Notes to the separate financial statements

1. Basis of preparation

Salini Impregilo S.p.A. has prepared its 2015 separate 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 separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union at 31 December 2015. 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 separate financial statements have been prepared using the historical cost principle, except for those items which are recognised at fair value in accordance with IFRS, as described in the section on "Accounting policies". The carrying amounts of assets and liabilities, hedged with transactions which qualify for hedge accounting, are adjusted to reflect changes in fair value related to the hedged risks.

The statement of financial position and the income statement are presented in Euros, whereas the amounts in the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and these notes are shown in thousands of Euros, unless stated otherwise.

Translation of the assets and liabilities in foreign currency related to Venezuela

At the end of the first half of 2014, the company had to update the estimates for its industrial operations in Venezuela. In line with the previous financial reports, made available to the public as required by the current legal provisions, the deterioration in the country's economic conditions seen since early 2014 were such that it became necessary to review the time and financial parameters according to which the Group's net assets can be realised in reference to this area. However, in light of the current general framework of the local currency/financial market situation, stemming from the conditions of the above-mentioned local economic system, and consistently with the changes to the currency regulations of the country during 2014, the Group considered it reasonable, inter alia, to adopt, with effect from 30 June 2014, a new reference exchange rate for the translation of both the present values of working capital denominated in the Venezuelan currency and the prospective assets/liabilities over the entire estimated life of the railway contract work in progress.

The "Convenio Cambiario No. 33" was published with the Extraordinary Official Journal no. 6.171 of 10 February 2015, written jointly by the Venezuelan Ministry of Communal Economy, Finance and Public Bank (MPPEFBP) and the Venezuelan Central Bank (BCV), replacing the SICAD II exchange rate with three different rates:

1. CENCOEX for food staples;

2. SICAD for specific business sectors and public sector entities;

3. SIMADI where currency transactions are based on demand and offer at a variable exchange rate which is published daily.

The Group decided that the SIMADI is the appropriate exchange rate to translate Bolivar balances as it best represents the rate at which future cash flows, expressed in the local currency, may be settled assuming that they are still valid at the measurement date, also considering the possibility to access the local currency market and the Group's need to obtain a currency other than its functional currency.

As a result of adoption of the SIMADI rate in the first half of 2015, the Group recorded a decrease of approximately €4 million in the carrying amount of its assets in local currency. Adoption of SICAD II had a negative effect of € 55 million on the Group's income statement for the first half of 2014.

2. Changes in standards

Amendments applicable in 2015
The standards and amendments set out below became applicable from 1 January 2015. The adoption of these new standards, interpretations and amendments did not have significant effects on the company's separate financial statements.

Amendment to IAS 19 - Employee benefits (revised in 2011) - the amendment introduces a simplification whereby employees' or third parties' contributions linked to pension plans may be accounted for as a reduction in service costs in the period in which the service is rendered rather than over the entire vesting period.

Annual improvements to IFRSs - cycle 2010 - 2012 covering IFRS 2 - Share-based payment, IFRS 3 - Business combinations, IFRS 8 - Operating segments, IFRS 13 - Fair value, IAS 16 - Property, plant and equipment, IAS 38 - Intangible assets and IAS 24 - Related party transactions. Issues applicable to the Group included in particular:

- **IFRS 2**: no significant amendments were introduced. Appendix A clarifies the definition of "vesting condition" as "The conditions that determine whether the entity receives the services that entitle the counterparty to receive cash, other assets or equity instruments of the entity, under a share-based payment arrangement" and introduces the definitions of a "service condition" and a "performance condition";
- **IFRS 3**: this standard was amended to clarify that the obligation to pay a contingent consideration is part of the definition of a financial instrument and shall be classified as a financial liability or under equity based on the guidance provided in IAS 32. The amendment also clarified that the non-equity contingent consideration liability shall be measured at fair value through profit or loss at each reporting date;
- **IFRS 8**: the amendment contains a requirement to describe the judgements made by management in aggregating operating segments, including the financial indicators that management has assessed to conclude that operating segments have similar economic characteristics. It also requires a reconciliation of the total of the reportable segments' assets to the entity's assets be presented, if that amount is regularly provided to the chief operating decision maker;
- **IFRS 13**: the Basis for Conclusions of IFRS 13 was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts when the time value of money is immaterial;
- **IAS 16 and IAS 38:** these standards were amended to clarify how the historical cost and accumulated amortisation/depreciation of a non-current asset shall be measured when the entity adopts the revalued cost method;
- **IAS 24**: the amendment sets out the disclosure requirements when a third party provides key management personnel services to the reporting entity.

Annual improvements to IFRSs - cycle 2011-2013 related to IFRS 3 - Business combinations, IFRS 13 - Fair value measurement and IAS 40 - Investment property.

- **IFRS 1**: the Basis for Conclusions of IFRS 1 was amended to clarify that when adoption of a revised standard is not yet mandatory, but early adoption is permitted, a first-time adopter may apply the old or new version as long as it applies the same standard to all the periods presented;
- **IFRS 3**: the amendment clarifies that IFRS 3 is not applicable to recognise the accounting effects of the formation of a joint venture or a joint operation (as defined by IFRS 11) in the financial statements of the joint venture or the joint operation;

- **IFRS 13**: the amendment clarifies that the provision of IFRS 13 for the measurement of the fair value of a group of financial assets and liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of IAS 39 (or IFRS 9) regardless of whether they meet the definitions of financial assets or liabilities as per IAS 32;

- **IAS 40**: the amendment clarifies that reference shall be made to IFRS 3 to determine whether the acquisition of investment property is a business combination.

Standards and interpretations issued by the IASB/IFRIC and not yet endorsed
This section sets out information useful to assess the potential impact of applying the new standards and interpretations issued but not yet applicable or not yet endorsed by the EU and, hence, not applicable to the financial statements at 31 December 2015.

Amendment to IAS 1 - Presentation of financial statements - the amendment encourages entities to apply professional judgement in determining what information to disclose in their financial statements and provides additional guidance about how to provide and present such information. It also explicitly requires that the entity's share of other comprehensive income of associates and joint ventures accounted for using the equity method be indicated, including the related amounts that will be or will not be subsequently reclassified to profit or loss. It also provides new guidance about the general disclosures such as, for example, the systematic presentation of the notes, the accounting policies, etc.

Amendment to IAS 27 "Equity method in separate financial statements" - the amendment allows entities to use the equity method to measure investments in subsidiaries, joint ventures and associates in their separate financial statements.

Amendment to IFRS 11 "Accounting for acquisitions of interests in joint operations" - the amendment requires an entity to adopt the principles of IFRS 3 to account for the acquisition of an interest in a joint operation that is a business. This is applicable both to the acquisition of an initial interest and the subsequent acquisitions of additional interests. An entity does not remeasure a previously held interest when the acquisition of an additional interest is made to maintain joint control (i.e., the additional acquisition does not lead to control).

Amendment to IAS 16 - Property, plant and equipment and IAS 38 - Intangible assets on amortisation, depreciation and impairment losses - the amendment to both standards provides that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. According to the IASB, revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits arising of the asset.

The amendments included in the 2012-2014 cycle include:

IFRS 5 - Non-current assets held for sale and discontinued operations - the amendment clarifies that when an entity reclassifies a non-current asset (or a disposal group) from "held for sale" (IFRS 5.7-9) to "held for distribution" (IFRS 5.12A) or vice versa, this reclassification is not a modification of a sales or distribution plan and shall not be treated as such. Therefore, a non-current asset (or disposal group) shall not be represented as if it had never been classified as "held for sale" or "held for distribution" simply because there has been a change in the sale/distribution. The amendment also clarifies that the provisions of IFRS 5 about changes to a sales plan are applicable to an asset (or disposal group) that ceases to be "held for distribution" but is not reclassified as "held for sale";

IFRS 7 - Financial instruments on servicing agreements - the amendment clarifies that if an entity transfers a financial asset to third parties and the derecognition conditions of IAS 39 are met, the entity shall disclose its continuing involvement in the transferred asset and explain what is meant by "continuing involvement".

IAS 19 - Employee benefits - the amendment requires that the rate used to discount post-employment benefit obligations be determined by reference to market yields on high quality corporate bonds and, in countries where there is no deep market for HQCB, the market yields for government bonds shall be used.

No new standard or amendment is expected to be effective from 1 January 2017. The standards with an application date after 1 January 2018 (the IASB effective date, which may differ from the EU endorsement date) are set out below:

Standard, amendment or interpretation	Status
IFRS 15 - Revenue from contracts with customers	Endorsement expected by the second quarter of 2016
IFRS 9 - Financial instruments	Endorsement expected by the second quarter of 2016

IFRS 15 - Revenue from contracts with customers - replaces IAS 18 - Revenue, IAS 11 - Construction contracts and the interpretations IFRIC 13 - Customer loyalty programmes, IFRIC 15 - Agreements for the construction of real estate, IFRIC 18 - Transfers of assets by customers and SIC 31 - Revenue: Barter transactions involving advertising services. This standard is applicable to all contracts with customers except for those within the scope of IAS 17 - Leases, IFRS 4 - Insurance contracts and IAS 39/IFRS 9 - Financial instruments. The paragraphs of IFRS 15 on the recognition and measurement of revenue introduce a five-step model: i) identify the contract with a customer; ii) identify the performance obligations (distinct elements that are part of a single contract but are separated for accounting purposes) in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; v) recognise revenue when (or as) the entity satisfies a performance obligation. IFRS 15 integrates the financial statements disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 9 - Financial instruments and related amendments - this replaces IAS 39 - Financial instruments and includes a model to measure financial statements based on three categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The standard also introduces a new impairment model which differs from that currently provided for in IAS 39 and is mainly based on expected losses.

The standards with an application date after 1 January 2019 (the IASB effective date, which may differ from the EU endorsement date) are set out below:

Standard, amendment or interpretation	Status
IFRS 16 "Leases"	No known date for endorsement

IFRS 16 - Leases - this standard replaces IAS 17 - Leases and the interpretations IFRIC 4 - Determining whether an arrangement contains a lease, SIC 15 - Operating leases - incentives and SIC 27 - Evaluating the substance of transactions in the legal form of a lease. IFRS 16 eliminates the difference between operating and finance leases from the lessee's viewpoint. However, IFRS 16's approach to lessor accounting is substantially unchanged from IAS 17. Leases continue to be recognised as a right-of-use asset with a balancing lease liability. Partial exemption to this rule is allowed only when the lease term is 12 months or less or the underlying asset has a low value (e.g., personal computers).

3. Basis of presentation

Separate financial statements

Salini Impregilo S.p.A. opted to present its separate financial statements at 31 December 2015 as follows:

- Current and non-current assets and current and non-current liabilities are presented separately in the statement of financial position. Current assets and liabilities are those expected to be realised, sold, used or settled in the company'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 realised, sold, used or settled after the company's normal operating cycle, i.e., more than twelve months after the reporting date.

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

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

Accounting policies

The accounting policies adopted to draw up the company's separate financial statements at 31 December 2015 comply with the IFRS and are consistent with those used to prepare the 2014 separate financial statements, except for the standards enacted after 1 January 2014, summarised in the section on the "Changes in standards".

Property, plant and equipment

Property, plant and equipment are recognised 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	-
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 continuing use) are measured at the lower of their carrying amount and fair value less costs to sell. Assets held for sale shall be available for immediate sale and their sale shall be highly probable (i.e., the related commitments already exist). Their price shall be reasonable compared to their fair value.

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 may 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 capitalised as part of the cost of the asset, to the extent of its recoverable amount. As established by IAS 23 - Borrowing costs, the company has applied this method to all qualifying assets.

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

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

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

Subsequent expenditure is only capitalised 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 company are recognised as company assets and classified as property, plant and equipment. The related liability to the lessor is shown under financial liabilities. The lease payment is split into the interest 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 recognised over the lease term in order to match the revenue generated by the leased asset. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Other intangible assets

Other intangible assets acquired or generated internally are recognised 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 acquisition or development cost and amortised 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 company's share of the net fair value of the high capacity business units acquired in the past is classified as intangible assets and mainly refers to acquisition costs of the business units purchased. The related amortisation is calculated in line with the stage of completion and duration of the work.

Equity investments
Investments in subsidiaries and associates and interests in joint ventures are measured at cost and tested regularly for impairment. This test is carried out whenever there is an indication that the investment may be impaired. The method used is described in the section on "Impairment of non-financial assets". When an impairment loss is required, this is recognised immediately in profit or loss. When the reasons for a previous impairment loss no longer exist, the carrying amount of the investment is restated to the extent of its original cost. Reversals of impairment losses are recognised in profit or loss.

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 and other intangible assets with an indefinite life are 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 entity could obtain by disposing of the asset.

Value in use is determined by discounting 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 current market assessments of the time value of money and the risks specific to the asset.

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 recognised 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 recognised to the extent of the lower of the recoverable amount and original carrying amount less depreciation/amortisation that would have been recognised had the impairment loss not been recognised.

Inventories of goods
Inventories of goods are measured at the lower of average purchase cost and net realisable value. Cost includes the directly related costs and estimated realisable value is determined using the replacement cost of the assets or similar assets. Any write-downs are eliminated in subsequent years when the reasons therefor 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 recognised 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 company 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 recognised 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 if they have been substantially approved by the customer, or, if not yet approved by the customer, are supported by appraisals made by third party consultants and/or documentation prepared by contractual bodies (arbitration tribunals, dispute review boards, dispute adjudication boards, etc.).

In the case of events that take place after the reporting date but before the separate 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 total contract costs exceed total contract revenue, the loss to complete the contract is recognised 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; organisation and production start-up costs and 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 recognising any contract output 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, labour, amortisation and depreciation, compulsory purchases, any directly attributable borrowing costs, etc.). They are recognised 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 company's premises or transfer them to another site. This category also includes losses on materials no longer usable and the related transport costs. 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, etc.. 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 realisable value. Costs incurred consist of the consideration paid for purchasing 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 company introduced the disclosure required by IFRS 7 in 2007.

The financial instruments used by the company 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 recognised 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 amortised cost, as detailed further on, and any gains or losses arising therefrom are recognised as "Financing income (costs)" in profit or loss.

This category includes the following items:

- Trade receivables and payables and other assets and liabilities
  Trade receivables and other assets are recognised at amortised cost, net of impairment losses determined on the basis of their estimated recoverable amount calculated by analysing 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 recognised in the company's separate financial statements even when they have been legally transferred. They are thus included as assets and a financial liability of the same amount is recognised.

  Trade payables and other liabilities are recognised at amortised 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, 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 borrowings and bonds
  Loans and borrowings and bonds are initially recognised at cost, being the fair value of the consideration received less transaction costs.

  After initial recognition, loans are measured at amortised 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; amortised cost is calculated considering these costs and any discounts or premiums expected at settlement.

  The effects arising from the recognition at amortised 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 company has the positive intention and ability to hold to maturity. They are recognised at amortised 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-derivative financial instruments that are not classified in the other categories. They mainly relate to consortia and consortium companies of which the company 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. Dividend income from such financial instruments is recognised in profit or loss under financial income when the company is 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" is measured using the Discounted Cash Flow Model. With respect to interest rate swaps, future cash flows are estimated using the implicit forward rate of the market Euro curve at 31 December 2013 and 2012, while the forward exchange rate market prices at the relevant reporting date are used for currency forward transactions.

- The fair value of loans and receivables is 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 company.

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 derecognised when:

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

(ii) the company 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 company 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.

When the company has transferred the contractual rights to receive the cash flows of the financial asset and has neither transferred nor retained substantially all the risks and rewards or has retained control, it continues to recognise the asset to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of guaranteeing the transferred asset is measured at the lower of the initial carrying amount of the asset and the maximum amount of the consideration that the company could be required to pay.

(b) Financial liabilities

Financial liabilities are derecognised when the underlying obligation is extinguished, cancelled or settled.

