	55	0	824	2,354	0	8	0
Seac S.p.a.r.l. in Liquidation	4,650	0	0	0	5,684	0	78	0	0	0	0	0	0	0	0	219	0
Sirjo Scpa	0	0	0	0	3,077	0	0	0	16,635	0	6	0	125	2,002	0	0	0
SOC 24, Russia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sociedad Concesionaria Metropolitana de Salud s.a.	0	0	2,808	0	3,421	0	0	8,675	0	0	0	47,317	5	0	0	0	0
SP M4 S.C.p.A in liquidation	456	0	0	0	0	0	0	0	0	0	0	0	0	56	0	0	0
Susa Dora Quattro S.c.r.l. in liq.	0	0	0	0	73	0	0	0	204	0	0	0	70	0	0	0	0
T.E.Q. Construction Enterprise Inc.	0	0	0	0	10	0	0	0	0	0	0	0	10	0	0	0	0

ANNEX 1 – RELATED PARTIES (*Translation from the Italian original, which remains the definitive version*)

Group companies	Non-current financial assets	Amounts due from customers	Trade receivables	Current financial assets	Other current assets	AFS assets	Non-current financial liabilities	Amounts due to customers	Trade payables	Current financial liabilities	Other current liabilities	Revenue	Other operating revenue	Service costs	Other operating costs	Other financial income	Interest and other financial charges
Tangenziale Seconda S.c.r.l. in liquidation	0	0	0	0	87	0	0	0	21	0	0	0	0	1	0	1	0
Toledo S.c.r.l. in liquidation	0	0	0	0	1,465	0	0	0	202	0	0	0	37	103	0	0	0
Valle Aconcagua S.A.	0	0	4,873	0	87	0	0	0	0	0	73	0	313	0	0	0	0
VCGP - Astaldi Ingenieria y Construccion Limitada	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
V.S.F.P. S.p.A.	2,122	0	0	0	48	0	0	0	1	0	0	0	89	0	0	130	0
Total	**254,844**	**237,254**	**233,716**	**185,099**	**199,942**	**40,703**	**14,325**	**174,352**	**396,875**	**91,204**	**8,307**	**765,748**	**19,989**	**206,672**	**169**	**31,305**	**2,044**
Percentage of incidence of transactions	**99.47%**	**17.57%**	**29.75%**	**88.51%**	**49.10%**	**52.35%**	**0.97%**	**42.79%**	**33.87%**	**15.97%**	**6.36%**	**36.82%**	**14.23%**	**16.58%**	**0.51%**	**31.53%**	**0.82%**

ANNEX 2 – LIST OF INVESTMENTS (*Translation from the Italian original, which remains the definitive version*)

Companies	Registered Office	Share capital nominal amount	Func. currency	%	Direct %	Indirect %	Entities with indirect investments	Carrying amount (*) (a)	Provision for risks (*) (b)	Equity share (*) (c)	change (a)+(b)-(c)
Subsidiaries											
3E System S.r.l.	Bologna	10,000	EUR	100.00%	0.00%	100.00%	nBI Spa	-	-	-	-
Afragola FS Società consortile a Responsabilità Limitata	Rome	10,000	EUR	100.00%	82.54%	17.46%	nBI Spa	8	0	8	0
AR.GI S.c.p.A.	Rome	35,000,000	EUR	99.99%	99.99%	0.00%		14,023	0	14,023	0
AS. M. S.c.r.l.	Naples	10,000	EUR	75.91%	75.91%	0.00%		8	0	8	0
Asocierii Astaldi SpA, Sc Somet sa, sc Tiab sa, sc Uti grup sa	Bucharest (Romania)	0	EUR	40.00%	40.00%	0.00%		0	0	0	0
Astaldi Algerie - E.u.r.l.	Algiers (Algeria)	54,979,619	DZD	100.00%	100.00%	0.00%		1,362	0	1,362	(0)
Astaldi Arabia Ltd.	Riyadh (UAE)	SAR 5,000,000	USD	100.00%	60.00%	40.00%	Astaldi International Ltd.	0	(1,148)	(1,148)	0
Astaldi Bulgaria LTD	Sofia (Bulgaria)	5,000	BGN	100.00%	100.00%	0.00%		2	0	2	0
Astaldi Canada Design & Construcion Inc.	Montreal (Canada)	100	CAD	100.00%	0.00%	100.00%	Astaldi Canada Enterprises Inc.	-	-	-	-
Astaldi Canada Enterprises Inc.	Montreal (Canada)	100	CAD	100.00%	100.00%	0.00%		0	0	(38)	38
Astaldi Canada Inc.	Montreal (Canada)	50,020,000	CAD	100.00%	100.00%	0.00%		20,597	0	20,597	0
Astaldi Concessioni S.p.A.	Rome	83,000,000	EUR	100.00%	100.00%	0.00%		39,301	0	39,301	0
Astaldi Construction Corporation	Florida (USA)	6,000,000	USD	100.00%	100.00%	0.00%		9,521	0	9,521	0
Astaldi de Venezuela C.A.	Caracas	VEF 110,300	EUR	99.80%	99.80%	0.00%		3,435	0	3,435	0
Astaldi International Inc.	Monrovia	USD 3,000,000	EUR	100.00%	100.00%	0.00%		1,586	0	1,586	0
Astaldi International Ltd.	London (UK)	2,000,000	GBP	100.00%	100.00%	0.00%		2,808	0	2,808	0
Astaldi Polska Sp. z o.o.	Warsaw (Poland)	120,000	PLN	100.00%	100.00%	0.00%		176	0	176	(0)
Astaldi-Max Bogl-CCCF JV S.r.l.	Bucharest (Romania)	RON 40,000	EUR	66.00%	66.00%	0.00%		0	(810)	(809)	(0)
Astalnica S.A.	Managua (Nicaragua)	2,000,000	NIO	98.00%	98.00%	0.00%		(24)	0	(24)	0
ASTALROM S.A.	Calarasi (Romania)	3,809,898	RON	99.68%	99.68%	0.00%		4,122	0	4,122	0
Astur Construction and Trade A.S.	Istanbul (Turkey)	TRY 35,500,000	USD	100.00%	100.00%	0.00%		14,524	0	14,524	(0)
Bielle Impianti S.c.r.l.	Bologna	100,000	EUR	75.00%	0.00%	75.00%	nBI Spa	-	-	-	-
Bussentina S.c.r.l. in liquidation	Rome	25,500	EUR	78.90%	78.90%	0.00%		0	(256)	(256)	(0)
C.O.MES. In liquidation S.C.r.l.	Rome	20,000	EUR	55.00%	55.00%	0.00%		11	0	11	(0)
Cachapoal Inversiones Limitada	Santiago (Chile)	37,234,761	USD	100.00%	0.00%	100.00%	Inversiones Assimco Limitada	-	-	-	-
Capodichino AS.M S.c.r.l	Naples	10,000	EUR	66.83%	66.83%	0.00%		7	0	7	0
CO.ME.NA. S.c.r.l. in liquidation	Naples	20,658	EUR	70.43%	70.43%	0.00%		15	0	15	0
CO.MERI S.p.A.	Rome	35,000,000	EUR	99.99%	99.99%	0.00%		10,078	0	10,078	0

(*) Values are expressed only for that which is under the direct responsibility of Astaldi S.p.A.

ANNEX 2 – LIST OF INVESTMENTS (*Translation from the Italian original, which remains the definitive version*)

Companies	Registered Office	Share capital nominal amount	Func. currency	%	Direct %	Indirect %	Entities with indirect investments	Carrying amount (*)	Provision for risks (*)	Equity share (*)	change
								(a)	(b)	(c)	(a)+(b)-(c)
CO.VA S.c.r.l.	Bologna	10,000	EUR	60.00%	0.00%	60.00%	nBI Spa	-	-	-	-
Consorcio Rio Pallca	Lima (Peru)	0	USD	60.00%	60.00%	0.00%		157	0	157	0
Consorzio Stabile Busi	Bologna	100,000	EUR	95.00%	0.00%	95.00%	NBI - 3E System	-	-	-	-
Consorzio Stabile Operae	Rome	500,000	EUR	99.00%	98.00%	1.00%	Sartori Tecnologie Industriali	270	0	274	(4)
Constructora Astaldi Cachapoal Limitada	Santiago (Chile)	10,000,000	CLP	99.90%	99.90%	0.00%		0	(19,929)	(19,929)	0
DEAS scrl	Bologna	10,000	EUR	57.00%	0.00%	57.00%	NBI	-	-	-	-
Dirpa 2 S.c.ar.l.	Rome	50,009,998	EUR	99.00%	0.00%	99.99%	Consorzio Stabile Operae	-	-	-	-
Forum S.c.r.l. in liquidation	Rome	51,000	EUR	79.98%	79.98%	0.00%		41	0	41	0
Garbi Linea 5 S.c.a.r.l.	Rome	10,000	EUR	100.00%	100.00%	0.00%		10	0	10	0
Infraflegrea Progetto S.p.A.	Naples	500,000	EUR	51.00%	51.00%	0.00%		1,605	0	1,605	(0)
Inversiones Assimco Limitada	Santiago (Chile)	40,633,000	USD	100.00%	0.00%	100.00%	Astaldi Concessioni S.p.A.	-	-	-	-
Italstrade CCCF JV Romis S.r.l.	Bucharest (Romania)	RON 540,000	EUR	51.00%	51.00%	0.00%		264	0	264	0
Italstrade IS S.r.l.	Rome	16,515,578	EUR	100.00%	100.00%	0.00%		15,983	0	15,983	0
Kopalnia Kruszywa S5 Sp. z o.o.	Wroclaw (Poland)	5,000	PLN	100.00%	0.00%	100.00%	Astaldi Polska Sp. z o.o.	-	-	-	-
Messina Stadio S.c.r.l. in liquidation	Milan	45,900	EUR	100.00%	100.00%	0.00%		46	0	46	0
Mondial Milas - Bodrum	Istanbul (Turkey)	TRY 37,518,000	EUR	100.00%	0.00%	100.00%	Astaldi Concessioni S.p.A.	-	-	-	-
Mormanno S.c.r.l. in liquidation	Rome	10,200	EUR	74.99%	74.99%	0.00%		0	(24)	(24)	(0)
nBI Elektrik	Istanbul (Turkey)	200,000	TRY	100.00%	0.00%	100.00%	NNI - Astur Construction & Trade	-	-	-	-
nBI S.p.A.	Rome	7,500,000	EUR	100.00%	100.00%	0.00%		13,989	0	13,990	(1)
Ospedale del Mare S.C.r.l. in liquidation	Rome	50,000	EUR	100.00%	100.00%	0.00%		50	0	50	0
Partenopea Finanza di Progetto S.c.p.A.	Naples	9,300,000	EUR	99.99%	99.99%	0.00%		9,388	0	9,388	(0)
Portovesme S.c.r.l. in liquidation	Milan	25,500	EUR	99.98%	99.98%	0.00%		26	0	26	0
Redo-Association Momentanée	Kinshasa (Congo)	CDF 0,5	EUR	100.00%	75.00%	25.00%	Astaldi International Ltd.	678	0	678	0
Romairport S.p.A.	Rome	500,000	EUR	99.26%	99.26%	0.00%		583	0	570	14
S. Filippo S.c.r.l. in liquidation	Rome	10,200	EUR	80.00%	80.00%	0.00%		0	(35)	(35)	(0)
S.P.T. - Società Passante Torino S.C.r.l.	Rome	50,000	EUR	74.00%	74.00%	0.00%		37	0	37	0
Sartori Tecnologie Industriali S.r.l.	Brindisi	500,000	EUR	100.00%	0.00%	100.00%	NBI	-	-	-	-
Scuola Carabinieri S.C.r.l.	Rome	50,000	EUR	61.40%	61.40%	0.00%		31	0	31	0
Seac S.p.a.r.l. in Liquidation	Kinshasa (Congo)	CDF 400	EUR	100.00%	100.00%	0.00%		0	(10,263)	(10,263)	0
Sirjo Scpa	Rome	30,000,000	EUR	60.00%	60.00%	0.00%		4,500	0	4,500	0
Sociedad Austral Mantenciones y Operaciones S.p.A.	Santiago (Chile)	1,000,000	CLP	100.00%	0.00%	100.00%	Astaldi Concessioni S.p.A. 75% - NBI 25%	-	-	-	-
Sociedad Concesionaria Aguas de Punilla S.A.	Santiago (Chile)	40,000,000,000	CLP	99.998%	0.00%	99.998%	Astaldi Concessioni S.p.A.	-	-	-	-

