Namibia – (Windhoek-Okahandja Road)

CONSOLIDATED FINANCIAL REPORT AS AT DECEMBER 31, 2016

Cooperativa Muratori & Cementisti
CMC di Ravenna
Registered offices at Via Trieste 76, Ravenna
Tax code and VAT no.: 00084280395
Ravenna Companies Register no. 014-567
Ravenna Chamber of Commerce no. 1660

CMC IN THE WORLD

In the past

Botswana	Sudan
Burkina Faso	Swaziland
Belgium	Taiwan
Bulgaria	Tanzania
Colombia	Zimbabwe
Czech Republic	
Eritrea	
Ethiopia	
Germany	
Iran	
Ivory Coast	
Lesotho	
Lybia	
Malaysia	
Somalia	

Today

Algeria	Mozambique
Angola	Namibia
Chile	Nepal
China	Pakistan
Egypt	Saudi Arabia
France	Singapore
India	South Africa
Italy	Sweden
Kenya	Thailand
Laos	The Philippines
Lebanon	USA
Malawi	Zambia
Morocco	

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- CMC RAVENNA EURL

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- MORESIDE INVESTMENTS (Pty) Ltd
- SIDEBAR MANUFACTURING (Pty) Ltd

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BUSINESS AREAS

CMC Group has a proud record of delivering world-class infrastructural projects, with a focus on the following business areas:

Transport
Roads, motorways
Tunnels, bridges and viaducts
Railways and underground
Airports

Water and irrigation works
Dams
Hydroelectric plant
Tunnels
Aqueducts
Irrigation channels

Ecology and environment
Water treatment and sanitation services
Sewage systems
Treatment of toxic waste

Building projects
Civil and public buildings (hospitals and clinics, schools, sport structures, correctional facilities)
Executive and service buildings (hypermarkets, shopping malls, post offices)
Hotels and resorts
Industrial plants (power stations, silos)
Maintenance and refurbishment

Water control and marine works
Coastal protection, piers and jetties, dredging

Integrated territorial development projects

ORGANISATION CHART

Domestic operations

Overseas operations

GED Srl (**Precast)**

SIC Spa (**Building materials**)

CMC **I**mmobiliare Spa **(Real estate)**

CORPORATE GOVERNANCE

Board of Directors [1]

Chairman

Massimo Matteucci

Deputy

Alfredo Fioretti

Claudio Bandini
Grazia Benazzi
Marco Bulgarelli
Marcello Cacucciolo
Mauro Calandrini
Lorenzo Cottignoli
Maurizio Fucchi
Fabio Monti
Michela Santandrea

Chief Executive Officer

Roberto Macrì

Statutory Auditors [1]

Chairman

Gian Luca Bandini

Auditors

Maurizio Rivalta
Gian Marco Venturi

Independent Auditors [2]

Ria Grant Thornton Spa

Audit Committee [1] ex art. 6 Legislative Decree 231/2001

Chairman

Gian Luca Bandini

Members

Michela Santandrea
Riccardo Suprani

[1] In charge for the 2014-2016 period

[2] In charge until approval of the 2016 financial statements

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FINANCIAL HIGHLIGHTS

Income Statement	Q4 2016	Q4 2015 restated	FY 2016	FY 2015 restated
Construction Revenue	292.6	307.2	1,026.7	1,133.0
- Italy	*107.7*	*126.9*	*464.0*	*520.0*
- Overseas	*184.9*	*180.3*	*562.7*	*613.0*
Total turnover	**299.2**	**325.1**	**1,063.2**	**1,180.3**
EBITDA	**46.8**	**32.2**	**151.7**	**135.9**
EBITDA Margin	**15.6%**	**9.9%**	**14.3%**	**11.5%**
Consolidated net income	-5.6	3.2	10.3	10.0

New Orders	Q4 2016	Q4 2015 restated	FY 2016	FY 2015 restated
- Italy	-	-	*205.7*	*485.8*
- Overseas	*250.6*	*546.8*	*918.6*	*1,087.0*
Total new orders	**250.6**	**546.8**	**1,124.3**	**1,572.8**

Cash Flows	Q4 2016	Q4 2015 restated	FY 2016	FY 2015 restated
- CF from operations	*16.4*	*18.0*	*166.8*	*56.9*
- CF from inv. activities	*(42.9)*	*(31.9)*	*(84.4)*	*(88.9)*
- CF from fin. activities	*(28.2)*	*(11.3)*	*(86.6)*	*5.8*
Total Cash Flow	**(54.7)**	**(25.2)**	**(4.2)**	**(26.2)**

Balance Sheet	Dec-16	Sep-16 restated	Dec-15 restated
Net working capital	368.6	345.7	402.5
Net financial position	563.4	524.5	557.6
Adj. net financial position	575.6	536.9	571.0
Shareholders Equity	119.9	123.3	141.7

Key LTM financials	Dec-16	Sep-16 restated	Dec-15 restated
LTM Construction revenue	1,026.7	1,041.3	1,133.0
LTM EBITDA	151.7	137.1	135.9

Key Ratios	Dec-16	Sep-16 restated	Dec-15 restated
Backlog / LTM Constr. revenue	3.34x	3.42x	3.11x
NFP / EBITDA	3.71x	3.83x	4.10x
Adj. NFP / EBITDA	3.79x	3.92x	4.20x

Backlog	Dec-16	Sep-16	Dec-15
Italy	**1,118.0**	**1,296.9**	**1,415.7**
- Southern Africa	*489.9*	*548.4*	*726.6*
- Asia	*330.8*	*303.3*	*118.1*
- Northern Africa	*373.7*	*309.1*	*329.3*
- Estern Africa	*536.6*	*546.2*	*457.6*
- South America	*33.6*	*40.0*	*48.9*
- North America	*97.4*	*114.7*	*70.0*
- Europe	*184.0*	*194.2*	*194.2*
- Middle East	*261.3*	*203.6*	*158.7*
Total international	**2,307.3**	**2,259.5**	**2,103.4**
Total backlog	**3,425.3**	**3,556.4**	**3,519.1**

INTRODUCTION

This report was prepared by the Board of Directors of COOPERATIVA MURATORI & CEMENTISTI - CMC DI RAVENNA, on April 5, 2017 and shows the consolidated results of the CMC Group for the period ended December 31, 2016.

Unless stated otherwise, figures are shown in millions of euro.

Most of the Group's companies operate in the construction sector. Given the current country exposure, results tend to be negatively affected by poor weather conditions in the first quarter of the year.

KEY EVENTS

- We were awarded new contracts in 2016 worth € 1,124.3 million, of which € 205.7 million in Italy and € 918.6 million abroad.

  The main contracts awarded in the year are summarised below:

  Italy

  - In a temporary business association with CBR, CMC won the contract for the construction of an office and retail complex on the area formerly occupied by Fiera di Rimini. The contract is worth Euro 18 million and CMC's share is 80%. The work will start in May and will last 18 months.
  - Underground link between Cosenza – Rende and the Università della Calabria (Italy), for a total project value of €98 million, of which we own approximately 85%. We will execute the project in temporary joint venture with the Spanish supplier of railway materials CAF, Construcciones y Auxiliar de Ferrocarriles.
  - New hospital and related facilities in the southern area of Ancona (Italy). The new hospital facilities will include 250 beds and 6 surgery rooms for a total of 50.000 sqm, in additional to a basement, helicopter landing area and parking facilities for a total project value of €40 million, of which we own approximately 69%. We will execute the project in temporary joint venture with Conscoop and Ubaldi.
  - Waste water treatment project for Hera, the utility company, in the Rimini area, including the new landscaping of Piazzale Kennedy in Rimini. The project, which will be executed in partnership with CONSCOOP – ICOP and Torricelli, has a total value of €26 million, of which we own 42.35%.
  - Design and construction of the new Vestone Nord-Idro Sud section of the S.P. BS 237, a road located in the province of Brescia, for a total value of €34.5 milion, of which we have a 85% share.

  International

  - $460 million contract for civil and hydro-mechanical works at the Nam Theun 1 hydropower plant in Laos. CMC will lead, with an interest of 40%, a joint venture that will include two of the most important construction firms in the region, ItalianThai Development (Thailand) and Song Da Corporation (Vietnam).
  - Construction of two earth dams and a number of tunnels to capture and divert the water from three rivers in the Philippines. The contract is worth €56 million (CMC's share is 100%).

- Design and construction of a hydroelectric plant in Kimwarer, a village in Elgeyo-Marakwet County, in Kenya for Kerio Valley Development. The contract is worth approximately €209 million and CMC's share is 51%.
- Construction of a hydroelectric plant in Solu Khola in Solukhumbu District in Nepal, with a contract worth €66 million (CMC's share is 100%).
- Construction of Bab Ouender dam, close to the town of Taounate in Morocco, with a contract worth €150 million (CMC's share is 100%).
- Design, procurement , construction and commissioning of 84 MW Gorkin Matiltan Hydropower Project for PEDO Pakhtunkhwa Energy Development Organization in Pakistan. The project has a total value of approximately $117.5 million, of which we own 60%, and it is expected to be completed before November 2020.
- New contracts acquired by our US subsidiary LMH for a value of € 85.9 million: road revamping projects, construction of a mooring basin within the commercial port of Palm Beach, and other minor projects.
- New contracts acquired by our US subsidiary Di Fazio Industries for a total value of € 28.1 million.

- On February 27, 2016, the Shareholders' meeting has approved the Strategic Plan 2016-2018 presented by CEO Roberto Macrì, which forecasts our turnover to achieve €1.4 billion per year by the end of the period.
- On March 7, CMC celebrated its 115th year. On 7 March 1901, 35 masons signed the deed of incorporation of an entity that would later become the largest European construction cooperative and the fourth largest construction firm in Italy.
- At the end of April 2016, ANAS Chairman Gianni Vittorio Armani visited our SS 640 motorway project in Caltnissetta where, together with representative of our Management, he attended the ceremony for the conclusion of the boring of a 200mt section of a tunnel. The section has been executed utilising a 15.08mt diameter TBM, one of the largest in the world. The Chairman has praised the excellence of our work, and has indicated our project as an example of the expected recovering in infrastructure projects in our Country.
- In July, CMC signed a new agreement for a Revolving Credit Facility of Euro 145 million, later extended to €165 million, that expires in December 2019. BNP Paribas and Unicredit acted as originating Mandated Lead Arrangers and Bookrunners for the financing arrangements. The syndication of the Revolving Credit Facility was completed successfully within the planned timeframe and involved new international and Italian banks. Unicredit was appointed as Facility Agent for the transaction. The purpose of the new RCF was to replace the previous €100 million RCF which was due to expire in June 2017 and was linked to the issue in 2014 of the €300 million bond falling due in 2021. This new credit line ensures a better liquidity profile and balancing of our capitalisation structure. In addition, it provides the required financial resources for the implementation of a Business Plan which foresees volume growth and expansion of overseas activities.

- In July 2016, we signed the final settlement with our client Eskom in relation to our claims on the Ingula hydroelectric project, which will recognise to the JV CMI, 51% owned by CMC, a significant additional payment. The settlement payments, part in Rand and part in Euro, were collected in the second half of 2016. , with a significant positive impact on our Net Working Capital and Adjusted Net Financial Position.
- On July 28, 2016, the Section 1 of the Quadrilatero Umbria-Marche was officially opened. The ceremony was attended by the Italian Prime Minister Matteo Renzi, the Miister of Infrastructure Delrio and the Chairman of ANAS, Gianni Vittorio Armani. The project, which includes 18 tunnels and 25 bridges, has significantly reduced commuting time and pollution in the area.
- In July 2016, INPS, the Italian social security authority, has accepted a request of early retirement incentive for 21 of our employees, who will leave CMC at the end of 2016 and will be able to claim a pension within the next 4 years according to the provisions set in art.4 of the Law 92/2012.
- On September 16, 2016, our Shareholders Meeting ratified the loss of the “Cooperativa a Mutualità Prevalente” status, as we failed to meet the requested parameter for two consecutive years. As requested by art. 2513 of the Italian Civil Code, we approved an extraordinary interim balance sheet to quantify the funds to be allocated to the indivisible reserve (i.e. the reserve unavailable for distribution). As a result of the change, we retained all the features of a cooperative, with the exception of some tax advantages. In particular, the applicable tax rate on income generated in italy increased from 12% to 20%. However, in recent years, the taxable income generated in Italy has been not material compared to income generated overseas. This trend is expected to continue in the future.
- In September, we established in Italy a new subsidiary, 100% owned by CMC, named “Concrete Finance S.r.l.”. The company will provide/arrange financial solutions and provide assistance in analysing the optimal financial structure for our international projects. The company will leverage on highly skilled personnel, which combines technical and financial expertise.
- In November, we fulfilled the clean-down provision of the new RCF.
- In December, the Italian social security authority (INPS) accepted a further early retirement incentive request for 6 employees, who will leave CMC by the end of the year and will be able to claim their pension within the next 4 years according to the provisions set in art. 4, Law 92/2012.
- In the final months of 2016, a favourable settlement was reached with the Bologna office of the Italian Tax Authority regarding an issue that arose from an inspection in 2015 concerning the tax treatment of dividends from a number of foreign companies. The matter was settled with no significant cost for the Cooperative.
- Edilizia e Territorio, a weekly magazine released by the Italian financial newspaper Il Sole24Ore, published an updated rank of the 50 largest construction companies in Italy. According to the article, we are the 4th largest construction company in Italy based on 2015 turnover (5th in 2014), and the first construction cooperative in Europe, reporting a turnover growth (+6.5% in 2015) for the 14th consecutive year.

UPDATE ON KEY RELEVANT MARKETS

2016 was again affected by political and financial turbolences which set the scenario for a modest growth in Europe and Italy, confirmed the need of a selective approach to developing countries, and opened potentially interesting growth opportunities in the US following the election of a pro-investment President.

Italy and Europe

According to Eurostat, eurozone GDP grew by 0.5% in the fourth quarter taking annual growth to 1.8%., slightly down from 2015 but still boosting hopes that the region's recovery may be now strong enough to shake off political uncertainty across advanced economies. More stability is expected after the upcoming French, Italian and German elections, although uncertainty aroud Brexit talks is expected to affect potential growth. According to ISTAT, investment in costruction is forecast to strengthen, driven by improved expectations about near term outlook.

In Italy, GDP growth was slightly below 1.0% in 2016. Uncertainty following the government reshuffle following the outcome of the constitutional referendum promoted by Renzi and concern over the health of the banking system are expected to weight on growth and hamper recovery in investments.

Against the gloomy background, we maintained a backlog of approximately €1.1 billion in Italy, which substantially covers our revenue expectations for the next two years. This allows us to face the challenging market without anxieties. In 2017, due to the ongoing revision of the contracts code and major restructuring of the key public contractors, we do not expect a significant tender activity, except for railway works, such as the Naples-Bari and Sicily TAV, certain Brenner lots and maybe the first Turin-Lyon lots. Strong focus will be maintained on niche markets, such as maritime works, contracts with the US government, renovations and hospital projects. We exclude any further involvement in, concessions, after our recent exit from SAT concession and the start of the TE concession divestment process.

Outside Italy, we confirm our interest in the Scandinavian market, where we recently started the execution of a road project in Sweden.

North and South America

In the the United States, GDP grew at 1.6% in 2016, its worst performance since 2011, after expanding 2.6% in 2015. However, the economy may get a boost from President Donald Trump's proposed stimulus package of significant tax cuts and infrastructure spending.

CMC is present in the United States with two companies, LMH in Boston and Di Fazio Industries in New York. We intend to acquire a further equity interest of 33% during 2017, which would give us a total 67% controlling interest in the company. We are now bidding for larger contract, also consolidating our presence in Florida. We are considering M&A opportunities in the country to strengthen presence in existing areas.

South America has seen significant political changes, with new liberal governments in Argentina and Brazil giving hopes for a new impulse in infrastructure projects. We are present in this continent in Chile, where, in a joint venture with Hochtief, we are constructing a hydroelectric plant named "Alto Maipo". We are actively pursuing business opportunities in Chile and neighbouring countries, with a particular focus on underground works. In Argentina we are the preferred bidder for a water project worth approximately $200 million in joint venture with a Spanish company.

Southern and Eastern Africa

Uncertainties associated with the trend in commodity prices and strategic raw materials (oil and gas) will continue to be a critical element to be taken into account in the approach of African economies.

South Africa economy grew by a modest 0.3% in 2016, with a contraction reported in Q4. Weakness in economic activity persisted in Q1 2017, and the gloomy situation was exacerbated by the recent sovereign rating downgrade. However, according to OECD, economic growth may rebound in 2017 and strengthen further in 2018, driven by household consumption and investment. In particular, the improvement in electricity production is expected to remove bottlenecks and investment, provided that political uncertainties dissipate.

Mozambique has seen a very difficult 2016 amid political turmoil after contested elections. Rapid economic deterioration followed the revelation of previous undisclosed borrowing. GDP dropped to 3.3% in 2016, down from 6.6% in 2015. The World Bank's growth forecast for 2017 has been revised downwards from 5.2% to 4.8% to factor in the effects of likely fuel shortages and the continued effects of restrictive monetary policy. However, there is sign of easing, as shown by the recent re-appreciation of the Metical and by the rencent positive progress in the decision making around important Oil & Gas infrastructure investments by multinational companies. Whilst there are timid positive signs concerning the recovery of receviables from public entities for contracts already completed, we have been awarded a new contract by Anadarko for the construction of a resettlement camp in the north of the country.

As for Kenya, according to the World Bank GDP is expected to decelerate to 5.5% after a significant 5.9% reported in 2016 also thanks to an ambitious public investment drive. The economy is expected to bounce back to 5.8% in 2018 and 6.1% in 2019. We significantly increase our presence in the country where we are building the Itare dam, and we have won three other new large contracts in joint venture for the construction of dams,. Being hydropower the cheapest source of energy for the country, we are very well positioned to capture further growth opportunity in the country.

In Angola, which has been significantly affected by a combination of low oil price and lack of diversification, we expect to complete our project by 2018 thanks to the financial package arranged with the back of SACE.

In Suthern and Eastern Africa we achieved a turnover of approximately €300 million, which is expected to increase to €350 million in the next years, despite the completion of our large Indula hydroelectric plant.

Northern Africa

We operate in Algeria, Egypt and Morocco, whilst still having a share in a large motorway project in Libya currently on hold due to the political and social turbolences.

Algeria is another country where low oil price has impaired investment plans and the capability of the government to promptly fulfil payment obligations. As a result, we just want to complete our existing project in the country without actively pursuing new business opportunities.

In Morocco, agricultural production, which still represents almost 15% of Morocco's GDP, decreased by 10% and dragged overall GDP growth down to 1.1% in 2016. Accordig to the World Bank, with good rainfall since the fall of 2016, GDP growth is projected to bounce back to 3.8% in 2017, althought delays to form a new government are slowing growth momentum. Thanks to its relative stability, and the need to improve basic infrastructure, we believe the country represents a good business opportunity for CMC. This was also confirmed with the recent €150 million dam project we have been awarded in 2016.

Egypt has reported a 4.3% GDP growth in 2016, confirming the increasing momentum of the country 's economy. However, growth was constrained by shortages in hard currency and sluggish growth in Europe, its main trade partner. The World Bank expects GDP to slow down to 3.9% in 2017, but with a singificsnt increase in public investment. We started last year the execution of the read tunnels under the Suez Canal, which we expect to complete on schedule.

Middle East

The region has seen a growth slowdown as war in Syria, Yemen and Iraq led to mass migration, distruction of infrastructure and loss of revenues also impacted by lower tourism and international trade. The election of Donald Trump, who is promoting a more pro-active role of Western powers in the region, might give a boost to maintenance investments in military bases.

Countries expected to increase the most in the region but still present political risks are Iran and Iraq, thanks to increasing oil export. We still have a cautious approach to Saudi Arabia, heavily affected by the low oil price with spilling effects on non-oil sectors, although we see some sign of recovery driven by an early diversification effort.

Lebanon, were we positively started the execution of our water infrastructure project, has reported a 1.8% GDP increase in 2016 despite significant migration from Syria, which has strained public finances and service delivery.

Asia

We expect to generate revenue of at least €300 million/year in Asia, also thanks to our three representative offices in Bangkok, Hong Kong, Singapore, Shanghai and Mumbai.

According to the World Bank, East Asia is expected to maintain a positive outlook in the next years, driven by strong domestic demand and a gradual recovery in global economy and commodity prices.

China, where we are successfully completing our Shanxi river diversification project, GDP is expected to remain above 6% in the net 3 years, a fter a 6.7% reported in 2016. In the rest of the region, GDP is expected to increase above 5% from a 4.9% reported in 2016, with developing East Asia and Pacific countries exopecged to report growth above 6%.

Pakistan, where we were awarded a large hydropower plant project in 2016, has achieved macroeconomic stability with growth of 4.7% in 2016. We consider the country as a favourable business environment, also thanks to the expected electricity reform which might lead to higher infrastructure investment.

Lao PDR, where we are executing another large hydroelectric plant project, confirmed to be one of the fastest growing economies in Asia and in the World, with GDP averaging 8% in the last 10 years. He World Bank expects the country to continue to grow at around 7% in the next years, also driven by power projects.

The Philippines, another country were we successfully bid in 2016, is also a ft growing economy with a reported 6.8% GDP growth in 2016, expected to continue in 2017 and 2018 also thnsk to the planned increase in public infrastructure spending.

Other countries that we intend to access are Thailand, where a large public infrastructure plan is expected to drive GDP growth of above 3% in the next two years; Singapore, a business-friendly, fast-growing economy where we have developed a successful track-record in underground works; Hong Kong and Nepal, where we are successfully completing our Melamchi river diversion project.

OVERVIEW

The figures presented for the year ended 31 December 2016 have been prepared in accordance with Italian accounting standards that reflect the amendments, supplements and changes introduced by Legislative Decree 139/2015, which has transposed the Accounting Directive 2013/34/EU into Italian law. On 22 December 2016, the Italian OIC (Organismo Italiano di Contabilità - Italian National Standard Setter) introduced new accounting standards on December 22, 2016. The key financials presented in this report are prepared according to the updated accounting standards.

Set out below is an overview of our results and key indicators related to the year ended December 31, 2016, compared to the year ended December 31, 2015.

- *Total turnover:* decreased by € 117.1 million, from € 1,180.3 million to € 1,063.2 million. In particular, construction revenue decreased by € 106.3 million, from € 1,133.0 million to € 1,026.7 million, due to a decrease of € 56.0 million in Italy and of € 50.3 million overseas. Construction revenue is expected to increase in the next quarters due to the start of new projects secured in 2016.
- *EBITDA:* increased by € 15.8 million, from € 135.9 million to € 151.7 million. As a percentage of total turnover, EBITDA increased to 14.3% in 2016 from 11.5% in 2015, as a result of improved profitability and the effect of the settlement signed with Eskom for the Ingula project.
- *Net income:* income before tax up to € 27.0 million, from the € 17.1 million reported in 2015, while income after tax of € 10.3 million is substantially in line with the € 10.0 million reported in 2015.
- *New orders:* orders acquired in 2016 amounted to total to € 1,124.3 million compared to € 1,572.8 of 2015. Significant boost in new orders from Asia and North Africa, with large new projects acquired in Laos, Pakistan, Nepal, Morocco and the Philippines.
- *Cash flow from operating activities:* increased by € 109.9 million, from € 56.9 million to € 166.8 million, due to an improvement in net working capital and EBITDA.
- *Cash flow used in investing activities:* decreased by € 4.5 million, from € 88.9 million to € 84.4 million.
- *Cash flow from financing:* decreased by € (92.4) million, from € 5.8 million to € (86.6) million, as our Adj. NFP remained stable vis-à-vis a substantial increase reported in 2015. 2016 Cash flow from financing was also affected by a negative change in the reserve for translation adjustments.