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 recognised 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

Salini Impregilo S.p.A. has derivatives recognised 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 company 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 company 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 recognised 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 recognised in 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 recognised in 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 that could affect profit or loss, the effective part of the gains or losses on the financial instrument is recognised in equity. The cumulative gain or loss is reclassified from equity to profit or loss in the same period in which the hedged transaction is recognised. 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, recognised 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 unrealised gains and losses recognised in equity are immediately reclassified to 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

Post-employment benefits

Post-employment benefits are recognised at the present value of the company’s liability determined in line with ruling legislation and national and in-house labour agreements. The valuation, based on demographic, financial and turnover assumptions, is carried out by independent actuaries. The gains and losses resulting from the actuarial calculation are recognised in profit or loss if related to service costs and interest expense or in comprehensive income if relating to assets and liabilities.

The 2007 Finance Act and related implementing decrees introduced significant changes to legislation governing Italian post-employment benefits, effective as from 1 January 2007. These include the option given to employees, to be exercised before 30 June 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 30 June 2007, are considered part of a defined contribution plan and treated like all other social security contributions.

Share-based payments

The company has adhered to the guidelines of IFRS 2 - Share-based payments.

Share-based payments are measured at fair value of the option at the grant date. This amount is recognised 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 favour of the qualifying employees. Fair value is determined using the Black-Scholes model.

Income taxes

Current taxes are provided for using the enacted tax rates and laws ruling in Italy and other countries in which the company operates, including through its branches, based on the best estimate of the taxable profit for the year.

Beginning from 2004, the company has joined the national tax consolidation system, as the consolidating party, which is regulated by the conditions set out in agreements drawn up by the participating companies.

The agreements provide that tax losses transferred by the subsidiaries give rise to a benefit for them to the extent to which they would have been able to offset them even if the national tax consolidation system had not existed. Otherwise, the parent benefits, except for a partial payment to the companies transferring the losses, in proportion to the effective use in the national tax consolidation system. Moreover, the smaller taxes paid by Salini Impregilo as a result of its participation in the national tax consolidation system are prudently provided for when it is probable that a benefit for the used tax losses will be paid in the future to the subsidiaries that transferred them.

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 balance sheet. Deferred tax assets are recognised when the company 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 realised or the liability is settled, based on tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

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

Provisions for risks and charges

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

- the 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 is material and the obligation payment dates can be estimated reliably, the amount recognised 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 recognised 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 recognised when the company has approved a detailed formal plan that has been implemented and communicated to the third parties involved.

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

- foreign currency monetary assets and liabilities, excluding property, plant and equipment, intangible assets and equity investments measured at cost, are retranslated at the closing spot rate with any exchange rate gains or losses taken to the income statement;
- property, plant and equipment, intangible assets and equity investments (non-monetary assets) are recognised at historical cost denominated in the foreign currency and translated using the historical exchange rate;
- revenue and costs related to foreign currency transactions are recognised 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.

The foreign branches' functional currency is the Euro, as it is the primary currency they use in their operations.

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 recognised 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, and
- 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 profit or loss from discontinued operations is disclosed separately in the income statement. As required by paragraph 34 of IFRS 5 - Non-current assets held for sale and discontinued operations, the corresponding prior year figures are reclassified accordingly.

Revenue recognition
Revenue is measured to the extent it is probable that the economic benefits will flow to the company and the related amount can be determined reliably.

Revenue from the sale of goods is recognised when the company has shipped the goods and has transferred all the material risks and rewards of ownership to the buyer. Revenue from construction contracts is recognised as provided for in the related Standard, described below.

When the outcome of a construction contract can be estimated reliably, contract revenue is recognised 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 recognised to the extent that they are reasonably certain.

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

Interest income
Interest income is recognised 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 recognised when the investors' right to receive payment arises in line with local ruling legislation.

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 amortisation and depreciation (see the “Property, plant and machinery”, “Leased property, plant and equipment”, and “Other intangible assets” paragraphs of the “ Accounting policies” section);

- recognise impairment losses (see the “Impairment of non-financial assets” paragraph of the “Accounting policies” section);

- recognise employee benefits (see the “Employee benefits” paragraph of the “Accounting policies” section);

- recognise taxes (see the “Income taxes” paragraph of the “ Accounting policies” section);

- recognise 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 company'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 company 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 balance sheet 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.

2015 income statement of Salini Impregilo S.p.A. by geographical segment

(€'000)	Italy	Abroad	Total
Revenue	445,524	2,467,893	2,913,417
Other income	51,721	62,050	113,771
Total revenue	**497,245**	**2,529,943**	**3,027,188**

2014 income statement of Salini Impregilo S.p.A. by geographical segment

(€'000)	Italy	Abroad	Total
Revenue	498,602	1,748,914	2,247,516
Other income	30,404	63,941	94,345
Total revenue	**529,006**	**1,812,855**	**2,341,861**

Statement of financial position of Salini Impregilo S.p.A. as at 31 December 2015 by geographical segment

(€'000)	Italy	Abroad	Total
Net non-current assets	845,394	241,227	1,086,621
Provision for risks	(18,267)	(11,617)	(29,884)
Post-employment benefits and employee benefits	(9,211)	(2,879)	(12,090)
Net tax assets (liabilities)	88,347	(27,849)	60,498
Working capital	**1,010,337**	**(651,777)**	**358,560**
Net invested capital	**1,916,600**	**(452,895)**	**1,463,705**
Equity			937,362
Net financial position			526,343
Total financial resources			**1,463,705**

Statement of financial position of Salini Impregilo S.p.A. as at 31 December 2014 by geographical segment

(€'000)	Italy	Abroad	Total
Net non-current assets	836,512	218,977	1,055,489
Provision for risks	(34,494)	(2,458)	(36,952)
Post-employment benefits and employee benefits	(10,367)	(955)	(11,322)
Net tax assets (liabilities)	20,233	(1,604)	18,629
Working capital	**775,445**	**(315,706)**	**459,739**
Net invested capital	**1,587,329**	**(101,746)**	**1,485,583**
Equity			942,987
Net financial position			542,596
Total financial resources			**1,485,583**

Statement of financial position

4. Property, plant and equipment

Property, plant and equipment amount to €289.0 million, up from the 31 December 2014 figure by €20.2 million. The historical cost and carrying amount are given in the following table:

	31 December 2015			31 December 2014		
(€'000)	Cost	Acc. depreciation	Carrying amount	Cost	Acc. depreciation	Carrying amount
Land	244	-	244	245	-	245
Buildings	44,987	(21,075)	23,912	36,488	(16,221)	20,267
Plant and machinery	571,532	(329,904)	241,628	516,682	(292,769)	223,913
Industrial and commercial equipment	80,154	(70,719)	9,435	75,739	(61,806)	13,933
Other assets	20,212	(12,794)	7,418	17,854	(10,995)	6,859
Assets under const. and payments on account	6,318	-	6,318	3,588	-	3,588
Total	**723,447**	**(434,492)**	**288,955**	**650,595**	**(381,790)**	**268,805**

Changes during the year are summarised below:

(€'000)	31 December 2014	Increases	Depreciation	Imp. losses/ Reversals of imp. losses	Reclass. and other changes	Disposals	Exchange rate gains (losses)	Change in consolid. scope	31 December 2015
Land	245	-	-	-	-	-	(1)	-	244
Buildings	20,267	5,150	(3,130)	-	(407)	(80)	1,599	513	23,912
Plant and machinery	223,913	93,476	(79,204)	(157)	4,962	(3,809)	316	2,131	241,628
Industrial and commercial equipment	13,933	9,758	(9,891)	-	(4,455)	87	3	-	9,435
Other assets	6,859	2,706	(2,456)	(1)	(100)	(186)	121	475	7,418
Assets under const. and payments on account	3,588	2,008	-	-	-	-	50	672	6,318
Total	**268,805**	**113,098**	**(94,681)**	**(158)**	**-**	**(3,988)**	**2,088**	**3,791**	**288,955**

The most significant changes include:

- increases of roughly €113.1 million, mainly due to the investments made for the contracts in the UAE, Qatar and Ethiopia;
- depreciation for the year of €94.7 million, calculated as described in the "Accounting policies" section;
- disposals of €4.0 million, mainly referring to sales to third parties and the disposal of assets related to foreign contracts;
- the balance of €3.8 million in the "Change in consolidation scope" column relates to the joint operation set up for the Riyadh Metro Line 3 contract in Saudi Arabia, which started in 2015.

The closing balance at 31 December 2015 includes leased assets of €127.3 million recognised under "Plant and machinery" (€ 124.9 million), "Industrial and commercial equipment" (€ 1.5 million) and "Other assets" (€ 0.9 million).

Prior year changes are as follows:

(€'000)	31 December 2013	Mergers	Increases	Amortisation and depreciation	Imp. losses / Reversals of imp. losses	Reclass. and other changes	Disposals	Exchange rate gains (losses)	31 December 2014
Land	258	-	-	-	-	-	-	(13)	245
Buildings	5,423	17,080	1,849	(2,744)	(5)	(95)	(2,793)	1,552	20,267
Plant and machinery	12,898	186,730	90,362	(60,391)	(40)	89	(5,967)	232	223,913
Industrial and commercial equipment	593	13,615	11,695	(11,676)	-	15	(313)	4	13,933
Other assets	802	5,266	3,218	(2,194)	(4)	(9)	(184)	(36)	6,859
Assets under const. and payments on account	1	1,944	1,653	-	-	-	(30)	20	3,588
Total	**19,975**	**224,635**	**108,777**	**(77,005)**	**(49)**	**-**	**(9,287)**	**1,759**	**268,805**

5. Intangible assets

Intangible assets amount to €118.1 million, up €34.0 million from the 31 December 2014 figure.

The historical cost and carrying amount of the other intangible assets are given in the following table:

	31 December 2015			31 December 2014		
(€'000)	**Cost**	**Acc. amortisation**	**Carrying amount**	**Cost**	**Acc. amortisation**	**Carrying amount**
Software	683	(193)	490	493	(177)	316
Contract acquisition costs	174,657	(57,082)	117,575	123,398	(39,655)	83,743
Total	**175,340**	**(57,275)**	**118,065**	**123,891**	**(39,832)**	**84,059**

Changes during the year are set out below:

(€'000)	31 December 2014	Increases	Amortisation	Reclassific-ations	Disposals	Exchange rate gains (losses)	Other changes	31 December 2015
Software	316	222	(47)	-	-	(1)	-	490
Contract acquisition costs	83,743	51,258	(17,426)	-	-	-	-	117,575
Total	**84,059**	**51,480**	**(17,473)**	**-**	**-**	**(1)**	**-**	**118,066**

Changes during the previous year are set out below:

(€'000)	31 December 2013	Increases	Amortisation	Reclassific-ations	Disposals	Exchange rate gains (losses)	Other changes	31 December 2014
Concessions, licences, trademarks and similar rights	-	-	-	-	(72)	-	72	-
Software	-	312	(86)	-	-	-	90	316
Contract acquisition costs	44,948	61,663	(22,868)	-	-	-	-	83,743
Total	**44,948**	**61,975**	**(22,954)**	**-**	**(72)**	**-**	**162**	**84,059**

The other changes show the balances at 1 January 2014 of Salini S.p.A. following the reverse merger.

Contract acquisition costs amount to €117.6 million and refer to considerations paid in 2015 and previous years to purchase the railway high speed/capacity business units and stakes in projects/contracts representing intangible assets with a finite useful life, which are amortised in line with the stage of completion of the related contracts. They may be analysed as follows:

(€'000)	31 December 2014	Increases	Amortisation	31 December 2015
Cociv (Milan - Genoa railway section)	41,847	-	(3,596)	38,251
Riyadh Metro - Saudi Arabia	25,394	38,748	(7,591)	56,551
Thessalonica Metro	1,202	-	(72)	1,130
Yarull - Dom. Republic	3,083	-	(46)	3,037
Vegas Tunnel - USA	1,875	-	(1,752)	123
Gerald Desmond Bridge - USA	7,234	-	(1,971)	5,263
Stavros Niarchos - Greece	3,108	-	(2,398)	710
Iricav Due (Verona - Padua railway section)	-	12,510	-	12,510
Total	**83,743**	**51,258**	**(17,426)**	**117,575**

The increases include acquisition of another share in the contract to construct the entire Line 3 of the Riyadh Metro (Saudi Arabia) and in Consorzio Iricav Due held by Lamaro Appalti S.p.A. (6.81%), set up to construct the high speed Verona - Padua railway section. There are no indicators of impairment for the contracts to which the acquisition costs refer.
Amortisation of the contract acquisition costs is calculated using the stage of completion method of the contracts based on the cost to cost method and considering the related purchase dates.
With respect to the Verona-Padua section, amortisation of the acquisition cost will commence when work starts.

Prior year changes are given below for comparative purposes:

(€'000)	31 December 2013	Increases	Amortisation	31 December 2014
Cociv (Milan - Genoa railway section)	44,948	6,333	(9,434)	41,847
Riyadh Metro - Saudi Arabia	-	25,394	-	25,394
United Arab Emirates	-	8,323	(8,323)	-
Thessalonica Metro	-	1,386	(184)	1,202
Yarull - Dom. Republic	-	3,109	(26)	3,083
Vegas Tunnel - USA	-	3,770	(1,895)	1,875
Gerald Desmond Bridge - USA	-	8,153	(919)	7,234
Stavros Niarchos - Greece	-	5,195	(2,087)	3,108
Total	**44,948**	**61,663**	**(22,868)**	**83,743**

6. Equity investments

Equity investments decreased by €23.0 million to €679.6 million.

(€'000)	31 December 2015	31 December 2014	Variation
Investments in subsidiaries	555,940	609,802	(53,862)
Investments in associates	75,365	64,351	11,014
Other investments	48,294	28,473	19,821
Total	**679,599**	**702,626**	**(23,027)**

Changes during the year are summarised below:

(€'000)	31 December 2015	31 December 2014
Merger	-	154,971
Capital transactions	92,601	159,760
Acquisitions and capital injections	9,121	23,558
Disinvestments and liquidations	(441)	(78)
Reversals of impairment losses	-	12,230
Impairment losses	(127,442)	(83,806)
Exchange rate gains (losses)	19,555	-
Reclassifications	(16,419)	(48,259)
Total	**(23,025)**	**218,376**

The increase in "Capital transactions" mainly refers to the injections of €30.0 million made to cover the losses accumulated by Todini Costruzioni Generali. It also includes capital injections for Empresa Costructora Angostura Ltda (€20.4 million), the SPE M4 (€9.8 million), the Peruvian company Metro de Lima 2 (€9.9 million) and the SPE Grupo Unido por el Canal (Panama (€12.2 million). The latter injection is net of the provision for the investment in Grupo Unido por el Canal.

The item "Acquisitions and capital injections" refers to the acquisition of control of Co.Ge.Fin. S.p.A. (€9.1 million).
The item "Reclassifications" mainly relates to the offsetting of the provision relating to the investment in the subsidiary Empresa Costructora Angostura Ltda.

"Impairment losses" mainly refer to the investments in Todini Costruzioni Generali S.p.A. and Grupo Unidos Por El Canal S.A. (€96.4 million and €19.7 million, respectively).

The impairment test of the item "Equity investments", carried out also to assess the need for any reversals of previously recognised impairment losses, has been performed on an individual basis, considering each investee's specific operating objectives.

Based on such approach, the item can be analysed as follows:

(€'000)	31 December 2015	31 December 2014	Variation
Investments in SPEs	246,505	202,563	43,942
Other investments	433,095	500,063	(66,968)
Total	**679,600**	**702,626**	**(23,026)**

Special purpose entities (SPEs) are legal entities set up specifically and solely to carry out construction contracts that Salini Impregilo is not expected to carry out directly and in which it has an interest equal to its share of the tender. These entities have a corporate structure compliant with the customers' requirements as communicated during the tender procedure and considering the specific legal context of the country in which the contract will be performed. They are classified depending on whether they are: (i) SPEs, the profit or loss of which are allocated to their venturers in line with their interests as provided for by law (i.e., Italian-based consortia and consortium companies which operate on a "recharges of costs" basis), and (ii) other SPEs for which this allocation is not provided for by law.

