

Impregilo group

Interim financial report

31 March 2013

This document is available at:

www.impregilo.it

Impregilo S.p.A.

Share capital € 718,364,456.72

Registered office in Milan, Via dei Missaglia 97

Tax code and Milan Company Registration no. 00830660155

R.E.A. no. 525502 - VAT no. 02895590962

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General information

Company officers at 31 March 2013

Board of directors (i)	
Chairperson	Claudio Costamagna
Chief executive officer	Pietro Salini
Directors	Marina Brogi
	Giuseppina Capaldo
	Mario Giuseppe Cattaneo
	Roberto Cera
	Laura Cioli
	Massimo Ferrari
	Alberto Giovannini
	Pietro Guindani
	Claudio Lautizi
	Geert Linnebank
	Laudomia Pucci
	Giorgio Rossi Cairo
	Simon Pietro Salini
Executive committee (°)	
	Pietro Salini
	Claudio Costamagna
	Laura Cioli
	Massimo Ferrari
	Claudio Lautizi
Risk and control committee (°)	
	Mario Giuseppe Cattaneo
	Alberto Giovannini
	Pietro Guindani
Remuneration and appointment committee (°)	
	Marina Brogi
	Geert Linnebank
	Laudomia Pucci
Related party transactions committee (°)	
	Alberto Giovannini
	Marina Brogi
	Giuseppina Capaldo
	Geert Linnebank
Board of statutory auditors (ii)	
Chairperson	Alessandro Trotter
Standing statutory auditors	Fabrizio Gatti (iii)
	Nicola Miglietta
Substitute statutory auditors	Pierumberto Spanò (*)
	Marco Tabellini (*)
Independent auditors	PricewaterhouseCoopers S.p.A.

(i) Appointed by the shareholders on 17 July 2012; in office until approval of the financial statements as at and for the year ending 31 December 2014.

(ii) Appointed by the shareholders on 28 April 2011; in office until approval of the financial statements as at and for the year ending 31 December 2013.

(iii) Became standing statutory auditor on 13 July 2012.

(°) Appointed by the board of directors on 18 July 2012.

(*) Appointed by the shareholders in their ordinary meeting of 30 April 2013.

Impregilo group structure at 31 March 2013

CONSTRUCTION		CONCESSIONS		ENGINEERING & PLANT CONSTRUCTION		USW CAMPANIA PROJECT	
Impregilo S.p.A.	100	Impregilo Internat. Infrastr. NV	100	FISIA Italimpianti S.p.A.	100	FIBE	
CIGLA S.A.	100	Impregilo Parking Glasgow Ltd	100	FISIA Babcock Engineering CO. Ltd.	100	FIBE S.p.A.	99.998
CSC Impresa Costruzioni S.A.	100	Impregilo New Cross Ltd	100	- FISIA Babcock Environment Gmbh	100	- Impregilo S.p.A.	99.989
Gruppo ICT II S.a.s.	100	IGLYS S.A.	100	FISIA Babcock Environment Gmbh	100	- Impregilo Intern. Infrastruc. N.V.	0.003
Impregilo Colombia S.a.S.	100	- Impregilo Intern. Infrastruc. N.V.	98	- Impregilo Intern. Infrastruc. N.V.	100	- FISIA Babcock Environment Gmbh	0.003
Imprepar S.p.A.	100	- Incave S.r.l.	2	Steinmuller International Gmbh	100	- FISIA Italimpianti S.p.A.	0.003
Bocoge S.p.A.	100	Mercovia S.A.	60	- FISIA Babcock Environment Gmbh	100		
- Imprepar S.p.A.	100	Ochre Solutions Holding L.t.d.	40	Gestione Napoli S.p.A. (in liq.)	99		
J.V. Igl S.p.A.-S.G.F. INC S.p.A.	100	Società Autostrade Broni-Mortara S.p.A.	40	- FISIA Italimpianti S.p.A.	54		
- Impregilo S.p.A.	99	Yuma Concessionaria S.A.	40	- Impregilo S.p.A.	24		
- S.G.F. INC S.p.A.	1	Puentes del Litoral S.A.	26	- FISIA Babcock Environment Gmbh	21		
S.A. Healy Company	100	- Impregilo S.p.A.	22	Shangai Pucheng T.P.E. Co. L.t.d.	50		
S.G.F. - I.N.C. S.p.A.	100	- Iglys S.A.	4	- FISIA Babcock Environment Gmbh	50		
Suropca C.A.	100	Consorzio Agua Azul S.A.	25.5	other 6 companies			
- Impregilo S.p.A.	99	Yacylec S.A.	18.67				
- CSC S.A.	1						
PGH Ltd	100	other 12 companies					
Vegas Tunnel Constructors	100						
- Impregilo S.p.A.	40						
- Healy S.A.	60						
Consorzio Torre	94.6						
Lambro S.c.r.l.	94.44						
Consorzio C.A.V.E.T.	75.98						
Consorzio C.A.V.TO.MI.	74.69						
Consorzio Impregilo OHL	70						
- Impregilo Colombia S.a.S.	70						
Empresa Constr. Angostura L.t.d.a.	65						
Impregilo Lidco Libya Co	60						
Consorzio Cociv	54						
Constructora Ariguani S.a.s.	51						
Impregilo-Terna SNFCC J.V.	51						
Reggio Calabria - Scilla S.c.p.a.	51						
Salerno-Reggio Calabria S.c.p.a.	51						
Metro Blu S.c.r.l.	50						
Grupo Unidos Por El Canal S.A.	48						
Pedelombarda S.c.p.A.	47						
Eurolink S.c.p.a.	45						
Barnard Impregilo Healy J.V.	45						
- Impregilo S.p.A.	25						
- Healy S.A.	20						
Passante di Mestre S.c.p.a.	42						
La Quado S.c.a.r.l.	35						
Shimmick-FCC-Igl S.p.A. -J.V.	30	other 218 companies					

