



Explanatory report of the Board of Directors of Salini S.p.A. on the merger by incorporation of Salini S.p.A. into Impregilo S.p.A., prepared pursuant to Articles 2501-bis, paragraph 3, and 2501-quinquies of the Italian Civil Code.

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**EXPLANATORY REPORT OF THE BOARD OF DIRECTORS OF SALINI S.p.A. ON THE MERGER BY INCORPORATION OF SALINI S.p.A. INTO IMPREGILO S.p.A., PREPARED PURSUANT TO ARTICLES 2501-BIS, PARAGRAPH 3, AND 2501-QUINQUIES OF THE ITALIAN CIVIL CODE.**

Dear Shareholders,

this Report has been prepared by the Board of Directors of your company to illustrate the reasons, from a legal, industrial and economic point of view, justifying the merger by incorporation (the “**Merger**”) of Salini S.p.A. (“**Salini**” or the “**Surviving Company**”) into Impregilo S.p.A. (“**Impregilo**” or the “**Absorbed Company**”, hereinafter Salini and Impregilo, collectively the “**Companies Participating in the Merger**”) and the related joint merger project (the “**Merger Project**”).

\* \* \*

**1. ILLUSTRATION OF THE TRANSACTION**

**1.1. Description of the Companies Participating in the Merger**

*1.1.1. Absorbed Company*

The Absorbed Company is **Impregilo S.p.A.**, with its registered office in Milan, 97 Via dei Missaglia, fully paid-in share capital, at today’s date, of €718,364,456.72, divided into 404,073,428 shares, of which 402,457,937 are ordinary shares and 1,615,491 savings shares, both with no par value, tax code and registration number in the Companies Register of Milan: 00830660155, VAT registration number: 02895590962, Milan REA (Economic and Administrative Index) no. 525502, a company managed and coordinated by Salini, pursuant to Article 2497-*bis* of the Italian Civil Code, with shares listed on the “Mercato Telematico Azionario” (screen-based stock exchange) organised and managed by Borsa Italiana S.p.A. (“**MTA**”).

The Absorbed Company was established in the mid-nineties from the merger of four large Italian construction companies and is a key world player active the design and construction of large-scale infrastructural works, on its own account and on behalf of third parties, road, port, hydraulic, hydroelectric, building and railway works, and, generally, any civil engineering works in Italy and abroad.

The Absorbed Company operates in over 30 countries in 5 continents, with a well-established presence in the Americas and in Italy and, at the end of 2012, employed 11,890 people.

Boosted by extraordinary technical and professional expertise, the Absorbed Company is currently one of the world leaders in the construction of major hydroelectric plants and large dams (including the Ertan Dam in China, the Tarbela Dam in Pakistan and the Karahnjukar Dam in Iceland, to mention but a few) and has built thousands of kilometres of transport routes and infrastructure: railways (such as, for example, the Bologna-Florence and Turin-Milan high-speed lines in Italy), metro systems in major cities throughout the world (Rome, Milan, Genoa, Naples, New York, Paris, Singapore, Oporto, St Petersburg, Montreal, Athens and Miami), roads and motorways in urban and non-urban areas.

Some of the works that have been constructed and are in the process of being implemented represent milestones in the development of Italian engineering tradition throughout the world: from the conservation of the Abu Simbel Temples in Egypt to the construction of the San Gotthard Tunnel, to the extension of the Panama Canal.

They involve large-scale infrastructural works in Italy and throughout the world which confirm the Group's leadership position and recognised excellence; the Group controlled by the Absorbed Company (the "**Impregilo Group**") has built over 200 dams and hydroelectric plants with a total installed power of 25,000 MW, more than 1,000 Km of tunnels, over 5,700 Km of new railway lines, more than 30,000 Km of roads and, in the last ten years, 56 Km of bridges and viaducts.

As at 31 December 2012:

- the Impregilo Group's consolidated revenues amounted to €2,281 million. This figure breaks down to approximately 77% abroad and reflects the development of the "*Construction*" sector in particular (+26.3%);
- EBITDA stood at €84.3 million, corresponding to an EBITDA margin of 3.7%;
- income from discontinued operations was positive by €717 million and almost entirely attributable to the sale of the stake in the Brazilian concessionaire EcoRodovias Infraestrutura e Logistica S.A. (€720.7 million);
- consolidated net profit attributable to the Impregilo Group was €602.7 million;
- the shareholders' equity of the Impregilo Group came to a total of €1.8 billion, while the consolidated net financial position was positive by €566.7 million, as a result of the collection of €750.6 million relating to the sale of the first two *tranches* of the stake in EcoRodovias Infraestrutura e Logistica S.A., as well as the deconsolidation of the debt of said Brazilian concessionaire for approximately €121.6 million;

- the portfolio of work in hand for buildings and facilities stood at approximately €10.6 billion.

### 1.1.2. *Surviving Company*

The Surviving Company is **Salini S.p.A.** with a sole shareholder, its registered office in Rome, 22 Via della Dataria, share capital, at the approval date of the Merger Project, equal to €62,400,000.00, fully paid-in, with 62,400,000 ordinary shares with a par value of €1 each, tax code, VAT registration number and registration number in the Companies Register of Rome: 11664581003, Rome REA (Economic and Administrative Index) no. 1319966, a company managed and coordinated, pursuant to Article 2497-*bis* of the Italian Civil Code, by Salini Costruttori S.p.A. (“**Salini Costruttori**”).

The Surviving Company is a leading Italian company in the construction of large-scale and complex infrastructural works, specialising in hydroelectric projects and the building of dams, railways, metro systems, roads and motorways, civil and industrial buildings as well as combined projects (including water, road, construction and industrial works).

With over 75 years of history and experience in the industry, the group to which the Surviving Company belongs has established itself as one of the key global players in the development of “turnkey” hydroelectric projects and Salini is in sixth place in the ENR 2012 (Engineering News Record) classification of the Top International Contractors in the field of hydraulic engineering. Some of the major projects currently in progress include the 6,000 MW GERD hydroelectric plant in Ethiopia, making it the largest plant in Africa in terms of installed capacity; in the field of transport infrastructures, the group controlled by Salini (the “**Salini Group**”) is committed to building the new Copenhagen metro system, which is one of the largest and most advanced urban transport systems in the world; its subsidiary Todini Costruzioni Generali S.p.A. successfully completed the “*Variante di Valico*” section of the A1 motorway, on behalf of Autostrade per l’Italia S.p.A., which includes the longest motorway tunnel in Italy; lastly, the Salini Group is completing the 410 Km of the international corridor connecting Europe and China along the ancient Silk Road.

The Surviving Company operates in over 50 countries in 5 continents, with a well-established presence in geographical areas such as Africa, where the Salini Group has been working for more than 50 years, Asia, where it has managed to gain a solid competitive advantage over the last decade, and Europe where it is committed to building major transport infrastructures. As at 31 December 2012, the Surviving Company employed more than 19,000 people and was committed to the development of over 40 projects.

During the course of 2012, the Salini Group set a new personal record in terms of turnover, confirming the strong growth achieved in recent years (revenues in 2006-2012 grew, on average, by more than 26% per year) for external lines as well as enhancing the technical recommendations and expertise developed in the sector.

As at 31 December 2012:

- the consolidated revenues of the Salini Group amounted to €1,838 million, approximately 88% abroad, testament to the solid competitive position of the Salini Group in geographical areas with high growth potential;
- EBITDA reached €189.6 million with a revenue margin of 10.3%;
- consolidated pre-tax profit was €369.5 million and benefited from the effects of the valuation of the stake in Impregilo (+ €274 million) based on the equity method;
- consolidated shareholders' equity stood at approximately €594 million, while net financial debt was equal to approximately €163.2 million (after investments in Impregilo shares for a total of €297 million, of which €174 million took place in 2012);
- the consolidated portfolio of work in hand amounted to approximately €9.6 billion.

## **1.2. The background to the Merger: the “Campione Nazionale™” project and its main stages**

The Merger is set in the context of a wider industrial and strategic frame of reference, launched in 2011 by Salini Costruttori, the current sole shareholder of the Surviving Company, aimed at the creation of a “Campione Nazionale™” in the construction of complex works and infrastructures, with shares listed on the MTA, capable of competing with the main international competitors in terms of economies of scale, dimensions and geographical and sector complementarity.

### *1.2.1. The launch of the investment of the group to which Salini belongs in Impregilo and the establishment of the Surviving Company*

Salini Costruttori began investing in Impregilo in September 2011, considering this investment to be strategic, aiming to pave the way for a constructive dialogue to establish an industrial partnership with Impregilo and increase the company's size so that it can compete more effectively on the international markets (see the press release dated 4 October 2011, available on the website [campionenazionale.salini.it](http://campionenazionale.salini.it) - section “Press - Communications”). The investment was carried out in several *tranches* in October and December 2011. On 20 December 2011, the equity investment held by Salini Costruttori in Impregilo exceeded 15% (see the press release dated 20 December 2011, available on the website [campionenazionale.salini.it](http://campionenazionale.salini.it) - section “Press - Communications”).

In December 2011, Salini Costruttori established Salini and, on 21 December 2011 and with effect from 1 January 2012, transferred the business unit operating in the infrastructure construction sector to it, inclusive of all pertinent legal relationships developed, directly and indirectly, in Italy and abroad, as well as the equity investment in Impregilo.

Salini continued its investment in Impregilo, increasing its stake to 20% on 15 February 2012 (see the press release from 15 February 2012, available on the website <http://campionenazionale.salini.it> – section “*Press – Communications*”) and then to 25% on 22 March 2012 (see the press release from 26 March 2012, available on the website <http://campionenazionale.salini.it> – section “*Press – Communications*”).