Set out below is a review of our key indicators as at December 31, 2016 compared to December 31, 2015:

- *Backlog*: stable at € 3,425.3 million, compared to the 2015 € 3,519.1 million. Backlog / construction revenue ratio increased from 3.11x to 3.34x. 67% of the backlog was related to overseas projects;
- *Net working capital:* decreased by € 33.9 million, from € 402.5 million to € 368.6 million, mainly due to the effect of the collection of the Ingula settlement and of advances for the kick-off of new projects.
- *Net financial position:* slightly increased by € 5.8 million, from € 557.6 million to € 563.4 million,. Net financial position / EBITDA improved from 4.10 to 3.71.
- *Adjusted net financial position:* sliglhtly increased by € 4.6 million, from € 571.0 million to € 575.6 million. Adjusted net financial position / EBITDA improved significantly from 4.19 to 3.79.
- *Shareholders Equity*: decreased by € 21.8 million, from € 141.7 million at the 2015 year end to € 119.9 million at the 2016 year end, mainly due to a decrease in the reserve for translation adjustments.

BACKLOG AND NEW ORDERS

Backlog by geographic area

The following table sets forth a breakdown of our order backlog by geographic area as at December 31, 2016, September 30, 2016, December 31, 2015:

	December 31, 2016	September 30, 2016	December 31, 2015
		(€ in million)	
Italy ……………………………………………………………	**1,118.0**	**1,296.9**	**1,415.7**
Southern Africa ………………………………………………………	489.9	548.4	726.6
Asia………………………………………………………………………	330.8	303.3	118.1
Northern Africa………………………………………………………	373.7	309.1	329.3
Eastern Africa …………………………………………………………	536.6	546.2	457.6
South America…………………………………………………………	33.6	40.0	48.9
North America…………………………………………………………	97.4	114.7	70.0
Europe……………………………………………………………………	184.0	194.2	194.2
Middle east………………………………………………………………	261.3	203.6	158.7
Total International………………………………………………..	**2,307.3**	**2,259.5**	**2,103.4**
Total backlog…………………………………………………………..	**3,425.3**	**3,556.4**	**3,519.1**

Backlog by business area

The following table sets forth a breakdown of our order backlog by business area as at December 31, 2016, September 30, 2016, December 31, 2015:

	December 31, 2016	September 30, 2016	December 31, 2015
		(€ in million)	
Transport Infrastructure……………………………………………….	1,781.9	2,026.2	2,100.3
Road and motorways…………………………………………….	*1,340.4*	*1,567.5*	*1,676.9*
Railways and subways…………………………………………	*441.5*	*458.7*	*423.4*
Water and Irrigation Works………………………………………..	1,361.5	1,224.7	906.5
Building Projects…………………………………………………….	245.8	261.4	374.6
Water Control and Marine Works…………………………………	25.1	29.3	22.0
Mining and Waste Treatment Infrastructure Works……………	11.0	14.8	115.7
Total backlog……………………………………………………….	**3,425.3**	**3,556.4**	**3,519.1**

Our order backlog, which is entirely attributable to our construction activities, amounted to € 3,425.3 million at 31 December 2016, compared to € 3,519.1 million at the 2015 year end, of which 67% consisted of international orders (60% at the end of 2015).

New orders by geographic area

The following table sets forth a breakdown of our new orders by geographic area for the three-month period ended December 31, 2016, for the twelve-month period ended December 31, 2016 and for the twelve-month period ended December 31, 2015:

	Three months ended December 31, 2016	Twelve months ended December 31, 2016	Twelve months ended December 31, 2015
		(€ in milion)	
Italy ……………………………………………………………….	**-**	**205.7**	**485.8**
Southern Africa …………………………………………………	-	139.1	456.2
Asia………………………………………………………………	91.5	333.1	16.9
Northern Africa……………………………………………………	151.6	155.2	110.5
Eastern Africa ……………………………………………………	-	106.8	222.9
South America……………………………………………………	-	-	7.8
North America……………………………………………………	1.3	114.0	59.4
Europe……………………………………………………………	-	-	195.5
Middle east………………………………………………………	6.2	70.4	17.8
Total International……………………………………………	**250.6**	**918.6**	**1,087.0**
Total new orders………………………………………………	**250.6**	**1,124.3**	**1,572.8**

New orders by business area

The following table sets forth a breakdown of our new orders by business area for the three-month period ended December 31, 2016, for the twelve-month period ended December 31, 2016 and for the twelve-month period ended December 31, 2015:

	Three months ended December 31, 2016	Twelve months ended December 31, 2016	Twelve months ended December 31, 2015
		(€ in milion)	
Transport Infrastructure………………………………………………	67.4	312.9	860.4
Road and motorways…………………………………………	*67.4*	*225.0*	*788.6*
Railways and subways………………………………………	-	*87.9*	*71.8*
Water and Irrigation Works………………………………………	180.9	706.1	426.4
Building Projects…………………………………………………	2.3	95.9	268.9
Water Control and Marine Works…………………………………	-	9.4	-
Mining and Waste Treatment Infrastructure Works………………	-	-	17.1
Total new orders………………………………………………	**250.6**	**1,124.3**	**1,572.8**

New orders awarded in 2016 amount to € 1,124.3 million, of which € 205.7 million was acquired in Italy and € 918.6 million abroad, specifically € 185 million in Laos, € 150 million in Morocco and € 114 million in the United States through the two companies LMH in Boston and Di Fazio Industries in New York, as well as contracts in Kenya worth € 90 million. The most significant new order in Italy was the € 90 million Cosenza metro project.

Transport infrastructure and building projects significantly decreased from €860 million to €313 million and from €269 million to €96 million respectively from 2015 to 2016. On the other hand, Water and Irrigation works increased from €426 million to €706 million.

A description of the new orders secured in FY2016 is provided in the Key Events section.

REVIEW OF RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2016

The following table sets out the items from our consolidated statement of income for the three-month period ended December 31, 2016 and December 31, 2015, and the percentage change from period to period:

Consolidated Income Statement

	Three months ended December 31,		% of	
	2016	2015 restated	change	2015 original
	(€ in milllion)			
Revenue[1]	293.1	309.0	(5.1)	309.0
Other income and proceeds[2]	6.1	16.1	(62.1)	15.0
Total turnover[3]	**299.2**	**325.1**	**(8.0)**	**324.0**
Raw materials, comsumables and goods[4]	(33.7)	(41.5)	(18.8)	(41.5)
Services, lease and hire[5]	(127.5)	(156.1)	(18.3)	(150.3)
Personnel	(52.1)	(57.5)	(9.4)	(57.5)
Provisions for risk and charges[6]	(20.2)	(20.9)	(3.3)	(20.9)
Other operating costs	(18.9)	(16.9)	11.8	(16.9)
EBITDA	**46.8**	**32.2**	**45.3**	**36.9**
Depreciation, amortisation and write-offs of receivables	(31.6)	(19.4)	62.9	(19.4)
Operating profit	**15.2**	**12.8**	**18.7**	**17.5**
Net financial income and charges[7]	(12.1)	(10.8)	12.0	(10.8)
Net extraordinary income and charges	-	-	-	(4.7)
Income before tax	**3.1**	**2.0**	**55.0**	**2.0**
Income taxes	(8.8)	1.0	(980.0)	1.0
Income before minority interests	**(5.7)**	**3.0**	**(290.0)**	**3.0**
Minority interests	0.1	0.2	-	0.2
Consolidated net income	**(5.6)**	**3.2**	**(275.0)**	**3.2**

(1) Includes (i) revenue from sales and services, (ii) variations in inventories of work in progress, semi-finished and finished products and, (iii) variations in contracts in progress.

(2) Includes, among others, capitalization of costs related to deferred charges or the internal construction of fixed assets, gains on the disposal of fixed assets, use of reserves previously accrued for risks and charges, refund of expenses, recharge of expenses to subcontractors, proceeds from insurance claims and contribution grants.

(3) Represents total value of production.

(4) Represents the sum of purchases of raw materials, consumables and goods and the variations in the related inventories, as reported in our interim consolidated financial statements.

(5) Includes (i) service costs and (ii) lease and hire cost.

(6) Includes (i) provisions for risks and (ii) other provisions.

(7) Includes (i) financial income and charges and (ii) adjustment to value of financial assets.

Turnover

The table below provides a breakdown of our turnover by category:

	Three months ended December 31, 2016	2015 restated	% of change	2015 original
	(€ in millioni)			
Revenue	293.1	309.0	(5.1)	309.0
Construction revenue	*292.6*	*307.2*	*(4.8)*	307.2
Revenue from other activities	*0.5*	*1.8*	*(72.2)*	1.8
Other income and proceeds	6.1	16.1	(62.1)	15.0
Increases in fixed assets for internal work	*3.6*	*0.3*	*1,100.0*	0.3
Other	*2.5*	*15.8*	*(84.2)*	14.7
Total turnover	**299.2**	**325.1**	**(8.0)**	**324.0**

Total turnover for the three-month period ended December 31, 2016 was €299.2 million, compared to €325.1 million reported in the three months ended December 31, 2015.

Construction revenue by geographic area

The following table provides a geographic breakdown of our construction revenue for the three-month period ended December 31, 2016, and December 31, 2015 and as a percentage of our total construction revenue:

	Three months ended December 31, 2016		Three months ended December 31, 2015 restated			2015 original
	(€ in milllion)	% on Constr. Revenue	(€ in milllion)	% on Constr. Revenue	% of variation	(€ in milllion)
Italy	**107.7**	**36.8**	**126.9**	**41.3**	**(15.1)**	**126.9**
Southern Africa	92.5	31.6	117.0	38.1	(20.9)	117.0
Asia	14.7	5.0	14.8	4.8	(0.7)	14.8
North Africa	20.4	7.0	7.4	2.4	175.7	7.4
South America	4.5	1.5	4.9	1.6	(8.2)	4.9
North America	22.7	7.8	24.4	7.9	(7.0)	24.4
Europe	0.8	0.3	11.8	3.8	(93.2)	11.8
Middle east	29.3	10.0	-	-	-	-
Total International	**184.9**	**63.2**	**180.3**	**58.7**	2.6	**180.3**
Total construction revenue	**292.6**	**100.0**	**307.2**	**100.0**	**(4.8)**	**307.2**

Revenue from Italy was €107.7 million in the three months ended December 31, 2016, compared to €126.9 million for the three months ended December 31, 2015, mainly driven by our projects in Sicily.

Revenue from Southern Africa in the three months ended December 31, 2016 was lower than in the three months ended December 31, 2015, manly due to the completion of the two road projects in Mozambique, the Infrastructure Facilities for Acid Water Treatment project in South Africa, and the Ingula project.

Revenue from North Africa and Middle East reported an increase compared to the three months ended December 31, 2015,, due to the kick-off of projects in Egypt, Morocco and Lebanon.

Revenue from the USA was substantially stable.

Construction revenue by business area

The following table sets forth a breakdown of our construction revenue by business areas for the three-month period ended December 31, 2016, December 31, 2015 and as a percentage of our total construction revenue:

	Three months ended December 31, 2016		Three months ended December 31, 2015 restated			2015 original
	(€ in milllion)	% on Constr. Revenue	(€ in milllion)	% on Constr. Revenue	% of variation	(€ in milllion)
Transport Infrastructure	165.7	56.6	184.6	60.1	(10.2)	184.6
Road and motorways	*151.9*	51.9	*166.6*	54.2	(8.8)	*166.6*
Railways and subways	*13.8*	4.7	*18.0*	5.9	(23.3)	*18.0*
Water and Irrigation Works	106.7	36.5	89.8	29.2	18.8	89.8
Building Projects	10.9	3.7	24.0	7.8	(54.6)	24.0
Water Control and Marine Works	4.0	1.4	3.4	1.1	17.6	3.4
Mining and Waste Treatment Infrastructure Works	5.3	1.8	5.4	1.8	(1.9)	5.4
Total construction revenue	**292.6**	**100.0**	**307.2**	**100.0**	**(4.8)**	**307.2**

Transport infrastructure, and in particular its Roads and motorways sub-business area, was still the largest revenue generator, with a significant contribution coming from the construction of the Motorway SS640 Agrigento/Caltanissetta (section 2), the Motorway SS121 Palermo/Lercara Friddi and from several Transport Infrastructure projects in Southern Africa.

Water and irrigation works represented the second higher percentage of total turnover in the three months ended December 31, 2016, due to the contribution of the Lebanon, Nepal, Massingir and Zambia projects. Revenue in this business area is expected to increase in next quarters due to the kick-off of several projects secured in 2016.

Revenue from Building Projects was negatively affected by the completion of the EXPO 2015 works and of the industrial project carried out for Coca Cola in Mozambique.

Raw materials, consumables and goods

Cost of raw materials, consumables and goods, including variations of inventories from the prior year, for the three-month period ended December 31, 2016, were €33.7 million, representing 11.3% of our total revenue for the period, compared to the €41.5 million, or 12.8% of total turnover, for the three months ended December 31, 2015.

Services, lease and hire costs

The following table sets forth a breakdown of our cost of services for the three-month period ended December 31, 2016, December 31, 2015 and as a percentage of our total turnover:

	Three months ended December 31, 2016		Three months ended December 31, 2015 restated			2015 original
	(€ in milllion)	% on Total turnover	(€ in milllion)	% on Total turnover	% of variation	(€ in milllion)
Subcontracts	(76.9)	(25.7)	(100.0)	(30.9)	(23.1)	(100.0)
Transport	(9.8)	(3.3)	(6.5)	(2.0)	50.8	(6.5)
Consultancy, legal and notarial	(2.7)	(0.9)	(1.1)	(0.3)	145.5	(1.1)
Hiring of operated machinery	(1.1)	(0.4)	(1.7)	(0.5)	(35.3)	(1.7)
Studies and design	(1.7)	(0.6)	(0.9)	(0.3)	88.9	(0.9)
Utilities	(1.5)	(0.5)	(1.7)	(0.5)	(11.8)	(1.7)
Maintenance and repairs	(1.2)	(0.4)	(0.5)	(0.2)	140.0	(0.5)
Lease and hire	(8.1)	(2.7)	(7.9)	(2.4)	2.5	(7.9)
Other services	(24.5)	(8.2)	(35.8)	(11.0)	(31.6)	(30.0)
Total service, lease and hire costs	**(127.5)**	**(42.6)**	**(156.1)**	**(48.2)**	**(18.3)**	**(150.3)**

Total services, lease and hire costs for the three-month period ended December 31, 2016 were €127.5 million, representing 42.6% of our total revenue for the period, vis-à-vis 48.2% for the three months ended December 31, 2015. Of these, a considerable portion was attributable to subcontracts, transport and consultancy expenses.

Personnel expenses

The following table sets forth a breakdown of our personnel expenses for the three-month period ended December 31, 2016, December 31, 2015 and as a percentage of our total turnover:

	Three months ended December 31, 2016		Three months ended December 31, 2015 restated			2015 original
	(€ in milllion)	% on Total turnover	(€ in milllion)	% on Total turnover	% of variation	(€ in milllion)
Wages and salaries	(38.9)	(13.0)	(46.2)	(14.3)	(15.8)	(46.2)
Social security contributions	(11.4)	(3.8)	(9.7)	(3.0)	17.5	(9.7)
Severance Indemnity	(1.3)	(0.4)	(1.2)	(0.4)	8.3	(1.2)
Other costs	(0.5)	(0.2)	(0.4)	(0.1)	25.0	(0.4)
Total	**(52.1)**	**(17.4)**	**(57.5)**	**(17.7)**	**(9.4)**	**(57.5)**

Personnel costs for the fourth quarter of 2016 were €52.1 million, representing 17.4% of our total turnover vis-à-vis 17.7% reported in the three months ended December 31, 2015.

Provisions for risks and charges

During the three-month period ended December 31, 2016, provisions for risks and charges amounted to positive €20.2 million, compared to €20.9 of the same period of 2015.

Other operating costs

Other operating costs for the third quarter of 2016 were €18.9 million, representing 6.3% of our total turnover for the period, mainly attributable to custom and insurance costs and other tax charges.

EBITDA

Our EBITDA for the three months ended December 31, 2016 was €46.8 million, or 15.6% of total turnover, €14.6 million higher than €32.2 million, or 9.9% of total turnover reported in the three months ended December 31, 2015.

Depreciation and amortization and write-downs of receivables

Depreciation and amortization charges mainly relating to plant, machinery and equipment for the three months ended December 31, 2016 were €31.6 million, representing 10.6% of total revenue for the period, compared to €19.4 million, or 6.0% of total turnover in the three months ended December 31, 2015.

Operating profit

Our operating profit for the three-month period ended December 31, 2016 was €15.2 million, representing 5.1% of our total revenue for the period, compared to €12.8 million, or 3.9% of total turnover in the three months ended December 31, 2015.

Net financial income and charges

Net financial income and charges for the three-month period ended December 31, 2016 were equal to net charges of €12.1 million compared to net charges of €10.8 million for the three months ended December 31, 2015. The negative €12.1 million included: €4.0 million of interest charges, €8.5 million of exchange rate conversion losses, and €0.7 million of net positive adjustments to value of financial assets. The balance is represented by guarantee charges and bank commissions.

Extraordinary income and charges

The new Italian accounting standards (OIC) become applicable in 2016 do not allow for the utilisation of this account. As a result, and the related amounts have been reclassified accordingly to their nature to other income statement accounts. In order to have a correct comparison between the two quarters 2016 and 2015, Q4 2015 income statement has been restated according to the latest accounting principals.

Income before tax

As a result of the above, our income before tax for the three-month period ended December 31, 2016 was €3.1 million, compared to €2.0 million for the three-month period ended December 2015.

Income taxes

Income taxes accrued during the three months ended December 31, 2016 were €8.8 million, compared to the positive €1.0 million reported in same period of 2015.

Consolidated net income

Our consolidated net result before minority interest for the three-month period ended December 31, 2016, was a negative €5.7 million (positive €3.0 million for the three months ended December 31, 2015), while consolidated net income referable to our shareholders was negative €5.6 million, compared to positive €3.2 million for the same period of 2015.

REVIEW OF RESULTS AS AT DECEMBER 31, 2016

The following table sets out the items from our consolidated statement of income for the twelve-month period ended December 31, 2016 and December 31, 2015, and the percentage change between the two periods:

	Twelve months ended December 31,		% of	
	2016	2015 restated	change	2015 original
	(€ in milllion)			
Revenue[1]	1,038.3	1,139.8	(8.9)	1,139.8
Other income and proceeds[2]	24.9	40.5	(38.5)	37.2
Total turnover[3]	**1,063.2**	**1,180.3**	**(9.9)**	**1,177.0**
Raw materials, comsumables and goods[4]	(168.5)	(199.6)	(15.6)	(199.6)
Services, lease and hire[5]	(478.7)	(556.5)	(14.0)	(549.1)
Personnel	(198.3)	(212.1)	(6.5)	(212.1)
Provisions for risk and charges[6]	(27.6)	(38.5)	(28.3)	(38.5)
Other operating costs	(38.4)	(37.7)	1.9	(37.4)
EBITDA	**151.7**	**135.9**	**11.6**	**140.3**
Depreciation, amortisation and write-offs of receivables	(68.8)	(67.2)	2.4	(67.2)
Operating profit	**82.9**	**68.7**	**20.7**	**73.1**
Net financial income and charges[7]	(55.9)	(51.6)	8.3	(51.6)
Net extraordinary income and charges	-	-	-	(4.4)
Income before tax	**27.0**	**17.1**	**57.9**	**17.1**
Income taxes	(17.9)	(7.6)	135.5	(7.6)
Income before minority interests	**9.1**	**9.5**	**(4.2)**	**9.5**
Minority interests	1.2	0.5	140.0	0.5
Consolidated net income	**10.3**	**10.0**	**3.0**	**10.0**

(1) Includes (i) revenue from sales and services, (ii) variations in inventories of work in progress, semi-finished and finished products and, (iii) variations in contracts in progress.

(2) Includes, among others, capitalization of costs related to deferred charges or the internal construction of fixed assets, gains on the disposal of fixed assets, use of reserves previously accrued for risks and charges, refund of expenses, recharge of expenses to subcontractors, proceeds from insurance claims and contribution grants.

(3) Represents total value of production.

(4) Represents the sum of purchases of raw materials, consumables and goods and the variations in the related inventories, as reported in our interim consolidated financial statements.

(5) Includes (i) service costs and (ii) lease and hire cost.

(6) Includes (i) provisions for risks and (ii) other provisions.

(7) Includes (i) financial income and charges and (ii) adjustment to value of financial assets.

Turnover

In the twelve-month period ended December 31, 2016, our total turnover was €1,063.2 million compared to €1,180.3 million reported for the same period ended December 31, 2015. The table below provides a breakdown of our turnover by category:

	Twelve months ended December 31,		% of	
	2016	2015 restated	change	2015 original
	(€ in millioni)			
Revenue	1,038.3	1,139.8	(8.9)	1,139.8
Construction revenue	*1,026.7*	*1,133.0*	*(9.4)*	*1,133.0*
Revenue from other activities	*11.6*	*6.8*	*70.6*	*6.8*
Other income and proceeds	24.9	40.5	(38.5)	37.2
Increases in fixed assets for internal work	*4.9*	*3.9*	*25.6*	*3.9*
Other	*20.0*	*36.6*	*(45.4)*	*33.3*
Total turnover	**1,063.2**	**1,180.3**	**(9.9)**	**1,177.0**

The decrease in total turnover in the year 2016 compared to the same period of 2015 was mainly driven by lower construction revenue.

Construction revenue by geographic area

The following table provides a geographic breakdown of our construction revenue for the twelve-month period ended December 31, 2016, compared to the same period ended December 31, 2015:

	Twelve months ended December 31, 2016		Twelve months ended December 31, 2015 restated			2015 original
	(€ in milllion)	% on Constr. Revenue	(€ in milllion)	% on Constr. Revenue	% of variation	(€ in milllion)
Italy	**464.0**	**45.2**	**520.0**	**45.9**	**(10.8)**	**520.0**
Southern Africa	297.6	29.0	376.7	33.2	(21.0)	376.7
Asia	96.3	9.4	102.3	9.0	(5.9)	102.3
North Africa	34.8	3.4	18.3	1.6	90.2	18.3
South America	19.9	1.9	19.2	1.7	-	19.2
North America	82.0	8.0	78.7	6.9	4.2	78.7
Europe	0.8	0.1	17.8	1.6	(95.5)	17.8
Middle east	31.3	3.0	-	-	-	-
Total International	**562.7**	**54.8**	**613.0**	**54.1**	(8.2)	**613.0**
Total construction revenue	**1,026.7**	**100.0**	**1,133.0**	**100.0**	**(9.4)**	**1,133.0**

International construction revenue was higher than revenue from Italian projects in both the twelve months ended December 31, 2016 and December 31, 2015.

Revenue from Italy was €464.0 million in the year 2016, compared to €520.0 million for the year 2015, a decrease mainly due to the completion of the following projects:

- 2015 Milan Expo;
- Milan's external eastern ring road;
- Umbria/Marche Quadrilateral road system;
- Maritime works in Ancona and Piombino.

Revenue from Southern Africa decreased compared to the twelve months ended December 31, 2015 mainly due to the completion of the Lichinga-Litunde and Montepuez-Ruaca road construction works in Mozambique, of the Ingula hydroelectric plant and of the TCTA water treatment plant in South Africa.

Revenue from North Africa reported an increase, due to the kick-off of the Egypt and Morocco projects.

