11. Contract work in progress

Contract work in progress totalled € 876.2 million at the reporting date, up € 11.8 million on the previous year-end figure. 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:

(Values in €/000)	31 December 2013	31 December 2012	Change
Contract work in progress	11,257,002	11,935,027	(678,025)
Progress payments and advances received (on approved work)	(10,380,816)	(11,070,659)	689,843
Total	**876,186**	**864,368**	**11,818**

A breakdown of contract work in progress by business segment is as follows:

(Values in €/000)	31 December 2013	31 December 2012	Change
Construction	851,774	770,127	81,647
Engineering & Plant Construction	24,412	94,241	(69,829)
Total	**876,186**	**864,368**	**11,818**

Contract work in progress of the Construction segment mainly relates to railway work in Venezuela (€ 230.7 million, with production of € 173.6 million during the year), work on Lots 5 and 6 of the A3 Salerno-Reggio Calabria motorway (€ 73.1 million, with production of € 106.0 million during the year), work to widen the Panama Canal (€ 167.0 million, with production of € 354.2 million during the year), work on the hydroelectric plants in Colombia (€ 47.8 million, with production of € 241.1 million during the year), work on the Orastie-Sibiu motorway in Romania (€ 22.2 million, with production of € 36.0 million during the year) and work on the Red Line North Underground in Qatar (€ 9.0 million, with production of € 9.0 million).

The Construction segment's contract work in progress includes € 61.8 million for the nearly completed contracts of Imprepar S.p.A.

With regard to the work to widen the Panama Canal, as noted in the 'Risk Areas' section in the Construction segment in the Directors' report, from the last quarter of 2013, there were significant developments in the events that have affected the Group's operations for this project, which have already been reported on the Group's previous financial documents, particularly in relation to sudden deterioration in the contractual relations with the client. As a result, the international joint venture awarded the contract that Impregilo is part of, which already in previous years had experienced significant problems and cost increases for reasons essentially attributable to the client's scope of responsibility, was unable to continue with the construction work. This situation, which was due to the client's repeated unwillingness to act in the spirit of collaboration in implementing the contractual provisions established to protect the rights of the parties, has only recently been stabilised as a result of an accord under which the construction work could be resumed. This accord, in return for the resumption of the work and its completion by 31 December 2015, has also established (i) the co-financing by client and contractor of work to be completed, with particular reference to the extra costs identified with respect to original estimates, and (ii) the deferment of repayment of contractual advances, according to a schedule compatible with the final allocation between the parties of the set of extra costs upon the outcome of the arbitration proceedings initiated at the same time. In this regard you are reminded that, already starting from the year 2012, the Impregilo Group, based on a reasonably prudent valuation approach, supported by independent expert appraisals, had updated its estimates for this contract and recognised a significant loss on completion. On that basis, according to a valuation approach established also taking into account recent events, the company decided to update the valuations previously made and consequently recognise additional net costs upon completion although for not particularly significant amounts.

Despite the additional problems that have arisen, described in the ‘Risk Areas’ section of the Construction segment in the Directors’ report, the company does not consider there to be a probable risk regarding the recovery of the assets being used for the ongoing railway projects in Venezuela, although recovery normally takes much longer than in other geographical segments and additional future problems cannot be ruled out. The contracts are of a strategic nature for the country and the current contractual relationships reasonably allow the Group to assume that the assets will be realised, as reflected in its measurement of the individual contracts.

Reference should be made to the Directors’ report (the section on risk areas for the Construction segment) for details of the Bridge crossing the Messina Strait and roadway and railway connectors from Calabria to Sicily. At the reporting date, contract work in progress is worth € 21.2 million.

As disclosed in earlier sections of these notes about the Group’s operations in Libya, contract work in progress in this country amounts to € 99.4 million.

Contract work in progress of the Engineering & Plant Construction segment mainly relates to the Kuwait and United Arab Emirates desalination plants which had nearly been completed in 2012.