1.2.2. *The request for the termination of the directors previously in office and the appointment of a new Board of Directors for Impregilo with the mandate to identify the most efficient operating methods to implement the “Campione Nazionale™” project.*

On 19 April 2012, Salini asked for a meeting of the Impregilo shareholders to be called, pursuant to Article 2367 of the Italian Civil Code, with the following agenda: “1) *termination of the directors in office*; 2) *appointment of the Board of Directors, after establishing terms of office*; 3) *appointment of the Chairman of the Board of Directors*; and 4) *establishment of the remuneration due to the Board of Directors*”. This shareholders’ meeting was later called for 12 July 2012. In view of this meeting, Salini submitted a list of 15 candidates (the “**Salini List**”), of which 9 met the independence requirements set forth in Legislative Decree 58 of 24 February 1998 (“**TUF**”) and the Corporate Governance Code for listed companies promoted by Borsa Italiana S.p.A. (the “**Governance Code**”) and launched a call for voting mandates pursuant to Articles 136 *et seq.* of the TUF, illustrating its plans for Impregilo and the creation of the “Campione Nazionale™” project. In addition to the Salini List, only one other list of candidates was submitted, by IGLI S.p.A. (“**IGLI**”) (which, at the date of the meeting in question, held 29.96% of the ordinary share capital of Impregilo). IGLI also launched a call for voting mandates pursuant to Articles 136 *et seq.* of the TUF. The 12 July 2012 session was postponed by five days to 17 July 2012, on the basis of the request made during the shareholders’ meeting proceedings by the shareholder IGLI pursuant to Article 2374 of the Italian Civil Code. During the meeting held on 17 July 2012, the Salini List received the most votes and therefore 14 (of which 8 possessed the requirements of independence pursuant to the TUF and the Code of Governance) of the 15 members of the Impregilo Board of Directors were taken from that list; the 15<sup>th</sup> member (in possession of the requirements of independence pursuant to the TUF and the Governance Code) was taken from the list submitted by IGLI.

1.2.3. *The strategic agreement for commercial and organisational cooperation*

In this situation and in order to launch a collaboration strategy between the group to which Salini belongs and the Impregilo Group, intended to seize market opportunities and add value for both of the afore-mentioned groups, as well as make costs savings due to operational and business synergies, on 27 September 2012, Impregilo and Salini Costruttori signed a strategic agreement for commercial and organisational cooperation, which governs the co-ordination procedures of the pertinent organisations, taking into account the individual characteristics, structure, and make-up of each company, so as to: (a) identify, evaluate and propose, to the appropriate bodies of each of the parties, a determination of possible commercial and industrial synergies and

(b) select commercial initiatives on infrastructures and complex major works of potential interest to both of the parties and organise participation in the pertinent job bidding, that is, joint preparation and submission of bids.

*1.2.4. The full public tender offer and the acquisition, by Salini, of a 92.08% stake in the ordinary share capital of Impregilo*

On 6 February 2013, the Salini Board of Directors took the decision to promote a full public tender offer (the “**Offer**”), pursuant to Articles 102 and 106, paragraph 4 of the TUF and applicable regulatory provisions adopted through Consob resolution 11971 of 14 May 1999 (“**Issuers’ Regulation**” or “**IR**”) for all ordinary shares issued by Impregilo and not held by Salini (equal to 282,381,888 shares with no par value, corresponding to approximately 70.16% of the Impregilo subscribed and paid-in ordinary share capital). As a result of the subscriptions to the Offer (including subscriptions received during the reopening of terms period pursuant to Article 40-*bis* of the Issuers’ Regulation), Salini came to hold a total of 370,575,589 Impregilo ordinary shares, equal to 92.08% of the ordinary share capital, for a total disbursement of €1,001,998,160.00 (see the press release from 30 April 2013 available on the website <http://campionenazionale.salini.it> - section “*Tender Offer*”).

In order to deal with the total disbursement expected in relation to the Offer, on 13 March 2013, Salini signed a loan agreement with Banca IMI S.p.A. and Natixis S.A. – Milan Branch, pursuant to which the lending banks granted Salini a loan for a total maximum amount of €1,410,000,000.00 (the “**Tender Offer Funding**”), described in more detail in the paragraph 3.1 below (see also the Offer document available, inter alia, on the website <http://campionenazionale.salini.it> – “*Tender Offer*” section).

*1.2.5. The reduction of the stake held by Salini in Impregilo to below 90%*

On 17 May 2013, pursuant to Article 108, paragraph 2 of the TUF, Salini announced they had (the previous day) completed the transactions and now held a stake in the ordinary share capital of Impregilo of less than 90%, namely 89.7% (see press release from 17 May 2013, available on the website <http://campionenazionale.salini.it> – section “*Tender Offer*”). After this date, Salini continued with further transactions of selling shares on the market, as a result of which, on the date of this Report, the Surviving Company holds 357,505,246 ordinary shares, equal to 88.83% of the ordinary share capital of Impregilo.

*1.2.6. Approval of the Merger Project*

In the light of the positive outcome of the Offer, in line with the reasons expressed and future plans, on 13 and 14 May 2013, respectively, the Boards of Directors of Impregilo and Salini resolved to launch all the

preliminary, instrumental, related or functional activities for the speedy implementation of the integration process.

Subsequently, on 24 June 2013, the Boards of Directors of the Companies Participating in the Merger, believing that the Merger was the most efficient method of operation for implementing the “Campione Nazionale<sup>TM</sup>” project, approved the Merger Project, including the Articles of Association of the Absorbed Company at the conclusion of the Merger (attached to this Report under “Annex 1”, the essential elements of which are illustrated below), conferring, among other things, severally on the Chairman and the CEO, a mandate to define and publish this Report. The Merger Project was prepared (and therefore the Merger will be executed) based on the financial statements relating to the year ended 31 December 2012 of the Companies Participating in the Merger, approved by the respective shareholders’ meetings, which will be used as statements of financial position pursuant to Article 2501-*quater* of the Italian Civil Code.

The Merger Project and its annexes were filed at the registered offices of Salini and Impregilo and published on the respective websites on 30 June 2013. The Merger Project was sent, in writing, to the Companies Register of Milan and the one in Rome, pursuant to Article 2501-*ter*, paragraph three of the Italian Civil Code on 1 July 2013. Registration took place on 2 July 2013, in the Milan Companies Register and on 3 July 2013 in the Rome Companies Register.

#### *1.2.7. The issue of the Bond Loan by Salini*

On 1 August 2013, Salini completed the issue of a bond loan, pursuant to Articles 2410 *et seq.* of the Italian Civil Code (the “**Bond Loan**”), at a fixed rate, aimed exclusively at institutional investors and listed on the Irish Stock Exchange. The total amount of the bonds placed by the Surviving Company was equal to €400 million. These bonds, which were placed at a price equal to 99.477% of the par value, have rights from 1 August 2013 and pay a gross nominal interest rate of 6.125%. The maturity date of the Bond Loan is set for 1 August 2018. In the context of the initial public offering, Banca IMI S.p.A., Natixis S.A. and UniCredit Bank AG have acted as joint lead managers and joint bookrunners.

The net income from the Bond Loan has been used by Salini for the partial repayment of the Tender Offer financing (see Paragraph 3.3 below).

### **1.3. Legal framework of the Merger**

#### *1.3.1. “Reverse” nature of the Merger*

In the light of the main reasons for the merger transaction, that is to say the creation of a “*Campione Nazionale<sup>TM</sup>*” in the sector of complex infrastructures with shares listed on the MTA, the transaction which will

be submitted for examination and approval to the Salini extraordinary shareholders' meeting is the (so-called "reverse") merger by incorporation of Salini into Impregilo.

The Merger will result in the extinction of the Surviving Company Salini.

As a result of the Merger, the Absorbed Company will change its company name to "Salini Impregilo S.p.A."

### 1.3.2. *Nature of the leveraged buy-out transaction*

As a result of the financial debt incurred by Salini in order to implement the Offer, in relation to the Merger, as explained in more detail below, Article 2510-*bis* of the Italian Civil Code applies. Therefore, the Boards of Directors of Salini and Impregilo:

- (a) pursuant to Articles 2501-*bis*, paragraph 2, and 2501-*ter* of the Italian Civil Code, have indicated the financial resources intended to fulfil the obligations of the company resulting from the Merger in the Merger Project;
- (b) pursuant to Articles 2501-*bis*, paragraph 4, and 2501-*sexies* of the Italian Civil Code, have jointly requested and obtained from the Court of Milan the appointment of a joint expert (the "**Joint Expert**"), with the task, *inter alia*, of certifying the reasoning of the guidelines contained in the Merger Project pertaining to the financial resources intended to fulfil the obligations of the company resulting from the Merger in the report. With the provision of 14 June 2013, filed on 25 June 2013, the Court of Milan appointed the company BAKER TILLY REVISA S.p.A. as the Joint Expert. The report of the Joint Expert, published on 5 August 2013, was made available to the public on the website <http://campionenazionale.salini.it> – section "Merger Project" at the same time as the publication of this Report;
- (c) pursuant to Article 2501-*bis*, paragraph 5 of the Italian Civil Code, PriceWaterhouseCoopers S.p.A. has been appointed as the independent auditor to carry out the statutory audit of Impregilo's accounts and to issue a report to be enclosed with the Merger Project. On 28 June 2013, PriceWaterhouseCoopers S.p.A. issued the above-mentioned report, attached to the Merger Project.

Lastly, pursuant to Articles 2501-*bis*, paragraph 3, and 2501-*quinquies* of the Italian Civil Code, the Board of Directors of Salini indicated below in this Report the reasons justifying the transaction, including the economic and financial plan indicating the source of financial resources and the description of the targets it intends to reach (see Chapter 3 below).

The Merger will be executed based on the financial statements related to the year ended as at 31 December 2012 of the Companies Participating in the Merger, approved by the respective shareholders' meetings, which will be used as statements of financial position pursuant to Article 2501-*quater* of the Italian Civil Code.

For a description of the main terms and characteristics of the Tender Offer loan agreement, refer to the Offer document, available on the website <http://campionenazionale.salini.it> – section “*Tender Offer*”.

### 1.3.3. *Nature of “significant” transactions between related parties*

For the mere purpose of completeness, it should be pointed out that as a result of the legal control of Salini over Impregilo, which was established at the conclusion of the Offer, in addition to the significant indicators in the Regulation containing provisions on the subject of related-party transactions adopted by Consob through resolution 17221 of 12 March 2010 (“**OPC Regulation**”) and the procedure approved by the Board of Directors of Impregilo pursuant to Article 2391-*bis* of the Italian Civil Code and Article 4, paragraphs 1 and 3, of the OPC Regulation, recently amended on 13 May 2013, the Merger transaction establishes the elements of a “significant” transaction between related parties for the issuer Impregilo.

In this context, Impregilo has, *inter alia*, prepared an information document pursuant to Article 5 of the OPC Regulation and in compliance with the Schedule in Annex 4 of said OPC Regulation, which was made available to the public on 1 July 2013 and can be consulted on the website [www.impregilo.it](http://www.impregilo.it) – section “*Investor Relations – Salini Impregilo Merger*”.