The decrease in Asian revenue in the year was primarily due to lower revenue generated by the Singapore contract that was completed in the year. Revenue fro the region is expected to dramatically increase in 2017 as a result of the kick-off of several projects secured in 2016.

There was no significant change in North and South American revenue.

In Europe, the project relating to the construction of the 1st lot of the Maritza motorway in Bulgaria was completed in the year. Revenue is expected to rise in 2017 due to the kick-off of our road project in Sweden.

Middle East revenue increased as a result of the kick-off of our project in Beirut.

Construction revenue by business area

The following table sets forth a breakdown of our construction revenue by business areas for the year ended December 31, 2016 and December 31, 2015, and as a percentage of our total construction revenue:

	Twelve months ended December 31, 2016		Twelve months ended December 31, 2015 restated			2015 original
	(€ in milllion)	% on Constr. Revenue	(€ in milllion)	% on Constr. Revenue	% of variation	(€ in milllion)
Transport Infrastructure……………………………………………	644.7	62.8	630.5	55.6	2.3	630.5
Road and motorways…………………………………………….	*573.8*	55.9	*547.7*	48.3	4.8	*547.7*
Railways and subways…………………………………………	*70.9*	6.9	*82.8*	7.3	(14.4)	*82.8*
Water and Irrigation Works………………………………………	288.6	28.1	261.7	23.1	10.3	261.7
Building Projects……………………………………………………	62.9	6.1	199.3	17.6	(68.4)	199.3
Water Control and Marine Works…………………………………	9.2	0.9	30.3	2.7	(69.6)	30.3
Mining and Waste Treatment Infrastructure Works……………	21.3	2.1	11.2	1.0	90.2	11.2
Total construction revenue…………………………………	**1,026.7**	**100.0**	**1,133.0**	**100.0**	**(9.4)**	**1,133.0**

Transport infrastructure, and in particular its Roads and Motorways sub-business area, continued to be the largest revenue generator, with a significant contribution coming from the construction of the Motorway SS640 Agrigento/Caltanissetta (section 2), the Motorway SS121 Palermo/Lercara Friddi and from several Transport Infrastructure projects in Southern Africa.

Water and irrigation works represented a higher percentage of total turnover compared to the year 2015, due to the contribution of the Lebanon, Nepal, Massingir and Zambia projects.

Revenue from Building Projects was lower due to the completion of the EXPO 2015 works and of the industrial project carried our for Coca Cola in Mozambique.

Water Control and Maritime Works decreased compared to the period ended December 31, 2015, due to the end of the Piombino and Ancona port projects.

Raw materials, consumables and goods

Costs for raw materials and consumables and goods, including variations of inventories from the prior year, was €168.5 million, or 15.8% of total turnover, for the period ended December 31, 2016, compared to €199.6 million, or 16.9% of total turnover, for the year 2015.

Services, lease and hire costs

The following table sets forth a breakdown of our cost of services for the twelve-month period ended December 31, 2016 and December 31, 2015:

	Twelve months ended December 31, 2016		Twelve months ended December 31, 2015 restated			2015 original
	(€ in milllion)	% on Total turnover	(€ in milllion)	% on Total turnover	% of variation	(€ in milllion)
Subcontracts	(289.3)	(27.2)	(371.2)	(31.5)	(22.1)	(371.2)
Transport	(32.6)	(3.1)	(28.1)	(2.4)	16.0	(28.1)
Consultancy, legal and notarial	(23.0)	(2.2)	(17.9)	(1.5)	28.5	(17.9)
Hiring of operated machinery	(6.5)	(0.6)	(4.9)	(0.4)	32.7	(4.9)
Studies and design	(5.2)	(0.5)	(4.0)	(0.3)	30.0	(4.0)
Utilities	(7.4)	(0.7)	(8.7)	(0.7)	(14.9)	(8.7)
Maintenance and repairs	(3.0)	(0.3)	(2.8)	(0.2)	7.1	(2.8)
Lease and hire	(31.3)	(2.9)	(34.2)	(2.9)	(8.5)	(34.2)
Other services	(80.4)	(7.6)	(84.7)	(7.2)	(5.1)	(77.3)
Total service, lease and hire costs	**(478.7)**	**(45.0)**	**(556.5)**	**(47.3)**	**(14.0)**	**(549.1)**

Total services, lease and hire costs for the year ended December 31, 2016 were €478.7 million, or 45.0% of total turnover, compared to €556.5 million, or 47.3% of total turnover for the year ended December 31, 2015.

Personnel expenses

The following table sets forth a breakdown of our personnel expenses for the period ended December 31, 2016 and December 31, 2015:

	Twelve months ended December 31, 2016		Twelve months ended December 31, 2015 restated			2015 original
	(€ in milllion)	% on Total turnover	(€ in milllion)	% on Total turnover	% of variation	(€ in milllion)
Wages and salaries	(153.1)	(14.4)	(167.7)	(14.2)	(8.7)	(167.7)
Social security contributions	(38.6)	(3.6)	(37.7)	(3.2)	2.4	(37.7)
Severance Indemnity	(5.0)	(0.5)	(4.7)	(0.4)	6.4	(4.7)
Other costs	(1.6)	(0.2)	(2.0)	(0.2)	(20.0)	(2.0)
Total	**(198.3)**	**(18.7)**	**(212.1)**	**(18.0)**	**(6.5)**	**(212.1)**

Personnel expenses for the period ended December 31, 2016 were €198.3 million, or 18.7% of total turnover, compared to €212.1 million, or 18.0% of total turnover, for the year ended December 31, 2015. Our average headcount decreased by 499 employees to an average of 7,762 employees in the year 2016, from an average of 8,261 employees for the year 2015, as a result of a lower involvement in projects in which we used our own personnel.

Provisions for risks and charges

During the year 2016, provisions for risks amounted to €6.5 million, compared to €1.2 million reported in the same period of 2015.

In the year 2016, other provisions amounted to €21.1 million, compared to €37.3 million reported in the same period of 2015. In 2016, €19.1 million were referred to the quota attributable to our minority partner of the net results of CMI, the joint venture that is executing the Ingula hydroelectric plant in South Africa, of which we hold a 51% interest, and the balance was related to additional costs on executed projects, postponement of revenues on activities certified but not yet executed and possible future write-offs.

Other operating costs

Other operating costs for the year ended December 31, 2016, were €38.4 million, compared to €37.7 million reported in the year ended December 31, 2015.

EBITDA

Our EBITDA for the year ended December 31, 2016 was €151.7 million, or 14.3% of total turnover, an increase of €15.8 million compared to €135.9 million, or 11.5% of total turnover, reported in the year ended December 31, 2015.

Depreciation and amortization and write-downs of receivables

Depreciation and amortization charges mainly relating to plant, machinery and equipment for the year ended December 31, 2016 were €68.8 million, a 6.5%, compared to the €67.2 million reported for the year ended December 31, 2015.

Operating profit

Operating profit reported in the year ended December 31, 2016 was €82.9 million, or 7.8% of total turnover, higher than the €68.7 million, or 5.8% of total turnover, reported in the year ended December 31, 2015.

Net financial income and charges

Net financial charges for the period ended December 31, 2016 increased to €55.9 million from €51.6 million reported in the same period ended December 31, 2015. Financial income was €8.5 million, interest charges were €42.6 million, exchange rate conversion losses were €12.5 million, net adjustments to value of financial assets (which include revaluations and devaluations of our investments) were negative €0.8 million and the balance is represented by guarantee charges and bank commissions.

Net extraordinary income and charges

The new Italian accounting standards (OIC) become applicable in 2016 do not allow for the utilisation of this account. As a result, and the related amounts have been reclassified accordingly to their nature to other income statement accounts.

Income before tax

As a result of the above, our income before tax for the year ended December 31, 2016 was €27.0 million, higher than the €17.1 million reported in the year ended December 31, 2015.

Income taxes

Income taxes accrued during the year ended December 31, 2016 were €17.9 million, an increase of €10.3 million compared to €7.6 million reported in the year ended December 31, 2015.

Consolidated net income

Our consolidated net income before minority interests for year ended December 31, 2016, was €9.1 million, similar to the €9.5 million reported in the year 2015. Considering €1.2 million of losses attributable to minority interests, consolidated net income was €10.3 million, compared to €10.0 million reported in the year 2015.

KEY BALANCE SHEET AND CASH FLOW ITEMS

Net working capital

Our net working capital is the sum of our inventories, receivables, trade payables and other elements of working capital, as detailed in the following table, which summarizes its composition as at December 31, 2016, September 30, 2016 and December 31, 2015:

(€ in million)	December 31, 2016	September 30, 2016 restated	December 31, 2015 restated	September 30, 2016 original	December 31, 2015 original
Inventories[(1)]	71.5	64.3	67.3	64.3	67.3
Raw materials and consumables ……………………….	*48.8*	*41.2*	*44.9*	*41.2*	*44.9*
Work in progress and semi-finished products …………	*12.3*	*12.5*	*11.8*	*12.5*	*11.8*
Finished products and goods …………………………..	*10.4*	*10.6*	*10.6*	*10.6*	*10.6*
Contract work in progress ……………………………………	650.7	678.7	604.2	663.2	588.0
Receivables from clients ………………………………………	373.7	344.2	469.3	344.2	469.3
Receivables from non-consolidated affiliates[(2)]	34.2	35.8	61.0	35.8	61.0
Other current assets[(3)]	226.3	274.8	206.3	277.2	207.4
Total current assets………………………………………………	**1,356.4**	**1,397.8**	**1,408.1**	**1,384.7**	**1,393.0**
Contractual advances payments from clients ……………	200.3	192.4	149.3	192.4	149.3
Advances ……………………………………………………..	40.6	9.1	9.3	9.1	9.3
Trade payables to suppliers[(4)]	445.2	423.6	413.9	423.6	413.9
Payables to non-consolidated affiliates[(5)]	41.2	46.9	71.3	46.9	71.3
Other current liabilities[(6)]	235.0	354.1	327.0	354.1	321.4
Reserves for risks and charges ……………………………	25.5	26.0	34.8	24.5	33.2
Total current liabilities …………………………………………..	**987.8**	**1,052.1**	**1,005.6**	**1,050.6**	**998.4**
Net Working Capital ……………………………………………..	**368.6**	**345.7**	**402.5**	**334.1**	**394.6**

(1) Represents inventories net of contract work-in-progress, which are disclosed separately, and advances, which have been included among other short-term assets.

(2) Includes total receivables from non-consolidated subsidiaries and associated companies including among current assets as well as receivables from non-consolidated subsidiaries and associated companies including among financial assets.

(3) Includes total tax receivables, total deferred tax assets, total receivables from others as included among current assets as well as accrued income and prepayments, advances and receivables from others as included among financial.

(4) Includes payables to suppliers net of the amounts owned under leasing agreements which have been included among financial debts respectively for €31.8 million, €33.1 million and €24.0 million respectively, as at December 31, 2016, September 30, 2016, December 31, 2015.

(5) Includes total payables from non-consolidated subsidiaries and associated companies.

(6) Includes tax and social security payables, payables to employees and other payables and accrued liabilities and deferred income.

Total current assets decreased in the year by €51.7 million, primarily due to a decrease in trade receivables, mainly resulting from the collection of the Ingula settlement payments, which was partially offset by higher contract work in progress. The latter was still affected by the delays in certification of works by ANAS, our main client in Italy. Contract work in progress account might decrease significantly in 2017-2018 as a result of the expected settlement agreement with ANAS on a significant amount of outstanding uncertified works.

Total current liabilities decreased in the year by €17.8 million from December 31, 2015. Hgher contractual advances due to the start of new international projects and trade payables to suppliers were more than offset by lower other current liabilities, also affected by the settlement with Eskom.

As a result of the above, net working capital decreased by €33.9 million from December 31, 2015 to December 31, 2016, moving from €402.5 million to €368.6 million. As a percentage of LTM total turnover, net working capital was 34.7% as at December 31, 2016, compared to 34.1% as at December 31, 2015 and €30.1% as at September 30, 2016.

Capital Expenditures

Our intangible and tangible capital expenditure requirements consist mainly of technical investments in property, plant and equipment required to start-up construction activities, such as logistical infrastructure at the construction site, machinery and equipment. In the ordinary course of business, we make investments in corporate entities and consortia organized to execute the projects in which we participate. These investments are recorded as financial investments in our financial statements. In addition, in recent years we have made investments in the concession companies for the construction and management of the External eastern ring road of Milan (*TEM—Tangenziale Esterna Est di Milano*) and the Livorno-Civitavecchia Motorway (*SAT—Società Autostrada Tirrenica*), and made selective acquisitions of construction companies in markets that we consider strategic, such as LMH and Di Fazio in the United States. We disposed our investment in SAT in November 2015 and we are planning to dispose our investment in TEM in the near future.

The table below sets forth our capital expenditures for the three months ended December 31, 2016, twelve months ended December 31, 2016 and December 31, 2015:

	Three months ended December 31, 2016	Twelve months ended December 31, 2016	Twelve months ended December 31, 2015
		(€ in million)	
Capital expenditures in intangible fixed assets[(1)]	7.0	11.2	16.5
Capital expenditures in tangible fixed assets[(2)]	33.2	69.2	58.3
Total capital expenditures	**40.2**	**80.4**	**74.8**

(1) Represents total investments during the period in intangible assets net of related disposals during the period.

(2) Represents total investments during the period in tangible assets net of disposals during the period. In the ordinary course of our business, we manage our technical equipment to keep it current and located in areas where it is more efficiently put to use, including by selling or exchanging obsolete machinery for new machinery, or disposing of machinery that is located in regions where we do not anticipate using it for the foreseeable future. Includes investments in fixed assets made under our finance lease agreements.

Total intangible and tangible capital expenditures for the three months ended December 31, 2016 were €40.2 million, while for the twelve months ended December 31, 2016 were €80.4 million compared to €74.8 for the twelve months ended December 31, 2015. 2015 capital expenditures in intangible fixed assets were affected by the goodwill paid for the acquisition of shares from Tecnis in two existing projects in Sicily.

Net financial position

We define net financial position as our total financial debt, less the amount of our cash and cash equivalents and certain short-term financial assets, and we define adjusted net financial position as net financial position plus shareholders' loans. We believe that our net financial position and adjusted net financial position and the ratios derived therefrom are important supplemental measures of our financial position and can assist securities analysts, investors and other parties to evaluate our business.

The following table shows our net financial position as at December 31, 2016, September 30, 2016 and December 31, 2015, and the adjustments to arrive at the adjusted net financial position.

	December 31, 2016	September 30, 2016 restated	December 31, 2015 restated	September 30, 2016 original	December 31, 2015 original
		(€ in million)			
Cash and cash equivalents[1]	(96.4)	(151.1)	(100.6)	(151.1)	(100.6)
Short-term financial assets[2]	(1.1)	(0.9)	(1.0)	(0.9)	(1.0)
Liquid assets	**(97.5)**	**(152.0)**	**(101.6)**	**(152.0)**	**(101.6)**
Short-term bank loans and borrowings	134.1	137.5	169.9	137.5	169.9
Recourse factoring[6]	20.1	21.5	27.5	21.5	27.5
Current portion of non-current borrowings	21.0	24.0	26.0	24.0	26.0
Other short-term debt[3]	19.5	18.5	10.1	18.5	10.1
Current financial debt	**194.7**	**201.5**	**233.5**	**201.5**	**233.5**
Net current financial debt	**97.2**	**49.5**	**131.9**	**49.5**	**131.9**
Notes	293.6	293.1	292.9	300.0	300.0
Revolving Credit Facility	118.5	122.3	50.6	125.0	52.0
Non-current bank loans and borrowings	23.9	26.9	50.9	26.9	50.9
Other non-current loans[4]	30.2	32.7	31.3	32.7	31.3
Non-current financial debt	**466.2**	**475.0**	**425.7**	**484.6**	**434.2**
Total financial debt[5]	**660.9**	**676.5**	**659.2**	**686.1**	**667.7**
Net financial position	**563.4**	**524.5**	**557.6**	**534.1**	**566.1**
Shareholder loans	12.2	12.4	13.4	12.4	13.4
Total adjustments	**12.2**	**12.4**	**13.4**	**12.4**	**13.4**
Adjusted net financial position	**575.6**	**536.9**	**571.0**	**546.5**	**579.5**
LTM EBITDA	**151.7**	**137.1**	**135.9**	**145.9**	**140.3**
Net financial position/LTM EBITDA	**3.71**	**3.83**	**4.10**	**3.66**	**4.03**
Adj. Net financial Position/LTM EBITDA	**3.79**	**3.92**	**4.19**	**3.75**	**4.13**

(1) Cash and cash equivalents consist of cash (both at parent company level, at the level of the other companies in our Group and at the level of our Italian and foreign consortia) and bank and post office deposits.

(2) Includes current accounts held with, and our pro quota share of marketable securities held by, consortia in which we participate.

(3) Includes the current portion of amounts owed under certain leasing agreements that we report under trade payables in our financial statements in an amount of €13.9 million, €13.1 million, and €7.5 million respectively, as at December 31, 2016, September 30, 2016, December 31, 2015.

(4) Includes also the non-current portion of amounts owed under certain leasing agreements that we report under trade payables in our financial statements in an amount of €17.9 million, €20.0 million and €16.5 million respectively, as at December 31, 2016, September 30, 2016, December 31, 2015.

(5) The reported total financial debt does not include recourse factoring arrangements, shareholder loans, nor does it include performance or similar guarantees and guarantees that we issue pro quota for the benefit of our subsidiaries and other investees.

(6) We also entered into non-recourse factoring arrangements in connection with our contracts with ANAS. The amount outstanding under such non-recourse factoring arrangements was €72.8 million, €67.8 million and €46.8 million respectively, as at December 31, 2016, September 30, 2016, December 31, 2015. These amounts represent off-balance sheet items.

As at December 31, 2016, our net financial position was €563.4 million, €5.8 million higher than the €557.6 million reported on December 31, 2015. Net financial position / EBITDA decreased from 4.10x to 3.71x in the year 2016.

Our adjusted net financial position increased by €4.6 million from €571.0 million on December 31, 2015 to €575.6 million on December 31, 2016. Adjusted net financial position / EBITDA decreased from 4.19x to 3.79x in the year 2016.

The expected settlement agreemtn with ANAS might lead to a significant reduction in our Adjsuted Net Finacnial Position in 2017-2018.

In July we signed a new €145 million Revolving Credit Facility (“RCF”) expiring on December 2019. BNP Paribas and Unicredit acted as Mandated Lead Arrangers and Bookrunner. The RCF syndication process was successfully completed within the expected time frame, involving both Italian and International banks. Unicredit was appointed Facility Agent for the transaction. In January 2017 we increased the RCF amount up to €165 million guaranteed by SACE.

The purpose of the new RCF is to replace the old €100 million RCF, with maturity in June 2017, it was signed in 2014 in the contest of the issue of a €300 million, 7 year bond. This new credit line ensures a better liquidity profile and balancing of our capitalisation structure. In addition, it provides the required financial resources for the implementation of a business plan which foresees volume growth and expansion of overseas activities.

Cash flow

The following table summarises our consolidated cash flow statements for the three months ended December 31, 2016, for the twelve months ended December 31, 2016 and December 31, 2015:

	Three months ended December 31, 2016	Twelve months ended December 31, 2016	Twelve months ended December 31, 2015
		(€ in million)	
Cash and cash equivalents at start of the period	**151.1**	**100.6**	**126.8**
Cash flow generated by operating activities	16.4	166.8	56.9
Cash flow generated by/(used in) investing activities	(42.9)	(84.4)	(88.9)
Cash flow generated by/(used in) financing activities	(28.2)	(86.6)	5.8
Cash and cash equivalents at the end of the period	**96.4**	**96.4**	**100.6**

Cash flow from operating activities was €16.4 million in the three months ended December 31, 2016, while in the twelve months ended December 31, 2016 it was €166.8 million positive, compared to €56.9 million reported for the twelve months ended December 31, 2015. The increase in mainly due to higher EBITDA and reduction in net working capital.

Cash flow used in investing activities was €42.9 million in the three months ended December 31, 2016, while in the twelve months ended December 31, 2016 was €84.4 million, compared to €88.9 million reported for the twelve months ended December 31, 2015. 2015 capex were affected by the de-consolidation of Eurolink S.p.A. subsidiary, which implied a €19.5 million increase in financial fixed assets.

Cash flow from financing was negative for €28.2 million in the three months ended December 31, 2016, while in the twelve months ended December 31, 2016 it was negative for €86.6 million, compared to €5.8 million positive reported for the first twelve months of 2015. The significant decrease in cash flow from financing was mainly due to the fact that our Adjusted Net Financial Position remained substantially stable in 2016 vis-à-vis a significant increase reported in 2015. 2016 Cash flow from financing was also affected by a reduction in the reserve for translation adjustments.

OFF-BALANCE SHEET ARRANGEMENTS

Guarantees

As part of our construction activities, we are generally required to post performance bonds, primarily to guarantee our performance under such agreements. We also provide guarantees and sureties in favour of our subsidiaries, associates and other investees relating to advances and release of amounts withheld in guarantee, as well as price revisions. As of December 31, 2016, the overall amount of these was equal to an aggregate of €1,207.5 million compared to €1,157.0 million as of December 31, 2015 and includes the following items:

- sureties for works, issued for various purposes by banks and insurance companies in the interest of the Group, in favour of the contract customer, for a total amount of €1,064.7 million, compared to €1,018.3 million as of December 2015; and
- other sureties to third parties (including tax authorities) for €142.8 million, compared to €138.7 million as of December 2015.

KEY PROJECTS

We are currently involved in approximately 100 projects. The table below presents our primary current construction projects by business areas as at December 31, 2016.