Group highlights

Introduction

Impregilo group closed the first quarter of 2013 with revenue of € 518.7 million (€ 530.3 million for the corresponding period of 2012), an operating profit of € 24.0 million (€ 29.1 million for the corresponding period of 2012) and a profit attributable to the owners of the parent of € 69.0 million (€ 24.2 million for the corresponding period of 2012).

The group completed the sale of its investment in the Brazilian holding company EcoRodovias Infraestrutura e Logistica S.A. ("EcoRodovias") held via the group company Impregilo International Infrastructures N.V. at the start of the period. This transaction was part of the agreements finalised at the end of October 2012 to sell the investment to third parties in order to make the most of the group's non-core assets. Accordingly, it sold 3.74% to third parties on 31 October 2012, another 19% at the end of December 2012 and the residual 6.5% in January 2013. As a result, EcoRodovias group's contribution to the consolidated income statement for 2012 was recognised under "Profit from discontinued operations" starting from the last quarter of that year, pursuant to IFRS 5 - Non-current assets held for sale and discontinued operations. For comparative purposes, the Brazilian group's results for the first quarter of 2012 have been re-presented separately (but combined) from the results of Impregilo group's continuing operations in this Report, again in compliance with IFRS 5.

On 6 February 2013, the shareholder Salini S.p.A. made a voluntary takeover bid for all Impregilo's ordinary shares pursuant to articles 102 and 106.4 of Legislative decree no. 58/1998. The bid opened on 18 March 2013 and closed on 24 April 2013 (all the related documentation was made available to the public in the manner and timeframe required by ruling legislation). On 24 April 2013, Salini S.p.A. held shares equal to 92.08% of Impregilo's share capital. On 30 April 2013 and considering that set out in its offering document, Salini announced its decision to reconstitute a float sufficient to ensure regular trading of the Impregilo shares. It has not yet decided how this will take place and will inform the market thereof as required by article 108.2 of Legislative decree no. 58 of 24 February 1998.

Total revenue for the first three months of 2013 comes to € 518.7 million compared to € 530.3 million for the corresponding period of 2012.

The group's **operating profit** amounts to € 24.0 million (€ 29.1 million for the corresponding period of 2012), with a return on sales (R.o.S.) of 4.6% (5.5%). The Construction segment was the biggest contributor with € 35.5 million (€ 37.2 million for the corresponding period of 2012) with a R.o.S. of 7.4% (7.7% for the corresponding period of 2012). The other segments, including Concessions and Engineering & Plant Construction, made an operating loss of € 0.7 million (loss of € 0.5 million for the corresponding period of 2012). The corporate structure's net costs came to € 10.8 million (€ 7.5 million for the corresponding period of 2012).

Financing income (costs) and gains (losses) on investments came to a negative € 9.4 million compared to a negative € 6.4 million for the corresponding period of 2012.

The **profit from discontinued operations** amounts to € 59.5 million (€ 12.4 million for the corresponding period of 2012) and mainly consists of the results of the USW Campania projects.

The **profit** attributable to the owners of the parent for the three months is € 69.0 million (€ 24.2 million for the corresponding period of 2012).

The **net financial position** at 31 March 2013 is € 736.1 million compared to € 566.7 million at 31 December 2012. Therefore, the debt/equity ratio is a negative 0.39.

At period end, the group's **order backlog** amounts to € 16.6 billion, including € 10.4 billion brought in by the Construction and Engineering & Plant Construction segments and € 6.2 billion related to the residual Concessions segment order backlog.

The group acquired **new contracts** worth € 249.0 million during the three months.

