Notes to the Consolidated financial statements

Introduction

The Salini Impregilo Group has prepared its 2014 Consolidated financial statements on a going concern basis. As required by Regulation 1606/2002 issued by the European Parliament and Council, implemented in Italy by Legislative decree no. 38/2005, these Consolidated financial statements of the Salini Impregilo Group have been prepared in accordance with the International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union at December 31, 2014.

They comprise a statement of financial position, an income statement, a statement of comprehensive income, a statement of cash flows, a statement of changes in equity and these notes.

The Consolidated financial statements have been prepared using the historical cost principle, except for those items which are recognized at fair value in accordance with the IFRS, as described in the section on "Accounting policies". The carrying amounts of hedged assets and liabilities, which qualify for hedge accounting, are adjusted to reflect changes in fair value related to the hedged risks.

The statement of financial position, income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity are presented in Euros, the functional currency; the amounts are shown in thousands of euros unless stated otherwise.

Foreign currency translation of the 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 needed to be updated. 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 the year, were such that it became necessary to review the time and financial parameters according to which the Group's net assets can be generated in reference to this area. The Group's relations with the local economic system as well as with the client local administrations are still excellent and geared toward maximum cooperation in pursuit of the respective goals, as demonstrated by the additional work awarded at the end of June 2014 in relation to existing railway contracts. However, in light of the current general framework of the local currency/financial market situation in the area, stemming from the conditions of the above-mentioned 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 both to be paid/realized in the entire life estimates of the ongoing railway projects under direct management.

The new official exchange rate used, called SICAD 2, whose first fixing took place during the last few days of the first quarter of 2014, is currently believed to be the most representative of the relationship under which future cash flows, expressed in local currency, may be adjusted in the event that they were verified at the valuation date also considering the possibility to access the Venezuelan currency market and the Group's specific needs to obtain currency other than the functional currency.

This new exchange rate expresses a substantial depreciation (by about 9 times) of the local currency against the US Dollar, compared with the official exchange rate previously used, i.e. CENCOEX (formerly CADIVI), for the purposes of preparing both the Consolidated financial statements of the Salini Group as at December 31, 2013 and the interim financial report as at March 31, 2014.

The updated estimates had a number of effects on the accounts as at December 31, 2014, the most significant of which is the overall reduction in the value of net assets in local currency, for a total of approximately €97 million, of which €55 million calculated upon adoption of the

new exchange rate and €42 million related to changes in balances and the exchange rate during the second half of 2014.

Lastly as regards the impacts that this update has had from the point of view of the railway projects in progress in the area, it is noted that the credit and liquidity risk management policies adopted by the Group for its operations in areas characterized by structural currency weaknesses, like Venezuela, has always been based on a number of rules, including, in particular: (i) contracts with clients being denominated partly in 'strong' currencies (e.g. Euro, US Dollar) and partly in 'local' currency; (ii) the preparation of full-life production cost structure, accordingly composed of 'local' currency based on a 'natural hedging' approach; and (iii) covering temporary financial requirements to support the management of working capital through borrowings in the same currency as the working capital. In the specific situation of Venezuela, this risk management policy – bearing in mind the long-term presence of the Group in this market, which in previous years has shown moments of economic and currency uncertainty, albeit of shorter duration but of equivalent economic/financial significance – has been in effect in a situation characterized by (i) a surplus of net working capital offset by (ii) a more than corresponding expected deficit for the periods subsequent to that under review and expressed in the same currency. As in the past, updating the aforementioned estimates – which is one part of the review of full-life projections of railway works in progress in the area – has resulted in the recognition of mainly positive current and future impacts on profit and loss, even taking into account the conservative assumptions made in connection with the future development of production.

Furthermore, 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", replacing the SICAD II exchange rate system with a newly-introduced floating official exchange rate called SIMADI.

To sum up, with the entry into force of this latest exchange convenio, three levels of exchange rate are set:

1) CENCOEX 6.30 BSF per 1 US$, for essential foodstuffs;

2) SICAD 12 BSF per 1 US$, 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.

To date, there are no large exchange volumes to establish whether the aforementioned free exchange rate will effectively be supplied by operators with hard currency needed for transactions. At the moment, the SIMADI exchange rate is set at 187.78 BSF per US$.

In compliance with the provisions of international financial reporting standards, the effects of this further change in Venezuela's currency system – which are not expected to be significant – will be reflected in the 2015 financial year.

Introductory remarks concerning the comparability of the income statement and statement of financial position data for 2014 with those for the previous year – continuity with the Consolidated financial statements of the Salini Group for 2013

The merger of Salini S.p.A. (parent company at December 31, 2013) into Impregilo S.p.A. (subsidiary at December 31, 2013) became fully effective as of January 1, 2014, with the company resulting from the merger changing its name to Salini Impregilo S.p.A.

In accordance with the international financial reporting standards adopted by the Group in continuity with previous years, the merger is not a transaction liable to modify the amounts recognized in the Group's Consolidated financial statements, due to the fact that it qualifies as a 'business combination of entities under common control'. With the exception of the information provided below regarding new international financial reporting standards, the mandatory adoption of which is statutorily required as of January 1, 2014, the statement of financial position, income statements and statement of cash flows of the Salini Impregilo Group at December 31, 2014 reflect continuity of values with respect to the Consolidated financial statements of the Salini Group for the year ended December 31, 2013. These financial statements also reflect the restatement of the assets and liabilities of the Impregilo

Group based on their respective fair value on the date control was acquired and the subsequent allocation of the difference between the above-mentioned fair value and the total consideration paid in 2013 by the then controlling company Salini S.p.A. to acquire said control, as part of a process commonly referred to as purchase price allocation (PPA). Lastly, please note that the differential was positive and, consequently, was recognized in the 2013 consolidated income statement as badwill. For more information about these issues, please see the detailed disclosure provided in the notes to the Consolidated financial statements of the Salini Group for the year ended December 31, 2013.

Taking into account the developments described above, the data of the consolidated income statement for 2013 - provided for comparative purposes - are those of the Salini Group and presented in the Consolidated Report of the Salini Group at December 31, 2013 to reflect:

1) the classification of the Todini Costruzioni Generali Group and the company Fisia Babcock Environment GmbH in accordance with IFRS 5;

2) some reclassifications in the financial statements previously used by the Salini Group and the Group;

3) the retrospective recognition of the effects of the adoption of the new international financial reporting standards referred to in the "changes in standards".

Changes in standards

The following accounting standards, amendments and interpretations have been implemented since January 1, 2014.

On May 29, 2013 the IASB published an amendment to IAS 36 "Impairment of non-financial assets - Recoverable Amount Disclosures for Non-Financial Assets" to provide guidance on the recoverable amount of assets, when this amount is based on fair value less costs of disposals, for impaired assets. The amendments establish that disclosure of the recoverable amount for assets or cash generating units in only required when an impairment or a reversal of a previous impairment have been recognized. The amendment also provides guidance on the disclosure of the impairment of assets, when the recoverable amount has been determined on the basis of fair value less costs to sell.

On May 12, 2011, the IASB issued IFRS 10, IFRS 11 and IFRS 12 and amendments to IAS 27 and IAS 28. The main changes covered:

- ***IFRS 10 - Consolidated financial statements***
  This standard replaces SIC 12 Consolidation - Special purpose entities and certain parts of IAS 27 - Consolidated and Separate financial statements. The new standard identifies a single control model and defines, on a more structured basis, the requirements for determining whether or not control exists. This provision is particularly important for cases that qualify as "de facto control".

- ***IFRS 11 - Joint Arrangements***
  This standard replaces IAS 31 - Interests in joint ventures and SIC 13 - Jointly controlled entities - Non-monetary contributions by venturers. It defines the criteria for the identification of joint arrangements and how they should be accounted for based on the rights and obligations arising from the contract, regardless of its legal form. The new standard provides for different recognition methods, depending on whether the transaction is a joint operation or a joint venture, and eliminates the possibility to apply different accounting treatments to the same types of arrangements and, conversely, defines a single model based on the contractual rights and obligations.

- ***IFRS 12 - Disclosure of interests in other entities***
  The standard sets out the disclosures to be provided about any type of interest in other entities, including joint arrangements, associates, special purpose entities and other entities not included in the financial statements.
  Its aim is to provide information to allow users of financial statements to best understand the nature of risks associated with interests in strategic entities (qualified or not) which the entity intends to hold on to for the medium to long-term.

- ***IAS 27 - Separate financial statements***
  The standard defines how investments in subsidiaries, associates and joint ventures should be treated in the Separate financial statements. The standard has been amended following the changes introduced by IFRS 10 and IFRS 11.

- ***IAS 28 - Investments in Associates and Joint Ventures***
  This standard defines the accounting treatment of investments in associates and joint venture and is a rewording of the old IAS 28 in light of the new provisions introduced with IFRS 10 and IFRS 11.

IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 were published in the EU Official Journal on 29 December 2012. Their latest application date is the start of the first annual period beginning on or after 1 January 2014.

On December 16, 2011, the IASB published an amendment to IAS 32 : - *Offsetting Financial Assets and Financial Liabilities* to clarify the rules for offsetting financial assets and liabilities. The amendment clarified that:

- the right of set-off shall exist at the reporting date instead of being contingent on a future event;

- this right shall be legally enforceable by the counterparties during the normal course of business or in the event of insolvency or bankruptcy of the entity and all of the counterparties.

The amendment was published in the EU Official Journal on 29 December 2012. It is applicable retrospectively to annual periods beginning on or after 1 January 2014.

Except for IFRS 10 and 11, the application of the above amendments did not have significant effects on the Consolidated financial statements.

The effects of the application of IFRS 10 and 11 are highlighted in the Section "Effects of the application of the new financial reporting standards".

The following standards, amendments and interpretations will be applied after the current reporting period and the Group has not adopted them early.

On November 12, 2009, the IASB issued the first part of *IFRS 9 - Financial instruments*, which will replace *IAS 39 - Financial instruments: recognition and measurement.* This part covers the classification of financial instruments and is part of a three-phase project. The next parts will cover how to determine impairment of financial assets and application of hedge accounting, respectively. Issue of the new standard, designed to simplify and reduce the complexity of recognizing financial instruments, provides for the classification of financial instruments into three categories which the Group will define based on its business model, contractual terms and the related cash flows of the instruments.

On October 28, 2010, the IASB issued new requirements for the recognition of financial liabilities. They will be integrated into IFRS 9 to complete the classification and measurement phase as part of the project to replace IAS 39.

On December 12, 2013, the IASB published the 2010-2012 ***Annual Improvements*** and the 2011-2013 ***Annual Improvements***, implemented in the European Union by publication in the Official Journal, respectively, on January 9, 2015, and December 19, 2014. These improvements mainly concern clarifications and amendments to IAS 16, 25, 37, 38 and 39 and IFRS 2, 3 and 8 and are applicable for annual periods beginning on or after January 1, 2015.
On November 21, 2013, the IASB issued amendments to IAS 19, concerning recognition of employee or third party contributions linked to defined benefit plans.
These amendments were implemented in the European Union by publication in the Official Journal on January 9, 2015. Companies apply the changes, at the latest, from the date of their first financial year starting on or after February 1, 2015. The adoption of the above-mentioned amendments will not have significant effects on the Consolidated financial statements.
A list of the accounting standards, amendments and interpretations published by the IASB is provided below.

