



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

Financial Statements

as at 31 December 2016

*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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SOCIAL AUTHORITIES

Board of Directors

in charge for the three year period 2015 - 2017

Chairman (1)	Gennarino Tozzi
Managing Director (CEO)	Franco Tolentino
Member	Amedeo Gagliardi
Member	Marco Troncone
Member	Roberto Tomasi

Board of Auditors

in charge for the three year period 2016 - 2018

Chairman	Alessandro Ludovico Trotter
Standing auditor (2)	Fernando Sbarbati
Standing auditor (3)	Piergiorgio Cempella
Standing auditor	Francesco Mariano Bonifacio
Substitute auditor	Anna Rita De Mauro

Audit firm

for the period 2012 - 2020

Deloitte & Touche S.p.A.

Legal representations; supervisory powers and other corporate activities.

Resigned on 22 April 2016

Substitute auditor assigned in charge since 22 April 2016

Management Report

GENERAL CONCERNS

Dear Shareholders,

The financial year of 2016 has been marked with a decrease in the volume of activities performed by the Company compared to 2015. Total revenues (approximately 309 Million Euros) decreased by 194 million Euros (-38.62%) due to the lower production of infrastructure projects commissioned by Autostrade per l'Italia and Aeroporti di Roma, connected with the completion of the activities. This decrease was also affected by the adjustment of falling prices defined by the Ministry of Infrastructure and Transport (following MIT) on the infrastructure contracts commissioned by ASPI in the area of Barberino del Mugello rather than those adopted by the Company in the previous years.

2016 resulted with a loss of € 33,707 thousand mostly related to the adjustment of falling prices implemented by the Ministry of Infrastructure and Transport (hereinafter MIT), as previously mentioned, brought to the reduction of production to € 53,891 thousand and detected losses on contracts equal to € 14,286 thousand. By way of partial compensation of what was stated, €17,700 thousand were recognized as reserves (already being settled by the Contractor) and the tax loss was transferred to the Group consolidation national tax.

The loss, therefore, takes into consideration the positive effect deriving from the recognition of contractually agreed payments, inventory changes and reserves("claims") recognized for the updated amount, that is probably accepted by the contractors and reliably evaluated. Presently these claims are in an advanced state of negotiation. At the state, these claims result in an advanced stage of negotiation.

Further details are given as following:

Maintenance-Surfacing activities

Total production amounts to € 102,933 thousand, entirely completed toward ASPI. This amount has decreased by € 2,902 thousand compared to 2015.

Other maintenance activity towards ASPI, Acoustic enhancement – Lateral Side Barriers

Their value amounts to € 35,681 thousand, with a decrease of € 26,269 thousand compared to 2015, essentially due to the completion of the works on the sound absorption barrier and other non-maintenance activities.

Other maintenance works for ADR

Their value amounts to € 28,793 thousand, in decrease compared to 2015 which amounted to € 45,028 thousand and includes the requalification works of the Ciampino Airport runway (€ 8,442 thousand), the extension of west area square at the first stage of Fiumicino airport (squares 800 € 8,177 thousand), other works at the same airport (€ 12,174 thousand).

Other activities for other contractors

The total value of these activities amounts to € 6,389 thousand, with a decrease of € 24,448 thousand compared to 2015 due to the completion of works regarding the subsidiary Co.Im.A. S.c.a.r.l. (€ 19,100 thousand) concerning the contract for the construction and completion of the A12 Livorno – Civitavecchia highway stretch.. The decrease in works registered to the consortiums Lambro and Consorzio Costruttori TEEM in the scope of the project for the construction of Milan East Bypass, which is currently being completed, must also be mentioned (€ 5,350 thousand).

Infrastructure construction

The total amount is equal to € 117,474.

Below are shown the details of the main contracts:

SP 46 Paderno – Rho – Nuovo Polo Fieristico: requalification and improvement activities

A contract was signed during April 2014 for requalification and improvement activities on SP 46 Paderno – Rho – Nuovo Polo Fieristico for an amount of € 76,556 thousand. As at 31 December 2016, the production amounts to € 77.842 thousand and includes € 7,422 thousand, the additional payment to the Contractor for the early functional opening of the section.

The percentage of the completed works is 91,98%.

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

In June 2014, a contract was signed for the execution of the extension works of the fifth lane of the stretch between the Milan North toll gate and the Lainate interconnection with the A8 Milan Laghi highway, for an amount of € 39,485 thousand. As at 31 December 2016, the completed production amounts to € 38,857 thousand.

The activities concerning this infrastructural work are basically completed.

Highway A4 Torino – Trieste improvement works on the fourth lane for the section between Viale Certosa and Sesto San Giovanni at Km 126+450 al km 135+750

The work was sub-contracted for a net contract amount of € 116.027 thousand deriving as a result of a decrease equal to 26,69%.

As at 31 December 2016 production amounted to € 6,873 thousand.

Highway Milano – Napoli extension to three lanes of the section Barberino di Mugello – Firenze Nord (Lot 0)

This work was signed during the month of January 2011. As at 31 December 2016 production amounted to € 117.547 thousand, an amount which includes reserves recognized but not accepted by the Contractor, amounting to € 2,000 thousand.

Adjustment to the definitive MIT reduction (31,586%) has produced compared to the temporary reduction announced by Autostrade per l'Italia of 8.44%, a negative effect on production of the financial year equal to € 32,125 thousand.

The Company even on the basis of assumptions made by the RUP and the Contractor, reveals that as at 31 December 2016 further reserves were made for a total of € 17,700 thousand.

Activities regarding such infrastructure works are mostly completed.

Autostrada Milano – Napoli Extension to three lanes for the section Barberino di Mugello – Firenze Nord (Lot 1)

During the month of April 2014 the Company was entrusted the contract related to the extension of a third lane to the section between Barberino di Mugello and Firenze Nord (Lotto 1) for an amount equal to € 223.455 thousand. Production recognized as at 31 December 2016 is equal to € 94,995 thousand.

The final MIT reduction (29,649%) produced, compared to the temporary contractual reduction of 12,36%, a negative effect on production for the financial year amounting to € 20,853 thousand.

The percentage of completed works as at 31 December 2016 is 51,84%.

Autostrada Milano – Napoli extension to three lanes of the section Barberino di Mugello – Firenze Nord (Lot 2)

The extension of a third lane Lot- 2 contract in the section between Barberino di Mugello and Firenze Nord was signed in 2015 by the Company with the Contractor ASPI for an amount equal to € 373.244 thousand, arising from the application of the reduction by 12,36%; adjustment to the lower MIT (29,698%) led to the redefinition of the contract amounting to € 302,464 thousand.

Production started in November. The assembly of the TBM site necessary for digging the Galleria Santa Lucia, which constitutes the main activity of the lot, is now in the final phase.

Activities of completing the extension of the third lane in the section Barberino di Mugello – Firenze Nord, section Firenze Nord- Firenze Sud section B Lots 4,5,6 from Km 287+353 to Km 295+623 of the Milano – Napoli highway

Works were commissioned during November 2014 for an amount of € 43.094 thousand. The progressive production until 31 December 2016 is equal to € 34,752 thousand.

Percentage of completed contracts is equal to 80.64%.

Activities of completing the cross section in the Appenines between Sasso Marconi and Barberino di Mugello of highway A1 Milano – Napoli in the section Aglio – Barberino di Mugello of the A1 Milano – Napoli highway– Completion project

Functional works following the functional opening which took place in December 2015, in Variante di Valico, were commissioned for an amount of € thousand 31.011 and production is mostly completed.

During 2016 further reserves were recognized on works undertaken during the previous financial years amounting to € 5,579 thousand.

The activities in Poland were performed through the local branch of Pavimental S.p.A. in A.T.I. with Pavimental Polska S.p. z o.o., which have registered a production during the financial year equal to € 5.103 thousand. The Polish permanent establishment concluded 2016 with a loss of € 89 thousand.

The breakdown of the activity in the business areas in 2016 is summarized in the following table:

Value of Production											
Business areas 2016						Business areas 015					
Paving maintenance	paving works	Infrastructure constructions	Other contractors	Other revenue	Total	Paving maintenance	paving works	Infrastructure constructions	Other contractors	Other revenue	Total
Maintenance	102,933	7,115			110,048	105,835	14,035				119,870
Gallerie Viadotti Service station		4,601			4,601		460				460
Other works		2,523			2,523		17,691				17,691
Extension 3 ^a A9 Lainate - Como			1,436		1,436			255			255
A4 - 4 ^a Fast lane			6,872		6,872						
Fiano - GRA								904			904
Rho Monza			6,660		6,660			34,690			34,690
A8 Milano - Lainate Lot 1			869		869			24,173			24,173
Barberino Firenze Nord Lot 0			(7,988)		(7,988)			20,040			20,040
Barberino Firenze Nord lot 1			35,985		35,985			44,505			44,505
Barberino Firenze Nord lot 2			3,900		3,900						
Compl. Of lot 13 della VdV			6,967		6,967			12,605			12,605
Completion works VdV Badia Nuova- Barberino			23,283		23,283			9,197			9,197
Firenze Impruneta			26,914		26,914			12,808			12,808
La Certosa - Firenze Sud			1,640		1,640			990			990
Interconnections and link roads			12,941		12,941			17,162			17,162
A14 lot 3			(185)		(185)			4,059			4,059
A14 lot 1A								449			449
A14 lot 1B								748			748
A14 completion lot 6B			2,702		2,702			340			340
Acoustic enhancement		21,442			21,442		29,791				29,791
Activities for Autostrade per l'Italia	102,933	35,681	121,996		260,610	105,835	61,977	182,925			350,737
Activities for others Group Atlantia											
Società Autostrade Meridionali		205			205		4,080	2,158			6,238
Tangenziale di Napoli		1,561			1,561		1,958				1,958
Stalexport Malopolska S.A.		4,936			4,936		2,699				2,699
Aeroporti di Roma		28,793			28,793		73,821				73,821
Activities for Group Atlantia	102,933	71,176	121,996		296,105	105,835	144,535	185,083			435,453
Other contractors											
Lambro Scarl				456	456				2,569		2,569
Co Co Teem				211	211				3,448		3,448
Co.Im.A				5,314	5,314				24,414		24,414
Airport				385	385				517		517
Other works		167		23	190		2,808		11		2,819
Todini (Roncobilaccio building)			861		861			24,384			24,384
Pedelombarda								76			76
Ghella		6,056			6,056		5,929				5,929
Total	102,933	77,399	122,857	6,389	309,578	105,835	153,272	209,543	30,959		499,609
Losses on building contracts provision			(9,189)		(9,189)			(832)			(832)
Pre-operating costs on building contracts			3,800		3,800			(411)	(122)		(533)
Total of production	102,933	77,399	117,468	6,389	304,189	105,835	153,272	208,300	30,837		498,244
Sales revenue					18	18		20		1,360	1,380
Revenue from services		3	6		28	37		78	6	32	116
Typical value of production*	102,933	77,402	117,474	6,389	46	304,244	105,835	153,350	208,326	30,837	1,392

Pursuant to article 2428 of the Italian Civil Code, this report aims to provide a true, balanced and comprehensive analysis of the situation of the Company and its management performance, both in general terms and in the different sectors where the Company operates, also through its subsidiary and associate companies, with specific regard to 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 basis of the paper. In this context, in particular, the analysis is articulated with reference to key performance indicators relevant to the specific activities of the Company, and also the information given on the environment and human resources.

Environmental management

The financial year 2016 was defined by a strong commitment able to ensure the corporate compliance and ensure the operation of the company's strategic building sites in the territory.

Specifically:

- it was acquired the Individual Environmental Authorization (A.U.A.) for the Genova Operating Units and the production facilities at Ciampino GB Pastine Airport ;
- for the company 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 registered and/or authorized third party facilities were considerable. This was made necessary in compliance with the temporal and quantitative limits authorised for mass storage in reserves. The percentage of milled asphalt recovered at company premises was equal to 35% of the total managed in the production of the same facilities.
- the certification authority BSI has maintained ISO 14001:2004 certification for all the activities performed by Pavimental and no “non-compliances” were found during the inspections conducted;
- punctual and frequent environmental monitoring activities were guaranteed for the production and construction sites. The audit plan was also implemented and extended to the construction sites, in order to ensure the corporate compliance and verify the significant environmental aspects;

- training and information of the corporate managers involved in various ways in environmental management continued in line with the company training plan. Specifically, 297 hours of training;
- the efficiency of the fire-fighting devices present in the Company's Operating Units was maintained and guaranteed.
- An Energy Manager was appointed for preservation and rational use of energy.

Management of health and safety in the workplace

The activities performed during the year 2016 have enabled to satisfy the instructions given in the laws on the matter, specifically:

- Fulfil the obligations deriving therefrom;
- increase the existing safety and hygiene levels in the workplace of the Company.

During 2016, monitoring was conducted on the levels of exposure of workers with specific reference to physical agents, chemical agents and cancerous/mutational agents. The activities carried out allowed further updating of knowledge of the state of the phenomena, confirming the maintenance of negligible/low risk levels, always lower than the exposure limits provided.

OHSAS 18001/2007 certification of the Management System for Safety in the Workplace (SGSL) used by the Company was renewed in June 2016 for all the Company's Operating Units;

Moreover, monitoring of compliance and updating of procedures continued also following the organizational changes introduced by the Company during the year.

Also, the Coordination of RSPP in order to standardise and optimize action taken by the individual operating structures continued.

During the year various Company sites were monitored about compliance with safety norms and regulations. For this purpose more than 200 on site inspections took place on operating sites, wherever located.

Training was provided to ensure that staff is properly informed and prepared on the that content and time limits pursuant to applicable instructions and regulations.

PORTFOLIO OF WORKS

As at December 31, 2016, there are works still to be performed in the portfolio, valued at € 749,664 thousand, consisting as follows:

	€ thousands
<u>Autostrade per l'Italia :</u>	
- Ordinary paving maintenance	112,385
- Infrastructure constructions	618,514
- Intersections and other motorway activities	4,309
- Acoustic enhancement, road-side barriers .	6,922
	<u>742,130</u>
<u>Other Altantia Group :</u>	
- Airport infrastructure	7,451
- Other motorway activities	52
	<u>7,503</u>
<u>Other contractors</u>	
- Other activities	31
	<u>31</u>
Total of portfolio	<u><u>749,664</u></u>

SUMMARY OF FINANCIAL AND EQUITY MANAGEMENT RESULTS

INTRODUCTION

This paragraph describes and comments the Analysis of the income results and the Analysis of the equity structure for 2016, compared to the values of the previous financial year.

It must be specified that the reclassified schemes differ somewhat from the official schemes below described in Notes to the financial statements. More specifically:

- the summary 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 the last mentioned 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. Referring to the operating result, there are no differences in value and intermediate results in the two tables, the only difference for the greater synthesis 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, risk fund and short-term costs and the other current liabilities;
 - “Invested capital, deducted 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 debt”: represents an indicator of the financial structure and is given by the sum of:
 - “Medium and long-term net financial debt”: 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 debt”: 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

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

Ebit: difference between production value and costs.

Ebitda Margin: Ebitda/Revenues from sales and services.

Ebit Margin: Ebit/ Revenues from sales and services.

Net capital invested: algebraic sum of the fixed assets, financial year 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 funds – Net result)

€ thousands		2016	2015
Revenue		304,244	499,740
EBITDA		(30,017)	25,712
Ebitda Margin	%	-9.87%	5.15%
EBIT		(43,837)	14,164
Ebit Margin	%	-14.41%	2.83%
Net result		(33,707)	7,764
Average paid staff	n.	821.87	856.40
Labour costs		56,187	59,554
Labour costs/revenue	%	18.47%	11.92%
Cash Flow		(19,496)	19,312
ROE	%	-68.7%	18.7%
ROI	%	-27.8%	10.0%

€ thousands		31 December 2016	31 December 2015
Net invested capital		157,738	153,413
Net financial debt		142,344	104,118
Own funds		15,394	49,295

ECONOMIC MANAGEMENT (as per table on page 18)

The typical production value for 2016, amounting to € 308,833 thousand (gross of the other income and revenues of € 4,589 thousand), shows an increase of € 194,332 thousand (-38.62%).

As already mentioned, 2016 is defined by the application of the final reductions notified by the Ministry of Infrastructure and Transport in replacement of the provisional contract reductions on infrastructure jobs commissioned by ASPI in the area Barberino del Mugello with a negative effect on production of € 53.891 thousand, as well as the significant completion of the works in the North Area which involved a decrease of € 51.334 thousand. Lower volumes of works involving Sound Proofing (€ thousand 8,349) and BBL (€ thousand 14,467) were registered. The decrease shown is eventually attributable to the completion of most of the works commissioned by Aeroporti di Roma S.p.A. (€ thousand 45,028).

In the financial year 2016 the company recognized reserves for a total € 23,279 thousand.

The external production costs are in line with the variation of the production value, and decreased by € 134,443 thousand (-32,46%). This performance is justified by both the decrease in purchases of material (€ 73,715 thousand) and by the decrease in the service costs (€ 59,789 thousand).

The cost of labour decreased by € 4,470 thousand (approximately -7.37%); the average remunerated workforce increased from 865.40 individuals in 2015 to 821,87 in 2016.

The Gross Operating Margin (EBITDA) is negative and amounts to € -30,017 thousand decreasing from € 55,729 thousand compared to the previous financial year. . This effect is due to the application of reductions in infrastructural constructions of Barberino-Firenze Nord which involved a negative earnings for works already performed by € -53,891 thousand and a provision for future losses equal to € 14,286 thousand despite the recognized reserves for €17,700 thousand. Regarding to other contracts, Autostrade per l'Italia, compared to the previous financial year there is an increase in margins on infrastructure constructions from Nodo di Firenze (€2,370 thousand) and Variante di Valico(€ 676 thousand) partially compensated from lower margins on infrastructure Area Nord (€3,839 thousand) and Intersections (€1,746 thousand), for work completions and Area extra-maintenance (€3,942 thousand), for minor volumes and job completion. Regarding to works for Aeroporti di Roma margins in line with 2015 have been registered. Works for other Contractors have increased by € 1,801 thousand.

Total amortization equal to € 8,546 thousand is in line with the financial year 2015.

During the financial year 2015, the Company had made a provision in risks and charges amounting € 2,327 thousand, which included provision for contract obligations for maintenance ending in 31 December 2015 and related to the disposal of residual milled quotas that were completed in 2016 (€ 1,244 thousand), provision for loss on multi-year jobs for the amount exceeding the value of the works in progress (€ 841 thousand), issued during 2016 for € 167 thousand, as well as probably risks arising from labour disputes. In 2016 provision was made for disposal of milling with respect to the maintenance agreement amounting to € 1.137 thousand and to increase the fund for losses on jobs amounting to € 3.668 thousand. The last apposition in the financial statements became necessary following the evaluation of infrastructure constructions influenced by the reduction effect.

Due to the above described movements, the Operating Balance (EBIT) worsened by € 58,001 thousand compared to 2015.

Net financial charges are lower than the preceding financial year. The item under examination includes financial charges concerning “purchaser credit” subscribed with Credit Agricole Corporate Investment Bank Deutschland relative to the purchase of TBM.

Amongst value adjustments for financial activities it was detected the relative charge to the Interest Rate Swap (IRS) subscribed to cover the interest rate risk and the floor type derivative incorporated in the loan given to Credit Agricole for the purchase of a digging equipment necessary for the creation of the new Santa Lucia tunnel part of the extension plan of the third lane – Lot 2 – in the section between Barberino di Mugello and Firenze Nord

Fiscal revenue for the financial year derives from the recognition of the tax loss of IRES, transferred to the consolidating company Atlantia S.p.A. in accordance with the tax consolidation of the Group and the recognition of the deferred tax.

The 2016 result is negative amounting to € 33,707 thousand (profits of € 7,806 thousand in 2015).