ANNEX 2 – LIST OF INVESTMENTS (*Translation from the Italian original, which remains the definitive version*)

Companies	Registered Office	Share capital nominal amount	Func. currency	%	Direct %	Indirect %	Entities with indirect investments	Carrying amount (*)	Provision for risks (*)	Equity share (*)	change
								(a)	(b)	(c)	(a)+(b)-(c)
Sociedad Concesionaria Metropolitana de Salud s.a.	Santiago (Chile)	15,000,000,000	CLP	100.00%	0.00%	100.00%	Astaldi Concessioni S.p.A. 99% - NBI 1%	-	-	-	-
Susa Dora Quattro S.c.r.l. in liquidation	Rome	51,000	EUR	90.00%	90.00%	0.00%		46	0	46	(0)
T.E.Q. Construction Enterprise Inc.	Montreal (Canada)	11,080,515	CAD	100.00%	0.00%	100.00%	Astaldi Canada Inc.	-	-	-	-
Tione 2008 Scrl in liquidation	Bologna	100,000	EUR	76.00%	0.00%	80.00%	Consorzio Stabile Busi	-	-	-	-
Toledo S.c.r.l. in liquidation	Naples	50,000	EUR	90.39%	90.39%	0.00%		45	0	45	0
Valle Aconcagua S.A.	Santiago (Chile)	15,002,991,411	CLP	80.06%	0.00%	80.06%	Astaldi Concessioni S.p.A.	-	-	-	-
Total Subsidiaries								**169,310**	**(32,464)**	**136,800**	**47**

Joint Ventures

Companies	Registered Office	Share capital nominal amount	Func. currency	%	Direct %	Indirect %	Entities with indirect investments	Carrying amount (*)	Provision for risks (*)	Equity share (*)	change
Ankara etlik Hastane A.S.	Ankara (Turkey)	TRY 130,820,000	EUR	51.00%	5.00%	46.00%	Astaldi Concessioni S.p.A.	0	0	(46)	46
Ankara Etlik Hastane Isletme Ve Bakim Anonim Sirketi	Ankara (Turkey)	50,000	TRY	51.00%	0.00%	51.00%	Astaldi Concessioni S.p.A.	-	-	-	-
Astaldi Bayindir J.V.	Ankara (Turkey)	0	EUR	50.00%	50.00%	0.00%		0	0	0	0
Avola S.c.r.l. in liquidation	Milan	10,200	EUR	50.00%	50.00%	0.00%		0	(108)	(108)	0
Avrasya Metro Grubu Srl in liquidation	Agliana (PT)	10,000	EUR	42.00%	42.00%	0.00%		0	(383)	(383)	0
C.F.M. S.c.r.l. in liquidation	Naples	40,800	EUR	50.00%	50.00%	0.00%		21	0	21	(0)
Colli Albani S.c.r.l. in liquidation	Rome	25,500	EUR	60.00%	60.00%	0.00%		0	(8)	(8)	0
Consorzio A.F.T. Kramis	Rome	100,000	EUR	50.00%	50.00%	0.00%		0	(15)	(15)	0
Consorzio Dipenta S.p.A. - Ugo Vitolo in liquidation	Naples	2,582	EUR	50.00%	50.00%	0.00%		0	0	0	0
Consorzio Ferrofir in liquidation	Rome	30,987	EUR	66.67%	66.67%	0.00%		357	0	357	0
Consorzio Gi.It. in liquidation	Naples	2,582	EUR	50.00%	50.00%	0.00%		1	0	1	0
Etlik Hastane PA S.r.l.	Rome	110,000	EUR	51.00%	51.00%	0.00%		54	0	54	0
Grand Capital Ring	Moscow (Russia)	400,000	RUB	25.10%	25.10%	0.00%		1	(2)	(1)	0
Ic Içtaş Astaldi Ica Inşaat A.S.	Ankara (Turkey)	TRY 50,000	RUB	50.00%	50.00%	0.00%		466	0	466	0
Infraflegrea S.c.r.l. in liquidation	Naples	46,600	EUR	50.00%	50.00%	0.00%		23	0	15	8
Piana di Licata S.c.r.l. in liquidation	Milan	10,200	EUR	43.75%	43.75%	0.00%		(0)	(154)	(154)	0
Pont Ventoux S.c.r.l. in liquidation	Rome	51,000	EUR	56.25%	56.25%	0.00%		29	0	29	0
Principe Amedeo S.c.r.l. in liquidation	Rome	10,200	EUR	50.00%	50.00%	0.00%		0	33	34	0
S. Leonardo S.c.r.l. in liquidation	Rome	10,200	EUR	51.00%	51.00%	0.00%		0	(50)	(50)	0
SOC 24, Russia	Moscow (Russia)	400,000	RUB	25.10%	25.10%	0.00%		1	(2)	(0)	0
VCGP - Astaldi Ingenieria y Construccion Limitada	Santiago (Chile)	66,000,000	CLP	50.00%	50.00%	0.00%		47	0	47	(0)
Total Joint Ventures								**1,000**	**(688)**	**257**	**55**

ANNEX 2 – LIST OF INVESTMENTS (*Translation from the Italian original, which remains the definitive version*)

Companies	Registered Office	Share capital nominal amount	Func. currency	%	Direct %	Indirect %	Entities with indirect investments	Carrying amount (*) (a)	Provision for risks (*) (b)	Equity share (*) (c)	change (a)+(b)-(c)
Associates											
Association en participation SEP Astaldi-Somatra-Bredero	Tunisia	0	TND	40.00%	40.00%	0.00%		0	0	0	0
Autostrada Nogara Mare Adriatico S.c.p.a. in liquidation	Verona	120,000	EUR	23.00%	10.00%	13.00%	Astaldi Concessioni S.p.A.	12	0	12	0
Blufi 1 S.c.rl. In liquidation	Agrigento	25,823	EUR	32.00%	32.00%	0.00%		0	(23)	(23)	0
BTC SCARL	Rome	100,000	EUR	42.51%	42.51%	0.00%		43	0	43	0
Consorcio Astaldi-ICE	Cochabamba (Bolivia)	0	EUR	50.00%	50.00%	0.00%		0	0	0	0
Consorcio Contuy Medio	Caracas (Venezuela)	40,000	VEF	28.30%	28.30%	0.00%		0	0	0	0
Consorcio Grupo Contuy - Proyectos y Obras de Ferrocarriles	Caracas (Venezuela)	0	EUR	32.33%	32.33%	0.00%		0	0	0	0
Consorzio A.F.T. in liquidation	Rome	46,481	EUR	33.33%	33.33%	0.00%		15	0	15	0
Consorzio Consarno	Castellammare di Stabia (NA)	20,658	EUR	25.00%	25.00%	0.00%		5	0	5	0
Consorzio Consavia S.c.n.c. in liquidation	Rome	20,658	EUR	25.00%	25.00%	0.00%		4	0	5	(1)
Consorzio Europeo Armamento Alta Velocità	Rome	206,583	EUR	25.00%	25.00%	0.00%		52	0	52	0
Consorzio Iricav Due	Rome	510,000	EUR	37.49%	37.49%	0.00%		194	0	194	0
Consorzio Iricav Uno	Rome	520,000	EUR	27.91%	27.91%	0.00%		124	0	124	(0)
Consorzio Ital.Co.Cer.	Rome	51,600	EUR	30.00%	30.00%	0.00%		15	0	15	0
Consorzio Italvenezia	Rome	77,450	EUR	25.00%	25.00%	0.00%		19	0	19	(0)
Consorzio MM4	Milan	200,000	EUR	32.14%	32.14%	0.00%		64	0	64	0
Consorzio Novocen in liquidation	Naples	51,640	EUR	40.76%	40.76%	0.00%		0	(57)	(57)	0
Consorzio Pedelombarda 2	Milan	10,000	EUR	17.96%	17.96%	0.00%		2	0	2	0
Consorzio Qalat	Misterbianco (CT)	10,327	EUR	40.00%	40.00%	0.00%		0	0	2	(2)
Diga di Blufi S.c.r.l. in liquidation	Milan	45,900	EUR	50.00%	50.00%	0.00%		23	0	15	8
Ecosarno S.c.r.l. in liquidation	Sesto S. Giovanni (MI)	50,490	EUR	33.33%	33.33%	0.00%		17	0	17	0
Fosso Canna S.c.r.l. in liquidation	Milan	25,500	EUR	32.00%	32.00%	0.00%		(1)	(24)	(25)	0
GE. SAT S.c.a. r.l.	Prato	10,000	EUR	35.00%	35.00%	0.00%		4	0	4	0
GEI - Grupo Empresas Italianas	Caracas (Venezuela)	2,000,100,000	VEF	33.34%	33.34%	0.00%		3	0	3	0
Groupement Eurolep	Switzerland	CHF 100,000	EUR	22.00%	22.00%	0.00%		8	0	12	(4)
Groupement Italgisas	Casablanca (Morocco)	207,014,000	MAD	40.00%	0.00%	40.00%	Italstrade IS Srl	-	-	-	-
ICA Ictas Astaldi Ucuncu Bogaz Koprusu Ve Kuzey Marmara Otoyolu Yatirim Ve Isletme	Ankara (Turkey)	TRY 400,000,000	USD	33.33%	33.33%	0.00%		164,495	0	164,495	0