However, at the reporting date, the competent bodies of the European Union have yet to complete the approval process of the amendment:

- IFRS 9 ***Financial Instruments***, published on July 24, 2014;

- IFRS 14 ***Regulatory Deferral accounts***, published on January 30, 2014;

- IFRS 15 ***Revenue from contracts with customers***, published on May 28, 2014;
- amendments to IAS 16 and IAS 41: ***Bearer Plants***, published on June 30, 2014;
- amendments to IAS 16 and 38: ***Clarification of Acceptable Methods of Depreciation and Amortization***, published on May 12, 2014;
- amendments to IFRS 11: ***Accounting for Acquisitions of Interest in Joint Operations***, published on May 6, 2014.

Effects of the application of the new financial reporting standards

These new standards were adopted retrospectively to allow a presentation of results on a like-for-like basis with the information for previous periods. As mentioned above, the adoption of the new standards did not have any significant impacts except as regards IFRS 10 and 11, for which the greatest difficulties in interpretation and application were encountered above all in relation to Special Purpose Vehicles ("SPVs") in which the Group participates jointly with other partner companies and which are established for the sole purpose of carrying out specific construction projects. These entities, which in 2013 belonged exclusively to the former Impregilo Group, were mainly identified as Joint Ventures and recognized using the proportional consolidation option provided in the previously applicable IAS 31.

With reference to the concept of control as described in the new IFRS 10, that have been no particularly complex cases from an interpretative point of view, since control is defined on the basis of the functioning of the corporate bodies and the relevant decision-making quorums applying to each entity. No situations of "de facto control" were found.

With reference to the application of IFRS 11 and the definition of joint control and the cases of Joint Operations and Joint Ventures, in relation to the foreign entities, under the new standards:

- Joint Operations are recognized on a line by line basis in the Separate financial statements of the member according to the ownership share, and no difference is recognized in the balance sheet and income statement with respect to the proportional consolidation previously in force;
- Joint Ventures are measured at equity, resulting in deconsolidation of assets, liabilities, financial position, revenues and expenses, and recognition of the result in "net gains (losses) on investments";
- subsidiaries are 100% consolidated on a line by line basis, the major effect of which is the consolidation of assets, liabilities, financial position, revenues and expenses of non-controlling interests.

For entities qualified as Italian Special Purpose Vehicles that recharge costs and are under joint control, application of IFRS 10 and 11 had the following effects:

- joint ventures are measured at equity, resulting in deconsolidation of the entity's assets and liabilities. As these entities recharge their costs, their deconsolidation results in intragroup transactions and recognition of the expenses for the period incurred by the SPV and recharged to the respective shareholders for their relevant share. Consequently the main effect on the income statement is recognition of the costs incurred and charged back by the SPV in a single cost item while revenues do not show any significant changes, as the contract continues to be recognized by the parent company. As these SPVs recharge their costs, the profit or loss of the SPV to be recognized in item "Net gains (losses) on investments" is essentially nil. Given the cost recharging system, Group net financial position represents the net balance of receivables/payables with the SPV, which corresponds to the Group's share of cash and cash equivalents or the financial debt held by the Joint Venture.
- Subsidiaries are consolidated on a line by line basis, the major effect of which is that the consolidation also includes assets, liabilities, financial position, revenues and expenses of non-controlling interests. This method has no impact on profit (loss) as the controlled vehicle recharges its costs and its profit (loss) is always equal to zero.

Economic-financial impacts resulting from the application of new standards and due to the effects of IFRS 5

The tables below contain the reconciliation of the amounts in the financial statements before and after the application of the new standards, specifically:

(a) reconciliations of the consolidated shareholders' equity at December 31, 2013 and December 1, 2013 and the consolidated net profit for 2013;

(b) comparative tables of the consolidated statement of financial position as at December 31, 2013;

(c) comparative tables of the consolidated income statement and consolidated statement of cash flows of 2013.

Lastly, considering the fact that the Salini Impregilo Group (formerly Salini Group) did not hold controlling interest in joint ventures during the period prior to the acquisition of control over the former Impregilo Group, that there have been no changes in the definition of control over entities within the same scope of consolidation following implementation of the new IFRS 10, and that therefore adoption of the new IFRSs mentioned herein did not generate differences in this area, it was deemed unnecessary to prepare reconciliations for the consolidated statement of financial position as at January 1, 2013.

Certain items included in the Consolidated financial statements needed to be reviewed and adapted because of the application of the new standards. In addition, some reclassifications were carried out to achieve a better representation of financial position and income, which related above all to the recognition of intragroup transactions with companies not consolidated line-by-line that were previously represented as a single current/non-current receivable/payable (and broken down by type in the tables annexed to the Consolidated financial statements of the Impregilo Group), while now they are shown by type in the items for trade, financial and other current and non-current receivables and payables.

With reference to contractual advances, the item has been presented in consideration of the typical characteristics of the business sector in which the Group operates, as was the case for the reclassification of other assets and liabilities.

As regards the income statement, we note in particular the reclassification of utilizations, which in the published figures for 2013 were recognized in revenues, while in the reclassified figures they have been deducted directly from costs.

Reconciliation	**Shareholders' equity at January 1, 2013**	**Income statement 2013**	**Shareholders' equity at December 31, 2013**
Equity and profit for the year attributable to the Group	559,579	166,944	699,159
Non-controlling interests	28,761	(9,244)	193,125
Total shareholders' equity and income before introduction of new standards	**588,340**	**157,700**	**892,284**
Effects of the application of the new standards:			
- entities moving from proportional to line-by-line consolidation	-	(4,065)	29,094
- entities moving from proportional consolidation to measurement at equity	-	(57)	44
- joint operations	-	2,654	-
Total adjustments	**-**	**(1,468)**	**29,138**
attributable to shareholders of the parent company	(39)	1,980	268
attributable to non-controlling interests	39	(3,448)	28,870
Shareholders' equity and income statement values after the introduction of the new standards			
Equity and profit for the year attributable to the Group	559,540	168,924	699,427
Non-controlling interests	28,800	(12,692)	221,995
Total shareholders' equity and income before introduction of new standards	**588,340**	**156,232**	**921,422**

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Tables of the Consolidated statement of financial position as at December 31, 2013

ASSETS (Amounts in thousands of euros)	**Salini Impregilo Published**	**Reclassifications**	**Salini Impregilo Reclassified**	**Salini Impregilo Reclassified due to the adoption of the new standards**	**Change**
	(1)	(2)	(3) = (1)+(2)	(4)	(5) = (4) - (3)
Non-current assets					
Property, plant and equipment	519,021	-	519,021	460,160	(58,861)
Intangible Fixed Assets	165,234	(473)	164,761	164,690	(71)
Investments in associates	61,261	(1,022)	60,239	73,619	13,380
Non-current financial assets	48,928	(19)	48,909	48,909	-
Other non-current assets	31,621	(30,391)	1,230	-	(1,230)
Deferred tax assets	121,190	(1)	121,189	121,246	57
Total non-current assets	**947,255**	**(31,906)**	**915,349**	**868,624**	**(46,725)**
Current assets					
Inventories	244,016	-	244,016	224,380	(19,636)
Contract work in progress	1,282,410	471	1,282,881	1,157,014	(125,867)
Trade receivables	1,634,515	(227,056)	1,407,459	1,767,620	360,161
Derivatives and other current financial assets	232,529	81,400	313,929	304,529	(9,400)
Current tax assets	85,510	(1)	85,509	87,599	2,090
Other tax receivables	136,656	1	136,657	133,533	(3,124)
Other current assets	381,814	67,587	449,401	441,877	(7,524)
Cash and cash equivalents	1,132,420	(1)	1,132,419	1,127,276	(5,143)
Total current assets	**5,129,870**	**(77,599)**	**5,052,271**	**5,243,828**	**191,557**
Non-current assets held for sale	653,604	7,556	661,160	661,160	-
TOTAL ASSETS	**6,730,729**	**(101,949)**	**6,628,780**	**6,773,612**	**144,832**

SHAREHOLDERS' EQUITY AND LIABILITIES (Amounts in thousands of euros)	**Salini Impregilo Published**	**Reclassifications**	**Salini Impregilo Reclassified**	**Salini Impregilo Reclassified due to the adoption of the new standards**	**Change**
Shareholders' equity					
Share capital and reserves	532,215	-	532,215	530,503	(1,712)
Net profit (loss)	166,944	-	166,944	168,924	1,980
Equity attributable to the owners of the parent	**699,159**	**-**	**699,159**	**699,427**	**268**
Non-controlling interests	193,125	-	193,125	221,995	28,870
Total shareholders' equity	**892,284**	**-**	**892,284**	**921,422**	**29,138**
Non-current liabilities					
Non-current indebtedness	1,303,740	417	1,304,157	1,310,638	6,481
Post-employment benefits and employee benefits	22,059	-	22,059	21,755	(304)
Deferred tax liabilities	74,001	-	74,001	74,015	14
Provisions for risks	103,629	(76,525)	27,104	176,194	149,090
Other non-current liabilities	7,354	(7,699)	(345)	-	345
Amounts due from clients	634,666	(634,666)	-	-	-
Total non-current liabilities	**2,145,449**	**(718,473)**	**1,426,976**	**1,582,602**	**155,626**
Current liabilities					
Current indebtedness	441,846	612	442,458	424,996	(17,462)
Advances on contract work in progress	1,249,417	634,667	1,884,084	1,733,988	(150,096)
Payables to suppliers	1,177,283	(5,174)	1,172,109	1,263,495	91,386
Current tax liabilities	79,029	-	79,029	77,232	(1,797)
Other tax payables	85,069	(35,836)	49,233	49,493	260
Other current liabilities	242,291	14,699	256,990	294,767	37,777
Total current liabilities	**3,274,935**	**608,968**	**3,883,903**	**3,843,971**	**(39,932)**
Liabilities directly associated with non-current assets held for sale and discontinued operations	**418,061**	**7,556**	**425,617**	**425,617**	**-**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**6,730,729**	**(101,949)**	**6,628,780**	**6,773,612**	**144,832**

