38. Information on risk management and financial instruments required by IFRS 7

The principal market risks to which the Company is exposed are interest rate risk, exchange rate risk, liquidity risk and credit risk.

Interest rate risk

The Group uses external sources of funding in the form of short-term and medium-/long-term variable-rate debt.
Accordingly, an optimal balance must be found between fixed-rate and variable-rate debt in the financing structure, in order to reduce financial costs and volatility, selectively implementing hedging transactions through simple derivative instruments that convert variable-rate debt to fixed-rate debt (IRS).
At 31 December 2013, the Group had 10 derivative contracts outstanding: 2 instruments taken out by the Parent Salini S.p.A.; 6 instruments taken out by the associate Co.Ge.Fin., of which Todini Costruzioni Generali S.p.A., a subsidiary of the Parent, holds a share of 51%; and 2 instruments taken out by Impregilo S.p.A.

The following table summarises the key features of these transactions:

Company	Type	Contract date	Maturity date	Currency	Notional amount	Fair value at 31 December 2013
Co.Ge.Fin.	IRS	30-Sep-2009	31-Jul-2014	EUR	1,500	(16)
Co.Ge.Fin.	IRS	30-Sep-2009	31-Jul-2014	EUR	1,500	(16)
Co.Ge.Fin.	IRS	30-Sep-2009	31-Jul-2014	EUR	1,500	(16)
Co.Ge.Fin.	IRS	30-Sep-2009	31-Jul-2014	EUR	7,500	(82)
Co.Ge.Fin.	IRS	01-Oct-2009	31-Jul-2014	EUR	1,500	(16)
Co.Ge.Fin.	IRS	30-Sep-2009	31-Jul-2014	EUR	2,000	(16)
Salini S.p.a.	IRS	12-Feb-2010	01-Aug-2016	EUR	1,711	(55)
Salini S.p.a.	CAP	13-May-10	01-Dec-2016	EUR	5,095	0
Impregilo Parking Glasgow	IRS	27-Sep-2004	30-Jun-2029	GBP	7,969	(2,201)
Impregilo Parking Glasgow	IRS	01-Jun-2003	30-Jun-2029	GBP	703	(2,149)

The change in fair value of the financial instruments held by the Parent, recognised in the comprehensive income for the effective part, was €(7).
The fair value of the derivatives, amounting to €(55), was recognised under non-current financial liabilities.
The change in the fair value of the financial instruments held by Co.Ge.Fin. was recognised in the measurement at equity of the investment in Co.Ge.Fin., for a positive amount of €71.
The change in fair value of the instruments held by Impregilo from 1 April 2013 – the cut-off date of the consolidation – has been recognised under cash flow hedge reserve, for the effective part, amounting to €2,465 (of which €307 attributable to non-controlling interests). The fair value of the derivatives, amounting to €(4,150), has been recoded under non-current financial liabilities.
With regard to the exposure to interest-rate, if 2013 interest rates had been 75 basis points higher (or lower) on average, with all other variables constant and without considering cash and cash equivalents, the pre-tax profit (loss) would have had a negative (positive) change of €8,521 million, (€9,706 – negative/positive – for the income statement for the year 2012).

Exchange rate risk

In terms of exchange rate risk, Group policy is to preserve the monetary difference between trade receivables and payables in foreign currency by borrowing in local currency. At 31 December 2013, no cash flow hedges were in place for specific contracts.

Currency risk (sensitivity analysis) at 31 December 2013 mainly related to the following currencies:

- Naira (Nigeria)
- Dollar (United States)
- Dirham (United Arab Emirates)
- Zloty (Poland)
- Rand (South Africa)
- Swiss franc (Switzerland)

With regard to the Nigerian currency, if the Euro, at 31 December 2013, had appreciated (or depreciated) by 5% against that currency, assuming all other variables as constant, the consolidated earnings before tax for the year would have been lower (or higher in the case of depreciation) by €5.2 million, mainly due to unrealised exchange rate losses (gains) on net assets in NAIRA.
With regard to the US Dollar, if the Euro, at 31 December 2013, had appreciated (or depreciated) by 5% against that currency, assuming all other variables as constant, the consolidated earnings before tax for the year would have been lower (or higher in the case of depreciation) by €3.6 million, mainly due to unrealised exchange rate losses (gains) on net liabilities in US Dollars.
With regard to the United Arab Emirates currency, if the Euro, at 31 December 2013, had appreciated (or depreciated) by 5% against that currency, assuming all other variables as constant, the consolidated earnings before tax for the year would have been lower (or higher in the case of depreciation) by €3.4 million, mainly due to unrealised exchange rate losses (gains) on net assets in AED.
With regard to the Polish currency, if the Euro, at 31 December 2013, had appreciated (or depreciated) by 5% against that currency, assuming all other variables as constant, the consolidated earnings before tax for the year would have been lower (or higher in the case of depreciation) by €1.6 million, mainly due to unrealised exchange rate losses (gains) on net assets in ZLOTY.
With regard to the Swiss currency, if the Euro, at 31 December 2013, had appreciated (or depreciated) by 5% against that currency, assuming all other variables as constant, the consolidated earnings before tax for the year would have been lower (or higher in the case of depreciation) by €1.2 million, mainly due to unrealised exchange rate losses (gains) on net assets in CHF.
With regard to the South African currency, if the Euro, at 31 December 2013, had appreciated (or depreciated) by 5% against that currency, assuming all other variables as constant, the consolidated earnings before tax for the year would have been lower (or higher in the case of depreciation) by €0.9 million, mainly due to unrealised exchange rate losses (gains) on net liabilities in RAND.

