

3. Equity investments

Equity investments increased by € 0.3 million to € 580.5 million, as shown in the following table:

(Values in €/000)	31 December 2013	31 December 2012	Variation
Investments in subsidiaries and associates and interests in jointly controlled entities	542,734	525,576	17,158
Investments in other companies	37,803	54,619	(16,816)
Total	580,537	580,195	342

Changes during the year are summarised below:

(Values in €/000)	31 December 2013	31 December 2012
Acquisitions	16,390	14,760
Disinvestments and liquidations	(44,012)	(16,821)
Waivers of loans and receivables and share capital increases	30,064	5,819
Reversals of impairment losses	23,373	21,000
Impairment losses	(25,473)	(12,592)
Total	342	12,166

The increase in “Acquisitions” is mainly due to the capital injections of € 11.3 million paid to the SPE for the Ancona port road link (Passante Dorico S.p.A.) and the acquisition of a further share of the concession to operate the new Broni Mortara highway (S.A.BRO.M S.p.A.) for € 4.9 million.

As regards disinvestments and liquidations, in November 2013 Impregilo finalised the sale of its investments in Tangenziali Esterne di Milano S.p.A. (“TEM”) equal to 3.74% of the share capital and € 4.7 million, in Tangenziale Esterna S.p.A. (“TE”) equal to 17.77% of the share capital and € 39.1 million, of which € 17.4 million, not yet collected, recognised under “Current financial assets”.

“Waivers of loans and receivables and share capital increases” include the covering of SGF’s losses (€ 2.0 million), the share capital increase by S.A.BRO.M S.p.A. (€ 2.4 million), and an additional capital injection for “TEM” and “TE” (totalling € 25.6 million) - prior to the sale of investments, described above.

The impairment test of the item “Equity investments”, carried out also to assess any reversals of previously recognised impairment losses, has been carried out on a case-by-case basis, considering the specific objectives pursued by each investee during the performance of their operating activities.

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

(Values in €/000)	31 December 2013	31 December 2012	Variation
Interests in special purpose entities (SPEs)	212,968	212,612	356
Other investments	367,569	367,583	(14)
Total	580,537	580,195	342

Special purpose entities (SPEs) are legal entities set up specifically and solely to carry out construction contracts which Impregilo will not carry out directly and in which Impregilo has an interest equal to its share of the tender. These entities have a corporate structure compliant with the clients' 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 (e.g., foreign limited liability companies, companies limited by shares, etc.).

With respect to the SPEs that directly allocate their profit or loss to the venturers on whose behalf they operate, the company does not test them for impairment as any contract losses are passed on to the venturers.

The other SPEs are assessed for impairment as the profits or losses on the contracts they perform are not systematically reflected in the income statements of their venturers. Accordingly, their contracts are considered when testing for indication of impairment. Specifically, the SPEs' statements of financial position, which include the estimated contract costs or profits and are prepared in accordance with the relevant accounting standards interpreted by the Group's procedures, are considered as they show the estimated cash flows of the entity.

In 2013, the company recognised new impairment losses, in addition to those recognised in the previous year, on its interests in the SPEs carrying out the work to widen the Panama Canal (Panama) and to build the Angostura hydroelectric plant (Chile), for a total of approximately € 18.1 million. The SPE carrying out work on the Rio Sogamoso' hydroelectric plant (Colombia) reported a minor improvement in 2013, while the SPE carrying out work on the El Quimbo hydroelectric plant (Colombia) essentially broke even. Given that forecasts for the ongoing contracts, as generally also stipulated by the relevant by-laws, will not only entail additional impairment losses, which would also zero their carrying amounts, but will also require the company to recognise liabilities, despite their being of a merely probable nature, the above impairment losses have been recognised in 'Provisions for risks', along with any losses already accrued at the current date. As a result this item increased by a total of € 18.1 million.

Other investments relate to non-consortium companies whose business object covers more than just one contract. In 2013, potential impairment losses were identified regarding investments in SGF Inc. S.p.A., Imprepar S.p.A. and Fisia Italimpianti S.p.A, whereas it was considered appropriate to revise measurements regarding investments in FIBE S.p.A., in line with measurements for the 2012 reporting date.