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								(a)	(b)	(c)	(a)+(b)-(c)
Anonim Sirketi											
Italsagi Sp. Zo. O.	Katowice (Poland)	PLN 100,000,000	EUR	34.00%	0.00%	34.00%	Italstrade IS Srl	-	-	-	-
M.N. Metropolitana di Napoli S.p.A.	Naples	3,655,397	EUR	22.62%	22.62%	0.00%		6,160	0	6,160	(0)
Metro Brescia S.r.l.	Brescia	4,020,408	EUR	24.50%	24.50%	0.00%		1,318	0	1,318	0
Metro 5 S.p.A.	Milan	53,300,000	EUR	38.70%	38.70%	0.00%		1,551	0	1,551	0
METRO C S.c.p.a.	Rome	150,000,000	EUR	34.50%	34.50%	0.00%		19,671	0	19,671	0
Metrogenova S.c.r.l.	Spianata Acquasola (Ge)	25,500	EUR	21.81%	21.81%	0.00%		6	0	6	(0)
Mose Bocca di Chioggia scrl	Padua	10,000	EUR	15.00%	15.00%	0.00%		0	0	0	0
Mose-Treporti S.c.r.l.	Padua	10,000	EUR	35.00%	35.00%	0.00%		4	0	4	0
N.P.F. - Nuovo Polo Fieristico S.c.r.l. in liq.	Rome	40,000	EUR	50.00%	50.00%	0.00%		20	0	20	0
Nova Metro S.c.r.l. in liquidation	Rome	40,800	EUR	24.10%	24.10%	0.00%		10	0	10	(0)
Otoyol Deniz Tasimaciligi A.S.	Ankara (Turkey)	6,000,000	TRY	17.50%	17.50%	0.00%		269	0	269	0
Otoyol Isletime Ve Bakim AS	Ankara (Turkey)	5,000,000	TRY	18.86%	18.86%	0.00%		252	0	252	0
Otoyol Yatirim Ve Isletme A.S	Ankara (Turkey)	TRY 3,000,000,000	USD	18.86%	18.86%	0.00%		254,318	0	254,318	(0)
Pacific Hydro Chacayes	Santiago (Chile)	117,843,221	USD	27.30%	0.00%	27.30%	Cachapoal Inversiones Limitada	-	-	-	-
Passante Dorico S.p.A.	Milan	24,000,000	EUR	24.00%	24.00%	0.00%		1,427	0	1,427	0
Pedelombarda S.c.p.A.	Milan	80,000,000	EUR	24.00%	24.00%	0.00%		4,800	0	4,800	0
Pedemontana Lombarda Manutenzioni Scarl	Tortona (AL)	10,000	EUR	35.40%	0.00%	35.40%	NBI	-	-	-	-
Pegaso S.c.r.l. in liquidation	Rome	260,000	EUR	43.75%	43.75%	0.00%		114	0	114	0
Progetto Nuraghe S.c.r.l.	Rome	10,000	EUR	48.55%	48.55%	0.00%		5	0	5	0
S.E.I.S. S.p.A.	Milan	3,877,500	EUR	48.33%	48.33%	0.00%		12,677	0	12,677	0
SA.T. S.p.A.	Prato	19,126,000	EUR	35.00%	35.00%	0.00%		0	0	0	0
SP M4 S.C.p.A in liquidation	Milan	360,000	EUR	28.90%	28.90%	0.00%		104	0	104	0
Tangenziale Seconda S.c.r.l. in liquidation	Rome	45,900	EUR	42.73%	42.73%	0.00%		20	0	19	0
Veneta Sanitaria Finanza di Progetto S.p.A.	Mestre (VE)	20,500,000	EUR	37.00%	31.00%	6.00%	Astaldi Concessioni S.p.A.	22,684	0	19,703	2,981
Total Associates								**490,509**	**(104)**	**487,423**	**2,982**
Other investees											
Ast B Parking S.r.l.	Milan	10,000	EUR	5.00%	0.00%	5.00%	Astaldi Concessioni S.p.A.	-	-	-	-
Ast VT Parking S.r.l.	Milan	10,000	EUR	5.00%	0.00%	5.00%	Astaldi Concessioni S.p.A.	-	-	-	-
Astaldi - Ozkar JV	Muscat (Oman)	0	OMR	0.01%	0.01%	0.00%		0	0	(0)	0
C.F.C. S.c.r.l.	Naples	45,900	EUR	0.01%	0.01%	0.00%		0	0	0	0

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								(a)	(b)	(c)	(a)+(b)-(c)
C.I.T.I.E. Soc. coop.	Bologna	0	EUR	0.40%	0.00%	0.40%	NBI - 3E System	-	-	-	-
CENTOQUATTRO scarl	Rovigo	10,000	EUR	12.07%	0.00%	12.07%	NBI	-	-	-	-
CENTOTRE scarl	Rovigo	10,000	EUR	12.52%	0.00%	12.52%	NBI	-	-	-	-
Co.Sa.Vi.D. S.c.r.l.	Rome	25,500	EUR	0.01%	0.01%	0.00%		0	0	0	0
Consorzio Asse Sangro in liquidation	Rome	464,811	EUR	4.76%	4.76%	0.00%		0	0	0	(0)
Consorzio Centro Uno in Liquidation	Naples	154,937	EUR	2.00%	2.00%	0.00%		3	0	1	3
Consorzio CONA	Carpi (Mo)	1,500,000	EUR	2.91%	0.00%	2.91%	NBI	-	-	-	-
Consorzio Groupement Lesi-Dipenta	Rome	258,228	EUR	0.01%	0.01%	0.00%		0	0	0	0
Consorzio Malagrotta	Rome	2,841	EUR	0.00%	0.00%	0.00%		0	0	0	0
Consorzio TRA.DE.CI.V.	Naples	155,535	EUR	17.73%	17.73%	0.00%		28	0	28	(0)
Consorzio Utenti Servizi Salaria Vallericca	Rome	0	EUR	0.00%	0.00%	0.00%		17	0	0	17
Dirpa S.c.a.r.l. in A.S.	Rome	50,000,000	EUR	99.98%	0.00%	99.98%	Consorzio Stabile Operae	0	0	0	0
Fondazione Accademia Nazionale di S. Cecilia	Rome	0	EUR	0.00%	0.00%	0.00%		5	0	0	5
Fondazione Filarmonica Arturo Toscanini	Parma	0	EUR	0.00%	0.00%	0.00%		5	0	0	5
Fusaro S.C.r.l. in Liquidation	Naples	10,200	EUR	0.01%	0.01%	0.00%		0	0	0	(0)
G.G.O. S.c.r.l. in liquidation	Agrigento	25,500	EUR	10.00%	10.00%	0.00%		0	0	0	(0)
Guida Editori S.r.l. in liquidation	Naples	0	EUR	0.02%	0.02%	0.00%		0	0	0	0
I.SV.E.UR. Istituto per lo Sviluppo Edilizio ed Urbanistico S.p.A.	Rome	2,500,000	EUR	0.20%	0.20%	0.00%		7	0	10	(3)
IGI - Istituto Grandi Infrastrutture	Rome	0	EUR	0.00%	0.00%	0.00%		52	0	0	52
Imprese Riunite Genova S.c.r.l. in liquidation	Genoa	25,500	EUR	16.10%	16.10%	0.00%		4	0	4	(0)
Imprese Riunite Genova Seconda S.c.r.l. in liquidation	Genoa	25,000	EUR	16.10%	16.10%	0.00%		0	(260)	(260)	(0)
Italstrade CCCF JV Bucuresti S.r.l.	Bucharest (Romania)	RON 200	EUR	1.00%	1.00%	0.00%		0	0	0	0
M.N.6 S.C.r.l.	Naples	51,000	EUR	1.00%	1.00%	0.00%		1	0	1	0
Mose Operae scarl	Padua	10,000	EUR	17.28%	17.28%	0.00%		2	0	2	0
NO.VI.F.IN. Nova Via Festinat Industrias S.c.r.l.	Naples	10,329	EUR	0.01%	0.01%	0.00%		0	0	0	(0)
Pantano S.c.r.l.	Rome	40,800	EUR	10.00%	10.00%	0.00%		4	0	4	0
Pavimental S.p.A.	Rome	4,669,132	EUR	0.60%	0.60%	0.00%		62	0	268	(206)
Prog. Este S.p.A.	Carpi (Mo)	11,956,151	EUR	2.70%	0.00%	2.70%	NBI	-	-	-	-
Skiarea Valchiavenna S.p.A.	Campodolcino	8,118,182	EUR	0.23%	0.23%	0.00%		18	0	25	(8)
Sociedad Concesionaria BAS S.A.	Santiago (Chile)	CLP 8,876,340,000	EUR	0.10%	0.10%	0.00%		13	0	13	0
Sociedad Concesionaria Nuevo Pudahuel S.A.	Santiago (Chile)	CLP 70,000,000,000	EUR	15.00%	0.00%	15.00%	Astaldi Concessioni S.p.A.	-	-	-	-

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Companies	Registered Office	Share capital nominal amount	Func. currency	%	Direct %	Indirect %	Entities with indirect investments	Carrying amount (*)	Provision for risks (*)	Equity share (*)	change
								(a)	(b)	(c)	(a)+(b)-(c)
SPV Linea M4 S.p.A.	Milan	35,795,100	EUR	9.63%	9.63%	0.00%		13,446	0	13,443	3
Total Other investees								**13,666**	**(260)**	**13,537**	**(132)**

ANNEX 3 – INFORMATION ON CHANGES IN INVESTMENTS (*Translation from the Italian original, which remains the definitive version*)

Companies	Invested capital	Equity accounting with effects on profit/loss	Equity accounting with effects on O.C.I.	Amortisation and deprecation	Reclassifications and other changes	Carrying amount at 31/12/2015	Invested capital Increases	Invested capital Decreases	Equity accounting with effects on profit/loss	Equity accounting with effects on O.C.I	(Dividends) / Loss balance	(Amortisation and deprec.) / Amount reinstatement	Reclassifications and other changes	Carrying amount at 31/12/2016
Subsidiaries														
Afragola FS Scrl	8	-	-			8	1		-	-				**8**
AR.GI S.c.p.A.	13,249	774	-			14,023			-	-				**14,023**
AS. M. S.c.r.l.	8	-	-			8			-	-				**8**
Asocierii Astaldi SpA, Sc Somet sa, sc Tiab sa, sc Uti grup sa	-	-	-			-			-	-				**-**
Astaldi Algerie - E.u.r.l.	564	2,677	(808)			2,433			(350)	(56)	(665)			**1,362**
Astaldi Arabia Ltd.	892	206	(1,206)			(107)			-	107				**-**
Astaldi Bulgaria LTD	3	38	-			41			(38)	-				**2**
Astaldi Canada Enterprises Inc.	-	-	-			-			-	-				**-**
Astaldi Canada Inc.	15	(639)	624			0	33,919		(647)	252			(12,927)	**20,597**
Astaldi Concessioni S.p.A.	191,881	(86,809)	(5,539)			99,533			(39,064)	(21,168)				**39,301**
Astaldi Construction Corporation	78,171	(65,335)	(3,495)			9,341	23,142		(22,706)	(256)				**9,521**
Astaldi de Venezuela C.A.	1,297	3,949	-			5,246			(1,812)	-				**3,435**
Astaldi International Inc.	1,329	256	-			1,586			-	-				**1,586**
Astaldi International Ltd.	3,281	(619)	164			2,825			404	(421)				**2,808**
Astaldi Polska Sp. z o.o.	29	171	14			214			(31)	(7)				**176**
Astaldi-Astaldi Intern. JV liquidata	3	963	-			966		(3)	(71)	-	(892)			**-**
Astaldi-Max Bogl-CCCF JV S.r.l.	7	(6)	-			0			-	-				**0**
Astalnica S.A.	-	(19)	5		(5)	(20)			(4)	(1)			1	**(24)**
ASTALROM S.A.	2,211	1,458	(258)			3,411			729	(19)				**4,122**
Astur Construction and Trade A.S.	7,430	1,580	(24)			8,987	4,472	-	369	695				**14,524**
Bussentina S.c.r.l. in liquidation	284	(283)	-			0			-	-				**0**
C.O.MES. In liquidation S.C.r.l.	11	-	-			11			-	-				**11**
Capodichino AS.M S.c.r.l.	7	-	-			7			-	-				**7**
CO.ME.NA. S.c.r.l. in liquidation	15	-	-			15			-	-				**15**
CO.MERI S.p.A.	10,045	25	-			10,069			9	-				**10,078**
Consorcio Rio Pallca	-	60	(0)			60			91	7				**157**
Consorzio Stabile Operae	195	-	-		-	195	80	(5)	-	-				**270**
Constructora Astaldi Cachapoal Limitada	12	(3,020)	3,008			-			-	-				**-**
Forum S.c.r.l. in liquidation	41	0	-			41			-	-				**41**
Garbi Linea 5 S.c.a.r.l.	6	4	-			10			-	-				**10**
Infraflegrea Progetto S.p.A.	204	626	(1)			829			929	(1)	(153)			**1,605**
Italstrade CCCF JV Romis S.r.l.	1,021	(748)	-			273			(9)	-				**264**
Italstrade IS S.r.l.	17,282	(1,279)	-			16,004			(21)	-				**15,983**
Messina Stadio S.c.r.l. in	46	0	-			46			-	-				**46**

