

9. Contract work in progress

Contract work in progress totals € 437.6 million at the reporting date, down on the previous year-end figure of € 490.8 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:

(Values in €/000)	31 December 2013	31 December 2012	Variation
Contract work in progress	7,363,686	8,700,564	(1,336,878)
Progress payments and advances received (on approved work)	(6,926,126)	(8,209,806)	1,283,680
Total	437,560	490,758	(53,198)

The key contracts making up contract work in progress at year end and the related works performed during the year are summarised below:

(Values in €/000)	Contract work in progress			
	31 December 2013	31 December 2012	Variation	Work
Venezuela	228,923	185,491	43,432	172,549
Romania	22,216	31,603	(9,387)	36,048
Qatar	8,067		8,067	8,067
High speed/capacity	20,946	99,099	(78,153)	72,736
Salerno-Reggio Calabria Lots 5-6	73,077	76,896	(3,819)	106,041
Highway 36	32,243	43,284	(11,041)	42,619
Messina Bridge	21,178	19,985	1,193	1,407
Pedelombarda	8,281	204	8,077	170,236
Consorzio Costruttori TEEM				44,320
Tangenziale Esterna di Milano		13,117	(13,117)	
SS 106 Jonica	6,390	2,495	3,895	3,896
Lambro				51,337
La Quado	6,172	3,390	2,782	24,131
Other	10,067	15,194	(5,127)	20,172
Total	437,560	490,758	(53,198)	753,559

With respect to the assets of the contract to build the “Bridge crossing the Messina Strait” awarded to the general contractor Eurolink S.c.p.A., an SPE led by Impregilo with a 42% interest, Law decree no. 187 was issued on 2 November 2012 providing for “Urgent measures for the renegotiation of the contracts with Stretto di Messina S.p.A. (the client) and for local public transport”. Following enactment of this decree and given the potential implications for its position as general contractor, Eurolink notified the client of its intention to withdraw from the contract under the contractual terms, also to protect the positions of all the Italian and foreign co-venturers. However, given the immense interest in constructing the works, the general contractor also communicated its willingness to review its position should the client demonstrate its real intention to carry out the project. To date, the ongoing negotiations have not been successful despite the parties’ sincere interest in coming to an agreement. Eurolink has commenced various legal proceedings in Italy and the EU, arguing that the provisions of the above decree are contrary to the Constitution and EU laws and that they damage Eurolink’s legally acquired rights under the contract. It has also requested that Stretto di Messina be ordered to pay the amounts requested by the general contractor due to the termination of the contract for reasons not attributable to it. As a result, Impregilo’s order backlog at 31 December 2012 was adjusted to reflect discontinuation of the contract. Considering the complex nature of the various legal proceedings, the legal advisors assisting Impregilo and the general contractor are reasonably positive about the outcome of the proceedings and the recoverability of the remaining assets recognised for this contract.

Impregilo S.p.A. operates in Venezuela through its own permanent establishment, working on railway and hydroelectric plant projects either directly or in international partnerships, with a presence in the area, at a social and economic-industrial level, established over a period spanning more than ten years.

In recent years, in relations with clients (which are all government entities), payments have always been slow. This was exacerbated over the last year, following changes in top government positions in early 2013, and the worsening of social tensions accompanying this political transition.

Faced by a considerable stalemate situation with clients, the company temporarily stopped production activities.

As regards railways projects, an agreement (“Punto de Cuenta”) was signed in early February 2014 with the IFE Chairman (the client) and the Ministry of the Treasury, but still has to be formally authorised by the President of the Republic. Under the agreement, approximately 82% of all receivables outstanding at 2013 will be paid by the end of 2014.

As regards hydroelectric plant work, carried out through the OIV Tocoma consortium, considering the contract deadline for the completion of works – scheduled for mid-November 2013 – a proposal was made to the client to reschedule works to finish, which will be resumed in May 2014 and should be completed by the end of 2016. This proposal is still being considered by the client, also in view of lawful claims for payment of certified outstanding amounts and the identification of future financial resources to guarantee the due performance of the works to finish.

The projects being developed by Impregilo S.p.A. are for major infrastructure works, which are important both in social and in economic-industrial terms. As in the past, due to issues that have affected country’s recent political history, the company has had to tackle temporary uncertainties which are not dissimilar to the present situation, but have always been successfully managed and have not given rise to liabilities. In view of this, and based on careful and ongoing monitoring of the situation in the country, together with its partners, and on meetings with clients and local government authorities aimed at protecting the company’s position, difficulties in collecting net revenues, apart from longer payment times which have been duly accounted for in financial statement assessments, are not considered likely. Given the delicate and complex political situation, it cannot be excluded that events which cannot currently be foreseen may take place after the date of preparation of this Annual Report that would require changes to the assessments made to date.

Despite the further difficulties outlined in the section “Risk areas” in the Construction segment, in the Directors’ Report, the company does not deem there are significant risks for the recovery of the

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assets being used for the ongoing railway projects in Venezuela, although recovery normally takes much longer than in other geographical segments. 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.