6. Business combinations

Impregilo Group Consolidation

In 2011 a 15% stake was acquired in Impregilo S.p.A. by Salini Costruttori S.p.A. for €122,739, which was transferred during the period to Salini S.p.A.

In the period January-July 2012 the Company acquired a further 14.75% for €173,346, increasing the ownership stake to 29.75%. As shown in the Directors' report, on 17 July 2012 the Impregilo Shareholders' Meeting, at the proposal of the shareholder Salini S.p.A.,

approved the following measures by a majority vote with the attendance of shareholders holding over 80% of capital: the termination of the directors in office and the appointment of a new Board of Directors comprising 15 directors, 14 of whom will be taken from the list presented by Salini. On this date, the equity investment in Impregilo recorded under the "Other companies" item and valued according to IAS 39 was reclassified under equity investments in associate companies, having verified the prerequisites which identify the existence of significant influence on the investee company, included in IAS 28, paragraph 7, the first of these being representation on the board of directors, or on the equivalent body, of the investee company.
In October 2012, the Company acquired further equity investments, equal to approximately 0.1%, increasing its shareholding to 29.84% of the ordinary share capital.

The value of the equity investment at 31 December 2012, following the transactions described above, recorded under equity investments in associate companies, was €570,459.
Also note that, as reported in the Directors' report, Salini S.p.A. through a dedicated announcement pursuant to Article 102, paragraph I, of Legislative Decree 58/98 (TUF) and Article 37 of Consob Regulation 11971/99 ("Issuers' Regulation"), made its decision to promote a voluntary public tender offer known, pursuant to Article 106, paragraph 4 of the TUF, concerning all Impregilo S.p.A ordinary shares not held by Salini S.p.A., at a price of €4.00 per share.

As a result, the OfferDocument was published on 16 March 2013, accompanied by the supporting documentation, specifically the (Impregilo) Issuer Statement, prepared pursuant to Article 103 of the TUF and Article 39 of the Issuers' Regulation.
Taking into account the shares tendered during the subscription period (from 18 March to 18 April 2013) and the subsequent reopening of terms period (from 18 to 24 April 2013), by 2 May 2013 Salini held a total of 370,575,589 ordinary shares, equal to approximately 92.08% of total Impregilo S.p.A. ordinary shares. The success of the operation was also due to the support of the banking sector and advisors.
In light of the outcome of the offer, as it was not aimed at the delisting of Impregilo shares, Salini S.p.A. announced that it would restore floating capital sufficient to ensure regular trading of said shares. The transactions were completed by 16 May 2013 with the Company holding an equity investment of less than 90% of the ordinary share capital (89.7%).
At 31 December 2013, Salini S.p.A. 88.83% of the share capital.
The acquisition was recognised according to the acquisition method.

In accordance with IFRS 3, the acquisition date was 18 April 2013 whereas the accounting date was identified as 1 April 2013 as there were no significant changes in the period.
Consolidated financial position figures of the Salini Group at 31 December 2013 include the full consolidation of the Issuer, while the consolidated income statement figures of the Salini Group at 31 December 2013 fully consolidate the issuer from 1 April 2013, and they only consolidate the Issuer using the equity method for the third quarter of 2013, prior to the acquisition of control through the voluntary public tender offer.

In compliance with the provisions of IFRS 3 for business combinations achieved in stages, at the date of acquisition of control, as a preliminary activity to the identification and valuation of assets acquired and liabilities assumed as part of the business combination, the Company adjusted the value of the equity interest held in Impregilo immediately before the acquisition date, amounting to €570,459 at Fair value at that date, corresponding to €4 per share (equal to the value of the voluntary public tender offer), for a total value of €480,304, recognising a loss in the income statement €90,155, under the item Effect of measuring equity investments according to the equity method.
The valuation of assets acquired and liabilities assumed as part of the business combination for purchase price allocation was completed within the one year period required by IFRS 3.