ANNEX 3 – INFORMATION ON CHANGES IN INVESTMENTS (*Translation from the Italian original, which remains the definitive version*)

Companies	Invested capital	Equity accounting with effects on profit/loss	Equity accounting with effects on O.C.I.	Amortisation and deprecation	Reclassifications and other changes	Carrying amount at 31/12/2015	Invested capital Increases	Invested capital Decreases	Equity accounting with effects on profit/loss	Equity accounting with effects on O.C.I	(Dividends) / Loss balance	(Amortisation and deprec.) / Amount reinstatement	Reclassifications and other changes	Carrying amount at 31/12/2016
liquidation														
Mormanno S.c.r.l. in liquidation	8	(7)	-			0			-	-				**0**
NBI S.p.A.	7,500	6,341	(502)			13,339	-		838	(187)				**13,989**
Ospedale del Mare S.C.r.l. in liq.	50	-	-			50			-	-				**50**
Partenopea Finanza di Progetto S.c.p.A.	9,926	(538)	-			9,388			-	-				**9,388**
Portovesme S.c.r.l. in liquidation	26	0	-			26			-	-				**26**
Redo-Association Momentanée	29	649	-			678			-	-				**678**
Romairport S.p.A.	1,367	(1,228)	(28)			111	616		(1,397)	(2)		1,256		**583**
Romstrade S.r.l liquidata	256	(256)	-			-		(256)	(120)	-	120		256	**-**
S. Filippo S.c.r.l. in liquidation	8	(8)	-			-			-	-				**-**
S.P.T. S.C.r.l.	37	-	-			37			-	-				**37**
Scuola Carabinieri S.C.r.l.	31	-	-			31			-	-				**31**
Seac S.p.a.r.l. in Liquidation	0	-	-			-			-	-				**-**
Sirjo Scpa	4,500	-	-		-	4,500			-	-				**4,500**
Susa Dora Quattro S.c.r.l. in liq.	46	-	-			46			-	-				**46**
Toledo S.c.r.l. in liquidation	45	-	-			45			-	-				**45**
Total Subsidiaries	**353,375**	**(141,019)**	**(8,046)**	**-**	**(5)**	**204,305**	**62,230**	**(264)**	**(62,901)**	**(21,056)**	**(1,590)**	**1,256**	**(12,670)**	**169,310**
Joint Ventures														
Ankara Etlik Hastane A.S.	2,294	(38)	(668)			1,588			155	(1,743)				-
Astaldi Bayindir J.V.	-	-	-			-			-	-				-
Avola S.c.r.l. in liquidation	5	(5)	-			-			-	-				-
Avrasya Metro Grubu Srl in liq.	4	(4)	-			-			-	-				-
C.F.M. S.c.r.l. in liquidation	21	-	-			21			-	-				21
Colli Albani S.c.r.l. in liquidation	15	(15)	-			-			-	-				-
Consorzio A.F.T. Kramis	50	(50)	-			-			-	-				-
Consorzio Dipenta S.p.A. - Ugo Vitolo in liquidation	0	-	-			0			-	-				0
Consorzio Ferrofir in liquidation	21	336	-			357			-	-				357
Consorzio Gi.It. in liquidation	1	-	-			1			-	-				1
Etlik Hastane PA S.r.l.	56	-	-			56			(2)	-				54
Grand Capital Ring	1	-	0			1			-	(0)				1
Ic Içtaş Astaldi Ica Inşaat A.S.	2	165	(29)		1	138			251	75			1	466
Infraflegrea S.c.r.l. in liquidation	23	-	-			23			-	-				23
Piana di Licata S.c.r.l. in liquid.	5	(5)	-			(0)			-	-				(0)

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Pont Ventoux S.c.r.l. in liquid.	23	6	-			29			-	-				29
Principe Amedeo S.c.r.l. in liquid.	5	(5)	-			0			-	-				0
S. Leonardo S.c.r.l. in liquid.	5	(5)	-			-			-	-				-
SOC 24, Russia	1	-	0			1			-	(0)				1
VCGP - Astaldi Ingenieria y Construccion Limitada	0	20	(8)		6	18			25	8			(5)	47
Total Joint Ventures	**2,534**	**398**	**(705)**	**-**	**7**	**2,234**	**-**	**-**	**430**	**(1,659)**	**-**	**-**	**(4)**	**1,000**
Associates														
Association en participation SEP Astaldi-Somatra-Bredero	-	-	-			-				-				-
Autostrada Nogara Mare Adriatico S.c.p.a. in liquidation	12	-	-			12			-	-				12
Blufi 1 S.c.rl. In liquidation	8	(8)	-			-			-	-				-
BTC SCARL	-	-	-			-	43		-	-				43
Consorcio Astaldi-ICE	-	-	-			-			-	-				-
Consorcio Contuy Medio	110	(170)	60			0			-	(0)				0
Consorcio Grupo Contuy - Proyectos y Obras de Ferrocarriles	-	-	-			-			-	-				-
Consorzio A.F.T. in liquidation	15	-	-			15			-	-				15
Consorzio Consarno	5	-	-			5			-	-				5
Consorzio Consavia S.c.n.c. in liq	5	(1)	-			4			(0)	-				4
Consorzio Europeo Armamento Alta Velocità - C.E.A.A.V.	52	-	-			52			-	-				52
Consorzio Iricav Due	193	0	-			194			-	-				194
Consorzio Iricav Uno	124	-	-			124			-	-				124
Consorzio Ital.Co.Cer.	15	-	-			15			-	-				15
Consorzio Italvenezia	19	-	-			19			-	-				19
Consorzio MM4	64	-	-			64			-	-				64
Consorzio Novocen in liquidation	19	(19)	-			-			-	-				-
Consorzio Pedelombarda 2	2	-	-			2			-	-				2
Consorzio Qalat	-	-	-			-			-	-				-
Diga di Blufi S.c.r.l. in liquidation	23	-	-			23			-	-				23
Ecosarno S.c.r.l. in liquidation	17	-	-			17			-	-				17
Fosso Canna S.c.r.l. in liquidation	8	(9)	-			(1)			-	-				(1)
GE. SAT S.c.a. r.l.	4	-	-			4			-	-				4
GEI - Grupo Empresas Italianas	655	25	(388)			292			-	(289)				3

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Groupement Eurolep	8	-	-			8			-	-				8
ICA Ictas Astaldi Ucuncu Bogaz Koprusu Ve Kuzey Marmara Otoyolu Yatirim Ve Isletme Anonim Sirketi	53,618	40,842	14,600			109,061			49,411	6,023				164,495
M.N. Metropolitana di Napoli SpA	3,299	3,594	-			6,893			(733)	-				6,160
Metro Brescia S.r.l.	985	91	-			1,076			242	-				1,318
Metro 5 S.p.A.	23,777	17,135	(8,574)			32,338			3,444	(4,755)			(29,476)	1,551
METRO C S.c.p.a.	19,838	(166)	-			19,671			-	-				19,671
Metrogenova S.c.r.l.	5	1	-			6			-	-				6
Mose Bocca di Chioggia Scrl	0	-	-			0			-	-				0
Mose-Treporti S.c.r.l.	4	-	-			4			-	-				4
N.P.F. in liquidation	20	-	-			20			-	-				20
Nova Metro S.c.r.l. in liquidation	10	0	-			10			-	-				10
Otoyol Deniz Tasimaciligi A.S.	363	(18)	(31)			314			-	(45)				269
Otoyol Isletime Ve Bakim AS	252	(3)	(14)			235	59		-	(41)				252
Otoyol Yatirim Ve Isletme A.S	156,670	30,321	(22,428)			164,564	46,945		29,938	12,873				254,318
Passante Dorico S.p.A.	1,440	(13)	-			1,427			-	-				1,427
Pedelombarda S.c.p.A.	4,800	-	-			4,800			-	-				4,800
Pegaso S.c.r.l. in liquidation	114	-	-			114			-	-				114
Progetto Nuraghe S.c.r.l.	5	-	-			5			-	-				5
S.A.C.E.S. S.r.l. liquidata	10	16	-			26		(10)	839	-	(855)			-
S.E.I.S. S.p.A.	1,997	14,180	(3,196)			12,981			(304)	-				12,677
SA.T. S.p.A.	6,694	1,887	(2,635)			5,946			2,420	(789)			(7,577)	-
SP M4 S.C.p.A in liquidation	104	-	-			104			-	-				104
Tangenziale Seconda S.c.r.l. in liq	20	-	-			20			-	-				20
V.S.F.P. S.p.A.	6,355	15,836	(4,627)			17,564			4,956	164				22,684
Total Associates	**281,738**	**123,521**	**(27,231)**	**-**	**-**	**378,029**	**47,046**	**(10)**	**90,212**	**13,140**	**(855)**	**-**	**(37,053)**	**490,509**

Other investees

Companies	Invested capital	Equity accounting with effects on profit/loss	Equity accounting with effects on O.C.I.	Amortisation and deprecation	Reclassifications and other changes	Carrying amount at 31/12/2015	Invested capital Increases	Invested capital Decreases	Equity accounting with effects on profit/loss	Equity accounting with effects on O.C.I	(Dividends) / Loss balance	(Amortisation and deprec.) / Amount reinstatement	Reclassifications and other changes	Carrying amount at 31/12/2016
Consorzio Centro Uno in Liq.	3					3								3
Skiarea Valchiavenna S.p.A.	18			(1)		18								18
Italstrade CCCF JV Bucuresti S.r.l.	0			(0)		-								-
Consorzio Groupement Lesi-Dipenta	0			(0)		0								0
G.G.O. S.c.r.l. in liquidation	3			(2)		0								0

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Guida Editori S.r.l. in liquidation	0					-								-
Mose Operae scarl	-					-	2							2
SPV Linea M4 S.p.A.	9,941					9,941	3,505							13,446
Sociedad Concesionaria BAS S.A.	13					13								13
M.N.6 S.C.r.l.	1					1								1
Imprese Riunite Genova S.c.r.l. in liq	4					4								4
Imprese Riunite Genova Seconda S.c.r.l. in liquidation	4			(4)		-								-
NO.VI.F.IN. S.c.r.l.	0					0								0
Pantano S.c.r.l.	4					4								4
Pavimental S.p.A.	62					62								62
I.SV.E.UR. S.p.A.	7					7								7
Consorzio TRA.DE.CI.V.	28					28								28
Total Other investees	**10,088**	**-**	**-**	**(7)**	**-**	**10,081**	**3,507**	**-**	**-**	**-**	**-**	**-**	**-**	**13,587**

Note: This English translation is for reference purposes only. 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.

Certification of Separate Financial Statements pursuant to Article 154-bis of 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 2016 separate financial statements.