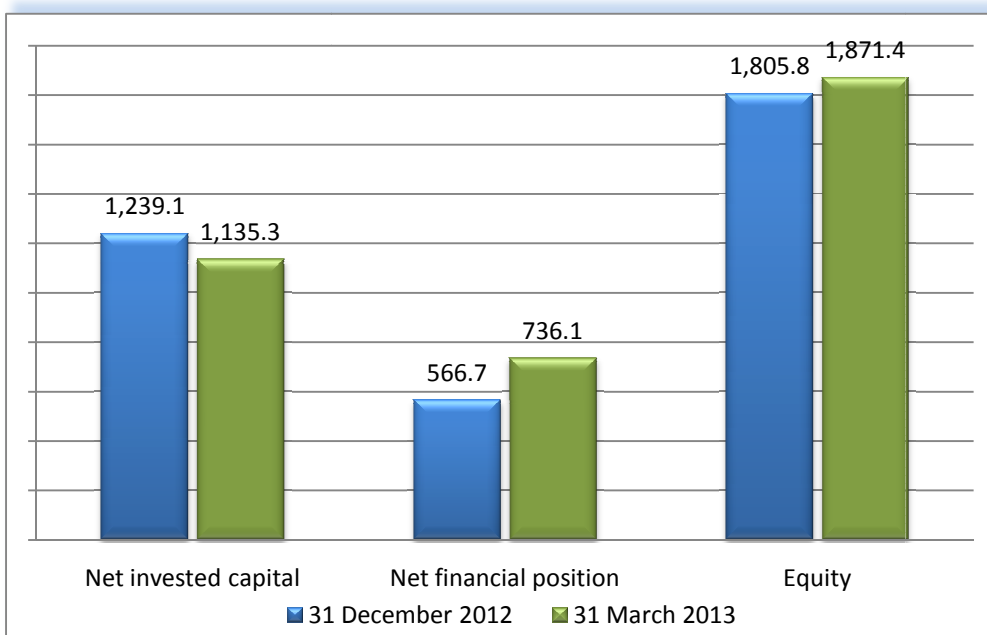
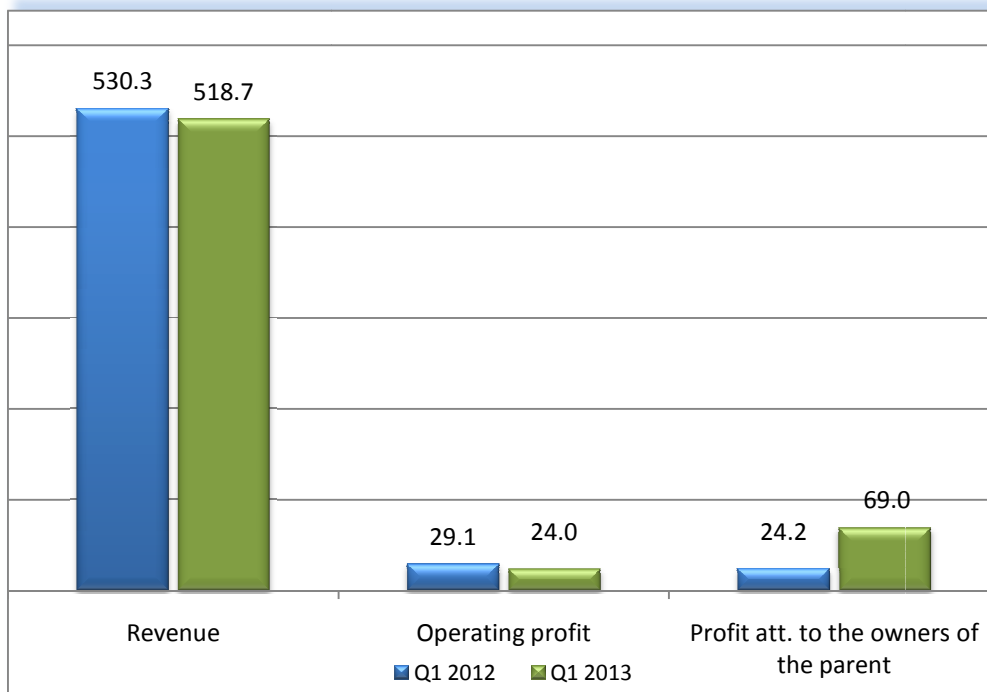
Financial highlights

(in millions of Euros)

Impregilo group

The paragraph "Alternative performance indicators" in the "Other information" section gives a definition of the financial statements indicators used to present the group's highlights.

Following the three-instalment sale during the last quarter of 2012 and early 2013, EcoRodovias group's operations have been considered as discontinued operations pursuant to IFRS 5. The 2012 corresponding figures have been restated accordingly.



CONSOLIDATED INCOME STATEMENT

(in millions of Euros)	1st quarter 2013	1st quarter 2012 (*)
Revenue	518.7	530.3
Costs	(472.1)	(480.9)
Gross operating profit	46.7	49.4
Gross operating profit %	9.0%	9.3%
Operating profit	24.0	29.1
R.o.S.	4.6%	5.5%
Net financing costs	(10.1)	(6.7)
Net gains on investments	0.7	0.3
Profit before tax	14.6	22.8
Income tax expense	(5.2)	(10.5)
Profit from continuing operations	9.4	12.2
Profit from discontinued operations	59.5	12.4
Profit attributable to the owners of the parent	69.0	24.2

(*) Following the three-installment sale during the last quarter of 2012 and early 2013, EcoRodovias group's operations have been considered as discontinued operations pursuant to IFRS 5. The 2012 corresponding figures have been restated accordingly.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

