



*Company subject to the management and
control of Atlantia S.p.A.*

Financial Statements

as at 31 December 2017

Headquarters - 00159 Rome, Via Giuseppe Donati n° 174

Share Capital € 10,116,452.45 fully paid-up

Registration no. in the Rome Companies Register and Internal Revenue Code 00481670586

VAT Code 00904791001, E.A.R. no. 526702

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CORPORATE BODIES

Board of Directors

in office for three year period 2015 - 2017

Chairman (1)	Gennarino Tozzi
Managing Director	Franco Tolentino
Director	Marco Troncone
Director (2)	Monica Cacciapuoti
Director (3)	Stefano Cusmai
Director (4)	Amedeo Gagliardi
Director (5)	Roberto Tomasi
Director (6)	Michelangelo Damasco

Board of Auditors

in office for three year period 2016 - 2018

Chairman	Alessandro Ludovico Trotter
Standing auditor	Piergiorgio Cempella
Standing auditor	Francesco Mariano Bonifacio
Alternate auditor (7)	Mario Francesco Anaclerio
Alternate auditor	Anna Rita De Mauro

Independent auditing firm

for the period 2012 - 2020

Deloitte & Touche S.p.A.

- (1) Powers of legal representation, supervisory powers and other corporate activities.
- (2) Term of office from 23 March 2017
- (3) Co-opted as of 2 October 2017
- (4) Resigned on 7 July 2017
- (5) Resigned on 19 July 2017
- (6) Term of office from 23 March 2017 and resigned on 20 September 2017
- (7) Alternate auditor appointed as of 23 March 2017

Management Report

GENERAL CONSIDERATIONS

Dear Shareholders,

2017 was characterised by the finalisation of a Transaction Deed in which Autostrade per l'Italia (hereinafter ASPI) paid to Pavimental about 28.2 million Euros to balance and settle all the claims, requests and reserves related to the application of the final discounts established by the Ministry of Infrastructures and Transport (hereinafter MIT) on the infrastructural contracts awarded in the Barberino del Mugello area instead of the provisional contractual ones. This had a negative impact on production of about 53.9 million Euros in 2016.

The total revenues amounted to about 389 million Euros, an increase of 26.01% compared to 2016. Specifically, this financial year has been characterised by an increase in volume of activities due to the increase in infrastructural works awarded by ASPI and Aeroporti di Roma (hereinafter ADR).

Consequently, 2017 closed with profits of about 15.8 million Euros.

In December, an Amicable Settlement was also signed with ASPI for the settlement of the reserves concerning the Barberino Lot zero tender for an amount of about 19.8 million Euros ascertained by the Company in previous years.

It should also be highlighted that on 26 June, ASPI informed Pavimental of the decisions of the MIT concerning the discounts on some tenders for soundproofing awarded in previous years and now almost entirely completed. It also notified that it had begun the required legal action against the MIT.

The Management team, supported by the opinion of a legal consultant, did not believe it was necessary to reflect the effects of the MIT decision in the annual results commented upon herein, as it deemed the procedure to be unjustified.

As regards activities carried out, the details are as follows:

Maintenance-Surfacing works

Total production amounted to € 102,232 thousand, entirely carried out for ASPI. This amount has decreased by €701 thousand compared to 2016.

Other maintenance work for ASPI, Soundproofing – Lateral Side Barriers

Soundproofing activities amounted to €11,025 thousand, with a decrease of €10,417 thousand compared to 2016, essentially due to the completion of the works on the sound absorption barriers awarded in previous years.

The production of Roadside Barriers also decreased by €1,579 thousand compared to 2016, mainly due to the completion of works.

Other maintenance works for ADR

Their value amounts to €44,729 thousand, an increase of €15,936 thousand compared to 2016, and includes the first phase of the expansion of the West area of the apron at Fiumicino Airport (€17,419 thousand), works for mitigating the hydraulic risk (€12,638 thousand), the completion of the land side and air side infrastructures for the East side terminal subsystem (€3,600 thousand) and the resurfacing of runway 16R/34L (€6,935 thousand) and other works at the airport (€4,137 thousand).

Other activities for other contractors

The total value of these activities amounted to €1,386 thousand, with a decrease of €5,073 thousand compared to 2016 due to the completion of works regarding the subsidiary Co.Im.A. S.c.a.r.l. (€4,280 thousand) concerning the contract for the construction of the A12 Livorno – Civitavecchia highway stretch. The decrease in works registered to the consortiums Lambro and Consorzio Costruttori TEEM in the framework of the project for the construction of the Milan East Bypass must also be mentioned (€369 thousand), as they have been completed.

Construction of Infrastructures

The total amounted to €204,643.

The following are the details of the main contracts:

Highway A4 Turin – Trieste enhancement works on the fourth lane for the section between the Viale Certosa intersection and the Sesto San Giovanni intersection from Km 126+450 to km 135+750

Works were awarded for a net contractual amount of €116,027 thousand, due to the application of a discount of 26.69%.

As at 31 December 2017, production amounted to €38,225 thousand.

SP 46 Paderno – Rho – Nuovo Polo Fieristico: re-qualification and enhancement works

A contract was signed during April 2014 for re-qualification and enhancement works on SP 46 Paderno – Rho – Nuovo Polo Fieristico for an initial amount of €76,556 thousand. As at 31 December 2017, production amounted to €79,722 thousand, including €7,422 thousand for the additional payment to the Contractor for the early opening of the section.

94.44% of the contracted work has been completed.

A8 Milan Laghi Expansion to 5 lanes from km 5+577 to km 9+990 (Lot 1)

In June 2014, a contract was stipulated for the execution of the works for the expansion of the fifth lane in the stretch between the Milan North toll gate and the Lainate interconnection with the A8 Milan Laghi highway, for an amount of €39,845 thousand.

The activities concerning this infrastructural work are basically completed.

Highway Milan – Naples extension to three lanes of the section Barberino di Mugello – Florence North (Lot 0)

This work was awarded in January 2011. As at 31 December 2017, production amounted to €153,231 thousand.

This amount includes part of the additional payments defined in the Transaction Deed signed in December to balance and settle all of the claims, requests and reserves concerning the application of the discounts defined by the MIT rather than the provisional ones for the 3 Lots in the Barberino area.

Reserves recorded in previous years amounting to €19,794 thousand were also finalised by signing an Amicable Agreement with ASPI.

The activities concerning this infrastructural work are basically completed.

Highway Milan – Naples extension to three lanes of the section Barberino di Mugello – Florence North (Lot 1)

In April 2014, the Company was awarded the works for adding a third lane to the section between Barberino di Mugello and Florence North (Lotto 1) for an amount of €223,455 thousand. Production as at 31 December 2017 amounted to €137,873 thousand and includes part of the additional payments defined in the Transaction Deed signed in December to balance and settle all of the claims, requests and reserves concerning the application of the discounts defined

by the MIT rather than the provisional ones for the 3 Lots in the Barberino area and a bonus of € 1,848 thousand for the advance opening of the Calenzano stretch.
67.84 % of the works had been completed by 31 December 2017.

Highway Milan – Naples extension to three lanes of the section Barberino di Mugello – Florence North (Lot 2)

The tender contract for the construction of the third lane - Lot 2 - in the section between Barberino di Mugello and Florence North was signed in 2015 by the Company with the Contractor ASPI for an amount of € 373,244 thousand, arising from the application of the 12.36% discount; adjustment to the discount defined by the MIT (29,698%) led to the recalculation of the contractual value to €302,464 thousand.

The predominant activity in the Lot is the Santa Lucia Tunnel, to be constructed as a natural tunnel excavated mechanically using a TBM-EPB.

Production as at 31 December 2017 amounted to €50,027 thousand; this amount includes part of the additional payments defined in the Transaction Deed signed in December to balance and settle all of the claims, requests and reserves concerning the application of the discounts defined by the MIT rather than the provisional ones for the 3 Lots in the Barberino area.

Completion of works on the third lane in the section Barberino di Mugello – Florence North, section Florence North - Florence South section B Lots 4, 5 and 6 from Km 287+353 to Km 295+623 of the Milan – Naples highway

The works were awarded in November 2014 for an amount of €43,094 thousand.

The activities concerning this infrastructural work are basically completed.

Completion works of the section in the Apennines between Sasso Marconi and Barberino di Mugello of highway A1 Milan – Naples in the Aglio – Barberino di Mugello section – Completion project.

The works following the opening in December 2015 of the Valico Variant were awarded for an amount of €31,011 thousand and production is practically complete.

Infrastructure activities for ADR

The contract for the Infrastructural Completion of the Land Side and Air Side works for the East side Terminal Subsystem - Lot 1 - Second and Third Phase - Structures - Shell Finishing and

Systems for Boarding Area “A”, Forepart T1, Connection Building at Leonardo Da Vinci Airport was signed on 2 August 2017, for an amount of €127,799 thousand. Production started in the latter part of 2017, for a value of €403 thousand.

The activities in Poland were carried out through the local branch of Pavimental S.p.A. in T.A.E. with Pavimental Polska S.p.z.o.o., with production during the year amounting to € 4,000 thousand. The Polish permanent establishment closed 2017 with profits of €162 thousand.

A breakdown by business field of the 2017 activities is summarized below:

Production Value											
Business areas 2017						Business areas 2016					
Paving maintenance	Non maintenance works	Infrastructures	Other contractors	Other revenues	Total	Paving maintenance	Non maintenance works	Infrastructures	Other contractors	Other revenues	Total
Maintenance - Paving	102,232	5,272			107,504	102,933	7,115				110,048
Service Stations, Tunnels and Viaducts		4,589			4,589		4,601				4,601
Other works		944			944		2,523				2,523
Other infrastructures North area			(331)		(331)			1,436			1,436
Expansion to 4 lanes A4			31,354		31,354			6,872			6,872
SP 46 Paderno Rho - Nuovo Polo Fieristico stretch			1,880		1,880			6,660			6,660
Expansion to 5 lanes A8 Milan Laghi			1,721		1,721			869			869
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 0			17,984		17,984			(7,988)			(7,988)
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 1			42,878		42,878			35,985			35,985
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 2			46,117		46,117			3,900			3,900
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 13			448		448			6,967			6,967
Completion of the pass variant			11,052		11,052			23,283			23,283
Florence infrastructures			34,758		34,758			26,914			26,914
La Certosa Infrastructures								1,640			1,640
Interconnections and junctions			5,196		5,196			12,941			12,941
Adriatica A14 various lots								2,517			2,517
Fano compensation works			7,791		7,791						
Soundproofing		11,025			11,025		21,442				21,442
Works for Autostrade per l'Italia	102,232	21,830	200,848		324,910	102,933	35,681	121,996			260,610
For Others in the Atlantia Group											
Società Autostrade Meridionali		(190)			(190)		205				205
Tangenziale di Napoli		25			25		1,561				1,561
Stallexport Malopolska S.A.		3,619			3,619		4,936				4,936
Pavimental Polska		381			381						
Aeroporti di Roma		44,729	403		45,132		28,793				28,793
Società Autostrada Tirrenica		217			217						
Works for Atlantia Group	102,232	70,611	201,251		374,094	102,933	71,176	121,996			296,105
For other contractors											
Lambro Scrl				152	152				456		456
Consorzio Costruttori Teem				146	146				211		211
Co.Im.A. Scrl				1,034	1,034				5,314		5,314
Aeroportuali									385		385
Altri lavori									23		190
Todini S.p.A			76		76		167		861		861
Pedellombarda											
Ghella							6,056				6,056
Total works	102,232	70,611	201,327	1,332	375,502	102,933	77,399	122,857	6,389		309,578
Losses on building works provision			4,719		4,719			(9,189)			(9,189)
Pre-operating costs on building contracts			(1,417)	(16)	(1,433)			3,800			3,800
Total production	102,232	70,611	204,629	1,316	378,788	102,933	77,399	117,468	6,389		304,189
Sales revenue					1,378						18
Revenue from services		3	14		203		3	6		28	37
Typical value of production*	102,232	70,614	204,643	1,316	1,581	102,933	77,402	117,474	6,389	46	304,244

* Amount net of other costs and revenue

Pursuant to article 2428 of the Italian Civil Code, this report is aimed at providing a truthful, balanced and exhaustive analysis of the situation of the Company and its management

performance, both in overall terms and in the distinct sectors in which the Company works, also through its subsidiary and associate companies, with specific regard to the costs, revenues and investments, and also the principal risks and uncertainties to which it is exposed and which, if existing, are highlighted and described in the main body of the document. In this context, in particular, the analysis is articulated through reference to the principal result indicators pertinent to the specific activities of the Company, and also the information given on the environment and human resources.

Environmental management

The 2017 financial year was characterized by a strong commitment towards corporate compliance and ensuring the functioning of the strategic worksites of the company nationwide.

Specifically:

- for the company's facilities authorized to produce bituminous conglomerate with a recycled component, registration in the Provincial Register of Companies and/or the National Roll of Environmental Managers has been maintained;
- the quantities of milled asphalt dispatched to authorised third party facilities were considerable, about 70% of total production. This was made necessary in order to respect the temporal and quantitative limits authorised for mass storage in reserves. The percentage of milled asphalt recovered at company premises was equal to about 30% of the total managed in the production sites themselves.
- the certification authority BSI renewed ISO 14001:2004 certification for all the activities carried out by Pavimental and no "non-compliances" were found during the inspections conducted;
- punctual and assiduous environmental monitoring was carried out on all operating areas, production facilities and maintenance and construction worksites of the Company. The scheduled audit plan was fully implemented, confirming the strong commitment towards ensuring corporate compliance and verifying the significant environmental aspects;
- training and information of the corporate staff involved in environmental management continued in line with the company training plan. Training also involved some of the manual labour staff. Specifically, 163 hours of training were carried out during the year;
- the efficiency of the fire-fighting devices present in the Company's Operating Units was maintained and guaranteed;

- for the preservation and rational use of energy, the Energy Manager was reappointed and a photovoltaic system was installed in one operating unit to satisfy part of the electricity requirements of the facility.

Management of health and safety in the workplace

The activities carried out in 2017 were determined by the need to always ensure the respect of the instructions given in the laws in force on the matter.

This is to guarantee:

- the fulfilment of the relevant obligations;
- the continuous enhancement of health and safety levels.

To this aim, activities were undertaken to monitor the levels of exposure of the workers, with specific regard to physical, chemical and cancerous/mutant agents.

The outcome of these surveys has led to the updating of the risks assessments and mitigating action, thereby ensuring the maintenance of risk levels that are below the exposure limits imposed.

OHSAS 18001/2007 certification of the Management System for Safety in the Workplace (SGSL) used by the Company was renewed during the year (July 2017) by the Certification Authority for all the Company's Operating Units;

Updating following organizational changes and changes to the safety procedures was ensured by continuous monitoring.

The current procedures system was thus adjusted to the organization and made consistent with it. Verification and checking of the respect of the laws in force in the various Company sites was enhanced during the year.

This involved all of the operating sites.

Staff training and information was also provided to ensure the respect of the timeframes and contents, both characteristics dictated by the instructions and directives in force on the matter.

PORTFOLIO OF WORKS

As at 31 December 2017, there are works still to be carried out in the portfolio valued at € 667,985 thousand, made up as follows:

	€ thousands
<u>Autostrade per l'Italia :</u>	
- Ordinary paving maintenance	16,707
- Building works	477,771
- Ring road and other works	1,325
- Sound proofing, roadside barriers	3,821
	<u>499,624</u>
<u>Other Altantia Group :</u>	
- Airport works	168,334
- Other highway works	27
	<u>168,361</u>
<u>Other contractors</u>	
- Other works	<u> </u>
	<u> </u>
Total works portfolio	<u><u>667,985</u></u>

SUMMARY OF THE RESULTS OF ECONOMIC AND EQUITY MANAGEMENT

INTRODUCTION

This paragraph describes and comments on the Analyses of the income results and the Analysis of the equity structure for 2017, compared to the values for the previous financial year.

It must be pointed out that the reclassified tables differ somewhat from the official tables described hereafter in the Explanatory Notes. More specifically:

- the table of “Analysis of the income results” introduces the “Gross operating margin (EBITDA)” which is not included in the ordinary income statement. This margin is determined on the basis of the production value in the ordinary income statement and deducting from it all the production costs with the exception of the amortizations and depreciations, allocations to funds and other valuation adjustments. The result of subtracting these latter costs from the gross operating margin is the “Operating result (EBIT)”, which is basically the same as the “Difference between production value and costs” stated in the ordinary income statement. As regards the operating result, there are no differences in value and intermediate results in the two tables, the sole difference being the briefer nature of the table of “Analysis of the income results”;
- the table of “Analysis of the equity structure” differs from the ordinary one, being of a briefer nature and defining the following indicators in particular:
 - “Operating capital”: defined as the difference between the inventories, trade receivables, other current assets, trade payables, provisions for risks and charges and short-term costs and the other current liabilities;
 - “Invested capital, less current liabilities and medium and long-term provisions for risks and charges”: determined as the algebraic sum of the fixed assets, operating capital and medium and long-term provisions for risks and charges;
 - “Own capital”: matches the net equity in the financial statements;
 - “Net financial indebtedness”: represents an indicator of the financial structure and is given by the sum of:
 - “Medium and long-term net financial indebtedness”: given by the algebraic sum of the medium and long-term financial payables and the medium and long-term financial assets;
 - “Short-term net financial indebtedness”: given by the algebraic sum of the

short-term financial payables, cash and cash equivalents and short-term financial receivables and net financial income;

HIGHLIGHTS

Typical production value (net of other income and revenue): sum of A1) + A3).

Ebitda: difference between the production value and costs, gross of amortizations, allocations and depreciations.

Ebit: difference between production value and costs.

Ebitda Margin: Ebitda/Typical production value (net of other income and revenue).

Ebit Margin: Ebit/Typical production value (net of other income and revenue).

Net capital invested: algebraic sum of the fixed assets, operating capital and medium and long-term provisions for risks and charges.

Cash Flow: sum of the net result + amortizations + provisions and write-downs.

ROI: Operating result (Ebit) / Net capital invested

ROE: Net result / (Own means – Net result)

€ thousands			
		2017	2016
Typical production value*		380,386	304,244
EBITDA		46,420	(30,017)
Ebitda Margin	%	12.2%	-9.9%
EBIT		25,527	(43,837)
Ebit Margin	%	6.7%	-14.4%
Net profits/losses		15,794	(33,707)
Average paid workforce	no.	887.61	821.87
Cost of employment		59,532	56,187
Cost of employment / Revenue	%	15.7%	18.5%
Cash Flow		36,544	(19,496)
ROE	%	100.7%	-68.7%
ROI	%	13.3%	-27.8%

€ thousands			
		31 December 2017	31 December 2016
Net Capital Invested		192,164	157,738
Net financial debts		160,687	142,344
Own means		31,477	15,394

* net of other income and revenue

ECONOMIC MANAGEMENT (as per table on page 20)

The typical production value for 2017, amounting to €389,157 thousand (gross of the other income and revenue of €8,771 thousand), shows an increase of €80,324 thousand (+ 26.01%).

As already mentioned, the 2017 financial year was characterised by the income deriving from the settlement with ASPI of the dispute concerning the Barberino - Florence North contracts, amounting to €28,153 thousand, and the increased production registered for the infrastructures tenders. Specifically, there were increased revenues for the infrastructure contracts in the Barberino - Florence North Area (€19,385 thousand) after the main infrastructure in the portfolio (Lot 2) became up and running and for the contracts in the North Area (€18,488 thousand), mainly due to the construction of the 4th lane on the A4. These increases are partially compensated by a reduction in other activities for ASPI, especially in the non-maintenance sector of activity (installation of sound absorbing barriers and lateral side barriers) and the Florence North - Incisa infrastructure. The increased revenues compared to 2016 for the work contracted by ADR should also be mentioned (€16,339 thousand). As regards works for Third Parties, revenues reduced (- €12,767 thousand) due to their completion.

During 2017, the Company settled the reserves concerning Barberino Lot zero for €19,794 thousand recorded in previous years through a Settlement Agreement.

The external production costs are in line with those for the previous year, as a result of the combined effect of the increase in purchases of materials (€16,074 thousand) and the decrease in service costs (- €10,063 thousand).

The cost of labour increased by €3,345 thousand (approximately +5.95%); the average paid workforce increased from 821.87 individuals in 2016 to 887.61 in 2017.

The Gross Operating Margin (EBITDA) amounts to €46,420 thousand, increasing by €76,437 thousand from last year. This increase is due to the positive effect of the settlement of the disputes with ASPI mentioned above and the increased volume of the infrastructure contracts. This effect is partially compensated by the reduction in the margin recorded on the contracts for the maintenance of road surfacing due to the increased costs incurred for supplies of raw materials derived from crude oil, with a consequent negative effect on the cost of materials of €2,400 thousand.

Total amortizations amount to €16,293 thousand, an increase of €7,747 thousand compared to 2016. The excavation of the Santa Lucia Tunnel started in May, and consequently the amortization of the TBM and the other fixed assets required for excavation also started, amounting to a total of €7,972 thousand.

In 2017, the Company recorded a provision for risks and charges totalling €3,973 thousand. This amount includes:

- the provision for disputes with suppliers the outcome of which is expected to be unfavourable (€2,233 thousand);
- the allocation to the provision for contractual costs for the disposal of milled asphalt as per the maintenance contract (€1,040 thousand);
- the provision for charges deriving from relations with suppliers of a certain nature and reliably estimated amount, but with an uncertain date or occurrence (€700 thousand);
- the depreciation of unusable receivables or ones that are difficult to recover for € 627 thousand.

As a result of the movements described above, the Operating Balance (EBIT) improved by € 69,364 thousand compared to 2016.

The net financial charges increased by € 1,074 thousand compared to last year. More specifically:

- the charges accrued on the loan granted by CACIB for the purchase of the TBM required for excavating the Santa Lucia Tunnel as part of the Barberino Lot 2 contract, valued at amortized cost, amounted to €733 thousand, an increase of €408 thousand compared to 2016, as a result of the increased use of the loan contract;
- the interest accrued on the inter-company bank account increased by €111 thousand and the interest due to the banking system by €342 thousand. During the year, the Company had increased financial needs, also due to the application of the discounts defined by the MIT in 2016. Increased indebtedness was needed to hedge the difference between proceeds and payments and investments in the period.

The value adjustments of the financial assets include income of €154 thousand concerning the fair value recording of the floor type derivative incorporated in the above loan and the €10 thousand cost for the interest rate swap part considered as not for hedging.

The net result before tax amounted to €23,578 thousand and is basically balanced net of the positive effect of the transaction deed mentioned above for €28,153 thousand and the negative effect of the provisions for €4,600 thousand.

The fiscal charges attributable to the financial year amounted to €7,784 thousand, due to the current taxes of €6,817 thousand (€5,301 thousand for IRES and €1,501 thousand for IRAP), costs of €201 thousand for taxes due in previous financial years and the net cost deriving from deferred taxes of €765 thousand.

The 2017 result is positive, amounting to €15,794 thousand (losses of €33,707 thousand in 2016).