Due to the periodic allocation of the contract profit or loss to the venturers, the SPEs in item (i) always substantially reach breakeven point. Any losses recorded in the contracts performed by these entities are recognised by the venturers upon allocation of the contract profits and losses. For the SPEs in item (ii), the existence of any losses should be considered in the separate financial statements of Salini Impregilo S.p.A. as their contract profit or loss is included in the consolidated financial statements only. The contracts performed by these SPEs are therefore considered when testing the company's investment for impairment. Specifically, the SPEs' financial statements, which include the estimated contract profit or loss and are prepared in accordance with the IFRS as interpreted by the Group's accounting policies, are considered as they show the entity's estimated cash flows.

The impairment losses recognised in 2015 in the provision for risks on equity investments adjusted the existing provisions by a modest amount and referred to the SPEs performing the Metro 6 Ltda (Chile) contract (€8.1 million) and the works on the Rio Sogamosa hydroelectric plant in Colombia (€5.2 million).

Salini Impregilo S.p.A. and Prime System KZ Ltd signed a preliminary share purchase agreement on 14 January 2016 for 100% of Todini Costruzioni Generali S.p.A., including its assets and liabilities for the projects and branch in Georgia, Azerbaijan, Belarus and Kazakhstan, its investments in the subsidiaries JV Todini Takenaka and Todini Central Asia as well as certain operating assets, both owned by the company and leased. The related consideration is €50.1 million. The assets and liabilities, not of interest to the buyer, related to the Italian contracts, completed and/or ongoing, the branches in Albania, Argentina, Romania, Tunisia, Algeria, Greece, Dubai, Ukraine and Poland will be contributed to HCE Costruzioni S.p.A. before the closing date expected before 31 March 2016, which will then sell them to Salini Impregilo or another group company. An independent third party (Ms. Simona Ardiuni) appraised these assets and liabilities and estimated their value to be not less than €2.2 million, using the simple equity method with an income adjustment. The preliminary share purchase agreement's initial valuation approximates the investment's fair value as it is based on a transaction between independent third parties.

No significant sales costs are expected to be incurred to perform the agreement.

The appraisal made for the contribution is a prudent estimate of the recoverable amount of the net assets of the business units that will remain within the Group.

Accordingly, the recoverable amount of the investment in Todini Costruzioni Generali S.p.A. at 31 December 2015, to which its carrying amount has been aligned, is the sum of the amounts included in the preliminary share purchase agreement and the appraisal, i.e,., €52.3 million, including the loss for 2015 and the expected loss for the first quarter of 2016.

Fisia Italimpianti recorded a substantial break-even result for 2015 and recognised equity of €7 million while the the investment's carrying amount is €40.2 million.

The company tested its investment in FISIA Italimpianti for impairment on the basis of the 2016-2020 business plan (the "Plan") approved by the subsidiary's board of directors. No indicators of impairment were found.

Salini Impregilo used the unlevered version of the discounted cash flow method to calculate the investment's value in use. The main valuation parameters used were:

- Long-term growth rate: 0% (0% in 2014);
- Discount rate (WACC): 10.9% (9.4% in 2014).

The company also performed sensitivity analyses considering the possible effect of changes in the discount rate (+/-0.5%). They did not identify any elements that would have required recognition of an impairment loss.

SCF Inc. recorded a loss of €2.0 million for 2015 and a deficit of €1.9 million while the investment's carrying amount is €10.1 million.
The company used the subsidiary's 2016-2020 business plan to calculate the investment's value in use.

In order to calculate value in use, the relevant cash flows have been discounted using the following rates:

- Growth rate: 0% (0% in 2014);
- Discount rate (WACC) 9.1% (10.5% Ke in 2014).

The investment's resulting equity value of €6.6 million is lower than its carrying amount and the company recognised an impairment loss of €3.5 million in profit or loss.

FIBE recorded a loss of €3.3 million for 2015 and equity of €39.8 million while the investment's carrying amount is €43.2 million.

Given that the subsidiary is inactive and only manages the outstanding disputes related to the USW Campania projects, its assets and liabilities are the main drivers of the value generation process. Accordingly, Salini Impregilo adjusted the investment's carrying amount to the subsidiary's equity at the reporting date.

As regards the other investments in smaller companies, their carrying amount has been adjusted to Salini Impregilo's share of the investees' net assets as recognised in their financial statements at 31 December 2015. These impairment losses, totalling €5.9 million, specifically affected Salini Hydro and Salini India.

7. Non-current financial assets

This item includes loans and receivables with third parties. Changes on 31 December 2014 are as follows:

(€'000)	31 December 2015	31 December 2014	Variation
Other financial assets	17,412	18,739	(1,327)
Loans and receivables - group companies	-	81	(81)
Loans and receivables - third parties	218	20,263	(20,045)
Total	**17,630**	**39,083**	**(21,453)**

Other financial assets of €17.4 million decreased by €1.3 million over 31 December 2014. They include investments in unlisted guaranteed-return mutual funds which mature after one year. The decrease is a result of new payments of €11.7 million made during the year net of fair value adjustments of €13.0 million, mainly due to exchange rate differences.

Loans and receivables - third parties decreased by €20.0 million from €20.3 million at 31 December 2014, mainly due to the reclassification of the receivable from Itinera to current after the sale of the investment in TE to third parties. At 31 December 2014, this receivable amounted to €17.9 million, including interest. It bears interest and will be collected before 31 October 2016.

8. Deferred tax assets and liabilities

Deferred tax assets and liabilities amount to €35.8 million and €34.6 million, respectively.

(€'000)	31 December 2015	31 December 2014	Variation
Deferred tax assets	35,760	57,527	(21,767)
Deferred tax liabilities	(34,570)	(97,872)	63,302

Deferred tax liabilities of €35.6 million include €23.5 million for the provision for the national tax consolidation scheme.

The provision represents the company's potential liability with its subsidiaries that have transferred their losses as part of the IRES national tax consolidation scheme as per article 117 and subsequent articles of the Consolidated Income Tax Act as per the regulations signed when they joined the scheme. Changes in the provision during the year are a result of the normal variations in the scheme and, especially, the calculation of the loss attributable to Fisia Ambiente.

Changes in deferred tax assets and liabilities and the related impact on profit or loss are set out below:

(€'000)	31 December 2014	Increases	Decreases	Change in tax rate	Reclass.	Other	31 December 2015
Deferred tax assets:							
Amortisation and depreciation exceeding tax rates	9,116			(177)	(7,727)		1,212
Provisions for risks and impairment losses	42,931	4,715	(8,686)	(4,646)	4,312		38,626
Capital increase	1,205		(301)	(115)			789
Maintenance	6,373				(6,373)		
Unrealised exchange rate gains and losses	640				(640)		
Other	72,339	142,033	(67,578)	(918)	12,694		158,570
Total	**132,604**	**146,748**	**(76,565)**	**(5,856)**	**2,266**		**199,197**
Offsetting	(75,077)	621			(621)	(88,360)	(163,437)
Net deferred tax assets (a)	**57,527**	**147,369**	**(76,565)**	**(5,856)**	**1,645**	**(88,360)**	**35,760**
Deferred tax liabilities:							
Default interest	(6,053)			771			(5,282)
Contract acquisition costs	(5,959)		1,837	525			(3,597)
Gains on the disposal of assets	(459)				459		
Other	(62,876)	(148,108)	46,400	1,034	(2,113)		(165,663)
Total	**(75,347)**	**(148,108)**	**48,237**	**2,330**	**(1,654)**		**(174,542)**
Offsetting	75,077					88,360	163,437
Net deferred tax liabilities (b)	**(270)**	**(148,108)**	**48,237**	**2,330**	**(1,654)**	**88,360**	**(11,105)**
Net deferred tax (income) expense (a+b)		**(739)**	**(28,328)**	**(3,526)**			**(32,593)**

"Other" mainly reflects temporary differences related to unrealised exchange rate gains or losses and ordinary maintenance costs for the company's assets.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively, and are netted at company level when this is allowed. Changes in 2014 were as follows:

(€'000)	31 December 2013	Increases	Decreases	Effects recognised in equity	Merger	Other	31 December 2014
Deferred tax assets:							
Amortisation and depreciation exceeding tax rates	1,389				7,727		9,116
Provisions for risks and impairment losses	42,295	1,421	(6,307)		5,522		42,931
Capital increase			(301)	1,506			1,205
Maintenance					6,373		6,373
Unrealised exchange rate gains and losses					640		640
Other	91	75,217	(4,217)	106	1,142		72,339
Total	**43,775**	**76,638**	**(10,825)**	**1,612**	**21,404**		**132,604**
Offsetting	(7,341)					(67,736)	(75,077)
Net deferred tax assets (a)	**36,434**	**76,638**	**(10,825)**	**1,612**	**21,404**	**(67,736)**	**57,527**
Deferred tax liabilities:							
Default interest	(5,530)				(523)		(6,053)
Contract acquisition costs			4,015		(9,974)		(5,959)
Gains on the disposal of assets					(459)		(459)
Other	(1,811)	(51,660)	662		(10,029)	(38)	(62,876)
Total	**(7,341)**	**(51,660)**	**4,677**		**(20,985)**	**(38)**	**(75,347)**
Offsetting	7,341					67,736	75,077
Net deferred tax liabilities (b)		**(51,660)**	**4,677**			**67,698**	**(270)**
Net deferred tax (income) expense (a+b)		**24,978**	**(6,148)**				**18,830**

9. Inventories

This item is analysed in the following table:

	31 December 2015			**31 December 2014**			
(€'000)	**Gross carrying amount**	**Allowance**	**Carrying amount**	**Gross carrying amount**	**Allowance**	**Carrying amount**	**Variation**
Real estate projects	19,334	(7,772)	11,562	19,508	(7,772)	11,736	(174)
Finished products and goods	23	-	23	426	-	426	(403)
Raw materials, consumables and supplies	187,297	(627)	186,670	180,716	(748)	179,968	6,702
Total	**206,654**	**(8,399)**	**198,255**	**200,650**	**(8,520)**	**192,130**	**6,125**

Real estate projects

Real estate projects amount to €11.6 million, substantially unchanged from the previous year end. They relate to the real estate project of €11.6 million (net of the related allowance of €7.8 million) for the construction of a trade point in Lombardy for which a dispute is pending about the zoning provisions of the area on which the property stands.

Based also on its legal advisors' opinion, the company deems that the carrying amount can be recovered through the real estate project or, alternatively, through recognition of the damage incurred due to non-authorisation of the zoning of the area by the competent authorities.

Finished products and goods and Raw materials, consumables and supplies

These captions of €186.7 million (31 December 2014: €180.4 million) mainly comprise goods to be used at foreign work sites, principally in Ethiopia (€149.4 million), Sierra Leone (€7.2 million), Venezuela (€14.5 million) and Saudi Arabia (€7.0 million for the Riyadh Metro Line 3).

10. Contract work in progress

Contract work in progress amounts to €938.9 million at year end, up on the previous year-end figure of €765.8 million. The following table shows contract work in progress calculated using the stage of completion method, net of losses realised or estimated at the reporting date and progress billings:

(€'000)	31 December 2015	31 December 2014	Variation
Contract work in progress	19,507,918	12,262,213	7,245,705
Progress payments and advances received (on approved work)	(18,569,061)	(11,496,422)	(7,072,639)
Total	**938,857**	**765,791**	**173,066**

The item shows a total increase of €173.1 million over 31 December 2014.

This increase mainly refers to continuation of the industrial activities for the contracts in Saudi Arabia by the joint operation that carries out the works for the Riyadh Metro Line 3 contract in Saudi Arabia, the Ethiopian and Romanian branches for foreign contracts and the high speed/capacity contracts in Italy. It is partly offset by the decrease related to some contracts in Italy and the UAE.

The key contracts making up contract work in progress at year end are summarised below:

	Contract work in progress		
(€'000)	31 December 2015	31 December 2014	Variation
Venezuela	251,285	241,922	9,363
High speed/capacity	149,547	89,721	59,826
Gibe III Hydroelectric Project	99,619	49,877	49,742
Romania	75,739	44,992	30,747
Metro B1 Bologna/Conca d'Oro and Conca d'Oro/Ionio	61,967	66,931	(4,964)
Mill. Hydro Elect. Project (5250 MW)	49,481	44,664	4,817
South Africa Mavundla	46,237	48,876	(2,639)
Arabia Civil Work	35,289	21,664	13,625
Salerno - Reggio Calabria Lots 5-6	35,101	50,902	(15,801)
Messina Bridge	23,757	22,722	1,035
Highway 36	23,392	25,244	(1,852)
P2000 Gibe IV	14,932		14,932
Other	72,511	58,276	14,235
Total	**938,857**	**765,791**	**173,066**

The section on the "Performance by geographical segment" in the Directors' report provides more details about the contracts and the progress made on the main contracts.

A description of the contracts for which the company has pending disputes and the activities in Libya, Venezuela, Nigeria, Ukraine and Turkey is provided in the section on the "Main risk factors and uncertainties" in the Directors' report.

11. Trade receivables

Trade receivables amount to €1,044.9 million (31 December 2014: €1,052.4 million), of which €610.5 million (31 December 2014: €611.4 million) from group companies and other related parties.

Trade receivables from third parties of €434.4 million, net of the allowance for impairment (€21.2 million) show a net decrease of €5.5 million. The balance includes amounts due from customers for invoices issued and for work performed and approved by customers but still to be invoiced. The decrease is mainly due to the branches in Romania, Qatar, Venezuela and UAE. The increase in receivables relating to Venezuela reflects the temporary delays in payments by customers, also as a consequence of the situation recently observed in this country and described in the section on the "Main risk factors and uncertainties" in the Directors' report.

(€'000)	31 December 2015	31 December 2014	Variation
Trade receivables - third parties	434,441	439,898	(5,457)
Trade receivables - group companies and other related parties	610,473	612,493	(2,020)
Total	**1,044,914**	**1,052,391**	**(7,477)**

The following table shows trade receivables from third party customers:

(€'000)	31 December 2015	31 December 2014	Variation
Trade receivables - third parties	455,613	456,806	(1,193)
Allowance for impairment	(21,172)	(16,908)	(4,264)
Total	**434,441**	**439,898**	**(5,457)**

Changes in the allowance for impairment are shown in the following table:

(€'000)	31 December 2014	Impairment losses	Utilisations	Other changes	Exchange rate gains (losses)	31 December 2015
Trade receivables	16,606	4,478	(2,842)	273	2,234	20,749
Default interest	302	86			35	423
Total	**16,908**	**4,564**	**(2,842)**	**273**	**2,269**	**21,172**

Changes in the previous year are as follows:

(€'000)	31 December 2013	Impairment losses	Utilisat.	Reversals	Change in consolid. scope	Other changes	Exchange rate gains (losses)	31 December 2014
Trade receivables	12,664	5,993	3,676	(5,717)	(124)		114	16,606
Default interest			302					302
Total	**12,664**	**5,993**	**3,978**	**(5,717)**	**(124)**	-	114	**16,908**

Current trade receivables - group companies and other related parties amount to €610.5 million at the reporting date compared to €612.5 million at 31 December 2015. They mainly refer to commercial transactions.
The following table shows the main group companies to which these receivables refer:

(€'000)	31 December 2015	31 December 2014	Variation
Salerno-Reggio Calabria	94,689	74,238	20,451
Cociv	90,316	88,491	1,825
Consorzio Cavtomi	86,654	86,390	264
Grupo Unidos por el Canal	31,985	22,474	9,511
Rc Scilla	27,523	9,451	18,072
Pedelombarda	21,233	48,213	(26,980)
Metro Blu	19,920	81,956	(62,036)
Salini Namibia	19,085	14,530	4,555
Eriday	14,384	11,557	2,827
Eurolink	10,415	11,000	(585)
Enaler	7,263	14,007	(6,744)
Passante di Mestre	2,214	8,620	(6,406)
FISIA Italimpianti	1,713	1,460	253
Other	183,079	140,106	42,973
Total	**610,473**	**612,493**	**(2,020)**

12. Derivatives and other current financial assets

Derivatives and other current financial assets amount to €483.3 million compared to €435.9 million at 31 December 2014. This item is broken down as follows:

(€'000)	31 December 2015	31 December 2014	Variation
Government bonds and insurance shares	638	99	539
Current loans and receivables	482,709	435,827	46,882
Total	**483,347**	**435,926**	**47,421**

Current loans and receivables include loans given to group companies and other related parties.