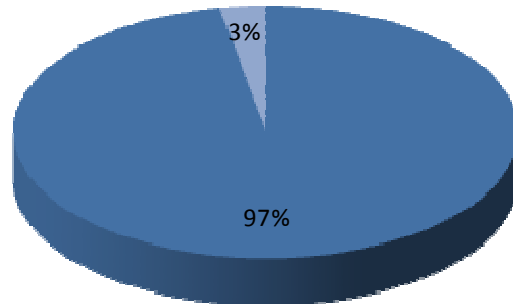
(in millions of Euros)	31 March 2013	31 December 2012
<i>Non-current assets</i>	416.3	408.2
<i>Goodwill</i>	30.4	30.4
<i>Non-current assets held for sale, net</i>	212.3	307.6
<i>Provisions for risks, post-employment benefits and employee benefits</i>	(115.7)	(118.5)
<i>Other non-current assets, net</i>	49.9	51.0
<i>Net tax assets</i>	113.8	137.6
<i>Working capital</i>	428.4	422.8
Net invested capital	1,135.3	1,239.1
Equity	1,871.4	1,805.8
Net financial position	736.1	566.7
<i>Debt/equity ratio</i>	-0.39	-0.31

Order backlog

Construction, Engineering & Plant Construction

March 2013

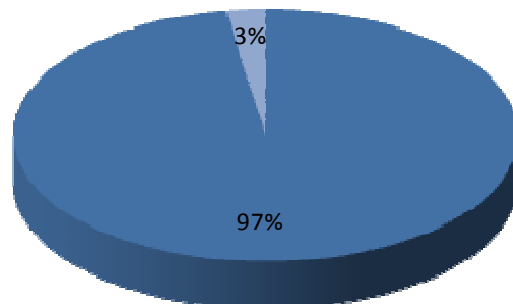
(total € 10,375 mil.)



■ Construction ■ Engineering & Plant Construction

December 2012

(total € 10,587 mil.)



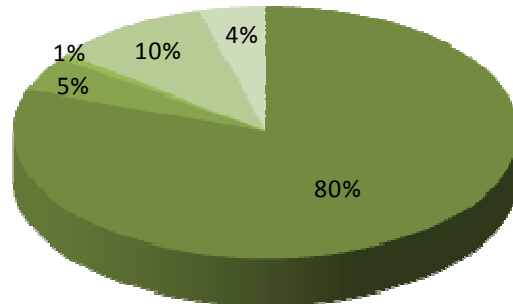
■ Construction ■ Engineering & Plant Construction

Order backlog

Concessions

March 2013

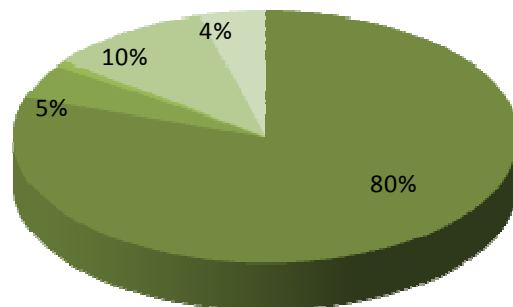
(total € 6,226 mil.)



■ Motorways ■ Energy ■ Aqueducts ■ Hospitals ■ Other

December 2012

(total € 6,261 mil.)

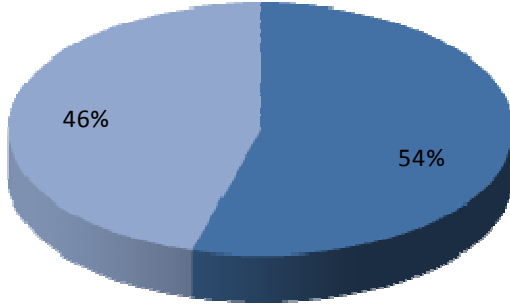


■ Motorways ■ Energy ■ Aqueducts ■ Hospitals ■ Other

Order backlog by geographical segment

March 2013

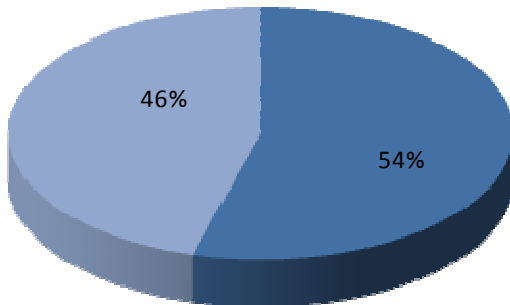
(total€ 16,601 mil.)