INCOME BALANCE ANALYSIS TABLE

Euro Thousands

	2016	2015	Differences	
			Value	%
REVENUES:				
Revenue on projects	357,383	519,470	(162,087)	(31.20)
Sales and service revenues	55	1,496	(1,441)	(96.32)
Other income and revenues	4,589	3,425	1,164	33.99
A. TOTAL REVENUE	362,027	524,391	(162,364)	(30.96)
Adjustment to works in progress on order	(53,194)	(21,226)	(31,968)	150.61
B. VALUE OF "TYPICAL" PRODUCTION	308,833	503,165	(194,332)	(38.62)
External cost of production	(279,720)	(414,163)	134,443	(32.46)
Other costs	(2,943)	(2,633)	(310)	11.77
C. ADDED VALUE	26,170	86,369	(60,199)	(69.70)
Net labour costs	(56,187)	(60,657)	4,470	(7.37)
D. MARGINE OPERATIVO LORDO (EBITDA)	(30,017)	25,712	(55,729)	(216.74)
Amortisations	(8,546)	(8,730)	184	(2.11)
Other provisions	(112)	(491)	379	(77.19)
Provisions for risks and charges	(5,162)	(2,327)	(2,835)	121.83
E. OPERATING PROFIT (EBIT)	(43,837)	14,164	(58,001)	(409.50)
Financial income and expenses	(1,019)	(1,647)	628	(38.13)
Gains and losses on foreign exchange	71	(23)	94	(408.70)
Adjustments to financial asset items	(391)		(391)	
F. PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES	(45,176)	12,494	(57,670)	(461.58)
Extraordinary income and charges				
G. BALANCE BEFORE TAX	(45,176)	12,494	(57,670)	(461.58)
Current, deferred and pre-paid income taxes	11,469	(4,675)	16,144	(345.33)
H. PROFIT FOR THE PERIOD	(33,707)	7,819	(41,526)	(531.09)

EQUITY STRUCTURE (as per table on page 21)

The “**Invested capital deducted the financial year liabilities and M/L term risks and charges**” as at 31/12/2016 amounts to € 157,738 thousand (€ 150,773 thousand as at 31/12/2015). The item is made up as follows:

“**Fixed assets**” amounting to € 85,744 thousand as at 31/12/2016; this item increased by € 30,616 thousand compared to 31/12/2015 (€ 55,128 thousand) in particular from the effect of the positive balance between investments and amortizations of the year, essentially consisting of:

- new investments in tangible fixed assets of € 39,187 thousand and in intangible fixed assets of € 110 thousand. The new investments recorded among the Fixed assets under construction and Deposits (€ 32,033 thousand) include the amounts required for digging Santa Lucia tunnel (€ 29,652 thousand)
- decrease of € 8,546 thousand in amortizations of the period;
- disposal of tangible fixed assets for € 128 thousand net of the relevant funds;
- increase of participations of € 5 thousand to cover the definitive cancellation of the shares held in Trinacria Scarl.

“**Financial year capital**” equal to € 76,294 thousand as at 31/12/2016; with respect to 31/12/2015, this item underwent a decrease of € 24,018 thousand mainly consisting on the combined effect of the variations to the following items:

- decrease of Works in progress amounting to € 52.123 thousand attributable to the decrease of balances toward ASPI:
 - Following the booking of the final MIT reductions on jobs in the Barberino del Mugello areas to replace contractual rates;
 - For invoicing the amounts related to non-maintenance works, sound absorbing lateral barriers (€ 16.404 thousand);
- Decrease of trade receivables (€ 8.572 thousand) essentially attributable to the decrease of payables to ASPI;
- Increase of Other activities by € 24.794 thousand attributable to the recognition of the receivable to the consolidating company Alantia S.p.A. for IRES accounts paid during

the financial year and for registering the tax loss matured during the financial year (total € 13,384 thousand), to the increase of advances paid to suppliers in the course of setting up the means necessary at the beginning of the excavation works on Galleria Santa Lucia (€7.391 thousand) and the increase of accrued assets on insurance policies (€2.686 thousand);

- Decrease of trade Payables equal to € 15,268 thousand as a result of the payment dynamics of suppliers of materials purchased and services provided;
- Increase on the risks and charges provision which increases to € 10,817 thousand (€6,701 thousand as at 31/12/2015). The difference is mainly attributable to the recognition of a loss provision on multi-year contracts equal to € 4,509 thousand (€841 thousand at 31/12/2015) as well as registration of a fund for charges on Interest Rate Swap (IRS) registered to cover interest rate risk and floor type derivatives included in the provided financing by Credit Agricole for purchasing an excavation equipment TBM.

The “**Medium and long-term provisions for risks and charges**” amount to € 4,300 thousand (€ 4,667 thousand as at 31/12/2015) and decreased by € 367 thousand due to the use of the employee severance fund for personnel leaving the company.

The “**Own Capital**” amounting to € 15,394 thousand (€ 49,337 thousand as at 31/12/2015), and records an increase of € 33,943 thousand mainly by the effect of the financial year loss.

As at 31/12/2016, the Company has a positive “**Net financial position**” (Net financial debt) of € 142,344 thousand (€ 101,436, thousand as at 31/12/2015) and recorded an increase of € 40,908 thousand.

This variation is attributable to the increase of medium-long term net financial liabilities amounting to € 19,957 thousand essentially due to the effect of the loan facility given by Credit Agricole for purchase of the TBM as well as the short term financing of €20,951 which was effected by cash flow and payment receipt.. The Company ended the financial year with a lower debt payable to drawing to a higher measure of the credit facilities on current account held at ASPI.

TABLE OF ANALYSIS OF THE BALANCE SHEET

Euro Thousands

	31.12.2016	31.12.2015	Differences
a) FIXED ASSETS			
Intangible fixed assets	274	453	(179)
Tangible Fixed Assets	80,078	49,278	30,800
Fixed Financial Assets	5,392	5,397	(5)
	85,744	55,128	30,616
B. WORKING CAPITAL			
Remaining Stock	150,994	203,117	(52,123)
Trade receivables	53,921	62,493	(8,572)
Other activities	40,305	15,511	24,794
Trade payables	(145,393)	(160,661)	15,268
Provisions for risks and charges	(10,817)	(6,688)	(4,129)
Other Liabilities	(12,715)	(13,447)	732
	76,294	100,325	(24,031)
C. INVESTED CAPITAL			
net of operating liabilities (A+B)	162,038	155,453	6,585
D. PROVISIONS FOR LIABILITIES AND CHARGES MEDIUM TERM AND LONG TERM			
Employee Severance Indemnities	4,300	4,667	(367)
	4,300	4,667	(367)
E. INVESTED CAPITAL			
net of operating liabilities and provisions for medium / long-term liabilities and charges: (C - D)	157,738	150,786	6,952
F. OWN CAPITAL			
Covered by			
Paid-up share capital	10,116	10,116	
Reserves and retained earnings	38,985	31,415	7,570
Profit for the period	(33,707)	7,819	(41,526)
	15,394	49,350	(33,956)
G. NET FINANCIAL DEBT Medium/Long Term			
Medium/long-term financial assets/liabilities	25,093	5,136	19,957
	25,093	5,136	19,957
H. NET FINANCIAL DEBT SHORT TERM (Net cash assets)			
Short-term financial payables	126,205	113,450	12,755
Cash and short term financial receivables	(8,954)	(17,150)	8,196
	117,251	96,300	20,951
TOTAL (CASH) NET FINANCIAL DEBT (G + H)	142,344	101,436	40,908
I. TOTAL AS IN E (F + G + H)	157,738	150,786	6,952

INVESTMENTS

The investments made during the year 2016 amount € 39,297 thousand and include, under the item of fixed assets in progress, the amounts paid to Herrenknecht AG for the construction of the shielded tunnel boring machine required for digging the Santa Lucia tunnel (€ 29,652)

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 on third party assets			
- Application Software	99		99
- Software applications	11		11
- Concessions by the Government			
- Land and industrial buildings		568	568
- Plant and machinery		4,648	4,648
- Trucks and vehicles in support of operating activities		1,620	1,620
- Other tangible fixed assets		318	318
- Assets under construction		32,033	32,033
	<u>110</u>	<u>39,187</u>	<u>39,297</u>

RESEARCH AND DEVELOPMENT

Resurfacing

In 2016 activities initiated in 2013, were completed, referred to ERA project (Extreme Recycling of Asphalt) development by our Company in cooperation with the Università Politecnica delle Marche, ICEA department and with Prof. Francesco Canestrari Science Manager responsible of the entire research.

During 2016, as a conclusion of all prior tests (on the road and in laboratories), an experimental section was made by a length that represents actual actions.

The works along approximately 800 ml, mainly involved the lane AI in the section Magliano S. – Roma Nord.

The entire density of bitumen conglomerate (approximately 30cm of draining deterioration) using “tepid” bitumen conglomerates obtained by adding additive chemicals previously tested in the laboratory.

At the same time the last task was completed, consisting of lab characterization of mixtures closed (e.g. binder) with high levels of milling materials produced at low temperatures using chemical additives.

The aims of the tests were achieved:

- Performance not inferior to that of corresponding traditional conglomerates;
- Increase in percentage of re-utilization of post-use material;
- Diminishing emission;
- Projected lower overall costs.

Infrastructure

The Boscaccio tunnel, “Centina Tubolare Semi-automatica Sicura” was made functional and ready for use. This allows realisation of temporary excavation works of the tunnels without placing professionals in risk areas. The solution developed also received an international award in 2016 by the International Tunneling and Underground Association as one of the best initiatives of the year in terms of safety.

QUALITY SYSTEM

2016 was characterized by intensive activities concerning Quality. In particular:

- the FPC (Factory Production Control) certificates for bitumen modified from polymers at the premises of the Operating Units of Loreto and Zola Predosa (Bologna) were the subject of annual surveillance, as provided by harmonised regulation UNI EN 14023;
- similarly, in accordance with that required by regulation UNI EN 13108, the internal and external surveillance audits were performed on all the currently certified operating units. Certification according to ISO 9001 for the specialised business activities were also subjected to specific surveillance. The certification as a general business was also subject of verification in order to be maintained;
- FPC certificated according to the optional scheme for production of Cement Mix was

renewed for another year;

- training activities for personnel at headquarters and on worksites were planned and performed, with in hall activities and training on the job. Internal and external audits were conducted on the main infrastructural highway worksites, on the worksites for the sound absorbent and safety barriers and on all airport activities. There were more than 60 audits and inspections on Company working areas overall;
- during the course of 2016, the main technical documents as regards the FPC systems and corporate operating processes were updated. The Quality Manual was also monitored and updated;
- in October 2016 the certificate, according to a voluntary scheme, was obtained for the FPC system for Bitumen Mixture at the Production Unit in Ciampino;
- regarding the “Make it Sustainable” certification ,during May 2016, an audit was performed for the annual maintenance of the certificate obtained at the UO of Zola Predosa. During the months of May until November 2016 such certification was extended to the UO of Barberino Infrastructure related to Lot 2

HUMAN RESOURCES

From an **organizational perspective**, 2016 was characterised by interventions targeted at optimising the staff structures and support processes for operations. The main initiatives conducted include:

- establishing the Business Controlling structure;
- identification of new structures dedicated to the activities linked to IT systems and Staff management;
- joining activities related to Corporate matters and Insurance to the Legal field;
- consolidation of all activities related to monitoring Security, Environment and Quality under one central structure.

It should be noted that in the continued improvements implemented in Safety and Environment during the year, is strengthening the role of the Employer and of the Environment Managers by attributing to them, according to the provisions of article 2 of Legislative Decree 81/08, powers in employing, dismissing and taking disciplinary action relative to non-managerial staff within the companies Operating Units.

At the same time, the interventions continued for updating the corporate procedures plan, also in order to adjust the procedural set-up of Pavimental to the evolution of the organizational Management and Control model (provided by Legislative Decree 231/01).

From the **IT systems point of view**, new interventions to the company's RdS are to be noted, such as for example "Contractor SAL management" which allows mapping of the stage of advancement of works even in order to optimise receipt of payment timing with the direct inclusion of all the entities involved.

As regards the aspects concerning the **Selection** of human resources, during 2016, 218 new working positions opened in 2016, of which 65 were filled by internal candidates, which also promoted infra-group mobility processes.

Goals concerning the **Development and Training** of staff were pursued during the year, aimed at raising the levels of professionalism in the various areas of interest. Managerial skills and potential of Executives was assessed individually and as a group, promptly creating an individual action plan to support the motivation and improvement of performance; the corporate culture on matters involving safety at work, environment protection and quality was strengthened. Particular focus was placed on training and new regulations and techniques involving companies such as the new procurement code and the Building Information Modelling (BIM) for managing complex projects such as airport projects. Lastly, specific sessions were held dedicated to training for the use of IT systems 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.

In conclusion, training interventions were organised to a total of 10,500 hours during 2016.

Industrial Relations in 2016, regarding the Maintenance sector, were aimed at the managing dismissals occurring for various reasons and in various companies as a result of jobs completion of constructions of road links all along local territory with particular reference sites located in Foggia, Bologna and Genova. Therefore, various Trade Union meetings were held locally and also at a national level for ensuring the best possible solutions, thanks to which Pavimental has managed to handle the job losses concerned, and recourse to collective dismissal procedures has been avoided.

Industrial Relations activities have already dealt with the examination of OO.SS on possible scenarios consequent to the approval of the regulations of the New Procurement Code in view of

the possible effects on occupation arising from amendment of laws governing works assignment so called in house between holding and subsidiary.

Regarding to matters which specifically involve the infrastructure segment these have been managed by means of various trade union agreements for extensions until its conclusion at the end of the year, the CIGO underway at Infrastrutture Nord, implementing the possible solution reallocation on production sites which required staff. Always relative to infrastructure, Industrial Relations regarding the advancement of excavation actions in tunnels at Barberino del Mugello, have given particular attention on the extent of framework agreements entered into previously for this area regarding safety at work and environment. In the Toscana area, meetings were also held with the competent of OO.SS to manage reports made by trade union representatives at the separate sites with particular reference to matters concerning extraordinary works.

Finally, some potential disputes have been resolved by individual workers, represented by OO. SS. Of Barberino del Mugello, Florence Infrastructures, Florence Incisa e Roncobilaccio.

The following table compares the company staff complement as at 31 December, respectively for the years 2016 and 2015 in consideration of the different types of indefinite period and fixed term employment.

	31 December 2016			31 December 2015			Delta
	TI	TD	TOTALE	TI	TD	TOTALE	
Managers	7		7	8		8	(1)
Executives	27	1	28	28		28	
Office works	282	16	298	298	18	316	(18)
Manual workers	454	87	541	443	113	556	(15)
	<u>770</u>	<u>104</u>	<u>874</u>	<u>777</u>	<u>131</u>	<u>908</u>	<u>(34)</u>

As regards the average remunerated workforce, 2016 closed with an average of 821.87 units compared to 856.40 in 2015.

The average remunerated workforce is divided by the following categories:

	2016			2015			Delta
	TI	TD	TOTAL	TI	TD	TOTAL	
Managers	7.25		7.25	7.67		7.67	(0.4)
Executives	28.00	0.08	28.08	27.77		27.77	0.3
Office workers	286.54	16.80	303.34	290.07	19.32	309.39	(6.1)
manual workers	366.00	117.20	483.20	391.38	120.19	511.57	(28.4)
	<u>687.79</u>	<u>134.08</u>	<u>821.87</u>	<u>716.89</u>	<u>139.51</u>	<u>856.40</u>	<u>(34.53)</u>

SUBSIDIARIES AND CONSORTIUM COMPANIES

Pavimental Est (in liquidation)

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

The Company has been inactive since 1999. The allocations to cover eventual losses, that are currently expected to be incurred, amount € 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 for the reconstruction of the Rudno and Myslowice bypass Chrzanow in consortium with Pavimental S.p.A., with a net contractual worth of 21.1 million PLN, of which the competence of Pavimental Polska amounts to 20.7 million PLN;

- works on the contract “HM 3 2016 – Resurfacing 2016-2017” of highway A4 in consortium with Pavimental S.p.A. The contract value is 38.3 million PLN of which 35.2 million PLN belong to Pavimental Polska, 20.8 million to PLN to be carried out in 2017;
- works for the drainage of the A4 highway in the Silesia region – part II, contracted by the SAM (in consortium with Pavimental S.p.A) for a total value of 22.4 million PLN, of which 21.3 million PLN belong to Pavimental Polska. In 2017 pending works to be carried out by Pavimental Polska are equal to 13.2 mln;
- completion of works for the WUPO contract, automation of the toll booth lanes on the A4 highway, subcontracted from Autostrade Tech;

The year 2016 closed with profits amounting to 4.7 million PLN (1.1 million Euros at the average rate of exchange of 2016 equal to 4.3621).

As at 31 December 2016, staff complement was equal to 58 units.

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

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.

Under 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 October 4, 2010, for an amount of € 1,408 thousand.

The Company was put into liquidation on June 12, 2013.

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

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

On July 26, 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 participating 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 having the possibility of participating in General Contractor tenders for amounts 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.

In 2016, Sat Lavori completed the works on Lot 6A of highway A12 (section Civitavecchia-Tarquinia).

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

Headquarters in Tortona (AL)
Share capital € 510,000
Holding 30%

Following the contacts with SNADM, against which a proceeding has been started for the recognition of claims, the Parties have reached an agreement formalised by signature in March 2015 of a Protocole Transactionnel, in which Consorzio R.F.C.C. obtaining the recognition of DHS 42,500,000, convertible into Euros. On 15 June 2015, the Consortium encashed the amount of € 2,734 thousand resulting from the gross value of the transaction (€ 3,955 thousand), deducting the sums concerning the dispute of a fiscal nature with the Ministry of Finance to be paid out following the transactive agreement which settled any pending matters (€ 244 thousand) and also deducting the amounts for the seizure of premises notified to the SNADM by the lawyers of the Consortium with which the disputes arise.

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

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. was put into liquidation during November 2012.

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

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 respectively 51% and 49% 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, 2016, Pavimental S.p.A. had receivables of € 7,500 thousand from the Contractor.

Società Tangenziale Esterna S.p.A.

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

This is the Project Company concessionary 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 fifty years since the entry into operation of the entire roadway connection.

In December 2013, the concessionary signed the financing contract in project financing, which ensured the financial coverage required for the initiative.

Consorzio Costruttori TEEM

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

Under the construction of the External Eastern Bypass in Milan, Consorzio Miteco was incorporated on June 18, 2009, including the constructors participating in the TEEM initiative, with a consortium fund of € 10 thousand and a Pavimental holding of 1%. In September 2011, the companies in the Miteco consortium, combined with Impresa Pizzarotti & C. S.p.A., created Consorzio Costruttori TEEM, with the purpose of coordinating activities between the constructors. The Board of Representatives of Miteco deliberated its dissolution as a consequence of the fact that the consortium members intended to pursue the activities in the scope of its corporate purpose by other means.

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

As at 31 December 2016 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 2016 activities were mostly concluded.