### 1.3.4. *Nature of the significant merger transaction pursuant to Article 70 of the Issuers’ Regulation*

Always for the purpose of completeness, it should also be pointed out that, given Article 70 of the Issuers’ Regulation and the general criteria to evaluate the significance of merger transactions with reference to Annex 3B of said Issuers’ Regulation, the Merger also constitutes a “significant” transaction for the issuer Impregilo pursuant to the previously mentioned Article 70 of the Issuers’ Regulation.

Therefore, given that Impregilo believed it did not avail itself of the right, set out in Article 70, paragraph 8 of the Issuers’ Regulation<sup>(1)</sup> to opt out of the obligation required by Article 70, paragraph 6 of the Issuers’ Regulation<sup>(2)</sup>, at least fifteen days before the date set for the shareholders’ meeting called to resolve on the Merger, Impregilo will make an information document prepared in conformity with Annex 3B of the Issuers’ Regulation available to the public at its registered office, in accordance with the procedures set out in Articles 65-*quinquies*, 65-*sexies* and 65-*septies*, of the Issuers’ Regulation.

## 1.4. **Conditions to which the completion of the Merger is subject**

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<sup>1</sup> <sup>(1)</sup> Article 70, paragraph 8 of the Issuer’s Regulation establishes: “*Without prejudice to the information obligations laid down by law and unless the regulation adopted by the market management company has other provisions, issuers can opt out of the obligation required by paragraph 6, notifying Consob, the market management company and the public through the presentation of the demand aimed at admission of trading of its shares, or through the methods indicated in Articles 65-quinquies, 65-sexies and 65-septies. The information relating to this choice is also supplied by the share issuers in the financial reports published pursuant to Article 154-ter of the Consolidated Act*”.

<sup>2</sup> <sup>(2)</sup> Article 70, paragraph 6 of the Issuer’s Regulation establishes: “*Issuers of shares, in the case of significant merger, spin-off or capital increase transactions through the transfer of goods in kind, identified in accordance with the general criteria indicated in Annex 3B, or at the request of Consob, in relation to the characteristics of the transaction except as required in paragraph 8, must make available to the public at their registered office and through the methods indicated in Article 65-quinquies, 65-sexies and 65-septies, at least fifteen days before the date set for the shareholders’ meeting, an information document prepared in conformity with Annex 3B*”.

The completion of the merger is subject, in addition to the approval by the extraordinary shareholders' meetings of Salini and Impregilo, respectively, to the non-occurrence – in other words, the non-fulfilment of this condition, the non-withdrawal by the Companies Participating in the Merger – by the date of the signing of the deed of merger, of extraordinary situations or circumstances of any kind that could not reasonably have been foreseen at the date of the Merger Project which, in the light of the accounts taken into consideration for determining the Exchange Ratio (defined below), affecting or susceptible to having a considerable negative impact on one or both Companies Participating in the Merger and/or groups pertaining to them and on the respective balance sheets, income statements and financial positions, or on the respective economic or financial performance or respective future prospect, and if the anticipated effects are not determined by significant and substantial change in the stock exchange prices of Impregilo shares.

## **2. OPERATIONAL RATIONALE AND OBJECTIVES AND PLANS FOR IMPLEMENTATION**

The Merger is the prerequisite for the full implementation of the benefits of the merger between Salini and Impregilo under the “*Campione Nazionale*™” project and already partly achieved through the strategic agreement for commercial and organisational collaboration signed on 27 September 2012 between Salini Costruttori and the Absorbed Company (see Paragraph 1.2.3). The Merger transaction comes under an industrial and strategic project for the creation of a single important group (the “**Post Merger Group**”), operating worldwide in the sector of major civil works, which will be among the major global operators and industrial players in Italy. The reasons behind the merger project reflect the strengthening of the competitive position through the consolidation of the critical factors of success featured in the business segments of the two groups; these reasons are essentially attributable to the management objectives of:

- ◆ increasing the scale with consequent competitive advantages and synergies and improvement of access to capital markets;
- ◆ sharing internal best practices for processes and instruments adopted;
- ◆ optimising and valuing internal resources and the capacity to attract new talent.

### **2.1. Increasing the scale with consequent competitive advantages and synergies; improvement of access to capital markets**

The size aspect is a critical factor for success in the segment of large-scale works as it is a necessary condition for managing complexity in the realisation of large-scale projects as well as a more efficient management of the associated risks.

It is well known that large-scale civil works (by which we mean those in excess of €1 billion in value) are often accompanied by tenders which restrict the participation of companies which exceed certain size and capital

levels. These aspects become even more significant if you add in that large-scale works are, on average, far more profitable than small or medium-sized contracts, and this is both because of the clear economies of scale which can be achieved at the sites, and the presence of few global players capable of satisfying the more stringent requirements set by clients and of managing the complexity of the projects.

As confirmation of the serious advantages resulting from larger scale, note how the building industry has, for some years now, been concentrated: in 2004, the top 225 construction companies worldwide held 25% of the global construction market; in 2011, this percentage rose to 32% (source: ENR, *Global Insight*).

In addition to the benefits coming from strategic and competitive strengthening, greater dimensions larger scale makes it possible to achieve efficiencies in the procurement of goods and services for sites (materials, subcontracts, insurance, etc.), goods and services supporting central structures (technical consultancy, user fees, travel, etc.), and machinery and equipment (general purpose machines, TBMs, crushing plants, etc.).

The majority of these synergies can only be achieved through a merger, because the full sharing of procurement strategies is required and the use of all efficiency levers necessary without the limitations imposed by the complexity related to the management of divided service contracts of transfer price systems.

The increased corporate dimensions and the significant improvement expected from the industrial growth profile of the new organisation will allow easier access to international capital markets and to more advantageous conditions through the lower degree of risk perceived for a large group.

## **2.2. Sharing internal best practices for processes and instruments adopted**

Salini and Impregilo possess specialist skills in the construction of complex infrastructural works and have, over the last ten years, developed their respective commercial networks in more than 50 countries, with little overlap, in order to monitor the individual markets both in terms of industrial development and in customer relations, from a customer satisfaction perspective, in order to consolidate their competitive advantage in the respective reference markets.

## **2.3. Optimisation and enhancement of internal resources and the capacity to attract new talent**

A further advantage of the Merger stems from the possibility of allocating human resources to the various projects efficiently (e.g. designers, project managers, site managers, etc.), enhancing the experience and expertise of individuals to the benefit of the operating and commercial results of the post-Merger Group. This goal requires the fully flexible “movement” of human resources already in the organisation who, following the Merger, will have greater opportunities to develop their specific expertise in a range of projects which is far more extensive than that offered by the individual companies they come from.

In addition, the Merger is intended to create a national hub of excellence in favour of growth and employment opportunities for young talent, and engineering and economics graduates.

The Merger will also bring considerable cost benefits thanks to the better use of fixed assets. For example, after the Merger, the Companies Participating in the Merger can increase opportunities for reusing machinery, systems or spare parts which, once a job is completed, can be easily used at nearby sites rather than disposed of or sold on the local market at prices which are not always competitive. Another example comes from the opportunity of managing to deal with the strong planned growth usually using the same staff already present in the two companies without having to deal with the times and expenses related to searching for qualified resources in the market.

#### **2.4. Programmes formulated for achieving management targets**

The integration process will be conducted in full compliance with the conditions necessary for ensuring a successful Merger and to reduce the potential associated risks.

The Merger and the subsequent integration will, as usually happens in such cases, involve certain one-off costs, including the costs associated with tax, legal and strategic consultancy and Information and Communication Technology (ICT) system integration costs.

The management of the Company intends to pursue the management goals of the Merger through programmes aimed at a:

- ◆ complete focus on the core business of construction through:
  - the disposal, mainly already underway and being completed, of assets no longer deemed to be strategic, such as accrued concessions and the plant engineering business;
  - the selective participation in construction projects planned by certain greenfield concessions, but with a clear exit strategy and disposal of assets in order not to burden invested capital;
- ◆ rigorous selection of development opportunities based on very clear profitability and cash generation parameters as a guide for future commercial initiatives:
  - the sizeable current level of the joint portfolio of work in hand, equal to €19.9 billion at the end of 2012, will allow the post-Merger Group to choose growth opportunities carefully and selectively (thereby avoiding pursuing a growth “at any cost” strategy);
- ◆ selection of tenders for which to submit bids based on the following two cardinal principles:
  - overall focus on large contracts;

- strengthening of presence in well identified countries (i.e. EU, Central Asia, Africa, the Americas) to benefit from the clear advantages related to a continuous and consistent presence;
- ◆ diversification of the business through entry into few and selected countries considered attractive in terms of size and profitability:
  - typically, countries with more than €50 billion of investments planned in roads, railways, dams and metro systems over the next 5 years (i.e. U.S., Brazil, Turkey, the Middle East, Canada, Australia).

### **3. ECONOMIC AND FINANCIAL PLAN, WITH INDICATION OF THE SOURCES OF FINANCIAL RESOURCES PLANNED FOR SATISFYING OBLIGATIONS AND FINANCIAL AND ECONOMIC SUSTAINABILITY OF THE ABSORBED COMPANY'S DEBT FOLLOWING THE MERGER**

#### **3.1. Economic and financial plan**

The economic and financial plan prepared by the administrative bodies of Salini and Impregilo (the “**Plan**”), based on the provisions of paragraph three of Article 2501-*bis* of the Italian Civil Code, contains information relating to the sources of financial resources, as well as the description of the targets to be reached in the period 2013 – 2016.

In general terms, the following factors were considered for the purpose of defining the Plan: (i) the scope of reference; (ii) the underlying accounting principles; (iii) the timeframe; (iv) the development of the portfolio of work in hand of the two Companies Participating in the Merger as at 31 December 2012 and the new contract forecasts; (v) the strategic choice of focusing on the core business of construction and the consequent disposal of non strategic assets, and the favourable resolution of several disputes related to the former CDR plants in Campania and the claims for damages relating to the cancellation of the contract for building the bridge over the Strait of Messina.

(i) The Plan was established from a perspective which considered that the Merger would take place, based on the consolidated plans of the Companies Participating in the Merger: all economic and financial projections refer to the combined entity resulting from the Merger by incorporation of Salini into Impregilo, taking into account the evaluations made about the synergies which could be achieved through the effect of specific actions aimed at efficiency in certain corporate areas.