2. The administrative and accounting procedures used to formulate the separate financial statements at 31 December 2016 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 accounting standards acknowledged within the European Community pursuant to (EC) Reg. No. 1606/2002 of the European Parliament and Council of 19 July 2002;
   b) tally with ledgers and account entries;
   c) are suitable for providing a truthful and accurate representation of the equity, economic and financial situation 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, 14 March 2017

Signed Filippo Stinellis
Chief Executive Officer

Signed Paolo Citterio
Manager in charge of financial reporting

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

pursuant to article 123-*bis* of the consolidated finance act (TUF)

(traditional management and control model)

Issuer: **ASTALDI S.p.A.**
Website: **www.astaldi.com**
Reporting year: **2016**
Date of approval of Report: **14 March 2017**

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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 the markets operated by Borsa Italiana S.p.A. and bonds admitted for trading on the Luxembourg Stock Exchange, 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 2016.
Since the 2016 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 2015)

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 23 April 2013, the Shareholders resolved a capital increase with exclusion of the option right pursuant to 2441, subsection 5 of the Italian civil code, serving exclusively the equity-linked bond, reserved for qualified Italian and foreign investors. 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 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 at the service of the conversion	Number of shares at the service of the conversion
Convertible bonds	**Luxembourg – MTF**	**130,000**	**ordinary**	**17,568,517**

Incentive plans based on shares 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)
No restrictions on the transfer of securities are present.

c) Important equity investments in capital (pursuant to art. 123-*bis*, subsection 1, letter c), of the consolidated finance act - TUF)
At 31 December 2016, the shareholders holding shares in an amount exceeding 3% of the share capital – the new 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.	*FIN.AST. S.r.l.*	39,605,495	40.239%
	Finetupar International S.A.	12,327,967	12.525%
		51,933,462	**52.764%**
FMR LLC	*FMR Co, Inc*	9,037,319	9.182%
	Fidelity Institutional Asset Management Trust Company	363,075	0.369%
	FIAM LLC	229,532	0.233%
		9,629,926	**9.784%**
	TOTAL	**61,563,388**	**62.548%**

d) Securities 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 being 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 sectoral 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 2016, 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%.

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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.

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 the right to vote is provided for.

g) Agreements among shareholders (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. S.r.l., as controlling shareholder of Astaldi S.p.A., subscribed a commitment in favour of the latter, aimed at supporting the operation of issuing said bond, and to vote in favour of the connected capital increase, approved at the extraordinary Shareholders' Meeting of Astaldi S.p.A. held on 23 April 2013.

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 bid, 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 purchase 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 20 April 2016, 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 27 May 2016, coming due on Friday, 26 May 2017, 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.
Moreover, the authorisation was also conferred to permit the establishment of a securities portfolio servicing extraordinary transactions during any possible transactions of a strategic nature in the Company's interest, or of stock grant and/or of stock option plans in favour of the Company's directors, employees, or collaborators. Moreover, the establishment and maintenance of a securities portfolio is appropriate in the context of the equity linked bond, in order to offer the Company an additional instrument to satisfy the right of the bondholders in question to request any conversion of the equity linked obligations into already existing (and/or newly issued) ordinary shares of the Company, using the shares held in the securities portfolio, in compliance with the bond regulations and within the limits of the aforementioned CONSOB decision no. 16839 of 19 March 2009.
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Therefore, the Shareholders resolved to renew, for a period of 12 months starting 26 May 2016, 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 conferral operations, 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, with the exception, in this case, to the aforementioned criterion of determining the sale price, which at any rate can be no less than the so-called "normal amount" provided for by tax laws.
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.
Again as regards the procedures for selling and/or disposing of the purchased shares, without prejudice to the authorisation already granted in this regard, with no time limits, by the Shareholders at their Meeting of 18 April 2011 already mentioned, and in addition to it, the Shareholders at their Meeting of 23 April 2013 resolved to authorise, within the context of the equity linked bond approved on 23 January 2013 and entirely placed on 24 January 2013 (the "Bond") the Board of Directors – starting 27 May 2013 and with no time limits – to use the shares allocated to constitute the "securities portfolio," in compliance with the Bond regulations and within the limits of what is provided for by CONSOB no. 16839 of 19 March 2009, also to satisfy the bondholders' right to request any conversion of equity linked bonds into already existing ordinary shares of the Company.
In execution of what was decided upon, the Company, at 31 December 2016, possessed 657,471 treasury shares.

I) Management and coordination activity (pursuant to <u>art. 2497 and following of the Italian civil code</u>)

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 compensation 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/2015clean.pdf

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 <u>art. 123-*bis*, subsection 1, letter l), of the consolidated finance act – TUF</u>)

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 <u>slate that has garnered the highest number of votes</u> 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 <u>slate that has garnered the second highest number of votes</u> 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, 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 replacement, as the Shareholders establish at their subsequent meeting establishes, 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, letter d), 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' Meeting 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:

SLATE OF CANDIDATES
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 present 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 58 years; slightly lower 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' Meeting's 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, 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 s*ubsection."

As to the composition and characteristics of the Board of Directors in office, see Table 2 in the appendix.

The current Board of Directors expires from office 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.

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. With the objective of implementing the level of knowledge of the Company's business by the board members and statutory auditors, during the Board of Directors meeting of 20 December 2016, a disclosure, detailed also from a technical standpoint, was provided with regard to the E-ELT (European Extremely Large Telescope) project. Commissioned by the ESO (European Organisation for Astronomical Research in the Southern Hemisphere), the project will be carried out by Astaldi S.p.A. and CIMOLAI S.p.A. working in a joint venture. The E-ELT will be the most important project launched by ESO and will be built in Chile atop Cerro Armazones, in the central part of the Atacama desert, at an elevation of 3,000 metres above sea level. The telescope's focus capability will be 100,000,000 times better than the human eye, and it will be able to gather more light than all the largest telescopes currently existing on the planet, combined; their main mirrors have diameters of 8-10 metres, against the 39.3 metres boasted by the new E-ELT.

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 corporate organisation.
It is tasked with the responsibility for the Group'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 2016 financial year, 10 meetings of the Board of Directors were held, for an average duration of about 1 and a half hours per meeting, with a limited number of absences – all justified – of board members and of statutory auditors.
It is also specified that four meetings (19 January, 22 February, 09 and 16 March 2016) were held by the Board of Directors in office until the Shareholders' Meeting of the following 20 April.
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 2017 financial year, the **calendar** of dates of upcoming Board meetings for the approval of the financial

statements draft, of the interim financial report, and of the interim reports on operations (the *"2017 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 **Draft of the separate financial statements and of the consolidated financial statements for 2016**	*14 March 2017*
Shareholders' Meeting	Approval of the **financial statements for 2016**	*21 April 2017*
Board of Directors	Approval of the **First Quarterly Report**	*10 May 2017*
Board of Directors	Approval of the **Interim Financial Report for 2017**	*02 August 2017*
Board of Directors	Approval of the **Third Quarterly Report**	*08 November 2017*

During 2017, in addition to 14 March – the date of approval hereof –, the Company's Board of Directors met on 16 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 also 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 defined the nature and the risk level compatible with the Company's strategic objectives. This definition concludes a portion of the project started during the last quarter of 2014, aimed at defining the Group's "Risk Appetite Statement" and the thresholds of tolerability; this is in the intent to reinforce awareness of the corporate structures in the matter of managing risks, and with the aim of improving the performance and sustainability of the business.
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 Management Control and Corporate Risk Management Department, pursued, during 2016 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 2016 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 corporate 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 2016, at each of the Board meetings and in line with the items on the agenda, the managers with specific interest attended.

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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.

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 contents of the "Questionnaire" were modulated also in consideration of the three-year term of the Board of Directors, and of the specific phase of the term in progress.

The results of the Board Performance Review, submitted to the Board at its meeting of 09 November 2016, 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 understanding and sharing of operative and result targets;
- representation of the female gender in the Board.

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 broadly illustrated in the Report on corporate governance for the 2015 financial year, the installation of Filippo Stinellis as CEO had already taken place pending the end of the term of the previous Board of Directors, in order to achieve a more effective supervision over the company's business activity. The appointment of Filippo Stinellis as CEO of the current Board of Directors is in continuity with the process of reorganising and repositioning the internal arrangements and supports, and of strengthening the business policies aimed at pursuing sustainable growth, a stronger financial structure, and a stronger organisational structure.
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.

It is lastly specified that until the date of the Board of Directors meeting of 03 August 2016, CEO Filippo Stinellis held the position of General Manager for Turkey, Iran, and the Far East. At that time, the Board of Directors, again in the logic of strengthening the Company's strategic and business supports, proceeded with a reorganisation of the general managements, completing the appointment process of the top management, already begun with the Board of Directors decision of 20 April 2016.
It is lastly to be pointed out that, due to a precise organisational choice by the Company, the General Managers are Qualified as Managers with Strategic Responsibilities.

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, and the Far East;

- **Mario Lanciani**: General Manager of the Company's Business Services.

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, the Board of Directors meeting of 20 April 2016, at the moment of assessing the independence of the board members, 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 2016 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" it.
In any case, the strong presence of independent directors guarantees a balance of positions within the Board of Directors.

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 privileged 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, on 12 November 2002 the Company adopted a procedure for the management of corporate information, which has been revised on a number of occasions. In brief, the procedure regulates the ways in which corporate information is managed, requiring, among other things, that those who are made aware of this information act as liaison between their own area and corporate leadership, so as to allow these facts or this information to be suitably assessed. The procedure already guarantees effective support with regard to corporate information, and in particular the so-called "privileged" information.

The Company, through the Corporate Affairs and Corporate Governance Department and the Office of the Chairman, is updating the procedure so as to bring its content in line with the new European regulations on market abuse, to which the Company has referred ever since they entered force.

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 transactions with related parties 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 reorganize 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 Board appointed internal committees, and adhered to the approach of 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 2016, the Appointments and Remuneration Committee held five meetings, averaging about an hour in duration, almost always attended by all its members and, in most cases, by the Board of Statutory Auditors in its entirety.
The committee's meetings are preceded by intense pre-investigation activity, coordinated by the Corporate Affairs and Corporate Governance Department and the Office of the Chairman.
The committee's meetings, even 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.

As mentioned a number of times, the 2016 financial year was marked by the appointment of a new Board of Directors and its internal committees.
In order to provide a complete representation of all the meetings held in 2016, this Report also includes those held by the prior Appointments and Remuneration Committee and, specifically, those following approval of the Report on corporate governance and ownership structure for the 2015 financial year.
On 09 March, the then Appointments and Remuneration Committee met to verify having achieved the parameters established for the assignment of the stock grants for the 2015 financial year.
On that same date, the committee met along with the related parties committee, to define a proposed agreement between the Company and the CEO Stefano Cerri with a view to the Board's scheduled expiry and the possible failure to renew its mandate. The Company's Chairman Paolo Astaldi and the entire Board of Statutory Auditors were invited to attend the meeting.
On 16 March, the Appointments and Remuneration Committee also met to define a draft of the "Stock grant plan for top management" for the 2016-2018 period, to be submitted for the approval of the outgoing Board of Directors. The document was made available to the public by the legal deadlines, and brought for the approval of the Shareholders' Meeting of 20 April 2016. In line with the prior one, the new Plan also 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.

After the installation of the new Board of Directors and after its establishment, the Appointments and Remuneration Committee met on 10 May, 27 June, and 09 November.
At the 10 May 2016 meeting, the committee formulated opinions as to the payments to be made to directors vested with special assignments, pursuant to the requirements of art. 2389, subsection 3, of the Italian civil code, and of the general managers, as they are qualified as Managers with Strategic Responsibilities, and as such, subject to the Remuneration Policy dated 16 March 2016. Again at the session of 10 May 2016, the committee also proposed the Regulation of the 2016-2018 Incentive Plan, in compliance with the requirements of said Plan, and also formulated a proposal as to the Incentive Plan's parameters for the 2016 financial year, as well as a proposal related to the so-called *Success fee*/MBO incentive system connected with the disposal of the assets in concession and to be attributed to Chairman Paolo Astaldi.
At the meeting of 27 June 2016, the Appointments and Remuneration Committee completed the proposal to the Board of Directors with regard to the parameters upon whose achievement the stock grants for the 2016 financial year will be assigned.
On that same date, the committee then met with the related parties transactions committee, which defined in detail the content, conditions, and modes of execution of *Success fee*/MBO.
The committee lastly met on 09 November 2016, along with the related parties committee, for the payment of the *Success fee*/MBO to the Chairman by virtue of the transfer of one of the stakes included within the scope of the assets subject to disposal.