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Income statement 2013

(Amounts in thousands of euros)	Salini Impregilo Published	Reclassifications	Reclassifications IFRS 5	Salini Impregilo Reclassified	Salini Impregilo Reclassified due to the adoption of the new standards	Change
	(1)	(2)	(3)	(4) = (1)+(2)+(3)	(5)	(6) = (5) - (4)
Revenue						
Operating revenue	3,333,820	219	(45,381)	3,288,658	3,173,291	(115,367)
Other revenue	91,841	(4,321)	2,157	89,677	89,086	(591)
Total revenue	**3,425,661**	**(4,102)**	**(43,224)**	**3,378,335**	**3,262,377**	**(115,958)**
Costs						
Purchasing costs	(615,067)	-	21,733	(593,334)	(514,785)	78,549
Subcontracts	(1,034,471)	(1)	(14,390)	(1,048,862)	(929,079)	119,783
Service costs	(936,871)	17,558	25,497	(893,816)	(1,072,425)	(178,609)
Personnel costs	(459,443)	-	17,324	(442,119)	(383,163)	58,956
Other operating costs	(63,313)	(15,056)	431	(77,938)	(62,770)	15,168
Provisions and impairment losses	(16,330)	(1,641)	(7,229)	(25,200)	(25,232)	(32)
Amortization and depreciation	(152,514)	(1)	(24)	(152,539)	(134,236)	18,303
Total costs	**(3,278,009)**	**859**	**43,342**	**(3,233,808)**	**(3,121,690)**	**112,118**
Operating profit	**147,652**	**(3,243)**	**118**	**144,527**	**140,687**	**(3,840)**
Financing income (costs) and gains (losses) on investments						
Financial income	*42,268*	*(7,532)*	*(2,501)*	*32,235*	*30,194*	*(2,041)*
Financial expense	*(128,942)*	*(1,558)*	*(1,527)*	*(132,027)*	*(115,173)*	*16,854*
Net exchange rate gains (losses)	*24,360*	*12,302*	*(800)*	*35,862*	*27,013*	*(8,849)*
Net financing income (costs)	(62,314)	3,212	(4,828)	(63,930)	(57,966)	5,964
Gains (losses) on investments	203,736	32	(2,070)	201,698	195,135	(6,563)
Net financing costs and net gains on investments	**141,422**	**3,244**	**(6,898)**	**137,768**	**137,169**	**(599)**
Profit (loss) before taxes	**289,074**	**1**	**(6,780)**	**282,295**	**277,856**	**(4,439)**
Income taxes	(43,234)	(1)	20,780	(22,455)	(19,484)	2,971
Profit (loss) from continuing operations	**245,840**	**-**	**14,000**	**259,840**	**258,372**	**(1,468)**
Profit (loss) from discontinued operations	(88,140)	-	(14,000)	(102,140)	(102,140)	-
Net profit (loss)	157,700	-	-	157,700	156,232	(1,468)
Net profit (loss) attributable to:						
Owners of the parent	166,944	-	-	166,944	168,924	1,980
Non-controlling interests	(9,244)	-	-	(9,244)	(12,692)	(3,448)

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Consolidated statement of cash flows at December 31, 2014

(Amounts in thousands of euros)	Salini Impregilo Published	Salini Impregilo Reclassified due to the adoption of the new standards	Change
Cash and cash equivalents at start of year	**321,812**	**321,812**	-
Cash flows generated (used) in operations	(92,619)	(301,992)	209,373
Cash flows generated (used) in investing activities	46,090	(125,686)	171,776
Cash flows generated (used) in financing activities	724,547	930,797	(206,250)
Net cash flows generated (used) in discontinued operations		169,751	(169,751)
Net exchange rate losses on cash and cash equivalents		5,970	(5,970)
Increase (decrease) in cash and cash equivalents	678,018	678,840	(822)
Cash and cash equivalents at end of year	**999,830**	**1,000,652**	**(822)**

Libya

Salini Impregilo S.p.A. is present in Libya through a permanent establishment and a subsidiary, Impregilo Lidco Libya General Contracting company (Impregilo Lidco), active in Libya since 2009 and owned 60% by Salini Impregilo and 40% by a local partner.

The permanent establishment's contracts are described in the paragraphs, "Libya – Koufra Airport" and "Libya – Other Contracts" of the Directors' Report. No significant risks are believed to exist in relation to these contracts as activities have yet to begin, except at Koufra Airport. Even so, for this contract the total exposure is not material, having received a contractual advance in July 2013. Lastly, the Group is part of the "Libyan Coastal Highway" project, which at the date of this Annual Report has not yet been started.

With reference to Impregilo Lidco, it is noted that the subsidiary won important contract for the construction of:

- Infrastructural projects in Tripoli and Misuratah;
- University campuses in Misuratah, Tarhunah and Zliten;
- Tripoli's new "Conference Hall".

With regard to the political upheaval in Libya from the end of February 2011 to the date of this Report, it is worth mentioning that the subsidiary was always able to operate in accordance with contractual terms and that the investments made up until the deterioration of the country's political situation have been fully covered by contractually stipulated advances.

In addition, the projects subject of the contracts executed by the Libyan subsidiary represent projects of national interest with regard to which, at the moment, it would not seem reasonable to presume that they would be abandoned. It is also clear that the subsidiary will face significant challenges in developing the projects in accordance with the schedule planned before the crisis erupted. Accordingly, Salini Impregilo does not expect significant new growth in the production activities of its subsidiary Impregilo Lidco in the near future.

In 2012, the procedures necessary to restart industrial activities were resumed, even though the local situation continued to be challenging and there was still no assurance of fully secure working conditions. Nevertheless, commercial and contractual relations with client local administrations were reinstated, with the aim of re-opening the worksites and restoring the financial conditions originally stipulated in the respective contracts. In this general context, more precise information became available once again in 2012 about the balance sheet and income statement items that impact the Consolidated financial statements of the Group. Consequently, in the consolidated statement of financial position, income statement and statement of cash flows of the Impregilo Group at December 31, 2012 the asset, liability and income statement items attributable to the Libyan subsidiary were restated in accordance with Group principles, based on the evidence developed during the period and the support of assessments provided by the independent counsel that is assisting the subsidiary. Compared with the situation reported in Impregilo's 2011 Consolidated financial statements, which reflected the latest available information at March 31, 2011, the value adjustments made to reflect the gradual impairment losses suffered by the subsidiary's net assets as a result of the events described above were estimated as constituting charges totaling €51.5 million. These charges were included in contract work in progress, as the Group deems them recoverable, considering that relationships with the clients have been reinstated. Net cash and cash equivalents held in Libya decreased by roughly €14.9 million due to costs incurred locally in the period from March 31, 2011, to December 31, 2014.

In addition, early in 2013, a physical inventory was taken of plant, machinery and supplies at the main worksites, with a total carrying amount of €29.9 million, but not all inventory sites could be accessed for security reasons. Taking also into account the fact that costs that may arise following completion of the inventory taking procedures would be covered by clients, consistent with force-majeure contract terms,

as determined by the counsel that is assisting the subsidiary, no significant risks were deemed to exist in this context with regard to the recovery of the net assets attributable to the subsidiary, thanks in part to actions and claims filed with the clients contractually or otherwise. Lastly, contractual relations with client local administrations were reinstated during the last part of 2013.

Currently, also in view of the recent unrest in various areas of the country during the period under review, the social and political situation in the country remains extremely complex and marked by critical conditions. In spite of this, an important agreement was reached with the client during the first months of 2014. Under this agreement, the parties expressed their willingness to resume industrial activities as soon as security measures could be implemented, while at the same time fully maintaining the claims for damages filed by the subsidiary as a result of force majeure, provided for under contract and based on which the activities were suspended.

Lastly, Salini Impregilo continues to monitor the country's situation very closely and it cannot be ruled out that, after the reporting date of this Annual Report, events may occur that are unforeseeable at present and liable of resulting in changes to the assessments made to date.

Non-current assets held for sale and discontinued operations

SUW Campania

Based on information that came to light in previous years, in its previous annual financial statements the Group decided that the conditions continued to exist for application of IFRS 5 - Non-current assets held for sale and discontinued operations. Therefore, it has recognized the SUW Campania project net assets and operations separately in the statement of financial position and income statement.

Due to reasons outside the Group's control, the period for completion of the sale has extended beyond the year allowed by IFRS 5. Despite this, the Group's commitment to finalizing the sale as described in the Annual Report remains unchanged. Therefore, the directors have not deemed it necessary to change the accounting treatment of the assets in question as provided for in IFRS 5.9.

For more complete information, please see the Section "Non-current assets held for sale - Part One" of the Directors' Report.

Todini Group

In 2013, following the decision by the Board of Directors of Salini S.p.A. to realize the full value of the interest held in Todini Costruzioni Generali S.p.A. (hereinafter "Todini") in view of its divestment, the company reported the figures for the Todini Group under assets held for sale.

In 2014, following expressions of interest made in relation to operating activities both in Italy and abroad, and in light of the consequent decision to maintain a number of assets within the Group that were previously held for sale, it was decided to divide the Todini Group into business units, each with their own assets & liabilities and with the specific technical-administrative skills, in line with the expressions of interest received and with the intention of rationalizing management of these assets.

As mentioned in the Directors' Report, the composition of the various businesses is as follows:

Business A – Italian operating contracts

Includes the Metrocampania contracts (Naples Alifana and Secondigliano), the Variante di Valico and Naples Sarno River contracts, the plant and machinery situated at the Lungavilla Depot.

Business B – Foreign business unit

Includes all the foreign branches (operational and otherwise) with the exception of the portion of the Kazakhstan branch leader of the Almaty Khorgos JV (contract 50% attributable to Todini Costruzioni Generali and 50% attributable to Salini Impregilo), the foreign subsidiaries (with the exception of Todini Central Asia), the investments in foreign affiliates of Todini Costruzioni Generali, as well as all relationships with foreign entities included in the business unit.

Business C – Sale of business unit to Salini Impregilo

Includes the following contracts: Cagliari Capo Boi, Rome-Fiumicino, Milan-Lecco, Corso Del Popolo, Piscine dello Stadio and residues of closed Italian contracts, as well as the investees operating in the concessions (Piscine dello Stadio Srl – Piscine S.c.a.r.l. – Corso del Popolo S.p.A. – Corso del Popolo Engineering S.c.a.r.l.).

Business D – Sale of business unit to Imprepar

Includes the non-operating subsidiaries and relationships with the non-operational associates of Todini Costruzioni Generali.

Business E – Residual part of Todini Costruzioni Generali S.p.A.

Includes the subsidiaries Maver (under closure) and Todini Central Asia, as well as the portion of the Kazakhstan branch, leader of the Almaty Khorgos JV.

It also includes the balance sheet balances of the "headquarters" with reference to contracts with third parties and the entities included in this business.

In accordance with IFRS 5, businesses A and B – which are destined for sale to third parties – have again been classified under Non-current assets held for sale and under Profit (loss) from discontinued operations, while the businesses to be sold to the Parent company and to Imprepar as well as the residual part (Business E) have been restated under continuing operations. For comparison purposes, again in accordance with IFRS 5, the income statement data for the previous year has been shown in a consistent manner.

The following information applies to the businesses classified in non-current assets held for sale and discontinued operations sold beyond the 12 months allowed under IFRS 5:

- the changes in the year 2014 could not have been foreseen by the Group;
- these changes did not occur as a result of the Group's intentions as they were dependent on factors outside its control;
- regardless of the above, the Group continues to intend to sell Businesses A and B, for which it has received expressions of interest.