Country	Project	Contract value (1)	Completion percentage (2)	Backlog (3)	CMC % of partecipation (4)	Expected completion year (5)
		(€ in million, except percentages)				
Transport Infrastructure						
Roads and motorways						
Italy	Motorway SS640 Agrigento/Caltanisetta (section 1).....................	351.0	99%	4.9	80%	2017
Italy	Quadrilatero Surface Road Network Marche & Umbria..........................	333.2	99%	3.3	28%	2017
Italy	Motorway SS640 Agrigento/Caltanisetta (section 2).....................	606.8	78%	133.5	82%	2018
Italy	Motorway SS121 Palermo/Lercara Friddi.....	184.6	68%	59.1	80%	2018
Italy	External Eastern Ring Road of Milan (TEM-Tangenziale Esterna Est di Milano)......................	109.1	98%	2.2	9%	2017
Italy	SS1 Nuova Aurelia Road Access Network to Savona-Albissola............	74.0	72%	20.7	51%	2019
Angola	Luanda Motorway-Soyo (44 Kilometers)...............	256.5	74%	66.7	100%	2018
Algeria	Toll Systerm for the Management of the East-West Motorway (Section East)................	156.0	34%	102.9	54%	2020
Libya	Ras Ejdyer-Emssad Motorway (section 1).......	106.0	0%	106.0	11%	2020
Mozambique	Montepuez Surface Road-Ruaca..................	99.7	71%	28.9	100%	2017
South Africa	Mount Edgecombe Junction........................	87.1	93%	6.1	100%	2017
Lesotho	Osbow Mpholaneng Road...........	37.2	100%	0.0	100%	2016
Sweden	Stokoholm Road By Pass	194.2	0%	194.2	50%	2021
Egypt	Road tunnels under Suez Canal	80.8	20%	64.6	20%	2021
Namibia	Windhoek-Okahandja road	68.8	21%	54.3	100%	2019
Railways and subways						
Singapore	Singapore Metro Downtown line 3 (sections C926 and C927).............	252.4	97%	7.6	100%	2017
Italy	Works for Milan Subway lines 1 Sesto FS-Cinisello Monza....	54.7	0%	54.7	89.85%	2019
Italy	Light Rail Transit System Seregno........................	102.8	7%	95.4	100%	2019
	Light Rail Transit System Cosenza-Rende..........	87.9	1%	87.0	100%	2020
Italy	Tunnel for Maddalena di Chiomonte (Piedmont)-Part of the Turin-Lyon Railway Project..............	58.7	82%	10.8	48%	2017
France	French Exploration Tunnel......	62.6	43%	35.7	16%	2020
Italy	Turin Metroline subway line 1 (sections Lingotto-Bengasi)..	47.2	52%	22.7	75%	2018
Italy	Metro lotto Nesina -- Catania (Sicily)...............	80.3	37%	50.6	100%	2018
Italy	Metro lotto Stesicoro -- Catania (Sicily)...............	58.9	12%	51.8	100%	2019

Country	Project	Contract value (1)	Completion percentage (2)	Backlog (3)	CMC % of partecipation (4)	Expected completion year (5)
Water and Irrigation Works						
South Africa	Ingula Hydroelectric plant……..	652.5	100%	0.0	51%	2016
Kenya	Itare Dam water supply Project……………………..	241.0	11%	214.5	100%	2020
Chile	Headrace Tunnel of Hydroelectric Pland in Alto Maipo………………….	93.5	52%	44.9	30%	2019
South Africa	Infrastructure Facilities for Acid Water Treatment for a Mine……………………..	79.8	94%	4.8	100%	2017
South Africa						
Nepal	Deviation of Melamchi River…..	83.3	75%	20.8	100%	2017
China	Middle Shanxi River Diversion Project………….	46.8	83%	8.0	75%	2017
Lesotho	Metolong Water Treatment Plant………………………..	59.1	98%	1.2	100%	2017
India	Parbati Headrace Tunnel………	31.7	35%	20.6	50%	2018
South Africa	Water Treatment Plant Sebokeng………………….	28.8	88%	3.5	100%	2017
Sud Africa	Mogalakwena Water Treatment Plant	19.9	65%	7.0	80%	2017
Laos	Hydroelectric plant…….. Nam Theun 1 - Contract A	160.0	7%	148.8	40%	2020
Mozambique	Massingir Dam…………………	38.6	49%	19.7	100%	2018
Lebanon	Beirut Water Supply	168.8	23%	130.0	100%	2019
Philippines	Angat - Tunnel Water Transmission	56.0	5%	53.2	100%	2020
Pakistan	Hydropower project - Gorkin Matiltan	69.6	0%	69.6	60%	2020
Kenya	Arror & Embobut Dam water supply Projects……………………..	229.3	0%	229.3	51%	2020
Building Projects						
Italy	Government Building in Rome………………………..	99.7	69%	30.9	100%	2018
Italy	New Hospital "Ospedale dei Castelli" in Ariccia…….	36.4	99%	0.4	50%	2017
Italy	Conversion of Alvisi-Faenza Cellar……………..	16.4	44%	9.2	70%	2020
Italy	Hospital - Camerano	27.2	0%	27.2	100%	2019
Italy	Supermarket - Rimini	14.3	7%	13.3	100%	2018
Italy	Hospital Ajello in Mazara del Vallo……………………	20.3	100%	0.0	87%	2016
Water Control and Marine Works						
Italy	Molfetta Commercial Port……..	27.8	69%	8.7	39%	2018
Italy	Port Authority in Piombino…….	52.9	91%	4.8	51%	2017
Mining and Waste Treatment Infrastructure Works						
Zambia	Underground Copper Mine…….	133.5	29%	94.8	100%	2019

(1) Represents the Group's share of the construction contract value, unless fully consolidated in our financial statements, based on our interest in the relevant project company.

(2) Represents the percentage of the work completed during the contract term, calculated by applying the "cost-to-cost" method, according to which the percentage of completion is calculated by comparing the costs effectively incurred with the estimated total contract costs.

(3) Represents the part of the Group's share of the contract value that remains to be executed and is included in our backlog.

(4) Represents the Group's equity interest in project companies which are not wholly owned by the Group.

(5) Reflects the delivery date as set forth under the relevant contract, taking into consideration any amendment agreed upon with the relevant customer.

POST BALANCE SHEET EVENTS

- On 19 January, the Cooperative obtained a VAT refund of € 6 million following a claim filed at the end of September 2016. This was the latest outcome of the tax audit performed by the tax authorities in 2015, and completed in 2016.
- On 15 February, we secured a €20 million medium term loan provided by Interbanca (Banca IFIS Group Bank), which will support the development of CMC's international contract portfolio.
- On 25 February, CMC di Ravenna's shareholders in general meeting approved the 2017-2019 Business Plan presented by the General Manager, Roberto Macrì. Over the next three years, the Group's annual turnover is expected to achieve €1.5 billion.
- At the beginning of March, the Asian Development Bank (ADB) and the Nepalese Ministry of Finance nominated CMC as the Best 2016 Contractor as a result of the successful Melamchi Water Supply Project financed by DB.

CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016

CONSOLIDATED BALANCE SHEET

Balance Sheet, **Asset**		December 31, **2016**		December 31, **2015**
A) RECEIVABLE FROM SHAREHOLDERS FOR PAYMENTS DUE				
I) Subscribed capital not paid up		19,912		21,083
Total recivable from shareholders		**19,912**		**21,083**
B) FIXED ASSETS				
I) Intangible fixed assets				
1) incorporation and expansion costs		3,262		77
2) development costs		-		3,790
3) industrial patents and intellectual property rights		1,217,819		1,134,129
4) concessions, licences, trade-marks and similar rights		39,758		45,129
5) goodwill		-		-
6) fixed assets in progress and advances		3,186,501		3,126,181
7) others		3,176,015		5,723,650
a) contracts' deferred charges	*3,176,015*		*5,723,650*	
Total intangible fixed assets		**7,623,355**		**10,032,956**
II) Tangible fixed assets				
1) land and buildings		63,408,591		67,046,931
2) plant and machinery		139,203,068		127,610,467
3) industrial and commercial equipment		28,503,408		25,187,367
4) other assets		2,453,084		1,250,279
5) fixed assets in progress and advances		28,441,844		24,200,596
Total tangible fixed assets		**262,009,995**		**245,295,640**
III) Financial assets				
1) investments in		72,086,256		68,985,522
a) non-consolidated subsidiary companies	*2,781,619*		*2,943,778*	
b) associated companies	*22,199,761*		*22,416,488*	
d bis) other companies	*47,610,746*		*44,131,126*	
investments' write off	*(505,870)*		*(505,870)*	
2) receivables from		29,251,748		51,307,081
a) non-consolidated subsidiaries		10,965,990		7,877,959
1) due within 12 months	*10,965,990*		*7,877,959*	
b) associated companies		6,713,207		35,079,427
1) due within 12 months	*6,713,207*		*35,079,427*	
c) parent companies		-		-
d bis) others		11,572,551		8,349,695
1) due within 12 months	*9,824,264*		*7,359,453*	
2) due after 12 months	*1,748,287*		*990,242*	
3) other securities		-		-
4) derivatives financial instruments		-		-
Total financial fixed assets		**101,338,004**		**120,292,603**
Total fixed assets		**370,971,354**		**375,621,199**
C) CURRENT ASSETS				
I) Inventories				
1) raw materials and consumables		48,848,284		44,931,799
2) work in progress and semi-finished products		12,280,519		11,834,381
3) contract work in progress		650,710,184		604,214,597
4) finished products and goods		10,441,712		10,555,381
5) advances		30,385,997		26,127,275
Total inventories		**752,666,696**		**697,663,433**
II) Receivables from				
1) customers		373,741,097		469,315,578
a) due within 12 months	*353,960,014*		*455,341,227*	
b) due after 12 months	*19,781,083*		*13,974,351*	
2) non-consolidated subsidiaries		8,737,473		6,864,375
a) due within 12 months	*8,737,473*		*6,864,375*	
3) associated companies		7,812,625		11,191,455
a) due within 12 months	*7,812,625*		*11,069,785*	
b) due after 12 months	*-*		*121,670*	
4) parent companies		-		-
5 bis) taxes		57,602,289		40,258,802
a) due within 12 months	*57,494,918*		*39,822,846*	
b) due after 12 months	*107,371*		*435,956*	
5 ter) deferred tax assets		23,400,361		25,054,769
a) due within 12 months	*23,400,361*		*23,964,820*	
b) due after 12 months	*-*		*1,089,949*	
5 quat others		88,245,556		87,397,955
a) due within 12 months	*84,518,179*		*81,168,334*	
b) due after 12 months	*3,727,377*		*6,229,621*	
Total receivables		**559,539,401**		**640,082,934**
III) Financial assets				
4) other investments		1,082		1,298
6) other securities		1,050,614		961,611
Total financial assets		**1,051,696**		**962,909**
IV) Cash and cash equivalents				
1) bank and postal accounts		87,388,789		99,661,748
2) cheques		6,867,716		193,027
3) cash on hand		2,146,683		769,390
Total Cash and cash equivalents		**96,403,188**		**100,624,165**
Total Current Assets		**1,409,660,981**		**1,439,333,441**
D) ACCRUED INCOME AND PREPAYMENTS		**15,017,615**		**19,164,066**
TOTAL ASSETS		**1,795,669,862**		**1,834,139,789**

Balance Sheet, **Liabilities**	December 31, **2016**		December 31, **2015**	
A) SHAREHOLDERS' EQUITY				
I) Capital		25,566,096		27,522,241
1) Share capital	*25,566,096*		*27,522,241*	
2) Preferred Pooled Shares	*-*		*-*	
II) Paid-in capital		-		-
III) Revaluation reserve		-		-
IV) Legal reserve		77,437,035		95,279,232
V) Statutory reserves		-		-
VI) Other reserves		(5,397,275)		1,035,461
1) extraordinary reserve	*28,952,638*		*25,731,445*	
2) consolidation reserve	*16,790,872*		*4,638,984*	
3) reserve for translation adjustments	*(39,593,298)*		*(23,551,190)*	
4) retained earnings reserve	*(11,547,487)*		*(5,783,778)*	
VII) Cash flow hedge reserve		(1,151,262)		(1,229,359)
VIII) Retained earnings		-		-
IX) Net income (loss) for the period		10,339,910		9,994,200
X) Negative treasury stock reseve		-		-
XI) Minority interest		13,101,125		9,068,494
Total Shareholders' Equity		**119,895,629**		**141,670,269**
B) RESERVES FOR RISKS AND CHARGES				
1) for pension payment and similar obligations		-		-
2) for taxes		315,214		328,206
3) derivatives financial instruments		1,466,320		1,574,532
4) other		23,745,152		32,915,464
a) contractual risks	*401,949*		*5,420,000*	
b) overseas operations	*5,089,344*		*8,307,344*	
c) other risks and charges	*18,253,859*		*19,188,120*	
Total reserves for risks and charges		**25,526,686**		**34,818,202**
C) SEVERANCE INDEMNITY		**15,043,106**		**14,333,222**
D) PAYABLES				
1) bond		293,603,589		292,853,870
a) due within 12 months	*-*		*-*	
b) due after 12 months	*293,603,589*		*292,853,870*	
2) convertible debentures		-		-
3) shareholders loan		12,197,830		13,353,286
a) due within 12 months	*2,505,350*		*2,612,658*	
b) due after 12 months	*9,692,480*		*10,740,628*	
4) banks		317,600,999		324,938,599
a) due within 12 months	*175,229,999*		*274,080,191*	
b) due after 12 months	*142,371,000*		*50,858,408*	
5) other financers		17,839,612		17,438,177
a) due within 12 months	*5,340,455*		*14,917,080*	
b) due after 12 months	*12,499,157*		*2,521,097*	
6) advances		40,613,655		9,260,797
a) due within 12 months	*40,613,655*		*9,260,797*	
7) suppliers		476,942,159		437,861,743
a) due within 12 months	*453,370,949*		*432,633,894*	
b) due after 12 months	*23,571,210*		*5,227,849*	
8) payables represented by credit instruments		-		-
9) payables to non-consolidated subsidiaries		36,957,377		29,674,931
a) due within 12 months	*36,957,377*		*29,674,931*	
10) payables to associated companies		4,189,347		41,592,718
a) due within 12 months	*4,189,347*		*41,199,036*	
b) due after 12 months	*-*		*393,682*	
11) payables to parent companies		-		-
12) taxes		36,745,335		51,648,604
a) due within 12 months	*36,731,128*		*50,730,255*	
b) due after 12 months	*14,207*		*918,349*	
13) payables to social security		5,897,046		5,589,521
a) due within 12 months	*5,777,853*		*5,368,096*	
b) due after 12 months	*119,193*		*221,425*	
14) other payables		176,821,571		252,799,311
a) due within 12 months	*158,468,925*		*224,236,896*	
b) due after 12 months	*18,352,646*		*28,562,415*	
15) advance payments from clients and customers		200,294,530		149,267,588
a) due within 12 months	*76,678,117*		*114,172,244*	
b) due after 12 months	*123,616,413*		*35,095,344*	
Total payables		**1,619,703,050**		**1,626,279,145**
E) ACCRUED LIABILITIES AND DEFERRED INCOME		**15,501,391**		**17,038,951**
TOTAL LIABILITIES		**1,795,669,862**		**1,834,139,789**

CONSOLIDATED INCOME STATEMENT

Income Statement	2016 (Annual)		2015 (Annual)	
A) VALUE OF PRODUCTION				
1) revenues from sales and services		960,465,515		944,155,618
2) variations in inventories of work in progress, semi-finished and finished products		4,041,428		1,328,198
3) variations in contracts in progress		73,759,245		194,276,352
4) increases in fixed assets for internal work		4,863,616		3,917,723
5) other income and proceeds		20,096,557		36,618,294
a) capitalisation of deferred charges	*420,088*		*9,754,202*	
b) use of reserves	*50,446*		*45,821*	
c) other income	*19,626,023*		*26,818,271*	
Total value of production		**1,063,226,361**		**1,180,296,185**
B) PRODUCTION COSTS				
6) raw materials, consumables and goods		(176,773,627)		(202,333,076)
7) services		(447,360,624)		(522,335,073)
8) lease and hire		(31,252,671)		(34,183,969)
9) personnel		(198,255,429)		(212,142,796)
a) wages and salaries	*(153,062,087)*		*(167,689,111)*	
b) social security contributions	*(38,605,157)*		*(37,737,310)*	
c) severance indemnity	*(4,971,804)*		*(4,680,133)*	
d) pension payments and similar obligations	-		-	
e) other costs	*(1,616,381)*		*(2,036,242)*	
10) depreciation, amortization and writedown of receivables		(68,848,243)		(67,182,073)
a) intangible fixed assets	*(13,660,712)*		*(17,219,385)*	
b) tangible fixed assets	*(52,438,997)*		*(46,282,843)*	
c) other fixed asset writeoffs	*(957)*		*(125,335)*	
d) writedowns of receivables included in current assets	*(2,747,577)*		*(3,554,510)*	
11) variations in inventories of raw materials, consumables and goods		8,164,240		2,672,368
12) provisions for risks		(6,500,000)		(1,173,733)
13) other provisions		(21,090,422)		(37,266,267)
14) other operating costs		(38,395,752)		(37,652,519)
Total production costs		**(980,312,528)**		**(1,111,597,138)**
Difference between Value and Cost of Production (A-B)		**82,913,833**		**68,699,047**
C) FINANCIAL INCOME AND CHARGES				
15) income from investments		*1,268,611*		*73,664*
b) in associated companies	-		-	
c) in other companies	*1,268,611*		*73,664*	
16) other financial income		*8,460,955*		*1,681,889*
a) from receivables entered in the fixed assets		-		-
4) from others	-		-	
b) from securities entered in the fixed assets that do not costitute investments		-		-
c) from securities entered in the current assets that do not costitute investments		-		-
d) other income		8,460,955		1,681,889
1) from non-consolidated subsidiary companies	-		-	
2) from associated companies	-		-	
3) from parent companies	-		-	
5) from others	*8,460,955*		*1,681,889*	
17) interest and other financial charges		*(52,195,127)*		*(46,649,897)*
a) from non-consolidated subsidiaries	-		-	
b) from associated companies	-		-	
c) from parent companies	-		-	
d) from others	*(52,195,127)*		*(46,649,897)*	
17 bis) *exchange profits and losses*		*(12,556,733)*		*(5,200,620)*
a) exchange profits	*181,657,706*		*131,281,506*	
b) exchange losses	*(194,214,439)*		*(136,482,126)*	
Total Financial Income and Charges (15+16-17±17bis)		**(55,022,294)**		**(50,094,964)**
D) ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS AND LIABILITIES				
18) revaluation		*34,500*		*219,924*
a) of investments	*29,047*		*219,924*	
d) of derivates financial instruments	*5,453*			
19) devaluation		*(881,248)*		*(1,683,577)*
a) of investments	*(881,248)*		*(1,683,577)*	
c) of securities entered in the current assets that do not costitute investments	-		-	
d) of derivates financial instruments				
Total Adjustments to Value of Financial Assets (18-19)		**(846,748)**		**(1,463,653)**
Income before tax (A-B+C+D+E)		**27,044,791**		**17,140,430**
20) income taxes		(17,943,376)		(7,663,738)
a) Current	*(15,859,043)*		*(16,709,709)*	
b) previous periods	*(819,101)*		-	
c) Deferred	*(1,265,232)*		*9,045,971*	
21) income (loss) before minority interest		**9,101,415**		**9,476,692**
22) minority interest		1,238,495		517,508
23) CONSOLIDATED NET INCOME (LOSS) FOR THE PERIOD		**10,339,910**		**9,994,200**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	SHARE CAPITAL	LEGAL RESERVE	CASH FLOW HEDGE RESERVES	OTHER RESERVES	NET PROFIT	MINORITY INTERESTS	EQUITY
Year end 2014	**27,380**	**90,271**	**0**	**28,184**	**10,945**	**7,899**	**164,679**
Share capital							
- new subscriptions	37	-	-	-	-	-	37
- additional subscriptions	1,266	-	-	-	-	-	1,266
- drawback	1,366	-			(1,366)	-	-
- paid off	(2,580)	-	-	-	-	-	(2,580)
Allocation of CMC net income :							
- revaluation of share capital	53	-	-	-	(53)	-	-
- legal reserve	-	4,217	-	-	(4,217)	-	-
- extraordinary reserve	-	-	-	2,686	(2,686)	-	-
- reserve ex art, 2426		791	-	(791)	-	-	-
- dividends	-	-	-	-	(714)	-	(714)
- mutual fund	-	-	-	-	(237)	-	(237)
Change in minority interests	-	-	-	-	-	1,169	1,169
Change in consolidation reserve	-	-	-	1,672	(1,672)	-	-
Translation adjustment / other variations	-	-	(1,229)	(30,715)	-	-	(31,944)
Net profit 2015	-	-	-	-	9,994	-	9,994
Year end 2015	**27,522**	**95,279**	**(1,229)**	**1,036**	**9,994**	**9,068**	**141,670**
Share capital & PREPS							
- new subscriptions	38	-	-	-	-	-	38
- additional subscriptions	-	-	-	-	-	-	-
- drawback	-	-	-	-	-	-	-
- paid off	(1,994)	-	-	-	-	-	(1,994)
Allocation of CMC net income :							
- revaluation of share capital	-	-	-	-	-	-	-
- legal reserve	-	1,442	-	-	(1,442)	-	-
- extraordinary reserve	-	-	-	3,221	(3,221)	-	-
- reserve ex art, 2426		(19,284)	-	19,284	-	-	-
- dividends	-	-	-	-	-	-	-
- mutual fund	-	-	-	-	(144)	-	(144)
- reclassification	-	-	-	-	-	-	-
Change in minority interests	-	-	-	-	-	4,033	4,033
Change in consolidation reserve	-	-	-	5,187	(5,187)	-	-
Translation adjustment / other variations	-	-	78	(34,125)	-	-	(34,047)
Net profit of the period	-	-	-	-	10,340	-	10,340
December 31, 2016	**25,566**	**77,437**	**(1,151)**	**(5,397)**	**10,340**	**13,101**	**119,896**

CONSOLIDATED STATEMENT OF CASH-FLOWS

Cash Flow (indirect method)	December 2016	December 2015
A. Cash flows from operating activities		
Profit (loss) for the year	*10,340*	*9,994*
Financial (Income)/Charges/Rate exchange	*56,291*	*50,169*
(Dividend collected)	*(1,269)*	*(74)*
Net change funds for risks and charges	*(9,292)*	*1,351*
Net change severance indemnity	*710*	*1,089*
Technical assets depreciation	*66,101*	*63,628*
Devaluation of financial assets	*881*	*1,684*
(Revaluation of financial assets)	*(35)*	*(220)*
1. Cash Flow before NWC changes	***123,727***	***127,621***
Decrease/(increase) inventories	*(55,003)*	*(79,540)*
Decrease/(increase) clients	*95,574*	*(72,903)*
Decrease/(increase) receivables from group companies	*26,784*	*(8,321)*
Decrease/(increase) receivables from others	*(19,760)*	*(19,304)*
Decrease/(increase) accruals&deferred	*4,146*	*(2,662)*
Increase/(decrease) advances	*31,353*	*(10,211)*
Increase/(decrease) payables to suppliers	*31,214*	*67,612*
Increase/(decrease) payables to group companies	*(30,121)*	*24,057*
Increase/(decrease) payables to others	*(39,543)*	*31,717*
Increase/(decrease) accruals&deferred	*(1,538)*	*(1,125)*
2. Cash Flow after NWC changes	***43,106***	***(70,680)***
CASH FLOW FROM OPERATING ACTIVITIES (A)	***166,833***	***56,941***
B. CASH FLOWS FROM INVESTMENTS		
Tangible fixed assets net (investments)/disinvestments	*(69,154)*	*(58,329)*
Intangible fixed assets net (investments)/disinvestments	*(11,251)*	*(16,476)*
Financial assets net (investments)/disinvestments	*(3,947)*	*(15,471)*
Other securities net (investments)/disinvestments	*(89)*	*1,375*
CASH FLOW FROM INVESTMENTS (B)	***(84,441)***	***(88,901)***
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Third party financing		
Increase/(Decrease) payables to banks	*(7,338)*	*100,741*
Increase/(Decrease) bonds payables	*750*	*-*
Increase/(Decrease) payables to other loans	*8,267*	*(12,782)*
Financial Income/(Charges)/Rate exchange	*(56,291)*	*(50,169)*
Dividend collected	*1,269*	*74*
Equity financing		
Decrease/(increase)receivables from shareholders for payments due	*1*	*3*
Increase/(Decrease) shared capital	*(1,956)*	*37*
Increase/(Decrease) payables in shareholders loan	*(1,155)*	*(305)*
Other Increase/(Decrease) in shareholders equity	*(30,160)*	*(30,902)*
(Dividend paid)	*-*	*(951)*
CASH FLOW FROM FINANCING ACTIVITIES (C)	***(86,613)***	***5,746***
Increase/(Decrease) Cash and Cash Equivalents	***(4,221)***	***(26,214)***
Cash and Cash Equivalents as of January, 1st	***100,624***	***126,838***
CASH AND CASH EQUIVALENTS AS END OF THE PERIOD	***96,403***	***100,624***

NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016

(in thousands of Euro)

The financial statements as at 31 December 2016, and these notes have been prepared pursuant to the Italian Civil Code on financial statements as revised by Decree Law 139/15 in application of the European Directive 2013/34.