The balance comprises correspondence current accounts and loans and receivables with group companies and other related parties. A complete list of the transactions is given in the annex "Intragroup transactions" at the end of these notes. They are regulated by contracts. The caption includes a loan of €12.5 million given to Salini Costruttori, which bears interest at the 3-month EURIBOR plus a spread of 5% and increased by €2.5 million compared to 31 December 2014.

The caption also includes loans and receivables with third parties of €49.3 million, of which €29.9 million for the surety enforced during the year due to the delays on the Metro 6 contract. The Group is confident it will recover this amount, based also on the opinion of its legal advisors assisting it with the dispute. The section on the "Main risk factors and uncertainties" in the Directors' report provides more information about this.

The balance increased due to the reclassification from non-current financial assets of €18.3 million, including interest, due from Itinera S.p.A. which arose after the sale of TEEM and is due in 2016.

13. Current tax assets and other current tax assets

Current tax assets amount to €83.1 million as follows:

(€'000)	31 December 2015	31 December 2014	Variation
Direct taxes	44,753	28,388	16,365
IRAP	23	2,390	(2,367)
Foreign direct taxes	38,280	15,803	22,477
Total	**83,056**	**46,581**	**36,475**

Direct taxes show the taxes already claimed for reimbursement. The foreign direct taxes mainly relate to the South African branch (€1.4 million), the US branch (€7.8 million) and the Ghazi Barotha joint operation (€1.1 million). The other current tax assets amount to €54.8 million as follows:

(€'000)	31 December 2015	31 December 2014	Variation
VAT	39,576	31,094	8,482
Other indirect taxes	15,234	15,997	(763)
Total	**54,810**	**47,091**	**7,719**

The other indirect taxes include withholdings of €8.7 million paid by the Islandic branch on the remuneration paid to foreign temporary workers involved in the work site. More information is available in note 27.

14. Other current assets

Other current assets of €215.5 million are down €103.4 million on 31 December 2014, mainly due to the reduction in amounts due from group companies and other related parties. The item may be analysed as follows:

(€'000)	31 December 2015	31 December 2014	Variation
Other	57,086	88,472	(31,386)
Advances to suppliers	52,608	57,341	(4,733)
Other - group companies and other related parties	47,029	121,271	(74,242)
Prepayments and accrued income	58,807	51,873	6,934
Total	**215,530**	**318,957**	**(103,427)**

"Other" of €57.1 million decreased by €31.4 million over 31 December 2014. It includes:

- €34.0 million due from the Argentine Republic as compensation for the favourable award issued on 21 June 2011 and confirmed by the Buenos Aires Arbitration Tribunal on 24 January 2014. This award settled the proceedings commenced by the shareholders of the investee Aguas del Buenos Aires S.A. in liquidation (operator) against the Argentine Republic;
- €8.3 million due from some of the company's partners of joint ventures around the world, mainly for the works on Line 3 of the Riyadh Metro in the Middle East.

Advances to suppliers decreased by €4.7 million to €52.6 million due to absorption of advances made in previous years for the contracts in Kazakhstan and Romania, partly offset by advances made for the Lima metro in Peru and the hydroelectric plants in Turkey and Georgia.

Other - group companies and other related parties decreased by €74.2 million to €47.0 million at the reporting date, mainly as a result of the reduction in amounts due from Consorzio OIV Tocoma and the partial settlement of the amounts due from Groupment Todini Enaler.

Prepayments and accrued income of €58.8 million show an increase of €6.9 million on 31 December 2014. The item mainly consists of insurance premiums, commissions on sureties and other contract costs which will be recognised in profit or loss in future periods based on the stage of completion of the related contracts. The largest decrease in "Other contract costs" includes, inter alia, consultancy fees of €8.9 million to be charged to Salini Impregilo US Holding Inc., used to acquire the US company Lane in January 2016, and the borrowing costs for the loan taken out on 4 February 2016 for that acquisition.

They are broken down in the following table:

(€'000)	31 December 2015	31 December 2014	Variation
Accrued income:			
Total accrued income	**-**	**3**	**(3)**
Prepayments:			
- Insurance	19,921	20,373	(452)
- Sureties	3,798	5,796	(1,998)
- Other contract costs	35,088	25,701	9,387
Total prepayments	**58,807**	**51,870**	**6,937**
Total	**58,807**	**51,873**	**6,934**

15. Cash and cash equivalents

At 31 December 2015, cash and cash equivalents amount to €763.9 million, up by €383.1 million, as shown below:

(€'000)	31 December 2015	31 December 2014	Variation
Cash and cash equivalents	**763,933**	**380,867**	**383,066**

The balance includes credit bank account balances at the end of the year and the amounts of cash, cheques and valuables at the registered offices, work sites and foreign subsidiaries. Liquidity management is designed to ensure the financial independence of ongoing contracts, considering the structure of the consortia and SPEs, which may limit the availability of financial resources to achievement of the related projects. Liquidity management also considers the existence of constraints to the transfer of currency imposed by certain countries. The statement of cash flows shows the reason for the increase in the item and changes in current account facilities (note 17).

A breakdown of this item by geographical segment is as follows:

(€'000)	31 December 2015	31 December 2014	Variation
Italy	54,082	64,631	(10,550)
EU (excluding Italy)	8,570	26,028	(17,458)
Non-EU	2,877	144	2,733
Asia	3,172	1,277	1,895
Middle East	606,854	228,680	378,174
Africa	45,499	23,908	21,591
North America	9,379	8,847	532
Latin America	18,236	19,820	(1,584)
Oceania	15,265	7,532	7,734
Total	**763,933**	**380,867**	**383,066**

16. Equity

Equity amounts to €937,362.0 million at 31 December 2015 compared to €943.0 million at the end of 2014. Changes of the year in the different equity items are summarised in the schedule attached to the separate financial statements.

(€'000)	31 December 2015	31 December 2014	Variation
Share capital	544,740	544,740	-
Share premium reserve	120,798	120,798	-
- Legal reserve	101,534	100,000	1,534
- Reserve for treasury shares	(7,677)	(7,677)	-
- Reserve for share capital increase related charges	(3,970)	(3,970)	-
- LTI reserve	139	-	139
- Extraordinary and other reserves	146,813	146,813	-
Total other reserves	236,839	235,166	1,673
- Actuarial reserve	(353)	(1,196)	843
- Translation reserve	(789)	10,148	(10,937)
- Hedging reserve	(10,685)	(18)	(10,667)
Total other comprehensive income (expense)	(11,827)	8,934	(20,761)
Retained earnings	11,081	2,656	8,425
Profit for the year	35,731	30,693	5,038
Total	**937,362**	**942,987**	**(5,625)**

In their meeting held on 30 April 2015, the company's shareholders resolved to allocate the profit for 2014 as follows:

- €1,534,634.74, equal to 5% of the profit for the year, to the legal reserve;
- €19,562,732.56 as a dividend to the shareholders, equal to €0.04 per share;
- €420,027.66 as a dividend to the holders of savings shares, equal to € 0.26 per share, as per article 33.b) of the by-laws;
- €9,175,299.76 to retained earnings.

Disclosures about the individual items are set out below.

Share capital

At 31 December 2015, the company's fully paid-up share capital amounts to €544,740.000. It comprises 493,798,182 shares, including 492,172,691 ordinary shares and 1,615,491 savings shares, all without a nominal amount.

Savings shares issued pursuant to the law do not carry voting rights, have preference dividend and capital repayment rights and can be bearer shares, subject to the provisions of article 2354.2 of the Italian Civil Code. Upon the shareholder's requests and at his/her own expense, they can be converted into registered shares and vice versa. Savings shares held by directors, statutory auditors and CEOs are registered. Except when the company's by-laws or relevant legislation provide for otherwise, savings shares give the holders the same rights as those of ordinary shares.

Holders of savings shares do not have the right to attend the company's shareholders' meetings or to request that they are called. The special savings shareholders' meeting is regulated by law. When reserves are distributed, the savings shares have the same rights as ordinary shares.

Upon dissolution of the company, savings shares bear preference rights to capital repayment, up to €5.2 per share. When shares are grouped or split (as well as when capital transactions are carried out and as necessary in order to protect the savings shareholders' rights in the case the shares have nominal value), the above fixed amount shall be adjusted accordingly.

Profit for the year as per the financial statements is allocated as follows:

a) 5% to the legal reserve, up to the legally-required amount;

b) to savings shares, to the extent of 5% of €5.2 per share (i.e., €0.26 per share). If a dividend lower than 5% of €5.2 per share (i.e., €0.26 per share) is paid one year, the difference is taken as an increase in the preferred dividend of the following two years;

c) the residual amount, to all shareholders in such a way as to allocate to savings shares a total dividend which is 2% of €5.2 per share (i.e., €0.104 per share) greater than that distributed to ordinary shares, except when the shareholders decide to allocate an amount to the extraordinary reserves or for other uses.

Details on the possible use of equity items and uses in prior years are summarised below:

	Amount	Possible use (A, B, C)	Available portion	Summary of use in the previous three years	
				To cover losses	Other
Share capital	**544,740**				
Income-related reserves:					
Share premium reserve	120,798	A, B	120,798	-	
Other reserves:					
Legal reserve	101,534	B	101,534	-	
Reserve for treasury shares	(7,677)			-	
Share capital increase related charges	(3,970)				
Unavailable hedging reserve	(10,685)			-	
Unavailable actuarial reserve	(353)				
Unavailable LTI reserve	139				
Translation reserve	(789)				
Negative goodwill	146,813	A, B, C	146,813		
Total other reserves	**225,012**		**248,347**	**-**	
Retained earnings	**11,081**	**A, B, C**	**11,081**		**-**
Total	**901,631**		**380,226**	**-**	**-**
Non-distributable portion			**277,873**		
Residual distributable portion			**102,353**		

A: capital increase
B: to cover losses
C: dividends

The share premium reserve cannot be distributed until the legal reserve reaches 20% of the share capital.

Other reserves

This item is broken down as follows:

(€'000)	31 December 2015	31 December 2014	Variation
Legal reserve	101,534	100,000	1,534
Negative goodwill	146,813	146,813	-
Reserve for treasury shares	(7,677)	(7,677)	-
LTI reserve	139	-	139
Reserve for share capital increase related charges	(3,970)	(3,970)	-
Total other reserves	**236,839**	**235,166**	**1,673**

Legal reserve

This reserve underwent the following changes:

(€'000)	
31 December 2014	100,000
Allocation of profit	1,534
31 December 2015	**101,534**

Changes during 2014 are shown in the following table:

(€'000)	
31 December 2013	58,447
Merger effects	41,553
Allocation of profit	
31 December 2014	**100,000**

Reserve for treasury shares

The company launched its own share repurchase programme on 6 October 2014 and it had bought back 3,014,377 shares for €7,676,914.377 at the reporting date, unchanged from 31 December 2014.

LTI reserve

The LTI (long-term incentive plan) reserve shows the fair value of this plan rolled out in 2015 calculated using an actuarial valuation to be €0.1 million. The section on the accounting policies describes how the reserve is treated. The following table provides a breakdown of this reserve:

(Euro)	No. of shares	Amount	Start date	End date	Average price	Fair value
Chief executive officer	569,573.00	2,198,551.78	17,12,2015	30,04,2018	3.86	35,583.50
Key management personnel	983,286.00	3,795,483.96	17,12,2015	30,04,2018	3.86	61,429.80
Other managers	1,025,050.00	3,964,893.40	22,12,2015	30,04,2018	3.87	41,493.07
Total	**2,577,909.00**	**9,958,929.14**				**138,506.37**

Other comprehensive income (expense)

The main variation in other comprehensive income (expense) items relates to the effect of fluctuations in exchange rates as shown below:

(€'000)	
31 December 2014	10,148
Decrease	(10,936)
Total changes	(10,936)
31 December 2015	**(788)**

(€'000)	
31 December 2013	(2,657)
Merger	7,225
Increase	5,580
Total changes	12,805
31 December 2014	**10,148**

The actuarial reserve underwent the following changes:

(€'000)	
31 December 2014	(1,196)
Reclassifications	843
31 December 2015	**(353)**

This reserve includes the actuarial gains and losses as required by IAS 19.

Changes during 2015 are shown in the following table:

(€'000)	
31 December 2013	(451)
Merger effects	(441)
Net actuarial losses recognised in comprehensive income	(304)
31 December 2014	**(1,196)**

The hedging reserve underwent the following changes:

(€'000)	
31 December 2014	(18)
Fair value losses	(10,667)
31 December 2015	**(10,685)**

This reserve includes the fair value gains and losses on financial instruments.

Changes during 2015 are shown in the following table:

(€'000)	
Merger effects	(5)
Fair value losses	(13)
31 December 2014	**(18)**

17. Bank and other loans, current portion of bank loans and current account facilities

Bank and other loans and borrowings and factoring liabilities decreased by €348.4 million to €1,282.6 million at the reporting date.

(€'000)	31 December 2015	31 December 2014	Variation
Bank and other loans and borrowings	675,989	405,086	270,903
Current account facilities and other loans	606,595	529,102	77,493
Total	**1,282,584**	**934,188**	**348,396**

The company's financial indebtedness is broken down by loan type in the following table:

	31 December 2015			31 December 2014		
(€'000)	Non-current	Current	Total	Non-current	Current	Total
Bank corporate loans	667,328	202,733	870,061	389,775	64,058	453,833
Bank project financing	777	16,162	16,939	-	5,975	5,975
Other financing	6,938	47,172	54,110	11,937	32,761	44,698
Current account facilities	-	38,915	38,915	-	11,436	11,436
Loans and borrowings - group companies	-	242,850	242,850	-	410,923	410,923
Factoring liabilities for receivables factored with recourse	944	58,763	59,707	3,374	3,949	7,323
Total	**675,989**	**606,595**	**1,282,584**	**405,086**	**529,102**	**934,188**

Bank loans

They are broken down in the following table:

			31 December 2015			31 December 2014		
(€'000)	Company	Country	Total loans	Current portion	Non-current portion	Total loans	Current portion	Non-current portion
BPER	Head office	Italy	70,434	32,934	37,500	-	-	-
Monte dei Paschi	Head office	Italy	49,735	27	49,708	-	-	-
Banca IMI	Head office	Italy	148,260	463	147,798	-	-	-
Banca Popolare di Bergamo	Head office	Italy	40,001	40,001	-	-	-	-
Banco do Brasil	Head office	Italy	60,060	46,727	13,333	28,215	28,215	-
Banca IMI (agent)	Head office	Italy	-	-	-	66,701	168	66,533
Intesa SanPaolo	Head office	Italy	-	-	-	42,485	25,000	17,485
Banca IMI Refinancing (Facility A)	Head office	Italy	249,603	3,145	246,458	285,899	785	285,114
Banca IMI Refinancing (Facility B)	Head office	Italy	163,645	1,657	161,988	-	-	-
Credie Agricole	Head office	Italy	9,291	9,291	-	-	-	-
Banca Popolare di Lodi	Head office	Italy	9,020	9,020	-	-	-	-
Banca Popolare di Bari	Head office	Italy	15,048	15,048	-	-	-	-
Banca Popolare del Lazio	Head office	Italy	14,002	14,002	-	-	-	-
Revolving	Head office	Italy	20,167	20,167	-	-	-	-
Banca del Mezzogiorno	Head office	Italy	20,794	10,250	10,543	30,533	9,890	20,643
Total bank corporate loans			**870,061**	**202,733**	**667,328**	**453,833**	**64,058**	**389,775**
UNB	United Arab Emirates branch	United Arab Emirates	10,259	10,259	-	-	-	-
BMCE	Moroccan branch	Morocco	5,903	5,903	-	5,975	5,975	-
Vari Istituti	Venezuelan branch	Venezuela	777	-	777	-	-	-
Total bank project financing			**16,939**	**16,162**	**777**	**5,975**	**5,975**	**-**

The main conditions of the bank loans in place at 31 December 2015 are as follows:

	Company	Interest rate	Expiry date	Note
Banco do Brasil (20 MLN)	Salini Impregilo	Euribor	2018	
Banca IMI Refinancing (Facility A)	Salini Impregilo	Euribor	2019	(1)
Banca IMI Refinancing (Facility B)	Salini Impregilo	Euribor	2020	(1)
Banca IMI	Salini Impregilo	Euribor	2020	
Monte dei Paschi	Salini Impregilo	Fixed rate	2019	(1)
BPER	Salini Impregilo	Euribor	2019	
Banca del Mezzogiorno	Salini Impregilo	Euribor	2017	

(1) The loans are backed by covenants that establish the requirement for the borrower to maintain certain financial and equity ratios, which at the date of this Annual Report are fully respected

The interest rates shown in the table have floating spreads depending on the term and conditions of the financing. The decision to apply the Euribor (1, 2, 3 or 6 months) has been contractually provided for to the benefit of Salini Impregilo.