In particular, with respect to the disclosure provided in the Interim Financial Report of the Salini Group at 30 June 2013, in view of the additional information acquired as a result of in-depth, detailed verifications, additions and/or adjustments have been made to the values established, with reference to the items included in property, plant and equipment and intangible assets, equity investments, available-for-sale financial assets, other current and non-current assets/liabilities, in contract work in progress, advances from clients, and net financial indebtedness, with consequent adjustments of the related tax effects. All the final values been recorded as if the initial recognition of the business combination had been completed on the acquisition, as required by IFRS 3.49.

The table below provides details of the allocated final value, with reference to the acquisition date, of the identifiable assets acquired and the liabilities assumed, compared with the initial values stated in the provisional accounting for the business combination shown in the Interim Financial Report of the Salini Group at 30 June 2013.

(Values in €/000)	Initial provisional recognition at 01/04/2013	Final recognition at 31/12/2013	Difference between fin. rec. at 31/12/2013 e prov. rec. at 01/04/2013
Intangible Fixed Assets	76,550	112,001	35,452
Tangible Fixed Assets	281,320	281,320	0
Equity investments	88,790	103,336	14,546
Other fixed assets	33,688	39,590	5,902
Total non-current assets	**480,347**	**536,247**	**55,900**
Inventories	90,374	90,374	0
Amounts due from clients	898,657	929,997	31,340
Amounts due to clients	(870,038)	(855,739)	14,299
Trade receivables	1,037,326	1,032,799	(4,527)
Other assets	282,471	282,471	0
Tax assets (liabilities)	113,785	89,550	(24,235)
Subtotal	**1,552,576**	**1,569,453**	**16,877**
Trade payables	(786,113)	(786,113)	0
Other liabilities	(241,282)	(241,282)	0
Subtotal	**(1,027,395)**	**(1,027,395)**	**0**
Operating Working Capital	**525,181**	**542,058**	**16,877**
Non-current assets held for sale	**212,256**	**248,056**	**35,800**
Non-current liabilities held for sale (D)	**0**	**0**	**0**
Employee benefits	(18,340)	(18,159)	181
Provisions for risks and charges	(100,459)	(100,459)	0
Total provisions	**(118,799)**	**(118,618)**	**181**
Net invested capital	**1,098,985**	**1,207,743**	**108,758**
Cash and cash equivalents	1,399,538	1,399,538	0
Current financial assets	29,207	29,207	0
Non-current financial assets	42,758	29,730	(13,029)
Current financial liabilities	(387,453)	(384,658)	2,795
Non-current financial liabilities	(316,280)	(326,245)	(9,965)
Net financial payables/receivables	**767,770**	**747,571**	**(20,199)**
TOTAL NET IDENTIFIABLE ASSETS	**1,866,755**	**1,955,314**	**88,559**

(Values in €/000)		01/04/2013	31/12/2013	Difference
Net value of the identifiable assets and liabilities	*b*	1,632,844	1,632,844	0
		1,866,755	1,955,314	88,559
Value of goodwill (badwill) (c=a+b)	c	(233,911)	(322,470)	(88,559)
Value of badwill pro rata (90.78%)		**(212,345)**	**(292,739)**	**(80,394)**

Analysis of cash flows for the acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investment activities))	1,321,498
Consideration paid for the acquisition	(1,299,139))
Net cash flow for the acquisition	**22,359**

The value of the badwill has been calculated solely for the portion attributable to the Salini Group on the basis of the net assets acquired after elimination of goodwill stated in the consolidation of Impregilo, taking into account the related tax effects. This amount, of €292,739 (of which €212,345 already recognised in the Interim Financial Report at 30 June 2013), was recognised in the income statement under financial income (loss).