In 2015, the "Accounting Reform" implementing European Directive 2013/34 was transposed into Italian law with the publication in the Official Gazette of Legislative Decree 139/15. The aforementioned decree supplements and amends the general regulations contained in the Civil Code governing the preparation of financial statements, including the format thereof, accounting policies and the content of the explanatory notes and the report on operations.

The amendments became effective from 1 January 2016. The impact of the changes has been accounted for by the Company, in accordance with OIC 29, as an adjustment to the opening equity balance at 1 January 2015. The Company has thus computed the impact that the changes would have had on the financial statements for the year ended 31 December 2015, as though the Accounting Reform had already been applied in 2015. Accordingly, the balance sheet at 31 December 2015 and the income statement for the year then ended presented in these financial statements for comparative purposes differ from the financial statements approved by the shareholders in general meeting on 7 May 2016 due to the impact of the Accounting Reform.

The note below on “Impact of the Accounting Reform” discloses the impact of the reform on each line of the income statement and balance sheet.

The legal requirements have been supplemented, where necessary, with reference to the accounting standards issued by the Italian Accounting Profession and to the documents issued by the Italian Accountancy Board (OIC).

The financial statements are made up of the following documents:
- Balance Sheet;
- Income Statement;
- Statement of cash flows;
- Explanatory notes.

The purpose of the explanatory notes is to provide, analyse, explain and, in some cases, supplement the information reported on the face of the financial statements. They contain the disclosures required by art. 2427 of the Italian Civil Code which are consistent with the amendments introduced by Decree Law 139/15 and with other standards recommended by the Italian Accounting Profession.

Consistent with the requirements of the Italian Civil Code and the approach adopted in the prior year, new captions have been added to the financial statements if their content is not covered by any of the captions specified in arts. 2424 and 2425. The preparation of these financial statements has taken account of any contingencies or losses relating to the year, even if they became known after year end.

The consolidated balance sheet and income statement are presented in whole Euro, without decimals, as required by art. 16 of Decree 213/98 and art. 8 of the Italian Civil Code, while these explanatory notes are presented in thousands of Euro.

The activities carried out by the Group and the events arising subsequent to year end are described in the report on operations.

It is also confirmed that:

- the consolidated financial statements were prepared using the separate financial statements at 31 December 2016 of the Parent Company and the companies included within the scope of consolidation, as approved by their governing bodies. The financial statements at 31 December 2016 of the Group's Italian companies were prepared in accordance with the requirements of the Italian Civil Code on financial statements as revised by Decree 139/15 in application of the European Directive 2013/34. The application of this legislation has had no effect on the economic and financial position presented in these consolidated financial statements.

- the financial statements used for consolidation purposes were appropriately adjusted, where necessary, for consistency with the measurement criteria described below, and reclassified into the format required by the Italian Civil Code.
- the financial statements of a number of investees have been adjusted to align the measurement criteria applied by local Directors to measurement criteria deemed to be more correct by the Directors of the Parent Company.

In the circumstances, the differences in measurement criteria principally related to the depreciation rates applied and to the method adopted for the translation of foreign currency items. For consolidation purposes, these were aligned with the criteria adopted by CMC, the Parent Company.

CONSOLIDATION PRINCIPLES

The main consolidation principles adopted for the drawing up of the consolidated financial statements are described below:

- the carrying amount of investments in companies consolidated on a line-by-line basis, recorded in the financial statements of the Parent Company and the other consolidated companies, is eliminated against the related shareholders' equity, while their total assets, liabilities, costs and revenues are combined without regard for the percentage interest held;
- any differences between purchase cost and the above shareholders' equity are allocated, where possible, to the assets and liabilities of the consolidated companies concerned, without exceeding their fair value. Any residual differences representing unallocated purchase costs are classified as "Goodwill arising on consolidation" and amortised on a straight-line basis over the period of expected recoverability, while those representing an equity surplus are classified among the "Reserves arising on consolidation" within the equity accounts. In the circumstances, no differences have been allocated to assets and/or liabilities, or classified as goodwill arising on consolidation, since only positive differences - classified among the reserves arising on consolidation - have emerged since the first-time consolidation of the Group;
- significant unrealised profits and losses deriving from intercompany transactions are eliminated, net of any tax effects, as are all intercompany receivables and payables;
- minority interests in members' and shareholders' equity are classified separately within the equity accounts, while their interests in the net results of subsidiaries are classified separately within the consolidated income statement.

Construction companies and consortiums which the Group controls jointly together with other partners are consolidated using the proportional method described in art. 37 of Decree 127/91. The main policies adopted for the application of this method are described below:

- only the Group's interest in the assets, liabilities, revenues and costs of the businesses concerned is consolidated, rather than the total amount. In addition, the carrying amount of the investments is eliminated against the Group's interest in the related shareholders' equity. Accordingly, the "Minority interest" and "Net income attributable to minority shareholders" captions of the balance sheet and income statement are not disclosed;
- intercompany profits and losses are eliminated on a proportional basis, and all other consolidation adjustments are carried out proportionally;
- on the elimination of receivables and payables arising between affiliates consolidated in different ways, the third-party interest identified upon proportional consolidation is classified among the amounts due to and from third parties;
- any differences arising on consolidation are treated in a manner similar to that described in relation to line-by-line consolidation.

Investments in subsidiaries and associates not active in the construction sector are measured using the equity method pursuant to art. 36 of Decree 127/91.

Investments in other companies, and those in subsidiaries and associates that are in liquidation or which are dormant, are carried at cost.

TRANSLATION INTO EURO OF FOREIGN CURRENCY FINANCIAL STATEMENTS

Since the businesses concerned are essentially autonomous, the financial statements are translated to euro using the year-end exchange rates for balance sheet items and the average rates for the year for income statement items.

The Parent Company's permanent establishments abroad have a high degree of operational autonomy and use multi-currency accounting systems. Their transactions and balances originating in currencies other than the euro are translated at year end using the spot rates at that time.

The net effect of translating the financial statements of foreign companies and the balances relating to permanent establishments abroad is classified among the equity accounts as the "Cumulative translation adjustment".

The following exchange rates used:

		2016		2015	
Currency	Code	December 31	Average (Annual)	December 31	Average (Annual)
US Dollar	USD	1.05	1.11	1.09	1.11
Rand (South Africa)	ZAR	14.46	16.26	16.95	14.17
New Metical (Mozambique)	MZN	75.20	69.32	49.12	42.30
Dollar (Singapore)	SGD	1.52	1.53	1.54	1.53
Kwanza (Angola)	AOA	175.76	182.08	147.29	133.40
Dinar (Algeria)	DZD	116.38	121.10	116.70	111.36
Loti (Lesotho)	LSL	14.46	16.26	16.95	14.17
Kwacha (Zambia)	ZMW	10.43	11.40	11.94	9.56
Pound (Sudan)	SDG	6.95	6.86	6.63	6.69
Yuan (China)	CNY	7.32	7.35	7.06	6.97
New Lev (Bulgaria)	BGN	1.96	1.96	1.96	1.96
Ruble (Russia)	RUB	64.30	74.14	80.67	68.07
Yen (Japan)	JPY	123.40	120.20	131.07	134.31
Kwacha (Malawi)	MWK	766.82	786.76	719.27	552.63
Rupee (Nepal)	NPR	114.55	117.20	107.01	109.05
Lilangeni (Swaziland)	SZL	14.46	16.26	16.95	14.17
Peso (Chile)	CLP	704.95	748.48	772.71	726.41

SCOPE OF CONSOLIDATION

The scope of consolidation at 31 December 2016 includes the following companies:

Company	Registered offices	%
Line-by-line consolidation		
CMC Africa Austral Lda	Mozambique	100.00
CMC di Ravenna Algerie Eurl	Algeria	100.00
CMC di Ravenna - PG Mavundla J.V.	South Africa	51.00
CMC di Ravenna (Parent Company)	Ravenna	100.00
CMC di Ravenna France Sarl	France	100.00
CMC di Ravenna Otesa JV	Namibia	100.00
CMC di Ravenna USA inc.	U.S.A.	100.00
CMC Holding Overseas Spa	Italy	54.81
CMC CMC GRC JV (**)	Pakistan	60.00
CMC Immobiliare Spa	Ravenna	96.00
CMC Mavundla Eastern Basin JV	Sud Africa	100.00
CMC NY Construction LLC	U.S.A.	54.81

Company	*Registered offices*	*%*
CMC –Bomar J.V.	*Zambia*	*100.00*
CMC – Botjheng J.V.	*Lesotho*	*100.00*
Concrete Finance srl (**)	*Ravenna*	*100.00*
G.E.D. Srl	*Cesena (FC)*	*80.00*
Groupement G.R.I.E.A.	*Algeri*	*54.70*
Iniziative Immobiliari Siciliane Srl	*Palermo*	*100.00*
LMH CC LCC	*U.S.A.*	*54.81*
LMH CMC USA JV	*U.S.A.*	*76.95*
LMH CMC USA MBTA JV	*U.S.A.*	*76.95*
Società Adriatica Impianti e Cave – S.I.C. Spa	*Ravenna*	*85.50*
Side Investment (Pty) Ltd	*South Africa*	*100.00*
Sulbrita Lda	*Mozambique*	*54.81*
Proportional consolidation		
AUSA Scarl (**)	*Ravenna*	*52.45*
Bolognetta Scpa	*Ravenna*	*80.00*
CETA-CMC J.V (Macurungo)	*South Africa*	*49.00*
CMC Tecrover JV	*South Africa*	*80.00*
CMC ltd Song Da JV (**)	*Laos*	*40.00*
Colfiorito Scrl	*Roma*	*52.01*
Constructora Nuevo Maipo SA (Cile)	*Chile*	*30.00*
Consorcio Sulbrita Condor JV	*Mozambique*	*27.40*
Conero Scarl (**)	*Ravenna*	*58.00*
Di Fazio Industries INC.	*U.S.A.*	*18.27*
EMIR S.p.A.	*Ravenna*	*41.90*
Empedocle Scpa	*Ravenna*	*80.00*
Empedocle 2 Scpa	*Ravenna*	*82.00*
Gammon – CMC JV	*India*	*50.00*
J.F. White – LM Heavy JV	*U.S.A.*	*19.18*
JV-CMC Razel (Nampula RioLigonha)	*Mozambique*	*50.00*
Iper Tre Ravenna Scarl (**)	*Ravenna*	*70.00*
Lovon Samverkan AB (**)	*Stockholm*	*49.00*
Norte Scrl	*Reggio Emilia*	*38.40*
Travessas Do Norte SA	*Mozambique*	*21.90*
Trento Tre Scar (**).	*Ravenna*	*45.00*
Venaus Scrl	*Ravenna*	*47.82*
Sistema 3 Scrl	*Ravenna*	*41,00*
Padiglioni Expo Scrl	*Milan*	*50,50*
Mazara Hospital Scrl	*Ravenna*	*60,00*
Consolidated in accordance with Equity method (*)		
Alvisi Srl	*Ravenna*	*90.00*
Antares Scrl	*Ravenna*	*28.00*
BE Inrastrutture Srl	*Ravenna*	*70.00*
Dunrose Investments (Pty) Ltd	*South Africa*	*100.00*
Granarolo ImmobiliareSpa	*Ravenna*	*30.00*
Gruppo ImmobiliareSrl	*Morciano (RN)*	*100.00*
CMC Embassy Srl	*Ravenna*	*100.00*
Moreside Investments (Pty) Ltd	*South Africa*	*100.00*
Sidebar Manufacturing (Pty) Ltd	*South Africa*	*100.00*

(*) The line-by-line consolidation of the subsidiaries accounted for using the equity method would not have had a significant impact on the consolidated financial statements.

(**) New entries into the scope of consolidation.

As an exception to the provisions of art. 37.1 of Decree 127/91 and based on the provisions of art. 29.4 of that Decree, the investments in the capital of Consorzia Passante di Mestre S.c.p.a (12%) and CAVET (11.27%) have been consolidated on a proportional basis since, under specific members' agreements, their shareholders exercise joint control. This approach more appropriately reports the Group's costs and revenues, given the significant volume of activity performed indirectly via these minority holdings.

On account of the fact that both companies have almost completed the projects for which they were set up and that the amounts involved are no longer significant enough to justify their inclusion in the scope of consolidation, it has been decided to deconsolidate both companies as from the year just ended.

The following subsidiaries and associates are carried at cost or at the value they have been evaluated in the last financial statement where they were consolidate on line by line basis:

Company	***Registered offices***	***%***
Immaterial for the Group:		
Acquapura Scrl	*Ravenna*	*60.00*
Ancona Newport Scrl	*Ravenna*	*53.10*
Autostrada Romagna1 Scrl	*Ravenna*	*35.00*
CE.DI.R Scrl (being wound up)	*Ravenna*	*86.00*
CMC - Inyatsi – Ulusha J.V. (Nelspruit)	*South Africa*	*55.00*
CMC-Conduril JV 3 Ponti	*Mozambique*	*50.00*
CMC Engoa Groupement	*Algeri*	*70.00*
CMC di Ravenna Malaysia Sdn Bhd	*Malaysia*	*100.00*
CMC Swaziland (Pty) Ltd (by pass)	*Swaziland*	*100.00*
CMC di Ravenna –WBHO Jv Massingir	*Ravenna*	*60.00*
CO.L.I.SPA Scrl (being wound up)	*Ravenna*	*29.76*
Consorzio 2T Scrl	*Milan*	*31.00*
Consorzio C.I.R.C. (being wound up)	*Milan*	*25.00*
Consorzio JV CB (*)	*Ravenna*	*50.00*
Elaion Scrl	*Portomaggiore*	*40.50*
FDA Srl	*Milan*	*20.00*
Fontana Nuova Scrl (*)	*Roma*	*51.00*
Geie Razel-CMC	*France*	*45.00*
Holcoa Srl	*Rome*	*15.00*
Itaca Scrl (being wound up)	*Ravenna*	*34.60*
Letimbro Scrl	*Ravenna*	*51.00*
Lodigiani –CMC Malaysia SDN	*Malaysia*	*50.00*
Mirandola Scrl	*Ravenna*	*45.10*
Molfetta Newport Scrl	*Ravenna*	*38.50*
Opera 3 Scrl	*Ravenna*	*34.67*
Ospedale dei Castelli Scrl	*Ravenna*	*50.10*
JV CCC – CMC	*Ravenna*	*66.00*
Pizzarotti CMC Sep	*France*	*50.00*
Piombone Scrl	*Ravenna*	*49.00*
Rodano Consortile scrl	*Reggio Emilia*	*46.43*
Rugula Scrl (being wound up)	*Ravenna*	*50.00*
Sistema 2 Srl	*Ravenna*	*37.00*
Tangenziale Esterna Spa (*)	*Milan*	*3.24*
Under Water Anchors Srl	*Ravenna*	*33.33*
Val Di Chienti Scpa	*Ravenna*	*28.00*
Villamarina Scrl (*)	*Ravenna*	*51.00*
Since no longer operational:		
ACR Srl	*Ravenna*	*42.75*
Agata Scrl	*Reggio Emilia*	*70.10*
Baglio la Camperia Srl	*Palermo*	*20.00*
CMC – Conduril J.V.- Beira	*Mozambique*	*50.00*
CMC DI RAVENNA MOTA-ENGIL J.V (Liwonde-Naminga) (*)	*Malawi*	*100.00*
CMC DI RAVENNA CO. Ltd	*Sudan*	*100.00*
CMC d.o.o Zagabria	*Croatia*	*100.00*
CMC G4 J.V (Gillooly's)	*South Africa*	*80.00*

Company	*Registered offices*	*%*
CMC Stroy LCC- Moscow	*Russia*	*100.00*
Consorzio Nuova Darsena Scrl	*Ravenna*	*28.50*
CTM BAU Srl	*Bolzano*	*42.00*
Eurolink Scpa	*Roma*	*13.00*
G.T.R.E.K. Groupement Cmc di Ravenna	*Algeri*	*70.00*
Habitur Lda	*Mozambique*	*40.00*
Italia 61 Scrl	*Ravenna*	*75.00*
Palazzo Rasponi Scrl	*Rome*	*100.00*
JV-CMC CETA (Nampula Water)	*Mozambique*	*99.90*
Ravenna Tunnel Scpa	*Ravenna*	*99.00*
Solarmaas Srl	*Aci Castello*	*51.00*

(*) Change in the scope of consolidation compared with the financial statements closed at 31 December 2015

Had these investments been consolidated line-by-line or carried at equity, the effect on the consolidated financial statements at 31 December 2016 would not have been significant.

The interest in the capital of C.S.C. – Coop. Servizi Cultura is also carried at cost since the Group does not hold the majority of voting rights at members' meetings, given that the company is a Cooperative.

ACCOUNTING POLICIES

As stated in the introduction to these notes, in 2015, the "Accounting Reform" implementing European Directive 2013/34 was transposed into Italian law with the publication in the Official Gazette of Legislative Decree 139/15.

The amendments became effective from 1 January 2016. The impact of the changes has been accounted for by the Company, in accordance with OIC 29, as an adjustment to the opening equity balance at 1 January 2015. The Company has thus computed the impact that the changes would have had on the financial statements for the year ended 31 December 2015, as though the Accounting Reform had already been applied in 2015. Accordingly, the balance sheet at 31 December 2015 and the income statement for the year then ended presented in these financial statements for comparative purposes differ from the financial statements approved by the shareholders in general meeting on 7 May 2016 due to the impact of the Accounting Reform.

The accounting standards and accounting policies adopted are thus compliant with the requirements of the Italian Civil Code and the accounting policies issued by the Italian Accounting Profession (represented by the Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri) and by the Italian National Standard Setter (OIC).

The measurement of the financial statement components was based on prudence and matching concepts and on the assumption that the Group will continue as a going concern, as well as by taking account of the economic reality of the assets and liabilities in question.

IMPACT OF APPLICATION OF NEW ITALIAN ACCOUNTING STANDARDS

The impact of the first-time application of the new Italian accounting standards on assets and liabilities at 1 January 2016 was recognised in the equity reserve “Retained earnings (accumulated losses)” net of the related deferred tax effect.

The new Italian accounting standards generally provide an option to prospectively recognise the impact of any adjustments made to comply with changes in accounting standards. Accordingly, components arising from transactions that still impact the financial statements may continue to be accounted for in accordance with the previous accounting standard, unless otherwise indicated by the rules for the first-time application of the new Italian accounting standards.

The accounting standard OIC 32, Financial derivatives and the accounting standard OIC 19 Debt, have been applied retroactively by the Company, based on the first-time application rules.

In accordance with the new accounting standard OIC 29, the Company has restated, in accordance with the new Italian accounting standards, solely for comparative purposes, the balance sheet at 31 December 2015 and the income statement for the year then ended.

In order to show the impact of the transition to the new Italian accounting standards on the Company's financial statements, details are provided below of the reclassifications that have been made:

Balance Sheet as at December 31, 2015

Caption	***2015 Original***	***Adjustment***	***2015 Adjusted***
BI 6) fixed assets in progress and advances	*7,553,070*	*(4,426,889)*	*3,126,181*
BI 7) others intangible fixed assets	*24,671,714*	*(18,948,064)*	*5,723,650*
CI 3) contract work in progress	*587,985,774*	*16,228,823*	*604,214,597*
CII 5 ter) deferred tax assets	*24,666,549*	*388,220*	*25,054,769*
D Accrued income and prepayments	*20,574,699*	*(1,410,633)*	*19,164,066*
A VI) Other reserves 4) retained earnings reserve	*(5,826,824)*	*43,046*	*(5,783,778)*
A VII) Cash flow hedge reserve	*0*	*(1,229,359)*	*(1,229,359)*
B3) derivatives financial instruments	*0*	*1,574,532*	*1,574,532*
D 1) bond	*300,000,000*	*(7,146,130)*	*292,853,870*
D 4) bank payables	*326,349,232*	*(1,410,633)*	*324,938,599*

We report below the comments on the reclassifications related to the 2015 restated balance sheet.

BI 6) Assets in process of formation and advance payments
As indicated in the section Intangible assets, the costs of participation in tenders, the outcome of which is unknown and which up until the financial statements for the year ended 31 December 2015 were capitalised as assets in process of formation in the year when incurred, as long as they were specifically incurred for contracts considered winnable with reasonable certainty, have been reclassified to and recognised as contract work in progress (caption CI 3).

BI 7) Other Intangible fixed assets
As indicated in the section Intangible assets, deferred charges attributable to contracts, such as start-up costs, site preparation, studies and design work and contract warranties and which up until the financial statements for the year ended 31 December 2015 were capitalised in the year when incurred and amortised on a stage-of-completion basis with reference to the individual projects concerned, have been reclassified to and recognised as contract work in progress (caption CI 3). The effect thereof was Euro 11,802 thousand;

The remainder of Euro 7,146 thousand consists of costs capitalised at 31 December 2015 relating to the issue of fixed rate senior notes in 2014 measured at amortised cost as required by the accounting standard OIC 32. These costs have been directly offset against the liability for which they were incurred under the caption D 1) Bonds.

CI 3) Contract work in progress
See the comments above regarding the components BI 6) Assets in process of formation and advance payments and BI 7) Other Intangible fixed assets.

D Accruals and deferrals
These consist of costs incurred for the arrangement of a revolving line of credit, which, up until the financial statements for the year ended 31 December 2015, had been accounted for as prepaid expenses in order to recognise the costs in the income statement over the term of the facility. In accordance with accounting standard OIC 19, the costs have been measured at amortised cost and have also been directly offset against the liability for which they were incurred under the caption D 4) Due to banks.

CII 5 ter) Deferred tax assets, *A VI) Other reserves* 4) Undistributed profits, *A VII) Cash flow hedge reserve*, *B3) Derivative financial instruments liability*

This reclassification was required due to the recognition of a derivative used to hedge interest rate risk (IRS)associated with the lease agreement dated 23.12.2008 entered into with UBI Leasing S.p.A. in connection with the industrial complex in the Pievesestina district of Cesena.

The fair value of derivatives has now to be reported in the Company's balance sheet. This determined a negative effect in deferred tax assets of Euro 338 thousand and in members' equity at 1 January 2016 of Euro 1,186 thousand. The 2015 income statement impact, which has been recognised as required by the new Italian accounting standards in equity caption “A VIII) Retained earnings (accumulated losses)”, has reduced equity by an amount of Euro 43 thousand.

D 1) Bonds
Please read the comments to caption BI 7) Other Intangible fixed assets.

D 4) Due to banks
Please read the comments to caption D Accruals and deferrals.

Income statement 2015

Caption	2015 Original	Adjustment	2015 Adjusted
A5) other income and proceeds c) other income	*23,477,762*	*3,340,509*	*26,818,271*
B 7) Services	*(514,855,666)*	*(7,479,407)*	*(522,335,073)*
B 14) other operating costs	*(37,450,099)*	*(202,420)*	*(37,652,519)*
E20) Extraordinary income	*3,340,509*	*(3,340,509)*	*-*
E21) Extraordinary charges	*(7,681,827)*	*7,681,827*	*-*

We report below the comments on the reclassification to the 2015 restated income statement:

- Elimination of extraordinary income and charges: following the elimination of extraordinary income and charges, the Company has reclassified extraordinary income and charges to Other revenues and income, Other operating expenses and Cost of services, respectively.

Intangible fixed assets

Intangible fixed assets are recorded at purchase cost including directly-related charges, at their contributed value or at the cost directly incurred to create them; they are amortised over their expected useful lives.
Incorporation and expansion costs, goodwill (recorded with the consent from the Board of Statutory Auditors), patents and intellectual property rights, concessions, licences and trademarks are amortized on a straight-line basis over five years, as required by Italian Civil Code.