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 2017 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 2016 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, and integrating it with certain aspects of governance, in line with the provisions on this issue contained in the Code of conduct for Listed Companies in the July 2015 edition.

The Control and Risks Committee, during 2016, held 5 (five) meetings, with an average duration of approximately 2 hours, almost always attended by all its members, respectively on 27 January, 22 February, 24 June, 06 July, and 22 November, with the Chairman of the Board of Statutory Auditors, and in most cases the entire Board of Statutory Auditors, on hand. The minutes of all the committee's meetings were duly taken down and transcribed in the minutes book.

The committee meets mainly on a quarterly basis, and in this regard, during the 2017 financial year, two meetings have already been held, respectively on 25 January and 16 February.
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 2016 were also attended by parties other than the committee's members. More specifically: the Manager in charge of financial reporting, the Management Control and Corporate Risk Management Department, the Administrative Management, other involved corporate Managements/Departments, and outside parties, 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, in the case of groups, 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 operative 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 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 five meetings held in 2016, the Control and Risks Committee performed control activities and dealt with issues of differing interest. More specifically, during said meetings, it examined and verified the chief corporate risks, with reference to the 2016 financial year. In this regard, during the Control and Risks Committee meeting held on 22 November 2016, the Management Control and Corporate Risk Management Department updated the Control and Risks Committee and the Board of Statutory Auditors on the progress of the activities of the ERM project which, begun in 2015, was finalised during the 2016 financial year, leading:

a) to the update of the ERM Risk Assessment, with definitive identification of the "Top Risk" categories;

b) 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;

c) to the definition and approval of the Group Risk Appetite Statement;

d) to the start of systematic meetings by cross-office working tables to protect against the "Top Risks."

• the proposed 2016 Audit 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 internal control activities planned and implemented with respect to the 2015 audit plan;
• the impairment test procedure for the Financial Statements at 31 December 2015, with the Administrative Management;
• the progress of the activities implemented during the financial year, with respect to the approved 2016 audit plan;
• the results of the testing activity for the purposes of Law no. 262/05, with reference to the 2016 financial year;
• the provisions of application criterion 7.C.2., a) of the Code of conduct;
• the projects of importance for the purposes of the internal control system that regarded: implementation of the MEGA Tool in support of the audit activities for the purposes of internal control and compliance as per Legislative Decree no. 231-01; the Action Plan actions following the revision of the Astaldi S.p.A. 231 compliance system; the updating of Fraud/IT Risk Assessment (latest 2013 revision) and operativity verifications on anti-fraud checks; revision of the Internal Audit Manual for the part on Fraud/IT Audit; finalisation of an Anti-fraud and Anti-corruption Policy; the results of the IT Audit follow-up done at the Warsaw Branch in Poland;
• the progress of the IAD's Quality Assurance path.

The meetings of the Control and Risks Committee held during the 2016 financial year were always attended by the Chairman of the Board of Statutory Auditors and, in some cases, for the examination of the issues pertaining to the internal control system, by the entire Board of Statutory Auditors (*application criterion* 7.C.3). The minutes of the meetings of the Control and Risks Committee were taken down and transcribed in the committee's book.
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 2017, the Control and Risks Committee held two meetings: respectively on 27 January and 16 February 2017.
At the meeting of 27 January 2017, with the Chairman of the Board of Statutory Auditors and the Auditor Adiutori on hand, the following topics were discussed:
- examination and approval of the 2017 Work plan: proposed 2017 audit plan, and projects of importance for the purposes of the internal control system;
- verification of the internal control activities planned and implemented in the second half, in comparison with the approved 2016 audit plan.
- examination with the Administrative Management of the impairment test procedure regarding the financial statements at 31 December 2016.

At the 16 February 2017 meeting, the Committee, with the Chairman of the Board of Statutory Auditors and the Auditor Adiutori on hand:
- 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;
- performed the examination of the testing activity for the purposes of Law no. 262/05 for the 2016 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 2016.

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 economic and 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 Management Control and 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 22 February 2016, also on the basis of the examination activity performed by the Control and Risks Committee at the kick-off meeting held on 27 January 2016, 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 22 February 2016, 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.

10.1 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 separation of offices.

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.

The verification of the effectiveness of the control system against the risks that might have important effects on financial reporting – in particular – takes place through a testing activity, both on the occasion of the annual and interim financial reports, and marked by a top-down approach, in which the amounts, the processes, and the accounting items in question are identified. In this regard, the amounts are sampled with regard to their financial significance in the separate and consolidated financial statements.
This specific testing activity is carried out by a dedicated office that depends on the Manager in charge of financial reporting, and the results of the test, as well as any recommended corrective action, are submitted for the examination of the Manager in charge.
To complete the main characteristics, it bears pointing out that, since the introduction of Law no. 262/05, the Parent ordered annual and interim financial reports 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 operative 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 Management Control and Corporate Risk Management Department (hereinafter, "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 (operative, strategic, financial, and compliance), by level (enterprise, Area, project), and by project phase (development, performance, and operation).
The evolutionary path conducted by the Management and Control 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 and organisational standpoint.

With reference to the latest update of the Code of conduct (July 2015), the IAD:
a) is implementing a tool for integrated compliance, internal control, and 231 compliance, that may be shared with the second-level offices with the objective of strengthening their synergies, 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").

During the 2016 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") as the Manager of the Internal Audit Department ("IAM"). At Astaldi S.p.A., the Manager of the Internal Audit Department 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 IAD quantifies the financial 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 approved by the Board of Directors, based on a structured process of analysing and prioritising the main risks;
• is not responsible for any operative 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 2016, and in particular at the Board meeting of 22 February 2016, after the verification by the Control and Risks Committee and the Board of Statutory Auditors, at the preparatory meeting held on 27 January 2016, the 2016 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 and processes to be subjected to verification; also assessed the resource needs 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. 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 meetings of 06 July 2016 and 25 January 2017, examined the adequacy of the IAD structure and of the remuneration of the Manager of the Internal Audit Department, expressing a favourable opinion as to the decisions made by the Company. The Control and Risks Committee meeting of 25 January 2017 also discussed the aspects of organisation and integration of the IAD with the second-level departments (in this regard, see the statements made in section 10.6 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 and of the selected projects, 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 2016 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. More specifically:
a) implementation of the follow-up for the purposes of internal control, following the results of the audits done during the 2016 financial year and of the 231 action plan following the revision of the company's 231 Model (see paragraph 10.3 of this report).
b) the revision of the Risk Assessment on fraud risks (latest update, 2013) and the performance of the Fraud and IT Audit with regard to the verifications of operativity on anti-fraud checks
c) implementation of the Mega Tool in support of the 231 audit activities;
d) the follow-up on the IT Audit at the Warsaw Branch in Poland;
e) the progress of the efficiency and continuous improvement activities, in order to obtain certification regarding the IAD from an outside third-party body.

The activities pursuant to points b) and e) were carried out with regard to the provisions of the Code of conduct's *application criterion* 7.C.5., letter g).
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.

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:

- 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.

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.

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 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* (Culpable homicide 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.

The Group's Code of Ethics and the new OMM were spread to all levels of the corporate organisation and are published on the institutional website at: www.astaldi.com/en/governance/corporate-documents and on the corporate intranet in Share Point.

On 27 June 2016, 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. 186 of 15 December 2014, in force since 01 January 2015 on self-laundering; by Law no. 68 of 22 May 2015, on "Provisions regarding crimes against the environment (the "Eco-crimes Law"); by Law no. 69 of 27 May 2015, on "Provisions on offences against public administration, mafia-type associations, and fraudulent accounting" (the "new anti-corruption law").

The revision of the OMM also involved reviewing the penalty system, providing for a yearly meeting with the CEO, providing for flows of information to the Supervisory Body on the Tax Compliance model, and introducing the matrix of corporate processes to which to link the risk areas.
The direct and indirect Italian subsidiaries also approved their own 231 Model commensurate with their own specific features, appointing their own Supervisory Body and their own Ethics Officers.
On 20 April 2016, the Board of Directors confirmed the current Supervisory Body, composed of four members from outside the company, who are experts in legal and corporate issues, as well as in topics in economics and corporate organisation. Since 27 June 2013, the members of the Supervisory Body have been 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.

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 operative 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.
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, and in e-learning mode. In the latter case, it was delivered in Italian and English 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. By attending the course – and passing the final learning test – participants can earn an attendance certificate. E-learning ensures more extensive coverage, flexibility, and traceability of the training that is delivered.

10.4 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 legal accounts auditing for the 2011-2019 financial years.

10.5 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.

10.6 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 new 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, Chief Risk Officer, 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 new 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 Management Control and 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 is expressly regulated in the area of flows of information:
a) the reporting process with second-level offices, in order to promote integration between the main actors in the control system;
b) for the purpose of sharing both the planning of assurance interventions, while maximising possible synergies and sharing the results of the activities that are carried out.

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 transactions with related parties – 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

During 2016, 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 09 march 2016, to assess the agreement proposal of the outgoing CEO, on 27 June, and on 09 November, 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.

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).

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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 operative 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 audit body 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 audit body 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 audit body 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 audit body 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, letter d), 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 FORNABAIO;
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 FORNABAIO (Standing Auditor);
- Ms. Anna Rosa ADIUTORI (Standing Auditor);
- Mr. Andrea LORENZATTI (Alternate Auditor);
- Ms. Giulia DE MARTINO (Alternate Auditor);
- Mr. Francesco FOLLINA (Alternate Auditor).

* * * * *

At the meeting of 22 February 2017, the Board of Statutory Auditors, pursuant to *application criterion* 8.C.1. of the Code of conduct, verified, with reference to the 2016 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).

The Chairman also called dialogue meetings between board members, statutory auditors, management, and some corporate managers, aimed at better illustrating the development of the corporate business and permitting better knowledge of the Company's Business Plan.

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 2 March 2016 and 12 December 2016 with Astaldi's Supervisory Body and with the auditing bodies of the relevant subsidiaries on 22 February 2017, with reference to 2016 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 2016, the members of the Board of Statutory Auditors, at the invitation of the Chairman, attended the presentation of the E-ELT project, in the terms better indicated in the Induction programme section of this Report, for the purpose of having more in-depth knowledge of the Company's business.

The Board of Statutory Auditors performs supervision activities in compliance with art. 19 of Legislative Decree no. 39/2010 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 2016, the Board of Statutory Auditors met 11 times, respectively on 27 January, 02 March, 09 March, 29 March, 10 May, 12 May, 23 June, 1 August, 4 October, 8 November, and 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 2017 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 25 January, 22 February and 14 March 2017.

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 (financial statements, 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 Shareholders' 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 operative 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 20 April 2016, 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 Giuseppe Cafiero and Ernesto Monti, the CEO Stinellis, and the board members Luigi Guidobono Cavalchini and Piero Gnudi.

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.