ANALYSIS OF THE INCOME RESULTS

Thousands of Euros

	2017	2016	Differences	
			Value	%
Revenue from works	339,660	357,383	(17,723)	(4.96)
Other revenue from sales and services	1,598	55	1,543	2,805.45
Other revenue and income	8,771	4,589	4,182	91.13
A. TOTAL REVENUE	350,029	362,027	(11,998)	(3.31)
Change in work in progress on order	39,128	(53,194)	92,322	173.56
B. "TYPICAL" PRODUCTION VALUE	389,157	308,833	80,324	26.01
External production costs	(281,238)	(279,720)	(1,518)	0.54
Other costs	(1,967)	(2,943)	976	(33.16)
C. ADDED VALUE	105,952	26,170	79,782	304.86
Net cost of employment	(59,532)	(56,187)	(3,345)	5.95
D. GROSS OPERATING MARGIN (EBITDA)	46,420	(30,017)	76,437	254.65
Amortizations	(16,293)	(8,546)	(7,747)	90.65
Other allocations for adjustments	(627)	(112)	(515)	459.82
Allocations to the provision for risks and charges	(3,973)	(5,162)	1,189	(23.03)
E. OPERATING RESULT (EBIT)	25,527	(43,837)	69,364	158.23
Financial income and expenses	(2,093)	(1,019)	(1,074)	105.40
Profits and losses on exchange rates	1	71	(70)	(98.59)
Value adjustments of financial assets	143	(391)	534	136.57
F. PRE-TAX RESULT	23,578	(45,176)	68,754	152.19
Taxes on financial year income, current, deferred and prepaid taxes	(7,784)	11,469	(19,253)	(167.87)
H. FINANCIAL YEAR PROFITS/LOSSES	15,794	(33,707)	49,501	146.86

EQUITY STRUCTURE (as per table on page 24)

The “**Invested capital less the financial year liabilities and M/L term provisions for risks and charges**” as at 31/12/2017 amounted to € 192,164 thousand (€ 157,738 thousand as at 31/12/2016). The item is made up as follows:

“**Fixed assets**” amounting to € 98,064 thousand as at 31/12/2017; this item increased by € 12,320 thousand compared to 31/12/2016 (€ 85,744 thousand) in particular as a result of the positive balance between investments and amortizations in the year, essentially consisting of:

- new investments in tangible fixed assets of € 29,060 thousand and in intangible fixed assets of € 56 thousand. The new investments recorded among the Plant and Machinery (€ 21,316 thousand) mainly concern the preparation of the TBM required for excavating the Santa Lucia tunnel;
- the decrease of € 16,293 thousand in amortizations for the period;
- disposal of tangible fixed assets for € 504 thousand net of the relevant funds;

“**Operating capital**” amounting to € 98,227 thousand as at 31/12/2017, an increase of € 21,933 thousand compared to 31/12/2016, mainly due to the combined effect of the changes in the following items:

- decrease of € 29,753 thousand in the trade payables as a result of the increased payments made;
- decrease in the provisions for risks and charges amounting to € 8,694 thousand (€ 10,817 thousand as at 31/12/2016). The change is mainly attributable to the release of the provisions for losses on multi-annual contracts, partially compensated by the allocation to provisions for disputes the outcome of which is expected to be unfavourable;
- decrease in other assets, mainly for current taxes payable. This decrease is attributable to both the receipt (€ 4,258 thousand) of part of the receivables from Atlantia S.p.A. for the transfer of the fiscal loss for 2016 due to the Group’s adhesion to the fiscal consolidation system and the compensation of part of the receivables with the payables for IRES tax due for 2017;

- increase of € 6,328 thousand in the warehouse inventories, mainly attributable to the operating requirements of the Barberino Lot 2 contract (€ 4,534 thousand) and the contracts awarded by ADR (€1,363 thousand);
- increase of €9,615 thousand in ongoing works to order; The main effects include:
 - the net increase in inventories of the Lots for the Construction of the third lane in the Barberino del Mugello - Florence North stretch totalling 22,313 thousand as a result of that described previously and the entry into operation of Lot 2 of the same stretch;
 - the increase in inventories for ongoing maintenance works of €15,824 thousand; the inventories in question include the production completed in the last 4 months of 2017, while only the production completed until 31 October had been invoiced as at 31 December 2016. The balance of the works as at 31 October 2017 was invoiced in January 2018;
 - the increase of €14,214 thousand in inventories for new infrastructural activities awarded by ASPI;

These changes are partially compensated:

- by the decrease in activities concerning other infrastructures contracts in Tuscany (€23,645 thousand) and other contracts (junctions and other €5,771 thousand) being completed following the invoicing of production recorded in previous years;
- by the decrease in inventories for infrastructure contracts in the North following the invoicing of production recorded in previous years, partially offset by the inclusion of activities concerning the construction of the fourth lane of the A4 highway (€10,360 thousand);
- the decrease of €14,933 thousand in the trade receivables, mainly due to the decrease in receivables from ADR following the receipt of payments for the works carried out (€ 10,433 thousand) and the decrease in receivables from third parties.

The “**Medium and long-term provisions for risks and charges**” amounted to €4,127 thousand (€4,300 thousand as at 31/12/2016) and decreased by €173 thousand due to the use of the employee severance fund for personnel leaving the company.

The “**Own Capital**” amounted to €31,477 thousand (€15,394 thousand as at 31/12/2016), and increased by €16,083 thousand, mainly as a result of the financial year profits.

As at 31/12/2017, the Company has a positive “**Net financial position**” (Net financial indebtedness) of €160,687 thousand (€142,344 thousand as at 31/12/2016) and recorded an increase of €18,343 thousand.

This change is mainly a result of the implementation in October of a loan contract granted by UBI Banca amounting to €8,500 thousand required for the purchase of accessory goods for the TBM and also the increase in short-term debts to the banking system of €14,170 thousand, partially compensated by the lesser use of the inter-company bank account, for €6,543 thousand.

ANALYSIS OF THE EQUITY STRUCTURE

Thousands of Euro

	31.12.2017	31.12.2016	Differences	
			Value	%
A. FIXED ASSETS				
Intangible Fixed Assets	174	274	(100)	(36.50)
Tangible Fixed Assets	92,498	80,078	12,420	15.51
Financial Fixed Assets	5,392	5,392		
	98,064	85,744	12,320	14.37
B. FINANCIAL YEAR CAPITAL				
Warehouse inventories	166,937	150,994	15,943	10.56
Trade receivables	38,987	53,920	(14,933)	(27.69)
Other assets	29,102	40,305	(11,203)	(27.80)
Trade payables	(115,640)	(145,393)	29,753	(20.46)
Provision for risks and charges	(8,694)	(10,817)	2,123	(19.63)
Other liabilities	(12,465)	(12,715)	250	(1.97)
	98,227	76,294	21,933	28.75
C. CAPITAL INVESTED				
less financial year liabilities (A + B)	196,291	162,038	34,253	21.14
D. PROVISION FOR MEDIUM AND LONG-TERM RISKS AND CHARGES				
Employee Severance Fund	4,127	4,300	(173)	(4.02)
	4,127	4,300	(173)	(4.02)
E. CAPITAL INVESTED				
less financial year liabilities and provision for medium and long-term risks and charges: (C - D)	192,164	157,738	34,426	21.82
Hedged by:				
F. OWN CAPITAL				
Share capital paid-up	10,116	10,116		
Reserves and profits (losses) brought forward	5,567	38,985	(33,418)	(85.72)
Financial year profits (losses)	15,794	(33,707)	49,501	(146.86)
	31,477	15,394	16,083	104.48
G. NET MEDIUM AND LONG-TERM FINANCIAL DEBTS				
Medium and long-term financial Assets /Liabilities	34,414	25,093	9,321	37.15
	34,414	25,093	9,321	37.15
H. NET SHORT-TERM FINANCIAL DEBTS				
(Net cash on hand)				
Short-term financial payables	132,417	126,205	6,212	4.92
Short-term cash and financial receivables	(6,144)	(8,954)	2,810	(31.38)
	126,273	117,251	9,022	7.69
TOTAL NET FINANCIAL DEBTS (ON HAND)				
(G + H)	160,687	142,344	18,343	12.89
I. TOTAL, AS IN E				
(F + G + H)	192,164	157,738	34,426	21.82

INVESTMENTS

The investments made during the course of 2017 amounted to €29,116 thousand and include, under Plant and Machinery, the investments for the preparation of the tunnel boring machine and other activities required for the excavation of the Santa Lucia tunnel.

The following table contains a summary of the investments made during the period, subdivided by category:

€ thousands	Intangible fixed assets	Tangible Fixed assets	Total
- Improvement of third party assets			
- Application Software	48		48
- Software licences	8		8
- State allotment			
- Land and industrial buildings		425	425
- Plant and machinery		21,316	21,316
- Lorries and vehicles in support of operating activities		1,072	1,072
- Other tangible fixed assets		264	264
- Assets under construction and payments on account		5,983	5,983
	<u>56</u>	<u>29,060</u>	<u>29,116</u>

RESEARCH AND DEVELOPMENT

Resurfacing

There were no research and development activities during the year, but the activities carried out in previous years have led to Pavimental being awarded the Italian Excellence prize for the road surfacing sector in 2017. The awards ceremony involved the top figures in national companies which, like Pavimental, possess a wealth of knowledge and techniques capable of driving entire sectors and increasing worldwide awareness of the distinctive brand of Italian know-how.

QUALITY SYSTEM

2017 was characterized by intensive activities concerning Quality. More specifically:

- the company's Quality System saw a transition in 2015; consequently, the certification for specialist business activities according to standard ISO 9001 and the certification as a general business were subject to verification, which was successful, by the certification authority

ICMQ; the certificates were thus renewed and are valid for three years;

- the FPC (Factory Production Control) certificate was awarded in March for the production of concrete-based conglomerates at the facility located near Leonardo da Vinci airport in Fiumicino;
- the FPC certificates for bitumen modified from polymers at the facilities of the Operating Units of Loreto, Magliano Sabina and Zola Predosa (Bologna) were the subject of annual surveillance, as provided by harmonised standard UNI EN 14023;
- similarly, in fulfilment of that required by standard UNI EN 13108, the internal and external surveillance audits were carried out on all the currently certified operating units.
- The FPC certificate according to the optional scheme for the production of Cement Mix was renewed for another year and extended to another production plant;
- training activities for personnel at headquarters and on worksites were planned and carried out, with in hall activities and training on the job. Internal and external audits were conducted on the main infrastructural highway worksites, on suppliers of construction products and on all airport activities. There were about 70 audits and inspections on Company working areas overall;
- during the course of 2017, the main system documents as regards the corporate operating processes were updated according to the company's Quality System. The Quality Policy was renewed and the Quality Manual also monitored and updated.

As regards the “Make it Sustainable” Sustainability certification, an audit was conducted in May 2017 for the annual maintenance of the certificate awarded to the Operating Unit in Zola Predosa. The audits concerning the certification of the Barberino Infrastrutture Operating Unit for its triennial renewal were conducted in May and November 2017.

HUMAN RESOURCES

From an **organizational viewpoint**, 2017 was a year of reorganization for the Company, aimed at optimizing and enhancing operations, with specific regard to the infrastructural activities. This was in order to ensure the more effective coordination of the operating structures and grasping all opportunities for implementing the best practices in the sector. From this viewpoint, the organizational structure of the Company was reviewed through:

- the opening of the Operations Management department, with the aim of ensuring more

coordination between the technical departments involved in the realisation of the infrastructural works. A contracts office was also opened within this department, responsible for searching for and acquiring new infrastructure contracts on the market;

- the setting-up of the Airport Infrastructures Area, dedicated to the realisation of infrastructural works at Leonardo da Vinci airport in Fiumicino;
- the setting-up of Barberino Infrastrutture for the construction of the Santa Lucia tunnel and the surrounding infrastructural works for the enhancement of the A1 Milan-Naples highway;
- the setting-up in the Centre-South Infrastructures area of the Marche Area for the realisation of the infrastructural works on the A14 Bologna-Bari-Taranto highway.

Simultaneously, the interventions continued for updating the corporate procedures plan, also in order to adjust the procedural set-up of Pavimental to the organizational Management and Control model (provided by Legislative Decree 231/01). This included the appointments of the Anti-corruption Manager and Risk Officer of the Company.

As regards the **informative systems**, the plan for the implementation of the suppliers portal should be noted, enabling the on-line management of the process, from selection to negotiation.

People are the resource that makes the difference for Pavimental. As regards the aspects concerning the **Selection** of human resources, 308 new working positions opened up in 2017, of which 50 were filled by internal candidates, which also promoted internal and infra-group mobility processes. The programme for selecting and inserting specialist personnel for the excavation of the Santa Lucia Tunnel using a mechanised TBM (114 resources) is of particular significance.

Goals concerning the **Development and Training** of staff were pursued during the year, aimed at raising the levels of professionalism. Specifically, the Performance Management system was introduced, with the purpose of identifying, measuring and developing performance levels in line with the company's strategic objectives, aimed at managers and officers of the Company. The evaluation phase will be in the first quarter of 2018.

As regards Training, activities in support of the individual development of resources continued, with various interventions concerning motivation and performance enhancement aimed at a group of company managers and professionals.

The enhancement of the corporate culture as regards safety in the workplace, environmental protection and quality continued. Particular focus was placed on training and updates on new regulations and techniques of interest to the company, such as the New Tenders Code, the anti-corruption laws and the new national accounting standards (OIC). Lastly, specific sessions were

held with respect to training in the use of the IT application for managing infrastructural works (STR).

The majority of the training initiatives undertaken were realised through the use of financed training, through the Professional Funds allocated for continuous training.

A total of about 10,770 hours of training were carried out during 2017.

Industrial Relations in 2017 were especially focused on management, together with the various Trade Unions, the topic of the working conditions of workers directly and indirectly involved in the Maintenance sector and in the other lines of business connected to the same production area. This is also in consideration of the end-of-year expiry of the contract awarded to Pavimental by ASPI and the impossibility of renewing it because of the reduction of the percentage (from 40% to 20%) of so-called *in house* works between parent company and subsidiary imposed by the new Code on Public Tenders.

In the second half of the year and until year's end, the main commitment was, on one hand, to prepare the regulatory solutions for managing potential staff exits and, on the other, to quell the increasing tension in the various maintenance worksites, preserving the internal working conditions required to ensure acceptable production levels as much as possible. This went on until the end of December when the definitive approval of the 2017 State Budget enabled the percentages of in house work awarded that were in force prior to the reform of the Code on Public Tenders in 2016 to be restored, and it was therefore possible to return the Maintenance sector to corporate production.

As regards more specifically the infrastructural sector, with particular regard to Tuscany and the increase in tunnel excavation works due to the use of the TBM, the territorial Trade Unions have raised topics and questions aimed at updating the economic and organizational conditions of workers in the area. Several meetings were held locally to discuss this, during which, in addition to discussing the items on the agenda, Industrial Relations were focused on making the Trade Union counterparties more sensitive to the requests, considering the specific and complex corporate context, characterised by employment uncertainty, of the maintenance sector.

Lastly, the lawsuits filed by individual workers both against dismissal and against the outcome of disciplinary procedures, represented by the Trade Unions in Rimini - Maintenance and Bologna, due to the closure of the worksites for Motorway Intersections, and Barberino del Mugello, for the Infrastructures sector, were settled.

The following table compares the company workforce as at 31 December 2017 and 2016 respectively, in consideration of the different types of continuing and fixed-term employment contracts:

	31 December 2017			31 December 2016			Delta
	TI	TD	TOTAL	TI	TD	TOTAL	
Executives	9		9	7		7	2
Managers	25	2	27	27	1	28	(1)
Office workers	278	8	286	282	16	298	(12)
Manual workers	540	110	650	454	87	541	109
	<u>852</u>	<u>120</u>	<u>972</u>	<u>770</u>	<u>104</u>	<u>874</u>	<u>98</u>

As regards the average paid workforce, 2017 closed with an average of 887.61 units compared to 821.87 in 2016.

The average paid workforce is broken down into the following categories:

	2017			2016			Delta
	TI	TD	TOTAL	TI	TD	TOTAL	
Executives	7.83		7.83	7.25		7.25	0.6
Managers	25.33	1.98	27.31	28.00	0.08	28.08	(0.8)
Office workers	277.27	12.39	289.66	286.54	16.80	303.34	(13.7)
Manual workers	454.42	108.39	562.81	366.00	117.20	483.20	79.6
	<u>764.85</u>	<u>122.76</u>	<u>887.61</u>	<u>687.79</u>	<u>134.08</u>	<u>821.87</u>	<u>65.74</u>

SUBSIDIARIES AND CONSORTIUM COMPANIES

Pavimental Est (in receivership)

Headquarters in Moscow
Share capital 4,200,000 new Roubles
Holding 100%

The Company has been inactive since 1999. The allocations to cover eventual losses, that are currently expected to be incurred, amount to €343 thousand. The liquidation procedure of the holding company started in 2014.

Pavimental Polska Sp.z o.o

Headquarters in Warsaw
Share Capital 3,000,000 PLN
Holding 100%.

Production activities are essentially focused on the performance of:

- works linked to contract HM-3-2016 Resurfacing 2016-2017 on the A4 Katowice-Krakow highway, acquired on 5 February 2016. The contract, in consortium with Pavimental SpA, was originally valued at 38.5 million PLN, changed to 43.3 million PLN in subsequent variation orders. As at 31 December 2017, works had been completed for a progressive production value from the start of the contract of 35.2 million PLN, of which 2.9 million PLN by Pavimental S.p.A.;
- works linked to contract F2b-6-2014 Silesia Drainage part II on the A4 Katowice-Krakow highway, acquired on 1 April 2016. The contract, in consortium with Pavimental SpA (consortium leader), was originally valued at 22.4 million PLN, changed to 27.2 million PLN in subsequent variation orders. As at 31 December 2017, works had been completed for a progressive production value of 23.2 million PLN, of which 22.1 million PLN by Pavimental Polska;
- completion of the construction of the Rudno junction, as part of the contract for the construction of the Rudno and Myslowice junctions on the A4 Katowice-Krakow highway, acquired on 15 June 2015. The contract, in consortium with Pavimental SpA, has an overall value of 21.5 million PLN, of which 21.1 million PLN for Pavimental Polska. The Myslowice junction opened to traffic on 17 November 2016 and the Rudno junction on 9 June 2017.

- works linked to contract ROM48 Renovation of piers on the Bridge M48 on the A4 Katowice-Krakow highway, acquired on 4 July 2017. The contract is worth 20.4 million PLN and a duration of 860 days. As at 31 December 2017, works had been completed for a progressive production value of 2.9 million PLN.

The year 2017 closed with profits amounting to 2.8 million PLN (0.7 million Euros at the average exchange rate in 2017, which was 4.257).

As at 31 December 2017, the workforce was 35 individuals.

Elmas S.c.a r.l. (in receivership)

Headquarters in Rome
Share capital €10,000
Holding 60%.

The works for the refurbishment of the main runway, the restructuring of runway 14-32 and the enhancement of the AVL systems at Cagliari Elmas airport awarded to the temporary association of enterprises between Pavimental S.p.A. and SAR.CO.BIT. S.r.l., the performance of which was contracted to Elmas S.c.a.r.l., were completed during 2009.

In the framework of the bankruptcy procedure of the shareholder SAR.CO.BIT S.r.l., the Cagliari Law Courts accepted the claim by Pavimental for amounts payable on 4 October 2010, for an amount of €1,408 thousand.

The Company entered receivership on 12 June 2013.

Co.Im.A. S.c. a r.l.

Headquarters in Rome
Share capital €10,000
Holding 75%.

On 26 July 2012, a limited liability consortium company was incorporated, named Co.Im.A. S.c.a.r.l., the scope of which is the realization of public works and infrastructures through participation in procedures for awarding contracts through tenders, competitive tenders, concession or through any other system of awarding. The share capital amounts to €10 thousand and the holdings are divided as follows:

- Pavimental S.p.A. 75%;
- Autostrade Tech S.p.A. 20%;

- Pavimental Polska S.p. z o.o 5%.

In 2012, the Consortium obtained the qualification of Category I General Contractor, and therefore had the possibility of participating in General Contractor tenders for amounts of up to 350 million Euros.

Co.Im.A. possesses 29.7% of the holding quotas in the capital of the consortium SAT LAVORI, a Company incorporated for the realization and completion of the A12 Livorno – Civitavecchia highway stretch. These works have been completed.

Consorzio R.F.C.C. (in receivership)

Headquarters in Tortona (AL)

Share capital €510,000

Holding 30%

The lawyer who assisted the Consortium in the settlement of disputes with the contracting station and the Moroccan government, which ended in 2015, in turn summoned the Consortium before the Milan Law Courts to declare the contract signed by the parties terminated due to the fault of the Consortium and obtain compensation. The case will be heard in 2018.

Galileo S.c.a r.l. (in receivership)

Headquarters in Perugia

Share capital €10,000

Holding 40%

The works at Pisa airport were completed in 2008.

The consortium members Pavimental S.p.A., Todini S.p.A. and Ediltevere S.p.A. hold 40%, 40% and 20% respectively of the capital quotas. The testing certificate was released on November 18, 2010. The S.c.a r.l. entered receivership in November 2012.

Ramonti S.c.a.r.l. (in receivership)

Headquarters in Tortona (AL)

Share capital €10,000

Holding 49%

Following the definitive awarding of the works commissioned by Autostrade Centro Padane S.p.A. for the construction of the highway link between the toll booth at Ospitaletto (A4), the new toll booth at Poncarale (A21) and Montichiari airport, a new limited liability consortium

company was incorporated on May 14, 2008, with a share capital of €10 thousand and named Ramonti S.c.a.r.l..

The consortium members, Itinera S.p.A. and Pavimental S.p.A., hold 51% and 49% respectively of the capital quotas. The scope of the company is to operate using the system of overturning costs to individual members on the basis of their respective holdings. Production activities have been completed. As at December 31, 2017, Pavimental S.p.A. had receivables of € 7,287 thousand from the Contractor.

Società Tangenziale Esterna S.p.A.

Headquarters in Milan
Share Capital €464,945,000
Holding 1%

This is the project concessionary company for the design, construction and management of the External Eastern Bypass in Milan. The entire work became operational on 16 May 2015; the duration of the concession is established as fifty years from the entry into operation of the entire roadway connection.

The construction of the related works provided in the concession contract were completed in 2017.

Consorzio Costruttori TEEM

Headquarters in Milan
Share capital €10,000
Holding 1%

Consorzio Costruttori TEEM is responsible for coordination between the construction companies involved in the TEEM initiative.

As at 31 December 2017, activities were mostly concluded.

Consorzio Lambro

Headquarters in Milan
Share capital €200,000
Holding 2.78%

Again, with reference to the External Eastern Bypass project in Milan, a limited liability consortium company was incorporated on December 19, 2011, called Lambro, with a share capital of €200 thousand and with the corporate purpose of performing the works awarded to the

components of Group A of Consorzio Costruttori TEEM. The percentage holding owned by Pavimental is 2.78%.