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

€ thousands

Financial relations	2016	2015	Diff.
<u>Ordered works</u>			
Consorzio Co.Im.A.	5,314	24,414	(19,100)
Consorzio Costruttori TEEM	211	3,448	(3,237)
Consorzio Lambro	455	2,569	(2,114)
	<u>5,980</u>	<u>30,431</u>	<u>(24,451)</u>
<u>Other revenue</u>			
Consorzio Costruttori Teem	130		130
Consorzio Lambro	222	309	(87)
Consorzio Co.Im.A.	28	28	
Pavimental Polska	157	141	16
Consorzio Galileo in liquidation		10	(10)
Consorzio Trinacria in liquidation		19	(19)
	<u>537</u>	<u>507</u>	<u>30</u>
<u>Service costs</u>			
Consorzio Galileo in liquidation	6	35	(29)
Consorzio Ramonti in liquidation	58	39	19
Consorzio Elmas in liquidation	1	2	(1)
Consorzio Co.Im.A.	3,855	23,953	(20,098)
Consorzio Costruttori TEEM	325	2,485	(2,160)
Consorzio Lambro	621	2,485	(1,864)
Pavimental Polska	4,919	5,371	(452)
	<u>9,785</u>	<u>34,370</u>	<u>(24,585)</u>
<u>Miscellaneous costs</u>			
Consorzio Costruttori TEEM		513	(513)
Consorzio Co.Im.A.	1,523	501	1,022
	<u>1,523</u>	<u>1,014</u>	<u>509</u>
<u>Financial revenue</u>			
TE Tangenziale Esterna di Milano	137	52	85
Pavimental Polska	9	4	5
	<u>146</u>	<u>56</u>	<u>90</u>

€ thousands

Equity relation	31 December 2016	31 December 2015	Difference
Trade receivables and assets under construction			
Consorzio Co.Im.A.	4,616	8,003	(3,387)
Consorzio Costruttori TEEM	1,132	1,330	(198)
Consorzio Lambro	4,154	3,416	738
Consorzio Galileo in liquidation	195	210	(15)
Consorzio Elmas in liquidation	548	548	
Consorzio Miteco	3	6	(3)
Pavimental Polska	216	292	(76)
Consorzio RFCC in liquidation	124	124	
	<u>10,988</u>	<u>13,929</u>	<u>(2,941)</u>
Financial receivables			
Consorzio Trinacria in liquidation		46	(46)
TE Tangenziale Esterna di Milano	1,341	1,202	139
Consorzio Ramonti in liquidation	107		107
Consorzio Elmas in liquidation	1,030	1,030	
Pavimental Polska	3,980	2,456	1,524
Pavimental EST	388	276	112
Consorzio RFCC in liquidation	2,291	2,291	
Consorzio Co.Im.A.	20	20	
	<u>9,157</u>	<u>7,321</u>	<u>1,836</u>
Other receivables			
Consorzio Galileo in liquidation		21	(21)
Consorzio Co.Im.A.	30	30	
Consorzio Elmas in liquidation	2	2	
Consorzio Ramonti in liquidation	162	220	(58)
	<u>194</u>	<u>273</u>	<u>(79)</u>
Trade payables			
Consorzio Costruttori TEEM	886	1,082	(196)
Consorzio Galileo in liquidation	175	191	(16)
Consorzio Trinacria in liquidation	40	40	
Consorzio Elmas in liquidation	1,447	1,450	(3)
Consorzio Lambro	2,622	2,020	602
Consorzio Miteco		2	(2)
Pavimental Polska	3,066	2,706	360
Consorzio Co.Im.A.	4,049	7,715	(3,666)
	<u>12,285</u>	<u>15,206</u>	<u>(2,921)</u>
Other payables			
Consorzio Elmas in liquidation	3	3	
Consorzio CAIE		1	(1)
	<u>3</u>	<u>4</u>	<u>(1)</u>

REGISTERED ADDRESS AND MAIN OPERATING UNITS

The following are the registered addresses:

REGISTERED ADDRESS

ROMA - Via Giuseppe Donati n. 174

OPERATING UNITS

Sites:

- Anagni (Frosinone)
- Andria (BAT)
- Arezzo
- Barberino di Mugello (Firenze)
- Bologna
- Bologna
- Casina Rizzardi (Como)
- Calenzano (Firenze)
- Fiesso Umbertiano (Rovigo)
- Foggia
- Genova
- Genova
- Guidonia Montecelio (Roma)
- Loreto (Ancona)
- Magliano Sabina (Rieti)
- Marcianise (Caserta)
- Origgio (Varese)
- Ortona (Chieti)
- Padova
- Piacenza
- Rimini
- Trezzo sull'Adda (Milano)
- Uboldo (Varese)
- Roma
- Torre Annunziata (Napoli)
- Turate (Co)
- Senigallia (Ancona)
- Fiano Romano (Roma)
- Mondolfo (PU)
- Riccione
- Rosignano Marittimo (LI)
- Barberino di Mugello (Firenze)
- Rimini (RN)
- Firenze
- Barberino di Mugello (Firenze)
- Castiglione dei Pepoli
- Località Cangiano
- Contrada Lamapaola
- Civitella in Val di Chiana, Via delle Case Rosse n. 12
- Località Bovecchio – Via Frassineta s.n.
- Zola Predosa - Via Prati 10A
- Località La Muffa, Svincolo A1-Via Emilia
- Autostrada A9 Km 30 sud
- Via Madonna del Facchino snc
- Via Trento s.n.
- Contrada Mendolecchia
- Autostrada A12 Est km 2 Dir. Ge-Li
- Via Fiamme Gialle
- Via Casal Bianco
- Località Leonessa
- Località Campitelli
- S.S. Sannitica km. 19+600
- Autostrada A9 Km 12 sud
- Zona Industriale Località Tamarete n.10
- Corso Stati Uniti
- Località Borghetto di Roncaglia
- Frazione S.Martino in Riparotta
- S.P. 2 s.n. per Grezzago
- Via IV Novembre s.n.
- Fraz. Ponte Galeria, Via di Valle Lupara snc
- Autostrada A3 Km. 17,400
- Via Puecher n.38
- S.S. Arcevese snc
- Via Salaria Km 15+750
- Via Sterpettine s.n.c.
- Via Ancona n. 9
- Località La Valle n. 9, Fraz.ne Vada
- Località Cornocchio
- Via Flaminia Conca n. 85
- Via di Ponte a Iozzi Località Cascine del Riccio
- Località Poggiolino
- Località Roncobilaccio

MANAGEMENT PERSPECTIVE EVOLUTION

An increase in the value of production is expected during financial year 2017, mainly due to:

- infrastructure jobs performed on behalf of Autostrade per l'Italia following commencement of excavations works with TBM on Lot 2 of Barberino-Firenze Nord and extension of a fourth lane on A4, partially compensated by the completion of works on the Lateral Barriers, sound proofing and ring roads/junctions;
- airport works for Aeroporti di Roma following completion of the works on the west area ramp and start of new works for requalification works on runway 16R/34L, mitigation of hydraulic risk and 1° stralcio piazzali 300. New jobs will start mainly during the second semester of the year.

Finally, regarding the modification of the Procurement Code of the Legislative Decree 50/2016, Law no. 11/2016, in article 177 entitled “Concessions to contractors” for “in house” works has predicted the essential application of the legal provisions pursuant to the enabling law; the new law prescribes that – without prejudice to the concessions and procurement in special section, for which regulations do not apply – public or private persons owners of works contracts or public services already in place or newly awarded must entrust a part equal to 80% of the works, services and supplies in relation to concessions of an amount exceeding Euro 150,000.00, by public procurement tenders. The remaining (20%) can be carried out, for private persons by companies which are directly or indirectly controlled or associated or by operators chosen by means of a public procedure, including simplified procedure (sub-article 1).

Sub-article 2 states that the concessions pursuant to sub-article 1 already in place must be adapted to the above referred provisions by not later than twenty-four months from the date of entry into force of the Code, 19 April 2016.

Verifications on compliance within the above referred to limits is referred to persons appointed and to ANAC which establishes conditions and deadlines.

Sub-article 3 states, “ verification on the limits pursuant to sub-article 1 that are carried out annually as indicated by ANAC itself in the guide lines, to be adopted by not later than ninety days from the date of entry into force of this code. Possible situations of imbalance over the limits indicated must be adjusted within the following year. In case of repeated situations of imbalances for two successive years the contractor applies a penalty equal to 10% of the total amount of the works, services or supplies that should have been allocated by public procurement procedures”.

Currently the Guidelines regarding the terms of assessment to be performed by ANAC have not been published yet.

Company's management is considering the effect of the impact of new regulations even in the light of the Decree amending the Procurement Code already approved by the Council of Ministers by preliminary examination during the session of 23 February which amongst the most important amendments excludes assignment to "in house" companies of works directly executed and those related to ordinary maintenance up to a limit of 20%.

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

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

Excluding the represented, related to the redefinition due to reductions of Lots 0-1-2 of the section Barberino – Firenze Nord, for which the company is adequately protected, the Company is not exposed to significant risks in terms of changes of the price of works completed, as the remuneration for the performed activities is determined contractually with its contractors.

There may be risks of price variations for a limited number of jobs which are nearly closed and which refer to small amounts.

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 of 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 of that described regarding 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 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 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 respect to the financing at variable interest rate from Credit Agricole Corporate Investment Bank Deutschland (euribor+0.60bps) the company signed an IRS for an equal amount and for equal hedging of the interest rate risk.

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

The Company has properly fulfilled the obligations imposed by the rules concerning the protection of personal data introduced by Legislative Decree no. 196/2003, one of the main scopes of which is updating the documentation for internal procedures, informative notes and the appointment of Managers and persons responsible for processing personal details. More specifically the “Procedure – Internal privacy regulations” was again reviewed. 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. Amongst amendments made, specific reference must be made to applicable of the new provisions pursuant to the Jobs Act – Legislative Decree no. 151 dated 14/09/2015, related to distant monitoring of workers and use of similar “working tools” for

specific categories of company assets used by workers for carrying out their duties. In this respect guidelines were adopted to apply to users and operators – Privacy within the company.

Another trade union agreement was signed for regulating the use of another video surveillance system at the Firenze Infrastructure.

The composition of the Privacy Committee was also updated. Also during the last Committee meeting of 2016 detailed information was provided on the significant new items introduced by EU Regulation no, 679/2016, strongly effecting the company privacy organization as well as the application of the preceding legal framework. The need to apply said innovations during the next year was highlighted in such way that they are fully implemented by the month of May 2018 subject to economic sanction.

Lastly, a new module on-line training has been planned and completed, for Managers and responsible persons for handling on-line personal data as well as new resources within the company. The course, which will be held during the first months of 2017, will include three sections whose contents will be both institutional and specialised illustrating the specific organisational set up of Privacy in Pavimental and anticipating adjustments to the general norm to which reference is made in the new EU Regulation.

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

The composition of 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
- Arch. Rossella Degni Member

During 2016, the Supervisory Board approved amendment of the Organisation, Management and Control Model made by Pavimental following introduction of new criminal offences in the Legislative Decree.

Also the Board monitored the use and updating of company procedures and promoted checks by the Internal Audit to the flow of information between persons pursuant to the Unified Code on Safety.

These assessments were still in progress at the date of presentation of the financial statements.

Certification (SOA)

No changes were made to the certification company “La Soatech S.p.A.” during 2016.

Financial Statements

Balance Sheet

and

Income Statement

ASSETS

	31/12/2016	31/12/2015		
A) RECEIVABLES FROM SHAREHOLDERS FOR CAPITAL CONTRIBUTIONS OF WHICH ALREADY CALLED				
B) FIXED ASSETS				
I - INTANGIBLE FIXED ASSETS				
1) Formation expenses				
3) Industrial patent usage and intellectual property rights	137,975		273,141	
4) Concessions, licenses, trade marks and similar rights	93,930		114,461	
7) Others	<u>43,311</u>	275,216	<u>65,329</u>	452,931
II - TANGIBLE FIXED ASSETS				
1) Land and buildings	8,515,892		9,158,673	
2) Plant and machinery	16,229,582		15,735,589	
3) Tools and equipment	4,836,824		4,836,032	
4) Other goods	851,980		727,126	
5) Fixed assets under construction and advances	<u>49,643,351</u>	80,077,629	<u>18,820,505</u>	49,277,925
III - Financial fixed assets				
1) Investments in:				
a) subsidiaries	726,722		726,722	
b) related Companies	8,900		13,673	
d) Other companies	<u>4,656,380</u>	5,392,002	<u>4,656,380</u>	5,396,775
2) Receivables:				
d) from others	(*) <u>44,690</u>	3,776,218	(*) <u>81,516</u>	2,844,916
4) Treasury shares	<u>44,690</u>		<u>81,516</u>	
		<u>3,776,218</u>		2,844,916
		9,168,220		8,241,691
TOTAL FIXED ASSETS (B)		<u>89,521,065</u>		<u>57,972,547</u>
C) CURRENT ASSETS				
I - INVENTORY				
1) Raw materials, auxiliary materials and consumables:	8,009,696		6,895,631	
3) Works in progress on ordination	<u>185,242,049</u>	193,251,745	<u>214,546,867</u>	221,442,498
II - Receivables				
1) from clients	24,267,708		25,827,380	
2) from subsidiaries	6,046,397		7,649,651	
3) from related companies	2,879,116		2,911,279	
4) from Parent companies	13,969,056		1,116,616	
5) from companies subject to the control of Parent companies	26,288,655		30,841,559	
5 - bis) Tax	3,677,985		5,622,143	
5-b) Deferred tax assets	3,085,618	5,520,698	1,955,022	2,397,842
5-c) other				
a) due others	<u>11,042,351</u>	93,691,966	<u>2,950,632</u>	79,317,102
	<u>3,085,618</u>		<u>1,955,022</u>	
III. FINANCIAL ASSETS NOT HELD AS FIXED ASSETS				
5) Own shares				
IV - CASH AND CASH EQUIVALENTS				
1) Bank and postal deposits	3,214,811		12,236,913	
3) Cash and cash equivalent	<u>6,531</u>	3,221,342	<u>10,428</u>	12,247,341
TOTAL CURRENT ASSETS (C)		<u>290,165,053</u>		<u>313,006,941</u>
D) ACCRUALS AND DEFERRALS				
Accrued expenses and other prepayments		<u>6,375,897</u>		<u>3,690,608</u>
TOTAL ASSETS		<u>386,062,015</u>		<u>374,670,097</u>

(*) Due within next fiscal year

(**) Due after next fiscal year

LIABILITIES

	31/12/2016		31/12/2015	
A) SHAREHOLDER'S EQUITY				
I) SHARE CAPITAL		10,116,452		10,116,452
II- SHARE PREMIUM ACCOUNT		29,331,726		29,331,726
IV - STATUTORY RESERVE		1,123,727		735,510
VI OTHER RESERVES		-355,441		-206,623
VII - RESERVE FOR TRANSACTIONS HEDGING FLOWS FOR EXPECTED FINANCIAL REVENUES		-112,591		
VIII - PROFIT (LOSS) CARRIED FORWARD		8,997,302		1,553,663
IX - PROFIT (LOSS) FOR THE FISCAL YEAR		- 33,706,957		7,806,203
X - NEGATIVE RESERVE FOR OWN SHARES				
		<u>15,394,218</u>		<u>49,336,931</u>
B) PROVISIONS FOR RISKS AND CHARGES				
2) For taxes, including deferred taxes		85,369		69,619
3) DERIVATIVE FINANCIAL LIABILITIES		539,010		
4) . OTHERS				
provision for pending lawsuits		992,387		970,248
fund for environment remediation costs		50,390		72,390
Provisions for losses on multi-year projects		4,508,406		840,894
provision for contractual charges		1,136,713		1,243,905
provision for impairment losses on investments		3,504,512		3,504,512
		<u>10,192,408</u>		<u>6,631,949</u>
		<u>10,816,786</u>		<u>6,701,568</u>
C) EMPLOYEE TERMINATION INDEMNITIES				
		<u>4,300,286</u>		<u>4,667,460</u>
D) PAYABLES				
4) Due to banks	(**)		(**)	
	28,869,492	33,385,035	7,981,276	44,603,439
6) Advances		42,355,487		18,410,352
7) Trade Payables		133,145,558		143,556,947
9) To subsidiaries		8,573,033		11,874,166
10) related companies		215,764		231,027
11) Parent companies		296,021		2,966,481
11 - bis) Towards companies subject to the control of parent companies		124,868,858		78,876,056
12) Tax payables		2,370,962		1,405,954
13) Due to pension and social security institutes		770,800		395,672
17) Other payables				
a) towards other creditors		9,563,801		11,639,044
	<u>28,869,492</u>	<u>355,545,319</u>	<u>7,981,276</u>	<u>313,959,138</u>
E) ACCRUALS AND DEFERRALS				
Accrued expenses and deferred income		5,406		5,000
		<u>5,406</u>		<u>5,000</u>
TOTAL LIABILITIES		<u>386,062,015</u>		<u>374,670,097</u>

INCOME STATEMENT	2016	2015
A) VALUE OF PRODUCTION		
1) REVENUE FROM SALES AND SERVICES	357,437,579	520,965,491
3) CHANGES OF WORK IN PROGRESS	- 53,194,376	- 21,225,871
4) INCREASE OF FIXED ASSETS DUE TO INTERNAL WORK	4,678,775	1,473,630
5) OTHER REVENUE AND INCOME		
capital gains on transfer of assets	392,957	602,430
absorption of current assets provision	94,026	20,565
Provisions for risks and charges	1,589,916	43,407
Other income	3,113,448	2,375,425
other cost recovery	4,003,823	7,934,728
	<u>9,194,170</u>	<u>10,976,555</u>
	<u>318,116,148</u>	<u>512,189,805</u>
B) COST OF PRODUCTION		
6) FOR RAW MATERIALS, CONSUMABLES AND GOODS FOR RESALE	106,667,740	175,660,560
7) FOR SERVICES	180,102,300	241,471,727
8) LEASE AND RENTALS	1,301,072	1,548,249
9) PERSONNEL COSTS		
a) salaries and wages	37,765,755	39,817,621
b) social security contributions	15,454,887	15,748,080
c) provision for severance indemnities	2,510,576	2,472,443
d) provision for pensions and similar obligations	528,296	394,335
e) other costs	1,370,240	1,710,622
	<u>57,629,754</u>	<u>60,143,101</u>
10) Amortisations and depreciations		
a) amortization of intangible fixed assets	288,135	280,952
b) depreciation of tangible fixed assets	8,257,715	8,449,331
d) Write-off on receivables held as current assets	111,770	490,924
	<u>8,657,620</u>	<u>9,221,207</u>
11) CHANGES IN INVENTORIES OF RAW MATERIAL, CONSUMABLES AND GOODS	- 1,114,064	4,131,204
12) RISK'S ACCRUALS	141,191	242,112
13) OTHER ACCRUALS	5,021,125	2,084,799
14) OTHER OPERATING EXPENSES	3,547,391	3,286,593
	<u>- 361,954,129</u>	<u>- 497,789,553</u>
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A - B)	<u>-43,837,981</u>	<u>14,400,252</u>
C) FINANCIAL INCOME AND EXPENSES		
16) OTHER FINANCIAL INCOME		
a) receivables recognised as fixed assets		
Others	138,697	52,385
d) income different from the above ones:		
interests and comm. from subsidiaries		
interests and comm from associated companies		
interests and comm. from holding companies		
interest and commissions from others and miscellaneous income	365,695	396,725
	<u>504,392</u>	<u>449,110</u>
17) INTEREST AND OTHER FINANCIAL CHARGES		
interest and commissions to associated companies		
interest and commissions to holding companies	731,802	1,339,874
interest and commissions to others and other charges	791,288	991,300
	<u>- 1,523,090</u>	<u>- 2,331,174</u>
17 bis) Gain/loss on foreign exchange	71,405	- 23,022
TOTAL FINANCIAL INCOME AND EXPENSES	<u>- 947,293</u>	<u>- 1,905,086</u>
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS		
18) Revaluations		
a) of shares		
d) of derivative financial instruments		
19) WRITE OFFS		
a) of shares		
d) of derivative financial instruments	-390,863	
TOTAL ADJUSTMENTS	<u>-390,863</u>	
RESULT BEFORE TAXES	<u>-45,176,137</u>	<u>12,495,166</u>
20) EXTRAORDINARY INCOME AND EXPENSES		
CURRENT, DEFERRED AND ADVANCE		
CURRENT TAXES		
IRES (TAX ON INCOME)	- 8,477,303	4,253,854
IRAP (REGIONAL TAX)	8,477,303	1,362,000
	<u>- 8,477,303</u>	<u>- 5,615,854</u>
PREPAID TAXES		
IRES (TAX ON INCOME)	- 2,984,556	- 791,383
IRAP (REGIONAL TAX)	3,185	
TAX EFFECTS	-90,181	791,383
PREVIOUS TAX IRES / IRAP	- 79,674	135,508
	<u>11,469,180</u>	<u>- 4,688,963</u>
TOTAL TAXES	<u>11,469,180</u>	<u>- 4,688,963</u>
21) PROFIT (LOSS) OF THE YEAR	<u>-33,706,957</u>	<u>7,806,203</u>

ASSETS

Values in Thousands of euros

	31/12/2016		31/12/2015	
A) Payables FROM SHAREHOLDERS FOR AMOUNTS STILL DUE				
B) Fixed assets				
I - Intangible fixed assets				
1) Buildings and construction				
3) Patents and intellectual property rights				
		138		273
4) Licenses, trademarks and similar		94		115
7) other		<u>43</u>	275	<u>65</u>
				453
II - TANGIBLE FIXED ASSETS				
1) land and buildings		8,516		9,159
Plant and machinery		16,230		15,736
3) Factory and office equipment		4,837		4,836
4) Other		852		727
5) Fixed assets under construction or on account		<u>49,643</u>	80,078	<u>18,820</u>
				49,278
III - Financial fixed assets				
1) Investments in:				
a) subsidiaries		727		727
b) associated companies		9		14
d-bis) other		4,656	5,392	4,656
2) Receivables:	(*)			(*)
d-bis) other	<u>45</u>	3,776		<u>82</u>
4) Financial instruments assets				2,845
			3,776	9,168
	<u>45</u>		<u>82</u>	2,845
				8,242
Total fixed assets (B)			<u>89,521</u>	<u>57,973</u>
				55,128
C) Current assets				
I - INVENTORY				
Raw materials, ancillary materials and consumables		8,010		6,895
3) Works on order		<u>185,242</u>	193,252	<u>214,547</u>
				221,442
II - Receivables	(**)		(**)	
1) From clients		24,267		25,827
2) From holding companies		6,046		7,650
3) due from associated companies		2,879		2,911
4) From holding companies		13,969		1,117
5) From companies subject to the control of holding companies		26,289		30,842
5 - bis) Tax		3,678		5,622
5 - b) Advance tax	3,086	5,521	1,955	2,398
5c) Other				
a) To other debtors		<u>11,042</u>	93,691	<u>2,950</u>
	<u>3,086</u>		<u>1,955</u>	79,317
III - FINANCIAL ASSETS NOT CONSTITUTING FIXED ASSETS				
5) Derivative financial assets				
IV - CASH ASSETS				
1) bank and post office deposits		3,215		12,237
3) Cash at hand		<u>7</u>	3,222	<u>11</u>
				12,248
TOTAL CURRENT ASSETS (C)			<u>290,165</u>	<u>313,007</u>
D) ACCRUALS AND DEFERRALS				
Accruals and other deferrals			6,376	3,690
TOTAL ASSETS			<u>386,062</u>	<u>374,670</u>