The non-current portion of the above loans will be repaid at their contractual maturity, based on the following time bands:

(€'000)	Company	Country	Total non-current portion	Due after 13 months but within 24 months	Due after 25 months but within 60 months	Due after 60 months
Banca IMI (agent)	Salini Impregilo	Italy	147,798	-	147,798	-
BPER	Salini Impregilo	Italy	37,500	25,000	12,500	-
Monte dei Paschi di Siena	Salini Impregilo	Italy	49,708	49,708	-	-
Banca IMI Refinancing (Facility B)	Salini Impregilo	Italy	161,988	-	161,988	-
Banca IMI Refinancing (Facility A)	Salini Impregilo	Italy	246,458	243,370	3,088	-
Banco do Brasil	Salini Impregilo	Italy	13,333	13,333	-	-
Banca del Mezzogiorno	Salini Impregilo	Italy	10,543	10,543	-	-
Total bank corporate loans			**667,328**	**341,955**	**325,374**	**-**
Various banks	Venezuelan branch	Italy	777	777	-	-
Total bank project financing			**777**	**777**	**-**	**-**

The fair value of the bank loans, measured as set out in the “Accounting policies” section, is €884.1 million.

Current account facilities

Current account facilities totalled €38.9 million. This item refers to the Romanian branch and head office for €18.7 million and €14.0 million, respectively.

Other financing

Other financing at 31 December 2015 totals €53.3 million, €12.0 million of which payable to Caterpillar Financial for the purchase of plant and machinery for the foreign branches. The fair value of this liability, measured as set out in the “Accounting policies” section, is €12.1 million.

The remainder of €41.3 million, falling due within one year, refers to the liability for the purchase of the additional 15% in the investee Riyadh Metro Line 3 (Saudi Arabia). Its fair value is substantially in line with its carrying amount.

Factoring liabilities

Factoring liabilities amount to €59.7 million at the reporting date and refer to the factoring of invoices by foreign branches in Ethiopia, Venezuela and Sierra Leone.

Net financial indebtedness of Salini Impregilo S.p.A.

(€'000)	Note (*)	31 December 2015	31 December 2014	Variation
Non-current financial assets	7	17,630	39,083	(21,453)
Current financial assets	12	483,347	435,927	47,420
Cash and cash equivalents	15	763,933	380,867	383,066
Total cash and cash equivalents and other financial assets		**1,264,910**	**855,877**	**409,033**
Bank and other loans and borrowings	17	(675,989)	(405,086)	(270,903)
Bonds	18	(396,211)	(394,326)	(1,885)
Finance lease liabilities	19	(67,002)	(88,673)	21,671
Total non-current indebtedness		**(1,139,202)**	**(888,085)**	**(251,117)**
Current portion of bank loans and borrowings and current account facilities	17	(606,595)	(529,102)	(77,493)
Current portion of bonds	18	(10,203)	(10,203)	-
Current portion of finance lease liabilities	19	(42,081)	(36,742)	(5,339)
Total current indebtedness		**(658,879)**	**(576,047)**	**(82,832)**
Derivative liabilities	20	(10,685)	(294)	(10,391)
Net financial assets of SPEs (**)		17,512	65,953	(48,441)
Total other financial assets		**6,827**	**65,659**	**(58,832)**
Net financial indebtedness including discontinued operations		**(526,344)**	**(542,596)**	**16,252**

(*) The note numbers refer to the notes to the separate financial statements where the items are analysed in detail

(**) This item shows the company's net amounts due from/to consortia and/or consortium companies operating under a cost recharging system. The balance reflects the company's share of cash and cash equivalents or debt of the SPEs. The balances are presented under trade receivables in the separate financial statements

18. Bonds

The outstanding bond issues at 31 December 2015 amount to €406.4 million. They are analysed in the following table:

(€'000)	31 December 2015	31 December 2014	Variation
Non-current portion	396,211	394,326	1,885
Current portion	10,203	10,203	-
Total	**406,414**	**404,529**	**1,885**

A breakdown of this item is set out in the following table:

	31 December 2015			31 December 2014		
(€'000)	Total bonds	Current	Non-current	Total bonds	Current	Non-current
Salini Impregilo S.p.A.	406,414	10,203	396,211	404,529	10,203	394,326
Total	**406,414**	**10,203**	**396,211**	**404,529**	**10,203**	**394,326**

The company's (formerly Salini S.p.A.) senior unsecured bonds were issued on 23 July 2013 for a nominal amount of €400 million to be redeemed on 1 August 2018, intended for international institutional investors. The bonds, which have a minimum denomination of €100,000 and an annual gross coupon of 6.125%, were placed with primary international institutional investors at a price of €99.477.

The fair value of the bonds at the reporting date, measured as set out in the "Accounting policies" section, is €556.2 million.

19. Finance lease liabilities

Finance lease liabilities may be broken down as follows at 31 December 2015:

(€'000)	31 December 2015	31 December 2014	Variation
Non-current portion	67,002	88,673	(21,671)
Current portion	42,081	36,742	5,339
Total	**109,083**	**125,415**	**(16,332)**

This item includes the principal of future lease payments of contracts existing at the reporting date. Liabilities for these leases are guaranteed to the lessor via rights to the leased assets.

The present value of the minimum future lease payments is €109.1 million (31 December 2014: €125.4 million) as follows:

(€'000)	31 December 2015	31 December 2014
Minimum lease payments:		
Due within one year	47,932	42,020
Due between one and five years	68,256	94,617
Due after five years	-	14
Total	**116,188**	**136,651**
Future interest expense	(7,106)	(11,235)
Net present value	**109,082**	**125,416**
The net present value is as follows:		
Due within one year	44,185	36,734
Due between one and five years	64,897	88,668
Due after five years	-	14
Total	**109,082**	**125,416**

20. Derivatives and other current financial liabilities

Derivative liabilities amount to €10.7 million. They relate to currency hedges.

(€'000)	31 December 2015 Liabilities	31 December 2014 Liabilities
Interest rate swaps - Cash flow hedges	10,685	293
Total derivatives presented in net financial indebtedness	**10,685**	**293**

INTEREST RATE SWAP - Cash flow hedge: fair value Liabilities

Company	Agreement date	Expiry date	Currency	Notional amount	Fair value (€)
Goldman Sachs	16/11/2015	04/01/2016	USD	400,000,000	(9,920,088)
Banca Intesa	12/11/2015	24/02/2016	EUR	75,000,000	(382,694)
Unicredit	12/11/2015	24/02/2016	EUR	75,000,000	(382,694)
Total					**(10,685,476)**

This category includes derivatives that have been entered into to hedge the company against currency risks but that do not meet (or no longer meet and the situation has not been currently resolved) hedge accounting requirements for cash flows hedges.

21. Post-employment benefits and employee benefits

At 31 December 2015, the company's liability due to all its employees determined using the criteria set out in IAS 19 is €12.1 million.

The balance mainly consists of the Italian post-employment benefits (TFR).

At 31 December 2015 and 2014, the liability for post-employment benefits is the outstanding amount at the reform effective date, net of benefits paid up to the reporting dates. The liability is considered part of a defined benefit plan under IAS 19 and has, therefore, been subjected to actuarial valuation. The valuation, performed with the assistance of an independent expert, was based on the following rates:

- turnover rate: 7.25%;
- discount rate: 1.49%;
- advance payment rate: 3%;
- inflation rate: 2%.

The company has used the Iboxx AA Corporate index for the Eurozone, which has an average financial duration in line with the fund being valued, to calculate the discount rate.

Changes in the item are as follows:

(€'000)	31 December 2014	Accruals	Payments	Contributions paid to INPS treasury and other funds	Net actuarial losses	Other changes and change in consolidation scope	31 December 2015
Post-employment benefits and employee benefits	11,322	8,890	(5,835)	(5,295)	(843)	3,851	12,090

(€'000)	31 December 2013	Accruals	Payments	Contributions paid to INPS treasury and other funds	Net actuarial losses	Other changes and change in consolidation scope	31 December 2014
Post-employment benefits and employee benefits	11,690	7,616	(5,091)	(5,061)	745	1,423	11,322

The net decrease in post-employment benefits in 2015 is due to both payments made during the year and contributions transferred to the INPS treasury and other funds, as well as the accrual for the year and the actuarial gains and losses recognised in the specific equity reserve, as required by revised IAS 19. Other change are mainly due to exchange rate differences.

An increase or decrease of 0.25% in the discount rate used to calculate the liability at 31 December 2015 would have had a negative or positive effect of €0.1 million. A similar increase or decrease at 31 December 2014 would have had a negative or positive effect of €0.1 million, respectively.

22. Provisions for risks

At 31 December 2015, these provisions amount to €29.9 million. Changes of the year are as follows:

(€'000)	31 December 2014	Accruals	Utilisations / Releases	Reversals	Other changes	31 December 2015
Provisions for risks on equity investments	27,359	15,653	-	-	(25,019)	17,993
Other provisions	9,593	2,949	(405)	(21)	(225)	11,891
Total	**36,952**	**18,602**	**(405)**	**(21)**	**(25,244)**	**29,884**

Prior year changes are given below for comparative purposes:

(€'000)	31 December 2013	Merger	Accruals	Utilisations / Releases	Reversals	Reclass.	31 December 2014
Provisions for risks on equity investments	125,207	1,787	23,489	(1,151)	-	(121,973)	27,359
Other provisions	9,021	5,073	756	(242)	(4,884)	(130)	9,593
Total	**134,228**	**6,860**	**24,245**	**(1,393)**	**(4,884)**	**(122,103)**	**36,952**

The provision for risks on equity investments may be analysed as follows:

(€'000)	31 December 2015	31 December 2014	Variation
Equity investments in SPEs with negative carrying amounts	15,243	25,572	(10,329)
Investments in associates and other companies with negative carrying amounts	2,750	1,786	964
Total	**17,993**	**27,358**	**(9,365)**

As disclosed in note 3 (to which reference should be made), the provision for risks on equity investments includes the impairment losses on investments in certain SPEs for the part exceeding their carrying amounts.

Changes in the provision during the year were due to:

- reclassifications of approximately €25 million, mainly related to the Chilean subsidiary Angostura (€19 million) and the subsidiary ICT II Sas Colombia (€5.8 million);
- accruals of €15.7 million, mostly for Empresa Costructora Metro (€8.1 million) and ICT II Sas (Colombia (€5.2 million).

Other provisions increased by €2.3 million to €11.9 million. Changes of the year comprise:

(i) accruals of €2.9 million for disputes involving the company related to arbitration hearings about concessions and labour disputes (€1.4 million), the Kazakhstan branch for a tax audit (€1 million) and the Sierra Leone branch (€0.5 million);

(ii) utilisations/releases of €0.4 million, as the events for which the accruals were made took place;

(iii) exchange rate differences of €0.2 million, mainly relating to the Brazilian branch.

Other provisions include the following:

(€'000)	31 December 2015	31 December 2014	Variation
Ongoing litigation	9,287	8,267	1,020
Building segment litigation	795	795	-
Tax and social security litigation	1,500	-	1,500
Other	310	530	(220)
Total	**11,892**	**9,592**	**2,300**

The provision for ongoing litigation mainly relates to foreign contracts completed in previous years.

The provision for building segment litigation was originally set up by Impregilo Edilizia e Servizi, merged into Salini Impregilo S.p.A. (then Impregilo S.p.A.) in previous years.

The €2.3 million increase on the previous year is mainly due to the accrual of €1.5 million to the provision for tax litigation on behalf of the Kazakhstan branch for probable assessed taxes related to 2013 and the Moroccan branch. The company also accrued €1.3 million for disputes about arbitration hearings on concessions and labour disputes and used €0.4 million.

More information is available in the section on the “Main risk factors and uncertainties” in the Directors’ report.

23. Progress payments and advances on contract work in progress

The item "Advances on contract work in progress" included in "Current liabilities", amounts to €1,003.4 million, up €200.2 million on the figure at 31 December 2014. It comprises:

(€'000)	31 December 2015	31 December 2014	Variation
Contract work in progress	(1,276,255)	(6,782,720)	5,506,465
Progress payments and advances received (on approved work)	1,332,678	6,858,694	(5,526,016)
Contractual advances	946,995	727,195	219,800
Total	**1,003,418**	**803,169**	**200,249**

Work in progress recognised under liabilities (negative WIP) is the negative net balance, for each contract, of work performed to date, the provision for contractual risks and progress billings and advances.
Contractual advances received include the amounts paid by customers as per the related contract and recovered over the contract term.

The following table shows the contribution by key contract:

	31 December 2015			31 December 2014			
(€'000)	Negative WIP	Advances	Total	Negative WIP	Advances	Total	Variation
Qatar	6,274	1,658	7,932	15,821	5,524	21,345	(13,413)
Arabia	-	472,505	472,505	-	218,594	218,594	253,911
Venezuela	592	3,382	3,974	6,354	-	6,354	(2,380)
Ethiopia	-	335,625	335,625	-	451,719	451,719	(116,094)
Romania	-	14,314	14,314	-	-	-	14,314
Georgia	-	14,181	14,181	-	-	-	14,181
Peru	8,398	-	8,398	-	-	-	8,398
Austria	32,190	-	32,190	12,829	-	12,829	19,361
South Africa Mavundla	-	32,509	32,509	-	-	-	32,509
High speed/ capacity	-	-	-	6,429	-	6,429	(6,429)
Metro Blu	6,203	-	6,203	20,113	-	20,113	(13,910)
Other	2,766	72,821	75,587	14,428	51,358	65,786	9,801
Total	**56,423**	**946,995**	**1,003,418**	**75,974**	**727,195**	**803,169**	**200,249**

The item shows a total increase of €200.2 million over 31 December 2014.

The most significant contractual advances at the reporting date related to: increases for the Riyadh Metro Line 3 in Saudi Arabia (€253.9 million); decreases for the Grand Ethiopian Renaissance Dam Project and the Gibe III Hydroelectric Project in Ethiopia (€92.3 million and €23.8 million, respectively).

The Directors' report provides more information about the performance of these contracts and their progress.

24. Trade payables

Trade payables amount to €899.9 million (31 December 2014: €863.3 million) and include payables of €520.5 million (down €27.2 million on 31 December 2014) to group companies and other related parties. The increase of €36.6 million in this caption is analysed in the following table:

(€'000)	31 December 2015	31 December 2014	Variation
Third parties	379,419	320,256	59,163
Group companies and other related parties	520,479	542,999	(22,520)
Total	**899,898**	**863,255**	**36,643**

The €59.2 million increase is principally the sum of:

- an increase of €83.7 million through the joint operation working on the Riyadh Metro Line 3 contract in Saudi Arabia;
- an increase of €17 million related to the Slovakian branch;
- a decrease of €36.1 million related to the Ethiopian branch;
- a decrease of €10.4 million related to the Kazakhstan branch.

Trade payables to group companies and other related parties decreased by €22.5 million to €520.5 million.

The most significant variations are due to:

- a decrease of €46.6 million in the payable to Metro Blue following the offsetting of payables for certified work by the receivables for the recharge of costs;
- an increase of €26.4 million in the payable to Western Station JV as a result of its inclusion in the Group in 2015.