As at 31 December 2017, activities were mostly concluded.

The following is the economic and financial data concerning these companies:

€ thousands

Economic relation	2017	2016	Diff.
<u>Ordered works</u>			
Consorzio Co.Im.A.	1,034	5,314	(4,280)
Pavimental Polska	381		381
Consorzio Costruttori TEEM	146	211	(65)
Consorzio Lambro	152	456	(304)
	<u>1,713</u>	<u>5,981</u>	<u>(4,649)</u>
<u>Other revenue</u>			
Consorzio Costruttori Teem		130	(130)
Consorzio Lambro	227	222	5
Consorzio Co.Im.A.	118	28	90
Pavimental Polska	197	157	40
Consorzio Trinacria in liquidazione	40		40
	<u>582</u>	<u>537</u>	<u>45</u>
<u>Service costs</u>			
Consorzio Galileo in liquidation		6	(6)
Consorzio Ramonti in liquidation	7	58	(51)
Consorzio Elmas in liquidation	4	1	3
Consorzio Co.Im.A.	1,168	3,855	(2,687)
Consorzio Costruttori TEEM	145	325	(180)
Consorzio Lambro	44	621	(577)
Consorzio CAIE	5		5
Pavimental Polska	3,653	4,919	(1,266)
	<u>5,026</u>	<u>9,785</u>	<u>(4,759)</u>
<u>Other costs</u>			
Consorzio Co.Im.A.		1,523	(1,523)
	<u>-</u>	<u>1,523</u>	<u>(1,523)</u>
<u>Financial income</u>			
TE Tangenziale Esterna di Milano	139	137	2
Pavimental Polska	10	9	1
	<u>149</u>	<u>146</u>	<u>3</u>

€ thousands

Equity relation	31 December 2017	31 December 2016	Difference
<u>Trade receivables and assets under construction</u>			
Consorzio Co.Im.A.	3,190	4,616	(1,426)
Consorzio Costruttori TEEM	579	1,132	(553)
Consorzio Lambro	2,307	4,154	(1,847)
Consorzio Galileo in liquidation	195	195	
Consorzio Elmas in liquidation	548	548	
Consorzio Miteco		3	(3)
Pavimental Polska	15	216	(201)
Consorzio RFCC in liquidation	124	124	
	<u>6,958</u>	<u>10,988</u>	<u>(4,030)</u>
<u>Financial receivables</u>			
TE Tangenziale Esterna di Milano	1,480	1,341	139
Consorzio Ramonti in liquidation	107	107	
Consorzio Elmas in liquidation	1,030	1,030	
Pavimental Polska	2,272	3,980	(1,708)
Pavimental Est in liquidation	349	388	(39)
Consorzio RFCC in liquidation	2,291	2,291	
Consorzio Co.Im.A.	20	20	
	<u>7,549</u>	<u>9,157</u>	<u>(1,608)</u>
<u>Other receivables</u>			
Consorzio Co.Im.A.	30	30	
Consorzio Elmas in liquidation	2	2	
Consorzio Ramonti in liquidation	155	162	(7)
	<u>187</u>	<u>194</u>	<u>(7)</u>
<u>Trade payables</u>			
Consorzio Costruttori TEEM	315	886	(571)
Consorzio Galileo in liquidation	180	175	5
Consorzio Trinacria in liquidation		40	(40)
Consorzio Elmas in liquidation	1,446	1,450	(4)
Consorzio Lambro	440	2,622	(2,182)
Pavimental Polska	1,171	3,066	(1,895)
Consorzio Co.Im.A.	2,602	4,049	(1,447)
	<u>6,154</u>	<u>12,288</u>	<u>(6,134)</u>

REGISTERED ADDRESSES, SECONDARY OFFICES AND LOCAL UNITS

The following are the registered addresses:

REGISTERED ADDRESS

ROME - Via Giuseppe Donati no. 174

SECONDARY OFFICES AND LOCAL UNITS

Worksites:

- | | |
|-----------------------------------|--|
| - Anagni (Frosinone) | - Località Cangiano |
| - Andria (BAT) | - Contrada Lamapaola |
| - Arezzo | - Civitella in Val di Chiana, Via delle Case Rosse n. 12 |
| - Barberino di Mugello (Florence) | - Località Bovecchio – Via Frassineta s.n. |
| - Bologna | - Zola Predosa - Via Prati 10A |
| - Calenzano (Florence) | - Via Madonna del Facchino snc |
| - Fiesse Umbertino (Rovigo) | - Via Trento s.n. |
| - Genoa | - A12 East Highway km 2 Dir. Ge-Li |
| - Loreto (Ancona) | - Località Leonessa |
| - Magliano Sabina (Rieti) | - Località Campitelli |
| - Marcianise (Caserta) | - S.S. Sannitica km. 19+600 |
| - Ortona (Chieti) | - Zona Industriale Località Tamarete no.10 |
| - Piacenza | - Località Borghetto di Roncaglia |
| - Rimini | - Frazione S.Martino in Riparotta |
| - Trezzo sull'Adda (Milan) | - S.P. 2 s.n. per Grezzago |
| - Uboldo (Varese) | - Via IV Novembre s.n. |
| - Turate (Co) | - Via Puecher no.38 |
| - Fiano Romano (Rome) | - Via Salaria Km 15+750 |
| - Mondolfo (PU) | - Via Sterpettine s.n.c. |
| - Barberino di Mugello (Florence) | - Località Cornocchio |
| - Rimini (RN) | - Via Flaminia Conca no. 85 |
| - Florence | - Via di Ponte a Iozzi Località Cascine del Riccio |
| - Barberino di Mugello (Florence) | - Località Poggiolino |
| - Castiglione dei Pepoli | - Località Roncobilaccio |
| - Castiglione dei Pepoli | - Località Roncobilaccio |
| - Baranzate | - Via dei Giovi snc |
| - Novate | - Via Giacomo Brodolini Snc |
| - Fiumicino Airport | - ECHO apron |

MANAGEMENT OUTLOOK

An increase of value of production is envisaged during the 2018 financial year, mainly due to:

- the infrastructural contract from ASPI as a result of the excavation by TBM in Lot 2 of the Barberino - Florence North and the expansion to three lanes between Florence South and Incisa, partially compensated by the backlog of production in the Florence North and Florence South contract.
- the airport contracts with ADR, which include the entry into service of the works for the construction of the new East Hub at Fiumicino airport.

Lastly, as regards the reform of the Code on Tenders, Legislative Decree 50/2016, Law 205/2017 approved the amendment to art. 177 “Awarding of concessionaries” concerning in house works, in which the percentage of works that can be carried out in house by the companies in possession of highway concessions was restored from 20% to 40%.

Paragraph 3 of art. 177 states that “ checks on the limits pursuant to paragraph 1 are carried out annually as indicated by ANAC itself in the guide lines, to be adopted no later than ninety days after the date of entry into force of this code. Possible discrepancies with respect to the limits indicated must be adjusted within the following year. In the event of repeated imbalances for two consecutive years, the contractor shall apply a fine equal to 10% of the overall amount of the works, services or supplies that should have been allocated by public procurement procedures ”.

To date, the Guidelines regarding the terms of assessment to be carried out by ANAC have not been published.

INFORMATIVE NOTE PURSUANT TO ART. 2428, PARAGRAPH 3, SUB. 6-BIS OF THE CIVIL CODE

The Company operates in the sector of maintenance of the highway network and the construction of infrastructures and airport-related activities, prevalently on behalf of Autostrade per l'Italia S.p.A. and Aeroporti di Roma and, to a lesser extent, third party contractors, and is not exposed to specific market risks in this regard, except for those exclusively due to eventual changes to the strategies decided by the Group or changes to the regulatory framework.

Excluding that mentioned in the Management Report with regard to the discounts on certain soundproofing contracts, the Company is not exposed to significant risks of changes to the prices of the works carried out, as the remuneration for the activities carried out is determined contractually with the contractors.

The Company has not recorded any significant cases of additional payments for infrastructural works not being made in the past.

The Company is not exposed to significant risks in terms of changes in financial flows, except for those exclusively due to the dynamics of the receipt of receivables claimed from its own contractors, principally Autostrade per l'Italia S.p.A. and Aeroporti di Roma S.p.A.

The company is not exposed to significant credit risks and has not encountered significant cases of non-fulfilment by the counterparty, except for that described as regards the receivables from Adriatica S.c.a.r.l. and Sielpa, for which Pavimental has prudentially allocated an amount in the financial statements for the possible failure to recover the credit and receivables from Autostrade Centropadane S.p.A., with which it has finalized negotiations which led to the receipt of adequate guarantees to cover the remaining credit.

The Company is not currently exposed to liquidity risks, given that it believes it has access to sources of financing, both internal (also to the Group it belongs to) and/or external, that are sufficient to satisfy its forecast financial needs, for both current operational management and the financial means required to sustain any eventual new investments.

With regard to the financing at variable interest rate from Credit Agricole Corporate Investment Bank Deutschland (euribor+0.60 bps), the company signed an IRS for an equal amount to hedge the interest rate risk.

The Company is involved in civil and administrative lawsuits and in legal action concerning the ordinary performance of its activities. On the basis of the information currently available, the company believes that these lawsuits and legal actions will not determine significant negative effects on the equity and financial situation and the economic result of the company, other than those reflected in these financial statements.

Other information ex art. 2428 of the Civil Code

The Company does not possess treasury shares or shares in Subsidiary Companies, directly or through trust companies and intermediaries. Similarly, no operations were carried out during the financial year involving treasury shares or those of Subsidiary Companies.

INFORMATION ON THE APPLICATION OF LEGISLATIVE DECREE No. 196/03

During the course of 2017, the primary objective for the management of Privacy by Pavimental was to complete all the activities precursory to and required for the acknowledgement and application of the rules and new aspects of EU Regulation 679/2016 which it is known must be definitively and finally adopted by the end of May 2018.

Therefore, the Company, and in its name the Privacy Committee, specifically made the updates required by the company's organizational changes, and thus updated the appointments to the roles of significance in terms of the Privacy laws in force, in other words: those responsible - internally and externally - for the Processing of Personal Details, those assigned to do so and the Databases used. Specific focus was given to updating the individuals qualified as System Administrators - again both internally and externally to the company - for whom the law in question provides for checks by the Owner.

The intention was to actualise the documental and reorganizational aspects of company Privacy with the current reality, so that Pavimental would be ready come the end of the year to harmonise the regulatory changes - and consequent fulfilments - required by the above-mentioned EU Regulation. This work led to review no. 9 of the Procedure - Internal Privacy Rules on 12 December 2017. It should be recalled that this document contains information on the personal details processed electronically by the Company in the performance of its management activities and an analysis of the risks consequent to processing. It also disciplines the prevention measures to be adopted to guarantee the integrity of data, its processing and its confidentiality, in addition to an illustration of specific training programmes for the personnel involved. As regards training on Privacy, the new on-line training module was implemented in the first quarter of 2017, aimed at those responsible and entrusted for the processing of personal details and the resources newly hired by the company, in which care was taken to ensure that the staff were made aware of the changes to the general regulations of which in the new EU Regulation mentioned above.

Lastly, the year ended with the preparation and sharing within the company of the specific action plan and scheduling for the adoption of the procedures and undertaking of the activities which must definitively bring Pavimental in line with the new regulations by the end of May 2018, with the implementation of the relevant procedures.

INFORMATION ON THE APPLICATION OF LEGISLATIVE DECREE No. 231/01

The composition of the Pavimental S.p.A. Supervisory Board is as follows until the end of the Triennium 2015 - 2017:

- Avv. Nicola Selvaggi Coordinator
- Mr. Bruno Ciappina Member
- Gen. Franco Mottola Member (replaced Arch. Rossella Degni on 28/02/2017)

In consideration of the reformulation of the criminal circumstance in art. 603-bis of the Penal code “Illegal brokering and exploitation” (so-called “Gangmaster system”), and also the modifications to the crime of corruption between individuals and the introduction of the new crime of “Instigation of corruption between individuals”, the Company, assisted by the external PwC consultant, has updated the mapping of the company processes exposed to these crimes, and modified and integrated the 231 Organizational Model.

The Board monitored the functioning and updating of company procedures and promoted checks by the Internal Audit department - which were promptly carried out - with respect to the awarding of subcontracts and the flow of information between persons bound to do so pursuant to the Consolidation Act on safety matters.

Certification (SOA)

In 2017, the Certification Authority Soatech S.p.A. made some changes to the Certificate, and in particular released certificate no. 25838/17/00, valid for three years, on 23 March 2017. Certificate no. 26206/17/00 was released on 9 June 2017 and introduced category OG10 (non-luminous road signs) under classification III-bis. Certificates no. 26628/17/00 and no. 26890/17/00 were also updated with the names of the Technical Managers of the Company.

Financial Statements

Balance Sheet

and

Income Statement

BALANCE SHEET

ASSETS

	31/12/2017		31/12/2016	
A) Receivables from shareholders for amounts unpaid				
B) Fixed Assets:				
I - Intangible Fixed Assets:				
1) Plant and development costs				
3) Industrial patents and intellectual property rights		71,434		137,975
4) Concessions, licenses, trademarks and similar rights		78,087		93,930
7) Others		<u>24,586</u>	174,108	<u>43,311</u>
				275,216
II - Tangible Fixed Assets:				
1) Land and buildings		7,696,469		8,515,892
2) Plant and machinery		73,079,202		16,229,582
3) Industrial and commercial equipment		4,412,599		4,836,824
4) Other assets		853,164		851,980
5) Fixed assets under construction and advance payments		<u>6,456,061</u>	92,497,495	<u>49,643,351</u>
				80,077,629
III - Financial Fixed Assets:	(*)		(*)	
1) Investments in:		5,391,872		5,392,002
a) subsidiaries		726,722		726,722
b) associates		8,900		8,900
d - bis) other companies		4,656,250		4,656,380
2) Receivables:		3,559,309	44,690	3,776,218
a) from subsidiaries	— —	1,800,416		2,153,833
d) from subsidiaries of the parent company		3,792		3,792
d - bis) from others		1,755,101		1,618,593
4) Derivative financial instruments		<u>8,951,181</u>		<u>9,168,220</u>
TOTAL FIXED ASSETS (B)		<u>101,622,784</u>		<u>89,521,065</u>
C) Current Assets:				
I - Inventories:				
1) Raw and auxiliary materials and consumables:		14,337,981		8,009,696
3) Orders being processed		<u>197,240,145</u>	211,578,126	<u>185,242,049</u>
				193,251,745
II - Receivables:	(**)		(**)	
1) from customers		15,024,102		24,267,708
2) from subsidiaries		2,183,059		6,046,397
3) from associates		2,871,803		2,879,116
4) from the parent company		4,082,129		13,969,056
5) from subsidiaries of the parent company		23,232,046		26,288,655
5 - bis) tax receivables		4,357,737		3,677,985
5 - ter) prepaid taxes	— —	4,732,110		5,520,698
5 - quater) to others		<u>10,054,027</u>	66,537,012	<u>11,042,351</u>
				93,691,966
III - Financial Assets not constituting fixed assets:				
5) derivative financial instruments				
6) other securities				
IV - Cash and cash equivalents:				
1) bank and postal deposits		1,796,055		3,214,811
3) cash and cash equivalents		<u>10,889</u>	1,806,944	<u>6,531</u>
				3,221,342
TOTAL CURRENT ASSETS (C)		<u>279,922,082</u>		<u>290,165,053</u>
D) Accrued expenses and other prepayments		<u>5,990,268</u>		<u>6,375,897</u>
TOTAL ASSETS		<u>387,535,135</u>		<u>386,062,015</u>

(*) Due within next financial year

(**) Due after next financial year

BALANCE SHEET

LIABILITIES

	31/12/2017	31/12/2016
A) Net equity:		
I - Capital	10,116,452	10,116,452
II - Share premium reserve	4,622,072	29,331,726
IV - Legal reserve	1,123,727	1,123,727
VI - Other reserves indicated separately:		
Reserve for unrealised gains on exchange rates		
Conversion reserve	-156,794	-355,441
Payments on account for capital increases		
VII - Reserve for transactions hedging flows for expected financial revenues	-22,058	-112,591
VIII - Profits (losses) carried forward		8,997,302
IX - Profits (losses) for the financial year	<u>15,794,335</u> <u>31,477,734</u>	<u>-33,706,957</u> <u>15,394,218</u>
B) Provisions for risks and charges:		
2) For taxes, including deferred taxes	84,095	85,369
3) derivative financial instruments	282,878	539,010
4) others	<u>8,328,325</u> <u>8,695,297</u>	<u>10,192,407</u> <u>10,816,786</u>
C) Employee severance fund	<u>4,126,935</u>	<u>4,300,286</u>
D) Payables:		
	(**)	(**)
4) payables to banks	<u>30,323,055</u> 55,243,731	<u>28,869,492</u> 33,385,035
4) payables to other creditors		
6) advance payments	44,741,253	42,355,487
7) payables to suppliers	107,199,352	133,145,558
9) payables to subsidiaries	5,219,218	8,573,033
10) payables to associates	179,765	215,764
11) payables to the parent company	230,320	296,021
11 - bis) payables to subsidiaries of the parent company	118,305,622	124,868,858
12) tax payables	1,364,218	2,370,962
13) payables to social security and welfare institutes	1,240,155	770,800
14) other payables	<u>9,369,648</u> <u>343,093,281</u>	<u>9,563,801</u> <u>355,545,319</u>
E) Accrued expenses and other prepayments	<u>141,888</u>	<u>5,406</u>
TOTAL LIABILITIES	<u>387,535,135</u>	<u>386,062,015</u>

(*) Due within next financial year

(**) Due after next financial year

INCOME STATEMENT	2017		2016	
A) Production value:				
1) revenue from sales and services	341,258,514		357,437,579	
3) changes to work in progress on order	39,128,264		-53,194,376	
4) increases in fixed assets for internal work	3,915,676		4,678,775	
5) other revenue and income	13,085,657		9,194,170	
Total production value		397,388,112		318,116,148
B) Production costs :				
6) for raw and auxiliary materials, consumables and goods		122,741,581		106,667,740
7) for services		170,039,198		180,102,300
8) for use of third party assets		1,048,339		1,301,072
9) for staff				
a) salaries and wages	40,711,091		37,765,755	
b) social security costs	15,818,298		15,454,887	
c) employee severance fund	2,521,307		2,510,576	
d) pension and similar costs	514,396		528,296	
e) other costs	<u>1,663,104</u>	61,228,196	<u>1,370,240</u>	57,629,754
10) amortizations and depreciations:				
a) amortization of intangible fixed assets	157,079		288,135	
b) depreciation of tangible fixed assets	16,135,673		8,257,715	
d) devaluations of credits included under operating capital and cash assets	<u>626,532</u>	16,919,284	<u>111,770</u>	8,657,620
11) changes in inventories of raw and auxiliary materials, consumables and goods		- 6,328,285		- 1,114,064
12) provisions for risks		2,233,124		141,191
13) other provisions		1,740,251		5,021,125
14) other operating costs		<u>2,240,443</u>		<u>3,547,391</u>
Total production costs		- 371,862,130		- 361,954,129
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A-B)		25,525,981		-43,837,981
C) Financial revenues and expenses :				
15) income from equity investments:				
subsidiaries				
associates				
16) other financial income:				
a) from receivables booked under fixed assets				
other	140,680		138,697	
d) other income				
from subsidiaries	9,774		9,057	
from associates				
from subsidiaries of the parent company				
other	<u>351,972</u>	502,426	<u>356,638</u>	504,392
17) interest and other financial charges:				
to subsidiaries				
to associates				
to subsidiaries of the parent company	842,802		731,802	
other	<u>1,752,034</u>	- 2,594,837	<u>791,288</u>	- 1,523,090
17 - bis) profits and losses on exchange rates		610		71,405
Total financial income and expenses		- 2,091,801		- 947,292
D) Value adjustments of financial assets and liabilities:				
18) revaluations				
a) of equity investments				
d) of derivative financial instruments	<u>154,219</u>	154,219		
19) write-downs				
a) of equity investments				
d) of derivative financial instruments	<u>-10,548</u>	-10,548	<u>-390,863</u>	-390,863
Total value adjustments of financial assets and liabilities		143,671		-390,863
Pre-tax result		23,577,851		-45,176,137
20) taxes due on financial year income, current, deferred and prepaid taxes				
current taxes	- 6,816,910		8,477,303	
taxes concerning previous years	- 201,219		- 79,674	
deferred and prepaid taxes	- 765,386		3,071,551	
Total taxes due on financial year income, current, deferred and prepaid taxes		- 7,783,516		11,469,180
21) Financial year profits (losses)		15,794,335		-33,706,957

BALANCE SHEET

ASSETS

	31/12/2017		31/12/2016	
A) Receivables from shareholders for amounts unpaid				
B) Fixed Assets:				
I - Intangible Fixed Assets:				
1) Plant and development costs				
3) Industrial patents and intellectual property rights	71		138	
4) Concessions, licenses, trademarks and similar rights	78		94	
7) Others	25	174	43	275
II - Tangible Fixed Assets:				
1) Land and buildings	7,697		8,516	
2) Plant and machinery	73,079		16,230	
3) Industrial and commercial equipment	4,413		4,837	
4) Other assets	853		852	
5) Fixed assets under construction and advance payments	6,456	92,498	49,643	80,078
III - Financial Fixed Assets:	(*)		(*)	
1) Investments in:		5,392		5,392
a) subsidiaries	727		727	
b) associates	9		9	
d - bis) other companies	4,656		4,656	
2) Receivables:		3,559	45	3,776
a) from subsidiaries	1,800		2,154	
d) from subsidiaries of the parent company	4		4	
d - bis) from others	1,755		1,618	
4) Derivative financial instruments		8,951		9,168
TOTAL FIXED ASSETS (B)		101,623		89,521
C) Current Assets:				
I - Inventories:				
1) Raw and auxiliary materials and consumables:	14,338		8,010	
3) Orders being processed	197,240	211,578	185,242	193,252
II - Receivables:	(**)		(**)	
1) from customers	15,024		24,267	
2) from subsidiaries	2,183		6,046	
3) from associates	2,872		2,879	
4) from the parent company	4,082		13,969	
5) from subsidiaries of the parent company	23,232		26,289	
5 - bis) tax receivables	4,358		3,678	
5 - ter) prepaid taxes	4,732		5,521	
5 - quater) to others	10,054	66,537	11,042	93,691
III - Financial Assets not constituting fixed assets:				
5) derivative financial instruments				
6) other securities				
IV - Cash and cash equivalents:				
1) bank and postal deposits	1,796		3,215	
3) cash and cash equivalents	11	1,807	7	3,222
TOTAL CURRENT ASSETS (C)		279,922		290,165
D) Accrued expenses and other prepayments		5,990		6,376
TOTAL ASSETS		387,535		386,062