■ ITALY ■ ABROAD

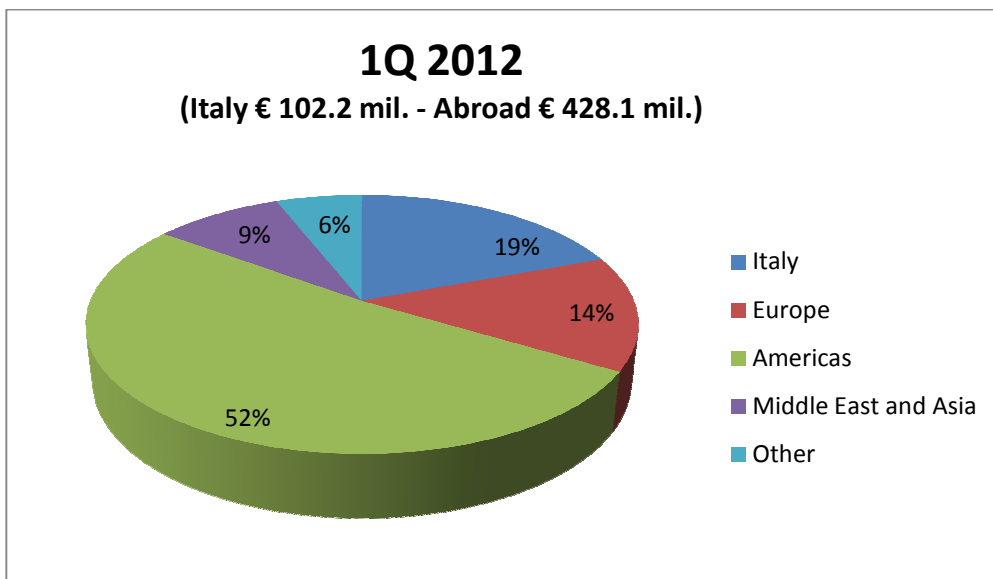
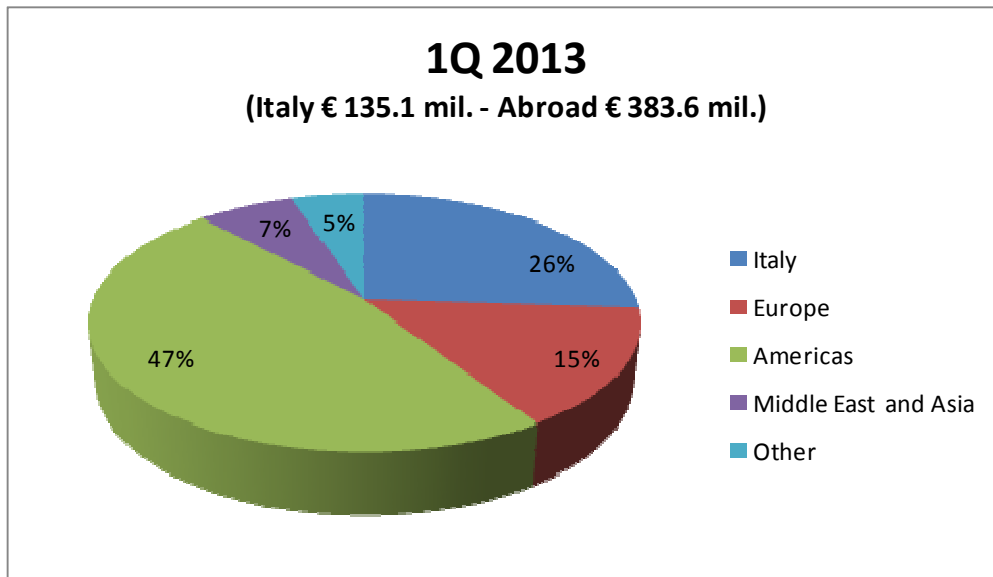
December 2012

(total€ 16,848 mil.)



■ ITALY ■ ABROAD

Revenue by geographical segment



Directors' report - Part I

Analysis of Impregilo group's financial position and results of operations for the three months

This section includes the group's reclassified income statement and statement of financial position, as well as a breakdown of its financial position at 31 March 2013. It also includes a summary of the main changes in the consolidated income statement, compared to that for the three months ended 31 March 2012, and in the consolidated statement of financial position, in comparison with the related figures at 31 December 2012.

Unless indicated otherwise, figures are provided in millions of Euros and those shown in brackets relate to the corresponding period of the previous year, for the income statement, and at 31 December 2012, for the statement of financial position.

The paragraph "Alternative performance indicators" in the "Other information" section gives a definition of the financial statements indicators used to present the group's financial position and results of operations for the three months.

Pursuant to IFRS 5 - Non-current assets held for sale and discontinued operations and as a result of the sale of the group's investment in the jointly controlled Brazilian holding company EcoRodovias, the 2012 first quarter results of the group of companies headed by EcoRodovias (previously recognised using the proportionate consolidation method) have been re-presented separately (but combined) from the results of Impregilo group's continuing operations.

With respect to the USW Campania projects, after the reporting date, the Supreme Court irreversibly rejected the municipalities' appeal against the Council of State's ruling about the former RDF plants. Accordingly, the Lazio Regional Administrative Court's first level ruling became effective (it had already been confirmed by the Council of State on 20 February 2012), ordering the municipalities to pay FIBE roughly € 204 million, plus legal and default interest accrued since 15 February 2015, equal to the costs incurred by FIBE to build the plants and not yet depreciated at that date. Although the group was informed of this decision after the reporting date, it has considered it when updating the assessments made in previous years about the related financial statements items. As a result, it has recognised income of € 60.2 million, net of the related tax effect, classified under "Profit from discontinued operations". Subsequent sections of this Report provide more information about this complex litigation and the related ruling.