25. Current tax liabilities and other current tax liabilities

Current tax liabilities amount to €47.8 million as follows:

(€'000)	31 December 2015	31 December 2014	Variation
IRES	302	5,383	(5,081)
Foreign taxes	47,473	21,909	25,564
Total	**47,775**	**27,292**	**20,483**

Other current tax liabilities of €30.8 million increased by €23.4 million over 31 December 2014. They may be analysed as follows:

(€'000)	31 December 2015	31 December 2014	Variation
VAT	17,901	3,838	14,063
Other indirect taxes	12,881	3,568	9,313
Total	**30,782**	**7,406**	**23,376**

26. Other current liabilities

Other current liabilities of €118.2 million (31 December 2014: €137.2 million) decreased by €19.0 million, mainly due to the reduction in liabilities with group companies and other related parties. They comprise:

(€'000)	31 December 2015	31 December 2014	Variation
Social security institutions	8,427	7,496	931
Employees	34,683	28,493	6,190
Other	32,220	29,074	3,146
Group companies and other related parties	21,976	51,587	(29,611)
Accrued expenses and deferred income	20,862	20,502	360
Total	**118,168**	**137,152**	**(18,984)**

These liabilities include:

- accrued accounts due to social security institutions and personnel, amounting to €8.4 million and €34.7 million respectively. The increase mainly relates to the new projects in Saudi Arabia;
- "Other" of €32.3 million (31 December 2014: €29.1 million); the €3.1 million increase is a result of the rise in the liability with the company's partners in joint ventures in South Africa, offset by the decrease caused by the adjustment of the balances in the Venezuelan currency to the new official SIMADI exchange rate adopted by the company in the first half of 2015, which was considerably lower than the previous official exchange rate (Bolivar Fuerte or VEF);
- liabilities with group companies and related parties amounted to €22.0 million, a decrease of €29.6 million compared to the previous year end. This reduction was mainly a result of the settlement of €22.4 million due to Todini Costruzioni Generali S.p.A. through the correspondence current account for the national tax consolidation system and the decrease in liabilities with joint venturers in Greece and Switzerland;
- accrued expenses and deferred income of €20.9 million, as follows:

(€'000)	31 December 2015	31 December 2014	Variation
Accrued expenses:			
- Other	9,839	9,290	549
Total accrued expenses	**9,839**	**9,290**	**549**
Deferred income:			
- Provision of services	11,023	11,212	(189)
Total deferred income	**11,023**	**11,212**	**(189)**
Total	**20,862**	**20,502**	**360**

The other accrued expenses are in line with the previous year end and mainly comprise costs not yet paid for contract work in progress and the ten-year post-contract guarantee of €3.8 million.

27. Guarantees, commitments, risks and contingent liabilities

Guarantees and commitments

The key guarantees given by the company are set out below:

- Contractual sureties: these total €7,048.7 million and are given to customers as performance bonds, to guarantee advances, withholdings and involvement in tenders for all ongoing contracts. In turn, the company has guarantees given by its subcontractors.
- Sureties for credit: they amount to €893.2 million and relate to subsidiaries (€335.0 million), associates (€302.6 million) and other group companies (€217.7 million). The residual amount of €37.8 million relates to sureties granted on behalf of Salini Impregilo S.p.A..
- Sureties granted for export credit of €160.3 million.
- Other personal guarantees of €68.5 million consisting of guarantees related to customs and tax obligations and other commitments (€759.4 million).
- Collateral related to a lien on the remaining shares of Tangenziale Esterna S.p.A. given to guarantee a loan (€17.4 million) and a lien on the shares of the SPE M4 (€1.9 million).

Litigation and contingent liabilities

The company is involved in civil and administrative proceedings that are not expected to have a significant negative effect on its separate financial statements, based on the information currently available and the existing provisions for risks. The section on the “Main risk factors and uncertainties” in the Directors’ report provides information about the main disputes.

Tax disputes

With respect to the principal dispute with the tax authorities:

- the dispute about the assessment notice challenging the tax treatment of impairment losses and losses on the sale of assets recognised by the company in 2003 is currently before the Supreme Court, following the tax authorities’ appeal. As noted in previous reports, the main issue about the sale by Impregilo S.p.A. of its investment in the Chilean operator Costanera Norte SA to Impregilo International NV was cancelled by the Milan Regional Tax Commission on 11 September 2009 (higher assessed tax base of €70 million);
- the company’s appeal about reimbursement of tax assets with a nominal amount of €12.3 million acquired from third parties as part of previous non-recurring transactions is still pending before the Supreme Court;
- a dispute about the technique used to “realign” the carrying amount of equity investments as per article 128 of Presidential decree no. 917/86 (greater assessed tax base of €4.2 million) is still pending before the first level court;
- with respect to another dispute again related to 2005 and the costs of a joint venture set up in Venezuela for which the greater assessed tax base is €6.6 million, the Regional Tax Commission filed its ruling entirely in the company’s favour on 19 May 2015; the tax authorities appealed to the Supreme Court on 28 December 2015 challenging the procedure while stating that the findings do not relate to the appeal. The company has filed its defence brief;
- the company was notified of: (i) a payment order from the tax authorities for Islandic taxes of €4.6 million, which was cancelled after the company’s appeal with the ruling filed on 30 November 2015; and (ii) a payment bill for the same taxes which the company appealed. It won both at first and second level. On 18 January 2016, the tax authorities presented their appeal to the Supreme Court and the company filed its defence brief;

With respect to the above pending disputes, after consulting its legal advisors, the company believes that it has acted correctly and deems that the risk of an adverse ruling is not probable.

Finally, the Milan unit of the tax police is currently performing a tax audit of the IRES, IRAP and VAT paid in 2011 and 2012. It has extended this audit to 2010 and issued its preliminary assessment report on 8 July 2015 finding a higher tax base for IRES and IRAP purposes of approximately €1.0 million and approximately €0.8 million, respectively. The company decided to communicate its intention to join the mutually-agreed settlement procedure to the tax authorities pursuant to article 5-bis of Legislative decree no. 218 of 19 June 1997. This procedure was finalised in 2015. Settlement entailed paying higher IRES and IRAP of €0.8 million for 2009.

Islandic branch

With respect to the completed contract for the construction of a hydroelectric plant in Karanjukar (Iceland), a dispute arose with the local tax authorities in 2004 about the party required to act as the withholding agent for the remuneration of foreign temporary workers at the building site. Salini Impregilo was firstly wrongly held responsible for the payment of the withholdings on this remuneration, which it therefore paid.

Following the definitive ruling of the first level court, the company's claims were fully satisfied. Nevertheless, the local authorities subsequently commenced a new proceeding for exactly the same issue. The Supreme Court rejected the company's claims in its ruling handed down in February 2010, which is blatantly contrary to the previous ruling issued in 2006 on the same matter by the same judiciary authority.

The company had expected to be refunded both the unduly paid withholdings of € 6.9 million (at the original exchange rate). After the last ruling, the company took legal action at international level (appeal presented to the EFTA Surveillance Authority on 22 June 2010) and, as far as possible, again at local level (another reimbursement claim presented to the local tax authorities on 23 June 2010) as it deems that the last ruling issued by the Icelandic Supreme Court is unlawful both in respect of local legislative and international agreements regulating trade relations between the EFTA countries and international conventions which do not allow application of discriminatory treatments to foreign parties (individuals and companies) working in other EFTA countries.

On 8 February 2012, the EFTA Surveillance Authority sent the Icelandic government a communication notifying the infraction of the free exchange of services and requested the government to provide its observations about this. In April 2013, the EFTA Surveillance Authority issued its documented opinion finding the Icelandic legislation to be inconsistent with the regulations covering trade relations between the member countries with respect to the regulations for the above dispute.

It asked that Iceland take steps to comply with these regulations. Accordingly, the company requested the case be re-examined and is assessing whether to take additional action at international level. Based on the above, Salini Impregilo does not believe objective reasons currently exist to change the valuations made about this dispute.

28. Financial instruments and risk management

Classes of financial instruments

The company's financial instruments are broken down by class in the following table, which also shows their fair value:

31 December 2015 (€'000)	**Note**	**Loans and receivables**	**Financial assets at fair value through profit or loss**	**Hedging derivatives**	**Held-to-maturity investments**	**Available-for-sale financial assets**	**Total**	**Fair value**
Financial assets								
Non-current financial assets	7	218			17,412		17,630	17,630
Trade receivables	11	1,044,914					1,044,914	1,044,914
Other current financial assets	12	482,709			638		483,347	483,347
Cash and cash equivalents	15	763,933					763,933	763,933
Total		**2,291,774**			**18,050**		**2,309,824**	**2,309,824**

31 December 2015 (€'000)	**Note**	**Other liabilities at amortised cost**	**Financial liabilities at fair value through profit or loss**	**Hedging derivatives**	**Total**	**Fair value**
Financial liabilities						
Bank and other loans and borrowings	17	1,282,584			1,282,584	1,301,018
Bonds	18	406,414			406,414	556,160
Finance lease liabilities	19	109,083			109,083	109,083
Derivatives	12			10,685	10,685	10,685
Trade payables	24	899,898			899,898	899,898
Total		**2,697,979**		**10,685**	**2,708,664**	**2,876,844**

31 December 2014 (€'000)	**Note**	**Loans and receivables**	**Financial assets at fair value through profit or loss**	**Hedging derivatives**	**Held-to-maturity investments**	**Available-for-sale financial assets**	**Total**	**Fair value**
Financial assets								
Non-current financial assets	7	20,344			18,739		39,083	39,083
Trade receivables	11	1,052,391					1,052,391	1,052,391
Other current financial assets	12	435,827			99		435,926	435,926
Derivatives	12							
Cash and cash equivalents	15	380,867					380,867	380,867
Total		**1,889,429**			**18,838**		**1,908,267**	**1,908,267**

31 December 2014 (€'000)	Note	Other liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging derivatives	Total	Fair value
Financial liabilities						
Bank and other loans and borrowings	17	934,188			934,188	961,512
Bonds	18	404,529			404,529	427,120
Finance lease liabilities	19	125,415			125,415	125,415
Derivatives	20			293	293	293
Trade payables	24	863,255			863,255	863,255
Total		**2,327,387**		**293**	**2,327,680**	**2,377,595**

The note column gives the section in which the relevant item is described.

Reference should be made to the section on accounting policies for information on the fair value measurement of these items. Specifically, the fair value of the items is based on the present value of estimated future cash flows.

Risk management

Salini Impregilo is exposed to financial risks, including the following:

- ***market risk*** deriving from the company's exposure to interest rate fluctuations and exchange rate fluctuations;
- ***credit risk*** deriving from the company's exposure to potential losses arising from the customers' non-compliance with their obligations;
- ***liquidity risk*** deriving from the risk that the financial resources necessary to meet obligations may not be available at the agreed terms and deadlines.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk and interest rate risk.

Currency risk

Salini Impregilo's international presence entails its exposure to the risk of fluctuations in exchange rates of the Euro and the currencies of the various countries in which it operates. Currency risk at 31 December 2014 mainly related to the following currencies:

- US dollar (United States)
- SIMADI (Venezuela)
- Dirham (United Arab Emirates)
- Riyal (Qatar)
- Tenge (Kazakhstan)
- Namibian dollar (Namibia)
- Birr (Ethiopia)

The company's currency risk management strategy is essentially based on the following policies:

- agreement of contractual considerations for works and projects in countries with weak currencies using a primarily multi-currency format, in which only a portion of the consideration is expressed in local currency;
- use of portions of the contractual considerations in local currency mainly to cover project expenses to be incurred in that currency;
- analysis of exposure in US dollars on a cumulative and prospective basis with consistent deadlines

and setting up forward transactions in the same currency to hedge the company's net exposure at those deadlines.

Adoption of the above-mentioned policies has contained the company's exposure to currency risk with respect to the US dollar, the SIMADI, the Dirham, the Riyal, the Tenge, the Namibian dollar and the Birr.

Had the Euro appreciated or depreciated by 5% against the US dollar at year end, the profit before tax for the year would have been respectively lower or greater by €12.4 million, assuming that all other variables remained constant, mainly due to exchange rate gains (losses) arising from the adjustment of net assets in US dollars. A similar change at the end of the previous year would have lead to a €6.2 million decrease (increase in the case of depreciation) in the profit before tax for the year, mainly due to the exchange rate gains (losses) arising from the adjustment of net assets in US dollars.

Had the Euro appreciated or depreciated by 15% against the SIMADI at year end, the profit before tax for the year would have been respectively lower or greater by €0.6 million, assuming that all other variables remained constant, mainly due to exchange rate losses (gains) arising from the adjustment of net assets in the Venezuelan SIMADI. A similar change at the end of the previous year would have led to a €1.7 million decrease (increase in the case of depreciation) in the profit before tax for the year.

Had the Euro appreciated or depreciated by 5% against the UAE Dirham at year end, the profit before tax for the year would have been respectively greater or lower by €0.1 million, assuming that all other variables remained constant, mainly due to exchange rate losses (gains) arising from the adjustment of net liabilities in the UAE Dirham. A similar change at the end of the previous year would have led to a €2.5 million decrease (increase in the case of depreciation) in the profit before tax for the year.

Had the Euro appreciated or depreciated by 5% against the Qatari Riyal at year end, the profit before tax for the year would have been respectively lower or greater by €1.5 million, assuming that all other variables remained constant, mainly due to exchange rate losses (gains) arising from the adjustment of net assets in the Qatari Riyal. A similar change at the end of the previous year would have led to a €1.0 million decrease (increase in the case of depreciation) in the profit before tax for the year.

Had the Euro appreciated or depreciated by 5% against the Kazakhstani Tenge at year end, the profit before tax for the year would have been respectively greater or lower by €0.3 million, assuming that all other variables remained constant, mainly due to exchange rate losses (gains) arising from the adjustment of net liabilities in the Kazakhstani Tenge. A similar change at the end of the previous year would have led to a €13.9 million decrease (increase in the case of depreciation) in the profit before tax for the year.

Had the Euro appreciated or depreciated by 5% against the Namibian dollar at year end, the profit before tax for the year would have been respectively greater or lower by €10.4 million, assuming that all other variables remained constant, mainly due to exchange rate losses (gains) arising from the adjustment of net liabilities in the Namibian dollar.

Had the Euro appreciated or depreciated by 5% against the Ethiopian Birr at year end, the profit before tax for the year would have been respectively lower or greater by €0.9 million, assuming that all other variables remained constant, mainly due to exchange rate losses (gains) arising from the adjustment of net assets in the Ethiopian Birr. A similar change at the end of the previous year would have led to a €1.0 million decrease (increase in the case of depreciation) in the profit before tax for the year.

Interest rate risk
Salini Impregilo has adopted a combined strategy of streamlining operations by disposing of non-strategic assets, containing debt and hedging interest rate risks on a portion of the non-current structured loans through interest rate swaps (IRSs).

The financial risks arising from market interest rate fluctuations to which the company is potentially exposed and which are monitored by the relevant company personnel relate to medium/long-term floating rate loans. Such risk is mitigated by interest accrued on short-term investments of liquidity available at the Italian-based consortia and consortium companies and foreign subsidiaries, which are used to support the company's operations.

Had interest rates increased (or decreased) by 75 basis points at year end, the pre-tax profit for the year would have been respectively lower or greater by €9.8 million, assuming that all other variables remained constant and without considering cash and cash equivalents. A similar change at the end of the previous year would have led to a €9.0 million decrease (or increase) in the pre-tax profit for the year, assuming that all other variables remained constant.

Credit risk

Credit risk is that deriving from the company's exposure to potential losses arising from the customers' (which are mostly governments or state bodies) non-compliance with their obligations.

Management of this risk is complex, starting as early as the assessment of offers, through a careful analysis of the characteristics of the countries in which the company's activities should be carried out and the customers, which are usually state or similar bodies, requesting an offer.

Therefore, this risk can be essentially assimilated to the country risk. An analysis of this risk based on the age of the outstanding amounts is not very meaningful, since the receivables (mostly due from state bodies) should be assessed together with the related working capital items, especially those reflecting the net exposure to customers (positive and negative work in progress, advances and payments on account) in relation to contract work in progress as a whole.

