Notes to the consolidated financial statements

1. Accounting policies

Salini Impregilo S.p.A. (the “Parent”) has its registered offices in Italy. These condensed interim consolidated financial statements as of and for the six months ended June 30, 2015 include the financial statements of the Parent and its subsidiaries (together, the "Group"). The Group was established following a merger between the Salini and Impregilo Groups. It is one of the global players in the large-scale infrastructure sector.

The condensed interim consolidated financial statements of the Salini Impregilo Group at June 30, 2015, have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB), endorsed by the European Union as required by Regulation 1606/2002 issued by the European Parliament and the European Council and adopted through Italian Legislative Decree no. 38/2005 and in particular IAS 34 – Interim Financial Reporting.

The presentation and content of these condensed interim consolidated financial statements comply with the disclosure requirements of Article 154-ter of the Consolidated Finance Act.

The accounting standards and measurement criteria used to prepare these condensed interim consolidated financial statements at June 30, 2015 are the same as those used to prepare the consolidated financial statements for 2014, except for the changes listed in Note 2.

Significant accounting estimates

Preparation of the financial statements and the related notes in accordance with the IFRS requires management to make judgments and estimates that affect the carrying amount of assets and liabilities and financial statements disclosures. The actual results may differ from those estimated due to uncertainties underlying the assumptions and the conditions on which the estimates are based.

Within the scope of these condensed interim consolidated financial statements, the subjective evaluations significant for the application of the accounting principles adopted by the Group and the main sources of uncertainty as regards the estimates, were the same that were used to draw up the consolidated financial statements closed at December 31, 2014.

Translation of foreign currency assets and liabilities related to Venezuela

Please note that, from the end of the first half of 2014, the estimates referring to the set of industrial activities that the Group has in the Bolivarian Republic of Venezuela have required updating. In line with the previous financial reports, made available to the public as required by the current legal provisions, the deterioration of the economic conditions of the country, which have been going downhill since the early months of 2014, were such that it became necessary to review the time and financial parameters according to which the Group’s net assets could be generated in reference to this area. However, in light of the general framework of the local currency/financial market situation in the area, stemming from the conditions of the abovementioned local economic system, and consistent with the changes to the currency regulations of the country during 2014, it was considered reasonable, among other things, to adopt, with effect from June 30, 2014, a new reference exchange rate for the translation of both the current values of working capital denominated in Venezuelan currency and the perspective values to be paid/realized in the entire life estimates of the ongoing railway projects under direct management.

In the Extraordinary Official Gazette No. 6,171 of February 10, 2015, the Ministry of Popular Power for the Economy, Finance and Public Banking (MPPEFBP) and the Central Bank of Venezuela (BCV) published the “Convenio Cambiario No. 33”, which replaced the SICAD II exchange rate system and introduced three levels of exchange rate:

1) CENCOEX for essential foodstuffs;
2) SICAD for specific economic sectors and public sector enterprises;
3) SIMADI, whereby exchange rate transactions will be executed based on offer and demand, generating a floating exchange rate that will be published on a daily basis.

The Group established that the SIMADI is the appropriate exchange rate to be used for converting the amounts into the Venezuelan currency, as it best represents the ratio according to which future financial flows, expressed in current currency can be regulated, in the event that these are verified at the valuation date, even considering the possibility of accessing the Venezuelan currency market and the Group's special needs for obtaining a different currency from the functional one.

With reference to the adoption of the Simadi, carried out during the first half of 2015, the update of the estimates determined an overall reduction of the value of the net assets, in local currency, for a total amount of approximately € 4 million. The effect of adopting this exchange rate in the first half of 2014 was negative and equal to € 55 million.