(*) Due within next financial year

(**) Due after next financial year

BALANCE SHEET

LIABILITIES

	31/12/2017	31/12/2016
A) Net equity:		
I - Capital	10,116	10,116
II - Share premium reserve	4,622	29,332
IV - Legal reserve	1,124	1,124
VI - Other reserves indicated separately:		
Reserve for unrealised gains on exchange rates		
Conversion reserve	-157	-355
Payments on account for capital increases		
VII - Reserve for transactions hedging flows for expected financial revenues	-22	-113
VIII - Profits (losses) carried forward		8,997
IX - Profits (losses) for the financial year	<u>15,794</u>	<u>-33,707</u>
	<u>31,477</u>	<u>15,394</u>
B) Provisions for risks and charges:		
2) For taxes, including deferred taxes	85	85
3) derivative financial instruments	283	539
4) others	<u>8,328</u>	<u>10,193</u>
	<u>8,696</u>	<u>10,817</u>
C) Employee severance fund	<u>4,127</u>	<u>4,300</u>
D) Payables:	(**)	(**)
4) payables to banks	<u>30,325</u>	<u>28,869</u>
4) payables to other creditors		
6) advance payments	44,741	42,355
7) payables to suppliers	107,199	133,146
9) payables to subsidiaries	5,219	8,573
10) payables to associates	180	216
11) payables to the parent company	230	296
11 - bis) payables to subsidiaries of the parent company	118,306	124,869
12) tax payables	1,364	2,371
13) payables to social security and welfare institutes	1,240	771
14) other payables	<u>9,370</u>	<u>9,564</u>
	<u>343,093</u>	<u>355,546</u>
E) Accrued expenses and other prepayments	<u>142</u>	<u>5</u>
TOTAL LIABILITIES	<u>387,535</u>	<u>386,062</u>

(*) Due within next financial year

(**) Due after next financial year

INCOME STATEMENT		2017	2016
A) Production value:			
1) revenue from sales and services	341,258		357,437
3) changes to work in progress on order	39,128		- 53,194
4) increases in fixed assets for internal work	3,916		4,679
5) other revenue and income	13,086		9,194
Total production value		397,388	318,116
B) Production costs :			
6) for raw and auxiliary materials, consumables and goods		122,742	106,668
7) for services		170,039	180,102
8) for use of third party assets		1,049	1,301
9) for staff			
a) salaries and wages	40,711		37,766
b) social security costs	15,818		15,455
c) employee severance fund	2,522		2,511
d) pension and similar costs	514		528
e) other costs	<u>1,663</u>	61,228	<u>1,370</u>
10) amortizations and depreciations:			57,630
a) amortization of intangible fixed assets	157		288
b) depreciation of tangible fixed assets	16,136		8,258
d) devaluations of credits included under operating capital and cash assets	<u>626</u>	16,919	<u>112</u>
11) changes in inventories of raw and auxiliary materials, consumables and goods		- 6,328	- 1,114
12) provisions for risks		2,233	141
13) other provisions		1,740	5,021
14) other operating costs	<u>- - 2,240</u>		<u>- - 3,547</u>
Total production costs		- 371,862	- 361,954
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A-B)		25,526	-43,838
C) Financial revenues and expenses :			
15) income from equity investments:			
subsidiaries			
associates			
16) other financial income:			
a) from receivables booked under fixed assets			
other	141		139
d) other income			
from subsidiaries	10		9
from associates			
from subsidiaries of the parent company			
other	<u>351</u>	502	<u>357</u>
17) interest and other financial charges:			505
to subsidiaries			
to associates			
to subsidiaries of the parent company	843		732
other	<u>1,752</u>	- 2,595	<u>791</u>
17 - bis) profits and losses on exchange rates		1	71
Total financial income and expenses		- 2,092	- 947
D) Value adjustments of financial assets and liabilities:			
18) revaluations			
a) of equity investments			
d) of derivative financial instruments	<u>154</u>	154	
19) write-downs			
a) of equity investments			
d) of derivative financial instruments	<u>-10</u>	-10	<u>-391</u>
Total value adjustments of financial assets and liabilities		144	-391
Pre-tax result		23,578	-45,176
20) taxes due on financial year income, current, deferred and prepaid taxes			
current taxes	- 6,817		8,477
taxes concerning previous years	- 201		- 80
deferred and prepaid taxes	- 766		3,072
Total taxes due on financial year income, current, deferred and prepaid taxes		- 7,784	11,469
21) Financial year profits (losses)		15,794	-33,707

Statement of Cash Flows

	2017	2016
A. Cash flow arising from operating activities (indirect method)		
Financial year profit (loss)	15,794	(33,707)
Income tax	7,784	(11,469)
Interest receivable/interest payable	2,092	948
Capital gains/losses arising from sale of assets	(129)	(360)
1. Financial year profit (loss) before tax, interest, dividends and capital gains/losses from sales of assets	25,541	(44,588)
Adjustment for non-cash items or which no counter-entry was made under net operating capital		
Provisions	4,070	5,278
Long term loss write down		
Fixed asset depreciation	16,293	8,546
Other adjustment of non-cash items	(256)	539
<i>Total adjustment of non-cash items</i>	<i>20,107</i>	<i>14,363</i>
2. Cash flow before ccn adjustments	45,648	(30,225)
Adjustment to net operating capital		
Inventory increase/decrease	(18,326)	28,190
Receivables from customers increase/decrease	14,769	8,577
Payables to suppliers increase/decrease	(26,942)	8,678
Accrued and deferred assets increase/decrease	386	(2,686)
Accrued and deferred liabilities increase/decrease	137	
Other adjustments to net operating capital	(1,728)	(3,120)
<i>Total adjustment of net operating capital</i>	<i>(31,704)</i>	<i>39,639</i>
3. Cash flow after ccn adjustment	13,944	9,414
Other adjustments		
Interest received (paid)	(1,481)	(920)
(Income tax paid)	4,285	(8,230)
Dividends received		
(Use of provisions)	(6,109)	(2,366)
<i>Total other adjustments</i>	<i>(3,305)</i>	<i>(11,516)</i>
Cash flow from operating activities (A)	10,639	(2,102)
B. Cash flow from investments		
Tangible fixed assets		
(Investments)	(29,060)	(39,187)
Realisable price of disposals	633	488
Intangible fixed assets		
(Investments)	(56)	(110)
Realisable price of disposals		
Financial fixed assets		
(Investments)		(931)
Realisable price of disposals	217	
Cash flow from investment activities (B)	(28,266)	(39,740)
C. Cash flow from financial activities		
Leaseholds		
Short-term bank payables and similar increase/(decrease)	6,212	12,756
Loans	10,579	20,060
Repayment of loans	(579)	
Own means		
Paid Increase in capital		
Transfer (Purchase of treasury shares)		
Dividends (advances on dividends paid)		
Cash flow from financial activities (C)	16,212	32,816
Increase in cash assets (A+B+C)	(1,415)	(9,026)
Cash assets as at 1 January	3,222	12,248
Cash assets as at 31 December	1,807	3,222

Explanatory Notes

– **Aspects of a General Nature**

As at December 31, 2017, Pavimental S.p.A. (hereinafter also the Company) has a capital of 10,116,452.45 Euros, with a number of shares amounting to 77,818,865 and is owned 59.40% by Atlantia S.p.A., 20% by Autostrade per l'Italia S.p.A., 20% by Aeroporti di Roma S.p.A. and 0.60% by Astaldi S.p.A..

The corporate purpose involves the undertaking, in Italy and abroad, and also together with third parties, of initiatives and activities of public and private interest, related to the execution of:

- 1) earthworks and any eventual related current type masonry and reinforced concrete works, demolitions and clearances;
- 2) civil, industrial and monumental works, complete with related and accessory installations and works, masonry works concerning complexes for energy production and distribution;
- 3) special reinforced concrete works;
- 4) road construction and surfacing, airport and railway related works;
- 5) surfacing using special materials;
- 6) hydraulic works, aqueducts, sewerage systems, irrigation systems and hydraulic defence and installation systems;
- 7) maritime works: construction of piers, basins, sidewalks, etc.; drainage works;
- 8) dams;
- 9) tunnels;
- 10) miscellaneous special works, special foundations; land stabilization works; site clearance, handling, collection, transport, storage, processing, recovery and disposal of special waste and special hazardous waste.

The Company has adhered to the Group fiscal taxation regime entitled “Consolidated Fiscal Regime”.

The Company, which owns holdings in subsidiary companies, has not prepared the consolidated financial statements, given that the presuppositions for exemption provided by art. 27, paragraph 3 of Legislative Decree 127/1991 are in place. The Group consolidated financial statements, which the Company and its subsidiaries are part of, will be prepared by Atlantia S.p.A., with headquarters in Via A. Nibby 20, Rome, and will be made public in the terms and methods provided by the laws in force.

– **Structure and contents of the annual financial statements**

The financial statements for the year closed on 31 December 2017 have been prepared according to the dispositions of the Civil code, as modified since 1 January 2016 by Legislative Decree 139/2015, which acknowledged European Directive no. 34/2014. The financial statements include the Balance Sheet prepared according to the scheme in art. 2424 of the Civil Code, the Income Statement prepared according to the scheme in art. 2425 of the Civil Code, the Statement of cash flows prepared according to that required by art. 2425 ter of the Civil Code, and these Explanatory Notes prepared according to the dispositions of art. 2427 of the Civil Code.

The financial statements have been prepared on the basis of the principle of continuity of the Company and respect the criterion of clarity, and provide a true and fair view of the asset and financial situation of the company and the economic result of the financial year.

No exceptional cases arose during the course of the financial year making recourse to the derogations of which in art. 2423, paragraph 5 of the Civil Code necessary.

The Balance Sheet and Income Statement are in Euros without decimal points, as per art. 2423, paragraph 6 of the Civil Code. Unless otherwise stated, the comments on the items in the Balance Sheet and Income Statement in these Explanatory Notes are expressed to the nearest thousand Euros.

The values in the aforementioned accounts tables include the corresponding values in the financial statements for the previous year closed on 31 December 2016, for comparative purposes pursuant to paragraph 5 of art. 2423 ter.

There is no equity allocated to a specific business transaction or loans allocated.

As regards the information on the business performance of the Company and the main events during the year, see that described in the Report on Management accompanying these financial statements. Details of the main events occurring after the closure of the financial statements are included in a specific paragraph in these notes.

As regards the operations undertaken with related parties, it should be noted that, pursuant to art. 2427, paragraph 22-bis of the Civil Code, no significant operations were undertaken during the course of the financial year which were not concluded under normal market conditions in terms of both “price” of the operations and of the motivation leading to the decision to undertake them.

It should be pointed out that, in respect of that established by art. 2497 bis, paragraph 4 of the Civil Code, the summary overview of the essential figures from the financial statements as at 31 December 2016 of Atlantia S.p.A. (last financial statements approved as of the date of preparation of these Explanatory Notes), a company which as of the date of these financial statements exercises management and coordination activities over Pavimental S.p.A., has been annexed to these Explanatory Notes.

– **Accounting Principles and criteria for assessment**

The accounting principles used in the preparation of the annual financial statements are those provided by arts. 2423-bis (principles for preparing the financial statements) and 2426 (criteria for assessment) of the Civil Code, interpreted and integrated by the accounting principles issued by the O.I.C. and reviewed in 2016 to take into account the new aspects introduced by the aforementioned Legislative Decree 139/2015 and amended in 2017.

Specifically, the following principles have been observed in preparing the financial statements:

- a) the items have been assessed with prudence and from a viewpoint of business continuity;
- b) the recording of the items has taken into account the substance of the transaction or contract in question;
- c) only the profits realized by the date of closure of the financial year have been stated;

- d) the income and costs concerning the financial year have been taken into account, independently of the date of receipt or payment;
- e) the risks and losses concerning the financial year have been taken into account, even if they became known after closure of the financial year;
- f) the heterogeneous elements of the single items have been assessed separately;
- g) the criteria for assessment have not been modified with respect to those used in the previous financial year.

No items have been compensated.

As regards the most significant items in the financial statements, the criteria for assessment applied by the Company are described below.

Fixed assets

As per art. 2424-bis of the Civil Code, the equity elements destined to be used durably have been recorded among the fixed assets.

The maintenance and repair costs of an incrementing nature are attributed to the assets they refer to and amortized in relation to the residual possibility of their use.

Intangible fixed assets

With the consent of the Board of Statutory Auditors and when required, the intangible fixed assets have been recorded at the purchase or production cost, including when directly attributable accessory costs are incurred, determined in compliance with art. 2426, no. 1 of the Civil Code and are systematically amortized in relation to the residual possibility of use and their expected economic utility.

Amortization varies from a minimum of three financial years to a maximum of twenty financial years, in relation to the circumstances of the costs capitalized.

The costs incurred for both the tender contracts awarded and those currently being awarded are attributed to the income statement for the financial year in which they are incurred, given

that they represent costs of a recurring nature required for the performance of ordinary business activities.

As regards the costs for the State concessions, the amortization rate is calculated on the basis of the duration of the concession.

The amortizations concerning the capitalization of industrial patents are calculated with reference to the twenty-year duration of the patent.

Lastly, as regards the costs capitalized for the purchase and implementation of the “ERP” and “STR” software, complete amortization is expected in 7 years, as of the date of their start-up.

The intangible fixed assets are depreciated whenever their value is found to be durably lower than the residual possibility of use. If during subsequent financial years the presuppositions for their depreciation are no longer in place, the original value is restored, adjusted for amortization only.

Tangible fixed assets

The tangible fixed assets are recorded at the cost of purchase, determined in compliance with art. 2426, no. 1 of the Civil Code. Should the conditions be in place, the cost also includes the increases for any eventual accessory costs directly attributable, in accordance with the provisions of the civil laws and accounting principles recalled previously.

There are no assets in the corporate equity for which monetary reassessments have been carried out in the past.

The tangible fixed assets in foreign currency are accounted at the exchange rate on the day on which the purchase operation was completed.

The cost, determined as above, of the tangible fixed assets the use of which is limited over time is systematically amortized in every financial year on the basis of the technical and economic rates described later on, deemed congruous in relation to the residual possibility of use of the asset in question. As regards the fixed assets that were exercised during the year, the amortization is calculated as of the date of their entry into function.

The ordinary maintenance and repair costs are charged to the Income Statement for the financial year in which they are incurred, while the enhancement and expansion costs are

recorded as an increase in value of the assets, should they imply an increase in the value of the asset or its useful lifetime.

Should the recoverable value, defined as the greater of the value of use or the fair value, of the tangible fixed assets be durably less than their accountable value, it is depreciated correspondingly and attributed to the income statement. The original value is restored when the reasons that led to depreciation are no longer in place.

The amortization of the Tangible Fixed Assets required for the construction of the Santa Lucia Tunnel, the main activity of the tender for the works for the expansion to three lanes - Lot 2 on the Barberino di Mugello - Florence North stretch of the Milan-Naples highway, is recorded in the financial statements on the basis of the linear distance excavated. Taking the specific nature of the activity carried out into account, this method of determining the amortizations is deemed functional to the remaining possibility of use linked to the “economic duration” of such special fixed assets, as disciplined by national accounting principle OIC 16. The amortization of the TBM is calculated net of the estimated residual value on completion of the works.

Financial fixed assets

The Holdings are recorded among the Fixed assets or the current assets according to whether their possession is deemed durable or not.

The holdings recorded under the Financial fixed assets are assessed at the cost of purchase or subscription; the holdings in foreign currency are recorded at the exchange rate at the time of their purchase or at the cost they were originally recorded at. The cost is reduced for durable losses in value should the holding in question have accrued losses, also of a currency nature, and there are not expected to be any profits in the immediate future of an entity such as to absorb the losses or if the profit-making prospects of the holding company do not allow the complete recovery of the value recorded. Any losses which exceed the value the holding was recorded at are allocated in a suitable fund in the liabilities. Should the presuppositions for the depreciations made no longer be in place, the original value is restored within the limits of the depreciations made, with effects on the income statement. Furthermore, a Fund for excessive

holding depreciations is also recorded among the Liabilities, to cover the additional costs that may be required for the management of the holdings.

Holdings are not subject to reassessment.

Any eventual dividends are accounted during the financial year in which the credit right arises, even if the date of payment has not yet been defined.

The receivables recorded among the Financial fixed assets are included in the financial statements according to amortized cost, if applicable.

Inventories and work in progress on contracts

On closure of the financial year, the Raw and auxiliary materials and consumables are assessed at the lesser of the purchase cost, determined using the “weighted average cost” method, and the realization value assumed on the basis of market performance.

The value of any eventual obsolete or slowly rotating assets is depreciated in relation to the expected future use or realization, by inclusion in a suitable adjustment fund in reduction of the value of the inventories themselves. The restoration of the original cost whenever the reasons which made the lowering of the market value necessary are no longer in place is accredited to the income statement.

The Work in progress on contracts refer to tenders that were still ongoing at the end of the financial year by force of contracts with the contractors for works not yet certified; they are recorded on the basis of the contractual payments accrued with reasonable certainty, calculated on the basis of the method of completion percentage and determined in relation to the physical progress of the works, gross of the advance payments received and net of the payments definitively charged.

The additional payments concerning increases in price, deriving from dispositions of the law or contractual clauses or greater costs incurred, which are being defined with the contractor, are determined and accounted within the limits of the amounts for which manifestation and quantification are reasonably certain.

The pre-operating costs are considered as tender costs; they are involved in the tender margin on the basis of the progress of the works determined in the methods provided for the application of the criterion of completion percentage.

If it is probable that the total estimated costs for a single tender will exceed the total estimated revenues, the probable loss for the completion of the tender is recorded as a decrease in the work in progress on contracts. If this loss exceeds the value of the work in progress, a suitable provision for risks is allocated for the excess losses.

Receivables

The receivables classified in the Current Assets are recorded in the financial statements according to the amortized cost, taking the time factor and presumed realization value into account. Should the effects of the application of the amortized cost criterion and/or actualization not be significant, the receivables are recorded in the financial statements at nominal value, taking the presumed realization value into account. The receivables are recorded in the financial statements net of the credit depreciation fund, allocated for receivables that are considered foreseeable on the date of the financial statements.

Provisions for risks and charges

The provisions for risks and charges are allocated to cover certain or probable losses or liabilities for which the amount or date of contingency is not determinable on closure of the financial year. The allocations reflect the best possible estimate on the basis of the elements available on the date of preparation of the financial statements. The risks for which the occurrence of a liability is merely possible are indicated, if significant, in the comments on the funds, without the need to allocate provisions for risks and charges.

Employee Severance Fund for Subordinate Employment

The employee severance fund for subordinate employment is determined in compliance with art. 2120 of the Civil Code, with regard to the regulatory modifications made in the meantime pursuant to and by effect of the discipline of Legislative Decree no. 252 dated 5 December 2005 and subsequent amendments and integrations. The amount recorded in the financial statements reflects the debt accrued at the end of the year to employees, net of advance payments made and replacement tax. This liability is reassessed by means of indices.

Following the approval of Law no. 296 dated 27 December 2006 (Reform of complementary social security) and subsequent decrees and regulations, the allocations accrued from 1 January 2007 recorded in the income statement as personnel costs, in fulfilment of the reform of complementary social security, are periodically paid to INPS and the complementary pension funds chosen by the dependent employees as of the chosen date; those accrued before this choice is made are charged to the Employee Severance Fund.

OIC 31 has clarified that the economic part of the INPS Treasury Fund and the complementary Social Security Fund must be included in the Employee Severance Fund (B.9.c).

Payables

Payables are recorded in the financial statements according to amortized cost, taking the time factor into account. Should the effects due to the application of the amortized cost criterion and/or the effect of the time factor not be significant, the payables are assessed at nominal value.

Receivables and Payables in foreign currency

The receivables and payables originally recorded in foreign currency are converted into Euros at the historical exchange rates on the date of the relevant transactions. The exchange rate differences that occur on receipt of the receivables and payment of the payables in foreign currency are included in the Income Statement.

The receivables and payables in currency other than the Euro, excluding the fixed assets, are recorded in the financial statements at the exchange rate applied by the Bank of Italy on the date of closure of the financial year.

The net exchange rate differences are attributed in the Income Statement to item C17 bis "Profits and losses on exchange rates". The eventual net profits on unrealized differences in exchange rates are allocated to a suitable reserve not distributable until realization, on approval of the financial statements.

The accounts of the permanent establishment in Poland are kept in local currency (PLN; Polish Zloty); the balances are converted at the average exchange rate for the period for the

income statements and at the exchange rate on the day for the balance sheets and aggregated to those of the parent company.

The exchange rate differences resulting from the recording of the items between the parent company and the Polish branch are included in a Net Equity reserve.

Derivative financial instruments

The derivative financial instruments are recorded at fair value, even if they are incorporated in other financial instruments. The changes in fair value are attributed to the income statement or, if the instrument hedges the risk of the financial flows expected of another financial instrument or scheduled transaction, directly to a positive or negative net equity reserve. This reserve is attributed to the income statement to the extent and in the times corresponding to the occurrence of changes to the cash flows of the instrument hedged or when the transaction being hedged occurs. The elements being hedged against the risk of changes in interest rate or exchange rate or market prices or against the credit risk are assessed symmetrically with the hedging derivative instrument.

Hedging is deemed to exist in the presence, from the start of a close and documented correlation between the characteristics of the instrument or hedged transaction and those of the hedging instrument.

Cash and cash equivalents

The cash and cash equivalents represent the balance of bank accounts and the available cash and the amounts effectively available on closure of the financial statements are recorded.

Accrued Income and Deferred Liabilities

The accrued income and deferred liabilities are determined according to the criterion of economic and temporal competence, so as to attribute to the financial year the quota of income and costs common to two or more financial years.

Taxes

The income tax for the financial year is determined on the basis of a realistic forecast of the tax costs to be paid, in application of the fiscal laws and regulations in force.

As of the 2009 fiscal year, Pavimental has adhered to the National Consolidated Fiscal system of Atlantia S.p.A. on a non-continuous basis and did so again for 2015 – 2017, defining all the reciprocal relations and responsibilities (so-called “Regulation”). The Regulation signed by the parties provides for the total recognition of the amount corresponding to the product of the IRES rate and the losses or profits transferred, and the transfer of any eventual tax receivables. Consequently, the equity relations concerning the current IRES fiscal regime are classified in the financial statements under Receivables from the Parent Company or Payables to the Parent Company.

The recording of current and deferred IRAP tax remains unchanged. The payables for IRAP tax are recorded in the Balance Sheet under the item Tax payables, net of any advance payments made, or under the item Tax receivables, if the balance is positive.

Also, in fulfilment of article 2424 of the Civil Code, as modified by Legislative Decree 6/2003, the advance taxes are indicated separately in the financial statements (net of deferred taxes that can be compensated).

The advance and deferred income tax, commensurate to the temporary differences between the ordinary values recorded among the assets and liabilities in the financial statements and the corresponding fiscally significant values, and also eventual backdated fiscal losses, are recorded on the basis of the fiscal rates known – on the date of the financial statements – for the financial years in which they will occur and the company makes accounting adjustments to the allocations on the basis of the new rates if the circumstances arise.