Rome, 14 March 2017

Chairman of the Board of Directors
Paolo Astaldi

SUMMARY TABLES

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE

SHARE CAPITAL STRUCTURE at 31 December 2016				
	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 at servicing the conversion	No. of shares at servicing the conversion
Convertible bonds	Luxembourg – MTF	130,000	Ordinary	17,568,517
Warrants	-	-	-	-

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES AT 31 DECEMBER 2016

Board of Directors													Control and Risk 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**	**Indep., TUF**	**No. of other offices *****	**(*)**	**(*)**	**(**)**	**(*)**	**(**)**
Chairman	*Paolo Astaldi*	1960	7/07/1994	20/04/2016	(a)	M	x				1	10/10				
Deputy Chairman	*Ernesto Monti*	1946	5/09/2000	20/04/2016	(a)	M		x		x	_	10/10	2/3	M	4/4	M
Deputy Chairman	*Michele Valensise*	1952	20/04/2016	20/04/2016	(a)	M	x				_	6/6				
CEO • ◊	*Filippo Stinellis*	1963	29/01/2015	20/04/2016	(a)	M	x				_	10/10				
Director	*Caterina Astaldi*	1969	5/07/2001	20/04/2016	(a)	M		x			1	3/10				
Director	*Paolo Cuccia*	1953	23/04/2010	20/04/2016	(a)	M		x	x	x	1	10/10	5/5	M	3/3	M
Director	*Piero Gnudi*	1938	7/09/1999	20/04/2016	(a)	M		x	x	x	1	9/10			4/4	P
Director	*Chiara Mancini*	1972	23/04/2013	20/04/2016	(a)	M		x	x	x	2	10/10				
Director	*Nicoletta Mincato*	1971	3/10/ 2000	20/04/2016	(a)	M		x	x	x	_	9/10	5/5	P		
------------------------------- BOARD MEMBERS LEAVING OFFICE DURING FINANCIAL YEAR OF REFERENCE --------------------------------																
Deputy Chairman	*Giuseppe Cafiero*	1944	30/07/2004	23/04/2013	30/03/2016	M	x					4/4				
CEO • ◊	*Stefano Cerri*	1960	3/10/2000	23/04/2013	20/04/2016	M	x					3/4				
Director	*Luigi G. Cavalchini*	1937	12/11/2002	23/04/2013	20/04/2016	M		X	x	x		4/4				
Director	*Giorgio Cirla*	1940	23/04/2010	23/04/2013	20/04/2016	M		X	x	x		3/4			1/1	M
Director	*Eugenio Pinto*	1959	23/04/2010	23/04/2013	20/04/2016	M		X	x	x		4/4	2/2	M		
No. of meetings held during the financial year of reference: 10						Control and Risks Committee: 5					Appointments and Remuneration Committee: 4					
Quorum required to submit slates: 2.5%																

NOTES

The symbols indicated below must be inserted in the "Office" column:

• This symbol indicates the director in charge of the internal control and risk management system.

◊ 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.

<u>*TABLE 3:*</u> 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 2016:

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	Board member of Bologna Business School
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 2016

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	11/11	12
Standing Auditor	*Lelio Fornabaio*	1970	24/04/2012	23/04/2015	(a)	M	x	10/11	15
Standing Auditor	*Anna Rosa Adiutori*	1958	23/04/2015	23/04/2015	(a)	M	x	11/11	7
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	-	7
No. of meetings held during the financial year of reference: **11**									
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.*									

NOTES

* 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.

Note: This English translation is for reference purposes only. 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.

List of Foreign Branch Offices

Abu Dhabi
TAMALLUK BUSINESS DEVELOPMENT
AL MARKAZIYAH (WEST)
P.O. BOX – 113660
ABU DHABI – UAE

Algeria
Bureau Administratif et Financier
Lotissement 19/20
Aissat Idir Cheraga
W Alger

Argentina
Desvío a Pescadores, Km. 8,9,
San Luis,
San Luis Province

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
Sector 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

Guatemala
6a. Calle 5-47 Zona 9
5to. Nivel
Guatemala City

Honduras
Bulevar Fuerzas Armadas
Salida al Norte, Colonia El Carrizal
Frente a Colonia Espíritu Santo
Apartado Postal 3199
Tegucigalpa

Indonesia (Representative Office)
17th floor, Pondok Indah Office Tower 3,
Jl. Sultan Iskandar Muda, Kav. V-TA,
Pondok Pinang Keboyaran Lama, –
South Jakarta Dki Jakarta

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)
18th November Street
Azaiba Muscat
Sultanate of Oman

Panama
Calle Aquilino De la Guardia
Torre Banco General
Oficina 1502
Panama City

Peru
Calle Chinchón 1018
Piso 2 Lima27
San Isidro
Lima

Poland
Ul. Sapiezynska 10a
00-215 Warsaw

Qatar (closed down on 2 March 2017)
Financial Center – QFC
QFC no. 00256 - c/o QFC Authority
PO Box 23245 – Doha

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Romania
Str. Nicolae Caramfil Nr 53,
Et3, Sector 1,
CP 014142,
Bucharest

Russia
191025, Nevskiy pr. 55, lit. A,
Saint Petersburg

Singapore
50 Raffles Place #32-01 Singapore Land Tower
Singapore 048623

United States of America
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
Armada Iş Merkezi
Eskişehir Yolu 6/A Blok, Kat.9, No. 11,
06520 Söğütözü Ankara

Venezuela
Av. La Estancia
C.C.C.T. 1° Etapa, Piso 6
Oficina 620, Urb. Chuao
Caracas 1064

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 2016

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 bylaws, we performed the supervisory activities we are responsible for by law during the financial year ending 31 December 2016, in accordance with the standards of conduct for Boards of Statutory Auditors 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.

This report has been drafted, also taking into account the recommendations made by CONSOB in its notifications.

The Board of Statutory Auditors obtained the information needed to perform the supervisory tasks assigned to it by taking part in meetings of the Board of Directors and internal board committees, meetings with the Company's and Group's management, with the independent auditors and with the Group companies' corresponding boards of auditors, by analysing information obtained from relevant corporate divisions 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.

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, regarding the activities and transactions of greatest importance performed by the Company and its 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 2016 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 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 on Page 93 of the 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", "Safeguard 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 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 Internal Dealing Code was revised to bring it in line with the content of the market abuse regulation. The new Internal Dealing Code was approved by the Board of Directors on 3 August 2016, replacing the version of 3 August 2010. 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' Regulation as to updating the List of persons with access to inside information. This procedure, along with the procedures on regular and ongoing disclosure, will be reviewed by the Company during 2017.

1.1. Requests for information pursuant to Article 115, letter b) of Legislative Decree no. 58/98

With regard to the request for information received by the Company on 27 November 2015, pursuant to art. 115 of the Consolidated Finance Act with reference to the 2014 separate financial statements, the 2014 consolidated financial statements, the 2015 Interim Financial Report, and the Interim Report on Operations at 30 September 2015, during the meeting of 29 January 2016 the Board of Statutory Auditors was informed by the Company's General Manager – Administration & Finance, Mr. Paolo Citterio, that no further action had been taken by the Supervisory Authority with regard to the aforementioned request for explanations and to the information provided by the Company.

2. Atypical and/or unusual transactions, including intragroup or with related 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 Manager of the Internal Audit Department or the shareholders themselves regarding performance during the year of atypical and/or unusual transactions involving third parties, related parties or group companies.

And we did not find evidence of performance of these transactions while performing our checks.

As regards transactions with related parties and intragroup transactions, 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 activities performed during 2016.

In compliance with the provisions of 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, Auditors and General Managers. In this regard, there were no atypical or unusual transactions other than routine operations.

In this regard, to implement CONSOB's recommendations in Notification no. DEM/10078683 of 24 September 2010, we took note of the amendments made during the year to the corporate procedure regulating transactions with related parties and their operative instructions, also through comparison with current best practices.

3. Reports as per Article 2408 of the Italian Civil Code and submission of petitions

No reports were made pursuant to Article 2408 of the Italian Civil Code, nor were any petitions of any kind submitted by third parties during the financial year whose financial statements you are called upon to approve.

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 a valid means for controlling compliance with the principles of correct management in operating procedures.

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 statements received from individual auditors and filed among corporate records, we checked the non-existence of reasons for the auditors' ineligibility or incompatibility and the existence of the requirements for holding office provided for by law and in the company 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.

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.

In compliance with CONSOB Notification no. 6031329 dated 7 April 2006, the Board of Statutory Auditors forwarded to CONSOB on 21 April 2016 the "Summary of control activities".

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. 58/98), presented at the meeting of the Board of Directors on 16 March 2016, and we have no observations to make in this regard. Moreover, after the Shareholders' Meeting of 20 April 2016 that renewed the Board of Directors, the new Board appointed its internal board committees, maintaining the unity of the Appointments and Remuneration Committee. In this regard, during 2016, the Board of Statutory Auditors, in most cases in its entirety and at any rate with at least one member, attended, upon invitation, the meetings of the Appointments and Remuneration Committee held respectively on 9 and 16 March, 10 May, 27 June, and 9 November 2016.

As to the main issues dealt with by said Committee, reference is to be made to the statements made in the section of the 2016 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 clearly 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 2016 through checks performed by the Board of Statutory Auditors (Check by the Board of Statutory Auditors for activities related to FY 2016).

As regards the organisation charts, we viewed those of 16 May, 1 June and 3 August 2016, reflecting the organisational changes made by the company, in support of the actions aimed at reaching the targets of the Company's 2016-2020 Strategic Plan.

As regards organisational changes that we consider to be of specific importance for corporate business management, we would like to note:

- Renewal of the Board of Directors for 2016-2018 – with the new appointments and the conferral of their powers – which led to the designation of the Company's new CEO, Mr. Filippo Stinellis, appointed at the board meeting of 20 April 2016;
- Appointment, with the announcement of 16 May 2016, of the new General Manager of Industrial Services in the person of Mr. Mario Lanciani;
- The subsequent organisational changes aimed at strengthening the company's activity in the Far East and the Americas, with appointments at the level of General and Deputy General Managements, and with the conferral of the related powers, resolved at the Board meeting of 3 August 2016.

Lastly, we would like to report that Board of Statutory Auditors, at its meeting of 4 October 2016, met the Director of information systems and organisation for a general overview of Astaldi's organisational model. In that circumstance, it was updated with regard to the organisational plans finalised during 2016, on the implementation of the "IPE" (International Position Evaluation) method to assess all the strategic corporate positions.

6. Suitability of internal control system, especially as regards activities performed by the Manager of the Internal Audit Department and by the Manager of the Management Control and Corporate Risk Management Department

We assessed and checked the suitability of the internal control and risk management system, as well as the operations performed by the latter 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 Management Control and Corporate Risk Management Department, examining reference documentation and analysing the results of work performed by the Independent Auditors and Control and Risks Committee, in this case through the Board of Statutory Auditors attendance of the meetings of said Committee which were held on 27 January, 22 February, 24 June, 6 July, and 22 November 2016.

As regards 2017, the Board of Statutory Auditors met with the Control and Risks Committee at the meetings held respectively on 25 January and 16 February 2017.

Specifically, we supervised planning of the Internal Audit Department’s activities and examined the relative audit reports, normally issued every six months, 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 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.

In this regard, no shortcomings in the control and risk management system came to light.

We also checked that with regard to corrective actions proposed during the previous year (2015), the company undertook the improvements listed during the current year (2016) with regard to the aspects requiring improvement that were noted.

We also met with the Manager of the Management Control and Corporate Risk Management Department, Mr. Carlo Mussi, 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 Officers, General Managers), Country Managers and Project Managers and how they are of importance with 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, together with the Control and Risks Committee, we noted that, further to the Risk Assessment update made during the previous year, the Company compiled a Group Risk Appetite Statement, in application of the suggestions made by the Code of Conduct, to application criterion 1.C,1, letter b), submitted for approval by the Board of Directors during the meeting on 9 March 2016. Starting from the current financial year, the management reporting was supplemented to monitor the risk profile of the various "over the top" categories and to verify their consistency with the Corporate Risk Appetite.