(*)

Amounts payable by next financial year

(**)

Amounts payable after next financial year

Value in Euro Thousands

LIABILITIES

	31/12/2016		31/12/2015	
A - NET EQUITY				
I - Share capital		10,116		10,116
II - Share premium reserve		29,332		29,332
IV - STATUTORY RESERVE		1,124		736
VI - OTHER RESERVE		-355		-207
VII - RESERVE FOR TRANSACTIONS HEDGING FOR EXPECTED FINANCIAL CASH FLOW		-113		
VIII - Profit (loss) carried forward		8,997		1,553
IX - Profit (loss) for the fiscal year		-33,707		7,806
X - NEGATIVE RESERVE FOR OWN SHARES				
		<u>15,394</u>		<u>49,336</u>
B) PROVISIONS FOR RISKS AND CHARGES				
2) For taxes, including deferred taxes		85		70
3) DERIVATIVE FINANCIAL LIABILITIES		539		
4 . Others				
provision for pending lawsuits	992		970	
fund environment remediation costs	50		72	
Provisions for losses on multi-year project	4,509		841	
provision for contractual charges	1,137		1,244	
provision for impairment losses on investments	3,505	<u>10,193</u>	3,505	<u>6,632</u>
		<u>10,817</u>		<u>6,702</u>
C) SEVERANCE INDEMNITIES				
EMPLOYMENT		<u>4,300</u>		<u>4,667</u>
D) PAYABLES				
4) Due from banks	(**)		(**)	
	28,869	33,385	7,981	44,603
6) Advance payments		42,355		18,410
To suppliers .		133,146		143,557
To subsidiaries		8,573		11,874
From affiliates		216		231
From Parent Companies		296		2,967
11a) Towards companies subject to the control of		124,869		78,876
12) Tax		2,371		1,406
13) Due to social institutions and social security institutions		771		396
Towards others				
a) towards other creditors		<u>9,564</u>	<u>355,546</u>	<u>11,640</u>
	<u>28,869</u>		<u>7,981</u>	<u>313,960</u>
E) ACCRUALS AND DEFERRALS				
Accrued expenses and other prepayments		<u>5</u>		<u>5</u>
TOTAL LIABILITIES		<u><u>386,062</u></u>		<u><u>374,670</u></u>

(*) due within next fiscal year
(**) due later than next fiscal year

Values in € thousands

PROFIT AND LOSS

	2016		2015	
A) VALUE OF PRODUCTION				
1) Revenue from sales and services		357,437		520,965
3) Variations of work in progress on order		- 53,194		- 21,226
4) Increase of fixed assets for internal work		4,679		1,474
5) Other revenue and income				
Capital gains on disposal of assets	393		602	
absorption of current assets provision	94		21	
Provisions for risks and charges	1,590		43	
Other income	3,113		2,375	
other cost recovery	4,004	9,194	7,935	10,976
		<u>318,116</u>		<u>512,189</u>
B) COST OF PRODUCTION				
6) FOR RAW MATERIALS, CONSUMABLES AND GOODS FOR RESALE		106,668		175,661
7) for services		180,102		241,471
8) for use of third-party assets		1,301		1,548
9) For personnel				
wages and salaries	37,766		39,818	
social security charges	15,455		15,748	
employee severance indemnities	2,511		2,472	
pensions and similar obligations	528		394	
other expenses	1,370	57,630	1,711	60,143
10) Amortisations and depreciations				
depreciation of intangible fixed assets		288		281
depreciation of tangible fixed assets		8,258		8,449
d) Devaluations of credits included in assets and cash assets		112	491	9,221
11) ADJUSTMENT OF INVENTORY OF RAW MATERIALS, ANCILLARY MATERIALS AND GOODS		- 1,114		4,131
12) PROVISIONS FOR RISKS		141		242
13) OTHER PROVISIONS		5,021		2,085
14) OTHER OPERATING COSTS		3,547		3,287
		<u>- 361,954</u>		<u>- 497,789</u>
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A - B)		<u>-43,838</u>		<u>14,400</u>
C) FINANCIAL REVENUES AND EXPENSES				
16) OTHER FINANCIAL INCOME				
from receivables entered as fixed assets				
Other	139		52	
d) income other than that previously mentioned				
interests and comm. to subsidiaries				
interests and comm. to associated companies				
interests and comm. to holding companies				
interest and commissions from others and miscellaneous income	366	505	397	449
17) INTEREST AND OTHER FINANCIAL CHARGES				
interest and commissions to associates				
interest and commissions to holding companies	732		1,340	
interest and commissions to others and other charges	791	- 1,523	991	- 2,331
17a) PROFITS AND LOSSES ON EXCHANGE				
		71		- 23
TOTAL FINANCIAL INCOME AND EXPENSES		<u>- 947</u>		<u>- 1,905</u>
D) ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS				
18) Revaluations				
a) of equity investments				
d) of derivative financial instruments				
19) WRITE DOWNS				
a) of equity investments				
d) of derivative financial instruments				
TOTAL ADJUSTMENTS		<u>-391</u>		
BALANCE BEFORE TAX		<u>-45,176</u>		<u>12,495</u>
20) TAX ON PROFIT FINANCIAL YEAR REVENUE CURRENT, DEFERRED AND ADVANCE				
CURRENT TAXES				
IRES (TAX ON INCOME)	-8,477		4,254	
IRAP (REGIONAL TAX)		8,477	1,362	- 5,616
PREPAID TAXES				
IRES (TAX ON INCOME)	-2,985		-791	
IRAP (REGIONAL TAX)	3			
TAX EFFECTS	-90	3,072		791
PREVIOUS TAX IRES / IRAP		-80		136
TOTAL TAXES		<u>11,469</u>		<u>- 4,689</u>
FINANCIAL YEAR PROFIT (LOSS)		<u>-33,707</u>		<u>7,806</u>

Financial Report

	2,016	2,015
A. cash flow deriving from operating activities (indirect method)		
Profit(loss) for the period	(33,707)	7,806
Income tax	(11,469)	4,824
Interest income/expenses	948	1,780
Capital gains/losses from equity investment disposals and restructuring costs	(360)	(548)
1. Profit (loss) before taxes, interest, dividends and gains/losses on disposal	(44,588)	13,862
Adjustment for non-cash items that had no counterpart in net working capital		
Provisions	3,394	2,410
Long term loss write offs		
Fixed asset depreciation	8,546	8,730
Other adjustment of non-cash items	539	
<i>Total adjustment of non-cash items</i>	<i>12,479</i>	<i>11,140</i>
2. Cash flow before the variations of net working capital	(32,109)	25,002
Adjustment to net current capital		
Inventory increase/decrease	28,190	22,557
Trade receivables increase/decrease	8,577	6,985
Trade payables increase/decrease	8,678	(23,934)
Accrued and deferred assets increase/decrease	(2,686)	339
Accrued and deferred liabilities increase/decrease		
Other adjustments to net current capital	(3,120)	(16,435)
<i>total adjustment of net current capital</i>	<i>39,639</i>	<i>(10,488)</i>
3. Cash flow after variations in net working capital	7,530	14,514
Other adjustments		
Interest received (paid)	(920)	(2,140)
(Paid income taxes)	(8,230)	(2,988)
Dividends received		
(Utilization of provisions)	(929)	(1,135)
<i>Total other adjustments</i>	<i>(10,079)</i>	<i>(6,263)</i>
Cash flow from operating activities (A)	(2,549)	8,251
B. Cash flow from investments		
Tangible fixed assets		
(Investments)	(39,187)	(25,349)
Divestments	488	651
Intangible fixed assets		
(Investments)	(110)	(102)
Divestments		
Financial fixed assets		
(Investments)	(931)	(729)
Divestments		
Cash flow from investment activities (B)	(39,740)	(25,529)
C. Cash flow from financial activities		
Leaseholds		
Short term bank payables and similar increase/decrease	12,756	20,532
Financing	20,060	7,981
Financing reimbursement		
Own funds		
Paid Increase in capital		
Transfer (Purchase of own shares)		
Dividends and advances on paid dividends		
Cash flow from financial activities (C)	32,816	28,513
Increment of cash and cash equivalents (A+B+C)	(9,473)	11,235
Cash assets as at 1st January	12,248	1,013
Cash assets as at 31st December	3,222	12,248

Supplementary Notes

- General aspects

As at December 31, 2015, Pavimental S.p.A. (following also the Company) has a capital of 110,116,452.45 Euros, with a number of shares amounting 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 company's scope is represented by the recruitment, in Italy and abroad, and also in competition 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 buildings, 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 joined the Group fiscal taxation system entitled "Consolidated Fiscal System".

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 applied. 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 Bergamini 50, 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 ended on December 31, 2015 have been prepared in ordinary form, as in the previous financial year, according to the dispositions of the Italian Civil Code, effective since 1 January 2016, of Legislative Decree n.139/2015, accepted by the European Directive n.34/2014. The financial statements as at December 31, 2015 consists of Balance Sheet and Income Statement, which are based, in terms of structure and contents, on the dispositions of arts. 2423 ter, 2424, 2424 bis, 2425 and 2425 bis of the Civil Code, and these Supplementary Notes, which constitute an integral part of the financial statements pursuant to art. 2423, paragraph 1 of the Civil Code, and provide the information required by arts. 2427 and 2427 bis of the Civil Code and other relevant regulations.

The financial statements have been prepared on the basis of the principle of on-going concern and based on the criteria of clarity, 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 have been prepared both in Euros without decimal points, as provided by art. 16 of Legislative Decree 213/1998 and art. 2423, paragraph 6 of the Italian Civil Code, and rounded to the nearest thousand Euros. Unless otherwise stated, the comments on the items in the Statement of Equity and Income Statement in these Supplementary Notes are expressed to the nearest thousand Euros.

According to paragraph 5 of art. 2423 ter, the financial statements are submitted indicating the relevant amount next to each item, for both 2015 and the previous financial year.

It should be noted that the financial statements relating to the comparative year have been appropriately revised for comparative purposes in accordance with the new articulation of the annual accounts introduced by the Legislative Decree of 18 August 2015 n.139.

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

As regards the information concerning the performance of the activities of the Company, the main events occurring during the 2015 financial year and those subsequent to the date of closure of same, and the relations with subsidiary, related and parent companies and the companies under the control of the latter, see that described in the Report on Management which accompanies these financial statements.

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 conditions in terms of both “price” of the operations and terms of the motivation leading to the decision to undertake them.

It should be pointed out that, in accordance with that established by art. 2497 bis, paragraph 4 of the Civil Code, the summary overview of the essential information from the financial statements as at December 31, 2015 of Atlantia S.p.A. (last financial statements approved as of the date of preparation of these Supplementary 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 Supplementary Notes.

– **Accounting Principles and criteria for assessment**

The criteria applied in the preparation of the financial statements, are those according to article 2423-bis (principles applicable to prepare the financial statements) and 2426 of the Italian Civil Code (evaluation criteria), interpreted by the accounting principles of the National Board of Chartered Accountants and Ordinary Accountants, as modified by the OIC pursuant revised during 2016 to take into consideration new elements introduced by the above referred to Legislative Decree 139/2015.

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

- a) the valuation of the items was assessed according to the principle of prudence and based on the ongoing concern.
- b) recognition and presentation of the items was assessed considering the essence of the transaction or the contract;
- c) only the profits realized by the date of closure of the financial year have been reported;
- d) the income and costs concerning the financial year have been considered, independently of the date of receipt or payment;
- e) the risks and losses concerning the financial year have been considered, even if recognized on the completion of the financial year;
- f) the heterogeneous elements of the single items have been assessed individually;

With reference to the valuation criteria, it must be noted that when the new provisions introduced in the above referred to Legislative Decree no. 139/2015 were first recognized, it became necessary as a consequence of the amendments to adjust the credit, debt and derivative financial instruments valuation criteria. Pursuant to accounting standard OIC n.12, the change in the accounting principles, they were accounted for on the basis of specific transitory provisions included in the law and in the new principles and in the absence of such transitory provisions on the basis of accounting principle OIC no 12 itself. .

The cumulative effects resulting from the amendments introduced were recalculated at the date 1 January 2015 (first day of the comparative financial year) and entered under net equity of the Company at such date. Therefore the net equity at the date 31 December 2015 is different to that published in the financial statements for year ending 31 December 2015 approved by the General Meeting of Shareholders on 21 March 2016. For more details reference should refer to the FTA Note (Attached to this Note).

By way of acceptance of the above, the evaluation criteria were not modified with compared to those used in the previous financial year.

No item compensation was made.

With regard to the most significant items of the financial statements, the evaluation criteria applied by the Company are described below.

Fixed assets

As per art. 2424-bis of the Italian Civil Code, the equity elements destined to be used for a long term period 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 according to the residual possibility of their use.

Intangible fixed assets

By the approval of the Statutory Board of Auditors and when required, the intangible fixed assets have been recognized at the purchase or production cost, including when directly attributable accessory costs incurred, determined in compliance with art. 2426, no. 1 of the Italian Civil Code and are systematically amortized according 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, according to the circumstances of the capitalized costs.

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

Regarding the costs for the State concessions, the amortization rate is calculated depending on 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.

To conclude, regarding the capitalized costs for the purchase and implementation of the “ERP”, “Board” and “STR” software, complete amortization is expected in 7 years, since their start-up date. The intangible fixed assets are depreciated whenever their value is found to be durably inferior to 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. 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 recognized at the exchange rate on the day on which the purchase operation was completed.

The cost, determined as above, of the tangible fixed assets which usage 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 under examination. Regarding the fixed assets that were part of the financial statements during the year, the amortization is calculated since the date of their entry into function.

The ordinary maintenance and repair costs are charged to the Income Statement for the financial year they 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.

The tangible fixed assets are assessed whenever their value is lower in duration to the residual possibility of their use. If in the subsequent years the assumptions of the write-offs cease to exist, the original value, adjusted for amortization only, is restored.

Financial fixed assets

The “Participations” are recognized under “Fixed assets” or the “Operating capital” according to whether their possession is considered durable or not.

The holdings registered under the Financial fixed assets are assessed at the cost of purchase or subscription; the holdings in foreign currency are registered at the exchange rate at the time of their purchase or at the cost they were originally recorded at. The cost is reduced for losses that last in value, in case the participation has obtained 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 prospects of profitability of the subsidiary do not allow the complete recovery of the value recorded. Any losses which exceed the value of holding was recorded at, are allocated in a suitable fund in the liabilities. If the assumptions of the write-downs cease to exist, the original value is restored to the extent of the write-down, with effect 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.

Participations are not subject to reassessment.

Any eventual dividends are recognized during the financial year where the receivables right rises, even if the date of payment has not yet been defined.

Fixed assets represented by receivables or securities are recognized in the Balance sheet using the amortised cost, where applicable.

Inventories and work in progress on contracts

At the end of the financial year, the “Raw materials, subsidiaries and consumables” are assessed at the lower between the purchase cost, determined using the “weighted average cost” method, and the realisable value assumed on the basis of market performance.

The value of any eventual obsolete or slowly moving assets is written off in relation to the expected future use or realization, by including an appropriate provision to reduce the value of inventories. 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 order” refer to contracts that were still in execution at the end of the financial year under 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 due 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 contract costs; they are involved in the tender margin based on the progress of the works determined in the methods provided for the application of the criterion of the 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 under “Operating Capital” are recognized in the financial statements according to cost criterion considering the time factor and their presumed realisable value.

If the effects deriving from the application of the amortized cost criterion and/or the time factor are not relevant, receivables are recognized in the financial statements at their nominal value taking into consideration their presumed realisable value. Receivables are recorded net of the amortization of receivables provision, loss provision and the date of drawing up the financial statements could be considered expected.

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 at the end 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 Italian Civil Code, with regard to the regulatory modifications made in the meantime according to and by effect of the discipline of Legislative Decree no. 252 dated December 5, 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 December 27, 2006 (Reform of complementary social security) and subsequent decrees and regulations, the allocations accrued from January 1, 2007 registered 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 recognized in the financial statements according to the amortized cost criterion considering the time factor. If the effects resulting from the application of the amortized cost criterion and/or the timing effect are not relevant, the payables are estimated at their nominal value.

Receivables and Payables in foreign currency

The receivables and payables initially recognized 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 different currency than Euro, excluding the fixed assets, are recognized in the financial statements at the exchange rate applied by the Bank of Italy at 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 financial statements and the spot exchange rate for the balance sheet and aggregated to those of Pavimental S.p.A. The exchange rate differences resulting from the elimination of the items between Pavimental and the Polish branch are included in a Net Equity reserve.

Derivative financial instruments

Derivative financial instruments even if incorporated in other financial instruments were recognized at their fair value. The difference of fair values were registered in the income statement or, if the instrument covered the financial flow risk expected from another financial instrument or of a programmed transaction, directly to a positive or negative reserve of net equity. This reserve is attributed in the Income statement in a measure and at time corresponding to the occurrence or modification of the cash flow of the instrument hedged or upon occurrence to the transaction forming the subject of the hedge. The elements subject to interest variation rate risk of or exchange rate fluctuations or market prices or against credit risks are evaluated symmetrically with the hedging derivative instrument.

The present hedging which is documented and which includes a strict connection between the characteristics of the instrument and transaction covered and the hedging instrument is considered sufficient.

Cash and cash equivalents

The cash and cash equivalents are recognized at the nominal value representative of the relevant realization value and are represented by bank and cash funds.

Accrued(deferred) Income and Deferred(accrued) Expenses

The accrued(deferred) income and deferred(accrued) expenses are determined according to the criterion of economic and temporal competence, in order 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 prediction 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 become a member 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 system are classified in the financial statements under Receivables from the Parent Company or Payables to the Parent Company.

The recognition of current and deferred IRAP tax remains unchanged. The payables for IRAP tax are registered 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 compliance with article 2424 of the Italian Civil Code, as modified by Legislative Decree 6/2003, the advance taxes are indicated separately in the financial statements (net of the compensated deferred taxes).

The advance and deferred income tax, proportionate to the temporal 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 prevail.

The deferred taxes deriving from income components for which deferred taxation is applied are registered if there is a real probability that the relevant debt will arise; the counterparty to them is the “Provision 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 operating capital under “Advance taxes”.

Revenues and Costs

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

In particular, the revenues deriving from contracts 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

(in brackets values at 31 December 2015)

Balance Sheets – Assets

€ 386,062 (374,670) thousand

Fixed assets

€ 89,521 (57,973) thousand

Intangible fixed assets

€ 275 (453) thousand

This item shows a net decrease of € 178 thousand compared to the previous financial year, related to the combined effect of the following factors:

- decrease by the effect of financial year's depreciation amounting € 288 thousand;
- increase by the effect of the new investments in the software and software licences sector totalling € 110 thousand, mainly attributable to the implementation of the management software, software used for localisation and management of the operating machinery park and software used for automation of weighbridges.

None of the intangible fixed assets was subject to a reduction in value, except for the financial year depreciations, or reassessment.

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

€ Thousands	31.12.15			Changes in the current financial year			31.12.16		
	Cost	Amortisations	Net value	Investments	Classification	Amortisations	Cost	Amortisations	Net value
. Concessions, licenses, trademarks and similar rights									
- Software licenses	413	392	21	11		19	424	411	13
- Concessions by the Government	808	714	94			13	808	727	81
. Ind. Patent usage and intellectual property rights									
- Software:	3,365	3,101	264	99		233	3,464	3,334	130
- patent rights industrial property rights and rights of use	18	10	8			1	18	11	7
. Other:									
- construction sites and offices improvement	624	558	66			22	624	580	44
	<u>5,228</u>	<u>4,775</u>	<u>453</u>	<u>110</u>		<u>288</u>	<u>5,338</u>	<u>5,063</u>	<u>275</u>

Tangible fixed assets

€ 80,078 (49,278) thousand

As already mentioned the Company has provided to adjust only for comparison purposes the balance of the item under examination of the previous financial year in compliance with the retroactive application of the new accounting principles:

The increase in the value of tangible fixed assets, amounting € 30,800 thousand, comes mainly from the combined effect of the following factors:

- increase deriving from the new investments made by the Company, amounting € 39,187 thousand, according to that illustrated in the “Investments” chapter of the Management Report, to which reference is to be made;
- decrease, amounting € 128 thousand, due to disposals in the net value of the relevant amortization funds and exchange rate differences;
- amortizations concerning the financial year amounting € 8,258 thousand, calculated on the basis of the rates indicated in the paragraph on “Amortizations and Depreciations” in the Income statement.