Group performance

Reclassified consolidated income statement of Impregilo group

(€'000)	1st quarter 2013	1st quarter 2012 (**)	Variation
Operating revenue	505,305	518,398	(13,093)
Other revenue	13,443	11,929	1,514
Total revenue	518,748	530,327	(11,579)
Costs	(472,051)	(480,924)	8,873
Gross operating profit (*)	46,697	49,403	(2,706)
<i>Gross operating profit % (*)</i>	9.0%	9.3%	
Amortisation and depreciation	(22,701)	(20,291)	(2,410)
Operating profit (*)	23,996	29,112	(5,116)
<i>Return on Sales (*)</i>	4.6%	5.5%	
Financing income (costs) and gains (losses) on investments			
Net financing costs	(10,076)	(6,714)	(3,362)
Net gains on investments	707	342	365
Net financing costs and net gains on investments	(9,369)	(6,372)	(2,997)
Profit before tax	14,627	22,740	(8,113)
Income tax expense	(5,236)	(10,549)	5,313
Profit from continuing operations	9,391	12,191	(2,800)
Profit from discontinued operations	59,474	12,350	47,124
Profit for the period	68,865	24,541	44,324
Non-controlling interests	173	(390)	563
Profit for the period attributable to the owners of the parent	69,038	24,151	44,887

(*) The section "Other information" gives a description of these indicators.

(**) Following the three-installment sale during the last quarter of 2012 and early 2013, EcoRodovias group's operations have been considered as discontinued operations pursuant to IFRS 5. The 2012 corresponding figures have been restated accordingly.

Revenue

Total revenue for the period is € 518.7 million (€ 530.3 million), including € 383.6 million earned abroad (€ 428.1 million).

(€000)	1st quarter 2013	1st quarter 2012	Variation
Construction	482,589	485,271	(2,682)
Concessions	3,643	4,748	(1,105)
Engineering & Plant Construction	33,210	41,098	(7,888)
Other segments and eliminations	(694)	(790)	96
Total revenue	518,748	530,327	(11,579)

Operating profit

The group's operating profit amounts to € 24.0 million (€ 29.1 million). The Construction segment contributed a profit of € 35.5 million (R.o.S. of 7.4%).

The group's other segments, including the Concessions and Engineering & Plant Construction segments, made an operating loss of € 0.7 million (substantially unchanged from the corresponding period of the previous year), while the corporate structure's net costs come to € 10.8 million.

Financing income (costs) and gains (losses) on investments

The group recorded net financing costs of € 10.1 million (€ 6.7 million) while net gains on investments amounted to € 0.7 million (€ 0.3 million).

The increase in net financing costs mainly reflects the following:

- net financial expense decreased by € 6.0 million compared to the corresponding period of 2012, principally as a result of the improvement in the group's average financial indebtedness in the period;
- the balance of exchange rate gains and losses for the period was substantially equal while the group recorded net exchange rate gains of approximately € 9.4 million for the corresponding period of 2012. These gains had benefitted from currency mismatches of money markets in relation to certain currencies, whose official exchange rates with some strong currencies, including the US dollar, are fixed artificially.

Profit from discontinued operations

This item shows a profit of € 59.5 million (€ 12.4 million). It mainly consists of the income, net of the related tax effects, generated by the Supreme Court's ruling about the litigation for the claims for compensation made by the group via FIBE for the former RDF plants. As a result of this ruling, the impairment losses on the disputed assets, recognised in previous years, have been fully reversed. Complete information about the litigation and the entire situation is available in the section "Non-current assets held for sale" later in this report.

Non-controlling interests

Non-controlling interests in the subsidiaries contributed positively to the profit for the period attributable to the owners of the parent and amount to € 0.2 million. The contribution for the corresponding period of 2012 was a negative € 0.4 million.

The group's financial position

Reclassified consolidated statement of financial position

(€'000)	31 March 2013	31 December 2012	Variation
Non-current assets	416,269	408,275	7,994
Goodwill	30,390	30,390	-
Non-current assets held for sale, net	212,256	307,588	(95,332)
Provisions for risks	(97,322)	(98,285)	963
Post-employment benefits and employee benefits	(18,340)	(20,234)	1,894
Other non-current assets, net	49,899	50,991	(1,092)
Net tax assets	113,784	137,576	(23,792)
<i>Inventories</i>	90,374	95,376	(5,002)
<i>Contract work in progress</i>	898,657	864,368	34,289
<i>Advances on contract work in progress</i>	(870,038)	(844,440)	(25,598)
<i>Loans and receivables</i>	1,037,326	1,062,865	(25,539)
<i>Payables</i>	(786,113)	(818,599)	32,486
<i>Other current assets</i>	294,996	296,268	(1,272)
<i>Other current liabilities</i>	(236,835)	(233,069)	(3,766)
Working capital	428,367	422,769	5,598
Net invested capital	1,135,303	1,239,070	(103,767)
Equity attributable to the owners of the parent	1,866,755	1,800,954	65,801
Non-controlling interests	4,646	4,851	(205)
Equity	1,871,401	1,805,805	65,596
Net financial position	736,098	566,735	169,363
Total financial resources	1,135,303	1,239,070	(103,767)

Net invested capital

This item decreased by € 103.8 million on the previous year end to € 1,135.3 million at 31 March 2013. The main changes in the group's net invested capital compared to that at 31 December 2012 are principally due to the factors listed below.