A breakdown of working capital by geographical segment is set out below:

(€'000)	31 December 2015	31 December 2014
Italy	1,010,337	775,445
Other EU countries	(11,490)	(44,850)
Other non-EU countries	(8,926)	(1,826)
America	(150,687)	(62,638)
Asia/Middle East	(385,729)	(223,446)
Rest of the world	150,957	118,642
Australia	(40,526)	(14,545)
Eliminations	(205,376)	(87,043)
Total	**358,560**	**459,739**

The reconciliation of the reclassified statement of financial position details the items included in working capital.

Salini Impregilo’s exposure to customers, broken down by contract location, is analysed below:

	Trade receivables	Positive WIP	Negative WIP and advances	Total	Allowances
31 December 2015					
Italy	550,826	323,665	(242,041)	632,450	
Other EU countries	27,959	85,145	(28,495)	84,609	
Other non-EU countries	1,539	-	-	1,539	
America	250,038	244,794	(11,780)	483,052	
Asia/Middle East	75,470	61,544	(309,467)	(172,453)	
Rest of the world	132,768	223,708	(379,445)	(22,969)	
Australia	6,309	-	(32,190)	(25,881)	
Total	**1,044,909**	**938,856**	**(1,003,418)**	**980,347**	**-**
31 December 2014					
Italy	454,285	280,370	(31,006)	703,649	
Other EU countries	9,463	44,992	(34,755)	19,700	
Other non-EU countries	117	-	-	117	
America	233,196	241,922	(14,203)	460,915	
Asia/Middle East	63,544	43,366	(242,291)	(135,381)	
Rest of the world	221,489	155,141	(480,914)	(104,284)	
Australia	4,344	-	-	4,344	
Total	**986,438**	**765,791**	**(803,169)**	**949,060**	**-**

The section on the "Main risk factors and uncertainties" of the Directors' report provides information about country risk for Libya, Venezuela, Nigeria, Ukraine and Turkey.

Liquidity risk

Liquidity risk derives from the risk that the financial resources necessary to meet obligations may not be available to the company at the agreed terms and deadlines. The company’s strategy aims at ensuring that each ongoing contract is financially independent. This strategy is strictly monitored centrally.

A breakdown of financial liabilities by composition and due date (based on undiscounted future cash flows) is set out below:

(€'000)	31 December 2015	31 December 2016	31 December 2019	After	Total
Current account facilities	38,916				38,916
Bonds	24,567	24,500	412,216		461,284
Bank and other loans and borrowings	437,641	193,246	341,006	90,313	1,062,205
Finance lease liabilities	42,081	18,652	46,245		106,978
Interest rate derivatives	10,685				10,685
Gross financial liabilities	**553,890**	**236,398**	**799,467**	**90,313**	**1,680,068**
Trade payables	899,898				899,898
Total	**1,453,788**	**236,398**	**799,467**	**90,313**	**2,579,966**

Future interest has been estimated based on the market interest rates at the date of preparation of these separate financial statements, summarised in the notes. The prior year figures are given below for comparative purposes:

(€'000)	31 December 2014	31 December 2015	31 December 2018	After	Total
Current account facilities	11,436				11,436
Bonds	24,500	24,567	438,797		487,864
Bank and other loans and borrowings	593,101	378,281	18,164	-	989,546
Finance lease liabilities	36,742	36,317	52,343	14	125,416
Interest rate derivatives	293				293
Gross financial liabilities	**666,072**	**439,165**	**509,304**	**14**	**1,614,555**
Trade payables	863,255				863,255
Total	**1,529,327**	**439,165**	**509,304**	**14**	**2,477,810**

Liquidity risk management is mainly based on containing debt and maintaining a balanced financial position. Loans and borrowings (principal) and trade payables (net of advances) falling due before 31 March 2016 are compared with the cash and cash equivalents that can be used to meet such obligations in the table below.

(€'000)	
Total current financial commitments	*739,476*
of which: due before 31 March 2016	419,366
Cash and cash equivalents	762,383
Difference	**343,017**

Fair value measurement hierarchy

IFRS 7 requires that the fair value of financial instruments recognised in the statement of financial position be classified using a fair value hierarchy that reflects the significance of the inputs used to determine fair value. There are three different levels:

- Level 1 - Fair values measured using quoted prices in active markets;
- Level 2 - Fair values measured using valuation techniques for which inputs significant to the fair value measurement are based on observable market data;
- Level 3 - Fair values measured using valuation techniques for which inputs significant to the fair value measurement are based on unobservable market data.

Financial instruments recognised by the company at fair value are classified as follows:

(€'000)	Note	Level 1	Level 2	Level 3
Derivative assets	9		-	
Derivative liabilities	17		(10,685)	
Total		**-**	**(10,685)**	**-**

There were no movements from Level 1 to Level 2 during the year or vice versa.

Income statement

29. Revenue

Revenue for 2015 amounts to €3,027.2 million, up on the previous year as follows:

(€'000)	2015	2014	Variation
Revenue	2,913,416	2,247,516	665,900
Other income	113,772	94,345	19,427
Total	**3,027,188**	**2,341,861**	**685,327**

The rise in revenue is mainly due to several large foreign contracts such as the Red Line North project in Qatar, the Riyadh Metro in Saudia Arabia and the hydroelectric plants Gibe III and GERD in Ethiopia as well as the high capacity/speed Milan-Genoa railway section.

A breakdown of revenue is as follows:

(€'000)	2015	2014	Variation
Works invoiced to customers	2,803,181	2,105,088	698,093
Services	98,006	136,012	(38,006)
Sales	12,229	6,416	5,813
Total	**2,913,416**	**2,247,516**	**665,900**

Works invoiced to customers include contractual revenue deriving from production carried out during the year, measured using the stage of completion method.

Services mainly relate to sponsorship fees and services provided to support group companies.
A breakdown of other income is given in the following table:

(€'000)	2015	2014	Variation
Other	28,501	22,784	5,717
Rent and leases	2,804	188	2,616
Staff services	7	2,339	(2,332)
Recharged costs	70,774	46,602	24,172
Insurance compensation	-	6,417	(6,417)
Gains on the disposal of non-current assets and equity investments	5,003	9,275	(4,272)
Prior year income	6,683	6,740	(57)
Total	**113,772**	**94,345**	**19,427**

30. Costs

Costs for the year amount to €2,820.6 million compared to €2,215.9 million for 2014. They account for 93.2% of total revenue compared to 94.6% in 2014.
The item may be broken down as follows:

(€'000)	2015	2014	Variation
Purchases	340,251	256,511	83,740
Subcontracts	491,807	529,325	(37,518)
Services	1,497,050	1,020,438	476,612
Personnel expenses	275,493	251,124	24,369
Other operating expenses	69,916	53,281	16,635
Amortisation, depreciation, provisions and impairment losses	146,068	105,251	40,817
Total	**2,820,585**	**2,215,930**	**604,655**

The difference in the individual items compared to 2014 is mainly due to the different cost structures that vary from contract to contract and may, in some cases, entail changes in the industrial operating model from one year to another. Moreover, as these are large-scale infrastructural works that take several years to complete, resort to normal production factors depends on the stage of completion of each contract in any given year. These changes may generate significant variations in the percentage of the related cost categories depending on the contract and the year, while not affecting the total percentage of operating costs of total revenue.

30.1 Purchases

The cost of raw materials and consumables incurred in 2015 increased by €83.7 million to €340.3 million compared to the corresponding figure of the previous year:

(€'000)	2015	2014	Variation
Purchases of raw materials and consumables	343,964	281,774	62,190
Change in raw materials and consumables	(3,713)	(25,263)	21,550
Total	**340,251**	**256,511**	**83,740**

30.2 Subcontracts

Costs of subcontracts decreased to €491.8 million, down €37.5 million on 2014 as summarised in the following table:

(€'000)	2015	2014	Variation
Subcontracts	491,807	529,325	(37,518)
Total	**491,807**	**529,325**	**(37,518)**

30.3 Services

This item increased to €1,497.0 million, up €476.6 million on the previous year, as shown in the following table:

(€'000)	2015	2014	Variation
Consultancy and technical services	207,356	129,102	78,254
Fees to directors, statutory auditors and independent auditors	9,748	11,529	(1,781)
Employee travel costs	1,335	11,404	(10,069)
Maintenance and testing	4,422	6,448	(2,026)
Transport and customs	82,707	96,863	(14,156)
Insurance	36,216	20,180	16,036
Recharging of costs by consortia	1,039,064	656,128	382,936
Rent and leases	73,757	40,596	33,161
Charge backs	-	401	(401)
Lease payments and expenses	305	280	25
Commercial expenses	-	5,620	(5,620)
Other	42,140	41,887	253
Total	**1,497,050**	**1,020,438**	**476,612**

“Recharging of costs by consortia” increased by €383.0 million, mainly due to the variation in costs recharged by consortia and joint ventures.

The item includes Consorzio OIV Tocoma’s Venezuelan contract (€233. million) and the contracts for costs recharged by the Qatari branch (€65.9 million), the Australian branch (€57.8 million) and the Saudi Arabian branch (€16.3 million).

“Consultancy and technical services” increased by €78.3 million and mainly consist of the design and construction costs incurred by the SPEs and legal and administrative consultancy fees.
A breakdown of this item is as follows:

(€'000)	2015	2014	Variation
Design and engineering services	179,376	102,266	77,110
Legal, administrative and other services	18,776	23,458	(4,682)
Testing	183	1,037	(854)
Construction	9,021	2,341	6,680
Total	**207,356**	**129,102**	**78,254**

Fees to the independent auditors, KPMG, and other companies of its network for services provided from 30 April 2015 (when the shareholders appointed them) are detailed as follows:

		Fees (€'000)
Audit	Salini Impregilo S.p.A.	1,337
	Subsidiaries	964
Total Audit		**2,301**
Other services	Salini Impregilo S.p.A.	1,370
	Subsidiaries	95
Total Other services		**1,465**
Total Salini Impregilo Group		**3,766**

For greater disclosure purposes, it should be noted that the KPMG network entities provided the Group with non-audit services for €439 thousand in the period from 1 January to 30 April 2015.

30.4 Personnel expenses

Personnel expenses for the year amount to €275.5 million, up by €24.4 million on 2014. The item is made up as follows:

(€'000)	**2015**	**2014**	**Variation**
Wages and salaries	199,835	193,083	6,752
Social security and pension contributions	31,680	28,129	3,551
Post-employment benefits	8,901	7,616	1,285
Other	35,077	22,296	12,781
Total	**275,493**	**251,124**	**24,369**

"Other" mainly relates to termination benefits and reimbursements of travel expenses.

The following table shows the workforce at year end and the related average number:

No.	**31 December 2015**	**31 December 2014**	**2015 average**
Managers	231	210	221
White collars	2,705	3,095	2,900
Blue collars	13,810	14,489	14,150
Total	**16,746**	**17,794**	**17,271**

30.5 Other operating expenses

Other operating expenses amount to €69.9 million, up €16.6 million on 2014 as follows:

(€'000)	2015	2014	Variation
Other	64,385	32,935	31,450
Non-recurring costs	5,531	20,346	(14,815)
Total	**69,916**	**53,281**	**16,635**

The increase in "Other" is mainly due to the Ethiopian branch (€17.6 million), CMI (Project Ingula) (€7.3 million) and the head office (€4.7 million).

30.6 Amortisation, depreciation, provisions and impairment losses

This item of €146.1 million shows an increase on the previous year figure of €105.3 million. It may be analysed as follows:

(€'000)	2015	2014	Variation
Impairment losses	30,965	4,778	26,187
Provisions	2,949	514	2,435
Total	**33,914**	**5,292**	**28,622**
Amortisation of intangible assets	47	86	(39)
Depreciation of property, plant and equipment	94,681	77,005	17,676
Amortisation of contract acquisition costs	17,426	22,868	(5,442)
Total amortisation and depreciation	**112,154**	**99,959**	**12,195**
Total	**146,068**	**105,251**	**40,817**

Impairment losses include €23.0 million recognised in the allowance for impairment for the amounts due from Todini Costruzioni Generali S.p.A., in line with the terms agreed in the preliminary share purchase agreement for the Todini business units signed on 14 January 2016, and the discounting of receivables from the Venezuelan branch's customers for €8.4 million given the usual late payments. The item also includes reversals of impairment losses recognised in previous years of €2.8 million following partial collection from the customer N.E.A. in Nepal.

The accrual of €2.9 million to the provision for risks and other provisions mainly refers to the head office (€1.4 million) for disputes about concessions, the Libyan branch (€1 million) for the well-known political events affecting this country and the Kazakhstan branch (approximately €0.5 million) for tax risks.

Amortisation and depreciation of €112.2 million includes depreciation of €94.7 million, up €17.7 million on the previous year, and amortisation of €17.5 million of contract acquisition costs.

31. Net financing costs

Net financing costs amount to €53.6 million compared to €113.3 million for the previous year. The item may be broken down as follows:

(€'000)	2015	2014	Variation
Financial income	29,668	39,129	(9,461)
Financial expense	(99,393)	(117,216)	17,823
Net exchange rate gains (losses)	16,092	(35,228)	51,320
Net financing costs	**(53,633)**	**(113,315)**	**59,682**

31.1 Financial income

Financial income totalled €29.7 million (2014: €39.1 million) and is made up as follows:

(€'000)	2015	2014	Variation
Interest income on loans and receivables	**2,374**	**2,564**	**(190)**
Gains on securities	**-**	**272**	**(272)**
Interest and other income from group companies	**19,845**	**30,282**	**(10,437)**
Interest and other financial income	**7,449**	**6,011**	**1,438**
- Interest on financing	2	941	(939)
- Bank interest	3,501	1,662	1,839
- Default interest	2,664	2,205	459
- Financial discounts and allowances	38	222	(184)
- Other	1,244	981	263
Total	**29,668**	**39,129**	**(9,461)**

The decrease on the previous year is mainly due to:

- increase of €1.8 million in bank interest, mainly related to a joint venture active in the Middle East;
- decrease of €10.4 million in interest from group companies, namely:

(€'000)	2015	2014	Variation
Todini Costruzioni Generali S.p.A.	6,571	9,872	(3,301)
Consorzio C.A.V.TO.MI.	204	1,352	(1,148)
Consorzio C.A.V.E.T.	23	424	(401)
Salini Nigeria Ltd	530	4,802	(4,272)
SGF-INC S.p.A.	453	657	(204)
Salini Malaysia	1,684	4,149	(2,465)
Salini Polska	37	247	(210)
Salini Costruttori S.p.A.	84	1,499	(1,415)
Metro B1	225	151	74
Todini-Impregilo Almaty Khorgos J.V.	-	192	(192)
Gupc	6,517	4,884	1,633
Eriday	582	516	66
Co.Ge.Fin. Srl	1,143	-	1,143
Salini Namibia	721	86	635
Other	1,071	1,451	(380)
Total	**19,845**	**30,282**	**(10,437)**

31.2 Financial expense

2015 financial expense decreased by €17.8 million to €99.4 million as follows:

(€'000)	2015	2014	Variation
Intragroup interest and other expense	**(21,247)**	**(15,691)**	**(5,556)**
Interest and other financial expense	**(78,146)**	**(101,525)**	**23,379**
- Interest on bank loans and credit account facilities	(35,044)	(60,478)	25,434
- Interest on bonds	(25,965)	(25,819)	(146)
- Interest on tax liabilities	(1,188)	(1,693)	505
- Default interest	-	(155)	155
- Discounting	(131)	56	(187)
- Bank fees	(2,747)	(5,275)	2,528
- Charges on sureties	-	(74)	74
- Other loans and borrowings	(1,155)	(883)	(272)
- Factoring and leases	(5,366)	(5,969)	603
- Other	(6,550)	(1,235)	(5,315)
Total	**(99,393)**	**(117,216)**	**17,823**

Financial expense decreased by €17.8 million, mainly due to the reduction of €25.4 million in interest expense on loans and credit account facilities as a result of the lower interest rates and the renegotiation of the term loan facility, agreed in previous years to refinance the liability incurred for the takeover bid. Interest expense on the bank loans and credit account facilities of €35.0 million includes €10.7 million (2014: €16.9 million) arising from the application of the amortised cost method, which did not entail cash outflows during the year, as it was paid in full in previous years.