With this in mind, it should be remembered that the Merger has the characteristics of a business combination under joint control, because of the transaction which takes place following the acquisition by Salini of legal control over Impregilo. Taking into account that the procedures required by international accounting principles for the purpose of determining the fair value of the net assets acquired (the purchase price allocation) are ongoing and will be completed under the regulatory terms within 12 months from the acquisition of control

date, under the scope of the Plan the book value difference between the fair value of the price incurred for the acquisition of control and the fair value of the net assets acquired, for the related ownership percentage, has been determined on the basis of the reference consolidated statement of financial position at the date of acquisition of control by the Surviving Company and, under the scope of the Plan, has been preliminarily allocated under the post-merger equity to a consolidated net equity item. The purchase price allocation, which will be completed in compliance with the reference accounting principles, which require the identification of the current values of the assets and liabilities acquired, including potential ones, may possibly lead to a more accurate allocation of the values to specific assets, liabilities or potential liabilities. In any case, the solution adopted does not, in any way, affect the cash flow dynamics or the net financial position of the company resulting from the Merger; if a tax exemption for the values is decided upon, this could have a positive effect on cash flows.

For the purpose of a more standardised representation of the balance sheet, economic and financial figures of the Post-Merger Group, in the preparation of the Plan, at consolidated level, lastly, it should be noted that the consolidated statement of financial position of the Salini Group at the end of 2012, at a hypothetical level, takes into consideration the full consolidation of the Impregilo Group, highlighting the share of net equity attributable to shareholders other than Salini at that date as minority interest shareholders' equity.

(ii) The Plan was prepared based on the IAS/IFRS international accounting standards adopted by the Salini Group and the Impregilo Group, as a continuation of the financial statements for the years ended as at 31 December 2012.

(iii) As far as the timeframe is concerned, the forecast information of the Salini Group and the Impregilo Group for the period from 2013 to 2016 has been used.

(iv) The anticipated economic and financial flows for the period of the 2013-2016 Plan include the attainment of certain targets in 2016 (highlighted in the table below in this Paragraph) and have been processed using a bottom-up type approach, in other words taking into account:

- time schedules for the individual contracts already present at 31 December 2012 in the construction portfolio of work in hand of the Companies Participating in the Merger. The portfolio of work in hand at the end of 2012 amounted to €19.9 billion and will account for over 60% of the economic forecasts of the 2013-2016 Plan (EBITDA and EBIT revenues and margins) or approximately €13.8 billion in terms of revenues for the period 2013-2016. These revenues have been estimated in accordance with detailed forecasts for each individual project based on the information available in May 2013;
- forecasts for the acquisition of new contracts in the course of the period of the Plan, based on a rigorous selection of commercial opportunities, following very precise profitability and cash generation

parameters established as guiding criteria for future commercial initiatives increasingly directed towards the acquisition of large contracts and strengthening our presence in clearly identified countries, which offer a high potential for development, also taking into consideration the strategic and commercial agreement signed by the Impregilo Group and the Salini Group; during the entire period of the Plan total cumulated revenues of €23.3 billion are forecast, plus new orders worth €29.8 billion and a book-to-bill ratio of more than one. Related revenues under the Plan are forecast adopting the cost to cost principle used in the preparation of the financial statements; the draft operating margin (EBIT) (before central costs) relating to future projects has been estimated at 10% of expected contract revenues (before central costs), lower than the 2013 – 2016 average of the portfolio of work in hand at 31 December 2012 (which was equal to 10.9% net of forecasts relating to the termination of the contract for the construction of the Strait of Messina Bridge) and consistent with the assumptions about new orders in accordance with the forecasts of the above-mentioned commercial agreement;

- the estimate of the cost synergies which could be obtained through operations designed to improve efficiency in specific functional areas. With regard to this, it is estimated that the value of synergies (from 2016) could reach €100 million per year. Potential synergies identified mainly refer to: (i) savings on site purchases, purchases for services for sites and central costs; in addition to (ii) savings on purchases and better rotation of machinery and plant;
- the increase in net central costs in absolute value and on an annual basis although, as a result of economies of scale, the percentage of these costs in relation to total revenues is gradually reduced over the timeframe of the Plan (from 3.8% in 2013 to 3.0% in 2016);
- non-recurring costs related to the Merger transaction estimated at approximately €25 million;
- forecast investments which, relating to the backlog, have been estimated in line with the time schedule of the various projects and include a total expenditure in the period of the Plan equal to €192 million and, relating to newly acquired projects, are estimated at 2.8% of the value of the order intake for Italian projects and 6.5% of the order intake for foreign projects which have a lower average percentage of subcontractors compared with Italian projects, for a total value equivalent to average investments, for each year of the Plan, of approximately €325 million. With regard to investments in concessions and other businesses, the total amount forecast is equal to approximately €256 million (including backlog and new order intake concessions);
- the dynamics of working capital in the period 2013-2016, estimated using the theory of average days of collection and payment as constant for the years of the Plan and in line with the historical average of the two Companies Participating in the Merger, evaluating specific assumptions for certain projects

located in precise geographical areas. Lastly, the advance repayment dynamics have been taken into consideration for the portfolio of work in hand at the end of 2012, in line with estimates for the related contracts, while for the new order intake for the period 2013-2016 a theory of advance payments equal to 10% of the value of the individual contract was considered for projects in Africa, the European Union and Asia, 7% for the rest of world and zero for Italy;

- the estimate of amortisation and depreciation based on the anticipated economic-technical life;
- the estimate of financial income and expenses based on the development of the net financial debt;
- the estimate of taxes determined using an average annual taxation rate of 33% of EBIT.

(v) The Plan reflects the development forecasts of construction activities, in line with the strategic choice taken by management to focus on the core business of construction and, therefore, incorporates the effects of transactions of a non-recurring nature for which net cash is forecast at a total of approximately €551 million in 2013, and approximately €128 million in 2014, also to be achieved through: (a) the sale of investments in the “Plant” business; (b) development, which can also be achieved through the sale of certain investments in greenfield concession projects; (c) the collection of claims for damages made by the Impregilo Group with regard to the public administration and which refer to costs incurred in the past for the construction of former CDR plants in Campania, for the part not yet amortised at the date of the *ex lege* termination of the related contracts for waste disposal services and (d) receivables due to the Impregilo Group from Campania public administrations with reference to the management activities of former CDR plants for the management transition period. Part of this cash relates to the sale of 6.5% of the residual investment in EcoRodovias Infraestrutura e Logistica S.A. (€187 million), already realised in the first part of 2013. There are also total estimated costs of €100 million with reference to the ancillary expenses for Salini gaining control of Impregilo and refinancing the debt through the issue of the Bond Loan (see paragraph 1.2.61.2.7 and paragraph 3.3 below). Lastly, the Plan considers a payout ratio assumption of 40% in the period 2014-2016.

The approach adopted allows a high degree of reliability in the economic and financial growth forecasts in the Plan, as the profitability of the individual contracts in the portfolio, the state of progress and any criticalities related to each project are already known in advance. In addition, commercial activities in 2013 highlight the benefits of the strategic agreement for commercial and organisational collaboration signed by Impregilo and Salini Costruttori in September 2012, which at the date of the Merger Project provide further confirmation for the new order acquisition assumption for the year in progress, increasing the visibility of the economic projections to 2016. These estimates, however, are still conservative because they do not consider the acquisition of “mega projects”, in other words projects worth more than €1 billion, both for prudential reasons and taking into consideration the disruptive effect they would have on expected development plans, it was

decided not to include them in the individual plans or in the joint business plan. If awarded, these projects would significantly alter the anticipated growth profile, improving margins both in relative terms and with regard to revenues.

For a better understanding of the economic and financial dynamics of the 2013-2016 Plan, see the table below summarising the main targets.

<b>2016 Business Plan Targets</b>			
<b>Revenues</b>	<b>€7.4 billion</b>	<b>Revenues Growth (CAGR)</b>	<b>16%</b>
<b>EBITDA</b>	<b>€1 billion approx</b>	<b>EBITDA Margin</b>	<b>&gt;13.5%</b>
<b>EBIT</b>	<b>&gt;670 million</b>	<b>EBIT Margin</b>	<b>&gt;9%</b>
<b>Portfolio of work in hand</b>	<b>€26 billion approx</b>	<b>New order intake (annual average)</b>	<b>€7.5 billion</b>
<b>Construction capex (annual average)</b>	<b>€325 million approx</b>	<b>NFP</b>	<b>€110 million approx</b>

#### Variance analysis

Economic-financial projections, by nature, feature elements of unpredictability and uncertainty. Projections are the most accurate and plausible estimate of the expected development of the business combinations which are the subject of the merger.

Taking into account what has been described so far, it is believed that, in addition to the assumptions on which the Plan is based, it is also a good idea to mention some additional considerations which refer to the variance of the expected results if certain situations were to occur as a result of quantitative or time profiles which differ from those which can currently reasonably be expected. See below for more analytical comments:

- with reference to existing and contracted projects (the backlog), the plans assume flows (of revenues and costs) and consistencies (of assets and liabilities) in line with the contents of the agreements with clients. It is, however, not possible to exclude future events changing quantitative and/or time profiles of flows and consistencies resulting from these projects, possibly significantly;
- part of expected operating revenues and margins for the period of the plan (2013-2016) is associated with projects which it is assumed will be acquired (new order intake). Taking the nature of the infrastructure construction business into account, the new order intake contains an element of uncertainty;
- Impregilo and Salini conduct their business in an international setting and therefore it is exposed to considerable geopolitical risks. These risks have been recognised by evaluating the assets located in the relatively most risky settings separately;
- Impregilo's plan, among other things, assumes:
  - (a) the collection, in 2014, of the fine (€97 million, before tax) relating to the termination of the contract for the construction of the Strait of Messina Bridge signed by the Italian government and Eurolink S.C.p.A. which belongs to the Impregilo Group. It should be noted that this is subject to a dispute, in relation to which, to date, no decisions have yet been taken by the judiciary bodies or, in general, by the public bodies;
  - (b) the collection of the receivables due from the FIBE – CDR Campania dispute amounting to €209 million in 2013 (sale price of the CDR assets, gross of estimated ancillary expenses – the Court of Cassation, through the judgment issued in April 2013 and which has now become final, found in favour of Impregilo) – and €53 million in 2014 (payment for the supply of reporting services). See paragraph 3.3 below;
  - (c) the sale, in 2013, of several investments in the “Plants” sector and Italian concessions, where there was a greater degree of uncertainty compared with the other disposal assumptions considered in the Plan. Specifically, with reference to Italian concessions, these disposals were, however, made, on a prudential basis, through the realisation of the net equity at 31 December 2012, and therefore without the forecast of realising the implicit capital gains. There was no provision for these projects for the need to make further capital contribution payments compared with those provided for in the related projects, also taking into consideration the forecast of realising at least the value of the net equity, taking into account that these theories would not be disclosed for the purpose of the overall net financial position.

