

7. Contract work in progress

Contract work in progress totaled €765.8 million at the reporting date, up on the previous year-end figure of €441.4 million. The table below shows the amount of

work in progress measured according to the percentage of completion method, net of actual or estimated losses at the reporting date and progress billing:

(Amounts in thousands of euros)	December 31, 2014	December 31, 2013	Change
Contract work in progress	12,262,213	7,619,824	4,642,389
Progress payments and advances received (on approved work)	(11,496,422)	(7,178,379)	(4,318,043)
Total	765,791	441,445	324,346

Compared to December 31, 2013 there was an overall increase of €324.3 million, due (for approximately €194.9 million) to the merger.

Saudi Arabia and South Africa, and to high speed/high capacity contracts in Italy, only partially offset by the decrease related to contracts in Italy and Qatar.

There was also an increase due to the expansion of foreign industrial activities for contracts in Venezuela,

The key contracts making up contract work in progress at December 31, 2014 are summarized below:

(Amounts in thousands of euros)	Contract work in progress		
	December 31, 2014	December 31, 2013	Change
Venezuela	241,922	228,923	12,999
Romania	44,992	22,216	22,776
High speed/capacity	89,721	20,946	68,775
Salerno - Reggio Calabria Lots 5-6	50,902	73,077	(22,175)
Gibe III Hydroelectric Project	49,877	-	49,877
Mill. Hydro Elect. Project (5250 MW)	44,664	-	44,664
Messina Bridge	22,722	21,178	1,544
South Africa Mavundla	48,876	3,884	44,992
Arabia Civil Work	21,664	-	21,664
- S.S. 36	25,244	32,242	(6,998)
Metro B1 Bologna/Conca d'Oro and Conca d'Oro/Ionio	66,931	-	66,931
Other	58,276	38,979	19,297
Total	765,791	441,445	324,346

As regards the work in progress in relation to the project for the “Strait of Messina bridge and roadway and railway connectors on the Calabria and Sicily sides”, the values of the work in progress at December 31, 2014 total €22.7 million. With reference to this contract, it is noted that Decree Law 187 was issued on 2 November 2012 providing for “Urgent measures for the renegotiation of the contracts with Stretto di Messina S.p.A. (the client) and for local public transport”. Further to the enactment of this decree and in light of the potential implications for the contractual position of the Eurolink General Contractor, of which Salini Impregilo is the leader, Eurolink decided to send to the client, pursuant to the contractual provisions in effect, a notice of its intention to withdraw from the contract also to protect the positions of all Italian and foreign partners in the Association. Nevertheless, given the preeminent interest in constructing the project, the General Contractor also communicated its willingness to review its position, should the client demonstrate a real commitment to pursuing the project. Despite the efforts made, the negotiations carried out by the parties were unsuccessful.

Eurolink commenced various legal proceedings in Italy and at the EU level, on the one hand, arguing that the provisions of the above-mentioned decree are unconstitutional and contrary to EU laws and thus injurious to Eurolink’s legally acquired rights under the contract and, on the other hand, asking that Stretto di Messina be ordered to pay the amounts claimed, under various titles by the General Contractor due to the termination of the contract for reasons for which it was not responsible. With regard to the actions filed at the EU level, it is worth mentioning that, in November 2013, the European Commission communicated its decision to suspend the lawsuit, as no treaties were violated, and confirmed it on January 7, 2014, with a communication dismissing the lawsuit. As regards the civil action in Italy, Salini Impregilo S.p.A. and all the members of Eurolink have jointly and severally asked that Stretto di Messina be ordered to pay the amounts claimed, under various titles, due to the termination of the contract for reasons for which it was not responsible. Consistent with the

developments described above, the order backlog of the Impregilo Group at the end of 2012 was restated to reflect the elimination of the above-mentioned project. Considering the complex nature of the various legal proceedings and although the legal advisors assisting Impregilo and the general contractor are reasonably confident about the outcome of the proceedings and the recoverability of the remaining assets recognized for this contract, it cannot be excluded that events not currently foreseeable may arise in the future which would require the current assessments to be revised.

The Salini Impregilo Group has been active in Venezuela through a stable organization that, directly or in association with international partners, carried out several railway and hydroelectric projects, with a presence in the local territory consolidated in the Country over a span of more than 30 years.

In recent years, relationships with clients, all government entities, were generally characterized by delays in payments. This problem became more pronounced this past year due to a change in the country’s government leadership, at the beginning of 2013, and the resulting heightened social tensions that accompanied this political transition. In response to the virtual suspension of activity by clients in this context, the Group suffered a significant slowdown in production activities. With regard to the railway works, particularly for the P.Cabello-La Encrucijada project, two agreements have been drawn up, one in March and the other in May, (called “Puntos de Cuenta”) both signed by the Chairman of IFE (the client) and ratified by the President of the Republic, which provided for the progressive payment of 85% of the receivable accumulated in Bolívares and 47% of the receivable in Euro, accumulated at September 2013. To date we can say that 94% the proceeds due in local currency have been received and 34.6% for the Euro receivable (with reference to the percentages above).

In this context, an Addendum to the contract for the Puerto Cabello – La Encrucijada line and related to electromechanical works was signed at the end of the first half of 2014.

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An addendum is currently being negotiated with the Customer, which will set out the claim for the contractual extension of the works and form of payment for these works and for the work to be completed.

The projects that are being developed by the Salini Impregilo Group are priority infrastructures of the utmost importance, both in economic-industrial and social terms. With this in mind and based on a constant and careful monitoring of the situation in the country, carried out together with its partners and through meetings with clients and local government authorities with the aim of defending and protecting the positions of the Salini Impregilo Group, there appears to be no particular problems at this stage with regard to the realizable value of the Group's net assets, except for the lengthening of collection time, which was duly taken into account in the measurements performed for Financial statement purposes and for the issues relating to the new exchange rates adopted for the translation of the net assets expressed in local currency, as reflected in the full-life projections of projects under construction.

In view of the delicate and complex situation that

developed at the political level, the possibility that events not foreseeable at the date of preparation of this Annual Report may arise in the future requiring an update of the existing measurements cannot be excluded.