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

€ Thousands	31.12.15			Changes in the current financial year										31.12.16		
				Historical Cost					Accumulated depreciation							
	Cost	Provision	Net value	Investments	Classification	Disposals	Diff. Exchange	Tot.	Depreciated	Disposals	Diff. Exchange	Tot.	Cost	Provision	Net value	
Land and buildings (industrial)	17,230	8,071	9,159	568		(81)	(3)	490	1,200	(70)	3	1,133	17,720	9,204	8,516	
Plant and Machinery	75,760	60,024	15,736	4,648	709	(1,578)	(2)	3,781	4,808	(1,523)	2	3,287	79,541	63,311	16,230	
Tools and equipment	31,126	26,290	4,836	1,620	391	(1,230)		781	1,948	(1,168)		780	31,907	27,070	4,837	
Other goods	5,832	5,105	727	318	110	(35)		393	302	(35)	1	268	6,225	5,373	852	
Fixed assets under construction and advances	18,820		18,820	32,033		(1,210)		30,823					49,643		49,643	
	<u>148,768</u>	<u>99,490</u>	<u>49,278</u>	<u>39,187</u>		<u>(2,924)</u>	<u>(5)</u>	<u>36,268</u>	<u>8,258</u>	<u>(2,796)</u>	<u>6</u>	<u>5,468</u>	<u>185,036</u>	<u>104,958</u>	<u>80,078</u>	

It is specified that the tangible fixed assets existing as at December 31, 2015 are not encumbered by mortgages, privileges or other real guarantees limiting their availability to the Company.

Financial fixed assets**€ 9,168 (8,242) thousand**

For the comments regarding the performance of the activities of the holding companies during the course of 2016, refer to what is indicated in the Management Report in the paragraph entitled “Holding companies and consortiums”.

The item under examination includes:

*Investments in subsidiaries**€ 727 (727) thousand*

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

Pavimental Est, whose book value is € 1,563 thousand, equal to to 100% of the Share Capital, had already been completely amortized as of the financial statements closed on December 31, 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 only owner of holdings in Pavimental Polska; the value of the holding amounts € 713 thousand. 2015 closed with net losses of 973 thousand PLN (approximately € 233 thousand); this result has brought the net equity of the Company to 5,318 thousand PLN (approximately € 1,247 thousand).

The limited liability consortium company Co.Im.A. S.c.a.r.l. (Category I General Contractor) has the scope 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.

Investment in related companies

€ 9 (14) thousand

In relation to:

€ Thousands	Book value	provision for depreciation	Book value
- Galileo consortium (in liquidation)	4		4
- RFCC Consortium (in liquidation)	155	155	
- Ramonti consortium (in liquidation)	5		5
	<u>164</u>	<u>155</u>	<u>9</u>

The decrease comparing to 31 December 2015 (equal to € 5 thousand) is due to the definitive cancellation of the investment in Trinacria Scarl which took place in March 2016 by the Chamber of Commerce of Padova.

The holding in Consorzio R.F.C.C. in liquidation, recorded for €155 thousand and entirely depreciated, is currently 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, regarding the quota that is competence of the Company.

The allocation takes in consideration of the losses of the Consortium in the financial statements as at December 31, 2015 and other liabilities that may derive from the liquidation proceedings.

The allocations made also prudentially consider the negative effects that may derive from an unfavourable settlement of the disputes, for an update of the ones presented in the Report on Management.

Investment in other companies

€ 4,656 (4,656) thousand

The TE is the project contracting company for the design, realization and management of the External Eastern Bypass in Milan. In December 2013, the concessionary signed the contract for the project financing loan which ensured the financial coverage of the initiative.

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 entry into operation of the entire infrastructure occurred in 2015. Considering the fact that the highway is in its initial months of operation, the company has assessed the accumulated losses to be recoverable.

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	Book value
- Tangenziale Esterna S.p.A.	4,649		4,649
- Consortium Costruttori TEEM *			
- Consortium Lambro	6		6
- Consortium Autostrade Italiane Energia	1		1
- Consortium "M.I.T.E.C.O."**			
	<u>4,656</u>		<u>4,656</u>

* Book value € 100
** Book value € 100

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

€ Thousands	December 2015			Changes in the current financial year				December 2016				
	Cost	valuation	valuation	Purchase	Revaluation (ex. Art. 2426. 4 cc)	classification	valuation	Liq. ni	Cost	valuation	valuation	
			due in fin.stat								due in fin.stat	
Investments in Subsidiaries:												
- Pavimental Est	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	
Trinacria Consortium (deletion 03:16)	5		5					(5)				
	<u>169</u>	<u>(155)</u>	<u>14</u>					<u>-5</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	
- Consorzio "M.I.T.E.C.O."**												
	<u>4,656</u>		<u>4,656</u>						<u>4,656</u>		<u>4,656</u>	
Total	<u>7,115</u>	<u>(1,718)</u>	<u>5,397</u>					<u>(5)</u>	<u>7,110</u>	<u>(1,718)</u>	<u>5,392</u>	

* Book value € 100
** 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 Euro	Loss/profit in foreign currency	Loss/profit in euro	Net worth in foreign currency	Net assets in euro	Shareholding %	Corresp. Financial	Book value (B)	Excess (B - A)
Subsidiaries											
- Pavimental Est	Mosca	Rub 4,200,000	65,300	Rub (2,600,000)	(40,400)	Rub (32,377,000)	(503,500)	100	(503,500)		(503,500)
- Pavimental Polska Sp. Zo.o.	Warszawa	Pln 3,000,000	703,500	Pln. (1,682,491.38)	(394,544)	5,156,034	1,209,090	100	1,209,090	713,222	495,868
Consortium Elmas (in liquidation)	Roma		10,000				10,000	60	6,000	6,000	
Consortium Co.Im.A.	Roma		10,000				10,000	75	7,500	7,500	
									<u>719,090</u>	<u>726,722</u>	<u>(7,632)</u>
affiliated companies											
Consortium R.F.C.C (in liquidation)	Tortona		510,000		(416,047)		(7,691,865)	30	(2,307,560)		(2,307,560)
Consortium Galileo (in liquidation)	Todi (PG)		10,000					40	4,000	4,000	
Consortium Ramonti (in liquidation)	Tortona		10,000					49	4,900	4,900	
									<u>(2,298,660)</u>	<u>8,900</u>	<u>(2,307,560)</u>
other subsidiary companies											
Tangenziale Esterna	Milano		464,945,000		(21,300,277)		395,771,057	1	3,957,711	4,649,450	(691,739)
Consortium Miteco	Reggio Emilia		10,000				10,000	1.3	130	130	
- Consortium Costruttori TEEM *	Milano		10,000				10,000	1	100	100	
- Consortium Lambro	Milano		200,000				200,000	2.78	5,560	5,560	
									<u>3,963,501</u>	<u>4,655,240</u>	<u>(691,739)</u>

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 Statement data refers to the last approved accounts. The accumulated losses are considered recoverable.

Other receivables

€ thousand 3,776 (2,845)

This item is composed of receivables for cautionary deposits paid to the subsidiary Pavimental Polska (performance guarantees) or € 2,154 thousand, to third parties for the attachment of electricity and telephone utilities and rents due (€ 236 thousand) and loans to employees (€ 42 thousand).

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

Current assets

€ 290,165 (313,007) thousand

Inventories

€ 193,252 (221,442) thousand

Raw materials, ancillary materials and consumables € 8,010 (6,895) thousand

Representing final stock of materials equal to € 7,334 thousand composed of:

€ Thousands	31.12.2016	31.12.2015
- Aggregates and cement	1,551	1,881
- Parts machinery and equipment	182	183
- Prefabricated and brick	1,276	406
- steel, laminates and profiles	2,156	2,134
- Bitumen, fuels and lubricants	683	1,140
Other materials	1,486	475
	<u>7,334</u>	<u>6,219</u>

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

The above-mentioned assessment, made at the “average weighted cost of purchase”, is in any case lower than the market value. Lastly, it must be specified that the final inventories of the existing materials as at December 31, 2016 are not encumbered by mortgages, privileges or other real guarantees limiting their availability to the Company.

Works in progress on ordination

€ 185,242 (214,547) thousand

This item expresses the amount as at December 31, 2015 of the works performed and not yet certified by the Status of Work Progress; 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 from contractor Autostrade per l'Italia S.p.a. (following also “ASPI”) amounting € 28,825 thousand as at December 31, 2016. During the financial year additional amounts are billed with the contractor ASPI for a total of € thousand 11,010 (partly recognized in previous financial years related to completed works).

For the purpose of the general assessment of the item under examination, it must be specified that the financial year 2016 had an application of definitive reductions notified by the Ministry of Infrastructure and Transport, instead of rates contractually applicable on works contracted by ASPI in the Barberino del Mugello area with the negative effect on production of € thousand 53,891, as specified below.

Regarding the job Autostrada Milano – Napoli extension to three lanes from Barberino di Mugello – Incisa di Valdarno (Lots 0 MIT) MIT downward adjustment (31.586%) produced, related to the sudden cuts communicated by Autostrade per l'Italia s.p.A of 8,44%, a negative effect on production for the financial year equal to € thousand 32,125.

As at 31 December 2016 the company on this job shows a reserve for € thousand 17,700.

Regarding the job Autostrada Milano – Napoli extension to three lanes in the part Barberino di Mugello – Firenze Nord (Lot 1) MIT downward adjustment (29.649%) produced, related to the sudden cuts communicated by Autostrade per l'Italia s.p.A of 12.36%, a negative effect on production for the financial year equal to € thousand 20,853.

Regarding the job Autostrada Milano – Napoli extension to three lanes from Barberino di Mugello – Incisa di Valdarno (Lotto 2) MIT downward cut adjustment (29.698%) produced,

related to the sudden cuts communicated by Autostrade per l'Italia S.p.A 12.36%, a negative effect on production for the financial year equal to € thousand 913.

In terms of equity, the adjustment, in addition to being reflected as highlighted on the valuation of the item related to work in progress, has led to the reclassification of the negative balance of inventories from the item under construction to the item Accruals of the Liabilities thousand 23,929 (€ thousand 17,844 in 2015).

The composition of the inventory for works in progress is detailed in the following table:

€ Thousands	31.12.2016	31.12.2015
- Maintenance of resurfacing (ASPI)	21,553	13,593
- Service Areas (ASPI)	59	59
- Infrastructure projects (ASPI)	120,700	125,978
- Other highway works (ASPI)	29,629	42,740
- Airport work	125	270
- Other jobs (other clients)	18,254	31,596
- Pre-operating costs	5,373	1,573
Provisions for losses on multi-year projects	(10,452)	(1,262)
	<u>185,242</u>	<u>214,547</u>

The following is a composition of the inventories by contractor:

INVENTORY						
Description	3112.2015	adjustment	Changes in the current financial year			3112.2016
			Increases (+) Reductions (-)	Writedowns (-) Value adjustment (+)	Provision (-)	
Raw, auxiliary and consumable materials	6,219					7,334
Land held for sale	676					676
	6,895					8,010
ordered works in Progress						
Use of loss on multi-year jobs provision	(1,262)		(9,190)			(10,452)
Autostrade per l'Italian works:						
Maintenance	13,593		7,961			21,554
Sound Barriers	30,760		(8,846)			21,914
Roadside barriers	8,598		(5,556)			3,042
A8 Fiorenza - Gallarate improvements	327					327
Fourth lane A1 Modena Bologna	752					752
A8 - Lot 1 Lainate	6,657		(2,919)			3,738
Fourth Lane A4 Milan - Bergamo	1,836		(688)			1,148
Works PF Milan / Railway racket	(282)		282			
preparatory works 3 ^ Lane Adriatica	93					93
Adriatica Lot 3	8,294		(7,087)			1,207
Adriatica lot 1A	810		(810)			
Adriatica lot 1B	9,543		(2,430)			7,113
Adriatica lot 6A	312					312
Adriatica lot 6B	340		2,436			2,776
Fiano	2,899		(2,899)			
hydraulic connection works Reno - Setta	77					77
Rho - Monza	10,288		(7,007)			3,281
A9 Lainate Como	11,313		1,276			12,589
A4 - 4° Fast lane	957					957
Barberino Lot 0	19,415		409			19,824
La Certosa Infrastructure	4,449		(744)			3,705
ADS Esino EST e Metauro OVEST ADS Sillaro	1,342		(1,081)			261
Padova infrastructure	735		(526)			209
Ring roads	879		(773)			106
Restructuring service areas	59					59
Other works	3,382		1,018			4,400
Crespellano Infrastructure	3,396		1,092			4,488
Foggia Infrastructure	1,740		(1,300)			440
Barberino Lot 0	15,815		(9,263)			6,552
Barberino Lot 0	4,471		(1,948)			2,523
Variante di Valico 11/09/12 completion lot	9,197		4,295			13,492
San Benigno Lot 1	2,387		1,391			3,778
Firenze Nord Sud section B	7,936		8,314			16,250
Firenze Nord Sud Section C			3,415			3,415
A4 expansion 4th fast lane (WC)			6,872			6,872
Barberino Lot 2 (WA)			3,900			3,900
Borgonuovo ringroad (WE)			185			185
Firenze Sud Incisa Lot 1 (WF)			512			512
Stalexport Autostrada Malopolska	1,369		(820)			549
Società Autostrada Tirrenica S.p.A.	546					546
Southern Company Autostrade SpA	4,454		(931)			3,523
Tangenziale di Napoli SpA	1,055		(390)			665
Aeroporti di Roma S.p.A.	11,867		(3,100)			8,767
Co.Co.TEEM Consortium	781		(442)			339
- Consorzio Lambro	629		(412)			217
Consorzio Co.Im.A.	3,723		(1,093)			2,630
Turin - Savona SpA	(7)					(7)
Todini (Roncobilaccio INFR)	5,824		(5,744)			80
Other highway and road works	1,355		(320)			1,035
Palermo Airport						
Naples Airport	144		(144)			
Cagliari Airport	5					5
Ciampino airport	6					6
Fiumicino airport	14					14
Other airport works	101					101
- pre-operating costs	1,573		3,800			5,373
	214,547		(29,305)			185,242
Total inventory	221,442		(29,305)			193,252

The decrease in the works in progress on ordination, amounting € 29,305 thousand, is mainly attributable to the effect of the decrease in production of infrastructure works commissioned by Autostrade per l'Italia (ASPI) and Aeroporti di Roma. The adjustment is attributable to:

- the definition and subsequent invoices of reserves to infrastructural orders and installation orders on sound absorbing barriers registered in previous financial years (€ 11,010 thousand);
- due to the charging of activities related to the contracts in the North Area that are being completed (€ 17,455 thousand);
- implementation of the higher discounts communicated by MIT on infrastructure contracts entrusted to ASPI in the Barberino del Mugello area in the place of those adopted by the Company during the previous financial year which effected final inventory to an amount of € thousand 29,569, partially compensated by the increase of activities through ASPI for jobs for the highway tract Firenze Nord – Firenze Sud (€ 20,436 thousand) and for the A4 extension works of the 4th lane (€ 6,872 thousand).

It should be reminded that as at December 31, 2016, the Company had allocated a fund to cover the future losses, accrued in December 2015 totalling € 1,262:

During financial year 2016 funds were allocated for future losses for a total € 10,452 thousand as a consequent of losses arising from adjustment of definitive reduction of MIT on infrastructure jobs in the Barberino area.

Eventually, the company suspended pre-operating costs concerning infrastructural contracts in progress in the value of the inventories for € 3,800 thousand.

Receivables

€ 93,691 thousand (79,317)

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

€ Thousands	31.12.2016			31.12.2015		
	Italy	Foreign	Total	Italy	Foreign	Total
	Receivables:					
from clients	24,267		24,267	25,827		25,827
from subsidiaries	5,900	146	6,046	5,910	1,740	7,650
From related	2,879		2,879	2,911		2,911
From Parent Companies	13,969		13,969	1,117		1,117
- Towards companies subject to the control of Parents	24,881	1,408	26,289	28,525	2,317	30,842
Tax-credits	3,667	11	3,678	5,620	2	5,622
- Deferred taxes	5,521		5,521	2,398		2,398
a) To other subsidiaries						
Towards others	11,042		11,042	2,950		2,950
	<u>92,126</u>	<u>1,565</u>	<u>93,691</u>	<u>75,258</u>	<u>4,059</u>	<u>79,317</u>

The movement is attributable to that below described.

Receivables from clients

€ 24,267 (25,827) thousand

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

€ Thousands	31.12.2016	31.12.2015
	Towards clients:	
- Fees invoiced for the work commissioned	18,855	17,609
- Fees to be invoiced for completed works	793	1,602
To other clients for revenue from sales and services		
- Invoiced	10,945	7,712
To be invoiced	82	5,294
-Positive effects	61	61
	<u>30,736</u>	<u>32,278</u>
Bad debt provision	(6,469)	(6,451)
	<u>24,267</u>	<u>25,827</u>

The receivables from clients include receivables from Adriatica S.c.a.r.l. for € 5,873 thousand.

The Company, supported by the opinion of its own legal advisers, considers, on the basis of the available elements to consider the amounts recognized in the financial statements as partly recoverable.

The item includes the receivables from the highway concessionary Autostrade Centro Padane S.p.A. for € 7,523 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.

The following movements occurred to the provision for receivables from clients:

€ Thousands	from customers	Provision	Use / Release	Total
Provision for client receivables write down	6,451	112	(94)	6,469
	<u>6,451</u>	<u>112</u>	<u>(94)</u>	<u>6,469</u>

This item shows the assessment made by the Company Directors, supported by internal and external legal opinions, regarding the recoverability of bad debt provisions.

Receivables from subsidiaries

€ thousand 6,046 (7,650)

The following is the composition of the item under examination:

€ Thousands	31.12.2016	31.12.2015
Trade:		
- Co.Im.A. Consortium	2,016	4,310
- Pavimental Polska	216	292
- Elmas consortium (in liquidation)	550	550
Financial to		
- Pavimental Est	457	345
- Co.Im.A. Consortium	20	20
- Pavimental Polska	1,826	1,172
- Elmas consortium (in liquidation)	1,030	1,030
	<u>6,115</u>	<u>7,719</u>
Bad debt provision	(69)	(69)
	<u>6,046</u>	<u>7,650</u>

Receivables from related companies

€ thousand 2,879 (2,911)

The following are the details of the item under examination:

€ Thousands	31.12.2016	31.12.2015
Trade receivables towards:		
- Consortium R.F.C.C. (in liquidation)	109	124
- Consortium Galileo (in liquidation)	210	230
- Consortium Ramonti (in liquidation)	162	220
Financial to		
- Consortium R.F.C.C. (in liquidation)	2,291	2,291
- Consortium Trinacria (in liquidation)	107	46
	<u>2,879</u>	<u>2,911</u>
Bad debt provision		
	<u>2,879</u>	<u>2,911</u>

Receivables from Parent companies

€ thousand 13,969 (1,117)

The details of this item are shown in the table below:

€ Thousands	31.12.2016	31.12.2015
Atlantia S.p.A.		
Advance payments	171	166
- Receivables from tax consolidation	13,798	951
Total Atlantia SpA	<u>13,969</u>	<u>1,117</u>

The balance shown is attributable to receivables generated from payment of IRES (€ 4,327 thousand) and the tax loss registered in 2016 (€ thousand 8,520) transferred to the Parent company in terms of the tax consolidation of the Group.

The item includes 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 system and transferred within the definition of the items concerning the consolidated fiscal system (€ 951 thousand).

Receivables from companies under the control of Parent companies € 26,289 (30,842) thousand

The item includes the trade receivables from other Group companies.

Below are the details that compose the item:

€ Thousands	31.12.2016	31.12.2015
Trade		
- Fees invoiced for the work commissioned	22,540	24,714
- Fees to be invoiced for completed works	2,778	5,430
Advance payments		
- Advances to third parties on behalf ICP ASPI	1,751	1,646
- Advances to ICP ASPI	369	203
Miscellaneous	35	33
	<u>27,473</u>	<u>32,026</u>
Bad debt provision	(1,184)	(1,184)
	<u>26,289</u>	<u>30,842</u>

The amount above shown refers to a total € 6,664 thousand to ASPI partly adjusted by the write down provision amounting € thousand 1,408 to Stalexport related to activities undertaken by the permanent establishment in Poland, amounting € thousand 12,237 to Aeroporti di Roma S.p.a.. Receivables from Società Autostrada Tirrenica amounting € 3,754 thousand were recognized as receivables in the financial statements. This amount will be released by definition of the request made by SAT to the TAR (Regional Administrative Court) of Lazio to obtain the annulment of the note by which the MIT communicated the value of the decrease defined for the works entrusted to Pavimental.

Tax receivables

€ thousand 3,678 (5,622)

The above referred to receivables are shown in the following table:

€ Thousands	31.12.2016	31.12.2015
Tax credit for:		
VAT	11	2,944
- Taxes paid abroad VAT		
IRES	848	848
IRAP (regional tax)	1,301	324
- Other (includes Excise)	1,518	1,506
Total tax receivables	<u>3,678</u>	<u>5,622</u>

The decrease in the item is attributable mainly to the fact that as at 31 December 2015, the company had a VAT credit equal to € 2,944 thousand and as at 31 December 2016 the company had a VAT debt. Requests for recovery of excise on all natural oil and gas products requested during the year are in line with those registered in December 2015.