### **3.2. Structure of the debt of the Companies Participating in the Merger**

Between the reference date of the accounts used for the purpose of the Merger Project and the date of approval of said Merger Project, both the Surviving Company and the Absorbed Company were affected by significant events, mainly with reference to the acquisition of control of Impregilo by Salini, which had, among other things, the effect of changing the financial positions of the Companies Participating in the Merger in relation to the respective statements of financial position at the end of 2012.

These events are summarised below:

- the sale of the remaining 6.5% stake held by Impregilo in the capital of the Brazilian company EcoRodovia Infraestrutura e Logistica S.A., in relation to which more detailed information was published on 25 January 2013, which allowed the collection of an overall amount equivalent to approximately €187.1 million;
- the acquisition of control of Impregilo, which took place under the scope of the Offer promoted by Salini which finally ended in May 2013, involving the use of financial resources to service the actual Offer, obtained in the first part of 2013 through the launching of the Tender Offer Loan, of up to a total of €1,410.0 million, which is described in more detail later in this paragraph, of which, under the scope of the Offer, as at 2 May 2013, a total of approximately €1,217.0 had been used (in other words at the payment date of the Offer after the outcome of the reopening of the terms of said Offer);
- the allocation of a dividend equal to €1.49 per ordinary share, approved by the Impregilo ordinary shareholders' meeting on 30 April 2013, for a total amount of €602.6 million, including the commission of savings shareholders, which, through the component cashed by the shareholder Salini, equal to approximately €534.5 million, allowed the partial repayment of the Tender Loan by an equivalent amount;
- in correlation with the distribution mentioned above, and under the scope of the agreement with holders of variable rate bonds issued by a subsidiary of Impregilo, wholly-guaranteed by the latter, the residual amount of these bonds, equal to approximately €113.7 million, was repaid in full in May 2013;
- lastly, following several partial sales of Impregilo ordinary shares, made by the parent company Salini under the scope of its commitment to restore a float equal to at least 10% of the outstanding share capital, the parent company designated the resources obtained from these sales equal, overall, to €54.1 million, to the further partial repayment of the Tender Loan.

Taking into account the significance of what has just been described and the related effects of a financial nature considered for the purpose of the preparation of the Plan, on the date the Merger Project was approved therefore, the pro-forma consolidated total financial debt of the Companies Participating in the Merger was

essentially different to the figure resulting from the respective statements of financial position at 31 December 2012.

The net financial position of the Salini Group and the Impregilo Group as at 31 May 2013 is broken down in the table below.

Net financial position items	Net financial position of the two Groups as at 31 May 2013 Values in € million
Cash and cash equivalents	859.9
Bank loans, other financial debts and other components of the Net Financial Position	(1,435.1)
Bond loan	(154.2)
<b>Total Net Financial Position</b>	<b>(729.4)</b>

As far as the current financial debt is concerned, the following should be pointed out.

***Bank loans, other financial debts and other components of the Net financial position***

As at 31 May 2013, bank loans and other financing were estimated at a total of €1,435.1 million. This financing mainly consisted of:

*Tender Loan*

In order to tackle the total disbursement following the Offer, on 13 March 2013, Salini signed a loan agreement (the “**Loan Agreement**”) with Banca IMI S.p.A. and Natixis S.A. – Milan Branch (jointly the “**Lending Banks**”) in accordance with which the Lending Banks granted Salini the Tender Loan for a maximum total amount of €1,410,000,000.00, shared over the following *tranches*:

- (a) one *tranche*, called “*Tranche A1*”, for a maximum amount equal to €1,130,000,000.00, to be used for (i) the issuing of assurances of full performance (of the payment obligations undertaken through the Offer), in addition to (ii) the payment of the sum for the Impregilo ordinary shares contributed to the Offer during the subscription period or, later on, during the reopening of the terms of said Offer; the total amount of €1,001,998,160.00 was utilised;
- (b) “*Tranche A2*” for a maximum total equivalent to €215,000,000.00 to be utilised, *inter alia*, for (i) refinancing the existing loan, in principal equivalent to €130,000,000.00, granted by Natixis S.A. under the financing agreement signed with Salini on 20 February 2012 (as modified on 7 August 2012 and,

more recently modified on 20 December 2012) as well as (ii) financing payment of the ancillary costs relating to the Offer; and

- (c) “*Tranche A3*” for a maximum total equivalent to €65,000,000.00 to be utilised, *inter alia*, for the purpose of Salini’s disbursement of an intragroup loan for a maximum of €65,000,000.00 conferred to Salini Costruttori, intended to allow the latter a reimbursement of its medium-long term loan (originating, in particular, from (i) a financing agreement signed on 5 August 2009 with, *inter alia*, Centrobanca S.p.A. for an initial amount of €63,000,000.00, and a total residual debt equal to €27,562,500.00, and (ii) a financing agreement signed on 29 July 2010 with Intesa Sanpaolo S.p.A. for an initial amount of €50,000,000.00, and a total residual debt equal to €37,500,000.00).

The repayment of the Tender Loan is currently expected, in compliance with the provisions of the related Loan Agreement, to be made on 31 December 2014 (see paragraph 3.3 below). However, the Loan Agreement includes the right of the debtor to defer the repayment date of the Tender Loan to 30 June 2016 on condition that, *inter alia*, a capital amount equal to at least 25% of what has effectively been supplied, net of the repayment resulting from the income of the 2013 dividend distributed by Impregilo, has been repaid by 30 November 2014. The Tender Loan also has several clauses and covenants in line with market practices.

#### *Corporate financing*

Corporate financing is estimated at a total of approximately €497.9 million. This category includes a “revolving” loan due on 26 June 2014 for a total of €75,000,000.00 of which Impregilo is part and for which, as a result of the Merger, the lending bank will have the right to declare Impregilo forfeited from the term benefit with regard to all or part of the payment obligations herein or the settlement of said agreement or withdrawal from it, with the result that all amounts due in accordance with this agreement will be immediately extinguished.

Corporate financing also includes:

- the loan agreement signed on 13 May 2013 by Salini and a pool of lenders (Cassa Depositi e Prestiti, BNP Paribas and Banca Popolare di Sondrio) for a total of €100 million, aimed at supporting the development of its activities abroad. The loan has to be repaid in 6 years and is partly backed by a SACE guarantee; and
- the loan agreement equal to €75 million (where the residual capital debt is estimated at approximately €53 million) provided by the Intesa Sanpaolo Group in favour of Salini and aimed at supporting the working capital requirements of the project for the construction of the Gibe III Dam (in Ethiopia). The loan, which will be repaid through shares of the payments for the works, is due in 2016.

The residual amount is made up of lines of credit and loans granted by major financial institutions and regulated by conditions in line with normal market practices.

#### *Project financing and other financing*

Project financing and other financing, equal to a total of €243.7 million, include the existing debt supporting the working capital requirements of the main infrastructural projects currently managed by the Salini Group and the Impregilo Group, for the areas pertaining to them and which, with reference to joint venture projects carried out with partners, have pro rata guarantees. There is provision in the Plan for the repayment of these loans in line with the development of production and contractual dynamics expected for the completion of the projects that these loans refer to.

Project financing and other financing also includes debts for projects under licence totalling €9.8 million. The repayment of these loans is planned for under the scope of the reference concession financial plans.

#### **Bond loans**

##### *Impregilo International Infrastructures N.V., 2010-2015 bond loan for €150,000,000*

The loan was issued in November 2010 by the subsidiary Impregilo International Infrastructures N.V. and is fully guaranteed by Impregilo S.p.A. and involves a fixed interest rate of 6.526%. Repayment is due in one instalment in November 2015. The loan is backed by two ordinary contractual clauses and is listed on the Luxembourg Stock Exchange.

The amount of €154.2 million refers entirely to the capital due in 2015, and is evaluated according to the “amortised cost” method, including the estimate relating to interest accrued and not yet paid.

### **3.3. Recent developments**

Taking into account the development of the operating activities of the Companies Participating in the Merger for the period between the approval date of the Merger Project and the date of this Report, financial debt, both net and gross, is essentially consistent with the theories on which the 2013-2016 Plan are based, described earlier, with the differences detailed in the previous Paragraphs.

With regard to this the main situations are listed below:

- a) *Bond issue:* in August 2013, Salini completed the issue of a senior unsecured bond loan for a nominal value of €400 million, due on 1 August 2018 and destined for institutional investors (see paragraph 1.2.7 above). The securities issued are listed on the Dublin Irish Stock Exchange and have a fixed rate dividend of 6.125%. Following this issue, on 1 August 2013, a further early repayment of the Tender Loan was made for a total sum

of approximately €394.9 million. Therefore, at the date of this Report, the residual capital amount of the outstanding Tender Loan is equal to approximately €298.5 million.

b) *Collection of claims for damages relating to former CDR plants:* in August 2013, following the outcome of the executive procedures which the Impregilo Group put in place in order to obtain payment of its receivables with reference to the former CDR plants – with regard to which full information can be found in the consolidated half-year financial report of the Impregilo Group as at 30 June 2013, approved on 5 August 2013 and available to the public on the website [www.impregilo.it](http://www.impregilo.it) – section “*Investor relations – Results*” – a total amount of €240.6 million in capital and legal interest has been collected.

c) *Financial support for foreign operational units:* in July 2013, Impregilo finally transferred a total amount equal to €54 million to one of its foreign operational units. This transfer allowed the unit to repay the short-term loans obtained on the local market covering its working capital requirements, in accordance with dynamics already taken fully into consideration in the whole-life forecasts for the project by the actual unit.

It should also be noted that the transactions described above were already considered for the purpose of the preparation of the Plan. Therefore, the assumptions referring to the capacity of the Absorbed Company following the Merger to satisfy its obligations are currently believed to be entirely valid according to the profiles considered at the time of the approval of the Merger Project.

#### **3.4. Sources of financial resources for satisfying the financial debt of the Absorbed Company following the Merger**

The administrative bodies of the Companies Participating in the Merger believe that, following the Merger and in line with the forecasts of the Plan and the resources generated under its scope, the Absorbed Company will have a sufficient capital and financial capacity to satisfy the requirements of its obligations of a financial nature detailed in paragraph 3.2 above, also taking into account the indications in paragraph 3.3.

The table below shows the development of the operating and net financial flows expected under the scope of the Plan for the Post Merger Group, in order to evaluate the capacity to fulfil obligations of a financial nature, taking into account a remuneration policy for shareholders which involves the distribution of dividends equal to approximately 40% of net earnings expected in each financial year.