The deferred taxes deriving from income components for which deferred taxation is applied are recorded if there is a founded probability that the relevant debt will arise; the counterparty to them is the Fund for taxes, including deferred.

The future tax benefits deriving from fiscal losses brought forward or income components for which deferred deduction is applicable are only recorded if their future realization is reasonably certain and are recorded in the current assets under Advance taxes.

Revenues and Costs

The revenues from production, other revenues and income and costs and charges have been recorded in application of the principle of economic and temporal competence and prudence.

In particular, the revenues deriving from tenders are accounted on the basis of the contractual payments accruing with reasonable certainty, calculated according to the completion percentage and determined in relation to the physical progress of the works.

BALANCE SHEET

(values as at 31 December 2016 in brackets)

Balance Sheet - Assets

€387,535 thousand (386,062)

Fixed assets

€101,623 thousand (89,521)

Intangible Fixed Assets

€174 thousand (275)

This item shows a net decrease of €101 thousand compared to the previous financial year, in relation to the combined effect of the following factors:

- decrease by effect of the financial year depreciation amounting to €157 thousand;
- increase by effect of new investments in software and software licences totalling €56 thousand, mainly due to the development of web applications for the management of refuelling and tracking of the vehicle fleet.

The tangible fixed assets were not reassessed or depreciated, as the presuppositions for doing so were not in place.

The changes to the item in question are analytically represented in the following table:

€ thousands									
	31.12.16			Changes in the current financial year			31.12.17		
	Cost	Amortisations	Net value	Investments	Reclassification	Amortisations	Cost	Amortisations	Net value
. Concessions, licenses, trademarks and similar rights:									
- Software licenses	424	411	13	8		10	432	421	11
- Concessions state property	808	727	81			14	808	741	67
. Patents and property rights and rights of use									
- Software:	3,464	3,334	130	48		114	3,512	3,448	64
- patent rights industrial property rights and rights of use	18	11	7				18	11	7
. Other:									
- construction sites and offices improvement	624	580	44			19	624	599	25
	<u>5,338</u>	<u>5,063</u>	<u>275</u>	<u>56</u>		<u>157</u>	<u>5,394</u>	<u>5,220</u>	<u>174</u>

Tangible Fixed Assets

€92,498 thousand (80,078)

The increase in value of the tangible fixed assets, amounting to €12,420 thousand, derives prevalently from the combined effect of the following factors:

- increase deriving from the new investments made by the Company, amounting to €29,060 thousand, according to that illustrated in the “Investments” chapter of the Report on Management, which see;
- decrease of €504 thousand, due to withdrawals from use and disposals net of the relevant amortization funds and exchange rate differences;
- financial year amortizations amounting to €16,136 thousand.

The excavations using the TBM-EPB were started in May for the construction of the Santa Lucia tunnel, the predominant activity of the Barberino Lot 2 tender.

The TBM and other investments required for the excavations are therefore operational and the amortization process has started. This amortization is attributed to the income statement of the Company on the basis of the linear distance excavated.

The following is a summary of the movements that occurred during the financial year:

€ thousands															
	31.12.16			Changes in the current financial year								31.12.17			
				Historical Cost					Accumulated depreciation						
	Cost	Provision	Net value	Investments	Reclassification	Disposals	Diff. Exchange	Tot.	Depreciated	Disposals	Diff. Exchange	Tot.	Cost	Provision	Net value
Industrial land and Industrial buildings	17,712	9,196	8,516	425	13	(121)	4	321	1,243	(107)	4	1,140	18,033	10,336	7,697
Plant and Machinery	79,539	63,309	16,230	21,316	48,445	(2,685)	3	67,079	12,798	(2,571)	3	10,230	146,618	73,539	73,079
Industrial and commercial tools and equipment	31,948	27,111	4,837	1,072	336	(1,313)		95	1,773	(1,254)		519	32,043	27,630	4,413
Other	6,225	5,373	852	264	62	(65)	1	262	322	(62)	1	261	6,487	5,634	853
Fixed assets in progress and advances	49,643		49,643	5,983	(48,856)	(314)		(43,187)					6,456		6,456
	185,067	104,989	80,078	29,060		(4,498)	8	24,570	16,136	(3,994)	8	12,150	209,637	117,139	92,498

It must be pointed out that the tangible fixed assets ongoing as at 31 December 2017 are not encumbered by mortgages, privileges or other real guarantees limiting their availability to the Company.

Financial Fixed Assets

€8,951 thousand (9,168)

For comments on the performance of the activities of the holding companies during the course of 2017, see that stated in the Report on Management in the paragraph entitled Holding companies and consortiums.

The item in question includes:

Holdings in subsidiary companies

€ 727 thousand (727)

€ thousands	Book value	Provision for depreciation	Financial statements value
- Pavimental Est (in liquidation)	1,563	1,563	
- Pavimental Polska	713		713
- Consorzio Elmas (in liquidation)	6		6
- Co.Im.A. Consortium	8		8
	<u>2,290</u>	<u>1,563</u>	<u>727</u>

Pavimental Est in receivership, the book value, €1,563 thousand, which amounts to 100% of the Share Capital, had already been completely amortized as of the financial statements closed on 31 December 1998. The excess holding depreciation fund in the liabilities includes €343 thousand to cover the further estimated losses, also in consideration of the receivership of the Company.

Pavimental S.p.A. is the sole owner of holdings in Pavimental Polska; the value of the holding amounts to €713 thousand. 2017 closed with net losses of 2.8 million PLN (approximately € 0.7 million); this result has brought the net equity of the Company to 12.8 million PLN (approximately €3 million).

The limited liability consortium company Co.Im.A. (Category I General Contractor) has the purpose of realizing public works and infrastructures.

The consortium company owns 29.7% of the holdings in the capital of SAT LAVORI S.c.a.r.l., a Company incorporated for the construction and completion of the Livorno – Civitavecchia stretch of the A12 highway.

Holdings in associates

€ 9 thousand (9)

These concern:

€ thousands	□ Book value	□ Provision for depreciation	□ Financial statements value
- Consorzio Galileo (in liquidation)	4		4
- Consorzio R.F.C.C. (in liquidation)	155	155	
- Consorzio Ramonti (in liquidation)	5		5
	<u>164</u>	<u>155</u>	<u>9</u>

The holding in Consorzio R.F.C.C. in receivership, recorded for €155 thousand and entirely depreciated, which is representative of 30% of the consortium fund. €3,162 thousand has been allocated to a specific Excess holding depreciation fund to cover the estimated losses of the Consortium, as regards the quota that is the competence of the Company.

The allocation takes into account the losses of the Consortium as at 31 December 2016 and other liabilities that may derive from the receivership proceedings.

The allocations made also prudentially take into account the negative effects that may derive from an unfavourable settlement of the ongoing disputes, for an update on which see the Report on Management.

Holdings in other companies

€ 4,656 thousand (4,656)

The TE, incorporated on 14 January 2009, is the project concessionary company for the design, realization and management of the External Eastern Bypass in Milan.

On June 11, 2012, the EPC contract was signed for the awarding of the works on the part of the TE to the general contractor Co.Co.TEEM.

The realization of the connected works provided in the concession contract have been completed in 2017.

Lastly, the consortium company Lambro is involved in the execution of the works awarded to the components of Group A of the Consorzio Costruttori TEEM.

€ thousands			
	Book value	Provision for depreciation	Financial statements value
- Tangenziale Esterna S.p.A.	4,649		4,649
- Consorzio Costruttori TEEM *			
- Consorzio Lambro	6		6
- Consorzio Autostrade Italiane Energia	1		1
	<u>4,656</u>		<u>4,656</u>

* Book value € 100

Consorzio Miteco in receivership, the book value of which was €130, was cancelled by the Companies Register on 1 February 2017.

The following is an illustration of the movements in all the items representative of the holdings owned in subsidiary, associate and other companies:

€ thousands												
31.12.2016				Changes in the current financial year					31.12.2017			
Cost	valuation	valuation	value in fin.stat	Purchase	Revaluation (ex. Art. 2426. 4 cc)	classification	valuation	Liq.	Cost	valuation	valuation	value in fin.stat
Investments in Subsidiaries:												
Pavimental Est (in liquidation)	1,563	(1,563)							1,563	(1,563)		
Pavimental Polska Sp. Zo.o.	713		713						713			713
Consorzio Elmas in liquidation	6		6						6			6
Consorzio "Co.Im.A."	8		8						8			8
	<u>2,290</u>	<u>(1,563)</u>	<u>727</u>						<u>2,290</u>	<u>(1,563)</u>		<u>727</u>
Investments in Associates:												
Consorzio R.F.C.C. in liquidation	155	(155)							155	(155)		
Consorzio Galileo in liquidation	4		4						4			4
Consorzio Ramonti in liquidation	5		5						5			5
	<u>164</u>	<u>(155)</u>	<u>9</u>						<u>164</u>	<u>(155)</u>		<u>9</u>
Investments in Other Companies:												
- Tangenziale Esterna S.p.A.	4,649		4,649						4,649			4,649
- Consorzio Lambro	6		6						6			6
- Consorzio Costruttori TEEM *												
- Consorzio Autostrade Italiane Energia	1		1						1			1
	<u>4,656</u>		<u>4,656</u>						<u>4,656</u>			<u>4,656</u>
Totale	<u>7,110</u>	<u>(1,718)</u>	<u>5,392</u>						<u>7,110</u>	<u>(1,718)</u>		<u>5,392</u>

* Book value € 100

The following table contains the summary figures concerning the holdings in subsidiary, related and other companies:

Name	Head Office	Capital in foreign currency	Capital in Euros	Loss/profit in foreign currency	Loss/profit in Euros	Net worth in foreign currency	Net assets in Euros	Shareholding %	Corresp. Financial Statement NA	Book value (B)	Excess (B - A)
Subsidiaries											
Pavimental Est (in liquidation)	Moscow	Rub. 4,200,000	65,300	Rub. 2,309,000	35,900	Rub. (30,067,000)	(467,600)	100	(467,600)		(467,600) *
Pavimental Polska Sp. Zo.o.	Warsaw	Pln. 3,000,000	680,100	Pln. 3,466,499	785,855	Pln. 8,622,533	1,954,728	100	1,954,728	713,222	1,241,506
Consorzio Elmas (in liquidation)	Rome		10,000				10,000	60	6,000	6,000	
Consorzio Co.Im.A.	Rome		10,000				10,000	75	7,500	7,500	
									1,500,628	726,722	773,906
Associates:											
Consorzio R.F.C.C (in liquidation)	Tortona		510,000		(386,714)		(8,080,929)	30	(2,424,279)		(2,424,279) **
Consorzio Galileo (in liquidation)	Todi (PG)		10,000					40	4,000	4,000	
Consorzio Ramonti (in liquidation)	Tortona		10,000					49	4,900	4,900	
									(2,415,379)	8,900	(2,424,279)
Other Holding Companies:											
Tangenziale Esterna	Milan		464,945,000		(36,290,866)		354,746,081	1	3,547,461	4,649,450	(1,101,989) ***
Consorzio Costruttori TEEM	Milan		10,000				10,000	1	100	100	
Consorzio Lambro	Milan		200,000				200,000	2.78	5,560	5,560	
									3,553,121	4,655,110	(1,101,989)
Note: (*) The excess, adjusted through waiver of Pavimental receivables booked in previous years, was fully covered by the "Investment devaluation surplus fund" under liabilities. (**) The surplus is entirely covered by the "investments devaluation surplus Fund" under liabilities. (***) The Financial Statements data refers to the last approved accounts. The accumulated losses are considered recoverable.											

Other receivables

€ 3,559 thousand (3,776)

This item is constituted by receivables for security deposits paid to the subsidiary Pavimental Polska (as work guarantees) for € 1,800 thousand, to third parties for the connection of electricity and telephone utilities and rents due (€234 thousand) and loans to employees (€42 thousand).

The item also includes that paid out during 2015 in fulfilment of the dispositions of the Shareholder Loan Contract signed with Tangenziale Esterna S.p.A. and amounting to €1,150 thousand. The medium/long-term loan is interest bearing, at a rate of 12.06%. The interest due will be reimbursed from 2021 onwards.

Current Assets**€279,922 thousand (290,165)****Inventories****€211,578 thousand (193,252)***Raw and auxiliary materials and consumables**€ 14,338 thousand (8,010)*

These are the final inventories of materials, amounting to €13,662 thousand, constituted by:

€ thousands	31.12.2017	31.12.2016
- Aggregates and cement	1,826	1,551
- Spare parts machinery and equipment	357	182
- Prefabricated and brick	1,669	1,276
- Steel, laminates and profiles	2,600	2,156
- Bitumen, fuels and lubricants	961	683
- Other materials	6,249	1,486
	<u>13,662</u>	<u>7,334</u>

The increase in the item in question is a result of the operating and procurement requirements for the construction of the Santa Lucia tunnel and the construction of airport infrastructures.

The item in question also includes land located in Magliana locality and up for sale (€676 thousand), as deliberated by the Board of Directors of the Company.

The inventories are assessed at the “average weighted cost of purchase”, is lower than the market value. Lastly, it must be pointed out that the final inventories of materials ongoing as at 31 December 2017 are not encumbered by mortgages, privileges or other real guarantees limiting their availability to the Company.

Work in progress on contracts

€ 197,240 thousand (185,242)

This item expresses the amount as at 31 December 2017 of the works carried out and not yet certified by Status of Progress of Works; this amount has been determined according to the “method of physical measurements”, on the basis of the payments agreed and additional ones already recognized or that are reasonably certain to be recognized according to the criteria described previously in the paragraph on the Criteria for Assessment.

The requests for additional payments with the Contractor ASPI amounted to € 24,744 thousand as at 31 December 2017.

With regard to this amount, the signing of a Settlement Agreement in December 2017 has led to the definition of reserves amounting to €19,794 thousand recorded in previous financial years.

Additional payments with the Contractor ASPI totalling €13,116 thousand (recorded in previous financial years and concerning completed tenders) were billed during the course of the year,

For the overall assessment of the item in question, it should be noted that the application in 2016 of the definitive discounts notified by the Ministry of Infrastructures and Transport on the 3 Lots for the Barberino di Mugello - Incisa di Valdarno expansion to three lanes in the stretch Barberino di Mugello - Florence North rather than the provisional contractual ones had a negative impact on production of €53,891 thousand. Contrarily, production in 2017 reflects the finalization of a Transaction Agreement in which Autostrade per l'Italia recognized to Pavimental €28,153 thousand to settle and annul all claims, demands and reserves related to these circumstances.

In equity terms, this last circumstance, in addition to being reflected on the assessment of the work in progress on contracts, has determined the reclassification on 31 December 2016 of the negative balances of the inventories from the work in progress to the Advance payments in the liabilities for €23,925 thousand.

The breakdown of the inventories for works in progress is contained in the following table:

€ thousands	31.12.2017	31.12.2016
- Maintenance of resurfacing (ASPI)	37,378	21,553
- Infrastructure projects (ASPI)	115,904	120,700
- Other highway works (ASPI)	29,058	29,688
- Airport works (ADR)	10,627	8,766
- Airport works (other contractors)	125	125
- Other works (other contractors)	5,941	9,488
- Pre-operating costs	3,940	5,373
- Provisions for losses on multi-year projects	(5,733)	(10,452)
	<u>197,240</u>	<u>185,242</u>

The following is a breakdown of the inventories by tender:

INVENTORIES					
Description	31 .12.2016	Changes in the current financial year			31 .12.2017
		Increases (+) Reductions (-)	Writedowns (-) Value adjustment (+)	Provision (-)	
Raw and auxiliary materials and consumables	7,334	6,328			13,662
Land held for sale	676				676
	8,010	6,328			14,338
Ordered works in Progress					
Loss on multi-year jobs provision	(10,452)	6,552		(1,833)	(5,733)
Autostrade per l'Italia works:					
Maintenance - Paving	21,554	15,824			37,378
Sound Barriers	21,914	(69)			21,845
Roadside barriers	3,042	(564)			2,478
Other works	4,459	276			4,735
Other infrastructures	922	(788)			134
Adriatica A14 various Lots	11,408	988			12,396
Expansion to 5 lanes A8 Milan Laghi	3,738	(3,056)			682
SP 46 Paderno Rho - Nuovo Polo Fieristico stretch	3,281	(704)			2,577
Expansion to 3 lanes A9 Lainate Como	12,589	(11,480)			1,109
Other Infrastructures North Area	2,432	(2,285)			147
Expansion to 4 lanes A4	6,872	7,165			14,037
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 0	19,824	(6,811)			13,013
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 1	6,552	16,897			23,449
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 2	3,900	14,063			17,963
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 13	2,523	(1,836)			687
La Certosa Infrastructures	3,705	(1,640)			2,065
Service Stations	261	100			361
Padova infrastructures	209				209
Junctions	106				106
Crespellano Infrastructures	4,488	(3,183)			1,305
Foggia Infrastructures	440	(389)			51
San Benigno Lot 1	3,778	(2,588)			1,190
Completion of Pass Variant Lots 9-11-12	13,492	(8,276)			5,216
Florence North Florence South Section B	16,250	(13,652)			2,598
Florence North Florence South Section C	3,415	(1,717)			1,698
Compensatory works Fano		4,285			4,285
Borgonuovo junction	185	5,040			5,225
Florence South Incisa Lot 1	512	4,889			5,401
Stalexport Autostrada Malopolska	549	(389)			160
Società Autostrada Tirrenica S.p.A.	546	(546)			
Società Autostrade Meridionali S.p.A.	3,523	(2,575)			948
Tangenziale di Napoli S.p.A.	665	(560)			105
Aeroporti di Roma S.p.A.	8,767	1,860			10,627
Consorzio Co.Co.TEEM	339	(152)			187
Consorzio Lambro	217	(113)			104
Consorzio Co.Im.A.	2,630	839			3,469
Torino - Savona S.p.A.	(7)	7			
Todini	80	(80)			
Other highway and road works	1,035	(67)			968
Cagliari airport	5				5
Ciampino airport	6				6
Fiumicino airport	14				14
Other airport works	101	(1)			100
Pre-operating costs	5,373	(1,433)			3,940
	185,242	13,831		(1,833)	197,240
Total inventories	193,252	20,159		(1,833)	211,578

The increase of €11,998 thousand in works in progress on contracts compared to the previous year is therefore mainly attributable to:

- the net increase in inventories of the Lots for the expansion to three lanes of the Barberino di Mugello - Florence North stretch totalling €22,313 thousand following that described previously and as a result of the entry into operation of the activities of the main infrastructure in the portfolio, Lot 2 of this stretch;
- the increase in inventories for works in progress concerning maintenance activities for €15,824 thousand. The inventories in question include the production completed in the last 4 months of 2017, whereas only production completed as at 31 October had been billed as at 31 December 2016. The Sal for works as at 31 October 2017 was billed in January 2018;
- the increase in inventories for new infrastructure works awarded by ASPI, for €14,214 thousand;

These changes are partially compensated by:

- the decrease in activities concerning other infrastructure tenders in Tuscany (€23,645 thousand) and other tenders (junctions and other for €5,771 thousand) being completed following the billing of production recorded in previous financial years;
- the decrease in inventories of infrastructure tenders in the North following the billing of production recorded in previous financial years, partially compensated by the inclusion of activities for the expansion to four lanes of the A4 highway (€10,360 thousand).

It should also be noted that as at 31 December 2017, the Company had released funds to cover future losses allocated in previous financial years totalling €6,552 thousand.

Funds were also allocated in 2017 to cover future losses, totalling €1,833 thousand.

Lastly, the Company released to the income statement €1,433 thousand in pre-operating costs concerning ongoing infrastructure tenders suspended in previous years in the value of the inventories.

Receivables

€66,537 thousand (93,691)

The following is the representation by category and by geographical area of the receivables included in the item in question:

€ thousands						
	31.12.2017			31.12.2016		
	Italy	Abroad	Total	Italy	Abroad	Total
Receivables:						
- From customers	15,021	3	15,024	24,267		24,267
- From subsidiaries	1,352	831	2,183	5,900	146	6,046
- From associates	2,872		2,872	2,879		2,879
- From the parent company	4,082		4,082	13,969		13,969
- From subsidiaries of the parent company	21,732	1,500	23,232	24,881	1,408	26,289
- Tax-related	4,320	38	4,358	3,667	11	3,678
- Prepaid taxes	4,732		4,732	5,521		5,521
- From others	10,054		10,054	11,042		11,042
	<u>64,165</u>	<u>2,372</u>	<u>66,537</u>	<u>92,126</u>	<u>1,565</u>	<u>93,691</u>

The movement is attributable to that described hereafter.

Receivables from customers

€ 15,024 thousand

(24,267)

The breakdown of this item is illustrated in the following table:

€ thousands			
		31.12.2017	31.12.2016
Receivables from contractors:			
- Payments billed for works awarded		9,894	18,855
- Payments to be billed on completion of works		552	793
Receivables from customers:			
- Payments billed		10,940	11,006
- Payments to be billed		107	82
		<u>21,493</u>	<u>30,736</u>
Bad debt provision		(6,469)	(6,469)
Total Receivables from Customers		<u>15,024</u>	<u>24,267</u>

The decrease of €9,243 thousand in receivables from customers is a result of the amounts received from third party contractors.

The receivables from customers include receivables from Adriatica S.c.a.r.l. in composition with creditors for €5,679 thousand. Supported by the opinion of its legal consultants, the Company, on the basis of the available elements, believes that some of the amounts recorded in the financial statements are recoverable.

This item includes the receivables from the highway concessionary Autostrade Centro Padane S.p.A. for €7,287 thousand; these receivables are 50% guaranteed by a pledge of real estate properties owned by the concessionary and accrue interest on the basis of a bank loan and is located in the same plan of receipt of the institutes granting the bank loan to Autostrade Centro Padane S.p.A..

There were no movements in the credit depreciation fund during the year:

€ thousands					
		31.12.16	Allocation	Used/Released	31.12.17
Provision for bad debts from customers		6,469			6,469
		<u>6,469</u>			<u>6,469</u>

This item acknowledges the assessment made by the Company Directors, supported by internal and external legal opinions, as regards the recoverability of receivables due.

Receivables from subsidiary companies

€ 2,183 thousand (6,046)

The details of this item are as follows:

€ thousands	31.12.2017	31.12.2016
Trade Receivables from:		
- Consorzio Co.Im.A.	(248)	2,016
- Pavimental Polska	10	216
- Consorzio Elmas (in liquidation)	550	550
Financial Receivables from:		
- Pavimental Est (in liquidation)	418	457
- Consorzio Co.Im.A.	20	20
- Pavimental Polska	472	1,826
- Consorzio Elmas (in liquidation)	1,030	1,030
	<u>2,252</u>	<u>6,115</u>
Bad debt provision	(69)	(69)
Total Receivables from Subsidiaries	<u>2,183</u>	<u>6,046</u>

The activities of Co.Im.A S.c.a.r.l. concerning the construction and completion of the Livorno - Civitavecchia stretch of the A12 highway by the consortium SAT Lavori in receivership have been completed.