Interest on bonds of €26.0 million (in line with the previous year) comprises €6.9 million (2014: €6.1 million) arising from the application of the amortised cost method and the release of the PPA effects on bonds that did give rise to cash outflows.

"Other" includes €4.9 million arising form application of the amortised cost method to securities related to the operator in Colombia.

Intragroup interest and other expense (€21.2 million) on intragroup transactions relate to the following companies:

(€'000)	2015	2014	Variation
Consorzio C.A.V.TO.MI	(71)	(583)	512
Consorzio C.A.V.E.T.	-	(73)	73
Impregilo International Infrastructures N.V.	(18,066)	(10,416)	(7,650)
Healy S.A.	(112)	(56)	(56)
Impregilo Lydco	(18)	(140)	122
Co.Ge.Ma.	(16)	(138)	122
Copenaghen Metro Team I/S	(2,120)	(3,513)	1,393
Salini Namibia Proprietary L.t.d.	(494)	(598)	104
Other	(350)	(174)	(176)
Total	**(21,247)**	**(15,691)**	**(5,556)**

31.3 Net exchange rate gains

The net exchange rate gains amount to €16.1 million, a considerable improvement of €51.3 million on the previous year.

The increase is due to the Group's adoption of the official exchange rate SIMADI in the first half of 2015 replacing the SICAD II exchange rate used in the second six months of 2014 to translate its net financial assets expressed in the Venezuelan currency (the bolivar fuerte or VEF).

The Group determined that the SIMADI is the best exchange rate to translate its balances in the local currency into Euros and, hence, has adopted this exchange rate starting from the first half of 2015.

(€'000)	2015	2014	Variation
Realised exchange rate gains (losses)	(79,059)	23,608	(102,667)
Unrealised exchange rate gains (losses)	96,546	(57,476)	154,022
Net currency hedging losses	(1,395)	(1,360)	(35)
Total	**16,092**	**(35,228)**	**51,320**

32. Net losses on equity investments

Net losses on equity investments came to €114.9 million compared to €28.8 million for the previous year. They are made up as follows:

(€'000)	2015	2014	Variation
Reversals of impairment losses	-	12,230	(12,230)
- Reversals of impairment losses	-	12,230	(12,230)
Impairment losses/Provisions for investments	**(143,095)**	**(107,294)**	**(35,801)**
- Impairment losses/Provisions for investments	(143,095)	(107,294)	(35,801)
Income from investments	**28,157**	**123,855**	**(95,698)**
- Dividends	28,152	123,227	(95,075)
- Other income	21	628	(607)
Total	**(114,938)**	**28,791**	**(143,729)**

Net losses on equity investments mainly reflect the following effects:

- the dividend distribution authorised in 2015 by the subsidiaries Impregilo International Infrastructures NV, Salini Hidro and CSC SA (€27.8 million);
- the impairment losses of €143.1 million, mainly related to the subsidiaries FIBE S.p.A., Todini Costruzioni Generali S.p.A., Empresa Costrutora Metro 6 Ltda, Società Generali Fondazioni S.p.A., Grupo Unidos por el Canal and Grupo ICT II.

Note 6 provides more information about changes in the carrying amounts of the above equity investments.

33. Income tax expense

The company's income tax expense for the year is €2.3 million as follows:

(€'000)	2015	2014	Variation
Current taxes (income taxes)	29,979	39,043	(9,064)
Net deferred tax (income) expense	32,593	(18,830)	51,423
Utilisation of the provision for the national tax consolidation scheme	(67,182)	(8,031)	(59,151)
Prior year taxes	3,552	(5,050)	8,602
Total income taxes	**(1,058)**	**7,132**	**(8,190)**
IRAP	3,360	3,582	(222)
Total	**2,302**	**10,714**	**(8,412)**

An analysis and reconciliation of the theoretical income tax rate, calculated under Italian tax legislation, and the effective tax rate are set out below:

	Income tax expense €m	%
Profit before tax	**38.0**	
Theoretical tax expense	10.4	27.3%
Effect of permanent differences	31.8	83.6%
Net effect of foreign taxes	10.5	27.6%
Utilisation of the provision for the national tax consolidation scheme	(60.0)	(157.8%)
Adjustment to deferred taxes for reduction in IRES rate	3.5	9.2%
Prior year and other taxes	2.8	7.4%
Total	**(1.0)**	**(2.6%)**

The tax expense for the year is affected by the following:

- permanent differences;
- the tax asset for taxes paid abroad by the branches to the extent the company believes the conditions exist for its recovery in Italy in 2015 or subsequent years;
- net income from the national IRES consolidation agreement with other group companies;
- the adjustment to deferred tax assets to consider the new IRES rate, which will decrease to 24% on 1 January 2017 as per Law no. 208/2015.

An analysis and reconciliation of the theoretical IRAP tax rate and the effective tax rate are set out below:

	IRAP	
	€m	%
Operating profit	206.6	
Personnel expenses	275.5	
Revenue	**482.1**	
Theoretical tax expense	18.8	3.9%
Tax effect of foreign production	(14.5)	(3.0%)
Tax effect of permanent differences	(0.9)	(0.2%)
Total	**3.4**	**0.7%**

The net deferred tax expense contributes positively to the company's profit for €32.6 million, specifically for the following items:

(€'000)	
Deferred tax expense for the year	148,108
Reversal of deferred tax liabilities recognised in previous years	(50,567)
Deferred tax income for the year	(147,369)
Reversal of deferred tax assets recognised in previous years	82,421
Total	**32,593**

34. Related party transactions

Transactions with related parties, as defined by IAS 24, were of an ordinary nature.

Salini Impregilo S.p.A. has been managed and coordinated by Salini Costruttori S.p.A. since 1 January 2014.

Related party transactions carried out during the year involved the following counterparties:

- directors, statutory auditors and key management personnel, solely related to the contracts regulating their positions within the Group;
- associates; these transactions mainly relate to:
  - commercial assistance with purchases and procurement of services necessary to carry out work on contracts, contracting and subcontracting;
  - services (technical, organisational, legal and administrative), carried out at centralised level;
  - financial transactions, namely loans and joint current accounts as part of cash pooling transactions and guarantees given on behalf of group companies.

  Transactions are carried out with associates in the interests of Salini Impregilo, aimed at building on existing synergies in the Group in terms of production and sales integration, efficient use of existing skills, streamlining of centralised structures and financial resources. These transactions are regulated by specific contracts and are carried out on an arm's length basis;
- other related parties: the main transactions with other related parties, identified pursuant to IAS 24, including companies managed and coordinated by Salini Costruttori S.p.A., are summarised below:

Related party (€'000)	**Loans and receivables**	**Financial assets**	**Other assets**	**Trade payables**	**Financial liabilities**	**Total revenue**	**Total costs**	**Financing income (costs)**
C.Tiburtino	4							
CEDIV S.p.A.	649					11		
Dirlan	73					11		
G.A.B.I.RE Srl	43					11		
Imm. Agricola San Vittorino	44					12		
Infernetto	5			16		6		
Iniziative Immobiliari Italiane S.p.A.	17			267				
Madonna dei Monti S.r.l		78		61		8		3
Nores	22					6		
Plus	149					11		
Salini Costruttori S.p.A.	6	12,538				76		(29)
Salini Saudi Arabia Co. L.t.d.	13							
Zeis	9	609		31		247		17
Total	**1,034**	**13,225**	**-**	**375**	**-**	**399**	**-**	**(9)**

Most of the Group's production is carried out through SPEs, set up with other partners that have participated with Salini Impregilo in tenders. The SPEs carry out the related contracts on behalf of its partners.

The other transactions refer to costs for design and similar activities, incurred when presenting bids and for recently started contracts. They are also governed by specific agreements and carried out on an arm's length basis and, where applicable, in line with the contract terms.

Their effects on the statement of financial position and income statement are shown together with the related contract, when appropriate.

Transactions with directors, statutory auditors and key management personnel are shown below:

	2015			2014		
(€'000)	Fees and remuneration	Termination benefits and post-employment benefits	Total	Fees and remuneration	Termination benefits and post-employment benefits	Totale
Directors and statutory auditors	10,781		10,781	6,264		6,264
Key management personnel	5,114		5,114	4,389		4,389
Total	**15,895**	**-**	**15,895**	**10,653**	**-**	**10,653**

The company's production is carried out mainly through special purpose entities, which, depending on Salini Impregilo's share in their contracts, qualify as subsidiaries or associates. In many cases, they have corporate structures that directly and continuously allocate the profits and losses on contracts to their investors, including by "reallocating costs and fees". They can be considered to be "transparent" considering the original contractual relationship whereby Salini Impregilo, together with the other investors, depending on the type of organisation selected during the tender stage, is the direct counterparty of the customer and the SPE acts in its own name but on behalf of its investors, including vis-à-vis third party suppliers. Accordingly, transactions between Salini Impregilo and the SPEs, in which it has an investment, are not presented in this section but are summarised with other transactions with subsidiaries and associates in the annex "Intragroup transactions - Salini Impregilo S.p.A.".

The next table shows the impact of transactions with the above companies on the statement of financial position and the income statement (including as a percentage), while their effect on cash flows is shown in the statement of cash flows, when material:

31 December 2015 (€'000)	**Non-current loans and receivables (1)**	**Current loans and receivables (2)**	**Current liabilities (3)**	**Revenue**	**Costs**	**Financial income**	**Financial expense**
Total - group companies	-	1,095,145	778,637	493,722	764,336	19,845	21,206
Total financial statements item	1,140,011	3,782,702	2,769,605	3,027,189	2,820,585	29,668	99,393
% of financial statements item	0.00%	29.0%	28.1%	16.3%	27.1%	66.9%	21.3%

31 December 2014 (€'000)	**Non-current loans and receivables (1)**	**Current loans and receivables (2)**	**Current liabilities (3)**	**Revenue**	**Costs**	**Financial income**	**Financial expense**
Total - group companies	81,250	1,137,972	1,010,142	250,716	511,022	22,224	15,691
Total financial statements item	1,152,099	3,239,734	2,414,615	2,341,861	2,215,930	39,128	117,216
% of financial statements item	7.05%	35.1%	41.8%	10.7%	23.1%	56.8%	13.4%

(1) The percentage of non-current loans and receivables is calculated considering total non-current
(2) The percentage of current loans and receivables is calculated considering total current assets
(3) The percentage of current liabilities is calculated considering total current

Management and coordination

In relation to the requirements of article 2.6.2.11 of the Rules of the Markets organised and managed by Borsa Italiana S.p.A., the company states that all requirements listed in article 37.1 of the Consob Regulation on Markets, have been met, as regards the quotation of shares of subsidiaries managed and coordinated by other companies. In accordance with article 2497-bis of the Italian Civil Code, the key figures from the financial statements of Salini Costruttori S.p.A. at 31 December 2014, the most recently approved financial statements, are presented below. These financial statements have been prepared in accordance with the IFRS.

2014 highlights

(€'000)	
Income statement	
Revenue	307,359
Operating profit	259,425
Profit before tax	248,300
Profit for the year	254,804
Statement of financial position	
Property, plant and equipment	449
Non-current financial assets	217,385
Total non-current assets	**217,834**
Current assets	194,031
Prepayments and accrued income	44
Total assets	**411,909**
Equity	369,924
Provisions for risks and charges	2,132
Post-employment benefits	
Liabilities	39,849
Accrued expenses and deferred income	4
Total liabilities	**41,985**
Workforce	
Managers	
White collars	
Blue collars	
Total employees at 31 December 2014	Salini Costruttori S.p.A. did not have any employees at 31 December 2014

35. Events after the reporting date

This section sets out the main events that have taken place since the reporting date and not commented on earlier in this report.

Lane Industries Incorporated
On 4 January 2016, the acquisition of 100% of Lane Industries Incorporated was finalised.

The consideration is roughly USD460 million. Salini Impregilo financed the acquisition with a bridge financing of €400 million, to be repaid in May 2017, obtained from a syndicate of five major international banks.

Lane is the top highway contractor and top private asphalt producer in the United States. It is a family-owned business with more than 100 years of history specialized in heavy civil construction and in the transportation infrastructure sector with approximately USD1.5 billion turnover, 53 active projects in more than 50 states in the US and roughly 5,000 employees.

The company has three divisions: asphalt production, road projects and other infrastructure projects, in both domestic and international markets. Thanks to its strong track record, technical experience and the strategic location of its materials plants, Lane is participating in some of the largest and most complex projects in the US, such as the highway construction in Florida, the I-4 Ultimate, a USD2.3 billion contract, in which Lane has a 30% stake.

The acquisition of Lane represents a further step by Salini Impregilo to expand in the US infrastructure market. The US construction sector will become a core market for the company, contributing roughly 21% of its total revenue.

With Lane, Salini Impregilo will be able to access a much larger pool of projects. The US transportation infrastructure market is expected to grow above GDP on the back of a recovering economy, a positive demographic trend and the pent-up demand for significant upgrades and expansions of existing infrastructure after years of underinvestment. The entry of Lane into the Group will bring significant growth opportunities, while increasing the diversification of the portfolio and improving the balance of its exposure between developed and developing markets. In March 2016, the Purple Line Transit Partners consortium, which includes Lane Construction, was selected as the best bidder for the design and construction of the Purple Line transit system worth USD2 billion.

The contract includes the construction of 21 stations along a 16-mile alignment through Montgomer and Prince George's counties in Maryland. The consortium, in which Lane has a 30% share (for USD600 million), includes Flour Enterprises Inc. and Traylor Bros Inc. and will begin construction work before the end of 2016 for a slated completion date in 2022.

High-speed/capacity Verona-Padua Railway Project
With its communication of 28 January 2016, Ansaldo STS S.p.A. informed its consortium partners of its intention to transfer its entire investment in Consorzio Iricav Due to Salini Impregilo S.p.A. and Astaldi S.p.A..

The transaction, which will allow Salini Impregilo to increase its share by 8.12%, is subject to the approval of the consortium's members and the issue of the required authorisation by the customer, R.F.I. S.p.A., without prejudice to the other consortium members' right of first option at the same conditions and in line with their current investments in the consortium.

Contribution of the Todini Costruzioni Generali S.p.A. business unit
On 3 February 2016, the consultation as per article 47 of Law no. 428/90 as subsequently amended, commenced with the company's letter dated 27 January 2016 informing the trade unions of the imminent contribution of the business unit by Todini Costruzioni Generali S.p.A. to its subsidiary HCE Costruzioni S.p.A., was completed. The contribution is part of the sale of the Todini shares to Prime System KZ Ltd, described in the previous section on "Introductory comments on the compatibility of data".

S7 Expressway - Poland

On 16 January 2016, the Group was awarded a €117 million contract to build a section of S7 Expressway south of Krakow near the border with Slovakia.

The project, which will take 22 months, includes roughly 6 kilometres of asphalt road, two interchanges with roundabouts and 21 engineering structures, among which a 992-metre bridge and a 400-metre viaduct with multiple spans. The customer is the General Directorate of National Roads and Motorways (GDDKiA).

This new contract increases the value of Salini Impregilo's order backlog in the country to over €650 million and consolidates the Group's leadership in the infrastructure sector in which the following roads are under construction: the S3 Nowa Sol - Legnica, the S8 Warsaw Bypass, the S7 Chęciny - Jędrzejów section and the A1 lot F, near Katowice.

36. Significant non-recurring events and transactions

The company's financial position, performance and cash flows were not affected by significant non-recurring events and transactions in 2015.

37. Balances or transactions arising from atypical and/or unusual transactions

Salini Impregilo did not carry out any atypical and/or unusual transactions, as defined in the above Consob communication no. DEM/2015[3] during the year.

On behalf of the board of directors

Chairman

3. Atypical and/or unusual transactions are those that, due to their significance and relevance, the counterparty, the object of the transaction, exchange pricing and timing, may cast doubts as to the accuracy and completeness of disclosures, conflicts of interest, protection of the company's assets and non-controlling interests.