Liquidity risk

The Group could be exposed to liquidity risk deriving, on the one hand, from a slowdown in payments from clients, and on the other from potential difficulties in locating external sources of funding to finance its industrial projects. Therefore, the Group dedicates special attention to managing the resources generated or absorbed by operating and/or investment activities and to the characteristics of the debt in terms of

maturity and renewal in order to ensure effective and efficient management of financial resources.
As a result, a number of policies and processes have been adopted to optimise the management of financial resources in order to manage and mitigate liquidity risk:

- tendency towards centralised management of collection and payment flows;
- monitoring the available liquidity level;
- optimising the lines of credit;
- monitoring the forecast liquidity.

The following tables illustrate the Group's exposure to liquidity risk and maturity analysis:

(Values in €/000)	Balance at 31 December 2013			
Maturity	Financial payables A	Trade payables B	Derivative instruments C	Total D = A + B + C
Within 1 year	441,846	1,177,283	4	1,619,133
Between 1 and 2 years	635,125	0	4,350	639,475
Between 2 and 3 years	119,129	0		119,129
Between 3 and 5 years	545,136	0		545,136
Between 5 and 7 years	0	0		0
After 7 years	0	0		0
Total	**1,741,235**	**1,177,283**	**4,354**	**2,922,872**

The maturities shown here have been analysed using non-discounted cash flows and the amounts have been entered taking into account the first date on which payment could be required.

To meet these liquidity requirements, the Group has cash reserves and generates cash flow from operations.

Credit risk

Credit risk is represented by exposure to potential losses arising from non-performance of obligations assumed by clients, nearly all of which are associated with sovereign states or government bodies. Credit risk is thus linked to country risk.
At 31 December 2013 trade receivables totalled €1,634,515. The Group aims to minimise credit risk through the overall management of operating working capital with respect to both receivables from clients and payables to sub-contractors and suppliers that are typical of the reference industry.

Classification of financial assets and liabilities

The following table illustrates the breakdown of the Group's assets and liabilities by measurement category.

The fair value of derivatives is detailed in the paragraph on interest rate risk.

31 December 2012 (Values in €/000)	Loans and receivables	Assets held to maturity	Available-for-sale assets	Assets and liabilities at fair value through P&L	Liabilities at amortised cost	Total carrying amount	Fair value
Non-current assets							
Loans to associate companies, subsidiaries and other Group companies	28,525					**28,525**	**28,525**
Financial assets deriving from concessions						**-**	**-**
Current assets							
Trade receivables	490,685					**490,685**	**490,685**
Other current assets*	181,889					**181,889**	**181,889**
Current financial assets	64,220						
Cash and cash equivalents	411,703					**411,703**	**411,703**
Non-current liabilities							
Non-current financial liabilities					299,377	**299,377**	**299,377**
Current liabilities							
Trade payables					569,842	**569,842**	**569,842**
Current financial liabilities					299,377	**299,377**	**299,377**
Other current liabilities*					34,822	**34,822**	**34,822**

(*) Share of assets/liabilities within the scope of IFRS 7.

31 December 2013 (Values in €/000)	Loans and receivables	Assets held to maturity	Available-for-sale assets	Assets and liabilities at fair value through P&L	Liabilities at amortised cost	Total carrying amount	Fair value
Non-current assets							
Loans to associate companies, subsidiaries and other Group companies	48,928					**48,928**	**48,928**
Financial assets deriving from concessions						**-**	**-**
Current assets							**-**
Trade receivables	1,634,515					**1,634,515**	**1,634,515**
Other current assets*	381,814					**381,814**	**381,814**
Current financial assets	232,529						**-**
Cash and cash equivalents	1,132,420					**1,132,420**	**1,132,420**
Non-current liabilities							**-**
Non-current financial liabilities					1,303,740	**1,303,740**	**1,303,740**
Current liabilities							**-**
Trade payables					1,177,283	**1,177,283**	**1,177,283**
Current financial liabilities					441,846	**441,846**	**441,846**
Other current liabilities*					242,291	**242,291**	**242,291**

(*) Share of assets/liabilities within the scope of IFRS 7.