Receivables from related companies

€ 2,872 thousand (2,879)

The details of this item are as follows:

€ thousands			
		31.12.2017	31.12.2016
Trade Receivables from:			
- Consozio R.F.C.C. (in liquidation)		124	124
- Consozio Galileo (in liquidation)		195	195
- Consozio Ramonti (in liquidation)		155	162
Financial Receivables from:			
- Consozio R.F.C.C. (in liquidation)		2,291	2,291
- Consozio Trinacria (in liquidation)		107	107
		<u>2,872</u>	<u>2,879</u>
Bad debt provision			
Total Receivables from Associates		<u>2,872</u>	<u>2,879</u>

Receivables from parent companies

€ 4,082 thousand (13,969)

The breakdown of this item is illustrated in the following table:

€ thousands			
		31.12.2017	31.12.2016
Receivables from Atlantia S.p.A. :			
- Advance payments		179	171
- Receivables for adhesion to consolidated fiscal system		3,903	13,798
Total Receivables from the Parent Company		<u>4,082</u>	<u>13,969</u>

The decrease recorded is attributable to both the receipt (€4,258 thousand) of a quota of the receivables for the transfer of the fiscal loss recorded in 2016 due to adhesion to the Group fiscal consolidated regime and the compensation of part of the receivables with payables for IRES tax due in 2017.

The item includes the receivables claimable from Atlantia S.p.A. concerning the claim for reimbursement of the sums for the deductibility of IRAP on the IRES taxable base for the years of adhesion to the fiscal consolidated regime and transferred to the latter during the definition of the items concerning the consolidated fiscal regime (€951 thousand).

Receivables from subsidiaries of the parent companies € 23,232 thousand (26,289)

This item includes the receivables of a trade nature from other companies in the Group.
The details of this item are illustrated below:

€ thousands		
	31.12.2017	31.12.2016
Trade Receivables		
- Payments billed for works awarded	19,367	22,540
- Payments to be billed on completion of works	2,673	2,778
Advance payments	2,367	2,120
Sundry Receivables	9	35
	<u>24,416</u>	<u>27,473</u>
Bad debt provision	(1,184)	(1,184)
Total Receivables from Subsidiaries of the Parent Company	<u>23,232</u>	<u>26,289</u>

The decrease of €3,057 thousand in the item in question is due to the combined effect of:

- the decrease in receivables from ADR due to the dynamics of the receipt of the amounts for the works carried out (€10,433 thousand);
- the decrease in receivables from Società Autostrade Tirrenica (€3,088 thousand). With regard to the relations with SAT, the recourse by the latter before the Lazio TAR to obtain the annulment of the note by which the MIT notified the value of the definitive discount for the works awarded to Pavimental is still pending;
- the increase in receivables from ASPI (€8,932 thousand) due to the dynamics of billing and receipt in November and December.

Tax receivables

€ 4,358 thousand (3,678)

The composition of the aforementioned receivables is illustrated in the following table:

€ thousands	31.12.2017	31.12.2016
Receivables from the State for:		
- VAT	2,664	11
- Tax paid overseas	38	
- Ires	848	848
- Irap		1,301
- Other	1,106	1,518
	<u>4,656</u>	<u>3,678</u>
Bad debt provision	(298)	
Total Tax Receivables	<u>4,358</u>	<u>3,678</u>

In the item in question, it must be highlighted that the Company, supported by the opinion of the external legal consultant assisting it in managing the requests for the recovery of excises on all oil and natural gas products, allocated in the 2017 financial statements a depreciation fund for receivables involved in disputes of uncertain outcome.

Prepaid taxes

€ 4,732 thousand (5,521)

The composition of the aforementioned receivables is illustrated in the following table:

COMPOSITION OF PREPAID TAXES						
Description	31.12.17			31.12.16		
	Temporary differences	Rate applied	Prepaid tax	Temporary differences	Rate applied	Prepaid tax
Allocation to taxed funds						
Provision for risks and charges:						
- losses on multi-year contracts	5,761	24.00%	1,383	14,959	24.00%	3,590
- pending lawsuits	3,022	24.00%	726	1,003	24.00%	241
- environmental recovery	50	24.00%	12	50	24.00%	12
- contract costs	1,740	24.00%	418	1,137	24.00%	273
Fiscal effects of derivative instruments	61	24.00%	15	539	24.00%	129
Board of Directors fees	342	24.00%	82	340	24.00%	82
Cost of exchange rate from evaluation	332	24.00%	80	293	24.00%	70
Provision for bad debts from customers	4,684	24.00%	1,124	4,684	24.00%	1,124
Amortizations deductible in future years	3,718	24.00%	892			
Balance	19,710		4,732	23,005		5,521

The prepaid taxes, recorded for the amount for which there is a presupposition for reasonably certain recoverability in the financial years they will be claimable in, concern the temporal differences used for taxation principally concerning the allocations made to the credit depreciation fund, the fund for losses on multi-annual contracts and amortizations deductible in future years.

From others: from other creditors

€ 10,054 thousand (11,042)

This item is composed of the following:

€ thousands	31.12.2017	31.12.2016
- Receivables from social security and welfare institutes		
- Receivables from personnel	10	39
- Advance payments to suppliers and subcontractors	6,056	9,455
- Receivables from insurance companies	608	604
- Receivables from disputes with suppliers	346	346
- Other	3,492	727
	<u>10,512</u>	<u>11,171</u>
Provision for bad debts from others	(458)	(129)
Total Receivables from Others	<u>10,054</u>	<u>11,042</u>

In the 2017 financial statements, the Company increased the depreciation fund for other stranded receivables and those difficult to recover (€329 thousand).

Cash and cash equivalents

€1,807 thousand (3,222)

These are constituted by bank deposits amounting to €1,796 thousand and cash and values on hand amounting to €11 thousand. There are no cash funds or bank accounts in Italy or abroad that are bound or subject to restrictions and duration limits.

Accrued income and deferred liabilities

€5,990 thousand (6,376)

These include exclusively accrued income for payments made in advance, the details of which are in the table below:

€ thousands	31.12.2017	31.12.2016
- Rent due in subsequent years already paid	12	13
- Insurance premiums for policies taken out during the year valid for the next and subsequent years	5,891	6,279
- Other costs related to the following financial year for rents, CED, road taxes, state concessions etc.	87	84
	<u>5,990</u>	<u>6,376</u>

The tables below describe the receivables on the basis of expiry and nature, and also currency or exchange rate risk.

There are no accrued income and deferred liabilities with a duration in excess of five years.

LOANS BY MATURITY AND TYPE								
Descrizione	31.12.17				31.12.16			
	Matured amounts				Matured amounts			
	Within following FY	From 2nd to 5th following FY	Beyond 5th FY	Total	Within following FY	From 2nd to 5th following FY	Beyond 5th FY	Total
Receivables in the Financial Fixed Assets								
Security Deposits:								
From subsidiaries		1,800		1,800		2,153		2,153
From subsidiaries of the parent company		4		4		4		4
From others		1,755		1,755	45	1,574		1,619
		3,559		3,559	45	3,731		3,776
Receivables in the Operating Capital								
Financial receivables:								
From subsidiaries	1,940			1,940	3,333			3,333
From associates	2,398			2,398	2,398			2,398
From parent company								
	4,338			4,338	5,731			5,731
Trade Receivables								
From customers	15,024			15,024	24,267			24,267
From subsidiaries	243			243	2,713			2,713
From associates	474			474	481			481
From parent company	179			179	171			171
From subsidiaries of the parent company	23,232			23,232	26,289			26,289
	39,152			39,152	53,921			53,921
Other Receivables								
Tax-related	4,358			4,358	3,678			3,678
Prepaid Taxes	502	4,230		4,732	2,435	3,086		5,521
From parent company	3,903			3,903	13,798			13,798
From others:								
Insurance companies	608			608	604			604
Suppliers	6,056			6,056	9,455			9,455
Other	3,390			3,390	983			983
	18,817	4,230		23,047	30,953	3,086		34,039
Total Receivables	62,307	7,789		70,096	90,650	6,817		97,467

LOANS AND CASH IN FOREIGN CURRENCY OR WITH EXCHANGE RISK

Description	31.12.17			31.12.16		
	In foreign currency or foreign exchange risk	In Euros	Total	In foreign currency or foreign exchange risk	In Euros	Total
Receivables in the Financial Fixed Assets						
Security deposits	1,800	1,759	3,559	2,154	1,622	3,776
	1,800	1,759	3,559	2,154	1,622	3,776
Receivables in the Operating Capital						
From customers	3	15,021	15,024		24,267	24,267
From subsidiaries	349	1,834	2,183	146	5,900	6,046
From associates		2,872	2,872		2,879	2,879
From parent company		4,082	4,082		13,969	13,969
From subsidiaries of the parent company	1,500	21,732	23,232	1,407	24,882	26,289
Tax-related	38	4,320	4,358	11	3,667	3,678
Prepaid Taxes		4,732	4,732		5,521	5,521
From others		10,054	10,054		11,042	11,042
	1,890	64,647	66,537	1,564	92,127	93,691
Cash and cash equivalents						
Bank and postal deposits	1,560	48	1,608	2,708	271	2,979
Cash and cash equivalents		11	11		7	7
Prepaid cards		188	188		236	236
	1,560	247	1,807	2,708	514	3,222
Total Receivables and cash and cash equivalents	5,250	66,653	71,903	6,426	94,263	100,689

Balance Sheet – liabilities**€387,535 thousand (386,062)****Net Equity****€31,477 thousand (15,394)**

The Net Equity is constituted by:

Share Capital**€10,116 thousand (10,116)**

The fully subscribed and paid-up share capital is represented by 77,818,865 ordinary shares with a nominal value of €0.13 each.

The following are the details of the composition of the corporate set-up as at 31 December 2017:

Shareholders	Number of shares	Amount in Euros	% Ownership
Atlantia S.p.A.	46,223,290	6,009,027.70	59.40%
Autostrade per l'Italia S.p.A.	15,563,773	2,023,290.49	20.00%
Aeroporti di Roma S.p.A.	15,563,773	2,023,290.49	20.00%
Astaldi S.p.A.	468,029	60,843.77	0.60%
As at 31.12.2017	<u>77,818,865</u>	<u>10,116,452.45</u>	<u>100%</u>

There are no categories of shares other than the ordinary ones listed above.

Share premium reserve**€4,622 thousand (29,332)**

The change is due to the hedging of the losses for the 2016 financial year, as deliberated on 23 March 2017 by the Ordinary and Extraordinary Shareholders' Meeting.

Legal Reserve**€1,124 thousand (1,124)**

other reserves **€-157 thousand (-355)**

Reserve from conversion *€ -157 thousand (-355)*

This amount reflects the exchange rate differences resulting from the neutralization of items between Pavimental and the permanent establishment of the company in Poland.

Reserve for hedging expected cash flows **€-22 thousand (-113)**

This item includes the negative fair value of the Interest Rate Swap (IRS) subscribed to hedge the interest rate risk of the loan granted by Credit Agricole Corporate Investment Bank Deutschland for the purchase of the TBM for the quota considered to be effective, net of the relevant fiscal effect.

Retained earnings (losses) **€- thousand (8,997)**

The retained earnings were entirely used to hedge the losses for the 2016 financial year, as deliberated on 23 March 2017 by the Ordinary and Extraordinary Shareholders' Meeting.

Financial year profits (losses) **€15,794 thousand (-33,707)**

The following is the list of movements of the classes comprising the Net Equity and the table of reserves, stating their origin, possibility of use and distribution, and also their usage in preceding financial years:

NET EQUITY MOVEMENTS											
Description	31.12.15	Difference in the financial year				31.12.16	Difference in the financial year				31.12.17
		SM Resolution of 21.3.2016	Other NE movements	Conversion reserve	Profit (loss) for the financial year		SM Resolution of 23.3.2017	Other NE movements	Conversion reserve	Profit (loss) for the financial year	
Capital	10,116					10,116					10,116
Share premium reserve	29,332					29,332	(24,710)				4,622
Legal Reserve	736	388				1,124					1,124
Other reserves:											
Payments for capital increase											
Conversion reserve	(232)			(123)		(355)			198		(157)
Foreign exchange gains from evaluation	26	(26)									
Reserve covering hedging of expected financial flow			(113)			(113)		91			(22)
Profits (losses) brought forward	1,553	7,402	42			8,997	(8,997)				
Profits (losses) for the financial year	7,806	(7,764)	(42)		(33,707)	(33,707)	33,707			15,794	15,794
	49,337		(113)	(123)	(33,707)	15,394		91	198	15,794	31,477

COMPOSITION OF NET EQUITY					
Description	Amount	Possibility of use	Amount available	Summary of uses in the three preceding financial years	
				To hedge losses	For other reasons
Capital	10,116	B			
Capital reserves	4,622	A,B,C	4,622	24,710	
Legal reserve	1,124	B			
Other reserves:					
- Conversion reserve	(157)	B			
- Reserve covering hedging of expected financial flow	(22)	B			
Profits brought forward		A,B,C		8,997	
Total	15,683		4,622	33,707	
Non-distributable amount					
Remaining distributable amount			4,622		

Key:

A: for capital increase

B: to cover losses

C: for distribution to shareholders

D: to cover deferred costs not yet amortized (art. 2426, No. 5 cc)

Provisions for risks and charges**€8,696 thousand (10,817)**

The following are the details of movements in the provisions for risks and charges:

€ thousands	31.12.2016	Allocation	Usesc / Releases	31.12.2017
Provision for risks and charges:				
- for taxes, including deferred	85			85
- derivative financial instruments liabilities	539		(256)	283
- other:				
provision for pending lawsuits	992	2,233	(203)	3,022
provision for environmental recovery costs	50		(17)	33
provision for losses on multi-year contracts	4,509		(4,481)	28
provision for contractual costs	1,137	1,740	(1,137)	1,740
provision for share premium excesses	3,505			3,505
	<u>10,817</u>	<u>3,973</u>	<u>(6,094)</u>	<u>8,696</u>

Tax fund, including deferred**€85 thousand (85)**

This fund includes the deferred fiscal costs, allocated to cover the income from evaluation changes that are expected to be realized in coming financial years, as illustrated in the following table:

COMPOSITION OF DEFERRED TAXES						
Description	31.12.17			31.12.16		
	Temporary differences	Rate applied	Deferred tax	Temporary differences	Rate applied	Deferred tax
Allocation to taxed funds:						
Provision for risks and charges:						
- taxes, including deferred	362	24.00%	87	362	24.00%	87
(Income from ex. rate from evaluation)						
Amortized cost (release)	(8)	24.00%	(2)	(8)	24.00%	(2)
Balance	<u>354</u>		<u>85</u>	<u>354</u>		<u>85</u>

Passive derivative financial instruments**€ 283 thousand (539)**

This item shows the negative market value of the derivative contracts ongoing as at 31 December 2017 and includes:

- the negative fair value (€ 61 thousand) of the Interest Rate Swap (IRS) subscribed to hedge the interest rate risk of the loan granted by Credit Agricole Corporate Investment Bank Deutschland for the purchase of the TBM;
- the negative fair value (€ 222 thousand) of a floor type derivative incorporated in the above loan.

It should be noted that the first of the two derivative financial instruments has the characteristics to be qualified as hedging and consequently, the changes in its fair value are attributed as a counterpart in a suitable net equity reserve, as mentioned previously.

Other Funds**€ 8,328 thousand (10,193)**

In detail:

Fund for ongoing lawsuits**€ 3,022 thousand (992)**

This item is an estimate of the probable costs deriving from ongoing litigations as of the closure of the financial statements. The amount allocated represents the best possible estimate on the basis of the available elements, taking into account the opinions of the external legal advisors.

The increase is due to the balance between the new allocations (€ 2,233 thousand) and the release to the income statement for use and the excess of allocations made in previous years (€ 203 thousand).

Fund for environmental recovery costs**€ 33 thousand (50)**

This Fund includes an estimate of the costs that the Company will incur for the restoration of sites and environmental recovery. The decrease is due to the release to the income statement of the excess of allocations made in previous years (€17 thousand).

Fund for multi-annual contract losses € 28 thousand (4,509)

As at 31 December 2017, the Company has released €4,481 thousand of the total of €4,509 thousand allocated as at 31 December 2016 for expected multi-annual contract losses covering the quota in excess of the value of the ongoing works. Of this amount, €3,806 thousand refers to expected losses on the contracts in the Barberino del Mugello area as a result of the application of the MIT discounts, released following the subscription of the Transaction Agreement mentioned previously.

Fund for contractual charges € 1,740 thousand (1,137)

As in the previous year, this fund includes €1,040 thousand as the estimate of the charges concerning the disposal of material resulting from the demolition of road surfacing during the last working quarter of 2017 (milling material), for which disposal by the end of the financial year was not possible; this will be done in the first few months of 2018, and the charges are to be attributed by economic and temporal competence to the 2017 financial year. €700 thousand was also allocated in 2017 for liabilities to suppliers of a specific nature and a reliably estimated amount, but with an uncertain date of occurrence.

Fund for Excess Holding Depreciation € 3,505 thousand (3,505)

This fund has been allocated to cover the equity deficits emerging from the assessment of the probable costs to be incurred in relation to Pavimental Est in receivership (€343 thousand) and Consorzio R.F.C.C. in receivership (€3,162 thousand).

The composition and variations of the fund are illustrated in the following table:

€ thousands					
	31.12.2016	Reclassified	Allocations	Uses	31.12.2017
Subsidiaries:					
Pavimental Est (in liquidation)	343				343
Associates:					
Consorzio R.F.C.C. (in liquidation)	3,162				3,162
	<u>3,505</u>				<u>3,505</u>

Employee severance fund for subordinate employment €4,127 thousand (4,300)

The following table summarizes the movements that occurred during the financial year:

€ thousands						
	31.12.2016	Allocations	Uses for payments	Uses for advance payments	Decrease for substitute tax	31.12.2017
Employee severance fund	8,298	97	(397)			7,998
Advance payments	(3,788)	(27)		163		(3,652)
Tax on Employment severance fund revaluation	(210)	(19)			10	(219)
	<u>4,300</u>	<u>51</u>	<u>(397)</u>	<u>163</u>	<u>10</u>	<u>4,127</u>

The allocations of the severance fund quotas destined for complementary social security funds do not pass through the employee severance fund but are recorded directly as payables to social security and welfare institutes and paid on a month-by-month basis.

Payables**€343,093 thousand (355,546)****Bank Debts****€55,244 thousand (33,385)**

This amount includes €17,271 thousand to cover temporary exposure to the banking system (€4,516 thousand as at 31 December 2016). The Company closed the year with increased debts to the banking system, drawing less from the credit line on the bank account held with ASPI.

It should be recalled that on 2 October 2015, the company underwrote a contract for a loan with Credit Agricole Corporate Investment Bank Deutschland for the purchase of the TBM machine, relevant accessories and any other working machine required for the completion of the works concerning Lot 2 Santa Lucia Tunnel, and the cost of the insurance policy granted by Euler Hermes in favour of the exporter of the TBM and relevant accessories. The interest rate on the loan is 1.231% as at 31 December 2017, and the average duration of the loan is approximately 6.5 years. The loan was funded in 2017 for a nominal €33,532 thousand, and amortization started with a quota amounting to €1,972 thousand being paid back.

The loan contract requires that Pavimental maintain orders for works and services from the Companies in the Group amounting to at least treble the amount of the ongoing loan and grants the financing bank the right to withdraw from the contract should the Atlantia Group cede control of the Company (Change of Control clause).

The loan is valued at the amortized cost in the financial statements and is recorded at a value of €29,473 thousand.

Lastly, we would point out that on 30 October 2017, the company underwrote a contract for a loan of €8,500 thousand with UBI Banca, with an all-in fixed interest rate of 0.92% and a duration of 24 months, for the purchase of accessories for the TBM.

Advances**€44,741 thousand (42,355)**

The change to the item in question is essentially the result of the combined effect of:

- the increase of €29,703 thousand due to the accounting of the advances paid by ADR and provided by the contract for the construction of forecourt T1, mentioned in the Report on Management which see, for €25,560 thousand, and the contract for the construction of new Apron Areas in the West Area Phase 2 for €4,143 thousand;
- the decrease of €23,925 thousand in advances to ASPI following the cancellation of the amounts reclassified under work in progress on contracts, as stated in the comments on the relevant item in the assets, which see;
- the closure of the advances paid to SAT, for €3,227 thousand, following the definitive accounting of the contract items completed in previous years. As regards these activities, the recourse for the annulment of the note by which the MIT notified the value of the definitive discount is pending before the Lazio TAR.

Payables to suppliers**€107,199 thousand (133,146)**

The decrease of €25,947 thousand is attributable to the dynamics of payments to suppliers for materials purchased and services rendered.

The liabilities in foreign currency for invoices received or to be received were adjusted to the exchange rate applicable on 31 December 2017.

Payables to subsidiary companies**€5,219 thousand (8,573)**

The details of this item are as follows:

€ thousands		
	31.12.2017	31.12.2016
Trade Payables to:		
- Consorzio Co.Im.A.	2,602	4,049
- Pavimental Polska	1,171	3,074
- Consorzio Elmas (in liquidation)	1,446	1,450
	<u>5,219</u>	<u>8,573</u>

The activities of Co.Im.A S.c.a.r.l. concerning the construction and completion of the Livorno - Civitavecchia stretch of the A12 highway by the consortium SAT Lavori in receivership have been completed.

Payables to related companies

€180 thousand (216)

This item includes the payables to the consortium company Galileo in receivership.

€ thousands		
	31.12.2017	31.12.2016
Trade Payables to:		
- Consorzio Galileo (in liquidation)	180	176
- Consorzio Trinacria (in liquidation)		40
	<u>180</u>	<u>216</u>

Payables to parent companies

€230 thousand (296)

Represent that payable to Atlantia S.p.A. for trade relations.

€ thousands	31.12.2017	31.12.2016
Trade Payables to Atlantia S.p.A.	218	200
Tax-related Payables to Atlantia S.p.A.		88
Other Payables to Atlantia S.p.A.	12	8
	<u>230</u>	<u>296</u>

Payables to companies controlled by the parent company €118,306 thousand (124,869)

The decrease of €6,563 thousand in this item is a result of the reduction in payables of a financial nature due to the decreased use of the correspondence bank account, the cost of which is remunerated at rates in line with the market (average 1 month Euribor + 100 base points). The balance as at 31 December 2017 amounts to €115,146 thousand.

€ thousands	31.12.2017	31.12.2016
Trade Payables to subsidiaries of the parent company	2,830	2,846
Financial Payables to subsidiaries of the parent company	115,146	121,689
Other Payables to subsidiaries of the parent company	330	334
	<u>118,306</u>	<u>124,869</u>

Tax payables €1,364 thousand (2,371)

This item decreased by €1,007 thousand compared to 31 December 2016, and this is mainly related to the fact that the company had receivables from the State coffers for VAT as at 31 December 2016, while it had VAT payables as at 31 December 2017.

Payables to pension funds and social security **€1,240 thousand (771)**

These are represented by contributions due from the Company accrued as at 31 December 2017 and payable in the following months. The payments were made according to the terms of the law.