The main changes in value compared to the amounts stated in the Interim Financial Report of the Salini Group at 30 June 2013 are shown below by item:

- The €35,452 increase in intangible assets is attributable to:
  - The elimination of goodwill relating to Shanghai Pucheng, amounting to €18,515, as it did not constitute an identifiable asset on the basis of IFRS 3.11;
  - The positive difference of €12,029 between the fair value of the "Parking Glasgow" concession and the book value of the operator IGL Parking Glasgow;
  - The valuation of portfolio of work in hand at 31 March 2013, calculated by discounting the expected margins (solely for the contracts with positive margin at the measurement date), adjusted according to the specific remaining project risk. The specific remaining risk has been assumed on the basis of the historical volatility of the project margin correlated against the remaining progress; this effect is a positive €41,938
- Equity investments increased by €14,546, due to the net effect of
  - the fair value adjustment, with a negative effect of €(2,386), of the OCHRE Solutions sub loan vs Impregilo International (OCHRE is measured according to the equity method)
  - the difference between the book value (equity) and the fair value of the concessions held by Ochre and IGL Wolverhampton with a positive effect totalling €16,932
- the amounts due to clients increased by €45,639 due to the valuation of the adjusting events occurring during the period after 1 April 2013
- other current assets, net of the reclassification of €4,527 to trade receivables, increased by €1,375 due to the overall measurement of the fair value of the receivable due from Puentes de Litoral with a negative adjustment of €(1,013), and the measurement of the fair value of the Sub Loan of Impregilo International vs OCHRE Solutions with a positive effect of €2,388
- non-current assets held for sale increased by €35,800, equal to the recognition at 1 April of the update of the value of the compensation claims relating to costs not depreciated at 15 December 2005 for the former RDF plants and for the component relating to legal interest
- post-employment benefits decreased by €181 due to the measurement of fair value
- net financial indebtedness deteriorated by €(20,199), due to the measurement at fair value on the outstanding financial payables and receivables
- net tax liabilities decreased by €(24,235) as a

result of the different values allocated to the other assets and liabilities identified, as listed above.

As reported above, some values have been recognised, such as amounts due from clients, amounts due to clients and non-current assets held for sale, to reflect new information obtained about facts and circumstances that existed at the acquisition date. These values have been included in the financial statements of the subsidiary Impregilo during 2013. Therefore, in these consolidated financial statements at 31 December 2013, appropriate adjustments have been made in order to correctly state the income statement and statement of financial position items.

The tables below show the impacts on profit or loss and equity of the changes in value resulting on the completion of the purchase price allocation (column "Profit from PPA") and reversal of the values included in the financial statements of the subsidiary Impregilo from 1 April to 31 December 2013, relating to those circumstances ("PPA deduction") column:

Reclassified Income Statement (Values in €/000)	Purchase Price Allocation		
	Profit from PPA	PPA deduction	Net effect PPA
Revenues		(45,639)	(45,639)
Other revenues		16,248	16,248
Total Revenues	**0**	**(29,391)**	**(29,391)**
Costs of production			0
Value added	**0**	**(29,391)**	**(29,391)**
Personnel costs		(181)	(181)
Other operating costs		2,267	2,267
EBITDA	**0**	**(27,305)**	**(27,305)**
Depreciation and amortisation		(547)	(547)
Provisions			0
Write-downs			0
(Capitalised costs)			0
EBIT	**0**	**(27,852)**	**(27,852)**
Total of Financial Area and of Equity investments	80,395	(2,932)	77,462
Pre-tax profit/(loss)	**80,395**	**(30,784)**	**49,611**
Taxes		14,520	14,520
Profit/(loss) from continuing operations	**80,395**	**(16,263)**	**64,131**
Profit (loss) from discontinued operations		(35,800)	(35,800)
Net Profit	**80,395**	**(52,063)**	**28,331**
Profit/(loss) attributable to minorities		(6,480)	(6,480)
Profit/(loss) attributable to the Group	**80,395**	**(45,583)**	**34,811**