Deferred tax € 5,521 (2,398) thousand

The deferred taxes, recognized 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. See the table of Movements in Deferred Taxes at the end of the notes on the Income Statement for more details concerning this item.

To others: payable to other creditors € 11,042 thousand (2,950)

This item is composed as follows:

€ Thousands	31.12.2016	31.12.2015
Payables to pension and social security institutions		
- Due to employees	39	4
- For advances to suppliers and subcontractors	9,455	2,064
- Towards insurance companies	604	499
- To suppliers, pending law suits	346	346
Towards others	727	166
	<u>11,171</u>	<u>3,079</u>
Bad debt provision	(129)	(129)
	<u>11,042</u>	<u>2,950</u>

The increase in this item is attributable to higher advances to suppliers paid (euro thousand 7,391) mainly referring to the TBM set up.

Cash and cash equivalents

€ thousand 3,222 (12,248)

These are constituted by bank deposits amounting € 2.978 thousand and cash and cash equivalents amounting € 7 thousand. The amount registered in 2015 was due to the receipt of the loan from CACIB on December 30, 2015.

There are no cash funds or bank accounts in Italy or abroad that are bound or subject to restrictions and duration limits.

Accruals and deferrals

€ thousand 6,376 (3,690)

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

€ Thousands	31.12.2016	31.12.2015
- Rent due in subsequent years already paid	13	43
- Insurance premiums for policies taken out during the year valid for the next and subsequent years	6,279	3,614
- Other costs related to the following financial year for rents CED, road taxes, state concessions etc.	84	33
	<u>6,376</u>	<u>3,690</u>

As already seen the Company has for comparative purposes adjusted the item under examination for the previous financial year in line with the retroactive application of the new accounting standards. 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.

It must be specified that the balances of the operating capital are claimable by the end of the following financial year, except for the € 3,086 thousand constituted by Deferred Taxes.

LOANS BY MATURITY AND TYPE

Description	31.12.16				31.12.15			
	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
Fixed assets receivables Investments								
Security deposits								
Towards ICP Aspi		4		4		4		4
Towards others	45	3,685		3,730	82	2,710		2,792
Loans to employees		42		42		49		49
	45	3,731		3,776	82	2,763		2,845
Current Assets receivables								
Financial receivables								
From subsidiaries	3,333			3,333	2,566			2,566
From related	2,398			2,398	2,337			2,337
	5,731			5,731	4,903			4,903
Trade Receivables								
From customers	24,267			24,267	25,827			25,827
From subsidiaries	2,713			2,713	5,084			5,084
From related	481			481	574			574
- Towards companies subject to the control of	26,289			26,289	30,842			30,842
	53,750			53,750	62,327			62,327
Miscellaneous receivables								
Tax-related	3,678			3,678	5,622			5,622
Pre-paid taxes	2,435	3,086		5,521	443	1,955		2,398
Towards parent (includes consolid. Fiscal	13,969			13,969	1,117			1,117
From others:								
Insurance companies	604			604	499			499
Suppliers	9,455			9,455	2,064			2,064
Miscellaneous	983			983	387			387
	31,124	3,086		34,210	10,132	1,955		12,087
Total receivables	90,650	6,817		97,467	77,444	4,718		82,162

LOANS AND CASH IN FOREIGN CURRENCY OR WITH EXCHANGE RISK

Description	31.12.16			31.12.15		
	In foreign currency or foreign exchange risk	In Euros	Total	In foreign currency or foreign exchange risk	In Euros	Total
Fixed assets receivables Investments						
Security deposits	2,154	1,580	3,734	1,355	1,441	2,796
Loans to employees		42	42		49	49
	2,154	1,622	3,776	1,355	1,490	2,845
Current Assets receivables						
From customers		24,267	24,267		25,827	25,827
From subsidiaries	146	5,900	6,046	568	7,082	7,650
From affiliates		2,879	2,879		2,911	2,911
From parent companies		13,969	13,969		1,117	1,117
Tax-related	11	3,667	3,678	2	5,620	5,622
Pre-paid taxes		5,521	5,521		2,398	2,398
- Towards companies subject to the control of	1,407	24,882	26,289	2,317	28,525	30,842
Towards others		11,042	11,042		2,950	2,950
	1,564	92,127	93,691	2,887	76,430	79,317
Cash and cash equivalent						
Bank and postal deposits	2,708	271	2,979	1,504	10,431	11,935
Cash and cash equivalents		7	7		11	11
Prepaid cards		236	236		302	302
	2,708	514	3,222	1,504	10,744	12,248
Total	6,426	94,263	100,689	5,746	88,664	94,410

Balance Sheet – liabilities**€ 386,062 (374,670) thousand****Net equity****€ 15,394 (49,336) thousand**

As already mentioned the Company has adjusted the net equity balance for the previous financial year in line with the provisions governing retroactive application of the new accounting standards.

Net equity is composed of:

Share capital**€ thousand 10,116 (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 December 31, 2016:

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 SpA	468,029	60,843.77	0.60%
at 31.12.2016	<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 € thousand 29,332 (29,332)

Legal Reserve € thousand 1,124

Other Reserves € thousand -355 (-207)

Reserve from conversion € thousand -355 (-207)

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

Reserve for hedging transaction of expected financial flow € thousand -113 (-)

This item includes the negative fair value of the Interest Rate Swap (IRS), signed to cover the interest rate risk on the loan signed with Credit Agricole Corporate Investment Bank Deutschland for the purchase of the TBM share considered effective, net of the relative tax effect.

Profits (Losses) brought forward € thousand 8,997 (1,553)

The difference relates to carry forward of profits during financial year 2015 as resolved on 21 March 2016 by the Ordinary General Meeting.

Profit (Loss) for financial € thousand -33,707 (7,806)

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 previous financial years:

Net Equity Movements											
Description	31.12.14	Difference				31.12.15	Difference				31.12.16
		GM Resolution of 20.03.2015	Conversion reserve	Income (loss) for the financial year	Restatement for new standards		GM Resolution of 21.03.2016	Other NA movements	Conversion reserve	Income (loss) for the financial year	
Capital	10,116					10,116					10,116
Share premium reserve	29,332					29,332					29,332
Statutory Reserve	583	153				736	388				1,124
Other reserves											
<i>Payments for capital increase</i>											
<i>Conversion reserve</i>	(226)		(6)			(232)			(123)		(355)
<i>Foreign exchange gains from valuation</i>		26				26	(26)				
Reserve covering hedging of expected financial flow								(113)			(113)
Profit (loss) carried forward	(1,315)	2,868				1,553	7,402	42			8,997
Profit (loss) for the period	3,047	(3,047)		7,764	42	7,806	(7,764)	(42)		(33,707)	(33,707)
	41,537		(6)	7,764	42	49,337		(113)	(123)	(33,707)	15,394

COMPOSITION OF NET EQUITY					
Description	Amount	Possibility of use	Amount available	Summary of uses in the three preceding	
				to hedge losses	For other reasons
Capital	10,116	B			
Capital reserves	29,332	A,B,C	29,332		
Legal reserves	1,124	B			
Other reserves					
<i>Conversion reserve</i>	(355)	B			
<i>Reserve covering hedging of expected financial flow</i>	(113)	B			
Profit/Loss brought forward	8,997	A,B,C	8,997	6,110	
Total	49,101		38,329	6,110	
Non-distributable amount					
Remaining distributable amount			38,329		

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**€ 10,817 (6,702) thousand**

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

€ Thousands	31.12.2015	Use	Allocations	31.12.2016
- Tax provisions, including deferred	70	(2)	17	85
- Financial instruments liabilities			539	539
-- Other:				
- Pending law suits provision	970	(119)	141	992
- Environment recover funds	72	(72)	50	50
- Share premium fund excess	3,505			3,505
- Contractual liabilities fund	1,244	(1,244)	1,137	1,137
- Multi-year contract loss fund	841	(167)	3,835	4,509
	<u>6,702</u>	<u>(1,604)</u>	<u>5,719</u>	<u>10,817</u>

Tax provision, including deferred**€ 85 (70) thousand**

This provision includes the deferred fiscal costs, allocated to cover the income from evaluation changes that are expected to be realized in coming financial years.

Derivative financial instruments liabilities**€ 539 (-)thousand**

The item includes the negative market value of derivative contracts in effect as at 31 December 2016 and include:

- a) the negative fair value (€ 163 thousand) of the Interest Rate Swap (IRS), signed to cover the risk of the facility entered into with Credit Agricole Corporate Investment Bank Deutschland for purchase of the TBM mill;
- b) the negative fair value (€ 376 thousand) of a floor type derivative incorporated in the above mentioned facility.

It is specified that the first of the two derivative financial instruments presents the characteristics to qualify as hedge and therefore the variance in fair value are entered as above stated as a counter entry in the net equity reserve.

Other reserves**€ 10,732 (6,632) thousand**

Details:

Pending lawsuits reserve

€ thousand 992 (970)

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, considering the opinions of the external legal advisers. The increase is due to the balance between the new allocations (€ 141 thousand) and the release to the income statement for use and exuberance of allocations made in previous years (€ 119 thousand).

Fund for environmental recovery costs

€ thousand 50 (72)

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 new allocations (€ thousand 50) and the release to the income statement for use of allocations made during the previous financial years (€ thousand 72).

Fund for Excess Holding Depreciation

€ thousand

3.505 (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 the receivership of Pavimental Est (€ 343thousand) 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 €	31.12.2015	Reclassified	Allocations	USE:	31.12.2016
Subsidiaries:					
- Pavimental Est	343				343
Associated companies					
RFCC Consortium (in liquidation)	3,162				3,162
	<u>3,505</u>				<u>3,505</u>

Fund for contract costs

€ thousand 1,137 (1,244)

In the same way as the previous financial year this provision includes an estimate of the costs for disposal of demolition material of paving carried out during the last quarter of 2016 works (milled material) and which could not be adequately disposed of within the financial year; this even took place during the first months of 2017. The liabilities were therefore to be allocated on an accrual basis during financial year 2016 even according to Art. 22 of the Maintenance agreement between Autostrade per l'Italia (Principal) and Pavimental (Contractor) according to which the Contractor bears the cost of disposal of paving demolition waste. The decrease is due to the balance between the two allotments (€ thousand 1,137) and booking in the income statement for use and for extra-budget provisions during last year (€ thousand 1,244).

Fund for multi-annual contract losses

€ thousand 4,509 (841)

As at December 31, 2015, the Company has allocated € 167 thousand for expected losses on overall 841 thousand allocated as at 31 December 2015 on multi-annual contracts for the amount in excess of the value of the works in progress.

During 2016 a total € thousand 3,835 were allocated for losses expected on the works in the Barberino del Mugello area following application of reductions defined by MIT.

Employee severance fund for subordinate employment € 4,300 (4,667) thousand

The following table summarizes the financial year movements:

€ Thousands	31.12.2015	Provisions	Uses for payments	To pay advances	ex lege 297/82 recovery (0.5%)	Decrease substitute tax	31.12.2016
Employee severance indemnity provision	8,764	98	(564)				8,298
Advance payments	(3,888)	(86)		186			(3,788)
Tax on Employment severance indemnity revaluation	(209)	(13)				12	(210)
	<u>4,667</u>	<u>(1)</u>	<u>(564)</u>	<u>186</u>		<u>12</u>	<u>4,300</u>

The allocations to 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**€ 355,546 thousand (313,960)****Medium/long-term payables to banks****€ 28,869 (7,981) thousand**

On October 2, 2015, the company underwrote a contract for a loan amounting a maximum of 50,000,000.00 Euros 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 (Valico Variant), awarded by the Principal ASPI, 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 approximately 0.9285%, and the average duration of the loan is approximately 6.5 years. As at December 31, 2016, € 31,452,969.74 thousand has been paid out. The loan contract requires that Pavimental maintain orders for works and services from the Companies in the Group amounting 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).

As mentioned above the Company has retroactively reported for comparative reasons the effects arising from the evaluation of the amount payable using only the cost amortisation criterion. The evaluation of the amortised cost determines a value of € thousand 28,869 as at 31 December 2016 and € 7,981 as at the same date of the previous year.

Short-term payables to banks**€ 4,516 thousand (36,622)**

This represents the temporary payables to the banking system. During the financial year the company closed a small debt payable to the bank by using the facility on the current account held at ASPI.

Advances**€ 42,355 thousand (18,410)**

The deposits include € 41,774 thousand for amounts reclassified from the work in progress on contracts, as described in the commentary on this item of the receivables, which see for more details. As regards the remainder (€ 581 thousand), the advance payments concerning that recognized by the Contracting companies for works not assisted by progress reports have been accounted in the Advance Payments.

Payables to suppliers**€133.146 (143.557) thousand**

The decrease of € 10,411 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 December 31, 2016.

Payables to subsidiary companies**€ 8,573 (11,874) thousand**

The details of this item are as follows:

Thousands €	31.12.2016	31.12.2015
Trade to:		
- Co.Im.A. Consortium	4,049	7,715
- Pavimental Polska	3,074	2,706
- Elmas consortium (in liquidation)	1,450	1,453
	<u>8,573</u>	<u>11,874</u>

The payables to the consortium company Co.Im.A derive from the reversal of the common consortium costs.

Payables to related companies **€ 216 (231) thousand**

This item includes mainly the amount payable to companies within the consortium which are in the course of liquidation

Payables to parent companies **€ 296 (2,967) thousand**

These represent the amounts due from Atlantia S.p.A. in the framework of the definition of the amounts deriving from adhesion to the consolidated fiscal system.

Amounts payable to companies falling under the control of Parent companies **€ thousand**
124,869 (78,876)

The item mainly includes amounts payable to ASPI for:

- commercial payables € 2.085 thousand;
- other amounts payable € 329 thousand for directors' fees;
- financial payables for the corresponding current account paid at market rates (Euribor 1 month + 100 b. p.) equal to € 121,689 (76,827) thousand.

The Company has ended the financial year with a minor debt towards the banks, making increased use of the current account facility held at ASPI.

Tax payables **€ 2,371 (1,406) thousand**

This item increased by € 965 thousand, and this is prevalently related to the fact that the company was in a debit situation with the Revenue Department for VAT as at December 31, 2016, while it had VAT receivable as at December 31, 2015.

Payables to pension funds and social security
(397)

€ 771 thousand

These are contributions due by the Company as at 31 December 2016, payable in the next months- Payments were made according to the Law.

Payables to others: to other associates

€ 9,564 thousand (11,639)

The item is made up as follows:

Thousands €	31.12.2016	31.12.2015
- Staff	5,808	6,967
Other group companies	65	65
- Insurance companies	3,110	3,559
- State concessions	89	71
Other	492	977
	<u>9,564</u>	<u>11,639</u>

The item decreases by € 2,075 thousand compared to the balance as at 31 December 2015, mainly due to the:

- decrease of amounts payable to employees for € 1,159 thousand referring to leave not used, premiums, paid absence and early retirement schemes;
- decrease of amounts payable to insurance companies amounting € 449 thousand essentially due as payment of policies.

ACCRUED INCOME AND DEFERRED EXPENSES

€ 5 (5) thousand

Thousands €	31.12.2016	31.12.2015
RATEI		
- Interest Payables to banks		
Deferrals		
Rents receivable	5	5
	<hr/>	<hr/>
	5	5

Attached are the details of the payables and income divided in categories 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 KIND AND MATURITY								
Item	31.12.16				31.12.15			
	Amounts matured				Amounts matured			
	By far. year	From 2nd to 5th FY	In addition after the 5th FY	Total	By far. Year	From 2nd to 5th FY	In addition after the 5th FY	Total
M / L term Payables to banks								
Cacib Loan			28,869	28,869			7,981	7,981
CURRENT LIABILITIES								
Other financial Payables:								
Banks	4,516			4,516	36,622			36,622
to ASPI	121,689			121,689	76,827			76,827
	126,205			155,074	113,449			121,430
Trade payables								
Payments on accounts	42,355			42,355	18,410			18,410
Suppliers	133,146			133,146	143,557			143,557
To other subsidiary companies	8,573			8,573	11,874			11,874
Related companies	216			216	231			231
To holding companies	296			296	2,967			2,967
To companies subject to the control of the holding comp	3,180			3,180	2,049			2,049
	187,766			187,766	179,088			179,088
Payables Miscellaneous								
Tax	2,371			2,371	1,406			1,406
To social security and pension	771			771	397			397
Other	9,564			9,564	11,639			11,639
	12,706			12,706	13,442			13,442
Total payables (D)	326,677			355,546	305,979			313,960
Deferred and accrued liabilities	5			5	5			5
Total	326,682		28,869	355,551	305,984		7,981	313,965

PAYABLES IN FOREIGN CURRENCY						
Item	31.12.16			31.12.15		
	In foreign currency	In Euros	Total	In foreign currency	In Euros	Total
Financial payables						
Banks		33,385	33,385		44,603	44,603
to ASPI		121,689	121,689		76,827	76,827
		155,074	155,074		121,430	121,430
Trade payables						
Payments on account	173	42,182	42,355	150	18,260	18,410
Suppliers	259	132,887	133,146	17	143,540	143,557
To other subsidiary companies	3,072	5,501	8,573	2,706	9,168	11,874
Associated companies		216	216		231	231
To holding companies		296	296		2,967	2,967
To companies subject to the control of the holding company		3,180	3,180		2,049	2,049
	3,504	184,262	187,766	2,873	176,215	179,088
Payables Miscellaneous						
Tax		2,371	2,371	4	1,402	1,406
To social security and pension		771	771		397	397
Other		9,564	9,564		11,639	11,639
		12,706	12,706	4	13,438	13,442
Total payables (D)	3,504	352,042	355,546	2,877	311,083	313,960

INCOME STATEMENT

<u>Value of production</u>	<u>€</u>	<u>thousand</u>	<u>318,116</u>
<u>(512,189)</u>			

Revenue from sales	€ 18 (1,380) thousand
---------------------------	------------------------------

Revenue from services	€	357,419	(519,586)
thousand			

The analysis of the Revenues from sales and from services is represented in the following table:

REVENUE FROM SALES AND SERVICES				
Item	2016	2015	Difference	Difference %
Sales revenue				
Sales to others of conglomerates	18	1,380	(1,362)	
Sales to holdings				
	18	1,380	(1,362)	-98.70%
Revenue from services				
Autostrade per l'Italia:				
Maintenance	96,614	108,651	(12,037)	
Fourth lane A/4 Milano - Bergamo	689		689	
Barberino lot 0	15,529	16,879	(1,350)	
Fiano-GR A	2,898		2,898	
Extension 3rd lane A9	160	1	159	
Extension 4th lane Mo-Bo		1,770	(1,770)	
Railway racket	(282)		(282)	
La Certosa building	2,384	1,827	557	
Ring roads	773	1,879	(1,106)	
Firenze Nord - Firenze Sud	14,854	5,254	9,600	
Adriatica A14 Lot 3,1A,1B e 6A	10,140	14,810	(4,670)	
Padova construction	527	1,662	(1,135)	
Sound proofing	30,292	36,071	(5,779)	
Sid-road barriers	8,079	20,925	(12,846)	
Service area refurbishment works	1,177	1,125	52	
San Benigno Lot 1	2,033	5,678	(3,645)	
Rho - Monza	13,667	45,474	(31,807)	
Other highway works	8,782	16,425	(7,643)	
Barberino Lot 1	45,248	38,392	6,856	
A8 lot 1 Lainate	3,788	29,032	(25,244)	
Barberino lot 13	8,916	8,133	783	
Foggia construction	4,676	4,973	(297)	
Crespellano construction	4,778	5,897	(1,119)	
lot 6 B Sant'Elpidio	19,253		19,253	
	294,975	364,858	(88,503)	-24.26%
Works roads/highways:				
Aeroporti di Roma	31,893	72,245	(40,352)	
Todini (Roncobilaccio Infrastrut.)	6,610	22,981	(16,371)	
Società Autostrade Meridionali S.p.A.	1,135	11,305	(10,170)	
Stalexport	5,756	1,303	4,453	
Pavimental Polska	289		289	
Co.Im.A. Scarl	6,407	23,861	(17,454)	
Co.Co.TEEM Scarl	654	4,148	(3,494)	
Lambro Scarl	868	4,612	(3,744)	
Torino - Savona S.p.A.		654	(654)	
Tangenziale di Napoli S.p.A.	1,950	3,617	(1,667)	
Pedelombarda S.c.p.A.		1,170	(1,170)	
Other contractors for peening works		48	(48)	
Other contractors	6,315	8,232	(1,917)	
	61,877	154,176	(92,299)	-59.87%
Airport works:				
Palermo airport				
Naples airport	530	435	95	
	530	435	95	21.84%
Other services:				
Services to others	6	65	(59)	
Services to subsidiaries	28	28		
Services to associates				
Services to intercompany Aspi	3	23	(20)	
Services to other holding companies				
	37	116	(79)	-68.10%
Total revenue from services	357,419	519,585	(180,786)	-34.79%
Total revenue from sales and services	357,437	520,965	(182,148)	-34.96%

**Variation in Work in progress on ordination
thousand** **€ -53,194 (-21,226)**

The variation represents the difference between the final inventories for the previous financial year (€ 214,547 thousand) already net of the amounts reclassified under Advances (€ 17,844 thousand) and the value of the final inventories for the 2016 financial year (€ 185,242 thousand) already net of the amounts reclassified under Advances (€ 23,929 thousand), further rectified for € 40 thousand following the conversion of the items of the Polish permanent establishment expressed in foreign currency.