Other Payables **€9,370 thousand (9,564)**

The breakdown of the item in question is as follows:

€ thousands	31.12.2017	31.12.2016
- Payables to personnel	6,490	5,808
- Payables to companies in grouping	65	65
- Payables to insurance companies	2,527	3,110
- Payables for state concessions	69	89
- Payables to others	219	492
	<u>9,370</u>	<u>9,564</u>

ACCRUED INCOME AND DEFERRED LIABILITIES**€142 thousand (5)**

€ thousands	31.12.2017	31.12.2016
Deferred liabilities		
- Interest due on payables to banks	137	
Accrued income		
- Rent receivable	5	5
	<u>142</u>	<u>5</u>

Attached are the details of the payables and income broken down by expiry date and nature, and also currency or exchange rate risk.

There were no payables covered by real guarantees on company assets at the end of the financial year.

PAYABLES CLASSIFIED BY MATURITY AND TYPE								
Description	31.12.17				31.12.16			
	Amounts matured				Amounts matured			
	By following year	From 2nd to 5th FY after	Beyond 5th FY	Total	By following year	From 2nd to 5th FY after	Beyond 5th FY	Total
Payables to banks								
Short-term payables to banks	17,271			17,271	4,516			4,516
Payables to banks for loans	7,650	22,605	7,718	37,973			28,869	28,869
Financial payables								
Payables to subsidiaries of the parent company	115,146			115,146	121,689			121,689
	115,146			170,390	121,689			155,074
Trade payables								
Deposits	44,741			44,741	42,355			42,355
Payables to suppliers	107,199			107,199	133,146			133,146
Payables to subsidiaries	5,215			5,215	8,562			8,562
Payables to associates	180			180	216			216
Payables to the parent company	218			218	200			200
Payables to subsidiaries of the parent company	2,830			2,830	2,846			2,846
	160,383			160,383	187,325			187,325
Other payables								
Payables to subsidiaries	4			4	11			11
Payables to associates								
Payables to the parent company	12			12	96			96
Payables to subsidiaries of the parent company	330			330	334			334
Tax-related	1,364			1,364	2,371			2,371
To social security and welfare institutes				1,240	771			771
To others	9,370			9,370	9,564			9,564
	11,080			12,320	13,147			13,147
Total Payables	286,609			343,093	322,161			355,546
Deferred and accrued liabilities	142			142	5			5
Total	286,751			343,235	322,166			355,551

PAYABLES IN FOREIGN CURRENCY						
Description	31.12.17			31.12.16		
	In foreign currency	In Euros	Total	In foreign currency	In Euros	Total
Financial Payables						
To banks		55,244	55,244		33,385	33,385
To subsidiaries of the parent company		115,146	115,146		121,689	121,689
		170,390	170,390		155,074	155,074
Trade Payables						
Deposits	3	44,738	44,741	173	42,182	42,355
To suppliers	31	107,168	107,199	259	132,887	133,146
To subsidiaries	1,171	4,044	5,215	3,065	5,497	8,562
To associates		180	180		216	216
To the parent company		218	218		200	200
To subsidiaries of the parent company		2,830	2,830		2,846	2,846
	1,205	159,178	160,383	3,497	183,828	187,325
Other Payables						
To subsidiaries		4	4	7	4	11
To associates						
To the parent company		12	12		96	96
To subsidiaries of the parent company		330	330		334	334
Tax-related	60	1,304	1,364		2,371	2,371
To social security and welfare institutes		1,240	1,240		771	771
To others		9,370	9,370		9,564	9,564
	60	12,260	12,320	7	13,140	13,147
Total Payables	1,265	341,828	343,093	3,504	352,042	355,546

INCOME STATEMENT

<u>Production Value</u>	<u>€397,388 thousand (318,116)</u>
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Revenues from Sales	€1,378 thousand (18)
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Revenues from Services	€339,880 thousand (357,419)
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The analysis of the Revenues from sales and from services is represented in the following table:

REVENUE FROM SALES AND SERVICES				
Description	2017	2'16	Difference	Difference %
Sales revenue				
Sales to others of conglomerates	1,378	18	1,360	
Sales to parent company				
	1,378	18	1,360	7555.56%
Revenue from services				
Autostrade per l'Italia:				
Maintenance - Paving	88,796	96,614	(7,818)	
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 0	869	15,529	(14,660)	
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 1	25,980	45,248	(19,268)	
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 2	32,064		32,064	
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 13	2,284	8,916	(6,632)	
Soundproofing	10,107	30,292	(20,185)	
Roadside barriers	1,508	8,079	(6,571)	
Other highway works	6,923	8,782	(1,859)	
Florence Infrastructures	45,370	14,854	30,516	
Completion of Lots 9-11-12	19,408	18,988	420	
Expansion to 4 lanes A4	24,189		24,189	
Expansion to 3 lanes A9 Lainate Como	11,476	160	11,316	
Expansion to 5 lanes A8 Milan Laghi	4,778	3,788	990	
SP 46 Paderno Rho - Nuovo Polo Fieristico stretch	2,584	13,667	(11,083)	
Other infrastructures North area	1,958	407	1,551	
Adriatica A14 various Lots		10,140	(10,140)	
Adriatica A14 Lot 6 B		265	(265)	
Foggia Infrastructures	400	4,676	(4,276)	
Crespellano Infrastructures	3,183	4,778	(1,595)	
Compensatory works Fano	3,500		3,500	
Expansion to 3 lanes Fiano Gra		2,898	(2,898)	
La Certosa Infrastructures	1,640	2,384	(744)	
San Benigno Lot 1	2,588	2,033	555	
Refurbishment of service stations		1,177	(1,177)	
Junctions	144	773	(629)	
Padova Infrastructures		527	(527)	
Expansion to 4 lanes Modena Bologna	837		837	
	290,586	294,975	(4,389)	-1.49%
Road / highway works:				
Todini	155	6,610	(6,455)	
Other contractors	(2,454)	6,315	(8,769)	
Co.Im.A. Scarl	195	6,407	(6,212)	
Stalexport	3,994	5,756	(1,762)	
Tangenziale di Napoli S.p.A.	585	1,950	(1,365)	
Società Autostrade Meridionali S.p.A.	2,386	1,135	1,251	
Lambro Scarl	264	868	(604)	
Co.Co.TEEM Scarl	298	654	(356)	
Pavimental Polska	385	289	96	
Torino - Savona S.p.A.	(5)		(5)	
Pedelombarda S.c.p.A.				
Other contractors for peening works				
	5,803	29,984	(24,181)	-80.65%
Airport works:				
Aeroporti di Roma	43,271	31,893	11,378	
Aeroporto di Napoli		530	(530)	
	43,271	32,423	10,848	33.46%
Other services:				
Services to others	3	6	(3)	
Services to subsidiaries	203	28	175	
Services to associates				
Inter-company services	14	3	11	
Services to other holdings				
	220	37	183	494.59%
Total revenue from services	339,880	357,419	(17,539)	-4.91%
Total revenue from sales and services	341,258	357,437	(16,179)	-4.53%

Variation in Work in progress on contracts**€39,128 thousand (-53,194)**

The change represents the difference between the final inventories of the previous year (€ 185,242 thousand) and the value of the final inventories for 2017 (€197,240 thousand). These values reflect the amounts reclassified from the Advances in the liabilities (€ 27,152 thousand). For the overall assessment of the item in question, it should be noted that the application in 2016 of the definitive discounts notified by the Ministry of Infrastructures and Transport on the 3 Lots for the Barberino di Mugello - Incisa di Valdarno expansion to three lanes in the stretch Barberino di Mugello - Florence North rather than the provisional contractual ones had a negative impact on production of € 53,891 thousand. Contrarily, production in 2017 reflects the finalization of a Transaction Agreement in which Autostrade per l'Italia recognized to Pavimental € 28,153 thousand to settle and annul all claims, demands and reserves related to these circumstances.

The change was further adjusted (€22 thousand) as a result of the conversion of the items for the permanent establishment in Poland, expressed in local currency.

The change in the pre-operating costs and the fund for multi-annual contract losses, for the part concerning work in progress, is included in the item in question.

Increases in Fixed Assets for internal works**€3,916 thousand (4,679)**

The item in question includes the financial year capitalizations concerning the contract for the execution of the works for the expansion to the third lane – Lot 2 – in the section between Barberino di Mugello and Florence North. In particular, the costs incurred for the preparation of the TBM, an Aqueduct and an electricity line required for its use (€3,916 thousand) were suspended in 2017. The excavation activities started in May.

Other revenues and income**€13,086 thousand (9,194)**

This item is composed of the following:

€ thousands	2017	2016	Difference
- Capital gains from sales of assets	209	393	(184)
- Staff costs recovery	1,143	1,366	(223)
- Recovery of cost of materials, services and other costs	2,962	2,637	325
- Definition of costs and revenue from previous financial years	1,092	454	638
- Rounding off and discounts on supplies	174	10	164
- Sale of scrap	96	89	7
- Absorption of risks and charges provision	5,457	1,684	3,773
- Third party compensation	407	1,284	(877)
- Miscellaneous revenue	1,311	1,043	268
- Rent receivable	235	234	1
	<u>13,086</u>	<u>9,194</u>	<u>3,892</u>

Below is the breakdown of revenues by geographical area:

€ thousands	Italy	Europe	Total
- Revenue from sales	1,378		1,378
- Revenue from services			
- Works	335,281	4,379	339,660
- Services	45	175	220
- Difference in works in progress	39,507	(379)	39,128
- Other revenue and income	13,083	3	13,086
Total Production Value *	<u>389,294</u>	<u>4,178</u>	<u>393,472</u>

* net of increases in fixed assets for internal works

Production Costs

€371,862 thousand (361,954)

This item includes:

€ thousands	2017	2016	Difference
- Raw and auxiliary materials and consumables	122,742	106,668	16,074
- Services	170,039	180,102	(10,063)
- Use of third party assets	1,049	1,301	(252)
- Staff	61,228	57,630	3,598
- Depreciation and write-off	16,919	8,658	8,261
- Changes in inventories of raw and accessory materials and consumables	(6,328)	(1,114)	(5,214)
- Risks and charges provision	2,233	141	2,092
- Other provisions	1,740	5,021	(3,281)
- Other management costs	2,240	3,547	(1,307)
	<u>371,862</u>	<u>361,954</u>	<u>9,908</u>

The increase of € 9,908 thousand in the Production Costs is justified by the increase in purchases of materials, partially compensated by the reduction in the service costs.

The increase in the prices of raw materials derived from crude oil in 2017 affected the increase in the cost of materials.

Purchase of raw and auxiliary materials and consumables €122,742 thousand (106,668)

These represent the cost of materials purchased in the financial year, broken down as follows:

€ thousands	2017	2016	Difference
- Inert materials and concrete	9,164	9,731	(567)
- Bitumens, fuel, lubricants and packaged conglomerates	18,155	13,983	4,172
- Steel, laminates, profiles and grids	15,861	10,504	5,357
- Spare parts, plant and machinery	587	153	434
- Works materials	54,283	61,724	(7,441)
- Other materials	24,692	10,573	14,119
	<u>122,742</u>	<u>106,668</u>	<u>16,074</u>

Service costs

€170,039 thousand (180,102)

These concern the corporate management costs.

In particular:

€ thousands	2017	2016	Difference
- Third party works	79,215	80,917	(1,702)
- Surveillance	11,831	10,625	1,206
- Canteen, travel reimbursement and staff costs	4,297	4,425	(128)
- Utilities and postal costs	4,301	2,968	1,333
- Transport and shipping	17,470	18,950	(1,480)
- Insurance	6,789	6,793	(4)
- Maintenance of fixed assets	4,190	4,185	5
- Rent	12,248	12,956	(708)
- CED maintenance	503	588	(85)
- Consultancy and auditing	4,994	4,590	404
- Legal and notary services	764	643	121
- Highway payment	752	773	(21)
- Cleaning	668	664	4
- Laboratory tests and analysis	704	636	68
- Temporary employment/fixed project employment	124	326	(202)
- Safety and security	730	560	170
- Technical assistance	68	29	39
- Holding/intercompany services	162	311	(149)
- Waste disposal	10,574	15,311	(4,737)
- Certification	83	27	56
- Personnel services	1,406	1,611	(205)
- Common costs	1,360	4,866	(3,506)
- Directors' fees	342	340	2
- Auditors' fees	22	23	(1)
- Other services	6,442	6,985	(543)
	<u>170,039</u>	<u>180,102</u>	<u>(10,063)</u>

The decrease in consortium costs is correlated to the completion of the activities by the associate companies, as described in the Report on Management for these financial statements, which see.

The remuneration due to the Directors amounted to a total of €342 thousand.

The remuneration for the Auditors for the financial year amounted to a total of €22 thousand.

Use of third party assets

€1,049 thousand (1,301)

This item is represented by:

€ thousands	2017	2016	Difference
- Rents payable	978	1,240	(262)
- Software	1	19	(1)
- State concessions	70	42	(70)
- Real rights on third party assets	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,049</u>	<u>1,301</u>	<u>(333)</u>

Staff Costs

€61,228 thousand (57,630)

The staff costs are constituted by the salaries of managers and employees and relevant contributions, for €22,990 thousand (23,412), wages for labourers and relevant contributions, for €33,539 thousand (29,809), allocations to the severance fund for €2,522 thousand and allocations to complementary pension funds for €514 thousand. This item also includes staff incentive plans and accessory costs for €1,633 thousand (1,370).

The breakdown of the components of the staff costs is as follows, compared to the corresponding figures for the 2016 financial year:

€ thousands	2017	2016	Difference
- Salaries and wages	40,711	37,766	2,945
- Social security	15,818	15,455	363
- Employee severance fund	2,522	2,511	11
- Pension fund	514	528	(14)
- Other costs	1,663	1,370	293
	<u>61,228</u>	<u>57,630</u>	<u>3,598</u>

In fulfilment of that established by OIC 31, the economic part of the INPS Treasury Fund and the Fund for complementary social security and welfare has been included in the Employee Severance Fund (B.9.c.).

The increase in costs is mainly ascribable to the increase in the average paid workforce of the company (which increased from 821.87 units in 2016 to 887.61 in 2017), subdivided by category as follows:

	2017			2016			Delta
	TI	TD	TOTAL	TI	TD	TOTAL	
Executives	7.83		7.83	7.25		7.25	0.6
Managers	25.33	1.98	27.31	28.00	0.08	28.08	(0.8)
Office workers	277.27	12.39	289.66	286.54	16.80	303.34	(13.7)
Manual workers	454.42	108.39	562.81	366.00	117.20	483.20	79.6
	<u>764.85</u>	<u>122.76</u>	<u>887.61</u>	<u>687.79</u>	<u>134.08</u>	<u>821.87</u>	<u>65.74</u>

Amortizations and depreciations

€16,919 thousand (8,658)

This item includes:

Amortization of intangible fixed assets

€ 157 thousand (288)

These represent the quota of the multi-annual costs charged to the financial year, calculated according to that described in the criteria for assessment, and are broken down as follows:

€ thousands				
	Rate	2017	2016	Difference
- Application software	14.29%	34	34	
- Application software	16.67%		63	(63)
- Application software	20.00%		36	(36)
- Application software	25.00%	16	5	11
- Application software	33.33%	63	95	(32)
- Industrial patents	5.00%	1	1	
- Software user licences	33.33%	10	19	(9)
- State concessions	10.00%	14	14	
- Cost for improvement adjustment Trezzo worksites	10.00%	8	8	
- Cost for improvement Barberino worksites	-	11	13	(2)
		<u>157</u>	<u>288</u>	<u>(131)</u>

Amortizations of tangible fixed assets

€ 16,136 thousand (8,258)

These are broken down in the following table:

€ thousands				
	Rate	2017	2016	Difference
- Works and improvements on land	4.00%	57	57	
- Light buildings	10.00%	9	9	
- Light buildings	12.50%	1,177	1,133	44
- Generic plant	10.00%	280	311	(31)
- Special systems and equipment		7,972		
- Specific plant and machinery	12.50%	285	428	(143)
- Specific plant and machinery	15.00%	4,260	4,069	191
- Miscellaneous tools	40.00%	41	21	20
- Motor cars and other vehicles	25.00%	433	366	67
- Vehicles, lorries, excavators and mechanical diggers	20.00%	1,300	1,561	(261)
- Electromechanical and electronic machinery	20.00%	272	224	48
- Furniture and fittings	12.00%	50	79	(29)
		<u>16,136</u>	<u>8,258</u>	<u>(94)</u>

As previously described, the amortization of the Plant and special equipment, which includes the investments required for the construction of the Santa Lucia tunnel, is attributed to the income statement on the basis of the linear distance excavated by the TBM. The percentage of progress of the excavations was 15.89% as at 31 December 2017.

Depreciation of the receivables included in the current assets and cash and cash equivalents € 626 thousand (112)

In 2017, the Company allocated €626 thousand to align to the presumable value of realization the items which arose in previous financial years and doubtfully recoverable receivables.

Variation in the inventories of raw and auxiliary materials and consumables

€-6,328 thousand (-1,114)

The item in question is represented by the difference between the final inventories at the end of the previous financial year (€8,010 thousand) and those at the end of the financial year being examined (€14,338 thousand).

Allocations to provisions for risks

€2,233 thousand (141)

During the current financial year, amounts were allocated for probable risks deriving from lawsuits for €2,233 thousand, as described in more detail in the paragraph on the fund for ongoing lawsuits.

Other allocations

€1,740 thousand (5,021)

In 2017, the Company allocated € 1,040 thousand for future charges for the disposal of milling material concerning the biennial maintenance contract with the contractor ASPI, which ended as at 31 December 2017. These charges concern maintenance work performed in the latter part of the year which produced milling residue to be disposed of, and for which the costs will arise in economic terms in early 2018.

The amount also includes the allocation of €700 thousand for claims deriving from relations with suppliers of a known nature and reliably estimated amount but with an uncertain date of occurrence.

Other operating expenses

€2,240 thousand (3,547)

This amount is illustrated in the following table:

€ thousands	2017	2016	Difference
- Losses from sales of fixed assets	80	33	47
- Agency costs	7	36	(29)
- Insurance and advertising	34	32	2
- Registration, stamp duty and fees	86	140	(54)
- Vehicle tax	100	78	22
- IMU (property tax)	102	77	25
- Waste disposal tax	123	88	35
- Fines	700	526	174
- Definition of costs and revenue of previous financial years	86	1,553	(1,467)
- Third party damages	314	149	165
- Other	608	835	(227)
	<u>2,240</u>	<u>3,547</u>	<u>(1,307)</u>

Financial Income and Expenses

€- 2,092 thousand (- 947)

These include:

€ thousands	2017	2016	Difference
Financial income:			
- Income from locked-up receivables	141	139	2
- Income from subsidiaries	10	9	1
- Other income		1	(1)
- Interest on arrears	351	356	(5)
	<u>502</u>	<u>505</u>	<u>(3)</u>
Financial expenses:			
- Financial payables to Autostrade per l'Italia	843	732	111
- Short-term financial payables to banks	611	269	342
- Interest on loans	733	325	408
- Interest on derivative financial instruments	150		150
- Other financial costs	9	9	
- Bank commissions and charges	234	116	118
- Interest for late payment to suppliers	15	72	(57)
	<u>2,595</u>	<u>1,523</u>	<u>1,072</u>
Profits and losses on exchange rates:			
Profits from exchange rates realised	40		40
Profits from exchange rates from evaluation		71	(71)
Losses from exchange rates realised			
losses from exchange rates from evaluation	39		(39)
	<u>1</u>	<u>71</u>	<u>(70)</u>
Total Financial Income and (Expenses)	<u>(2,092)</u>	<u>(947)</u>	<u>(1,145)</u>

The net financial expenses, amounting to €2,092 thousand, increased by €1,145 thousand compared to the previous financial year.

In particular:

- the expenses accrued on the loan paid out by CACIB for the purchase of the TBM for excavating the Santa Lucia tunnel as part of the works in the Barberino Lot 2 contract, valued at amortized cost, amounted to €733 thousand, an increase of €408 thousand compared to 2016, as a result of the increased use of the loan contract;
- the interest accrued on the inter-company correspondence bank account increased by €111 thousand and the interest due to the banking system by €342 thousand. During the course of the year, the Company was forced to incur increased debts because of the

dynamics of receipts and payments and the liquidity requirements due to the investments made, only partly financed using medium and long-term resources.

Value adjustments to Financial Assets

€144 thousand (-391)

This item includes the effects of recording the ongoing derivative contracts, specifically:

- a) the recording of the ineffective portion, amounting to €10 thousand, of the Interest Rate Swap (IRS) subscribed to hedge the interest rate risk of the loan granted by Credit Agricole Corporate Investment Bank Deutschland for the purchase of the TBM;
- b) the recording of the positive change in fair value of €154 thousand of the floor type derivative incorporated in the above-mentioned loan.

Financial year income tax

€-7,784 thousand (11,469)

These refer to:

- current taxes of €- 6,817 thousand (8,477);
- advance and deferred taxes of €- 766 thousand (3,702).
- taxes for previous business years of €- 201 thousand (- 80).

The following table represents the summary overview of the links between fiscal costs in the financial statements and theoretical fiscal costs.

RECONCILIATION BETWEEN ACTUAL TAX CHARGE AND THEORETICAL TAX CHARGE

(Amounts in thousands of Euros)

IRES (INCOME TAX)			
Description	DIFFERENCES	Tax effect	
		Amounts	Incidence
Pre-tax result	23,578		
Theoretical tax Charge/Gain		5,659	24.0%
Temporary taxable differences in future years:			
Other temporary differences			
Total			
Temporary deductible differences in future years:			
Depreciations deductible in future years	3,718		
Provisions for pending law suits	2,233		
Provision for future costs	1,740		
Provision for loss on multi-year contracts	1,833		
Other temporary differences	380		
Total	9,904		
Reversal of temporary differences from previous years			
Absorption of provision for pending lawsuits	(203)		
Absorption of provision for multi-year contracts	(11,032)		
Absorption of provision for future costs	(1,137)		
Other recovery of temporary differences	(808)		
Total	(13,180)		
Permanent differences			
Deduction cars	800		
Ace	(179)		
Excess depreciation	(2,138)		
Balance other permanent differences	3,304		
Total	1,787		
Total taxable income	22,089		
Effective tax Charge/Gain		5,301	22.48%
Reimbursement by the parent company for tax consolidation			

IRAP			
Description	DIFFERENCES	Tax effect	
		Amounts	Incidence
Difference between production value and costs	25,526		
Amounts not significant for IRAP purposes	65,830		
Total	91,356		
<i>Theoretical tax Charge/Gain</i>		3,928	4.30%
Temporary taxable differences in future years:			
-			
Total			
Temporary deductible differences in future years:			
Total			
Temporary differences deductible in future years:			
Total			
Reversal of temporary differences from previous years			
Total			
Permanent differences			
Balance of permanent differences	(56,457)		
Total	(56,457)		
IRAP Taxable Base (average rate 4.4%)	34,899		
<i>Effective tax Charge/Gain</i>		1,501	1.64%

Since the 2009 fiscal year, the Company has adhered to the National Consolidated Fiscal regime of the group leader Atlantia S.p.A., although not continuously, and has opted to do so again for 2015-2017.