In light of all this, the directors have decided to continue to classify Businesses A and B according to IFRS 5. Comparative income statement figures are restated using the same logic.

Form and content of the Consolidated financial statements

The Salini Impregilo Group's Consolidated financial statements include the financial statements of the parent, Salini Impregilo S.p.A., and the Italian and foreign operating companies controlled directly or indirectly by Salini Impregilo S.p.A.

The financial statements at December 31, 2014 approved, where applicable, by the internal bodies of the consolidated companies have been used for consolidation purposes.

The Financial statements are prepared by adopting the parent's accounting policies. Where necessary, consolidation adjustments are made to make the items affected by different accounting policies consistent.

A list of the companies and other Salini Impregilo Group entities included in the scope of consolidation is set out in the annexes with the schedules showing changes therein during 2014.

Format of the Consolidated financial statements

The Group opted to present its Consolidated financial statements at December 31, 2014 in line with previous years as follows:

- Current and non-current assets and current and non-current liabilities are presented separately in the consolidated statement of financial position. Current assets and liabilities are those expected

to be realized, sold, used or settled in the Group's normal operating cycle, which usually exceeds 12 months. Non-current assets and liabilities include non-current assets, deferred tax assets, employee benefits, deferred tax liabilities and other balances expected to be realized, sold, used or settled after the Group's normal operating cycle, i.e., more than twelve months after the reporting date.

- The consolidated income statement gives a classification of costs by nature and shows the profit or loss before "Financing income (costs) and gains (losses) on investments" and income taxes. The profit or loss from continuing operations, the profit or loss from discontinued operations and the profit or loss attributable to non-controlling interests and that attributable to the owners of the parent are also presented.

- The statement of comprehensive income shows all non-owner changes in equity.

- The consolidated statement of cash flows presents the cash flows from operating, investing and financing activities separately. The indirect method is used.

Basis of consolidation

The Consolidated financial statements have been prepared by consolidating the financial statements at December 31, 2014 of Salini Impregilo S.p.A., the parent, and the Italian and foreign companies which the parent directly or indirectly controls.

Control exists when the Group has the power to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities. Generally speaking, control is presumed to exist when the Group holds more than half of the voting rights either directly or indirectly.

Companies or businesses over which Salini Impregilo has joint control, by virtue of an investment therein or specific contractual arrangements, as established by IFRS 11, are consolidated as follows:

- on a line by line basis according to the ownership share, if they are Joint Operations;

- at equity, if they are Joint Ventures.

Investments in associates are measured using the equity method.

The financial statements used for consolidation are modified (made consistent) and reclassified to comply with the Group's accounting policies in line with the currently applicable IFRS.

The financial statements used are expressed in the functional currency, being the local currency or another currency in which most of the economic transactions and assets and liabilities are denominated.

Financial statements expressed in currencies other than the Euro are translated into Euros by applying the closing rates to the statement of financial position items and the average annual rates to the income statement items, as these approximate the spot rates.

Differences arising from the translation of the opening equity using the closing rates and from the translation of assets and liabilities at the spot rate and the income statement items at the average annual rate are taken to the translation reserve.

The exchange rates used to translate the foreign currency financial statements into Euros are as follows:

Currency	End-of-year rate December 2014	Average rate December 2014	End-of-year rate December 2013	Average rate December 2013
ZAR South African Rand	14.0353	14.403729	14.566	12.833
BRL Real	3.22070	3.12110	3.25760	2.86866
COP Colombian Peso	2,892.26	2,652.45	2,664.42	2,483.37
PEN Nuevo Sol	3.6327	3.767811	3.85865	3.591796
AED United Arab Emirates Dirham	4.45942	4.879569	5.06539	4.878167
ARS Argentinian Peso	10.2755	10.771757	8.989136	7.277387
AUD Australian Dollar	1.4829	1.471877	1.5423	1.377695
BGN New Bulgarian Lev	1.9558	1.9558	1.9558	1.9558
DZD Dinar Algeria	106.607	106.867232	107.786761	105.613646
INR Indian Rupee	76.719	81.040617	85.366	77.929968
LYD Libyan Dinar	1.4539	1.646259	1.701922	1.679758
MYR Ringgit	4.2473	4.344569	4.5221	4.185513
NGN Naira	223.693	219.163465	220.886092	211.550722
PES Chilean Peso	737.297	756.932708	724.768766	658.324406
PLN Zloty	4.2732	4.184258	4.1543	4.197488
RUB Russian Ruble	72.337	50.951836	45.3246	42.336964
SAR Saudi Riyal	4.5573	4.983066	5.17242	4.980856
SGD Singapore Dollar	1.6058	1.68232	1.7414	1.661877
TRY Turkish Lira (new)	2.832	2.906496	2.9605	2.53354
USD US Dollar	1.2141	1.3285	1.3791	1.328118
NAM Namibian Dollar	14.0353	14.403729	14.566	12.833
CHF Swiss Franc	1.2024	1.214622	1.2276	1.231058
GBP Great Britain Pound	0.7789	0.80612	0.8337	0.849255
DOP Dominican Peso	53.6672	57.687707	58.849369	55.38224
PKR Pakistani Rupee	122.146	134.205816	145.360876	134.998361
QAR Qatari Riyal	4.4216	4.837372	5.021872	4.835611
SICAD/VEF Bolivar	60.765777	38.72995	8.67744	8.001168

With regard to Venezuela, please refer to the above comments concerning the use of SICAD II as the exchange rate. When an investment in a consolidated entity is sold, the accumulated gain or loss recognized in equity is released to profit or loss. The consolidation criteria used to prepare these Consolidated financial statements may be summarized as follows:

- subsidiaries are consolidated on a line-by-line basis, whereby:

  a) assets and liabilities, costs and revenue shown in the subsidiaries' financial statements are fully recognized, regardless of the size of the investment therein;

  b) the carrying amount of the investment is eliminated against the Group's share of its equity;

  c) the main transactions between consolidated entities, including dividends distributed among Group companies, are eliminated;

  d) non-controlling interests are shown separately under equity and their share of the profit or loss for the year is similarly shown separately in the income statement.

- Investments in associates and Joint ventures are measured at equity, whereby the carrying amount of the investment is adjusted to consider:
  a) the parent's share of the profits or losses of the associate realized after the acquisition date;
  b) modifications arising from changes in equity of the associate that are not taken to profit or loss as per the relevant IFRS;
  c) dividends distributed by the associates;
  d) any greater value paid at acquisition (measured using the same criteria set out in the section on "Business combinations") and managed pursuant to the relevant standard;
  e) the share of the profit or loss deriving from application of the equity method, which is taken to profit or loss;
  f) standardization to comply with the Group accounting policies, where necessary.
- With reference to interests in jointly controlled entities that are classified as Joint Operations, the owner company recognizes its share of rights and obligations in its Separate financial statements.

Dividends, revaluations, impairment losses and losses on investments in consolidated companies, gains and losses on the intragroup exchange of investments in consolidated entities are eliminated.

Gains and losses arising from transactions between consolidated companies, which are not realized directly or indirectly through transactions with third parties, are eliminated.

Unrealized intragroup losses are recognized when the transaction shows an impairment of the transferred asset.

Business combinations

Business combinations are recognized using the acquisition method set out in IFRS 3 (revised in 2008). Accordingly, the consideration for a business combination is measured at fair value, being the sum of the fair value of the assets acquired and liabilities assumed or incurred by the Group at the acquisition date and the equity instruments issued in exchange for control of the acquired entity. Transaction costs are recognized in profit or loss when incurred.

The contingent consideration, included as part of the transfer price, is measured at acquisition-date fair value. Any subsequent changes in fair value are recognized in profit or loss.

The identifiable assets acquired and the liabilities assumed are recognized at fair value at their acquisition date.

Goodwill is measured as the difference between the aggregate of the consideration transferred, the amount of any non-controlling interests (NCI) and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree and the net fair value of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If the value of the net assets acquired and liabilities assumed at the acquisition date exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests (NCI) and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree, this excess is immediately recognized through profit or loss as income from the transaction completed.

NCI can be measured at fair value or at their proportionate share of the fair value of the net assets of the acquiree at the acquisition date. The measurement method is decided on a transaction by transaction basis.

Business combination achieved in stages (step acquisition)

In the case of step acquisitions, the Group's existing investment in the acquiree is measured at fair value on the date that control is obtained. Any resulting adjustments to previously recognized assets and liabilities are recognized in profit or loss. Therefore, the previously held investment is treated as if it had been sold and reacquired on the date that control is obtained.

Transactions involving NCI

Changes to the investment percentage of a subsidiary that does not entail loss of control are treated as equity transactions.

Therefore, any differences between the acquisition price and the related share of equity in subsequent acquisitions of investments in entities already controlled by the Group are recognized directly in equity. With respect to partial disposals of an investment in a subsidiary while control is retained, any gain or loss is recognized in equity.

Basis of preparation

The accounting policies adopted to draw up the Salini Impregilo Group's Separate financial statements at December 31, 2014 comply with IFRS/IAS and are consistent with those used to prepare the Consolidated financial statements for the previous year, except for the standards coming into force after January 1, 2014, summarized in the section on "Changes in standards".

Accounting policies

Property, plant and equipment

The Salini Impregilo Group has opted to recognize property, plant and equipment at purchase or production cost net of accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis using rates determined based on the assets' residual possible use. The annual rates are as follows:

Category	Depreciation rate
Land	0%
Buildings	3%
Plant and machinery	from 10% to 20%
Industrial and commercial equipment	from 25% to 40%
Other assets	from 12% to 25%

Land and buildings, plant and machinery with a carrying amount to be recovered mainly through their sale (rather than the asset's continued use) are measured at the lower of their carrying amount and fair value less costs to sell. Assets held for sale shall be immediately available for sale and their sale shall be highly probable (i.e., the related commitments already exist). Their sales value shall be reasonable compared to their fair value.

Assets acquired as a result of business combinations are recognized at fair value at the acquisition date and remeasured within a year. Such amount reflects their purchase cost.

After their initial recognition, they are measured at cost, depreciated over their estimated useful lives and shown net of any impairment losses.

When an asset consists of different significant components with different useful lives, they are recognized and subsequently measured separately.

The carrying amount of property, plant and equipment is tested for impairment whenever events or changes in circumstances take place indicating that the carrying amount will not be recovered. Reference should be made to the section on "Impairment of non-financial assets" for details on impairment testing.

Borrowing costs directly related to the acquisition or construction of an asset are capitalized as part of the cost of the asset, to the extent of its recoverable amount. As established by IAS 23 - Borrowing costs, the Group has applied this method to all qualifying assets.

Borrowing costs are capitalized when the costs of the acquisition of the asset and borrowing costs are incurred, and the activities necessary to bring the asset to a condition for its use have been started.

The costs provided for but not yet paid related to qualifying assets are excluded from determination of the amount to be capitalized.

Capitalization of borrowing costs is suspended during periods in which active development is interrupted.