## Cash Flow - 2013-2016 Business-Financial Plan

€ mln

Consolidated	2013 P	2014 P	2015 P	2016 P
<b>Net financial position - Initial balance</b>	<b>404</b>	<b>(269)</b>	<b>30</b>	<b>33</b>
Cash flow generated (absorbed) by operating activities	44	648	551	708
Cash flow generated (absorbed) by financing activities (industrial investments)	(184)	(297)	(448)	(531)
Cash flow generated (absorbed) by financing activities and significant operations	(534)	(52)	(101)	(100)
<b>Net financial position - Closing balance</b>	<b>(269)</b>	<b>30</b>	<b>33</b>	<b>110</b>
<i>of which Cash and cash equivalents</i>	<i>1.347</i>	<i>1.116</i>	<i>907</i>	<i>947</i>
<i>of which Financial Debt</i>	<i>(1,616)</i>	<i>(1,086)</i>	<i>(874)</i>	<i>(837)</i>
<b>Net financial position - Closing balance</b>	<b>(269)</b>	<b>30</b>	<b>33</b>	<b>110</b>

The analysis of expected cash flows shows the high degree of sustainability of the debt exposure of the Post-Merger Group, as well as the relative capacity to meet its obligations to its creditors. The net financial position is expected to improve gradually, also in the presence of a consistent business development investment plan.

### 3.5. Financial and economic sustainability of the debt of the Absorbed Company following the Merger

As already indicated in the Merger Project and highlighted previously, following the Merger and according to the theories in the Plan and illustrated in this Chapter 3, the financial resources generated under this scope are sufficient to fulfil existing obligations following the Merger.

## 4. THE EXCHANGE RATIO ESTABLISHED AND THE CRITERIA FOLLOWED TO DETERMINE IT. VALUES ATTRIBUTED TO THE COMPANIES PARTICIPATING IN THE MERGER FOR THE PURPOSE OF DETERMINING THE EXCHANGE RATIO

### 4.1. The Exchange Ratio

On 24 June 2013, the Boards of Directors of Salini and Impregilo, after having examined and adopted the evaluations of the respective advisors, as well as, as far as Impregilo was concerned, having also acknowledged the reasoned favourable opinion of the Related-Party Transactions Committee, approved the exchange ratio for

Salini ordinary shares and Impregilo ordinary shares (the “**Exchange Ratio**”), understood as a suitable ratio for expressing the reciprocal weighting of the two Companies Participating in the Merger, in the following extent:

#### **6.45 Impregilo ordinary shares for each Salini share.**

There are no plans for compensatory money payments.

For a description of the methods of assigning the shares of the Absorbed Company to be allocated in exchange, refer to Chapter 6 below.

As mentioned previously, on 5 August 2013, BAKER TILLY REVISA S.p.A., in its capacity as Joint Expert appointed by the Court of Milan upon the joint application of the Companies Participating in the Merger, issued its report confirming, among other things, the adequacy of the Exchange Ratio and the reasoning of the indications in the Merger Project with reference to the financial resources planned for satisfying the obligations of the company resulting from the Merger, in accordance with the requirements of Articles 2501- *bis*, paragraph 4, and 2501-*sexies* of the Italian Civil Code.

#### **4.2. Description of the evaluation criteria used for the purpose of determining the Exchange Ratio**

As mentioned, the Merger Project was prepared based on the financial statements of Salini and Impregilo as at 31 December 2012. With regard to these statements of financial position, the appropriate updates with regard to the specific occurrences which took place after the above-mentioned date and before the date of this Report were taken into consideration. Specifically, with reference to Salini, the impact of the Offer was considered, the subsequent sale on the market of Impregilo ordinary shares to replenish the float following said Offer (also in terms of the investment stake maintained in Impregilo following the Offer) and the dividend coming from the Impregilo ordinary shares held. With reference to Impregilo, the impact of the sale of the last *tranche* of the investment in EcoRodovias Infrastruttura e Logistica S.A. was considered, as well as the allocation of dividends drawn from ordinary and saving shares, as approved by the shareholders’ meeting of 30 April 2013.

The Salini Board of Directors determined the Exchange Ratio following a weighted assessment of the Companies Participating in the Merger, taking the nature of the transaction into account and adopting commonly used evaluation methods, at international level as well, for transactions of this kind and for businesses operating in this section, adequate for the characteristics of each Company Participating in the Merger.

For the purpose of analysing and defining the rationale and structure of the transaction, as well as identifying the value to assign to Salini and Impregilo for their evaluation of the Exchange Ratio, the Board of Directors of the Companies Participating in the Merger made use of financial and business advisors of proven professional experience. Specifically, Salini appointed the financial advisor Vitale & Associati S.p.A. for the specific task of

giving an opinion on the estimate of a range of values that would be reasonably consistent with reference to the purpose of determining the Exchange Ratio (the “**Opinion**”). The Board of Directors of Salini received the above-mentioned Opinion on 24 June 2013, after having discussed the method, assumptions and considerations.

The supporting documentation for determining the Exchange Ratio by the Salini Board of Directors includes, in addition to the above-mentioned financial statements and the Opinion, among other things, the following documents:

- the Articles of Associations in force for both Companies Participating in the Merger;
- the financial statements and consolidated financial reports of Impregilo and Salini as at 31 December 2012;
- the consolidated quarterly report of Impregilo as at 31 March 2013;
- the consolidated statement of financial position, including the statements containing the pro-forma net financial position of Impregilo and Salini as at 31 December 2012, which reflect the effects of the significant events which took place after the 2012 year end which are mentioned above;
- the economic-financial and business plans of Impregilo and Salini approved by the respective Boards of Directors on 11 June 2013 and 10 June 2013, respectively;
- the information made available in the virtual data room which includes additional detailed analyses of the historical years and the years of the plan;
- recent equity reports by financial analysts relating to Impregilo;
- information in the public domain relating to a sample of listed companies on characteristics deemed, in principle, comparable with Impregilo and Salini.

For the purpose of the Merger, consistent with what happens in similar transactions, the figures for the Companies Participating in the Merger were determined based on the assumption of the business as a going concern and in “normal” operating conditions, as well as from a “stand alone” perspective, that is based on the current configuration and future perspective of the Companies Participating in the Merger considered independently and without taking into account the potential synergies resulting from said Merger.

The choice of evaluation methods and related application methods was made by allocating primary importance to the fundamental requirements of homogeneity and comparability.

Taking this into account and also based on the Opinion, the following evaluation methods were adopted:

- ◆ Discounted Cash Flows method (“**DCF**”), as the main method;
- ◆ Multiple Markets method for listed companies comparable in principle, as the control method.

### DCF Method

According to this criterion, the company’s equity value is equal to the current value of future cash flows which can be generated by it.

Specifically, in the version adopted known as “Unlevered DCF”, the equity value is equal to the current value of unlevered free cash flows, gross of financial expenses, which it is anticipated the company can generate in the future (enterprise value), minus (or plus if positive) the net financial position at the date of the estimate and the value attributable to other asset and/or liability entries, not already reflected in the company unlevered free cash flows which are being discounted.

The enterprise value can, in turn, be calculated as the sum total of the current value of unlevered free cash flows relating to the explicit projection period and the current value of the terminal value, in other words the current value of residual cash flows which can be generated precisely beyond the explicit projection period. The discounting of estimated unlevered free cash flows is conducted based on a rate which expresses the average cost of the capital, calculated using the capital asset pricing model as an average of the cost of the risk and debit capital weighted for the reference capital and financial structure of the company. The cost of risk capital is usually defined as the average expected performance of the actual capital, in other words the opportunity cost of the share capital of the business in question. The return on debt is equal to the average cost of the financial debts of the business, before tax.

As far as estimating the terminal value is concerned, this is typically based on the growing perpetual annuity formula (the so-called “Gordon Model”) for the cash flow of the latest year of the explicit projection period, suitably stabilised in order to take into account any contingent phenomena and to approximate, as far as possible, the cash flow that the company is expected to be able to effectively continue to generate in the future for an indefinite period.

The application of the DCF method involved the following operational stages:

- the unlevered free cash flows relating to the explicit projection period (2013-2016) were derived for both the Companies Participating in the Merger from the results of the respective economic-financial projections in the Plan (the “**Prospective Data**”);
- the reference unlevered free cash flows for calculating the respective terminal values were determined taking the Prospective Data into account and also bearing in mind the expected development of the portfolio of work in hand and related profitability. It should be noted that, as a result of the convergence in

the long-term of the commercial profiles, geographical presence and profitability shown in the Prospective Data by virtue of the strategic agreement for commercial and organisational cooperation signed on 27 September 2012, the respective flows considered for the purpose of applying the Gordon Model are virtually identical for the two Companies. However, any differences in the capital and economic position of the two Companies at the end of the period of the Plan were taken into account, as well as the increased profitability of the current residual portfolio of work in hand at the end of the Plan compared with the medium to long-term forecasts, by making suitable adjustments;

- the WACC was estimated: (i) for the explicit period of the Plan (2013-2016) distinctly for each of the two Companies Participating in the Merger, based on the weighting of the country risk premiums implicit in the market returns of government bonds in “strong” currencies (US dollars or Euros) for the various countries where the two groups are present (if these issues were not available, estimates based on third party sources were adopted, specifically through a broad recognition of the statistics published by Damodaran and SACE); and (ii) for the purpose of calculating the terminal value, adopting an identical WACC for the two Companies Participating in the Merger (calculated using the same country risk premium weighting method referred to above) because of the convergence in the long-term of the commercial profiles, geographical presence and profitability highlighted in the Prospective Data by virtue of the above-mentioned strategic agreement of 27 September 2012. For both time periods considered the reference was a sector average financial lever ratio (D/E), taken from a sample of listed companies operating in the construction industry; the beta unlevered estimate was conducted in the same way;

WACC - Explicit period			WACC - TV		
	Impregilo	Salini		Impregilo	Salini
<b>WACC</b>	<b>9.88%</b>	<b>10.98%</b>	<b>WACC</b>	<b>9.13%</b>	<b>9.13%</b>

- the long-term growth rate (“g”) was taken as 2%;
- for the enterprise values estimated in this way: (i) the surplus asset financial statement value was added (carrying amount of non-consolidated investments); (ii) the financial statement value of the net financial debt, severance pay provisions, risk provisions and minorities was subtracted; and (iii) the value of certain extraordinary items (specifically claims, the sale of assets and other one-off collections planned by Impregilo) was added. Lastly, the economic value of the investment held in Impregilo was added to the value of Salini.