- Net non-current assets increased by € 8.0 million. Investments in property, plant and equipment and intangible assets of € 7.6 million mainly related to the Construction segment (Panama and the US), disposals came to € 6.3 million, amortisation and depreciation to € 22.7 million and the other changes, mostly consisting of exchange rate gains and losses, amounted to € 3.3 million. Non-current financial assets increased by € 26.2 million, mainly as a result of capital injections for new concession projects.
- Non-current assets held for sale, net decreased by € 95.3 million due to the sum of the sale of the residual 6.5% investment in EcoRodovias group (decrease of € 186.4 million) and the reversals of impairment losses (increase of € 91.1 million) related to the claims made by FIBE for the former RDF plants following the Supreme Court's ruling (described above). These reversals are shown in the item "Non-current assets held for sale, net" in the above reclassified consolidated statement of financial

position, while the related tax effects are directly deducted from the gain on the reversals and recognised under “Net tax assets”.

- Net tax assets decreased by € 23.8 million, mainly reflecting the above effect.
- Working capital increased by € 5.6 million in line with developments in the group’s business during the period.

Net financial position

At 31 March 2013, the group has a net financial position of € 736.1 million compared to € 566.7 million at 31 December 2012, a net improvement of € 169.4 million. At group level, the debt/equity ratio is -0.39 at period end, due to the fact that its financial position is positive.

The improvement is basically due to collection of the consideration for the sale of the residual investment in EcoRodovias.

Impregilo has given guarantees of € 100.4 million in favour of unconsolidated group companies securing bank loans. This amount is substantially in line with that at 31 December 2012.

The group’s net financial position at 31 March 2013 is summarised in the following table.

Net financial position of Impregilo group

(€'000)	31 March 2013	31 December 2012	Variation
Non-current financial assets	10,840	4,960	5,880
Other current financial assets	16,354	10,590	5,764
Cash and cash equivalents	1,399,538	1,243,086	156,452
Total cash and cash equivalents and other financial assets	1,426,732	1,258,636	168,096
Non-current bank loans	(94,110)	(104,634)	10,524
Bonds	(148,932)	(148,840)	(92)
Finance lease payables	(34,584)	(40,028)	5,444
Total non-current indebtedness	(277,626)	(293,502)	15,876
Current portion of bank loans and current account facilities	(235,776)	(225,043)	(10,733)
Current portion of bonds	(117,300)	(113,689)	(3,611)
Current portion of finance lease payables	(23,135)	(22,785)	(350)
Total current indebtedness	(376,211)	(361,517)	(14,694)
Derivative assets	329	1,091	(762)
Derivative liabilities	(7,522)	(5,265)	(2,257)
Non-current financial assets (self-liquidating)	12,771	11,375	1,396
Current portion of factoring payables	(10,066)	(10,168)	102
Non-current portion of factoring payables	(32,309)	(33,915)	1,606
Total other items in net financial position	(36,797)	(36,882)	85
Net financial position - continuing operations	736,098	566,735	169,363
Net financial position including discontinued operations	736,098	566,735	169,363

Directors' report - Part II

Performance by business segment

This section provides an analysis of the main results and most significant events that affected the group's operations during the period, broken down by business segment.

Corporate, coordination and supervision of Impregilo S.p.A.'s main investments; this is carried out by central units forming part of the parent;

Construction, business headed by Impregilo S.p.A.;

Concessions, business coordinated by Impregilo International Infrastructures (the Netherlands) and carried out through subsidiaries, jointly controlled entities and associates;

Engineering & Plant Construction, business headed by FISIA Italmimpianti and FISIA Babcock Environment (Germany).

The tables on the following pages highlight the contribution of the individual business segments to the consolidated results, and provide a breakdown of net invested capital by business segment.

The remaining waste disposal activities in the Campania region ("USW Campania projects") are discussed in a separate section of this Report.

Performance in the period by business segment

(€'000)	Construction	Concessions	Engineering & Plant Construction	USW Campania projects	Eliminations	Corporate costs (unallocated items)	Total
Operating revenue	473,180	3,400	29,068	-	(343)		505,305
Other revenue	9,409	243	4,142	-	(351)		13,443
Total revenue	482,589	3,643	33,210	-	(694)		518,748
Costs							
Total costs	(425,290)	(4,217)	(32,191)	(238)	694	(10,809)	(472,051)
Gross operating profit (*)	57,299	(574)	1,019	(238)	-	(10,809)	46,697
<i>Gross operating profit % (*)</i>	11.9%	n.a.	3.1%	n.a.			9.0%
Amortisation and depreciation	(21,760)	(214)	(726)	(1)			(22,701)
Operating profit (*)	35,539	(788)	293	(239)	-	(10,809)	23,996
<i>Return on Sales (*)</i>	7.4%	n.a.	0.9%	n.a.			4.6%
Profit from discontinued operations		(767)		60,241			59,474

(*) The section "Other information" gives a description of these indicators.