Moreover, capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Subsequent expenditure is only capitalized if it increases the future economic benefits of the related asset. All other expenditure is expensed when incurred.

Ordinary maintenance costs are fully expensed when incurred. Costs that increase the carrying amount of assets are allocated thereto and depreciated over their residual economic lives.

Dismantlement and restoration costs of assets used for contract work in progress are added to the cost of the related asset and depreciated in line with the depreciation pattern of the asset to which they refer when they are foreseeable and objectively determinable.

Leasehold improvements are classified in the different items of property, plant and equipment on the basis of their nature. They are depreciated over the shorter of the estimated useful life of the relevant asset and the residual term of the lease.

Leased property, plant and equipment

Assets held under finance leases whereby all the risks and rewards of ownership are substantially transferred to the Group are recognized as Group assets and classified as property, plant and equipment.

The related payable to the lessor is shown under financial liabilities. The lease payment is split into the financial expense, taken to the income statement, and the principal repayment, offset against the financial liability. The carrying amount of the leased asset is determined considering its fair value or, if lower, the present value of the minimum future lease payments.

The depreciation method and subsequent measurement are consistent with those applied to non-leased assets.

Leases where the lessor retains all the risks and rewards of ownership are treated as operating leases. The initial negotiation costs incurred for this type of lease increase the value of the related lease and are recognized over the lease term netted against the revenue generated by the lease. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Rights to infrastructure under concession

These rights are covered by IFRIC 12 - Service concession arrangements, issued by the International Financial Reporting Interpretations Committee (IFRIC), which regulates the recognition and measurement of concession arrangements between public sector entities and private sector operators. It was endorsed by the European Commission with EC regulation 254/2009 dated 25 March 2009 and its application is mandatory for

financial statements drawn up under IFRS beginning from the year after which it was endorsed. Therefore, the Group has applied IFRIC 12 since 2010.

The criteria adopted by the Group to apply the interpretation to its concessions are set out below.

Scope and measurement

Scope: IFRIC 12 is applicable to service concession arrangements when the grantor is a public body and the operator is a private entity, when the following conditions are met:

(a) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price;

(b) the grantor controls – through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement.

Measurement of the revenues arising from the concession arrangement: the operator acts as the service provider (construction and management of the work) and recognizes the revenues for the construction and upgrade services in accordance with IAS 11 - Construction contracts and the revenues from management of the infrastructure in line with IAS 18 - Revenue.

The grantor pays the operator a consideration for the construction/upgrade services, to be recognized at fair value, which may consist of rights to:

(a) a financial asset (financial asset model);

(b) an intangible asset (intangible asset model);

(c) both ("mixed" model).

The first model is applicable when the operator has an unconditional contractual right to receive a specified or determinable amount of cash. The second is applicable when the operator acquires the right to charge for use of a public sector asset that it constructs or upgrades. The amounts are contingent on the extent to which the public uses the service (demand risk). Finally, the third model is applicable when both of the above situations are present. In this case, the intangible asset is determined as the difference between the fair value of the investment made and the value of the financial asset obtained by discounting the cash flows from the minimum specified amount.

The concession contracts held by the Salini Impregilo Group through the line-by-line and the proportionately consolidated operators fall within the intangible asset model, except for two concessions of insignificant amount, held by subsidiaries of Todini Costruzioni Generali S.p.A. - wholly owned by the parent company - which fall within the "mixed" model. The financial asset model is applicable to certain associates, measured at equity.

Recognition of the intangible asset: the intangible asset is recognized during construction of the infrastructure. The main identified cases are as follows:

a. *arrangements that cover the construction of a new infrastructure*; the operator recognizes the intangible asset in line with the stage of completion of the construction project. During construction, the operator recognizes revenues and costs in line with IAS 11 - Construction contracts.

b. *arrangements that cover management of an existing infrastructure and its extension or upgrading against which the operator acquires specific additional financial benefits;* the operator recognizes an increase in the intangible asset as the construction services are provided for these construction and/or upgrade services to be recognized under IAS 11 - Construction contracts.

c. *arrangements that cover management of an existing infrastructure and specific obligations to extend or upgrade it against which the operator does not acquire specific additional financial benefits*; at initial recognition, the operator

recognizes a liability equal to the present value of the forecast outlay for the construction services to be provided in the future with, as a balancing item, an additional component of the intangible asset for the contract consideration, which begins to be amortized.

Contractual obligations for the infrastructure's efficiency levels: given that the operator does not meet the requirements for recognition of the infrastructure as "Property, plant and equipment", the accounting treatment differs depending on the nature of the work carried out and can be split into two categories: (i) work related to normal maintenance of the infrastructure; (ii) replacement and scheduled maintenance at a future date.

The first category relates to normal ordinary maintenance of the infrastructure, the cost of which is recognized in profit or loss when incurred, also under IFRIC 12.

Given that the interpretation does not provide for the recognition of the physical asset but of a right, the second category is recognized in line with IAS 37 - Provisions, contingent liabilities and contingent assets, which requires: (i) recognition of an accrual to a provision in profit or loss; and (ii) recognition of a provision for charges in the statement of financial position.

Amortization of the intangible asset: amortization of the intangible asset recognized for the rights acquired under the concession arrangement is calculated in line with paragraph 97 of IAS 38 - Intangible assets: "The amortization method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method shall be used".

Goodwill and intangible assets with indefinite lives

Goodwill and other intangible assets with indefinite lives are recognized at cost net of impairment losses.

At December 31, 2014, the Salini Impregilo Group did not have any intangible assets with indefinite lives.

Goodwill acquired as part of a business combination is measured as the difference between the aggregate of the acquisition-date fair value of the consideration transferred, the amount of any NCI and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree, and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill deriving from acquisitions is not amortized. It is tested annually for impairment or whenever conditions arise that presume impairment as per IAS 36 - Impairment of assets.

For impairment testing purposes, goodwill acquired as part of a business combination is allocated at the acquisition date to each of the cash-generating units (or groups of cash-generating units - CGU) that will benefit from the acquisition. The carrying amount of goodwill is monitored at cash-generating unit level for internal management purposes.

Impairment is determined by defining the recoverable amount of the cash-generating unit (or Group of units) to which the goodwill is allocated. When the recoverable amount of the CGU (or Group of CGUs) is lower than the carrying amount, an impairment loss is recognized. When goodwill is allocated to a CGU (or Group of CGUs), the asset of which has been partly disposed of, the goodwill allocated to the disposed of asset is considered to determine any gain or loss deriving from the transaction. In this case, the transferred goodwill is measured using the amounts related to the disposed of asset compared to the asset still held by the unit.

Other intangible assets

Other intangible assets purchased or generated internally are recognized under assets in accordance with IAS 38 - Intangible assets when it is probable that the use of the asset will generate future economic benefits and the cost of the asset can be

measured reliably. Those assets with finite useful lives are measured at purchase or development cost and amortized on a straight-line basis over their estimated useful lives. Recoverability of their carrying amount is checked by using the criteria set out in the section on "Impairment of non-financial assets".

The excess of the purchase cost compared to the Group's share of the net fair value of the high capacity business units acquired in the past is classified as other intangible assets and mainly refers to acquisition costs of the business units purchased. The related amortization is calculated in line with the stage of completion and duration of the work.

Other non-current assets (recognized in Other Assets)

Other non-current assets mainly consist of loans and receivables and claims related to completed or nearly completed contracts and companies in liquidation when their liquidation plan provides for the realization of the assets after twelve months from the reporting date.

These assets are measured at their estimated realizable value, by recognizing allowances to adjust their carrying amount accordingly. Claims are only recognized for the amounts matured and that part which is held to be reasonably recoverable. The estimated realizable value is discounted if the time value of money is material depending on when settlement is expected to take place.

Impairment of non-financial assets

If there is any indication that an intangible asset or an item of property, plant and equipment is impaired, the recoverable amount of the asset is estimated to determine the amount of the impairment loss. Goodwill is tested at least annually for impairment.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

If a binding sales agreement does not exist, fair value is estimated using the observable prices of an active market, recent transactions or the best information available to reflect the amount the Group could obtain by disposing of the asset.

Value in use is determined by discounting to present value the estimated future cash flows expected to arise from the continuing use of an asset, net of taxes, and, if reasonably determinable, from its disposal at the end of its useful life. Discounting is applied by using a post-tax discount rate which reflects the present market value of the time value of money and specific risks.

The assessment is made for individual assets or the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets from its continuing use (cash-generating unit).

An impairment loss is recognized when the recoverable amount is lower than the carrying amount. If the reasons for the impairment loss are no longer valid, the impairment loss (except in the case of goodwill) is reversed and the adjustment is taken to profit or loss as a reversal of impairment losses.

A reversal of impairment losses is recognized to the extent of the lower of the recoverable amount and original carrying amount less depreciation/amortization that would have been recognized had the impairment loss not been recognized.

Inventories of goods

Inventories of goods are measured at the lower of average purchase cost and net realizable value.

Cost includes the directly related costs and estimated realizable value is determined using the replacement cost of the asset or similar assets.

Any writedowns are eliminated in subsequent years when the reasons therefore are no longer valid.

Contract work in progress and revenue from construction contracts

Contract work in progress consists of work

performed net of progress billings issued to customers. When final payment of the consideration is made, the related progress billings and advances are recognized under "Operating revenue" in the income statement, with the related variation in inventories. The provision for contractual risks directly offsets inventories and is set up to cover possible charges and losses on contracts performed either directly by the Group or as part of a joint venture.

Contract work in progress is measured considering the consideration agreed with the customer and the stage of completion of the work.

Revenue related to contract work in progress is recognized using the stage of completion method.

The stage of completion is determined using the cost to cost method whereby the percentage of completion (the ratio between costs incurred and total estimated costs) is applied to the total estimated revenue.

Given the technical complexity, size and length of time involved in completing contracts, the additional considerations are measured before an agreement is reached with the customer. Claims for additional considerations are considered when measuring contract work in progress when they can be quantified and they are reasonably certain to be made.

In the case of events that take place after the reporting date but before the financial statements are approved, which provide additional information about expected profits or losses on the contract, this additional information is considered when determining the contractual revenue or costs to be incurred to complete the contract and for the recognition of any profits or losses.

When it is probable that total contract costs will exceed total contract revenue, the loss to complete the contract is recognized as an expense immediately.