In the 2017 financial year, the Company recorded advance taxes, dependently on the temporary differences prevalently concerning the amortizations deductible in future financial years, allocations made to the fund for future losses and the fund for multi-annual contract losses and the emoluments to be paid to the Chief Executive Officer and the Board of Directors. This item, which was recorded in observance of the taxation laws in force, was dealt with in respect of the principle of prudence. Therefore, the advance taxes have been recorded to the extent to which there is a reasonable certainty of the existence for these amounts of sufficient levels of taxable income in future fiscal years to enable their recovery.

The following tables illustrate the effects of these items and movements in them:

PREPAID TAX MOVEMENTS	
Balance 31.12.16	5,521
<u>Releases</u>	
Losses on multi-year contracts	(2,647)
Board of Directors' fees	(82)
Pending lawsuits fund	(49)
Contractual costs	(273)
Environmental costs	(92)
<u>Allocations</u>	
Depreciation deductible in future years	892
Losses from exchange rates from evaluation	9
Lawsuits pending	536
Managing Director and Board of Directors fees	82
Environmental recovery costs	
Contractual costs	418
Losses on multi-year contracts	440
Effect on the income Statement	(766)
Effect on the net equity (derivative instruments)	(23)
Balance 31.12.17	4,732

DEFERRED TAX MOVEMENTS	
Balance 31.12.16	85
<u>Release</u>	
Earnings from exchange rate transactions	
Write down cost	
<u>Allocations</u>	
Earnings from exchange transactions	
Effect on the Income Statement	
Balance 31.12.17	85

Financial year result

€15,794 thousand (-33,707)

As already described in detail, the 2017 financial year was characterised by an increase in volumes of activities compared to 2016. This increase was also affected by the application in 2016 of the definitive discounts established by the Ministry of Infrastructures and Transport (hereafter MIT) on the infrastructure contracts awarded by ASPI in the Barberino del Mugello area instead of the provisional contractual ones, which led to the losses incurred in 2016 (€-33,707 thousand). A Transaction Agreement was signed in 2017 by which ASPI recognised to Pavimental approximately 28.2 million Euros to settle and annul all claims, requests and reserves concerning this circumstance. As a result of that mentioned above, the financial year in question closed with profits of €15,794 thousand.

STATEMENT OF CASH FLOWS

INTRODUCTION

In fulfilment of that established by OIC 10, the Statement of cash flows represents all the outgoing and incoming financial flows of the cash and cash equivalents during the financial year.

In the statement of cash flow, illustrated and commented on hereafter, the individual financial flows are separated into one of the following categories:

1. operating activities;
2. investment activities;
3. financing activities.

The financial flows from income management are determined using the indirect method.

The algebraic sum of the financial flows in each of the categories listed above represents the net variation (increase/decrease) in the cash and cash equivalents during the course of the financial year.

The variation in the cash and cash equivalents amounts to €-1,415 thousand.

The financial flow from income management is positive and amounts to €10,639 thousand. This represents the monetary flow generated by the operating activities by effect of the financial year profits before income tax, interest, dividends and capital gains/losses, compensated by the cash flows absorbed in the variation in operating capital as a result of the increase in payments to suppliers.

The financial flow from investment activities is negative and amounts to €28,266 thousand, mainly referring to the increase in tangible fixed assets for the realisation of the TBM required for excavating the Santa Lucia tunnel and the other assets required for the excavations.

The financial flow from financing activities is positive and amounts to €16,212 thousand, mainly as a result of the opening of a loan contract with UBI Banca for €8,500 thousand at a fixed rate and reimbursable in 24 months and the increased use of the short-term debts for €6,212 thousand.

Commitments, guarantees and risks

Pursuant to art. 2427, paragraph 22 ter of the Civil Code, there are no ongoing agreements not resulting from the Balance Sheet the risks and/or benefits of which are significant in terms of the equity and financial assessment and economic result of the Company.

Real guarantees granted

€6,013 thousand (6,013)

Includes the sureties granted to third parties in the interest of the consortium company R.F.C.C. in receivership (€ 1,364 thousand) and the pledge on the shares of Tangeziale Esterna granted by Pavimental to guarantee a loan contract (€4,649 thousand).

REAL GUARANTEES GRANTED		
€ thousands		
	31.12.2017	31.12.2016
R.F.C.C. in liquidation and TE Milano:		
Performance bond	81	81
Guarantee withholdings	490	490
Financial liabilities	793	793
Pledge on purchase of TE shares	4,649	4,649
Total to associates	6,013	6,013

Sales commitments

€667,985 thousand (749,664)

These represent the works and services still to be carried out for the contracts awarded, broken down as follows:

SALES COMMITMENTS		
€ thousands		
	31.12.2017	31.12.2016
Autostrade per l'Italia:		
Paving maintenance	16,707	112,385
Infrastructures	477,771	618,514
Junctions and other highway works	1,325	4,309
Soundproofing and roadside barriers	3,821	6,922
Other companies in the Atlantia Group:		
Airport infrastructures	168,334	7,451
Other works	27	52
Other Contractors:		
Other works		31
Total sales commitments	667,985	749,664

Other guarantees

The breakdown of the other guarantees is illustrated in the following table:

OTHER MEMORANDUM ACCOUNTS		
€ thousands		
	31.12.2017	31.12.2016
Real and Personal Guarantees received	62,558	61,797
Third party liabilities Guarantees for company:		
Performance bond	202,425	284,700
Guarantee withholdings	112	112
Other	14,986	14,986
Total Other Guarantees	280,081	361,595

RELATIONS WITH RELATED PARTIES

With regard to that provided by art. 2427, paragraph 22 bis of the Civil Code on information with related parties, it should be noted that the following trade and/or financial relations are ongoing with the Companies listed below and that these relations are under normal market conditions or on the basis of the quota of the joint costs incurred, in the interest of expanding the Company's activities.

Parent company

- **Atlantia:** the direct parent company of Pavimental, as it owns 46,223,290 shares representing 59.4% of the share capital of the Company, Atlantia exercises management and coordination activities. Furthermore, in 2015 the Company renewed its adhesion to the consolidated fiscal regime, in which Atlantia is the consolidating company. Lastly, there is an ongoing rent contract for the Company offices in villa Fassini.

The following table summarizes the economic relations in 2017 and the equity relations ongoing as at 31 December 2017:

€ thousands

Relations with the Parent Company (Trading, financial and others)

	Atlantia S.p.A.	Atlantia S.p.A.
	31 December 2017	31 December 2016
<i>Receivables</i>		
Advance Payments	179	171
Tax Receivables	3,903	13,798
<i>Total Receivables</i>	<i>4,082</i>	<i>13,969</i>
<i>Payables</i>		
Trade payables	218	200
Tax payables		88
Other payables	12	8
<i>Total Payables</i>	<i>230</i>	<i>296</i>
<i>Memorandum accounts</i>		
Guarantees - Sureties	22	22
	2017	2016
<i>Total Income</i>		
<i>Costs</i>		
<i>Production costs:</i>		
Services	13	13
Use of third party assets	553	549
Other costs	7	6
<i>Total Costs</i>	<i>573</i>	<i>568</i>

Companies in the Atlantia Group

- **Autostrade per l'Italia (ASPI):** an associate, with which there are significant ongoing trade and financial relations which, from an active viewpoint, involve both the ordinary and extraordinary maintenance of the highways granted under concession to ASPI and the construction of infrastructures. The performance of the works awarded by ASPI represent approximately 87% of the entire production of the Company. The outgoings concerned the recharging of highway toll fares, fees for the directors, outsourcing, staff on secondment, work-related fines and sundry costs.

The financial relations with ASPI are constituted by a credit line on the correspondence bank account which guarantees credit (regulated at market rates) generating interest receivable and payable within the Group, through which everyday financing operations covering bank overdrafts, insurance charges, managers' salaries, items concerning participation in the consolidated fiscal regime and also lesser items are managed in the framework of the Centralized Treasury. It can be evinced from the above that the relations generated refer to operations of an everyday nature.

There are "sales commitments" to ASPI which represent work still to be carried out as part of the works awarded and "sureties" concerning insurance and bank guarantees for the proper execution of works. As at 31 December 2017, the Company owns 15,563,773 shares, amounting to 20% of the share capital of Pavimental.

The following tables summarize the economic relations in 2017 and the equity relations ongoing as at 31 December 2017 with ASPI:

€ thousands

Relations with ASPI (Trading, financial and others)

	Autostrade per l'Italia	Autostrade per l'Italia
	31 December 2017	31 December 2016
<u><i>Receivables</i></u>		
Works in progress	182,340	171,943
Trade receivables	15,349	6,664
-Depreciation funds	(1,184)	(1,184)
Other Receivables		
Advance payments to suppliers	2,367	2,120
Other receivables	8	35
<i>Total Receivables</i>	<i>198,880</i>	<i>179,578</i>
Financial fixed assets	4	4
Tangible fixed assets		
<i>Total Fixed Assets</i>	<i>4</i>	<i>4</i>
<u><i>Payables</i></u>		
Trade payables	1,615	2,085
Advances on SAL/advance payments	14,877	38,803
Other payables	326	329
Financial payables	115,146	121,689
Deferred liabilities		
Tax payables		
<i>Total payables</i>	<i>131,964</i>	<i>162,906</i>
<i>Memorandum accounts</i>		
Sales commitments	499,624	742,130
Guarantees - Sureties	166,008	250,351
	2017	2016
<u><i>Income</i></u>		
<i>Production value:</i>		
Works	324,911	260,618
Services-Sales	14	3
Other income	595	297
Financial income		
<i>Total income</i>	<i>325,520</i>	<i>260,918</i>
<u><i>Costs</i></u>		
<i>Production costs:</i>		
Services	1,371	1,330
Use of third party assets	55	43
Other costs	874	679
Financial costs	843	732
<i>Total Costs</i>	<i>3,143</i>	<i>2,784</i>

- **ADR GROUP:** an associate; there were active trade relations ongoing with this company in the framework of maintenance activities and the construction of airport infrastructures.

As at 31 December 2017, ADR owns 15,563,773 shares, amounting to 20% of the share capital of Pavimental.

€ thousands

Relations with ADR Group companies (Trading, financial and others)

	Aeroporti di Roma Group	Aeroporti di Roma Group
	31 December 2017	31 December 2016
<u>Receivables</u>		
Works in progress	10,627	8,767
Trade receivables	1,961	12,430
<i>Total Receivables</i>	<i>12,588</i>	<i>21,197</i>
<u>Payables</u>		
Trade payables	1,213	740
Advances on SAL/advance payments	29,703	
Other payables	113	3
<i>Total payables</i>	<i>31,029</i>	<i>743</i>
<u>Memorandum accounts</u>		
Sales commitments	168,334	7,451
Guarantees - Sureties	23,490	20,464
	2017	2016
<u>Income</u>		
<i>Production value:</i>		
Works	45,131	28,793
Other income	496	346
<i>Total income</i>	<i>45,627</i>	<i>29,139</i>
<u>Costs</u>		
<i>Production costs:</i>		
Service costs	763	623
Other costs		132
<i>Total Costs</i>	<i>763</i>	<i>755</i>

- **Essediesse (SDS):** an associate; during 2017, SDS provided service activities for the management of general services.
- **Telepass:** an associate; there are relations of a trade nature ongoing with the company concerning highway usage by Company vehicles;
- **Società Autostrade Meridionali:** an associate; there were significant trade relations ongoing with this company, concerning the construction of infrastructures and the recharging the cost of seconded staff.
- **Tangenziale di Napoli:** an associate; there were significant trade relations ongoing with this company, concerning the refurbishment of soundproof barriers.
- **Spea:** an associate; there were relations ongoing with the company concerning the recharging of the cost of seconded staff;
- **Stalexport Autostrada Malopolska S.A.:** there were active relations of a trade nature concerning production carried out in Poland by the Pavimental branch in temporary association with the subsidiary Pavimental Polska.

€ thousands

Relations with Related Parties (Trading, financial and other)

31 December 2017								31 December 2016							
SAT	Essediesse	SAM	Stalexport Malopolska S.A.	Spea	Telepass	Tang. Napoli	TOTAL	SAT	Essediesse	SAM	Stalexport Malopolska S.A.	Spea	Telepass	Tang. Napoli	TOTAL

Receivables

Works in progress			948	160		105	1,213	546		3,523	513			665	5,247
Trade and other receivables	666	55	1,479	1,500	566	464	4,730	3,754	25	310	1,408	264		464	6,225
Accrued income															
Total Receivables	666	55	2,427	1,660	566	569	5,943	4,300	25	3,833	1,921	264		1,129	11,472

Payables

Trade payables	1		1		8		10			1		8	13		22
Advance payments								3,227			153				3,380
	1		1		8		10	3,227		1	153	8	13		3,402

Memorandum accounts

Sales commitments						27	27							52	52
Guarantees - Sureties			1,149			1,338	2,487	234		2,080				1,338	3,652

2017								2016							
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Revenues

Production value:															
Works	2,680		(190)	3,619		24	6,133		205	4,936				1,561	6,702
Services											294				294
Other/financial income		55	71		305		431		52	70		6			128
Total Revenues	2,680	55	(119)	3,619	305	24	6,564			275	4,936	300		1,561	7,124

Costs

Production costs:															
Services and use of t.p. assets		108				12	120		87	4			12		103
Other costs										3					3
Financial costs															
Total Costs		108				12	120		87	7			12		106

OPERATIONS WITH BUYBACK CLAUSE

The Company has no payables and/or receivables deriving from operations with buyback clauses.

FINANCIAL LEASING OPERATIONS

The Company did not have any assets under financial leasing as at 31 December 2017.

SIGNIFICANT EVENTS AFTER THE CLOSURE OF THE FINANCIAL YEAR

As stated in the Report on Management accompanying the 2017 Financial Statements, Law 205/2017 approved the amendment to art. 177 of the Contracts Code Legislative Decree 50/2016 entitled “Awarding by the concessionaries” concerning in house works, which returned to 20 from 40 the percentage of works to be carried out in house by companies with highway concessions.

The Guidelines concerning the methods of verification of the threshold by ANAC have not yet been published. This implies that there is still uncertainty as regards the possibility of the Concessionary formalising the awarding of new works to Pavimental.

SUMMARY OF KEY FIGURES OF THE LATEST FINANCIAL STATEMENTS OF THE COMPANY
EXERCISING MANAGEMENT AND COORDINATION PURSUANT TO ART. 2497 BIS CC

ATLANTIA S.p.A.	
KEY FIGURES OF THE 2016 FINANCIAL STATEMENTS	
(Thousands of Euros)	
EQUITY-FINANCIAL SITUATION	
Non-current assets	12,148,365
Current assets	325,939
Total Assets	12,474,304
Net Equity	9,745,926
<i>share capital</i>	825,784
Non-current liabilities	1,004,963
Current liabilities	1,723,415
Total Net Equity and Liabilities	12,474,304
INCOME STATEMENT	
Operating revenues	2,170
Operating costs	-38,690
Operating profit	-36,520
Financial year result	919,230

PROPOSALS TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

the draft Financial Statements that we are submitting for approval show net financial year profits of €15,794,335.

We would therefore ask that you approve the text we have submitted as the Financial Statements for the 2017 financial year, and this Report on Management, proposing that:

- 5% be allocated to the legal reserve, amounting to 789,717 Euros;
- that the remaining profits, amounting to 15,004,618 Euros, be retained.

The term of office of the Board of Directors ends with today's Shareholders' Meeting. We would therefore ask that you appoint the new Board of Directors pursuant to the law and the Statutes, and also determine the number of members and establish their remuneration in advance.

Rome, 15 February 2018

Report by the
Board of Auditors

Report by the Board of Auditors to the Financial Statements as at 31

December 2017

(pursuant to article 2429, second paragraph of the Civil Code)

Dear Shareholders,

During the course of the financial year closed on 31 December 2017, we performed the supervisory activities required of the Board of Auditors pursuant to art. 2403 of the Civil Code and – as applicable – art. 149 of Legislative Decree 58/98 and subsequent amendments or integrations.

This report has been prepared pursuant to art. 2429, second paragraph of the Civil Code and art. 153, paragraph 1 of Legislative Decree 58/98 and subsequent amendments or integrations, according to the principles of conduct for the Board of Auditors of companies that are subsidiaries of companies with shares traded on regulated stock markets, emanated by the National Order of Chartered Accountants and Bookkeepers.

Furthermore, we have also taken into account, as applicable, Consob Communication no. DEM/1025564 dated 6 April 2001 and subsequent amendments or integrations.

With regard to the activities carried out during the course of the 2017 financial year, we would bring the following to your attention:

- we attended the Shareholders' Meetings and the meetings of the Board of Directors, supervising over the respect of the regulations in the company statutes and the laws and regulations in force disciplining the functioning of the company

and we are able to attest that no significant resolutions were passed that were in potential conflict of interest or such as to compromise the integrity of the corporate equity without giving prior and suitable notification to the Directors and the Auditors;

- attending the meetings of the Board of Directors and also the meetings held with the directors and top management of the company – on at least a quarterly basis – has enabled us to obtain information on the activities carried out in overall terms by the company and on its transactions deemed to be of the most significance in economic, financial and equity terms, thereby ascertaining that the action deliberated and undertaken was in compliance with the laws and Company Statutes in force and in the interest of the Company, and were not blatantly imprudent or risky, in potential conflict of interest or in contrast with the resolutions passed by the corporate bodies or such as to compromise the integrity of the corporate equity;

- we conducted the analysis, for the matters of our competence, concerning the adequacy of the organizational structure of the company, by obtaining information and also examining the documentation that was sent to us by the managers of the corporate departments and by the representatives of the independent auditing firm during the meetings scheduled for the reciprocal exchange of data and information;

- we supervised over the adequacy of the internal auditing system which is structured at a Group level and is constantly updated by both the parent company and the subsidiary companies;
- we acquired knowledge and supervised over the adequacy of the administration and accounting system and on its reliability in terms of properly representing the management events, by obtaining information from the managers of the corporate departments, examining the documents and obtaining information from the independent auditing firm;
- we verified the punctuality with which both the data required for the preparation of the Financial Statements and the interim reports and the news of which in arts. 114 and 115 of Legislative Decree 58/98 and subsequent amendments or integrations was given to the to the parent company.

Furthermore, with regard to the verification activities carried out, we hereby confirm that:

- the Company did not carry out any atypical or unusual operations, including those within the group and with related parties. As regards the operations within the Group and with related parties of an ordinary nature, the Board of Directors has provided detailed information in its own report. In this regard, we believe that such operations as carried out were congruous with and responding to the interests of the Company;

- no reports ex art. 2408 of the Civil Code were received and we received no claims from third parties;
- during the course of the activities carried out, no omissions, irregularities or censurable facts, or in any event significant events, emerged such as to require reporting to the corporate bodies or mention in this report;
- we met with the Supervisory Board ex Law 231/01, which informed us of the activities it carried out, and it did not report any circumstances of particular significance as regards matters of its competence to the Board;
- the company is subject to the management and coordination of the parent company Atlantia S.p.A., and all of the advertising obligations provided by art. 2497 bis of the Civil Code were fulfilled;
- the company has subscribed to the national consolidated fiscal system, pursuant to art. 117 and following of the T.U.I.R., with Atlantia S.p.A. as the consolidating company.

The auditing of the financial statements was performed by Deloitte & Touche S.p.A., which also audits the financial statements of the parent company. During the course of the financial year, regular meetings were held with the independent auditing firm, in the form of both formal meetings which were also attended by the administrative managers of the company and informal contacts.

We also ascertained that no offices were conferred upon individuals linked to the independent auditing firm by continuous and ongoing employment relations.

As regards the annual financial statements, we would report the following:

- given that the analytical auditing as regards the content of the financial statements is not our responsibility, we supervised over their general layout and that of the Report on Management, their general compliance with the law, as regards their layout and structure, and we have no specific observations to make in this regard;
- the Company has prepared the annual financial statements according to civil law and the Italian accounting standards, at the same time preparing the periodical reports containing the economic and equity situation to be sent for the preparation of the interim reports and the Consolidated Financial Statements of Atlantia S.p.A., according to the international accounting standards (IAS/IFRS);
- we have verified the response of the financial statements to the facts and information that we have become aware of during the completion of the duties assigned to us;
- as far as we are aware, the Directors did not derogate any matters to the law pursuant to art. 2423, fourth paragraph of the Civil Code.

in particular, the Board of Auditors would point out to the Shareholders that, as described in detail by the Directors in their Report on Management, “the 2017 financial year was characterised by the finalisation of a Transaction Deed in which Autostrade per l’Italia (hereinafter ASPI) recognised to Pavimental the sum of approximately 28.2 million Euros for the settlement and annulment of all

claims, demands and reserves concerning the application of the definitive discounts established by the Ministry of Infrastructures and Transport (hereinafter MIT) on the infrastructure contracts awarded in the Barberino del Mugello area instead of the provisional contractual discounts. This application had a negative impact on production amounting to approximately 53.9 million Euros in 2016.

The total revenues amounted to approximately 389 million Euros, an increase of 26.01% compared to 2016. In particular, this financial year was characterised by an increase in volume of activities as a result of the increased production in infrastructure works awarded to ASPI and by Aeroporti di Roma (hereinafter ADR).

As a result of that described above, 2017 closed with profits of approximately 15.8 million Euros. Also, in December a Settlement Agreement was signed with APSI for the finalisation of the reserves concerning the Barberino Lot zero contract for an amount of approximately 19.8 million Euros ascertained by the Company in previous years”.

In its report issued pursuant to arts. 156 and 165 of Legislative Decree 58/1998, the Independent Auditing Firm today attested that the annual financial statements as at 31 December 2017 truthfully and correctly represent the equity and financial situation and economic result of your Company, to which no significant reporting and/or emphasis of matter has been added.

As regards the contents of this report, taking into account the opinion of the Independent Auditing Firm, the Board of Auditors hereby gives its favourable opinion as regards the approval of the Annual Financial Statements as at 31 December 2017 and the proposal for the allocation of the profits.

Rome, 2 March 2018

The Board of Auditors

INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

**To the Shareholders of
Pavimental S.p.A.**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Pavimental S.p.A. (the Company), which comprise the balance sheet as at December 31, 2017, the statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Italian law governing financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian law governing financial statements, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**Opinion pursuant to art. 14, paragraph 2 (e) of Legislative Decree 39/10**

The Directors of Pavimental S.p.A. are responsible for the preparation of the report on operations of Pavimental S.p.A. as at December 31, 2017, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Pavimental S.p.A. as at December 31, 2017 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the financial statements of Pavimental S.p.A. as at December 31, 2017 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Francesco Legrotaglie
Partner

Rome, Italy
March 2, 2018

This report has been translated into the English language solely for the convenience of international readers.