In addition to the analyses summarised above, several sensitivity analyses were conducted aimed at highlighting:

- the possible impact of specific potential variation phenomena, in other words of greatest risk, in the

assumptions of the Plan compared with the considerations in the basic scenario mentioned previously, in other words: the existing problems and risks during the development of Impregilo projects in Venezuela; the uncertainties in the progress of the Impregilo COCIV project in the light of the financial difficulties of the public client and the recent government decision to designate funds previously set aside for this project for other purposes; the configuration of interest rates in the Eurozone, which are particularly low compared with historical averages as a result of current monetary policies which are unprecedented; the implicit risk in pursuing certain significant extraordinary items (claims and disposals) expected by Impregilo in the Plan, with special reference to the theoretical disposals. An adjustment aimed at aligning the divestments for the two Companies Participating in the Merger was also considered;

- the impact of possible variations in the main evaluation parameters, specifically with reference to the WACC, taking into consideration fluctuations in the order of 0.5% compared with the values indicated previously, and to g, taking into consideration fluctuations in the order of 0.25% compared with the figure indicated previously.

Lastly, for the purpose of prudence, the results of the analyses conducted were also verified assuming a conservative scenario, denoted by theories of order acquisitions, on behalf of the two Companies Participating in the Merger, lower (to the same extent) than the assumptions in the Plan, also considering the potential extraordinary receipts expected by Impregilo in a more prudential fashion.

#### Market Multiples Method

The Market Multiples Method arrives at the estimation of the economic values of the company to be compared for the purpose of determining the exchange ratio in a merger transaction based on the valuation parameters which can be taken from the stock exchange listings of shares of a sample of companies in principle comparable with those which are the subject of the evaluation.

Specifically, based on this criterion, the ratios which are established between the market price and certain economic and/or balance sheet figures of the companies considered are calculated. The multiples calculated in this way are then applied to said figures of the companies which are being evaluated, thereby arriving at the relative estimates in value for comparison.

The adoption of this summary evaluation method also presumes, in addition to general fundamental theories of efficiency of financial markets and significance of the prices expressed by the stock exchange listings, the possibility of identifying samples of companies which are sufficiently comparable with those which are the subject of the evaluation, as well as the adoption of application methods of the criterion which constantly express the criteria of homogeneity and essential comparability of the analyses conducted, in addition to being

consistent with the actual characteristics of the criterion. From this last perspective, from the time that the stock exchange prices (on the basis of which the multipliers in question are calculated) tend to reflect the expectations of the market concerning the future results expected by the corresponding companies, it is vital that the multipliers identified refer to the data forecast and applied accordingly.

The application of the Market Multiples Method involved the following operational stages:

- Identification of a sample of comparable companies for the Companies Participating in the Merger.  
Given the importance of ensuring, as far as possible, comparable conditions for the companies which are the subject of the evaluation and those included in the reference sample, the analyses conducted have led to the selection of a reference sample obtained by excluding the companies which, alongside their activities in the construction sector, have a particularly important presence in the concessions sector. In addition, for the purpose of calculating the multiples in question, a restricted sample was taken excluding the groups mainly operating in the construction sector but considerably larger than the Companies. This restricted sample therefore comprises the following companies: Strabag, Balfour Beatty, Astaldi and Obrascon Huarte Lain.
- Selecting the multipliers used and calculating the values applicable to the Companies Participating in the Merger. In line with the practices prevalent in relation to the evaluations conducted in the reference sectors for the Companies Participating in the Merger, Enterprise Value/EBITDA (EV/EBITDA) and Enterprise Value/EBIT (EV/EBIT) multipliers were adopted. The multiples were calculated with reference to the projection period 2013 – 2014, also in the light of the refinement of the observations/forecasts of brokers for 2015. The reference prices for the calculation of the multipliers were the averages of the prices recorded in the month prior to 20 June 2013. The estimates relating to the EBITDA and EBIT anticipated by the Companies Participating in the Merger were dealt with, for each year, by the Bloomberg contributor broker reports (consensus). When calculating the enterprise values of the Companies Participating in the Merger, the fair value of the pension funds and any potential dilution phenomena (fully diluted estimates) were taken into account. Lastly, the multiplier applicable for each year was assumed as equal to the median value expressed by the sample.

The multiples identified were applied to the corresponding EBITDA and EBIT values expected by the Companies Participating in the Merger, as resulting from the related Prospective Data, in other words, in relation to the previously described sensitivity analyses conducted having a possible impact on these values, to the different resulting EBITA and EBIT values, if necessary.

As in the case of the application of the DCF criterion, to the enterprise values estimated in this way: (i) the surplus asset financial statement value was added (carrying amount of non-consolidated investments); (ii) the

financial statement value of the net financial debt, severance pay provisions, risk provisions and minorities was subtracted; and (iii) the value of certain extraordinary items (specifically claims, the sale of assets and other one-off collections planned by Impregilo) was added. Lastly, the economic value of the investment held in Impregilo was added to the value of Salini.

#### **4.3. Values allocated to the shares of the Companies Participating in the Merger**

At the outcome of the evaluation process aimed at determining the Exchange Ratio, also taking into account the results of the sensitivity analyses conducted, using the main evaluation method (unlevered DCF) a range of values was identified for the Exchange Ratio from a minimum of 6.2 to a maximum of 7.0 Impregilo ordinary shares for each Salini share. This result was also confirmed overall based on the application of the control criterion (Market Multiples method) which identified a range of values for the Exchange Ratio from a minimum of 6.9 to a maximum of 7.3 Impregilo ordinary shares for each Salini share.

The consistency of the above-mentioned ranges is also confirmed by the evaluations carried out by Vitale & Associati S.p.A. and formalised in the Opinion.

#### **4.4. Difficulties and limitations encountered in the evaluation of the Exchange Ratio**

Pursuant to Article 2501-*quinquies* of the Italian Civil Code, the following were taken into consideration for the purpose of conducting the evaluation analysis described above: (i) the particular characteristics of the Companies Participating in the Merger and (ii) the criticalities resulting from the application of the evaluation methods adopted for determining exchange ratios.

Specifically:

- the evaluation methods were also applied using forecast economic-financial data prepared by Impregilo and Salini. These data, by their very nature, contain uncertainty and indecision, especially in the context of the current market, which is representative of the uncertainties of the Italian and European macroeconomic conditions;
- by definition the Exchange Ratio is the result of the ratio between the implicit value of Salini's ordinary shares and the implicit value of Impregilo's ordinary shares. Determining the value of Salini is, however, greatly influenced by the actual definition of the value of Impregilo, precisely because of the 88.83% stake held in the Absorbed Company;
- the evaluations do not take into account any events after the reference date of the analyses.

#### **5. STATUTORY CHANGES AND REDUCTION OF THE SHARE CAPITAL OF THE ABSORBED COMPANY**

The Merger will result in the extinction of the Surviving Company Salini.

As a result of the Merger, the Absorbed Company will change its company name to "Salini Impregilo S.p.A.".

It should also be noted that at the Impregilo shareholders' meeting, which met in extraordinary session to approve the Merger Project, a proposal was also submitted to approve – as from the effective date of the Merger or thereafter, if the reduction was implemented after this date – a reduction in the share capital of the Absorbed Company of €718,364,456.72 (seven hundred and eighteen million three hundred and sixty four thousand and four hundred and fifty six point seventy two) to €500,000,000,00 (five hundred million), in other words by an amount equal to €218,364,456.72, to designate €100,000,000,00 to the legal reserve and €118,364,456.72 to the establishment of a specific shareholders' equity reserve, which we propose calling “other reserves”.

More precisely, as a result of the reduction of the share capital illustrated and the allocation operations, the share capital of Impregilo will be equal to €500,000,000.00 (five hundred million) and divided into 449,048,182 (four hundred and forty nine million forty eight thousand, one hundred and eighty two) ordinary shares and the outstanding 1,615,491 (one million six hundred and fifteen thousand, four hundred and ninety one) savings shares.

The share capital reduction transaction is deemed advisable in order to improve the configuration of the structure of the shareholders' equity of the company resulting from the Merger. It will also optimise efficiency from an operating perspective, without affecting the overall existence of the actual shareholders' equity.

This reduction in the share capital can be implemented, in compliance with the regulation set out in Article 2445 of the Italian Civil Code, ninety days after the meeting resolution is recorded in the companies register, as long as no share creditor prior to the recording has expressed opposition within this period.

Taking into consideration the fact that Impregilo shares have no par value, the reduction in the share capital will not cause any cancellation of shares.

For the sake of completeness, it should also be noted that the transaction does not have to be submitted to the special meeting of Impregilo savings shareholders for approval because the privileges recognised by the Articles of Association of the Absorbed Company for this category of shares will not suffer any prejudice.

Once the Merger becomes effective, the Articles of Association of the Absorbed Company will remain in force, with only Articles 1 (*Description*) and 6 (*Share capital*) changing, as described in more detail below.

EXISTING TEXT	ALTERED TEXT
<p style="text-align: center;"><b>Article 1</b></p> <p style="text-align: center;"><b>(Name)</b></p> <p>A Public Limited Company is incorporated called: “IMPREGILO S.p.A.”.</p>	<p style="text-align: center;"><b>Article 1</b></p> <p style="text-align: center;"><b>(Name)</b></p> <p>A Public Limited Company is incorporated called: “<b>SALINI IMPREGILO S.p.A.</b>”.</p>

<b>Article 6</b> <b>(Share Capital)</b>	<b>Article 6</b> <b>(Share Capital)</b>
<p>The share capital is €718,364,456.72 (seven hundred and eighteen million three hundred and sixty four thousand four hundred and fifty six point seventy two) divided into 404,073,428 (four hundred and four million seventy three thousand and four hundred and twenty eight) shares of which 402,457,937 (four hundred and two million four hundred and fifty seven thousand and nine hundred and thirty seven) are ordinary shares and 1,615,491 (one million six hundred and fifteen thousand four hundred and ninety one) are savings shares.</p>	<p>The share capital is <b>€500,000,000.00 (five hundred million)</b> divided into 449,048,182 (four hundred and forty nine million, forty eight thousand and one hundred and eighty two) <b>shares with no par value</b>, of which <b>447,432,691 (four hundred and forty seven million four hundred and thirty two thousand and six hundred and ninety one)</b> are ordinary shares and 1,615,491 (one million six hundred and fifteen thousand and four hundred and ninety one) are saving shares.</p>

The text of the new Articles of Association of the Absorbed Company, which will be effective from the date the Merger takes effect, is attached to the Merger Project, included here as Annex 1, which should be referred to. Moreover, it should be noted that if the reduction of the share capital of the Absorbed Company is implemented after the effective date of the Merger, the related change to the Articles of Association will take effect from the date the reduction comes into effect, it being understood that, if that is the case, it should be pointed out in the deed of merger.