The contract costs, included in the cost to cost calculation, may be classified as:

- pre-operating costs, which include costs incurred during the start-up stage of the contract, before construction starts, such as the costs of design and specific studies carried out for the contract; organization and production start-up costs; building site start-up costs. These pre-operating costs are included in the stage of completion calculation and in the cost to cost calculation once they have been incurred. During the initial stage of the contract, they are included in the carrying amount of contract work in progress, if recoverable, without recognizing any profit margin when the contract profit or loss cannot be reliably estimated;

- contract operating costs, which include those directly attributable to the contract (e.g., materials, subcontracting, labor, amortization and depreciation, compulsory purchases, any directly attributable borrowing costs, etc.). They are recognized on an accruals basis and included in the calculation of the stage of completion;

- post-operating costs, which include site dismantlement costs generally incurred after the contract has been closed to remove the installations (or entire sites) and to return the machinery or plant to the Group's premises or transfer them to another site. This category also includes losses on abandoned materials and the cost of transporting unused materials. They are included in the contract estimate and, therefore, if incurred during the contract term, they are comprised in the calculation of the progress billings. Therefore, no specific accruals are made to the income statement;

- costs for services to be rendered after completion of the contract, which mainly relate to services rendered after the contract has been completed. They may include assistance and supervision provided in the early stages of use of the plant or scheduled maintenance. If the contract does not include specific additional considerations for these services and the contract may be "closed" for accounting purposes (contracts are usually closed once work is completed and the customer has accepted the end result), the costs

to be incurred to render these services when the contract is closed in the accounting records should be estimated and provided for in the specific items. These costs are included in the calculation to determine the contract revenue.

Real estate projects

Closing inventories of real estate projects are those real estate areas developed with a view to selling them.

They are measured at the lower of cost and estimated realizable value. Costs incurred consist of the consideration paid to purchase the areas and related charges, construction costs and borrowing costs related to the project up to and not exceeding its completion.

Financial assets and liabilities

Measurement and presentation of financial instruments are covered by IAS 39 and IAS 32, respectively. The Group introduced the disclosure required by IFRS 7 in 2007.

The financial instruments used by the Group are classified as follows: financial assets or financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

Financial assets or financial liabilities at fair value through profit or loss
This category includes derivatives that do not meet hedge accounting requirements.

Fair value gains or losses on derivatives in this category are recognized as "Financing income (costs)" in profit or loss when they arise.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

They are measured at amortized cost, as detailed further on, and any gains or losses arising therefrom are recognized as "Financing income (costs)" in profit or loss under the amortized cost method.

This category includes the following items:

- **Trade receivables and payables and other receivables and payables**
  Trade and other receivables are recognized at amortized cost, net of impairment losses determined on the basis of their estimated recoverable amount calculated by analyzing each position and the total non-collection risk.

  If the collection date is postponed and exceeds normal collection times for the sector, these receivables are discounted.

  All factored receivables that do not meet the requirements for derecognition under IAS 39 continue to be recognized in the Group's Consolidated financial statements even when they have been legally transferred. They are thus included as assets and a financial liability of the same amount is recognized.

  Trade and other payables are recognized at amortized cost, allocating interest to the income statement based on the effective interest rate, being the rate that exactly discounts estimated future cash payments through to the carrying amount of the related asset.

- **Cash and cash equivalents**
  Cash and cash equivalents comprise cash on hand and demand deposits and other short-term, highly liquid investments with a term of less than three months. This item is shown in the statement of cash flows net of bank borrowings at the reporting date.

- **Loans and bonds**
  Loans and bonds are initially recognized at cost, being the fair value of the consideration received less transaction costs.

  After initial recognition, loans are measured at amortized cost, whereby repayments are determined using the effective interest method

with a rate which matches, at initial recognition, the expected cash flows with the initial carrying amount.

Loan transaction costs are classified under liabilities decreasing the loan; amortized cost is calculated considering these costs and any discounts or premiums expected at settlement.

The effects arising from the recognition at amortized cost are taken to "Financing income (costs)".

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. They are recognized at amortized cost and interest accrued thereon is taken to profit or loss under "Financial income" using the effective interest method.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are not classified in the other categories. They include the following items:

- **Investments in associates**
  Investments in entities other than subsidiaries, associates, joint operations and joint ventures (reference for which should be made to the section on "Scope of Consolidation") are classified as "Equity investments" at the time of their acquisition and are included in the available-for-sale financial assets category provided by IAS 39.

  Since they mainly relate to consortia and consortium companies of which the Group holds less than 20%, in accordance with IAS 39, such investments are stated as non-current assets measured at cost, adjusted for impairment, since their fair value cannot be determined.
  Investments in listed companies belonging to this category are measured at fair value and the related fair value gains or losses are recognized in equity. Material or prolonged decreases in their fair value that are evidence of impairment are transferred from equity to profit or loss and offset against the relevant reserve.
  Dividend income from such financial instruments is recognized in profit or loss under financial income when the Group companies holding the investments are given the right to such dividend.

Fair value of financial instruments
The fair value of financial instruments has been estimated as follows:

– The fair value of financial instruments traded on an active market is based on the market price at the reporting date. This method has been applied especially to listed financial instruments classified as "Available-for-sale financial assets" and financial instruments classified as "Held-to-maturity investments".

– The fair value of the derivatives classified as "Hedging derivatives" and "Financial assets and financial liabilities at fair value through profit or loss" has been measured using the Discounted Cash Flow Model. With respect to interest rate swaps, future cash flows have been estimated using the implicit forward rate of the market Euro curve at December 31, 2014 and 2013, while the forward exchange rate market prices at the relevant reporting date have been used for currency forward transactions.

– The fair value of loans and receivables has been determined, for disclosure purposes in the notes, on the basis of the present value of their future cash flows discounted at a rate equal to the current interest rates applicable in the relevant markets and the average spread agreed by the Group. The fair value measurement of the loans takes account of the Group's credit risk and uses the rate curves in the different currencies with reference to the reporting date.

Derecognition of financial assets and liabilities

(a) Financial assets

A financial asset (or, where applicable, part of a

financial asset or parts of a Group of similar financial assets) is derecognized when:

(i) the contractual rights to the cash flows from the financial asset expire;

(ii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in full and immediately;

(iii) the Group transfers the contractual rights to receive the cash flows of the asset and has transferred substantially all the risks and rewards of ownership of the financial asset and the related control.

In cases where the Group has transferred the right to receive financial flows from an asset and has neither transferred nor substantially retained all risks and rewards and has not lost control over the asset, the asset is recognized by the Group to the extent of its residual interest therein.

The residual interest, which takes the form of a guarantee on the transferred asset, is measured at the lower of the initial carrying amount of the asset and the maximum value of the consideration that the Group could be required to pay.

(b) Financial liabilities

Financial liabilities are derecognized when the underlying obligation is discharged, cancelled or expires.

When an existing financial liability is exchanged with another by the same lender at substantially different terms, or the terms of an existing liability are substantially modified, this exchange or modification is treated as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amounts is recognized in profit or loss.

Impairment of financial assets

If there is any indication that a financial asset is impaired, the recoverable amount of the asset is estimated to determine the amount of the impairment loss.

Derivatives and hedging transactions

The Salini Impregilo Group has derivatives recognized at fair value when the related agreement is signed and for subsequent fair value changes. The treatment of the related fair value gains or losses changes depending on whether the conditions for hedge accounting are met, as described below.

The Salini Impregilo Group has derivatives to hedge currency and financial risks. At the inception of the transaction, it documents the hedging relationship, its risk management and strategy objectives in entering into the transaction, the hedging instrument and hedged item or transaction and the nature of the hedged risk.

Moreover, at the inception of the transaction and thereafter on an ongoing basis, the Group documents whether or not the hedge meets the effectiveness requirements to offset its exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk.

Based on the above-mentioned documentation, derivatives used for specific hedging purposes are classified and recognized as follows:

(a) ***Fair value hedge*** - If a derivative is designated as a hedge of exposure to changes in the fair value of an asset or liability due to a specific risk that may affect profit or loss, the gain or loss deriving from the subsequent measurement of the fair value of the hedging instrument is taken to profit or loss. The gain or loss on the hedged item, related to the hedged risk, changes the carrying amount of this item and is taken to profit or loss.

(b) ***Cash flow hedge*** - If a derivative is designated as a hedge of exposure to changes in cash flows of an asset or liability or a highly probable transaction and could affect profit or loss, the effective part of the gains or losses on the financial instrument is taken to equity. The cumulative gain or loss is derecognized

from equity and taken to profit or loss in the same period in which the hedged transaction is recognized. The gain or loss related to a hedge or part of a hedge which has become ineffective is taken to profit or loss immediately. If a hedging instrument or a hedging relationship is closed, but the hedged transaction has not yet taken place, the cumulative gains and losses, recognized in equity up to then, are reclassified to profit or loss when the transaction takes place. If it is unlikely the hedged transaction will take place, the unrealized gains and losses recognized in equity are immediately recognized in profit or loss.

"Hedging purposes" are assessed in strategic terms. When they do not meet the requirements of IAS 39 for hedge accounting, the derivatives are classified as "Financial assets or financial liabilities at fair value through profit or loss".

Employee benefits

- **Short-term and long-term benefits**
  Short-term employee benefits, that is, payable within twelve months of the end of the year in which the employees rendered the service, are recognized as a cost and as a liability for the undiscounted amount of benefits expected to be paid in exchange for that service. Long-term benefits, such as remuneration to be paid after twelve months of the end of the year in which the employees rendered the service, are recognized as liabilities for an amount equal to the present value of the benefits at the reporting date.

- **Post-employment benefits**
  Post-employment benefits are recognized at the actuarial value of the Group's liability determined in line with ruling legislation and national and in-house labor agreements. The actuarial method, based on demographic, financial and turnover assumptions, is applied by independent actuaries. The gains and losses resulting from the actuarial calculation are recognized in profit or loss for the cost items related to work service and financial expenses, whereas the actuarial gains and losses resulting from the measurement of the liabilities and assets are recognized in comprehensive income.
  The 2007 Finance Act and related implementing decrees introduced significant changes to legislation governing Italian post-employment benefits, effective as from January 1, 2007. These include the option given to employees, to be exercised before June 30, 2007, of where to allocate their future benefits. Specifically, employees can opt to allocate them to selected pension funds or maintain them with the company, in which case, the latter shall pay the contributions to the treasury fund of INPS (the Italian social security institution).

  Following these changes, the Italian post-employment benefits accruing after the date of the employees' decision and, in any case, after June 30, 2007, are considered part of a defined contribution plan and treated like all other social security contributions.

- **Share-based payments**
  The Group has adhered to the guidelines of IFRS 2 - Share-based payment.

  Share-based payments are measured at fair value of the option at the grant date. This amount is recognized in the income statement on a straight-line basis over the vesting period. This treatment is based on an assessment of the stock options that will effectively vest in favor of the qualifying employees. Fair value is determined using the Black-Scholes model.

Income taxes

Current taxes are provided for using the tax rates and applying the tax laws ruling in Italy and other countries in which the Group operates, based on the best estimate of the taxable profit for the year.

Group companies net tax assets and liabilities when this is legally allowed.

Starting January 1, 2004, the company has used the national tax consolidation system referred to in articles 117 et seq. of Presidential Decree

No. 917/86. In 2014, 12 Italian subsidiaries plus the parent company participated in the system. Relationships between the parent company and subsidiaries are regulated, for these purposes, through specific consolidation mechanisms.

Deferred tax assets and liabilities are calculated on the basis of the temporary differences between the tax base of an asset or liability and their carrying amount in the statement of financial position.