Reclassified Statement of Financial Position (Values in €/000)	Purchase Price Allocation		
	Profit from PPA	PPA deduction	Net effect PPA
Intangible Fixed Assets	35,452	17,968	53,420
Tangible Fixed Assets			0
Equity investments	14,546	(717)	13,829
Other fixed assets	5,902		5,902
Total fixed assets (A)	**55,900**	**17,251**	**73,151**
Inventories			0
Amounts due from clients	31,340	(31,340)	0
Amounts due to clients	14,299	(14,299)	0
Trade receivables	(4,527)		(4,527)
Other assets			0
Net tax assets (liabilities)	(24,235)	14,520	(9,714)
Subtotal	**16,877**	**(31,119)**	**(14,241)**
Trade payables			0
Other liabilities			0
Subtotal	**0**	**0**	**0**
Operating Working Capital (B)	**16,877**	**(31,119)**	**(14,241)**
Non-current assets held for sale (C)	**35,800**	**(35,800)**	**0**
Non-current liabilities held for sale (D)			**0**
Employee benefits	181	(181)	0
Provisions for risks and charges			0
Total reserves (E)	**181**	**(181)**	**0**
Net Invested Capital (F=A+B+C+D+E)	**108,758**	**(49,848)**	**58,910**

(Values in €/000)	Profit from PPA	PPA deduction	Net effect PPA
Cash and cash equivalents			0
Current financial assets			0
Non-current financial assets	(13,029)		(13,029)
Current financial liabilities	2,795	(2,786)	9
Non-current financial liabilities	(9,965)	571	(9,395)
Net financial payables/receivables (G)	**(20,199)**	**(2,215)**	**(22,414)**
Shareholders' equity	80,395	(45,583)	34,811
Minority interests	8,165	(6,480)	1,684
Shareholders' equity (H)	**88,559**	**(52,063)**	**36,496**
Total Sources (I=G+H)	**108,758**	**(49,848)**	**58,910**

As shown in the table above, the purchase price allocation had a net positive effect on Group shareholders' equity of €34,811. As a result the total effect, which includes the recognition of the profit resulting from the provisional purchase price allocation, of €212,345, recognised at 30 June 2013, amounts to €247,156.
Since the acquisition date, Impregilo S.p.A. has contributed €1,808,626 to Group revenues (€1,779,235 after the effects described above) and €146,532 to the pre-tax profit (loss) from continuing operations (€115,748 after the effects described above). If the business combination had been effective from 1 January 2013, the revenues from continuing operations would have been €2,328,277 and the pre-tax profit (loss) from continuing operations would have amounted to €161,159.

Acquisition of control of Autostrada Broni-Mortara S.p.A.

On 27 May 2013, the subsidiary Impregilo entered into a private agreement with the consortium "Cooperative Costruzioni" and the consortium "Società Cooperativa Muratori e Braccianti di Carpi" for the purchase of 19.8% of the shares held by them in the company Autostrada Broni-Mortara.
The purchase price was a total of €4.9 million, paid in full upon signature of the agreement.
The table below show the value of Impregilo's share in the balance sheet of S.A.BRO.M. at the time of acquisition and the corresponding fair value set preliminarily at the acquisition date for the Purchase Price Allocation (PPA) process:

(Values in €/000)	Carrying amounts	Fair value
Non-current assets	7,886	7,886
of which:		
Intangible assets	7,886	7,886
Cash and cash equivalents	23	23
Other current assets	1,090	1,090
Total assets	**8,998**	**8,998**
Bank loans and borrowings due within one year	(3,960)	(3,960)
Trade payables	(1,245)	(1,245)
Other current liabilities	(1)	(1)
Total liabilities	**(5,206)**	**(5,206)**
Net assets acquired	**3,793**	**3,793**
Costs of the business combination		4,950
Goodwill		**(1,157)**

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

(Values in €/000)	
Cash and cash equivalents	23
Property, plant and equipment and intangible assets	7,886
Other assets	1,090
Payables to banks	(3,960)
Other liabilities	(1,246)
Total	**3,793**
Net of cash acquired	(23)
Cash net of cash used for the acquisition	**3,770**