Deferred charges attributable to contracts, such as start-up costs, site preparation, studies and design work and contract warranties and which up until the financial statements for the year ended 31 December 2015 were capitalised in the year when incurred and amortised on a stage-of-completion basis with reference to the individual projects concerned, have been reclassified to and recognised as contract work in progress.

Similarly, the costs of participation in tenders, the outcome of which is unknown and which, up until the financial statements for the year ended 31 December 2015, were capitalised as assets in process of formation in the year when incurred, as long as they were specifically incurred for contracts considered winnable with reasonable certainty, have been reclassified to and recognised as contract work in progress.

Research and development costs are charged to income in the year they are incurred.

If an asset is found to be impaired after its initial recognition at purchase or production cost, it is written down accordingly; if the reasons for writedowns cease to apply in subsequent years, the original value is reinstated, net of amortisation, with the exception of goodwill and deferred charges for which the reversal of an impairment loss is prohibited.

Tangible fixed assets

Tangible fixed assets are recorded at purchase cost, including related charges, or at their construction cost, comprising the direct costs incurred plus a reasonable allocation of indirect costs. The carrying amount of certain assets has also been adjusted in accordance with specific monetary revaluation laws. Amounts are stated net of the related accumulated depreciation.

Additions relating to fixed assets produced in-house are measured in accordance with the actual usage of materials, internal labour and general expenses.

Related costs, such as transport, freight, insurance and customs charges pertaining to the transfer of machinery are capitalised as "ordinary deferred charges" and are amortised based on the stage of completion of the related contract.

Repairs and maintenance costs are charged to income in the year they are incurred; the cost of upgrades and improvements that extend the useful life of an asset are capitalised and depreciated at the rate applicable to the asset in question.

Depreciation is calculated on a systematic basis using rates deemed representative of the residual useful lives of the assets concerned. The rates applied by asset category are set out below:

Land and buildings		***Industrial and commercial equipment***	
- Industrial buildings	*3.0%*	*- Excavators and loaders*	*20.0%*
Plant and machinery		*- Transport vehicles*	*20.0%*
- Temporary constructions	*12.5%*	*- Motor cars, motor vehicles and similar*	*25.0%*
- General plant	*10.0%*	*- Ordinary office furniture and machines*	*12.0%*
- Specific plant and machinery	*15.0%*	*- Electronic office machines*	*20.0%*
- Formwork and metal sheet piles	*25.0%*	*- Hardware*	*20.0%*
- Sundry equipment	*40.0%*		

When an asset enters into service, depreciation is charged in proportion to the number of days it is used in the first year.

Regardless of the depreciation recorded, if an asset is found to be impaired subsequent to its initial recognition at purchase or production cost, it is written down accordingly; if the reasons for writedowns cease to apply in subsequent years, the original value are reinstated net of the related depreciation charges.

Financial fixed assets

Investments in associated companies not operating in the construction sector and investments in subsidiaries not deemed significant, for which it is not possible to obtain all the information needed for line-by-line consolidation, are carried at equity except as specified in the "Scope of Consolidation" paragraph above. Accordingly, their carrying amount represents the Group's interest in the shareholders' equity reported in their latest available financial statements, prepared pursuant to arts. 2423 and 2423 bis of the Italian Civil Code, net of dividends received and after the appropriate consolidation adjustments.

Investments in subsidiaries and associates that are in liquidation or which are dormant are carried at cost, together with the equity investments held in other companies. Carrying amount is determined with reference to purchase or subscription cost, or the contributed value. Cost is written down in the case of impairment, when the investments have incurred losses that are unlikely to be recovered from profits earned in the immediate future. The original value is reinstated in subsequent years if the reasons for the write-down made cease to apply.

The other financial fixed assets comprising receivables are stated at their estimated realisable value.

Inventories

Inventories of raw and ancillary materials are stated at the lower of weighted-average purchase or production cost (including related charges and direct cost allocations) or their corresponding market value.
Inventories related to direct property initiatives, classified as "Work in progress", are measured with reference to the costs incurred, represented by the purchase cost of the land and related charges, plus construction costs, adjusted, if necessary, to bring them into line with their estimated realisable value.

Long-term contract work in progress, classified as "Contract work in progress", is essentially measured on a stage-of-completion basis that recognises the total agreed revenues using the cost-to-cost method. Progress reports approved by principals are recognised as revenue in the period and are deducted from the value of inventories. Closing inventories, measured on the basis described above, represent the production carried out since the last approved progress report.
As previously explained in the paragraph on "Intangible fixed assets", deferred charges attributable to contracts, such as start-up costs, site preparation, studies and design work and contract warranties and which, up until the financial statements for the year ended 31 December 2015, were capitalised in the year when incurred and amortised on a stage-of-completion basis with reference to the individual projects concerned, have been reclassified to and recognised as contract work in progress.

Similarly, the costs of participation in tenders, the outcome of which is unknown and which, up until the financial statements for the year ended 31 December 2015, were capitalised as assets in process of formation in the year when incurred, as long as they were specifically incurred for contracts considered winnable with reasonable certainty, have been reclassified to and recognised as contract work in progress.

Claims for additional revenue are recognised on a prudent basis. Accordingly, the reimbursement of extra costs incurred for the completion of works or the extra revenues requested are only recognised as the deferral of costs or the recognition of revenues if the timing and extent of collection is reasonably certain. In this regard, reasonable certainty is usually deemed to exist if the claim is collected prior to the approval of the financial statements and/or if the claim is subject to a dispute where the counterparty has, nevertheless, recognised the right to additional payment and only the amount needs to be settled, or if the opinions of authoritative third parties (lawyers, consultants etc.) suggest to the directors that outstanding disputes will have a favourable outcome.

Contract work in progress with a duration of less than one year is recognised on a completed contract basis; revenue is recognised solely on completion of the contract. Previously, closing inventories were measured with reference to the costs actually incurred.

Receivables

Receivables are measured at amortised cost as long as the impact of the application of this measurement criterion does not significantly differ from nominal value, taking into account the time factor and the estimated net realisable value. In particular, receivables are initially measured at face value, net of allowances, discounts and rebates and inclusive of any costs directly attributable to the transaction that gave rise to the receivable. Transaction costs, any commission receivable or payable and any difference between the initially recognised amount and the face value at the due date are included in the computation of amortised cost using the effective interest method.

An allowance for doubtful accounts has been set up to cover the risk of non-collection of receivables, the adequacy of which is verified periodically and, in any event, every year end, taking into account any existing uncollected amounts or balances unlikely to be collected, as well as the general economic conditions of the sector and of the country concerned.

Receivables sold without recourse are derecognised from the balance sheet.

Accruals and deferrals

These items comprise costs and revenues relating to more than one year, which are recognized in accordance with the matching principle.

Provisions for risks and charges

The provisions for risks and charges are recovered to cover known or likely losses and liabilities, the timing and extent of which cannot be determined at year end. The provisions reflect the best possible estimate based on the information available. Contingencies that only might give rise to a liability are described in the explanatory notes, without recording any related provisions. Provisions are also recorded to cover contract risks arising in relation to still incomplete work in progress for third parties in Italy and abroad.

Employee termination indemnities

Employee termination indemnities are recorded by the Group's Italian companies to cover the entire liability to employees accrued in accordance with current legislation and collective and in-house payroll agreements. Law 296 dated 27 December 2006 (2007 Finance Law) introduced new rules for the termination indemnities accruing from 1 January 2007. Pursuant to the reform of supplementary pensions:

- the termination indemnities accumulated up to 31 December 2006 are retained by the business,
- the amounts accruing from January 1, 2007 are, depending on the explicit or tacit choices made by each employee:
  a. paid to a supplementary pension fund;
  b. retained by the business, which pays them into the INPS treasury fund.

The amounts accruing from 1 January 2007 are charged, as before, to the "Employee termination indemnities" caption of the income statement. In the balance sheet, the “Employee termination indemnities” caption represents the residual balance of the provision outstanding at 31 December 2006, as appropriately revalued using official indices. The “payables to social security and welfare institutions” caption includes the accrued termination indemnities not yet paid over to the pension funds and other welfare institutions.

Payables

Payables are measured at amortised cost as long as the impact of the application of this measurement criterion does not significantly differ from nominal value, taking into account the time factor and the estimated net realisable value. In particular, receivables are initially measured at face value, net of transaction costs and allowances, discounts and rebates directly attributable to the transaction that gave rise to the payable. Transaction costs, any commission receivable or payable and any difference between the initially recognised amount and the face value at the due date are included in the computation of amortised cost using the effective interest method.

Derivatives contracts

Derivatives contracts are booked at fair value. Changes in fair value measurement are recognised in the income statement, or, if the instrument is used to hedge changes in future cash flows from another financial instrument or another planned transaction, they are recognised directly in equity as a positive or negative equity reserve; this reserve is transferred to the income statement to the extent of and in the period corresponding to the occurrence of or the change in cash flows from the hedged instrument or on the occurrence of the hedged transaction. If the fair value at the reference date is positive, it is recognised as a financial derivative asset in financial fixed assets or in current financial assets. If the amount is negative, it is recognised as a financial derivative liability in provisions for risks and charges.

Foreign currency translation methods

Receivables and payables originally denominated in foreign currencies are recorded using the exchange rates ruling on the transaction dates. The exchange differences realised on the collection of receivables and the settlement of payables denominated in foreign currencies are recognised in the income statement. At the balance sheet date, foreign currency receivables and payables and foreign currency monetary amounts are reported using the closing rate. Profits and losses deriving from the translation using year-end rates of current receivables and payables, including the current portion of long-term receivables and payables, and of liquid funds held in foreign currencies, are respectively credited and debited to the income statement as components of financial income (caption C.17 bis).
Any net profit deriving from the alignment of foreign currency balances using the year-end exchange rates is initially recognised as part of income for the year. On approval of the financial statements and the related allocation of results, any such profits not absorbed by losses are credited to a non-distributable reserve until they have been realised, pursuant to para. 8-bis of art. 2426 of the Italian Civil Code. With regard to forward contracts used to hedge the exchange rate risk on a specific long term contract, the work in progress is translated to Euro using the exchange rate at the date of execution of the forward contract used as a hedge, without exceeding the hedged amount. The exchange rate fluctuation relating to forward contracts between the date of execution of the forward contract and the forward exchange rate provided for by the contract is recognised in the income statement on an accrual basis over the length of the forward contract, in accordance with Accounting standard 26.

Preparation of financial statements in highly-inflationary economies

The financial statements of CMC Africa Austral Lda, C.I.M. Lda and Sulbrita Lda, all subsidiaries in Mozambique, have been adjusted in accordance with the following criteria:

- fixed assets were adjusted by translating them using the historical exchange rates at the time of purchase and the related effect was reported separately within shareholders' equity;
- monetary items were not adjusted and were therefore translated using the year-end exchange rates;
- income statement items were not adjusted and were therefore translated using the year-end exchange rates.

Costs and revenues

These are recognised in accordance with prudence and matching principles. In particular, revenue from long term contracts is recognised in accordance with the criteria previously described in relation to the measurement of contract work in progress inventory. Revenue from short term contracts and from other services is recognised when the service is rendered; revenues from sales of goods are recognised upon transfer of ownership, which generally coincides with the delivery or shipment of the goods; Revenue from and the cost of services are recognised when the service is rendered; lastly, financial revenues are recognised on an accrual basis over time.

Income taxes

These are based on the taxable income estimated with reference to current regulations, taking account of applicable exemptions and available tax credits. Deferred tax assets and liabilities are also recognised on the temporary

differences arising between the carrying amount of an asset or liability and the tax basis of that asset or liability and on temporary differences arising from consolidation adjustments.
In particular, deferred tax assets are recognised when they are likely to be recoverable against future taxable income.

<u>Commitments and risks</u>

Risks relating to the provision of secured and unsecured guarantees on behalf of third parties are stated at the amount of the guarantee provided.

<u>Finance lease contracts</u>

Assets under finance lease contracts are recorded within the relevant category of tangible fixed assets and are depreciated, as though they were owned assets, on a systematic basis over their remaining useful lives. As an opposite entry to the asset, recognition is made of the short and medium term lease obligations; lease instalments are reversed from lease and rental charges and the interest element is recognised on an accrual basis in financial expense. In this manner, assets under finance lease are presented in accordance with IAS 17, thus reflecting the substance of the lease agreements.

<u>Presentation of the figures</u>

For the sake of clarity and understandability, all the amounts reported in the notes and in the attachments are stated in thousands of Euro.

COMMENTS ON THE MAIN CAPTIONS OF THE FINANCIAL STATEMENTS

ASSETS

Receivable from shareholders for payments due

The balance relates to amounts due from members for shares subscribed but not yet paid.

Fixed assets

The legally-required information about intangible and tangible fixed assets is presented in schedules attached to these explanatory notes.

Intangible fixed assets

Start-up and expansion costs" mainly comprise the costs incurred on the formation of Group companies.

"Industrial patents and intellectual property rights" comprise the cost of acquiring the rights to use applications software.

"Assets in process of formation and advance payments" mainly consist of costs incurred and advances paid for the purchase of intangible fixed assets not yet ready for the production. In particular this caption include the capitalization of software that is not completely implemented.

"Ordinary deferred charges" consist of many amounts of modest value relating to site set-up and contract start-up costs, which are amortised on a stage-of-completion basis, for which the company has deemed they are not significant enough to justify a detailed analysis thereof to reclassify them to contract work in progress, as well as the fact it would not be cost efficient to do so. This caption is made up as follows:

Contracts' deferred charges	***December 31, 2016***	***December 31, 2015***
Site installation/start-up	*483*	*1,773*
Design studies	*964*	*687*
Other	*1,730*	*3,264*
Total	***3,177***	***5,724***

The decrease is mainly due to the amortisation charge for the period.

Tangible fixed assets

Much of the carrying value of equipment and plant and machinery relates to assets located in foreign countries and used for specific contracts. Their carrying amount is deemed to be recoverable from contract revenue and/or, in certain cases, from compensation payable by the principal in the event of the work being suspended.

The increase in the period is mainly attributable to the purchase of a tunnel boring machine needed for the Catania metro (Sicily) and to expenditure on plant and machinery for the construction of an aqueduct to supply water to Beirut, for the construction of a dam in Kenya and for the construction of civil and hydro-mechanical works at the Nam Theun 1 hydropower plant in Bolikhamxay Province, Laos.

The following assets held by the Group have been the subject of revaluations.

Revaluations	*Law 576/75*	*Law 72/83*	*Law 413/91*	*Law 266/05*	*Decree 185/08*	*Total*
Offices at Via Trieste – Ravenna	*108*	*1,033*	*639*	*1,000*	*4,000*	***6,780***
Operations centre at Via Trieste - Ravenna	*-*	*1,549*	*706*	*-*	*-*	***2,255***
Building at Via Faunia – Rome	*-*	*-*	*242*	*-*	*-*	***242***
Factory complex at S . Arcangeol (RN)	*1*	*111*	*151*	*-*	*-*	***263***
Factory complex at Pievesistina (FC)	*-*	*-*	*-*	*4,000*	*-*	***4,000***
Total	***109***	***2,693***	***1,738***	***5,000***	***4,000***	***13,540***

Financial fixed assets

Investments

These comprise:

Investments	*December 31, 2016*	*December 31, 2015*
Non-consolidated subsidiary companies	*2,782*	*2,944*
Associated companies	*22,200*	*22,416*
Other companies	*47,610*	*44,131*
Total	***72,592***	***69,491***
Investments write-off	*(506)*	*(506)*
Total	***72,086***	***68,985***

The investments in non-consolidated subsidiaries and associated companies comprise the companies showed below:

Subsidiaries	*December 31, 2016*	*December 31, 2015*	*%*
Agata Scrl	28	28	70,10
Ancona Neport Scrl	53	53	53,10
Acquapura Scrl	12	12	60,00
Be Infrastrutture Srl (*)	106	106	70,00
CMC di Ravenna Mota-Engil JV (Liwonde-Naminga)	519	519	100,00
Cmc d.o.o Zagabria	3	3	100,00
Cmc Embassy s.r.l. (*)	807	984	100,00
CMC Swaziland (Pty) By Pass	876	876	100,00
Fontana Nuova Scrl (**)	10	0	51,00
Italia 61Scr	23	23	75,00
Gruppo Immobiliare Srl (*)	14	0	100,00
La Quercia 2 Scrl being wound up (***)	0	30	52,00
Letimbro Scrl	51	51	51,00
JV CCC – CMC	13	13	66,00
Palazzo Rasponi Scrl	20	20	100,00
Ospedale dei Castelli Scrl	25	25	50,10
Ravenna Tunnel Scrl	119	119	99,00
Rotonda Scrl (***)	0	20	100,00
Solarmaas Srl	52	52	51,00
Sviluppo Trapani Srl being wound up (***)	0	10	100,00
Villamarina (**)	51	0	51,00
Total	***2,782***	***2,944***	

Associated companies	***December 31, 2016***	***December 31, 2015***	***%***
Albacem Srl	8	8	20,00
Antares Scrl (*)	902	919	28,00
Autostrade Romagna 1 Scpa	350	350	35,00
Baglio la Camperia Spa	100	100	20,00
Bagnarola Srl	25	25	12,50
Co.l.i.s.pa. Scrl being wound up (***)	0	6	29,76
CMC Conduril JV (Beira)	37	37	50,00
Consorzio JV CB	10	10	50,00
Granarolo Immobiliare Spa (*)	611	653	30,00
Elaion Scrl	4	4	40,50
Fda Srl	256	304	20,00
Holcoap Spa	17	17	15,00
Itare Srl	10	0	20,00
Itaca Scrl being wound up	4	4	34,60
Lodigiani - Cmc (Malaysia) Sdn Bhd	7	7	50,00
Mirandola Scrl	9	9	45,10
Mediterranea 010 Scrl	5	5	49,00
Molfetta Newport Scrl	19	19	38,50
Opera 2 Scrl (***)	0	13	50,00
Opera 3 Scrl	10	10	34,67
Piombone Scrl	49	49	49,00
Rodano Scrl	116	116	46,43
Sistema 2 Scrl	11	11	37,00
Sviluppo Palermo Srl (****)	0	100	24,93
Under Water Anchors Srl	40	40	33,33
Val di Chienti Scrl	19,600	19,600	28,00
Total	***22,200***	***22,416***	

Details are provided below of equity investments in other companies:

Other Companies	***December 31, 2016***	***December 31, 2015***	***%***
Azienda Libico – Italiana (Ali)	9	9	0,33
Cfi. Cooperazione Finanza Imprese Scpa	6	6	0,70
Cons. Cavet (**)	611	0	11,27
Cons. Co.ri.re. being wound up	7	7	14,00
Cons. Coop.di Costruzioni – CCC (BO)	1,011	1,011	1,82
Cons. Coop.di Produzione e Lavoro (Conscoop-FO)	111	111	2,86
Cons. Integra Soc. Coop.	1,200	0	2,86
Cons. Lybian Expressway Contractors	1	1	11,00
Cons. Miteco	1	1	11,04
Cons. Nazionale Servizi	12	12	12,00
Cons. Prometeo being wound up	10	10	0,01
Cons. Toscano Costruzioni - C.T.C. Scrl	30	30	6,91
Coop. Culturale "Luigi Luzzati" Scrl	28	28	31,32
Coop. Servizi Cultura	575	575	95,56
Coop. Terremerse Scrl	3	3	1,33
Cooperare SpA	51	51	0,01
Kostruttiva (ex CO.VE.CO) Scrl	11	11	3,84
Eurolink Scpa	19,500	19,500	13,00
Federazione delle Coop. della Prov.di Ravenna	7,193	7,193	12,30
Federcoop "Nullo Baldini" Scrl	64	63	3,84
Fincooper Scrl being wound up	176	176	0,93
Immofil Srl	300	300	18,75
Istituto Coop I.C.I.E. (BO) Scrl	41	41	3,41
I.GE.I. (Inps Gestione Immobiliare) Spa being wound up	744	744	9,60
Immobiliare Riminese Malatesta Srl	8	8	0,44

Other Companies	December 31, 2016	December 31, 2015	%
ISI Service Emilia Romagna	12	12	12,00
Nomisma – Società' di Studi Economici – Spa	18	11	0,21
Passante di Mestre Scpa (**)	1,200	3	12,00
Porto intermodale Ravenna Spa	354	51	0,569
S.C.S. Consulting Spa	11	11	0,44
SAT Lavori Scrl	9	9	8,66
Soped Spa	100	100	1,63
Tangenziale Esterna Spa	14,031	14,031	3,24
Others	173	12	
Total	***47,611***	***44,131***	

The changes with respect to the prior year reflect:

- (*) Valuated with the equity method
- (**) Changes in the scope of consolidation
- (***) closing of wound up procedures
- (****) Sold shares

Financial receivables

Financial receivables comprise:

Financial receivables	*December 31, 2016*	*December 31, 2015*
Non-consolidated subsidiaries	*10,966*	*7,878*
Associated companies	*6,713*	*35,079*
Other	*11,573*	*8,350*
Total	***29,252***	***51,307***

The amounts due to and from non-consolidated subsidiaries and associates are detailed in an attachment.

Other financial receivables consist of the following:

Receivables from others	*December 31, 2016*	*December 31, 2015*
Loans to other non-consolidated companies	*5,421*	*4,793*
Contributions to associations and/or entities	*3,887*	*1,575*
Guarantee deposits	*2,265*	*1,982*
Totale	***11,573***	***8,350***

CURRENT ASSETS

Inventories

These consist of the following:

Inventories	*December 31, 2016*	*December 31, 2015*
Raw materials and consumables	*48,848*	*44,932*
Work in progress and semi-finished products	*12,281*	*11,834*
Contract work in progress	*650,710*	*604,215*
Finished products and goods	*10,442*	*10,555*
Advances	*30,386*	*26,127*
Total	***752,667***	***697,663***

a) *Raw, ancillary and consumable materials*
These mainly consist of raw materials used at construction sites for the fulfilment of a contract. The most significant amounts are attributable to contracts in China, Italy and in Southern Africa.

b) *Work in progress and semi-finished products*
These mainly consist of semi-finished products held by the subsidiary Sulbrita. Lda and Iniziative Immobiliari Siciliane Srl.

c) *Contract work in progress inventories*

In the current and prior years, the Group has recognised claims for additional revenue not yet approved by the principals in “Contract work in progress” and, to a lesser extent, in “Due from customers”, as indicated in the “Accounting policies” section of these explanatory notes. Group Management believes that the amounts recognised represent a prudent estimate of the additional remuneration that will be acknowledged by the principals and that there is reasonable certainty as to their recovery based on the advanced stage of the negotiations being held in relation thereto.