Deferred tax assets are recognized when the Group holds their recovery to be probable.

The carrying amount of deferred tax assets is reviewed at each reporting date and, to the extent necessary, is decreased when it is no longer probable that sufficient taxable profits will be available in the future to use all or part of the related benefit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively, and are netted at company level if related to taxes that may be compensated. If the balance is positive, it is recognized as "Deferred tax assets", if not, as "Deferred tax liabilities".

Taxes that could arise from the transfer of undistributed profits by subsidiaries are only calculated when the subsidiary has the positive intention to transfer such profits.

In the case of transactions recognized directly in equity, the related deferred tax asset or liability also affects equity.

Provisions for risks and charges

In accordance with IAS 37, the Salini Impregilo Group makes accruals to provisions for risks and charges when the following conditions exist:

- the Group or a Group company has a present obligation (legal or constructive) at the reporting date as a result of a past event where an outflow of resources embodying economic benefits will be required to settle the obligation;
- it is probable that the obligation (through an outflow of resources) will have to be settled;
- a reliable estimate can be made of the amount of the obligation.

When the time value of money is material and the obligation payment dates can be estimated reliably, the amount recognized as the provision equals the pre-tax future cash flows (i.e., forecast outflows) discounted at a rate that reflects the present market value and risks specific to the liability.

The increase in the provision due to discounting is recognized as a financial expense.
When the expected cash flows are included in an estimate range with the same probability of occurrence, the median value is discounted to measure the liability.

Provision for restructuring costs is recognized when the parent or relevant Group company has approved a detailed formal plan that has been implemented and communicated to the third parties involved.

Translation criteria for foreign currency items and translation of financial statements of consolidated companies or companies measured using the equity method expressed in currencies other than the Euro

The translation criteria for foreign currency items adopted by the Group are as follows:

- foreign currency monetary assets and liabilities, excluding property, plant and equipment, intangible assets and equity investments measured at cost are measured at the closing spot rate with any exchange rate gains or losses taken to the income statement;
- property, plant and equipment and intangible

assets (non-monetary assets) are recognized at historical cost denominated in the foreign currency and translated using the historical exchange rate;

- revenue and costs related to foreign currency transactions are recognized in profit or loss at the exchange rate ruling on the date of the transaction;

- any material effects deriving from changes in exchange rates after the reporting date are disclosed in the notes.

With respect to the translation of financial statements of consolidated companies or companies measured using the equity method and expressed in currencies other than the presentation currency (functional currency), reference should be made to the section on "Consolidation criteria".

The Group has applied IAS 29 - Financial reporting in hyperinflationary economies for its subsidiaries and associates that prepare their financial statements in a functional currency of a hyperinflationary economy. This standard requires that the financial statements of an entity, whose functional currency is that of a hyperinflationary economy, be translated at the closing spot rate. The statement of financial position items not yet translated into Euros at the reporting date are predetermined using a general price index. All the income statement items are translated into Euros at the exchange rate ruling on the date the revenue and costs were initially recognized.

Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

Assets held for sale are recognized as such when the following events take place:

- signing of a binding sales agreement;

- approval and communication of a formal sales plan by directors.

In order to be correctly measured, the assets shall be:

- available for immediate sale in their present condition;

- subject only to terms that are usual and customary for sales of such assets;

- the sale must be highly probable and expected to take place within twelve months.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of an entity that either has been disposed of or classified as held for sale and that meets any of the following criteria: i) it represents a separate major line of business or geographical area of operations; ii) it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or iii) it is a subsidiary acquired exclusively with a plan to resell.

The results of discontinued operations are disclosed separately in the income statement. As required by IFRS 5.34 - Non-current assets held for sale and discontinued operations, the corresponding prior year figures are restated accordingly.

Revenue recognition

- **Operating and other revenue**
  Revenue is measured to the extent it is probable that the economic benefits will flow to the Group and the related amount can be determined reliably.

  Revenue from the sale of goods is recognized when the Group has shipped the goods and has transferred all the material risks and rewards of ownership to the buyer. Revenue from

construction contracts is recognized as provided for in the related Standard, described below.

When the outcome of a construction contract can be estimated reliably, contract revenue is recognized by reference to the stage of completion of the contract activity at the reporting date based on the ratio of the costs incurred up to the reporting date to the total estimated contract costs, unless this is held to not represent the stage of completion of the contract.

Changes in the contract and price revisions are recognized to the extent that they are reasonably certain.

Revenue is recognized only to the extent of contract costs incurred that it is probable will be recovered. Contract costs are recognized as an expense in the year in which they are incurred.

- **Interest income**
  Interest income is recognized on an accruals basis, considering the principal and applicable effective interest rate, i.e., the rate that discounts the estimated future inflows over the expected life of the financial asset to return it to its carrying amount.

- **Dividends**
  Dividends are recognized when the investors' right to receive payment arises in line with local ruling legislation.

Earnings (loss) per share

Basic earnings per share are calculated as the ratio of the profit or loss for the year attributable to the holders of the ordinary shares of the parent to the weighted number of ordinary shares outstanding during the year. Diluted earnings per share are calculated considering the potential diluting effect of the shares to be allocated to the beneficiaries of vested stock options when calculating the number of outstanding shares.

Operating segments

The operating segments comply with the reporting system provided to Group management which is in charge of allocating the resources and assessing the results obtained by the segments. The management and organizational structure of the Group substantially reflects the segments according to a geographic breakdown in macro-areas, on the basis of the two primary Italian and foreign segments.

The intersegment transfer prices related to the exchange of goods and services are agreed at normal market conditions.

Significant accounting estimates

Preparation of 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 estimates are used to:

- determine amortization and depreciation (see the "Property, plant and machinery", "Leased property, plant and equipment", "Rights to infrastructure under concession" and "Other intangible assets" paragraphs of the "Accounting policies" section);

- recognize impairment losses (see the "Impairment of non-financial assets" paragraph of the "Accounting policies" section);

- recognize employee benefits (see the "Employee benefits" paragraph of the "Accounting policies" section);

- recognize taxes (see the "Income taxes" paragraph of the "Accounting policies" section);

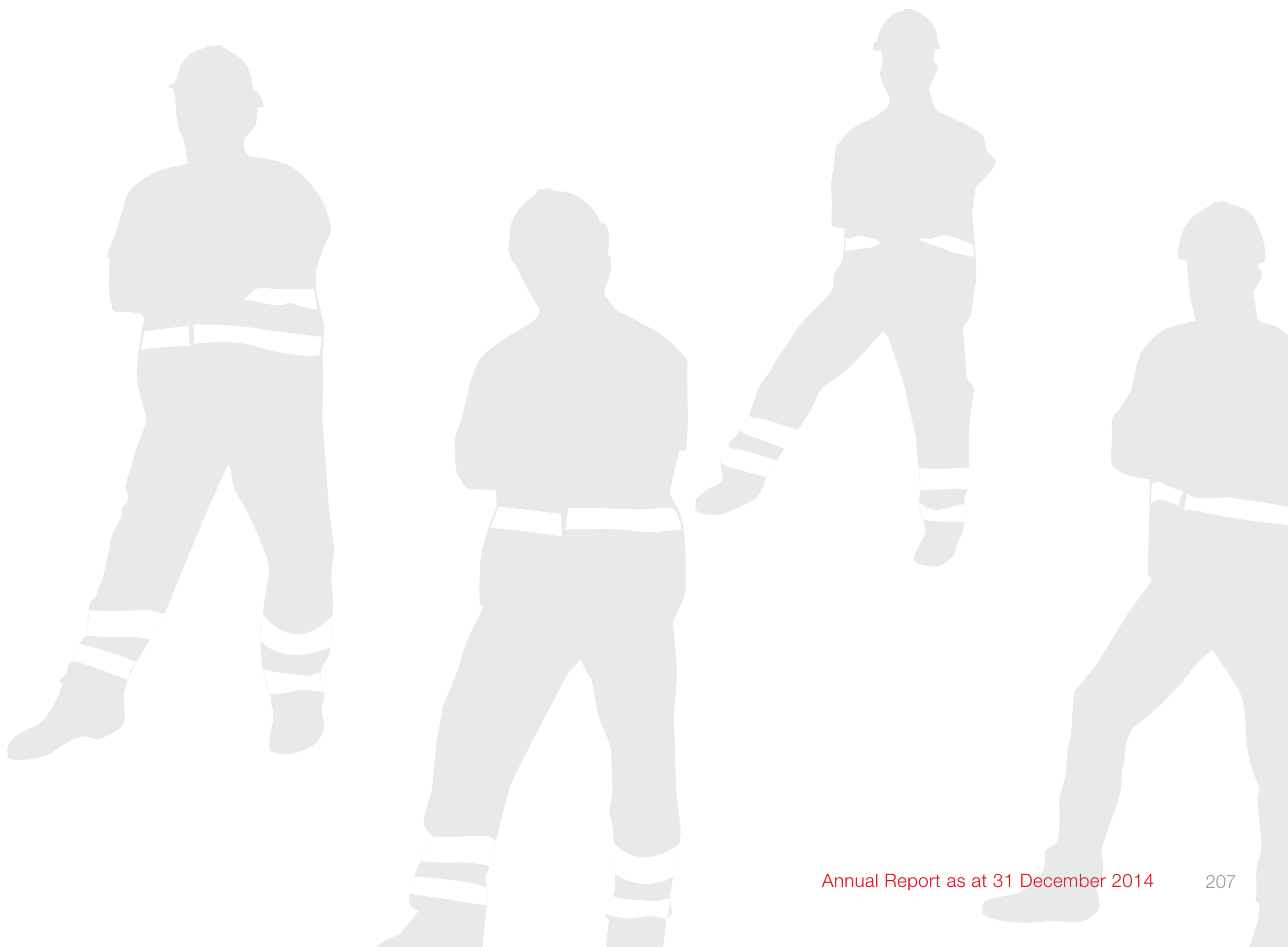
- recognize provisions for risks and charges (see the "Provisions for risks and charges" paragraph of the "Accounting policies" section);

- determine total contract costs and the related stage of completion (see the "Contract work in progress and revenue from construction contracts" paragraph of the "Accounting policies" section). A significant part of the

Group's activities is typically performed on the basis of contracts which provide that a specific consideration is agreed when the contract is awarded. This implies that the profits on these contracts may undergo change compared to the original estimates depending on the recoverability of greater expenses and/or costs the Group may incur during performance of such contracts.

The actual results may differ from those estimated due to uncertainties underlying the assumptions and the conditions on which the estimates are based.

Fundamental assumptions about the future and other reasons for uncertainty when making the estimates at the reporting date that may lead to material adjustments to the carrying amount of the assets and liabilities are described in the specific section of the Directors' Report which gives an analysis of the risk areas of each segment.



Business combinations

Purchase of shares of the company Collegamenti Integrati Veloci S.p.A. (C.I.V.)