Again with regard to the internal control and risk management system, it must be noted that during 2016 the company's Integrated Management System was amended in order to incorporate: the organisational changes approved under BoD resolutions and in organisational notifications; the completion of the action plan following the general review of Astaldi S.p.A.'s Organisation, Management and Control Model pursuant to Legislative Decree no. 231-01 (which took place during 2015), and the final revision and approval of the Organisational Model pursuant to Legislative Decree no. 231 which took place at the BoD meeting on 27 June 2016, following the introduction of new predicate offences for the purposes of Legislative Decree no. 231-01; specific requests by boards of auditors.

In light of the above, 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 operative procedures, as well as of new Guidelines by the Parent Astaldi.

In this regard, we obtained approval of the Internal Audit Manual, revised as concerns the Fraud/IT Audit (22 February 2016) and the management procedure on organisational behaviour to prevent fraud and corruption in managing corporate business (22 February 2016), along with the Manual's approval for compliance with Legislative Decree no. 231-01 (1 April 2016).

We were also informed and updated with regard to the finalisation of other key projects related to the control system which involved:

- implementation in 2016 of the functions of the software (MEGA) introduced to support the IAD with activities provided for in the Audit Plan, also within an integrated vision of compliance with Legislative Decree no. 231/01;
- performance of an IT follow-up on a foreign branch in line with the audit performed with the support of the Macfin Group during the previous year;
- update of the corporate fraud Risk Assessment and performance of operativity checks on anti-fraud procedures identified during 2016, further to the Fraud/IT Audit project;
- continuation of the IAD's path towards Quality Assurance, in compliance with international standards (IPPF);
- implementation of a new procedure for delivering training activities for the purpose of Legislative Decree no. 231, through advanced modes of e-learning, ensuring the

delivery of extensive, flexible, and traceable training.

In this way, we reached an opinion of substantial suitability of the company's internal control and risk management system, including in terms of efficiency in implementing the improvements requested.

7. 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 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 corrective actions had been proposed with regard to the aspects to be improved and that the recommendations put forward during previous testing (2015 audit/2016 follow-up) had been implemented.

We thus reached an opinion of the substantial suitability of the administrative-accounting system and its ability to correct 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 were informed by the General Manager – Administration & Finance, Mr. Paolo Citterio and the Administrative Manager, Mr. Bartolomeo Bonfigli, of the completion during the year of the project to review the organisation of administrative and accounting procedures adopted by the company in order to bring them into line with the sector's best practices and to take into account evolution of the company's business segments.

The project was completed with the publication on the corporate intranet, on 9 January 2017, of the new and revised administrative and accounting procedures which will be the subject of training for employed personnel during 2017.

No specific problems or obstacles came to light regarding issue of the statement by the Manager in charge of Financial Reporting and the Chief Executive Officer, regarding the validity of the administrative and accounting procedures used to formulate Astaldi S.p.A.'s Separate Financial Statements and Consolidated Financial Statements for the year ending 31 December 2016.

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 pursuant to Article 154-*bis*, subsection 5, of Legislative Decree no. 58/98, Mr. Paolo Citterio.

8. Significant aspects that came to light during meetings held with the auditors pursuant to Article 150, subsection 2 of Legislative Decree no. 58/1998

We checked independent auditing of the accounts, examining the independent auditors' work schedule together with the Manager in charge of Financial Reporting, 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 auditors that were not duly followed up.

At the specific request of the Board of Statutory Auditors, on the occasion of finalisation of its 2016 works calendar, the independent auditors, KPMG, were invited to attend all the meetings of the Board of Statutory Auditors.

In this regard, the independent auditors forwarded to the Board of Statutory Auditors the report regarding key questions that emerged during auditing at the various meetings that were held, leading up to approval of the draft of the Separate Financial Statements by the Board of Directors. The report highlighted no significant shortcomings in the internal control system as regards the financial disclosure process.

It is lastly pointed out that the Board of Statutory Auditors did not receive from the independent auditors, during the performance of its works, reports on the instructions of Accounting Standard no. 260 *"Disclosure of facts and circumstances pertaining to review for those in charge of governance activities*".

In this regard, we held meetings with the representatives of KPMG during 2016, on 27 January, 9 and 29 March, and 1 August 2016, while, as regards 2017, in the run-up to approval of the 2016 Financial Statements, we met with KPMG on 25 January and 14 March 2017, pursuant to Article 150 of Legislative Decree no. 58/98, that promptly updated us with regard to the progress of auditing activities, providing suitable information in this regard.

At meetings of the Board of Statutory Auditors held respectively on 25 January and 14 March 2017, we were also updated by the independent auditors KPM on the regulatory changes stemming from Legislative Decree no. 135 of 17 July 2016 in implementation of Directive 2014/56/UE amending Directive 2006/43/EC concerning the independent auditing of separate and consolidated accounts (new Legislative Decree no. 39/10), and from Regulation 2014/537/EU 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 auditing, and the new assignments of the Board of Statutory Auditors.

9. Indication of any granting of additional assignments to the independent auditors and relative costs

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 2016 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	1,180
Certification services (related to auditing)	206
Other services	356
Total	**1,742**

Therefore, the incidence of "Other services" compared to "Auditing" and "Certification services (related to auditing)" was 25.69%.

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, and having checked that no assignments for services were granted that could put the auditors' independence at risk, pursuant to Articles 10 and 17 of

Legislative Decree no. 39/2010, the Board of Statutory Auditors does not feel that there are any problems regarding the independence of KPMG S.p.A.

Leading up to approval of the draft of the 2016 Financial Statements, during the meeting of 25 January 2017 we were informed by the independent auditors as to the main regulatory changes introduced by the new decree no. 39/2010, with regard to the independence of the auditing company, and as to the services that will no longer be permitted (Non/Audit Services - NAS), also within the Group setting, starting in 2017.

10. Appropriateness of orders given by the Company to subsidiaries pursuant to Article 114, subsection 2 of Legislative Decree no. 58/1998

We checked the appropriateness of orders given by the Company to the main subsidiaries, pursuant to Article 114, subsection 2 of Legislative Decree no. 58/98 by collecting information from the Managers of the relevant corporate departments and by meeting with the independent auditors and corresponding Boards of Auditors in order to mutually exchange data and information.

In this regard we feel we received suitable information during a meeting convened by the Board of Statutory Auditors, with regard to the most important aspects, described in depth by the corresponding Boards of Auditors of some of Astaldi S.p.A.'s most important subsidiaries such as the Chairman of the Board of Statutory Auditors of Astaldi Concessioni S.p.A., Mr. Pierumberto Spanò, and the Standing Auditor of NBI S.p.A., Mr. Gregorio Antonio Greco, including through the illustration of suitable supporting documentation.

11. Company's compliance with the Corporate Governance Committee' 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.

The Company's current governance is in line with the recommendations of the Code of Conduct, in its latest edition published in July 2015 by the Corporate Governance Committee established by business associations (ABI, ANIA, Assonime, Confindustria), professional investors (Assogestioni), and Borsa Italiana S.p.A.

In line with the policy adopted last year, 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 2016.

12. Supervisory Body's activities

We obtained information regarding activities performed pursuant to Legislative Decree no. 231/2001 regarding the administrative responsibility of organisations, including direct exchange of information with the Supervisory Body set up by the Company.

In this regard, in compliance with the provision contained in the Company's Organisation, Management and Control Model pursuant to Legislative Decree no. 231/01, 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. 231/01 during the first and second half of 2016, respectively on 2 March and 12 December 2016.

The Supervisory Body also updated the Board of Directors as regards activities performed during 2016, in accordance with the content of the Annual Report on Corporate

Governance at your disposal and with its Half-Yearly Report on operations performed in compliance with the Supervision Plan approved for 2016.

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.

Please refer to the content of point 6 of this report with regard to projects finalised during the year for the control and risk management system for the impacts as per Law no. 231.

13. Health, Safety and Environment

As regards supervisory activities related to health, safety and the environment, we noted that the Company implemented and maintained certification, as per acknowledged standards (ISO 14001 and OHSAS 18001), of management systems that are effective in minimising specific risks.

In this regard, during the year we observed the organisational changes made to the company's structure as regards corporate health, safety and environmental supervision of operational projects.

Said supervision is currently managed by the General Management – Industrial Services – through the appointment, on 7 October 2016, of the Manager of the Project Health, Safety and Environment Department, Mr. Massimiliano Cubeddu, to support Project representatives working in these specific areas.

As regards updating of the Health, Safety and Environment (HSE) component within the Corporate Integrated Management System, also as regards maintenance of aforementioned certification, the Corporate Manager of the Group's Integrated Management and Sustainability Department, Mr. Massimiliano Arces, is responsible for this.

14. Board of Statutory Auditors supervision over important or extraordinary

transactions

During 2016, the Board of Statutory Auditors took note – through the disclosures received from the competent corporate departments, from the independent auditors, and at Board meetings – of the acceleration of the process of disposing of the assets under concession, in line with the provisions of the 2016-2020 Strategic Plan.

In this regard, it was able to verify that the transfers planned for 2016 and the first months of 2017, prior to the approval of the draft of the financial statements, have been completed. Lastly, it took note of the review of the procedure for the "Management of Extraordinary Transactions," approved on 8 November 2016.

15. Supervision of Separate Financial Statements' structure

Astaldi's financial statements are drafted based on IASs/IFRSs issued by the International Accounting Standards Board (IASB) and approved 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.

The Management Report compiled by the directors summarises the main risks and uncertainties and provides an overview of the company's future outlook.

The Company's financial statements are drafted in compliance with law provisions and accompanied by the documents required by Italian civil code and the Consolidated Finance Act.

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 financial statement models 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 financial statement models, 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 27 June 2016, prior to approval of the 2016 interim financial report, and at the Board meeting of 16 February 2017, prior to approval of the 2016 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, Manager of Strategic Planning and Management Control (the latter present only for examination of the 2016 interim financial report) and Administrative Management.

The Board of Statutory Auditors acknowledges that the Control and Risks Committee 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 statement, 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 duties and powers of control and inspection.

The Management Report complies with legal requirements and tallies with financial statements data and results. It provides extensive information about the most important transactions and activities which the Board of Statutory Auditors was promptly informed of, 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.

16. 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 2016, drafted in compliance with the International Financial Reporting Standards adopted by the European Union, and measures issued to implement these contained in Article 9 of Legislative Decree no. 38/2005.

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 Independent Auditors' Report also contains opinions on the consistency of the Management Report and information contained in the Report on Corporate Governance pursuant to Article 123-*bis* of Legislative Decree no. 58/98 with the aforementioned financial statements.

17. Conclusions regarding the results of supervisory activities performed

The supervisory activities, as detailed above, comprised 11 meetings of the Board of Statutory Auditors held during 2016, whose resolutions are set down in the Board's ledger, attendance of 1 Shareholders' Meeting (for approval of the 2015 financial statements), 10 meetings of the Board of Directors held in 2016, and 5 meetings of the Control and Risks Committee held in 2016.

The Board of Statutory Auditors also attended two meetings jointly with the Supervisory Body held on 2 March and 12 December 2016, two meetings of the Appointments and Remuneration Committee and one meeting of the Related Parties Committee.

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 from page 23 to page 25.

As regards activities performed by the Supervisory Board, these were also referred to the Board of Directors and can be found in the Annual Report on Corporate Governance from page 32 to page 34.

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.

18. Proposals to the Shareholders' Meeting pursuant to Article 153, subsection 2, of Legislative Decree no. 58/98

Taking into account the above, the Board of Statutory Auditors, with regard to its areas of responsibility, has no objections to make with regard either to approval of the financial statements at 31 December 2016 or to the proposals of resolution formulated by the Board of Directors.

Rome, 27 March 2017

BOARD OF STATUTORY AUDITORS

Signed Paolo Fumagalli

Signed Lelio Fornabaio

Signed Anna Rosa Adiutori