Contract work in progress inventories are analysed below:

Principal	*Description*	*December 31, 2016*	*December 31, 2015*
ANAS Spa	*SS 640 Agrigento Caltanissetta section 2*	102,093	88,877
ANAS SPA ROMA	*SS 640 Agrigento Caltanisetta*	64,341	66,271
EMPEDOCLE 2	*Woks ex Tecnis*	55,578	30,286
CIRCUMETNEA	Catania metro station Sicily	26,538	0
ANAS Spa	*Works in Savona*	25,883	16,155
MELAMCHI CORP.	*Excavations for water transfer (Nepal)*	25,221	23,958
CCC B OLOGNA	*Empedocle 2 ex Iter works*	23,261	19,510
CASSA DEPOSITI E PRESTITI	*Building Renovation Piazza Dante - Roma*	22,009	18,932
ANAS Spa	*Palermo Lercara Friddi Highway*	19,391	22,193
A.G.A. (AG. GESTION AUTOROUTES)	*AGA - Highway Est (Algeria)*	16,636	9,571
SANRAL	*Mount Edgecombe junction*	15,549	7,393
SHANXI MIDDLE YELLOW RIVER WATER RESOURCE DEVELOPMENT CO. LTD.	*Middle Shanxi river diversion Project*	15,327	11,016
A.N.E MOZAMBIQUE	*Road rehabilitation works (Mozambique)*	14,452	10,116
BOLOGNETTA S.C.P.A. (EX TECNIS)	Palermo Lercara Friddi Highway	13,615	0
LTA – LAND TRANSPORT AUTORITY	*2 Lots of Singapore underground*	11,761	14,225

RIFT WALLEY WATER SERVICES BOARD (RVWSB)	*Costruction of the itare dam Project*	8,967	3,314
ARA SUL	*Massingir dam rehabilitation*	8,571	866
ASS. PART. CMC / CCC	Palermo Lercara Friddi Highway	8,251	0
A.N.E MOZAMBIQUE	*Improv. of Montepuez – Ruaca road (Mozambique)*	8,225	13,608
AGENCE NATIONAL DE AUTOROUTE	*El Affroun – Hoceina motorway (Algeria)*	7,811	7,810
VAL DI CHIENTI SCPA	*Road network Quadrilatero Umbria – Marche*	7,802	35,793
MINISTERO DELLE INFRASTRUTTURE	*Milan light rail transit system*	7,387	6,289
KONKOLA COPPER MINES	*Excavation of mines and 2 wells (Zambia)*	6,861	4,406
LINEA METRO 1 TORINO	*Metro Lingotto Bengasi*	6,521	3,251
CIRCUMETNEA	Stesicoro Airport	6,310	0
NHPC LIMITED	*Parabati H.E. Project*	6,051	4,306
ADE-ALGERIA	*Douaouda desalination plant (Algeria)*	5,744	5,739
RODANO	*Special works*	5,000	5,000
GOVERNMENT OF LESOTHO	*Oxbow Mapholaneng Road (Lesotho)*	1,502	7,737
IST.NACIONAL ESTRADA DE ANGOLA	*Luanda Soyo motorway (Angola)*	0	47,344
ESKOM HOLDING LIMITED	*Station Pumping, Ingula (South Africa)*	0	29,734
Others		104,052	90,515
Total		**650,710**	**604,215**

d) *Finished products and goods*
These mainly consist of properties held for sale by the subsidiary CMC Immobiliare S.p.A. and artifacts not yet transferred to sites but made to order for contracts already acquired by the subsidiary G.E.D. S.r.l.

e) *Advances*
These mainly consist of advances paid to suppliers for ongoing contracts, particularly in Lebanon.

Receivables

These consist of the following:

Receivables	***December 31, 2016***	***December 31, 2015***
From customers:		
- for works and supplies	*381,280*	*479,766*
- less allowance for doubtful accounts	*(7,539)*	*(10,450)*
- for interests on overdue payments	*(53)*	*(7)*
- less allowance for interest on overdue payments	*53*	*7*
Total from customers	***373,741***	***469,316***
Due from non consolidated subsidiaries	*8,737*	*6,864*
Due from associated companies	*7,813*	*11,191*
Receivables from taxes	*57,604*	*40,259*
Deferred tax assets	*23,400*	*25,055*
Total	***97,554***	***83,369***
Due From others:		
- advances to suppliers and subcontractors	*3,589*	*21,054*
- amounts owed by J.V .partners partially consolidated	*56,372*	*32,231*
- social security and pension institutions	*8,510*	*8,051*

- employees	*206*	*354*
- credit notes due for work performed	*24*	*28*
- others	*19,544*	*25,680*
Total receivables from others	***88,244***	***87,398***
Total receivables	***559,539***	***640,083***

The decrease in the period is essentially attributable to the payment, part of which was in Euro and part of which was in South African rand, in the second half of 2016 as a consequence of the final agreement with the customer Eskom in relation to a claim that arose for the construction of the Ingula hydroelectric plant in South Africa.

The “Allowance for doubtful accounts” reflects the risk of non-collection of certain disputed third party receivables or cases where a counterparty is experiencing financial difficulties. In particular, at 31 December 2016 the Parent Company had a receivable of some Euro 13 million due for work performed for a Sicilian state-owned company. The Parent Company has taken action to ensure the recovery of the receivable.

The amounts due from subsidiary and associated companies are analysed in the attachments to these explanatory notes.

Amounts “Due from tax authorities” mainly include Italian and foreign VAT recoverable.

With respect to Due from others, note that:

- The amount “Due from partners in joint ventures consolidated on a proportional basis” mainly relates to J.V. consortiums and foreign joint ventures.
- Other receivables” comprise advances made to arbitration boards in relation to ongoing disputes, receivables for dividends to be collected and other minor receivables.

Deferred tax assets are analysed below:

	December 31, 2016			***December 31, 2015***		
	Temporary differences	**Tax effect**	**Rate %**	**Temporary differences**	**Tax effect**	**Rate %**
Tax loss						
- Joint Venture dividends	133	32	24.00%	131	36	27.50%
- interest expense	25,125	6,030	24.00%	27,131	7,461	27.50%
- tax loss	5,660	1,359	24.00%	3,964	1,090	27.50%
- non tax deductible general provisions	34,968	9,756	27.90%	53,327	16,745	31.40%
- write-down of investments	504	121	24.00%	505	139	27.50%
- provisions for special risks	400	96	24.00%	400	110	27.50%
- contributions deductible on a cash basis	200	48	24.00%	350	110	31.40%
- foreign tax credits	22,054	5,293	24.00%	-	-	31.40%
- cash flow hedge	1,515	364	24.00%	1,618	388	27.50%
- exchange rates	188	45	24.00%	-	-	31.40%
- maintenance charges (above 5% threshold)	2,367	568	24.00%	2,847	895	31.40%
Deferred tax liabilities						
- Joint Venture dividends	(1,296)	(311)	24.00%	(6,978)	(1,919)	27.50%
Change in deferred tax assets (liabilities)		**23,400**			**25,055**	

The detailed profit and loss effect is shown below:

	Balance at December 31, 2015	Income statement	Balance at December 31, 2016
Deferred tax assets			
- Joint Venture dividends	36	(4)	32
- interest expenses	7,461	(1,431)	6,030
- tax losses	1,090	269	1,359
- non tax deductible general provisions	16,745	(6,989)	9,756
- provision for equity investments	139	(18)	121
- provisions for special risks	110	(14)	96
- contributions deductible on a cash basis	110	(62)	48
- foreign tax credits	-	5,293	5,293
- cash flow hedge	388	(25)	364
- exchange rates	-	45	45
- maintenance changes (above 5% threshold)	895	(327)	568
- Other		389	
Deferred tax liabilities			
- Joint Venture dividends	(1,919)	1,608	(311)
Effect on the income statement	**25,055**	**(1,266)**	**23,400**

The “Other” caption is mainly due to the reclassification on the 2015 comparative balance sheet. It is referred to the tax effect of derivative instruments of the cash flow hedge directly accounted in the Equity under the prevision of the accounting principle OIC 32.

Receivables are analysed by geographical area below, as required by art. 2427 of the Italian Civil Code:

	Italy	*Africa*	*Asia*	*Europe*	*USA*	*Other*	*Total*
From customers	*127,300*	*182,146*	*40,686*	*83*	*20,286*	*3,240*	**373,741**
From non consolidated subsidiaries	*7,718*	*944*	*75*	*-*	*-*	*-*	**8,737**
From associated companies	*7,813*	*-*	*-*	*-*	*-*	*-*	**7,813**
Taxes	*39,435*	*15,202*	*1,076*	*61*	*1,408*	*420*	**57,602**
Deferred tax assets	*20,281*	*1,960*	*392*	*-*	*-*	*767*	**23,400**
Others	*31,432*	*50,990*	*5,158*	*1*	*284*	*381*	**88,246**
Total	**233,979**	**251,242**	**47,387**	**145**	**21,978**	**4,808**	**559,539**

The amount due from customers is stated net of the allowance for doubtful accounts.

The “Receivables” caption does not include balances due beyond five years.

Current financial assets

The detail of the “Other securities” is analized below:

	December 31, 2016	***December 31, 2015***
CMC (Parent Company)	763	557
Di Fazio Industries	289	405
Total	**1,052**	**963**

The above companies hold current financial assets for which the carrying amounts, given the nature of the investments, reflect their period end fair value.

Cash and Cash Equivalents

Bank deposits represent temporary liquidity arising from collections made at the end of the period, funds held by consortiums which, under their shareholders' agreements, only distribute any surpluses on completion of the contract, and hard currency deposits made in relation to loans obtained in local currencies.
“Cash on hand” include the cash balances and equivalents held by the head office and at the various construction sites.

These consist of the following:

Details of cash and cash equivalents	***December 31, 2016***	***December 31, 2015***
Cash and Cash Equivalents CMC		
- Euro	14,510	12,871
- Kwanza (Angola)	1,003	1,808
- Dinari (Algeria	424	865
- Dollari (USA)	2,027	4,299
- Dollari (Singapore)	3,051	2,582
- Rand (Sud Africa)	5,680	4,230
- Renminbi (Yuan - Cina)	3,066	2,123
- Peso (Filippine)	2,491	0
- Rupie (Nepal)	90	6
- Lev (Bulgaria)	8	7,399
- Altre valute	337	98
	32,687	**36,281**
Cash and Cash Equivalents Consortiums		
- Italian consortiums	13,453	26,427
- Foreign consortiums	49,743	37,391
- Other companies	520	525
	63,716	**64,343**
Total Cash and cash equivalents	**96,403**	**100,624**

Accrued income and prepayments

These consist of the following:

Accrued income and prepayments	***December 31, 2016***	***December 31, 2015***
Accrued income:		
- interest	*-*	*361*
- others	*366*	*400*
Deferred Costs:		
- insurance	*5,151*	*6,520*
- other rental fees	*149*	*200*

- guarantee	*1,115*	*2,943*
- interest	*2,213*	*1,131*
- others	*6,024*	*7,609*
Total	***15,018***	***19,164***

The decrease in “other” is mainly due to profit and loss effect of the period.

“Accrued income and prepayments” do not include any amounts due beyond five years.

LIABILITIES

Shareholders' equity

Share capital

The share capital consists of 510,876 shares with a par value of Euro 50 each, in addition to some Euro 22 thousand of fractional shares due to revaluation.

The changes in share capital in 2016 were as follows:

	Active shareholders	*Pensioner shareholders*	*Financing shareholders*	*Total*
Year beginning	**389**	**539**	**2**	**930**
New members	10	-	-	10
Leavers	(13)	(32)	-	(45)
Retirements	(25)	25	-	-
As of December 31, 2016	**361**	**532**	**2**	**895**

Membership categories	**December 31, 2015**			**December 31, 2016**		
	no. of members	**share capital** (million of EUR)		**no. of members**	**share capital** (million of EUR)	
Cooperative members	389	16.4	60%	361	14.3	56%
Pensioner members	539	1.9	7%	532	2.1	8%
Financing members	2	9.2	33%	2	9.2	36%
TOTAL	**930**	**27.5**	**100%**	**895**	**25.6**	**100%**

Subscribed share capital has decreased from Euro 27.5 million at 31.12.2015 to Euro 25.6 million at 31.12.2016. The decrease is mainly due to payments made to members who went into retirement in the year.

Legal reserve

Pursuant to art. 54 of the current Articles of association of the Parent Company, the "Legal reserve" is not distributable and cannot be divided among the members during the life of the Cooperative or upon winding up.

Other reserves

The “extraordinary reserve” comprises the profits of the Parent Company that have already been taxed, as required for cooperatives under current regulations.

The “reserve for translation adjustments” reflects the differences in the equity of consolidated companies and permanent establishments abroad generated by exchange-rate fluctuations at the balance sheet date with respect to the historical rates.

The "consolidation reserve" reflects the additional book value of the shareholders' equity of consolidated companies with respect to their carrying amounts at the time of initial consolidation.

Provisions for risks and charges

Reserves	***December 31, 2016***	***December 31, 2015***
Taxes	*315*	*328*
Contractual risks	*402*	*5,420*
Overseas operations	*5,089*	*8,307*
Other risks and charges	*18,255*	*19,188*
Total	***25,527***	***34,818***

The “Provision for contract risks” and the “Provision for foreign operations” have been recorded by making a best estimate, based on information currently available, of potential losses on contracts performed directly, with others or via companies, as well as to take account of the value of certain equity investments, as discussed earlier.

The “Other provisions for risks and charges” are considered adequate by the directors of the Cooperative, assisted by their legal and fiscal consultants, to cover any charges that may arise from the settlement of the above disputes.

The decrease of the period is mainly due to the utilize of provisions made the previous years that have been reverse their effect during the year 2016 and are mainly referred for 7 million to Italian works and for 3 million to foreign works.

The Cooperative is party to a number of disputes arising in the ordinary course of business. In particular, we would mention that:

- with regard to the criminal proceedings brought against the C.A.V.E.T. Consortium and certain individuals, including some former managers of the Consortium, the appellate proceedings ended with a decision handed down on June 27, 2011, which reversed in full the lower court’s decision, thus reversing the convictions handed down by the lower court and finding both the Consortium and the indicted individuals not guilty of any of the charges. The Public Prosecutor of the Court of Florence appealed this decision to the Court of Cassation, which, on March 18, 2013, set aside in part the decision of the Florence Court of Appeals ordering that the case be returned to the Court of Appeals. The reinstated proceedings before the Florence Court of Appeals got under way on January 30, 2014 and, on March 21, 2014, the Court of Appeals handed down a decision by which it rejected most of the charges levied by the Public Prosecutor, but upheld them in some important cases. The ruling of the Courts of Appeal of Florence was challenged by all the defendants and by C.A.V.E.T, as a party liable under civil law and, in September 2014, the related appeals were filed for Cassation.
  On 21 April 2016, Criminal Chamber IV of the Court of Cassation handed down a decision by which it annulled without reinstatement the decision handed down on 21 March 2014 by the Florence Court of Appeals with respect to all criminal charges and most of the civil aspects, allowing, only for some of the latter, recourse to the competent civil court of appeal.
  The Ministry of the Environment has in fact brought proceedings before the Florence Civil Court of Appeals, seeking a ruling on the existence of environmental damage and thus to order CAVET and certain individuals already charged in the criminal proceedings to adopt necessary remedial measures that have still to be determined.

- In October 2013, the public prosecutor's office of the Court of Trani commenced a criminal investigation into the award of the contract for work dealing with the construction of the new Molfetta port. The contract was awarded in 2006 to a consortium headed by the Company. The accusation against the Company is that it knowingly participated in a project fraudulently organized by Molfetta Municipality. The precautionary measures requested by the public prosecutor against the Company and its employees (including the request for interdiction prohibiting the continuation of its operations pursuant to Decree 231 /2001) were rejected and revoked by the competent Court. In June 2015 the ending of the preliminary investigations was notified. Then the commitment for trial against the investigated people was also notified and the preliminary case of the proceeding, which had been first scheduled on 1st March 2017, was scheduled on 25th May 2017, after being postponed twice due to inconsistency matters disclosed by the Bench. The Cooperative's Directors believe that the proceeding will confirm the proper conduct of CMC Group granting the full realization of the activities described in the balance sheet.

Despite the uncertainty arising from the fact that certain of the proceedings are at a preliminary stage, based on the information available at the reporting date and taking into account the laws in force, the Directors believe that the provisions recorded in the financial statements represent a best possible estimate of the potential risk that could arise from the closure of these proceedings.

Other provisions for risks and charges include a provision of € 659 thousand relating to interest rate and foreign exchange derivatives not specifically linked to underlying assets or liabilities.

Payables

Bonds

This item relates to fixed rate Senior Notes of Euro 294 million due 2021, with a coupon of 7.5% per annum and at an issue price of 100%.

Shareholders' loans account

Balance as of December 31, 2016			***Balance as of December 31, 2015***
Within 12 months	*Beyond 12 months*	***Total***	
2,505	*9,692*	***12,197***	***13,353***

The disclosures below are as prescribed by section II, paragraph 2 of the Bank of Italy Circular of 2 December 1996:

- the funds collected from members at 31 December 2016 total Euro 12.2 million and the interest charged to the income statement for the year was Euro 203 thousand;
- members' equity (paid-in share capital plus reserves) is more than 10 times higher than the members' loan.

Accordingly, the equity limits on the gathering of funds from members of cooperatives established by the C.I.C.R. (Ministerial Committee) are well respected.

Banks

Balance as of December 31, 2016			***Balance as of December 31, 2015***
Within 12 months	*Beyond 12 months*	***Total***	
175,230	*142,371*	***317,601***	***324,939***

The change in this caption during the year is analysed in the statement of cash flows.

The above borrowing in hedged by contracts recorded on the basis described in the "Accounting policies" section of these explanatory notes.

The total payable includes long-term loans which are analysed below by maturity of the related instalments:

Lender	***Due 2017***	***Due 2018***	***Due 2019***	***More***	***Total 2016***	***Total 2015***
Syndicated loans						
- Mediocredito Centrale (Aug-13 /Aug-18)	*6,894*	*5,662*	*0*	*0*	***12,556***	***19,149***
- Sace CDP (Mar-2014/May-2019)	*9,000*	*9,000*	*4,500*	*0*	***22,500***	***31,500***
- Unicredit (Gen-17)	*204*	*0*	*0*	*0*	***204***	***2,616***

- Banco Popolare (Mar-15 / Mar-19)	*1,428*	*1,429*	*357*	*0*	***3,214***	***4,642***
- Banca Popolare MI (May-15 / Jun-18)	*0*	*0*	*0*	*0*	***0***	***10,000***
- Banca Popolare E. Romagna (Nov-18)	*1,671*	*1,575*	*0*	*0*	***3,246***	***4,867***
- Cassa di Risparmio di Ravenna (Aug-18)	*1,771*	*1,362*	*0*	*0*	***3,133***	***4,000***
Unsecured loans						
- Cariromagna (Mar-12 /Mar-17)	*26*	*0*	*0*	*0*	***26***	***128***
Total loans	***20,994***	***19,028***	***4,857***	***0***	***44,879***	***76,902***
- Revolving Credit Facility	*0*	*0*	*118,486*	*0*	*118,486*	*50,590*
Other bank payables	*154,236*	*0*	*0*	*0*	*154,236*	*197,447*
Total Bank payables	***175,230***	***19,028***	***123,343***	***0***	***317,601***	***324,939***

The non-current portion does not include any amounts due beyond five years.

Due to other financers

Details of these payables are as follows:

Due to other providers of finance	***December 31, 2016***	***December 31, 2015***
UBI Leasing	8,127	8,642
Sarda Leasing	4,193	4,622
Coop Servizi Cultura	1,220	2,900
Simest Spa	346	692
Factoring	3,689	582
Consorzio Integra	265	0
Total	***17,840***	***17,438***

The capital element of lease obligations of Euro 32 thousand is included in “payables to suppliers”; details are provided below of lease obligations at 31 December 2016 and where the liability is classified in the financial statements:

Lease Obligations	***December 31, 2016***	***December 31, 2015***
Due to other financers	12,320	13,264
Payables to suppliers	31,826	23,960
Total	***44,146***	***37,224***

These loans bear interest at market rates and do not include any amounts due beyond five years.

Advances from customers

This caption includes the difference between the amounts certified and paid by customers and the value of production actually performed.

Further information is provided in the “Inventories” section of the “Accounting policies”.

Due to subsidiaries and associated companies

The amounts due to/from subsidiaries and associates are analysed in an attachment.

Taxes

This mainly includes amounts due for VAT, for withholdings from fees paid by Group companies as well as direct taxation.

Other payables

Other payables are summarized below:

Other payables	***December 31, 2016***	***December 31, 2015***
Amount owed to J.V. partners	*128,612*	*228,043*
Employees for unpaid payroll	*11,646*	*10,892*
Subscribed capital to be paid	*201*	*1,254*
Others	*36,363*	*12,610*
Total	***176,822***	***252,799***

The amounts due from partners in joint ventures consolidated on a proportional basis derive from the effects of proportional consolidation and mainly relate to contracts performed abroad via vehicle companies.

The “Other” caption includes a number of payables of a modest amount and an amount due to former members of consortiums that are no longer active.

Other payables do not include any amounts due beyond five years.

Advance payment from clients and customers

This caption comprises the contractual amounts paid by Employers as advances against the work to be completed; these amounts are recovered against the work performed as it progresses.

Advances from customers are analyzed below:

Advances from customers	***Dicember 31, 2016***	***December 31, 2015***
Itare Dam (Kenya)	*36,130*	*0*
Grater Water (Libano)	*27,293*	*27,293*
AGA - Autoroute Est (Algeria)	*14,772*	*17,426*
A.E.S. Gener Hydroelectric Plant Alto Maipo (Chile)	*14,315*	*7,018*
Melamchi Corp. ,Water Supply Project (Nepal)	*11,793*	*12,775*
Phonesack Group Co.ltd (Laos)	*10,561*	*0*
A.N.E. - Administracao National de Estradas (Mozambique)	*10,182*	*8,809*
Gabinete Tecnico de Investimentos Publicos (Angola)	*9,672*	*24,319*
Trafikverket Contractual Advances (Svezia)	*8,648*	*0*
Mwss-Awtip Contractual Advance (Filippine)	*8,337*	*0*
Pedo (Pakistan jv)	*6,815*	*0*
Road Authority (Namibia)	*5,505*	*5,566*
Ferrovia Circumetnea (Fce)	*5,419*	*0*

Other	*30,853*	*46,062*
Total	***200,295***	***149,268***

This caption mainly comprises advances received for work still to be performed and does not include any amounts due beyond five years.

Accrued liabilities and deferred income

These consist of the following:

Accrued liabilities and deferred income	*December 31, 2016*	*December 31, 2015*
Accrued expenses:		
- interest charge	*12,216*	*10,663*
- insurance expense	*1,491*	*3,410*
- guarantee charges	*548*	*1,189*
- others	*10*	*4*
Deferred income:		
- others	*1,236*	*1,773*
Total	***15,501***	***17,039***

The “Accrued liabilities and deferred income” caption does not include any amounts due beyond five years,

MEMORANDUM ACCOUNTS

Guarantees are analyzed below:

Guarantees in favor of	*2016*	*2015*
Non consolidated subsidiaries	*3,251*	*13,251*
Associated companies	*50,664*	*51,384*
Other companies	*8,195*	*8,195*
Third parties	*1,145,411*	*1,084,166*
Total Guarantees	**1,207,521**	**1,156,996**

Commitments for guarantees provided by third parties on behalf of the Group to non-consolidated subsidiaries, associates (excluding those consolidated on a proportional basis) and third parties almost entirely relate to performance guarantees, advances, the release of amounts withheld in guarantee and price revisions. The most significant guarantees were provided in Italy in respect of road construction work in Sicily, being the SS640 Agrigento – Caltanisetta stretch and the SS121 Palermo – Lercara Friddi stretch, as well as in respect of the HST project (Bologna-Milan stretch) and abroad in respect of hydroelectric plants in South Africa and the construction of an aqueduct in Beirut in Lebanon.

The secured guarantees in favour of third parties relate to pledges over the shares of Val di Chienti Scpa and Tangenziale Esterna Spa, they amount to € 34,641 thousand.

As at December 31st 2016, the Group has Interest Rate Swap with a notional value of the underlying asset of Euro 78,1 million.
At the same date the Group has cash flow hedge derivate contracts on the currency exchange risk for a notional value of the underlying asset of Euro 13,9 million. The currencies involved are USD dollar and Singapore dollar.