On May 7, 2014 Salini Impregilo signed a private agreement with the company "Itinera S.p.A.", the consortium company "Società Autostrada Torino-Alessandria-Piacenza" and "Società Iniziative Nazionali Autostradali – SINA". This private agreement was for the purchase of 85% of the shares that they held in the company Collegamenti Integrati Veloci S.p.A. (C.I.V.), which owns 4.25% of Consorzio Cociv.

The purchase price was a total of €18.0 million, paid in full upon signature of the agreement.

The table below show the values of C.I.V. assets and liabilities attributable to Salini Impregilo at the time of acquisition and the corresponding fair value determined on a final basis for the Purchase Price Allocation (PPA) process:

(Amounts in thousands of euros)	Carrying amounts	Fair value
Cash and cash equivalents	12,576	12,576
Other current assets	344	344
Total assets	**12,920**	**12,920**
Other current liabilities	(861)	(861)
Total liabilities	**(861)**	**(861)**
Net assets acquired	**12,059**	**12,059**
Price paid for the acquisition of the stake		18,040
Net assets acquired (net liabilities assumed)		(10,250)
Difference between price and fair value acquired		**7,790**

The fair values shown above have been determined preliminarily using the information available. The Group has opted to use the 12-month period allowed by IFRS 3 (revised) for establishing the Purchase Price Allocation (PPA) procedure. As a consequence, the preliminary values shown will be definitively determined by the first half of 2015.

The cash used for the acquisition, net of cash acquired, is set out below:

(Amounts in thousands of euros)	
Cash and cash equivalents	12,576
Other activities	344
Other liabilities	(861)
Total	**12,059**
Net of cash acquired	(12,576)
Cash net of cash used for the acquisition	**(517)**

The effects on the consolidated income statement that would have occurred if the Group had acquired control on January 1, 2014, are shown below:

(Amounts in thousands of euros)	
Revenue	1,004
Operating costs	(1,707)
Financial income	78
Profit (loss) for the Group and non-controlling interests	**(625)**
Profit (loss) attributable to the Group	**(625)**

Acquisition of the company Autostrada Broni-Mortara S.p.A. (S.A.BRO.M.)

On May 27, 2013, the Impregilo Group purchased 19.8% of the shares in the company Autostrada Broni-Mortara.

The table below show the values of S.A.BRO.M. assets and liabilities attributable to Salini Impregilo at the time of acquisition and the corresponding fair value determined on a final basis for the Purchase Price Allocation (PPA) process. The fair value of the financial instruments has been determined as stated in the paragraph "Fair value of financial instruments" at the start of these Notes, while the fair value of the other assets and liabilities has been determined on the basis of the documentation of the concession agreement. All fair values determined as such fall into level 3 as they refer to inputs that are not based on data observable on the market.

(Amounts in thousands of euros)	Carrying amounts	Fair value
Non-current assets	39,827	39,827
of which:		
- Intangible assets	39,827	39,827
- Property, plant and equipment		
- Goodwill		
Cash and cash equivalents	116	116
Trade receivables		
Other current assets	5,503	5,503
Total assets	**45,446**	**45,446**
Bank loans and borrowings due after one year		
Other non-current liabilities		
Bank loans and borrowings due within one year	(20,000)	(20,000)
Trade payables	(1,245)	(1,245)
Other current liabilities	(4)	(4)
Total liabilities	**(21,249)**	**(21,249)**
Net assets acquired	**24,197**	**24,197**
Price paid for the acquisition of the 19.8% stake		4,950
Fair Value of the investment held previously (40%)		9,703
Value assigned to Non-controlling interests		9,727
Net assets acquired (net liabilities assumed)		(24,197)
Difference between price and fair value acquired		**183**

The cash used for the acquisition, net of cash acquired, is set out below:

(Amounts in thousands of euros)	
Cash and cash equivalents	116
Property, plant and equipment and intangible assets	40,010
Other activities	5,503
Bank loans and borrowings	(20,000)
Other liabilities	(1,249)
Total	**24,380**
Net of cash acquired	(116)
Net of non-controlling interests and fair value held previously	(19,431)
Cash net of cash used for the acquisition	**4,833**

The effects on the income statement that would have occurred if the Group had acquired control on 1 January 2013 are shown below:

(Amounts in thousands of euros)	
Operating costs	(261)
Financial income	4
Profit (loss) for the Group and non-controlling interests	**(257)**
Non-controlling interests	61
Profit (loss) attributable to the Group	**(196)**

Segment reporting

The important events affecting the Group's corporate governance structure in recent years – with specific reference to the integration of the Impregilo Group into the Salini Group, whereby as of January 1, 2014 the merger of the former parent and the former subsidiary became fully effective – led to a major process of organizational change. This process, whose main drivers have already been presented to the market in previous periods, provided for, among other things, both the concentration of the Group's industrial activities in its core business involving the construction of complex large-scale infrastructures with the gradual disposal of assets no longer considered strategic, and a comprehensive review of the organizational and business management processes. This activity, which is currently in an advanced stage of development, became necessary also due to the following circumstances:

- changes in the Group's organizational structure and operations structures according to a 'domestic market' and 'international market' logic;
- gradual standardization of the different analysis and reporting structures for presenting consolidated financial and operating data of the two groups which are now fully integrated;
- harmonization of the functional architecture underlying the measurement of industrial objectives at both a preventive and actual level according to a new common disclosure standard in full compliance with current best practices.

Consistent with the information provided below, therefore, for the purposes of this Annual Report, the segment reporting is presented according to macro-geographical regions, based on the management review principles adopted by top management, for the two main segments: 'Italy' and 'Foreign'.

Costs relating to activities which are centrally operated at the parent company Salini-Impregilo S.p.A., called "Corporate" costs, are attributed to the Italy sector and relate to:

- coordination, control and strategic planning of the Group's activities;
- centralized planning and management of human and financial resources;
- compliance with administrative, tax, legal/corporate and corporate communication requirements;
- administrative, tax and managerial support for Group companies.

In 2014 these costs totaled €142.9 million.

Management measures the segments' results by considering their operating profit. The assessment of these results complies with the accounting policies applied to the Group's Consolidated financial statements. The segments are measured based on net invested capital. Disclosures on the Group's performance by business segment are set out in the second part of the Directors' Report. The Consolidated financial statements figures as at December 31, 2014 are summarized below by geographical segment.

Consolidated income statement by geographical region

December 2014 (Amounts in thousands of euros)	Italy	Other countries	Eliminations and unallocated items	Total
Operating revenue	691,513	3,639,265	(234,440)	4,096,337
Other revenue	44,215	52,989	569	97,774
Total revenue	**735,728**	**3,692,254**	**(233,871)**	**4,194,111**
Costs				
Costs of production	(580,171)	(2,762,867)	213,035	(3,130,003)
Personnel costs	(144,113)	(359,889)	9,901	(494,101)
Other operating costs	(82,862)	(49,494)	505	(131,852)
Provisions and impairment losses	2,622	(4,766)	(108)	(2,252)
Total costs	**(804,524)**	**(3,177,016)**	**223,333**	**(3,758,208)**
Gross operating profit (EBITDA)	**(68,796)**	**515,238**	**(10,538)**	**435,903**
EBITDA %	*-9.4%*	*14.0%*		*10.4%*
Amortization and depreciation	(38,091)	(138,004)	(1,424)	(177,520)
Operating profit (EBIT)	**(106,887)**	**377,234**	**(11,962)**	**258,383**
Return on Sales	*-14.5%*	*10.2%*	*5.1%*	*6.2%*
Financing income (costs) and gains (losses) on investments			(133,055)	(133,055)
Profit (loss) before taxes				**125,328**
Income taxes			(39,635)	(39,635)
Profit (loss) from continuing operations				**85,693**
Profit (loss) from discontinued operations			17,427	17,427
Net profit (loss) for the period				**103,120**

Consolidated income statement by geographical region

December 2013 (§)

(Amounts in thousands of euros)	Italy	Other countries	Eliminations and unallocated items	Total
Operating revenue	695,117	2,537,005	(58,831)	3,173,291
Other revenue	36,048	42,746	10,292	89,086
Total revenue	**731,165**	**2,579,751**	**(48,539)**	**3,262,377**
Costs				
Costs of production	(628,790)	(1,904,392)	16,894	(2,516,288)
Personnel costs	(100,729)	(287,104)	4,669	(383,164)
Other operating costs	(32,129)	(33,372)	2,731	(62,770)
Provisions and impairment losses	(6,753)	(18,479)	0	(25,232)
Total costs	**(768,401)**	**(2,243,347)**	**24,294**	**(2,987,454)**
Gross operating profit (EBITDA)	**(37,236)**	**336,404**	**(24,245)**	**274,923**
EBITDA %	*-5.1%*	*13.0%*		*8.4%*
Amortization and depreciation	(11,877)	(124,033)	1,674	(134,236)
Operating profit (EBIT)	**(49,113)**	**212,371**	**(22,571)**	**140,687**
Return on Sales	*-6.7%*	*8.2%*		*4.3%*
Financing income (costs) and gains (losses) on investments			137,169	137,169
Profit (loss) before taxes				**277,856**
Income taxes			(19,484)	(19,484)
Profit (loss) from continuing operations				**258,372**
Profit (loss) from discontinued operations			(102,140)	(102,140)
Net profit (loss) for the period				**156,232**

(§) Figures restated following the application of the new IFRSs. Furthermore, the data was reclassified in accordance with IFRS 5 and IFRS 3 following the decision to dispose of Todini Costruzioni Generali and Fisia Babcock Environment.

Consolidated statement of financial position at December 31, 2014 by geographic region

(Amounts in thousands of euros)	Italy	Other countries	Eliminations and consolidation entries	Total
Non-current assets	585,553	455,594	(208,791)	832,356
Assets held for sale, net	160,329	(10,676)	(65,529)	84,123
Provisions for risks	(145,874)	(11,842)	60,189	(97,527)
Post-employment benefits and employee benefits	(13,942)	(9,378)	-	(23,320)
Tax assets (liabilities)	83,028	(43,637)	109,307	148,698
Working capital	923,445	(519,458)	(72,676)	331,311
Net invested capital	**1,592,539**	**(139,397)**	**(177,500)**	**1,275,641**
Shareholders' equity				1,186,416
Net financial position				89,225
Total financial resources				**1,275,641**

Consolidated statement of financial position at December 31, 2013 by geographic region

(Amounts in thousands of euros)	Italy	Other countries	Eliminations and consolidation entries	Total
Non-current assets	403,010	329,703	(34,245)	698,469
Assets held for sale, net	279,438	(46,920)	3,025	235,543
Provisions for risks	(91,887)	(124,699)	40,393	(176,194)
Post-employment benefits and employee benefits	(12,547)	(9,208)	-	(21,755)
Tax assets (liabilities)	109,068	34,383	(1,812)	141,638
Working capital	295,412	(536,976)	495,661	254,096
Net invested capital	**982,493**	**(353,718)**	**503,022**	**1,131,797**
Shareholders' equity				921,422
Net financial position				210,375
Total financial resources				**1,131,797**