From the 2014 financial statements, the pre-operating costs capitalized are used to increase the work in progress on contracts and the fund for losses on multi-annual contracts used to decrease the same item.

Increases in Fixed Assets for internal works **€ 4,679 (1,474) thousand**

The item under examination 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, in 2016, the costs incurred for the construction of an aqueduct and cable duct required for the use of the TBM for excavating the

Acquedotto and an Electroduct functional for use (€ 4,679 thousand).

Other revenues and income **€ 9,194 (10,976) thousand**

This item includes:

€ Thousands	2016	2015	Difference
- Capital gains from sales of assets	393	602	(209)
- Staff costs recovery	1,366	1,208	158
- Recovery of cost of materials, services and other costs	2,637	6,726	(4,089)
- Definition of costs and revenue from previous financial years	454	1,285	(831)
- Rounding off and discounts on supplies	10	60	(50)
- Sale of scrap	89	130	(41)
- Absorption of risks and charges provision	1,684	64	1,620
- Third party compensation	1,284	424	860
- Miscellaneous revenue	1,043	244	799
- Rent receivable	234	233	1
	<u>9,194</u>	<u>10,976</u>	<u>(1,782)</u>

It must be noted that following the introduction of Legislative Decree no. 139 of 18 August 2015, the comparative values presented for financial year ending as at 31 December 2015, include qualified earnings of an extraordinary nature for a total amount of € thousand 1,206, and included items for € thousand 981 under the item Material costs, provision of services recovery costs and for € thousand 225 under other costs.

The following is the breakdown by geographical area:

€ Thousands	Italy	Europe	Total
-Revenue from sales	18		18
- Revenue from services			
- Works	351,100	6,045	357,145
- Services	274		274
- Changes in works ongoing	(52,252)	(942)	(53,194)
- Other revenue and income	9,178	16	9,194
Total Value of Production *	<u>308,318</u>	<u>5,119</u>	<u>313,437</u>

* net of increases in fixed assets for internal works

Cost of production

€ thousand 361,954 (497,789)

This item includes:

€ Thousands	2016	2015	Difference
- Raw materials ancillary materials and consumables	106,668	175,661	(68,993)
- Services	180,102	241,471	(61,369)
- Enjoyment of third party assets	1,301	1,548	(247)
- Staff	57,630	60,143	(2,513)
- Depreciation and write-off	8,658	9,221	(563)
- Adjustment of raw materials, ancillary materials and consumables	(1,114)	4,131	(5,245)
- Risks and charges provision	141	242	(101)
- Other provisions	5,021	2,085	2,936
- Other management costs	3,547	3,287	260
	<u>361,954</u>	<u>497,789</u>	<u>(135,835)</u>

A decrease in production cost equal to € thousand 135,835, in line with the value of production difference due both to minor purchase of materials and diminution of service costs.

Comparative data for 2015 pursuant to Legislative Decree no. 139 of 18 August 2015 was modified with the reclassification by kind of 2015 extraordinary expenses amounting a total € thousand 2,349 thus allocated:

- € thousand 310 under Purchase of raw materials, ancillary materials and consumables;
- € thousand 381 under Services;
- € thousand 1,103 under Staff;
- € thousand 555 under other management costs.

**Purchase of raw materials, ancillary materials and consumables € 106,668
(175,661) thousand**

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

€ Thousands	2016	2015	Difference
- Inert materials	9,731	12,879	(3,148)
- Bitumens, fuel, lubricants and packaged conglomerates	13,983	22,928	(8,945)
- Steel, laminates, profiles and grids	10,504	18,080	(7,576)
- Spare parts, plant and machinery	153	646	(493)
- Works materials	61,724	110,814	(49,090)
- Other materials	10,573	10,314	259
	106,668	175,661	(68,993)

The decrease in the purchases of materials is consistent with the needs deriving from the increased production during the year.

Services costs

€ 180,102 thousand(241,471)

These concern management costs.

More specifically:

€ Thousands	2016	2015	Difference
- Third party works	80,917	122,260	(41,343)
- Surveillance	10,625	10,229	396
- Canteen, travel reimbursement and staff costs	4,425	4,342	83
- Utilities and postal costs	2,968	3,932	(964)
- Transport and shipping	18,950	18,995	(45)
- Insurance	6,793	5,958	835
- Maintenance of fixed assets	4,185	4,014	171
- Rent	12,956	13,517	(561)
- CED maintenance	588	464	124
- Consultancy and audit	4,590	3,800	790
- Legal and notarial services	643	695	(52)
- Highway payment	773	800	(27)
- Cleaning	664	694	(30)
- Laboratory tests and analysis	636	867	(231)
- Temporary employment/fixed project employment	326	567	(241)
- Safety and security	560	1,097	(537)
- Technical assistance	29	202	(173)
- Holding/intercompany services	311	94	217
- Waste disposal	15,311	10,371	4,940
- Certification	27	88	(61)
- Personnel services	1,611	1,693	(82)
- Common costs	4,866	28,999	(24,133)
- Directors' fees	340	368	(28)
- Auditors' fees	23	21	2
- Other services	6,985	7,404	(419)
	180,102	241,471	(61,369)

Also, as regards the supply of services, the increase in some of its components compared to the previous financial year is directly related to the increased production volumes.

The remuneration due to the Directors amounted to a total of € 340 thousand.

The remuneration for the Auditors for the financial year amounted to a total of € 23 thousand.

Lease and rentals

€ 1,301 (1,548) thousand

This item includes:

€Thousands	2016	Difference
- Rents payable	1,240	(249)
- Software	19	(19)
- State concessions	42	(42)
- Real rights on third party assets		
	<u>1,301</u>	<u>(310)</u>

Personnel Costs

€ 57,630 (60,143) thousand

Personnel costs consists of the salaries of managers and employees and relevant contributions, for € 23,412 thousand (24,108), wages for labourers and relevant contributions, for € 29,809 thousand (31,485), allocations to the severance fund for € 2,511 thousand and allocations to complementary pension funds for € 528 thousand. This item also includes accessory costs of € 1,370 thousand (609).

The division of the components of the cost of personnel is as follows, compared to the corresponding figures for financial year 2015:

€ Thousands	2016	2015	Difference
- Salaries and wages	37,766	39,818	(2,052)
- Social security	15,455	15,748	(293)
- Employment severance indemnity	2,511	2,472	39
- Pension fund	528	394	134
- Other costs	1,370	1,711	(341)
	<u>57,630</u>	<u>60,143</u>	<u>(2,513)</u>

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

The entry Other staff costs for 205 comparison, pursuant to Legislative Decree no. 139 of 18 August 2015, has reclassified by kind early retirement schemes amounting € 1,103 thousand. The decrease in costs is prevalently ascribable to the decrease in the average remunerated workforce of the company (which increased from 856.40 units in 2015 to 821,87 in 2016), subdivided by category as follows:

	2016			2015			Delta
	TI	TD	TOTAL	TI	TD	TOTAL	
Managers	7.25		7.25	7.67		7.67	(0.4)
Executives	28.00	0.08	28.08	27.77		27.77	0.3
Office workers	286.54	16.80	303.34	290.07	19.32	309.39	(6.1)
manual workers	366.00	117.20	483.20	391.38	120.19	511.57	(28.4)
	<u>687.79</u>	<u>134.08</u>	<u>821.87</u>	<u>716.89</u>	<u>139.51</u>	<u>856.40</u>	<u>(34.53)</u>

Depreciation and write downs

€ 8,658 thousand (9,221)

This item includes:

Amortization of intangible fixed assets

€ 288 (281) thousand

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	2016	Difference
- Cost of plant on site	20.00%		
- Costs of improvements site Zola Predosa	25.00%		-5
- Cost for improvement adjustment site Trezzo	10.00%	8	
- Cost for improvement site Barberino	-	14	-20
- Software use licence	33.33%	19	5
- Application software	20.00%	35	-6
- Application software	33.33%	129	67
- Application software	16.67%	63	-34
- Application software	25.00%	5	
- State concessions	20% - 10%	14	
- Operating costs	-		
- Patents	5.00%	1	
		288	7

Amortizations of tangible fixed assets

€ 8,258 (8,449) thousand

Detailed in the following prospectus:

€ Thousands	Rate	2016	Difference
- Works and improvements on land	4.00%	57	
- Light buildings	10.00%	9	-1
	12.50%	1133	58
- Generic plant	10.00%	311	-8
- Specific plant and machinery	12.50%	428	-7
	15.00%	4,069	107
- Miscellaneous tools	40.00%	21	8
- Cars and motorcycles	25.00%	366	46
- Vehicles, excavators and mechanical diggers	20.00%	1,561	-411
- Electrical machinal and electronic equipment	20.00%	224	-11
- Furniture and fittings	12.00%	79	28
		8,258	(191)

Depreciation of the receivables included in the operating capital and cash and cash equivalents

€ 112 (491) thousand

In 2016, the Company allocated € 112 thousand to cover the presumable value of realization of items which arose in previous financial years and doubtfully recoverable receivables.

Variation in the inventories of raw materials, ancillary materials and consumables

€ - 1,114 (4,131) thousand

The item under examination is represented by the difference between the final inventories at the end of the previous financial year (€ 6,896 thousand) and those at the end of the financial year being examined (€ 8,010 thousand).

Allocations to provisions for risks

€ 141 thousand

(242)

During the current financial year, amounts have been allocated for probable risks deriving from lawsuits of an employment nature for € 141 thousand.

Other allocations

€ thousand 5,021 (2,085)

In 2016, the Company allocated future charges for the disposal of milling material concerning the biennial maintenance contract with the contracting company Autostrade per l'Italia, which ended as at December 31, 2016. These charges amount to € 1,137 thousand and 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 2017.

This amount also includes a provision of € thousand 50 for the costs that the Company will incur for site restoration and environmental recovery.

The amount also includes the allocation for expected losses on multi-annual contracts for the mainly referring to expected losses from the Barberino del Mugello works following inclusion of the definitive reduction of MIT in place of the provisional contract ones for the amounting exceed the value of Works underway.

Other management costs

€ thousand 3,547 (3,287)

The amount is detailed in the following table:

€ Thousands	2016	2015	Difference
- Loss from sale of fixed assets	33	54	(21)
- Agency costs	36	30	6
- Insurance and advertising	32	37	(5)
- Registration, stamp duty and fees	140	130	10
- Vehicle tax	78	14	64
- IMU (property tax)	77	135	(58)
- Waste disposal tax	88	97	(9)
- ICP Autostrade per l'Italia sanction fees	526	490	36
- Definition of costs and revenue of previous financial years	1,553	1,217	336
- Third party damages	149	294	(145)
- Other	835	789	46
	<u>3,547</u>	<u>3,287</u>	<u>260</u>

According to the provisions of Legislative Decree of 18 August 2015 no. 139, comparative data of 2015 has included the reclassification of extraordinary liabilities for an overall amount of € thousand 555 .

Financial Income and Expenses

€ thousand - 947 (- 1,905)

Include:

€ Thousands	2016	2015	Difference
Financial revenue :			
- Interest on bank receivables	1	32	(31)
- Interest on receivables from subsidiary Pavimental Polska	9	4	5
- Late payment interest	356	361	(5)
- Interest for late payment	139	52	87
	<u>505</u>	<u>449</u>	<u>56</u>
Financial costs :			
- Interest on payables to banks	(269)	(535)	266
- Interest on payables to finance companies	(732)	(1,340)	608
- Other interest	(9)	(11)	2
- Interest on loans	(325)	(38)	(287)
- Bank charges and commissions	(116)	(372)	256
- Interest for late payment to supplies	(72)	(35)	(37)
	<u>(1,523)</u>	<u>(2,331)</u>	<u>808</u>
Profits and loss on exchange			
Realised			
From evaluation	71	(23)	94
Total Financial Revenue and (Costs)	<u>(947)</u>	<u>(1,905)</u>	<u>958</u>

The net financial costs, amounting € 947 thousand, show an increase of € 958 thousand compared to the previous financial year. The difference is mainly attributable to lower interest rates payable to the bank (€ thousand 266) and minor interest related to the facility connected to ASPI (€ thousand 608) mainly for the reduction of the rates of interest.

Value adjustments to Financial Assets

€ thousand - 391 (-)

The item includes the effect of reporting derivative instruments under way and more specifically:

- a) Reporting the part with results ineffective, equal to € thousand 15, of the Interest Rate Swap (IRS), signed to hedge the interest rate risk of Credit Agricole Corporate Investment Bank Deutschland for the purchase of the TBM mill;
- b) Reporting variation of fair value, negative for € thousand 376, of the floor type derivative included in the above referred to facility.

Income tax

€ thousand 11,469 (- 4,689)

These refer to:

- Current income tax for € thousand 8,477 (- 5,616);
- Advanced and deferred tax € thousand 3,072 (791);
- Tax during previous financial years - 80 (136).

Pursuant to Legislative Decree no. 139 of 18 August 2015, comparative data for 2015 included the reclassification by kind of the items of the previous financial year classified amongst extraordinary income and expenses.

More specifically in comparative date of 2015 a net revenue from tax in relation to the previous financial years equal to € 136 thousand was reclassified.

The table below shows a summary of the reconciliation between tax due as shown in the financial statements and the theoretical tax liability.

RECONCILIATION BETWEEN ACTUAL TAX CHARGE AND THE THEORETICAL TAX CHARGE

(Amounts in Euro thousands)

IRES (TAX ON INCOME)			
Description	DIFFERENCES	Tax effect	
		Amounts	Incidence
Pre-tax income	(45,176)		
<i>Theoretical tax charge/Income</i>		(12,423)	27.5%
Temporary taxable differences in future years:			
Other temporary differences			
Total			
Temporary deductible differences in future years:			
Provisions for pending law suits	141		
Provision Fund for future costs	1,137		
Provision for loss on multi-year contracts	14,286		
Other temporary differences	390		
Total	15,954		
Reversal of temporary differences from previous years			
provision for pending lawsuits	(119)		
Release of provision for long-term contracts	(1,429)		
Consumption Fund for future charges	(1,244)		
Other temporary differences recovery	(440)		
Total	(3,232)		
Permanent differences			
Deduction cars	1,000		
Ace	(2,097)		
Balance other permanent differences	2,568		
Total	1,471		
Taxable income	(30,983)		
<i>Charge / Gain effective tax</i>		(8,520)	18.86%
Reimbursement by the parent company for tax consolidation			

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

In the 2016 financial year, the Company recorded advance taxes, dependently on the temporary differences prevalently concerning the allocations made to the credit depreciation funds 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 accordance with the principle of prudence. Therefore, the advance taxes have been recorded in the financial statements 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.

In the financial year being examined, deferred taxes were also recorded for a general amount corresponding to the deferred fiscal costs deriving from the income from exchange rates after assessment. The following tables illustrate the effects of these items and movements in them:

PREPAID TAXES						
Item	31.12.16			31.12.15		
	Amount of temporary difference	Rate applied	Prepaid tax	Amount of temporary difference	Rate applied	Prepaid tax
Provision for tax on funds						
Risks and charges provision:						
- loss on multi-year jobs	14,959	24.00%	3,590	2,103	24.00%	505
- law suits underway	1,003	24.00%	241	981	24.00%	235
- environment works	50	24.00%	12	77	28.40%	22
- contract costs	1,137	24.00%	273	1,244	27.50%	342
Tax gain	539	24.00%	129			
Board of Directors' fees	340	24.00%	82	368	27.50%	101
Currency exchange costs	293	24.00%	70	293	24.00%	70
Client receivables write-offs	4,684	24.00%	1,124	4,684	24.00%	1,123
Balance	23,005		5,521	9,750		2,398

PREPAID TAX MOVEMENTS

Balance 31.12.15	2,398
<u>Releases</u>	
Loss on multi-year projects	(343)
Board of Directors' fees	(101)
Pending lawsuits fund	(29)
Contract costs	(342)
Environment costs	(20)
<u>Allocation</u>	
Net tax effect	129
Exchange fluctuations costs	
Lawsuits pending	33
Managing director and Board of Directors fees	82
Environment costs	12
Contract costs	273
Loss on multi-year projects	3,429
Profit and loss balance	3,123
Balance 31.12.16	5,521

DEFERRED TAX						
Item	31.12.16			31.12.15		
	Temporary difference amount	Rate applied	Deferred tax differita	Temporary difference amount	Rate applied applicata	Deferred tax differita
Taxed funds provision						
Frisks and charges provision: - tax, including deferred tax (Earnings on exchange transactions.)	362	24.00%	87	291	24.00%	70
Written down cost (release)	(8)	24.00%	(2)			
Balance	362		85	291		70

DEFERRED TAX MOVEMENTS

Balance 31.12.15	70
Release	
Earnings from exchange transactions	
Write down cost	(2)
Allotments	
Earnings from exchange transactions	17
Profit and loss effect	15
Balance 31.12.16	85

Financial year balance

€ thousand – 33,707 (7,806)

The 2016 financial year loss is mainly related to the application of definitive reductions communicated by MIT, as previously commented, which determined a reduction in production equal to € thousand 53,891 and reporting of losses on jobs amounting € thousand 14,286. As a partial compensation of what has been stated reserves amounting € thousand 17,700 have been made (already subject of a settlement by the Contractors) and the tax loss was transferred to the national fiscal Consolidated accounts of the Group. The loss therefore takes into consideration the positive effect deriving from reporting payments contractually agreed, works variations and claims entered in the amount updated to reflect the amount probably acknowledged by the contractors and reliably evaluated. Presently these claims are in an advanced state of negotiation.

FINANCIAL REPORT

INTRODUCTION

According to that established by OIC 10, the Financial report represents all the outgoing and incoming financial flows of the cash and cash equivalents during the financial year.

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

1. income management;
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.

Difference in cash assets is equal to € thousand -9,026.

The financial flow from income management is positive and amounts € 2,102 thousand. It represents the monetary flow generated by the operating activities due to the positive effect of both the profits and amortizations, compensated by the increased outgoings related to the dynamics of the trade payables.

The financial flow from investment activities is negative and amounts to € 39,740 thousand, and refers prevalently to the increase in the tangible fixed assets and in particular the advance payments made to Herrenknecht AG for the realization of the shielded tunnel boring machine for excavating the Santa Lucia tunnel.

The financial flow from financial activities is positive amounting to € thousand 32.816 concerning negotiation of the medium long term loan underwritten with Credit Agricole Corporate Investment Bank Deutschland in order to obtain the required sources of coverage (€ 20,060 thousand).

Commitments, guarantees, risks

According to art. 2427, sub-article 22 ter of the Italian Civil Code there are no agreements in place which do not appear in the Balance Sheet whose risks and/or benefits are significant related to the equity and financial evaluation and the Company economic result.

Real guarantees given

€ thousand 6,013 (6,013)

Include the guarantee given to third parties in the interest of the consortium company R.F.C.C. in liquidation (€ thousand 1,364) as well as the pledge on shares of Tangenziale Esterna given by Pavimental by way of guarantee on a financing agreement (€ thousand 4,649).

Sales commitments

€ thousand 749,664

(1,008,256)

These represent the works and services still to be performed for the contracts awarded, divided as follows:

SALES LIABILITIES

Thousands €	31.12.2016	31.12.2015
Highway network maintenance	112,385	216,959
Rho -Monza	6,136	12,797
Firenze Nord - Florence South (W6 - W8 - WD - WF)	105,945	39,487
Barberino Lot 0	37	6,565
Barberino Lot 2 and WB completion	298,565	395,059
A4 Mi-Bg-Bs 4th dynamic lane Fiorenza - Sesto SG	111,701	118,574
Barberino Lot 0	88,241	164,445
Barberino Lot 0		
Autostrada A1 Milano - Napoli Fiano-Gra	775	775
A9 highway Lainate - Como - Chiasso	935	935
Sound proofing and BBL	6,922	18,925
Other construction and junctions	10,488	17,121
Other contractors (third parties)	31	5,200
Other contractors (including ADR)	7,503	11,414
Total sales liabilities	749,664	1,008,256

Other guarantees

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

Thousands €	31.12.2016	31.12.2015
Real and Personal Guarantees received	61,797	52,585
Third party liabilities Guarantees for company:		
Performance bond	284,700	233,363
Guarantee release	112	112
Other	14,986	14,986
Total Other Guarantees	361,595	301,046

RELATIONS WITH RELATED PARTIES

Related to the provisions of article 2427 sub-article 22 bis of the Italian Civil Code on information with related parties it is to be pointed out that there are in place trade and/or financial relations with Company as listed below and that these relations follow normal market conditions and on the basis of that part of common costs incurred in the interest and for development of the Company's activities.