INCOME STATEMENT

Revenue from sales and services consists of the following:

Revenues from sales and services	*2016 (Annual)*	*2015 (Annual)*
Contract revenues	*852,007*	*805,388*
Sundry services	*100,086*	*116,477*
Sale of materials	*8,374*	*22,291*
Total	***960,466***	***944,156***

Detail of value of production	2016 (Annual)		2015 (Annual)	
Revenues and changes in contract work in progress inventory	1,038.2	97.6%	1,139.8	96.6%
Construction	*1,026.7*	*96.6%*	*1,133.0*	96.0%
Other activities	*11.6*	*1.1%*	*6.8*	0.6%
Increases to fixed assets for internal work	4.9	0.5%	3.9	0.3%
Other income and proceeds	20.1	1.9%	36.6	3.1%
Value of production	**1,063.2**	**100.0%**	**1,180.3**	**100.0%**

Other income and proceeds are made up as follows:

Other income and proceeds	*2016 (Annual)*	*2015 (Annual)*
Capitalization of deferred charges	*420*	*9,754*
Other income	*19,677*	*26,864*
Total	***20,097***	***36,618***

The "Capitalization of deferred charges " for the year 2016 is related to site set-up costs recognized as intangible fixed assets and amortized on a stage-of-completion basis, for which the company has deemed they are not significant enough to justify a detailed analysis thereof to reclassify them to contract work in progress, as well as the fact it would not be cost efficient to do so.

“Other income” mainly includes rental income, Euro 3.8 million, gains on the disposal of assets, Euro 2.2 million, charges made to sub-contractors for the use of site facilities and services, Euro 1.1 million.

The total amount of “Cost of services” comprises:

Services	*2016 (Annual)*	*2015 (Annual)*
Sub-contracts	*188,056*	*242,285*
Services for works in JV	*98,293*	*128,899*
Consultancy, lawyers and notaries	*23,008*	*17,851*
Transport	*32,563*	*28,118*
Studies and design	*5,168*	*3,978*
Utilities	*7,356*	*8,678*
Lease and hire	*6,534*	*4,866*
Maintenance and repairs	*2,993*	*2,809*
Other services	*83,390*	*84,851*
Total	***447,361***	***522,335***

"Other services" include costs of personnel involved in temporary business associations, laboratory tests and material analysis, cleaning and surveillances expenses, insurance and advertising services and other minor services.

Other provisions

These consist mainly of a provision for profit attributable to non-controlling interest holders in CMI of Euro 19,101 thousand (Euro 37,266 thousand at 31/12/2015).

Other operating costs

This item consists of the following:

Other operating expenses	***2016 (Annual)***	***2015 (Annual)***
Insurance and custom duties	*26,853*	*23,124*
Social activities	*1,855*	*1,833*
Losses on the sale of machinery	*298*	*64*
Taxes	*3,280*	*3,836*
Other	*6,110*	*8,796*
Total	***38,396***	***37,653***

Financial income and charges

This item consists of the following:

Financial income and charges - third parties	***2016 (Annual)***	***2015 (Annual)***
Income from third parties		
- interest income - customers	*1,134*	*10*
- interest income - banks	*6,331*	*1,189*
- others income	*996*	*483*
Total income	***8,461***	***1,682***
Charges from third parties		
- interest expenses - banks	*(16,312)*	*(14,547)*
- guarantee charges	*(763)*	*(1,958)*
- bank charges	*(5,877)*	*(2,933)*
- without recourse charges and interest	*(2,478)*	*(1,172)*
- interest expense on members' loan	*(203)*	*(363)*
- interest expense - other providers of finance	*(488)*	*(637)*
- bond interest expense	*(23,148)*	*(22,573)*
- other charges	*(2,926)*	*(2,467)*
Total charges	***(52,195)***	***(46,650)***

The increase of the financial income and of the financial charges is mainly due to the change of the accounting principles OIC 19 and in particular to the application of the amortized cost. During the previous years the costs sustained for the new financial debt were offset directly in the "bank charges" and release in the profit and loss during the duration of the loan. With the introduction of the new OIC 19, the difference from the cash collected and the present value of the future cash flows is classified in the financial income in the moment of the first entry.

Current income taxes, deferred tax liabilities and deferred tax assets

“Income taxes” of Euro 17,943 thousand include Euro 15,859 thousand of current taxes, Euro 819 thousand of tax relating to prior years, which as a result of a change in Italian accounting standards in December 2016, are no longer classified as extraordinary items, and deferred tax of Euro 1,265 thousand.

Loss (profit) attributable to minority interests

This item consists of the following:

Minority interests	***2016 (Annual)***	***2015 (Annual)***
Cooperare SpA	*1,009*	*0*
Generale Prefabbricati SpA	*7*	*338*
Altre	*222*	*180*
Total	***1,238***	***518***

The average number of Group employees is summarised in the following table:

Average number of employees	***2016 (Annual)***	***2015 (Annual)***
Managers	*56*	*54*
White collar and supervisors	*2,031*	*2,127*
Blue collar	*5,675*	*6,083*
Total	***7,762***	***8,264***

ATTACHMENTS

I. STATEMENT OF CHANGES IN INTANGIBLE FIXED ASSETS

		Incorporation and expansion costs	*Industrial patents*	*Concessions licenses and trademarks*	*Asset in process of formation and advance payments*	*Contracts' deferred charges*	*Total*
December 31, 2015							
Cost		425	10,231	62	3,127	11,784	25,629
Acc. Amortization		(421)	*(9,097)*	*(18)*	*0*	*(6,060)*	(15,596)
Net Book value		**4**	**1,134**	**44**	**3,127**	**5,724**	**10,033**
Movements 2016							
Increases	Cost	1	726	18	0	725	1,470
Decreases	Cost	(2)	(1)	(11)	274	(4,622)	(4,362)
	To dare amortization	*1*	*6*	*0*	*2,839*	*11,317*	*14,163*
Amortization		(2)	(649)	(12)	(2,896)	(10,102)	(13,661)
Exchange recl. Difference		0	1	1	(155)	135	(18)
December 31, 2016							
Cost		424	10,869	56	3,186	5,480	20,016
Acc. Amortization		(421)	(9,652)	(16)	0	(2,304)	(12,393)
Net Book value		**3**	**1,217**	**40**	**3,186**	**3,176**	**7,623**

II. STATEMENT OF CHANGES IN TANGIBLE FIXED ASSETS

		Land and buildings	*Plant and machinery*	*Industrial and Commercial equipment*	*Other assets*	*Construction in progress and advances*	*Total*
December 31, 2015							
Cost		82,961	378,648	117,029	1,735	24,201	604,573
Acc. Amortization		(15,914)	*(251,037)*	*(91,842)*	*(484)*	*0*	(359,278)
Net Book value		**67,047**	**127,610**	**25,187**	**1,250**	**24,201**	**245,296**
Movements 2016							
Increases	Cost	10,569	49,520	13,361	1,279	2,756	77,485
Decreases	Cost	(11,370)	(18,092)	(10,257)	(15)	(463)	(40,197)
	To dare amortization	57	*18,462*	10,080	*10*	*0*	28,609
Amortization		(1,777)	(40,942)	(9,607)	(113)	0	(52,439)
Exchange recl. Difference		(1,117)	2,645	(261)	41	1,947	3,255
December 31, 2016							
Cost		81,103	383,907	120,856	3,068	28,441	617,374
Acc. Amortization		(17,694)	(244,703)	(92,353)	(614)	0	(355,365)
Net Book value		**63,409**	**139,203**	**28,503**	**2,453**	**28,441**	**262,010**

III. LIST OF NON CONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Company	*Headquarter*	*CMC stake%*	*Shared Capital*	*Equity*	*Equity quota (a)*	*Book Value December 31, 2016 (b)*	*Diff. (a - b)*
Acquapura Scrl	Ravenna	60	20	20	12	12	0
Agata Scrl	Ravenna	100	28	28	28	28	0
Alvisi Srl	Faenza (RA)	90	100	0	0	0	0
Ancona Newport Scrl	Ravenna	53	100	100	53	53	0
Be Infrastrutture Srl	Ravenna	70	100	152	106	106	0
CMC di Ravenna Mota-Engil JV (Liwonde-Naminga)	Malawi	100	0	519	519	519	0
Cmc d.o.o Zagabria	Croatia	100	0	0	0	3	-3
CMC Embassy Srl	Ravenna	100	10	807	807	808	-1
CMC Swaziland (Pty) By Pass	Swaziland	100	0	-11	-11	876	-887
Fontana Nuova Scrl	Ravenna	51	20	20	10	10	0
Gruppo Immobiliare Spa	Morciano (RN)	40	100	14	6	14	-8
Italia 61 Scrl	Ravenna	75	30	30	23	23	-1
La Quercia 2 Scrl being wound up	Ravenna	52	0	0	0	0	0
Letimbro Scrl	Tortona	51	100	100	51	51	0
Ospedale dei Castelli Scrl	Ravenna	50	50	50	25	25	0
Palazzo Rasponi Scrl	Ravenna	100	20	20	20	20	0
JV CMC/CCC	Ravenna	66	20	20	13	13	0
Ravenna Tunnel Scrl	Ravenna	99	120	120	119	119	0
Solarmaas Srl	Aci Castello	51	100	42	21	51	-30
Sviluppo Trapani Srl being wound up	Palermo	100	0	0	0	0	0
Villamarina Scrl	Ravenna	51	100	100	51	51	0

III. LIST OF NON CONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Company	*Headquarter*	*CMC stake%*	*Shared Capital*	*Equity*	*Equity quota (a)*	*Book Value December 31, 2016 (b)*	*Diff. (a - b)*
Antares Scrl	Ravenna	28	3,000	3,129	876	902	-26
Autostrade Romagna 1 Scpa	Forlì	35	1,000	1,000	350	350	0
Baglio la Camperia Spa (**)	Palermo	20	500	500	100	100	0
Bagnarola Srl (*)	Cesena	13	100	96	12	25	-13
CMC Conduril JV (Beira)	Mozambique	50	0	0	0	37	-37
Consorzio JV CB	Ravenna	50	20	20	10	10	0
Elaion Scrl	Ravenna	41	10	10	4	4	0
Fda Srl	Milan	20	702	1,164	233	256	-23
Granarolo Immobiliare Spa	Ravenna	30	3,300	2,065	620	611	9
Holcoap Spa	Ravenna	15	50	54	8	17	-9
ITARE Srl	Ravenna	20	50	51	10	10	0
Itaca Scrl being wound up	Ravenna	35	10	10	3	4	-1
Mirandola Scrl	Ravenna	45	20	20	9	9	0
Mediterranea 010 Scrl (*)	Perugia (PG)	49	10	10	5	5	0
Molfetta New Port Scrl	Ravenna	39	50	50	19	19	0
Opera 2 Scrl	Ravenna	50	25	25	13	0	13
Opera 3 Scrl	Ravenna	35	30	30	10	10	0
Piombone Scrl	Ravenna	49	100	100	49	49	0
Rodano Scrl	Milan	46	250	250	116	116	0
Sistema 2 Scrl	Ravenna	37	30	30	11	11	0
Under Water Anchors Srl	Ravenna	33	119	146	49	40	9
Val di Chienti Scrl	Ravenna	28	70,000	70,000	19,600	19,600	0

IV. MEASUREMENT OF DERIVATIVES

Contract	Net. Amount 12/31/2016	Interest rate - Exchange rate	Expiry Date	MARK TO MARKET (€/000)		
				Posit.	Negat.	Net
Interest rate derivates						
Irs Forward Start	313	Euribor 3 months	16/03/2017	0	(1)	(1)
Irs Forward Start	313	Euribor 3 months	16/03/2017	0	(1)	(1)
Irs Forward Start	188	Euribor 3 months	16/03/2017	0	(1)	(1)
Irs Forward Start	3,214	Euribor 3 months	31/03/2019	0	(20)	(20)
Irs Forward Start	13,500	Euribor 6 months	05/02/2019	0	(201)	(201)
Irs Forward Start	40,000	Euribor 3 months	31/12/2019	0	(189)	(189)
Irs Forward Start *	12,556	Euribor 3 months	31/08/2018	0	(101)	(101)
Irs Forward Start	8,059	Euribor 6 months	01/06/2023	0	(1,466)	(1,466)
Total	**78,143**			**0**	**(1,980)**	**(1,980)**

Exc. rate put /call options	Net Amount 12/31/2016	Currency	Expiry Date	MARK TO MARKET (€/000)		
				Posit.	Negat.	Net
Exc. rate put /call options	1,214	SGD	13/06/2017	0	(77)	(77)
Exc. rate put /call options	4,743	USD	31/05/2017	0	(214)	(214)
Exc. rate put /call options	266	USD	27/12/2017	0	(13)	(13)
Exc. rate put /call options	266	USD	28/11/2017	0	(13)	(13)
Exc. rate put /call options	266	USD	27/10/2017	0	(13)	(13)
Exc. rate put /call options	4,743	USD	29/09/2017	0	(170)	(170)
Exc. rate put /call options	266	USD	27/09/2017	0	(14)	(14)
Exc. rate put /call options	266	USD	29/08/2017	0	(14)	(14)
Exc. rate put /call options	266	USD	27/07/2017	0	(14)	(14)
Exc. rate put /call options	266	USD	28/06/2017	0	(14)	(14)
Exc. rate put /call options	266	USD	29/05/2017	0	(14)	(14)
Exc. rate put /call options	266	USD	26/04/2017	0	(13)	(13)
Exc. rate put /call options	266	USD	29/03/2017	0	(13)	(13)
Exc. rate put /call options	266	USD	24/02/2017	0	(11)	(11)
Exc. rate put /call options	266	USD	27/01/2017	0	(10)	(10)
Total				**0**	**(617)**	**(617)**

V. RECEIVABLES AND PAYABLES

DUE FROM/TO NON-CONSOLIDATED SUBSIDIARIES

Receivables/Payables - Subsidiary companies	***Financial Receivables***	***Trades receivables***	***Financial Payables***	***Trade payables***	***Total 2016***	***Total 2015***
Acquapura Scrl	*553*	*-*	*-*	*(1,436)*	***(883)***	***(1,874)***
ACR Srl	*-*	*834*	*-*	*-*	***834***	***-***
Agata Scrl	*70*	*149*	*-*	*-*	***219***	***(108)***
Ancona Newport Scrl	*-*	*49*	*-*	*(1,171)*	***(1,122)***	***(1,069)***
Sviluppo Trapani Srl	*-*	*-*	*-*	*-*	***-***	***403***
Alvisi Srl	*-*	*-*	*(80)*	*-*	***(80)***	***(80)***
BE Infrastrutture Srl	*-*	*-*	*-*	*(386)*	***(386)***	***(270)***
Cedir Scrl (being wound up)	*37*	*251*	*-*	*-*	***288***	***288***
CMC Ceta JV	*-*	*-*	*-*	*-*	***-***	***(1)***
CMC Conduril JV (Beira)	*-*	*-*	*-*	*-*	***-***	***(963)***
CMC Co Ltd Sudan	*705*	*-*	*-*	*(675)*	***30***	***63***
CMC di Ravenna Mota-Engil JV (Liwonde-Naminga)	*-*	*86*	*13*	*-*	***99***	***326***
CMC Embassy Srl	*1,798*	*93*	*-*	*-*	***1,891***	***1,575***
CMC Engoa Groupement	*-*	*2*	*-*	*(1)*	***1***	***(1)***
CMC G4 JV (Gillooly's)	*-*	*-*	*-*	*-*	***-***	***86***
CMC Inyatsi-Ulusha JV (Nelspruit)	*-*	*-*	*-*	*-*	***-***	***(50)***
CMC Malaysia Sdn Bhd	*728*	*75*	*-*	*(1)*	***802***	***793***
CMC Mavundla-Indiza-Hkb JV	*-*	*-*	*-*	*(11)*	***(11)***	***(11)***
CMC Swaziland (Pty) by pass	*-*	*15*	*-*	*(68)*	***(53)***	***(55)***
CMC Tamega JV	*-*	*-*	*-*	*-*	***-***	***242***
CMC Wbho JV	*-*	*443*	*-*	*(2,314)*	***(1,871)***	***(2,846)***
Dunrose Investments Pty Ltd	*62*	*4*	*-*	*-*	***66***	***56***
Fontana Nuova Scrl	*-*	*91*	*-*	*(24)*	***67***	***1***
Ghilina Scrl (being wound up)	*-*	*1*	*-*	*-*	***1***	***1***
G.T.R.E.K. Groupement CMC di Ravenna	*-*	*285*	*-*	*(24)*	***261***	***614***
Italia 61 Scrl	*1,980*	*-*	*-*	*(7,270)*	***(5,290)***	***(5,752)***
La Quercia 2 Scrl	*-*	*91*	*-*	*-*	***91***	***85***
Letimbro Scrl	*-*	*-*	*-*	*(11,328)*	***(11,328)***	***(5,364)***
Moreside Investments Pty Ltd	*137*	*40*	*-*	*(1)*	***176***	***134***
Ospedale dei Castelli Scrl	*-*	*886*	*-*	*(9,391)*	***(8,505)***	***(8,347)***
Palazzo Rasponi Scrl	*-*	*69*	*-*	*(6)*	***63***	***386***
Polis Trento Scrl (being wound up)	*-*	*1*	*-*	*-*	***1***	***1***
JV CMC/CCC	*-*	*5,272*	*-*	*-*	***5,272***	***2,515***
Ravenna Tunnel Scpa	*-*	*-*	*-*	*(114)*	***(114)***	***(104)***
Rotonda Scrl	*-*	*-*	*-*	*-*	***-***	***(21)***
Villamarina Scrl	*-*	*-*	*-*	*(370)*	***(370)***	***4,415***
Sidebar Manufacturing Pty Ltd	*4,896*	*-*	*-*	*(2,299)*	***2,597***	***4,415***
TOTAL	**10,966**	**8,737**	**(67)**	**(36,890)**	**(17,254)**	**(10,517)**

VI. RECEIVABLES AND PAYABLES

DUE FROM/TO NON- CONSOLIDATED ASSOCIATED COMPANIES

Receivables/Payables - Associated companies	Financial Receivables	Trades receivables	Financial Payables	Trade payables	Total 2016	Total 2015
ACR Srl	-	240	-	-	240	1,288
Alvisi Srl	25	365	-	-	390	365
Antares Scrl	-	217	-	-	217	498
Arabia Saudita JV	1,201	-	-	-	1,201	-
Autostrade Romagna 1 Scpa	-	-	-	(344)	(344)	(341)
Baglio la Camperia Spa	70	-	-	-	70	70
CMC Conduril JV (Beira)	-	-	-	-	-	5
CMC di Ravenna Mota-Engil JV (Liwonde-Naminga)	-	-	-	-	-	(167)
Colispa Scrl (being wound up)	-	2	-	(21)	(19)	(19)
Consorzio C.G.L. (being wound up)	-	1	-	-	1	1
Consorzio Costruttori TEEM	-	2,175	-	(497)	1,678	3,449
Consorzio Miteco	-	-	-	-	-	10
Consorzio JV CB	66	160	-	(12)	214	144
Consorzio Lybian Expressway Contractors	-	-	-	(55)	(55)	(55)
Elaion Scrl	30	322	-	(370)	(18)	(15)
Eurolink Scpa	-	1,561	-	-	1,561	1,741
Fda Srl	-	-	-	(135)	(135)	(132)
GEIE Razel CmcRa Tabellout	-	-	-	-	-	91
Granarolo Immobiliare Spa	100	6	-	-	106	106
Gruppo Immobiliare Srl	1,253	1,887	-	-	3,140	3,411
Habitur	-	-	-	-	-	-
Holcoap Spa	-	-	-	(37)	(37)	-
Incomdue Srl	-	-	-	-	-	(15)
Immofil Srl	-	2	-	-	2	-
Itaca Scrl	-	161	-	(101)	60	12
Itare Srl	-	15	-	-	15	-
Lodigiani-CMC Malaysia Sdn Bhd	792	33	-	-	825	825
Mediterranea 010 Scrl	-	-	-	(34)	(34)	(18)
Mirandola Scrl	-	153	(450)	(106)	(403)	(397)
Molfetta New Port Scrl	-	382	-	-	382	408
Moreside Investments Pty Ltd	-	-	-	(212)	(212)	(181)
Opera 2 Scrl	-	-	-	-	-	(12)
Opera 3 Scrl	-	31	-	(21)	10	11
Piombone Scrl	-	-	-	(69)	(69)	(65)
Pizzarotti-CMC Ra Sep	-	-	-	(16)	(16)	(16)
Rodano Scrl	-	28	-	(104)	(76)	(348)
S.C.S. Consulting Spa	-	-	-	(5)	(5)	(5)
Sistema 2 Scrl	-	70	-	-	70	51
Sidebar Manufacturing Pty Ltd	-	-	-	-	-	(3,061)
Sviluppo Palermo Srl	-	-	-	-	-	1,175
Under Water Anchors Srl	96	2	-	-	98	123
Val di Chienti Scpa	3,080	-	-	(1,601)	1,479	(4,260)
TOTAL	**6,713**	**7,813**	**(450)**	**(3,740)**	**10,336**	**4,677**

Ria
Grant Thornton

Translation from the Italian original which remains the definitive version)

Indipendent auditors report pursuant to
art. 14 of legislative decree n. 39 of January 27, 2010

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To the Shareholders of
Cooperativa Muratori & Cementisti – C.M.C. di Ravenna Società Cooperativa
Via Trieste, 76
48122 Ravenna

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Cooperativa Muratori & Cementisti - C.M.C. di Ravenna Società Cooperativa and its subsidiaries (hereinafter "CMC Group" or the "Group"), which comprise the statement of financial position as of December 31, 2016, the income statement and the statement of cash-flows for the year then ended and the explanatory notes.

Directors responsibility for the consolidated financial statements

The directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with the Italian laws governing the criteria for preparation.

Auditors responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Italian Legislative Decree 39 of January 27, 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.
An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

In prior years, the Parent Company accounted for gains related to transactions with Group companies amounting to Euro 6.2 million, net of the portion subsequently realized through sales to third parties, revaluations made in accordance with specific laws and the depreciation process. The above mentioned residual value of the gains has not been eliminated as requested by the applicable accounting principles regarding consolidated financial statements in order to align the value of the fixed assets transferred within the Group to their historical cost and caused us to qualified our audit opinion on the financial statements related to year 2015. Therefore the consolidated capital assets as of December 31, 2016 are overstated by Euro 6.2 million (Euro 6.3 million as of December 31, 2015). As a consequence, the consolidated shareholders' equity as of December 31, 2016 is overstated by Euro 6.2 million (Euro 6.3 million as of December 31, 2015), gross of the related tax effect, with no relevant effect on the consolidated income.

Qualified opinion

In our opinion, except for the effect of the matters referred to in the paragraphs "Basis for qualified opinion", the consolidated financial statements give a true and fair view of the financial position of the CMC Group as of December 31, 2016, of the result of its operations and its cash flows for the year then ended, in accordance with the Italian laws governing the criteria for preparation.

Report on compliance with other laws and regulations

Opinion on the consistency of the report on operations with the consolidated financial statements

We have performed the procedures required under auditing standard (SA Italia) n° 720B to express an opinion, as required by law, on the consistency of the report on operations, which is the responsibility of the directors of Cooperativa Muratori & Cementisti - C.M.C. di Ravenna Società Cooperativa, with the consolidated financial statements of the CMC Group as of December 31, 2016. In our opinion, except for the effect of the matters referred to in the paragraphs "Basis for qualified opinion", the report on operations is consistent with the consolidated financial statements of the CMC Group as of December 31, 2016.

Bologna, May 5, 2017

Ria Grant Thornton S.p.A.

Signed by

Silvia Fiesoli
Partner

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international