#### **6. METHODS FOR ALLOCATING IMPREGILO SHARES AND ENTITLEMENT DATE**

As indicated in the previous paragraph 4.1, the Exchange Ratio has been determined as 6.45 Impregilo ordinary shares for each Salini share.

As a result of the completion of the Merger, all Salini ordinary shares will be cancelled and exchanged for Impregilo ordinary shares in accordance with the above-mentioned Exchange Ratio. Therefore, if the Merger is approved, a total of 402,480,000 ordinary shares of the Issuer will be due to the sole shareholder of the Surviving Company, Salini Costruttori, equal to 89.95% of the ordinary share capital.

The share exchange between Salini shares and Impregilo shares will take place, based on said Exchange Ratio, without an increase in the nominal value of the share capital of the Absorbed Company, but through the allocation to the sole shareholder of the Surviving Company, Salini Costruttori, of the 357,505,246 Impregilo

ordinary shares, with no par value, currently outstanding and held by Salini, plus a further 44,974,754 newly issued ordinary shares, with no par value, without, it is worth repeating, an increase in the share capital of the Absorbed Company.

Holder of Impregilo ordinary shares, unlike those of the Surviving Company and holders of Impregilo savings shares, will retain the shares currently owned.

There are no plans, as has been stated, for compensatory money payments.

The ordinary shares of the Absorbed Company, assigned and issued in exchange, will be listed like the outstanding ordinary shares of said company, as well as being subject to the centralised clearing system operated by Monte Titoli S.p.A. for dematerialisation, according to legal requirements.

Where it is deemed appropriate, Impregilo will make a service available to allow the number of Impregilo ordinary shares due when the Exchange Ratio is applied to be rounded up or down to the closest unit, without any increase in cost, stamp duty or commission. Alternatively, different methods can be activated to ensure the overall framework of the transaction.

Shareholders will not incur any expenses for the exchange transactions.

The ordinary shares of the Absorbed Company allocated to service the exchange will be made available from the effective date of the Merger, if it is a day that the Stock Exchange is open, or from the next day the Stock Exchange is open. This date will be announced under the terms of the law. Any further information concerning the allocation methods will be supplied at the same time and through the same methods.

All of the ordinary shares of the Absorbed Company which will be assigned or issued during the exchange will have the identical entitlement date as the Impregilo ordinary shares outstanding at the effective date of the Merger and their holders will be allocated the same rights due to current outstanding ordinary shares.

**7. APPLICATION DATE OF TRANSACTIONS OF THE COMPANIES PARTICIPATING IN THE MERGER TO THE IMPREGILO FINANCIAL STATEMENTS, FOR TAX PURPOSES AS WELL**

The Merger will produce effects on the financial statements from 1 January 2014 or from a different date to be specified in the deed of merger. From the effective date of the Merger, Impregilo will replace Salini in all relations in which Salini was previously a part of, taking on all rights and obligations.

For accounting and tax purposes, the transactions of the Surviving Company will be ascribed to the financial statements of the Absorbed Company from the above-mentioned date.

**8. TAX IMPLICATIONS OF THE MERGER ON THE COMPANIES PARTICIPATING IN THE MERGER**

The Merger transaction is tax “neutral” for direct taxation purposes. Pursuant to Article 172 of Law 917 of 22 December 1986 (Consolidated Law on Tax Income – “**TUIR**”), in effect, the merger will not give rise to the emergence of positive or negative taxable income components pertaining to the individuals involved (absorbed, surviving and also shareholders).

Specifically, pertaining to the Absorbed Company, the transfer of its equity will not give rise to the creation of capital gains or losses latent in the assets and liabilities transferred including goodwill.

By the same token, the assets received from the Absorbed Company are taken on at the same tax value they had when pertaining to the Absorbed Company (continuity principle of “recognised tax values”).

When determining the income of the Absorbed Company, the surplus or deficit recorded in the financial statements as a result of the exchange ratio of the shares and the increased values recorded in the balance sheet as a result of any allocation of the deficit to the statement of financial position elements, including goodwill are not taken into account, and are not taxable with regard to the Absorbed Company and are not recognised for tax purposes, unless one opts for the application of the substitute tax under Article 176, paragraph 2-ter of the TUIR or Article 15 of Legislative Decree 185 of 29.11.2008 (converted through the amendments of Law 2 of 28 January 2009). The untaxed reserves recorded in the latest financial statements of the Absorbed Company should be adjusted in the financial statements of the Surviving Company.

## **9. FORECASTS FOR THE COMPOSITION OF THE SIGNIFICANT SHAREHOLDING AND OWNERSHIP STRUCTURE OF IMPREGILO FOLLOWING THE MERGER**

### **9.1. Significant shareholding and ownership structure of Impregilo**

At the date of this Report, based on the information available to the public, no one holds a number of Impregilo ordinary shares representing a stake of more than 2% of the share capital of the Absorbed Company, with the exception of Salini, which directly holds 88.83% of the ordinary share capital of Impregilo and therefore has legal control.

### **9.2. Significant shareholding and ownership structure of Salini**

At the date of this Report, the share capital of Salini is wholly-owned by Salini Costruttori.

### **9.3. Forecast on the composition of the shareholding at the conclusion of the Merger**

Taking the Exchange Ratio into account, and assuming there are no changes to the current ownership structure of Impregilo and Salini, the ownership structure of the Company resulting from the Merger will be as follows:

- ✓ Salini Costruttori S.p.A. with 402,480,000 ordinary shares equal to 89.95% of the ordinary share capital;

- ✓ the remaining 44,952,691 ordinary shares belonging to other shareholders will be equal to 10.05% of the ordinary share capital.

The 1,615,491 savings shares will remain unchanged.

#### **10. EVALUATIONS OF THE BOARD OF DIRECTORS ON THE OCCURRENCE OF THE RIGHT OF WITHDRAWAL**

The approval of the Merger resolution will not give rise to any right of withdrawal for Salini shareholders with no recourse to the premises under Article 2437 of the Italian Civil Code or other legal provisions.

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#### **PROPOSED RESOLUTION**

#### **FOR THE ORDINARY SHAREHOLDERS' MEETING**

Dear Shareholders,

taking the above into consideration, the Board of Directors is submitting the following proposed resolution for your approval:

*‘The Shareholders’ Meeting of Salini S.p.A, which met in extraordinary session:*

*(i) having approved the merger by incorporation of Salini S.p.A. into Impregilo S.p.A., recorded in the Rome Register of Companies on 3 July 2013;*

*(ii) having examined the Explanatory Report of the Directors on the merger project mentioned above, prepared pursuant to Articles 2501-bis, paragraph 3 and 2510-quinquies of the Italian Civil Code;*

*(iii) having acknowledged the statements of financial position of the companies participating in the merger, illustrated in the financial statements for 2012;*

*(iv) having acknowledged the report issued pursuant to Article 2510-bis, paragraph 5, of the Italian Civil Code by PriceWaterhouseCoopers S.p.A, the independent auditors appointed to carry out the statutory audit of Impregilo S.p.A.’s accounts, attached to the merger project under “Annex 1”;*

*(v) having acknowledged the report on the consistency of the exchange rate and the reasoning of the indications contained in the merger project in relation to the financial resources planned to fulfil the obligations of the company resulting from the Merger, prepared by Baker Tilly Revisa S.p.A., as the joint expert appointed by the Court of Milan, pursuant to Article 2501-sexies of the Italian Civil Code;*

*(vi) having acknowledged the certification of the Board of Statutory Auditors that the current share capital of Salini S.p.A. is equal to €62,400,000.00, represented by 62,400,000 ordinary shares with a par value of €1.00 each, fully subscribed and paid-in;*

## RESOLVES

1. to approve the merger project filed and subscribed according to legal requirements and attached to this report, and, as a result, to proceed with the merger by incorporation of Salini S.p.A. into Impregilo S.p.A. under the terms and conditions therein. Specifically, the exchange of the ordinary shares of the Surviving Company Salini S.p.A. will proceed through the issuing, by Impregilo S.p.A., of a maximum of 44,974,754 new ordinary shares, without a capital increase, having the identical effective date as the outstanding Impregilo ordinary shares at the effective date of the merger, with the application of the exchange ratio and the share allocation methods planned in the merger project and therefore through the allocation to the sole shareholder of the Surviving Company of:

- (i) the 357,505,246 Impregilo S.p.A. ordinary shares, with no par value, held by Salini S.p.A., in addition to
- (ii) a further 44,974,754 Impregilo S.p.A. new issue ordinary shares, with no par value, without a capital increase;

2. to confer on the Board of Directors, and through it the Chairman and the CEO pro tempore in office, severally and also through holders of special powers appointed for this purpose, the widest powers to make any minor change, addition or cancellation to the resolutions that becomes necessary, at the request of any competent administrative authority or at the Companies Register, representing the Company;

3. to confer on the Board of Directors, and through it the Chairman and CEO pro tempore in office, severally and also through holders of special powers appointed for this purpose, the widest powers without any exceptions, to implement the merger, according to the methods and terms set out in the merger project, and in the previous resolutions, and therefore without any limitations, to:

- (i) stipulate and sign the public deed of merger, as well as any acknowledgement, rider, instrumental and/or adjustment clause which becomes necessary or appropriate, defining each agreement, condition, clause, term and method in compliance with the merger project;
- (ii) make provision, in general, for anything else requested, necessary, useful or even only helpful for the full implementation of the above resolutions and the transactions therein, making any statutory changes necessary, from time to time, and allowing transfers, transcriptions, annotations, changes and amendments of headings in public records and any other competent authorities, as well as the presentation to the competent authorities of any question, application, communication or request for authorisation which might be requested or become necessary or appropriate for the purpose of the transaction in question in its entirety”.

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**ANNEX 1** Merger Project, including the Articles of Association of the Surviving Company at the conclusion of the Merger and the report issued by PriceWaterhouse Coopers S.p.A. pursuant to Article 2501-*bis*, paragraph 5 of the Italian Civil Code.

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Rome, 9 August 2013

for the Board of Directors of Salini S.p.A.

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CEO

Dr. Pietro Salini