Holding companies

- **Atlantia:** direct holding company of Pavimental since it holds 46,223,290 shares representing 59.4% of the share capital in the Company, Atlantia exercises management and coordination activities. Besides, in 2015 the Company has renewed the tax consolidation option where Altantis is the consolidating company; and lastly, there is in place a leasing agreement for the Company headquarters in villa Fassini;

The following is a summary table which shows the financial relations during 2016 as well as equity relations in place as at 31 December 2016:

Thousands €

Relationship with holding companies (Commercial, financial and other)

	Atlantia S.p.A.	Atlantia S.p.A.
	31 December 2016	31 December 2015
<i>Receivables</i>		
Advance payments	171	
Receivables	13,798	951
<i>Total receivables</i>	<i>13,969</i>	<i>951</i>
<i>Payables</i>		
Trade payables	200	24
Tax Payables	88	2,935
Payables Miscellaneous	8	7
<i>Total payables (D)</i>	<i>296</i>	<i>2,966</i>
<i>Memorandum accounts</i>		
Guarantees	22	22
	2016	2015
TOTAL REVENUE		
<i>VLF Charges</i>		
<i>Production costs</i>		
Services	13	7
Enjoyment of third party assets	549	553
Miscellaneous costs	6	
<i>Total expenses</i>	<i>568</i>	<i>560</i>

Companies of the Atlantia group

- **Autostrade per l'Italia (ASPI):** associated company, with which there are considerable commercial and financial relation which , as assets, consist both in the ordinary and extraordinary maintenance of highways in concession with ASPI as well as infrastructure works. Execution of works entrusted to ASPI represents approximately 81% of the entire production undertaken by the Company: from the liabilities the relations regarding the recharging of highway fees payments, fees paid to directors, outsourcing services, out-posted staff, penalties on works and other costs.

Financial relations with ASPI of a current account (at market rates) which generates active and passive infragroup interest through which through the Central Treasury normal financing and overdraft transactions are managed together with insurance costs, managers' salaries and items pertaining to the participation of the tax consolidation as well as less significant entries. It appears that the relations generated refer to ordinary transactions.

Related to ASPI it should be noted that "sales commitments" represent works still to be performed on commissions received and the "guarantees" which involve insurance and bank performance guarantees. As at 31 December 2016, the company holds 15,563,773 shares equal to 20% of the share capital of Pavimental.

The following table shows the financial relations during 2016 as well as equity relations in place as at 31 December 2016 with ASPI:

- **ADR GROUP:** related company; trade relations related to the requalification of the flight infrastructure at the Ciampino airport and completion of the infrastructure of the airport subsystem East Side – ramp in Gate A area.
ADR holds 15.563.773 shares equal to 20% of the share capital of Pavimental.

Thousands €

Relationship with ADR Group companies (Commercial, financial and other)

	Airports Group di Roma	Airports Group di Roma
	31 December 2016	31 December 2015
<i>Receivables</i>		
Works in progress.	8,767	11,867
Trade receivables	12,430	2,913
<i>Total receivables</i>	<i>21,197</i>	<i>14,780</i>
<i>Payables</i>		
Trade payables	740	201
Other payables	3	2
<i>Total payables (D)</i>	<i>743</i>	<i>203</i>
<i>Memorandum accounts</i>		
Sales liabilities	7,451	9,661
Guarantees	20,464	15,778
	2016	2015
<i>Revenue</i>		
<i>Value of production</i>		
Works	28,793	73,821
OTHER REVENUE	346	260
<i>TOTAL REVENUE</i>	<i>29,139</i>	<i>74,081</i>
<i>Costs</i>		
<i>Production costs</i>		
Cost of service	623	210
e) other costs	132	
<i>Total costs</i>	<i>755</i>	<i>210</i>

- **Essediessa (SDS):** associated company, during 2016, SDS supplied service activities for management of general services;
- **Telepass:** associated company with trade relations related to highway passage made by Company vehicles;
- **Società Autostrade Meridionali:** associated company; having trade relation for infrastructure and relocation of seconded staff;

- **Tangenziale di Napoli:** associated company; on-going commercial relations in the area of requalification of the anti-noise barrier;
- **Spea:** associated company; relations of relocation of seconded staff;
- **Stalexport Autostrada Malopolska S.A.:** commercial relations related to production in Poland of the Pavimental Branch in ATI with the Parent company Pavimental Polska.

OPERATIONS WITH THE OBLIGATION OF WITHDRAWAL ON TERMINATION

The Company has no payables and/or receivables deriving from operations with the obligation for the purchaser to withdraw on termination.

FINANCIAL LEASING OPERATIONS

The Company did not have any assets under financial leasing as at December 31, 2015.

SIGNIFICANT FACTS OCCURRING AFTER FINANCIAL YEAR END

During the month of February 2017, Aspi requested Pavimental to evaluate its reductions, reserves and additional works of Lots 0-1-2.

PROSPETTO RIEPILOGATIVO DEI DATI ESSENZIALI DELL'ULTIMO BILANCIO DELLA SOCIETA' CHE
ESERCITA ATTIVITA' DI DIREZIONE E COORDINAMENTO AI SENSI DELL'ART. 2497 BIS C.C.

ATLANTIA S.p.A.	
DATI ESSENZIALI DEL BILANCIO DI ESERCIZIO 2015	
(Migliaia di euro)	
SITUAZIONE PATRIMONIALE-FINANZIARIA	
Attività non correnti	15.922.879
Attività correnti	1.588.964
Totale Attività	17.511.843
Patrimonio netto	9.708.330
<i>di cui capitale sociale</i>	<i>825.784</i>
Passività non correnti	6.667.341
Passività correnti	1.136.172
Totale Patrimonio netto e Passività	17.511.843
CONTO ECONOMICO	
Ricavi operativi	2.100
Costi operativi	-32.449
Risultato operativo	-30.349
Risultato dell'esercizio	733.409

PROPOSALS TO THE GENERAL MEETING

Dear Shareholders,

We therefore invite you to approve the documents presented, the Financial Statements for 2016, made up of the Balance Sheet, the Income statement, the Financial Report and these Supplementary Notes proposing to cover the financial year loss equal to € 33,706,957 using :

- The profits carried forward reserve from previous financial year equal to € 8,997,302 ;
- Part of the share premium reserve amounting € 24,709.655.

By this General Assembly we invite you to appoint a regular Statutory Auditor and an alternate statutory auditor.

Rome, 28 February 2017

Allegato 1

F.T.A. Note

Effects of applying the New National Accounting Principles.

The effect of adjusting to the new national accounting principles the balance under assets and liabilities as at 1st January 2016 was shown under Net Equity in the “Profit (loss) carried forward reserve” net of tax applicable from time to time and shown in the deferred tax provision or under advance tax assets.

According to new accounting principle OIC 29, the Company has reposted, according to the new national accounting standards only for comparative reasons in the balance sheet and the income statement for financial year ending 31 December 2015.

In order to show the effects of the transition to the new national accounting principles on the financial statements of the Company the following were drawn up:

- the reconciliation statement of net equity as at 31 December 2015 drawn up according to the previous version of the national accounting principles and that drawn up according to the new national accounting principles as at 1st January 2016;
- only for comparative reasons the reconciliation statement of the financial result shown in the financial statements drawn according to the previous accounting standards (financial year 2015) with that deriving from the application of the new national accounting principles for the same financial year;
- notes to the reconciliation statements;
- for the only purpose of comparison, the balance sheet and the income statement for year ending 31 December 2015.

Provisions applied for the first time

Generally the new national accounting principles include the power to report effects arising from adjustments made in view of the previous version of the accounting principles. Therefore, the elements making up the items referring to transactions that have not exhausted their effects on the financial statements could continue to be accounted for in line with the previous financial principle unless otherwise indicated in the first application of the new national accounting principles.

The following accounting principles were on the other hand applied retroactively by the Company, on the basis of the relative provisions applied previously:

- OIC 15 and OIC 19: evaluation of the amortised cost and discounting of payables and receivables already reported as at 31 December 2015. .

Optional provisions applied for the first time by the company

The company did not benefit from optional provision for first application of the new national accounting principles.

Prospetti di riconciliazione tra il patrimonio netto al 31 dicembre 2015 redatto secondo i precedenti principi contabili nazionali e quello al 1° gennaio 2016 redatto secondo i nuovi principi contabili nazionali e dell'utile/perdita riesposto/a per l'esercizio 2015

(in thousands of Euro)	Dati 2015 riesposti					31.12.2015 riesposto / 01.01.2016 secondo nuovi principi
	01.01.2015	Risultato 2015	Riserva per Utili (perdite) portati a nuovo	Riserva per operazioni di copertura dei flussi finanziari attesi	Altri movimenti di patrimonio netto	
Patrimonio Netto secondo i precedenti principi contabili nazionali	41.537	7.764			-6	49.295
<i>Restatement Costo Ammortizzato</i>		55				
<i>Effetto fiscale</i>		-13				
Patrimonio Netto secondo i nuovi principi contabili nazionali	41.537	7.806			-6	49.337

Hereunder are the items and amounts shown in the reconciliation prospectus between net equity value as at 31 December 2015 expressed according to the previous national accounting principles and that of 1st January 2016 resulting from application of the new national accounting principles.

Restatement Amortised Cost. The company has applied the amortized cost criterion in the evaluation of the debt for facility signed with Credit Agricole for purchase of a TBM. Retroactive application of the amortized cost involved a positive variance in the financial year balance of the company as at 31 December 2015 equal to Euro 40 thousand.

Effects on the redrafted 2015 balance sheet and income statement account tables

By way of supplementation of the reconciliation tables of net equity as at 1st January 2016 and re-booking of financial year 2015 profit/loss including comments on adjustments made to the balances shown according to the new Italian accounting principles, the re-drafted attachments to the balance sheet as at 21 December 2016 and the Income Statement 2015 are herein attached which highlight in each separate column:

- the values shown in the financial statements as at 31 December 2015;
- the re-classified values made in consequence of the different presentation rules pursuant to the new national accounting principles;
- the adjustment values made following application of the new national accounting principles;
- the final value booked according to the new national accounting principles.

Related to the comment on adjustments made within the balance sheet and income statement prospectus reference is to be made to the corresponding explanatory notes shown above. Related to re-classification reference must be made to the notes below.

ASSETS		APPROVED	31/12/2015	RECLASSIFICATION	ADJUSTMENT	RESTATE	31/12/2015	NOTES
A) RECEIVABLES FROM SHAREHOLDERS FOR CAPITAL CONTRIBUTIONS (OF WHICH ALREADY CALLED UP) PAID								
B) TOTAL FIXED ASSETS								
I - INTANGIBLE FIXED ASSETS								
1) Formation expenses								
3) Industrial patent usage and intellectual property rights								
4) Intellectual properties		273,141					273,141	
4) Concessions, licenses, trademarks and similar rights		114,461					114,461	
7) others		65,329	452,931				65,329	452,931
II - TANGIBLE FIXED ASSETS								
1) Land and buildings		9,158,673					9,158,673	
2) Plant and machinery		15,735,589					15,735,589	
3) Tools and equipment		4,836,032					4,836,032	
4) Other goods		727,126					727,126	
Fixed assets under construction and advances		19,137,990	49,595,410		-317,485		18,820,505	49,277,925
III - Financial fixed assets								
1) Participation in:								
a) subsidiaries		726,722					726,722	
b) Related		13,673					13,673	
d) Other companies		4,656,380	5,396,775				4,656,380	5,396,775
2) Receivables:								
d) - bis from others	(*)	81,516	2,844,916			(*)	81,516	2,844,916
4) Derivative instrument assets		81,516					81,516	
TOTAL FIXED ASSETS (B)		2,844,916	8,241,691				2,844,916	8,241,691
			58,290,032					57,972,547
C) CURRENT ASSETS								
I - INVENTORY								
1) Raw materials, subsidiaries and consumables:		6,895,631					6,895,631	
3) Work in progress on ordination		214,546,862	221,442,498				214,546,862	221,442,498
II - Credits (Receivables)								
1) From clients	(**)	25,827,380				(**)	25,827,380	
2) from subsidiaries		7,649,651					7,649,651	
3) from related companies		2,911,279					2,911,279	
4) from Parent companies		1,116,616					1,116,616	
5) Towards companies subject to the control of Parent companies				30,841,559			30,841,559	Reclassification Receivables from affiliate
5 - bis) Tax		5,622,143					5,622,143	
5 - ter) Deferred tax assets		2,397,842				1,955,022	2,397,842	
5 - quater) other	1,955,022							
a) To other subsidiaries		30,841,559		30,841,559				Reclassification Receivables from affiliate
a) Towards other debtors		2,950,632	79,317,102				2,950,632	79,317,102
		1,955,022				1,955,022		
III - FINANCIAL ASSETS NOT CONSTITUTING FIXED ASSETS								
5) derivative financial instruments								
IV - CASH AND CASH EQUIVALENTS								
1) Bank and postal deposits		12,236,913					12,236,913	
3) Cash and cash equivalents		10,428	12,247,341				10,428	12,247,341
TOTAL CURRENT ASSETS (C)			313,006,941				313,006,941	
D) ACCRUALS AND DEFERRALS								
Accrued income and deferred expenses			6,037,578		-2,346,970		3,690,608	Restatement of amortized cost
TOTAL ASSETS			377,134,551				374,670,097	
(*) Due within next fiscal year								
(**) Due after next fiscal year								
Reclassification Total					0			
Total adjustments					-2,664,454			

Hereunder are comments on re-classification in relation to the balance sheet for financial year 2015, restated:

- Restatement of all receivables and payables from subsidiaries or holding companies: the Company has again shown receivables from “Other Associated Companies” amounting Euros 30,842 thousand under the heading “Receivables from companies subject to the control of holding companies” and payables to “Other Associated Companies” equal to Euros 78.876 thousand from the item “Other Associated Company” to the heading “Payables to companies under the control of holding companies”.

	APPROVED		2015		RESTATED		2015		Notes
			Reclassification	Adjustment					
PROFIT AND LOSS									
A) VALUE OF PRODUCTION									
1) REVENUE FROM SALES AND SERVICES		520,965,491					520,965,491		
3) CHANGES OF WORK IN PROGRESS		- 21,225,871					- 21,225,871		
4) INCREASE OF FIXED ASSETS FOR INTERNAL WORK		1,473,630					1,473,630		
5) OTHER REVENUE AND INCOME									
capital gains on transfer of assets	602,430						602,430		
absorption of current assets provision	20,565						20,565		
Provisions for risks and charges	43,407						43,407		
Other income	2,150,252		225,173				2,375,425		Reclassification Extraordinary Income
other recovery costs	6,954,343	9,770,997	980,385				7,934,728	10,976,555	Reclassification Extraordinary Income
		<u>510,984,247</u>					<u>512,189,805</u>		
B) COST OF PRODUCTION									
6) FOR RAW MATERIALS, CONSUMABLES AND GOODS FOR RESALE		175,350,910	309,650				175,660,560		Reclassification Extraordinary Expenses (Materials)
7) FOR SERVICES		241,090,324	381,403				241,471,727		Reclassification Extraordinary Expenses (Services)
8) FOR USE OF THIRD-PARTY ASSETS		1,548,249					1,548,249		
9) FOR STAFF									
a) salaries and wages	39,817,621						39,817,621		
b) social security contributions	15,748,080						15,748,080		
c) employees severance indemnity	2,472,443						2,472,443		
d) pension costs and similar obligations	394,335						394,335		
e) other costs	608,122	59,040,601	1,102,500				1,710,622	60,143,101	Reclassification incentives from extraordinary items (Staff)
10) AMORTISATIONS AND DEPRECIATIONS									
a) amortisation of intangible fixed assets	280,952						280,952		
b) depreciation of tangible fixed assets	8,449,331						8,449,331		
d) Write down of credits included under current assets and cash assets	490,924	9,221,207					490,924	9,221,207	
11) ADJUSTMENT OF INVENTORY OF RAW MATERIALS, ANCILLARY MATERIALS AND GOODS		4,131,204					4,131,204		
12) PROVISIONS FOR RISKS		242,112					242,112		
13) OTHER PROVISIONS		2,084,799					2,084,799		
14) OTHER OPERATING COSTS		2,732,131	554,462				3,286,593		Reclassification Extraordinary costs (other expenses)
		<u>- 495,441,537</u>					<u>- 497,789,553</u>		
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A - B)		<u>15,542,710</u>					<u>14,400,252</u>		
C) FINANCIAL REVENUES AND EXPENSES									
16) OTHER FINANCIAL INCOME									
a) from receivables booked under fixed assets									
Other	52,385						52,385		
d) Income different from the above ones:									
interests and comm. from subsidiaries									
interests and comm. from associated companies									
interests and comm. from holding companies									
interest and commissions from others and miscellaneous income	396,725	449,110					396,725	449,110	
17) INTEREST AND OTHER FINANCIAL CHARGES									
interest and commissions to associated companies	1,339,874						1,339,874		
interest and commissions to holding companies	1,046,371	- 2,386,245		- 55,071			991,300	- 2,331,174	Restatement of amortized cost
interest and commissions to others and other charges									
17 bis) PROFITS AND LOSSES ON EXCHANGE		- 23,022					- 23,022		
TOTAL FINANCIAL INCOME AND EXPENSES		<u>- 1,960,157</u>					<u>- 1,905,086</u>		
D) ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS									
18) Revaluations									
a) of equity investments									
d) of derivative financial instruments									
19) WRITE DOWNS									
a) of equity investments									
d) of derivative financial instruments									
TOTAL ADJUSTMENTS									
E) EXTRAORDINARY INCOME AND EXPENSES									
20) INCOME									
income and non-existent assets	1,205,558		- 1,205,558				0		Elimination of extraordinary items
Other	414,825	1,620,383	- 414,825				0	0	Elimination of extraordinary items
21) CHARGES									
contingent liabilities	1,196,560		- 1,196,560				0		Elimination of extraordinary items
taxes relating to previous financial years	279,317		- 279,317				0		Elimination of extraordinary items
incentives	1,102,500		- 1,102,500				0		Elimination of extraordinary items
Other	48,956	- 2,627,333	- 48,956				0	- 0	Elimination of extraordinary items
Total extraordinary items		<u>- 1,006,950</u>					<u>- 0</u>		
BALANCE BEFORE TAX		<u>12,575,603</u>					<u>12,495,166</u>		
20) TAX ON FINANCIAL YEAR REVENUE									
CURRENT, DEFERRED AND ADVANCE									
CURRENT TAXES									
IRES (TAX ON INCOME)	4,253,854						4,253,854		
IRAP (REGIONAL TAX)	1,362,000	- 5,615,854					1,362,000	- 5,615,854	
PREPAID TAXES									
IRES (TAX ON INCOME)	- 804,600			13,217			- 791,383		Restatement of amortized cost
IRAP (REGIONAL TAX)									
TAX EFFECTS		804,600						791,383	
PREVIOUS TAX IRES / IRAP				135,508				135,508	Reclassification 1: Income tax relating to previous financial years
TOTAL TAXES		<u>- 4,811,254</u>					<u>- 4,688,963</u>		Reclassification 2: Charges related to prior year taxes
21) FINANCIAL YEAR PROFIT (LOSS)		<u>7,764,349</u>					<u>7,806,203</u>		
Reclassification Total				0					
Total adjustments				- 41,854					

The following are comments on the re-classification related to the income statement for financial year 2015:

- Elimination of extraordinary items: following elimination of the section related to extraordinary positive and negative income items, the Company has booked the balances as follows:

extraordinary positive items equal to Euro 1,620 thousand re-booked for:

Euro 1,206 thousand under the item A5) "Other revenue and charges" (more specifically 225 thousand under "miscellaneous charges" and euro 980 thousand "other costs recovery");

Euro 414 thousand in relation to extraordinary tax costs in relation to previous financial years re-booked under Item 20 "Financial year income tax, current, deferred and advance"

Extraordinary negative elements amounting Euro 2,627 thousand re-booked for::

Euro 310 thousand under the item B6) "Costs for purchase of raw material, ancillary materials and consumables";

Euro 381 thousand under the item Voce B7) "Costs for Services";

Euro 1,103 thousand under the item B9e) "Other staff costs";

euro 554 thousand under the item B14) "Other management costs";

euro 279 thousand in relation to extraordinary costs for tax related to previous financial years re-booked under Item 20) "Tax on financial year income, current, deferred and advance"