In accordance with IFRS, the company has calculated the value in use of its investment in the subsidiary SGF Inc. S.p.A., on the basis of the 2014-2017 business plan (the "Plan") approved by the subsidiary's Board of Directors on 12 March 2014.

Moreover, the company has considered the following assumptions in its calculation of value in use based on the expected cash flows taken from the Plan:

- the terminal value has been calculated using perpetual income streams and a 1% growth rate for the years following those covered by the Plan, prudently considered in line with the benchmarks;
- a 9.4% discount rate has been used, which considers the tax effects;
- the discount rate was determined on the basis of the following parameters:
 - risk premium = 5.0%
 - “Beta” index = 0.86

Based on the above assumptions applied to analyse the Plan’s cash flows, the resulting value in use (equity value) of SGF Inc. S.p.A. is equal to € 2.7 million, and is € 3.9 million lower than the carrying amount of € 6.6 million. It was therefore considered appropriate to adjust the carrying amount by this value.

In its financial statements, Imprepar S.p.A. has measured its net assets (mainly comprising loans and receivables of a different nature, mostly arising from disputes, inventories relating to contracts being completed and current and/or potential liabilities again relating to contracts being completed) using accounting policies substantially in line with the procedures applied during its liquidation period, completed at the end of November 2010, and based on their estimated realisable value. Accordingly, the company considered it appropriate to reduce the carrying amount of the investment within the limits of the existing differential with respect to the equity amount at 31 December 2012, by a total of € 4.2 million.

As regards the investment in Fisia Italmimpianti S.p.A., the subsidiary closed 2013 recording a profit. Although the subsidiary also posted a profit in 2012, in prior years it had recorded considerable losses and these circumstances had led to the recognition of impairment losses which, net of the reversal of the impairment loss at the end of 2012, currently amount to € 208.6 million. The subsidiary was therefore tested for impairment.

In accordance with the IFRS and in line with previous years, the company has calculated the value in use

on the basis of the 2014-2018 business plan (the “Plan”) approved by the subsidiary’s Board of Directors on 2 December 2013. In line with previous years, certain prudent adjustments were made to the assumptions underlying the Plan and specifically the development of commercial policies based on a prudent assessment of both expected market trends and in terms of development of acquisitions, with a consequent revenue growth trend even more prudent than previous assumptions during the period covered by the plan.

Moreover, the company has considered the following assumptions in its calculation of value in use based on the expected cash flows taken from the Plan:

- the terminal value has been calculated using perpetual income streams and a 0% growth rate for the years following those covered by the Plan, in line with the assumptions previously described;
- a 10.7% discount rate has been used, which considers the tax effects;
- the discount rate was determined on the basis of the following parameters:
 - risk premium = 5.0%
 - “Beta” index = 0.71
 - additional risk premium considering the company’s specific nature = 1%;
- resort to additional debt or significant investments to expand the company’s operating capacity are not planned.

Based on the above assumptions applied to analyse the Plan’s cash flows, the resulting value in use (equity value) of Fisia Italmimpianti S.p.A. is € 61.8 million. Following impairment testing, management reduced the carrying amount by € 17.2 million.

With respect to the investment in FIBE S.p.A., given that the particular circumstances in which it operates do not reasonably allow preparation of a financial plan that meets the requirements of the IFRS for determination of value in use, the company reasonably assumed that its accounting equity at 31 December 2013 prudently reflects the recovery amount of its net assets. Therefore, it can be considered as a parameter to determine the investment’s fair value and the carrying amount. At 31 December 2013, equity of the subsidiary amounted to € 121.3 million, and the significant increase over the previous years reflected positive

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developments in some major disputes relating to the USW Campania projects, with particular reference to the collection of compensation concerning the former RDF plants that had been fully impaired in 2006-2008. Given the reason why the residual impairment losses accumulated in relation to this investment at 31 December 2013 totalled € 23.4

million, the carrying amount of FIBE S.p.A. was reversed within the limits of this amount.

Reference should be made to the annex “Equity investments” for the list of investments in subsidiaries, joint ventures, associates and other companies.