Consolidated statement of financial position as at 31 March 2013 by business segment

(€'000)	Construction	Concessions Plant	Engineering & Construction	USW Campania projects	Eliminations and unallocated items	Total
Total non-current assets	581,475	103,845	49,682	791	(289,134)	446,659
Assets held for sale, net				212,256		212,256
Provisions for risks, post-employment benefits and employee benefits and other non-current assets (liabilities)	(48,223)	36,299	(7,130)	(30,432)	(16,277)	(65,763)
Net tax assets					113,784	113,784
Working capital	310,131	31,912	73,968	32,249	(19,893)	428,367
Net invested capital	843,383	172,056	116,520	214,864	(211,520)	1,135,303
Equity					1,871,401	1,871,401
Net financial position					(736,098)	(736,098)
Total financial resources						1,135,303

CORPORATE

Corporate activities are centralised within the parent, Impregilo S.p.A., and relate to the following:

- coordination, control and strategic planning of the group's activities;
- centralised planning and management of human and financial resources;
- management of administrative, tax, legal/corporate and institutional communications requirements;
- administrative, tax and management support to group companies.

The net cost of corporate activities amounts to € 10.8 million (€ 7.5 million). The increase is mainly due to the greater volume of activities carried out by the head office, both directly and assisted by external consultants, for issues affecting the group's corporate governance, especially the legally-required obligations (i.e., in conjunction with the takeover bid launched by Salini S.p.A. for all Impregilo's ordinary shares).

Risk areas

Tax litigation

Extensive information has been provided in previous years about the parent's dispute commenced in 2008 with the tax authorities concerning an assessment challenging the tax treatment of impairment losses and losses on certain investments held by it in 2003. The most significant issue relates to the parent's sale of its entire investment in the Chilean operator Costanera Norte S.A. to Impregilo International Infrastructures N.V. in that year.

The dispute is currently before the Supreme Court following the tax authorities' appeal notified on 5 November 2010. The second level court ruling was filed on 11 September 2009 reversing the first level ruling and fully cancelling the assessment about the key issue raised by the tax authorities about redetermination of the sales price for the investment in Costanera Norte S.A..

Other litigation

The corporate structure is not currently involved in any major litigation. Except for that disclosed in greater detail later on about the USW Campania projects, the only litigation relates to the parent's transfer of its registered office from Sesto San Giovanni (Milan) to Milan commenced by the lessor of the previously leased premises in 2009. The lessor has in fact challenged the existence of just cause which the parent claims justifies its early termination of the lease which was due to expire in 2012. The parties commenced an arbitration proceeding and the parent was found to be the losing party. Although the arbitration tribunal's findings could be challenged, in order to properly examine the challengeable issues and to decide on the most suitable action to be taken, assisted by its legal advisors, the parent recognised the loss arising from the arbitration award in profit or

loss in 2012. Moreover and pursuant to the contract signed with Immobiliare Lombarda S.p.A., as the original lessor of the current registered office, Impregilo has the right to be held harmless from claims made by the previous lessor that exceed € 8 million. It had already considered this aspect in previous years when assessing the potential risk of the dispute.

CONSTRUCTION

Impregilo S.p.A. heads the Construction business segment, which encompasses all projects relating to the construction of large-scale infrastructure, such as dams, hydroelectric plants, motorways, railways, metros, underground works, bridges and similar works.

The business segment recorded revenue of € 482.6 million (€ 485.3 million) with an operating profit of € 35.5 million (€ 37.2 million) and an R.o.S. of 7.4% for the period.

During the period, the Construction segment continued to manage projects relating to the construction of large-scale infrastructure.

In particular, the most significant events that affected the period in relation to the main contracts, broken down by geographical segment, are the following.

Italy

Salerno - Reggio Calabria Motorway: Lots 5 and 6

This project relates to the improvement and upgrading of the last section of the Salerno-Reggio Calabria motorway, between Gioia Tauro and Scilla (Lot 5) and between Scilla and Campo Calabro (Lot 6). Impregilo's share of the contract is 51%.

After resolving the important disputes with the customer regarding Lot 5, new critical issues came to light in the second half of 2012. They are due to the difficulty in achieving the productivity targets and the critical social-environmental conditions at the building sites. As a result, Impregilo has revised the forecasts of contract costs identifying a loss, which it fully recognised in profit or loss in 2012.

Work was 89.3% complete on Lot 5 at 31 March 2013 and 63.6% complete on Lot 6.

Pedemontana Lombarda motorway

This contract entails the final and executive designs and construction of the first section of the Como and Varese ring roads and the connector between the A8 and the A9 motorways (from Cassano Magnago to Lomazzo) with construction of roughly 26 kilometres of motorway and secondary roads, including roughly 7 kilometres of tunnels.

The final designs were approved and Rider no. 1 was agreed in February 2010. This Rider confirmed the contract's price of € 880 million and provided for and regulated the early execution of certain works and related executive designs without modifying the contractually provided-for timing. As well as the approval of the executive designs, an Addendum to Rider no. 1 was agreed (increasing the work defined as "early works") in December 2010 and the works were partly delivered on 7 December 2010.

However, starting from 2011 and throughout 2012, the customer encountered increasing difficulties in meeting its contractually provided for financial commitments. Despite this, the general contractor commenced construction as per the agreed work schedule and the procedures provided for by contract to safeguard itself in relation to the above difficulties.

The customer has mostly overcome its financial difficulties during the period and construction work is continuing as scheduled.

At 31 March 2013, 46.6% of the work was complete.

Third lane of the A4 Venice - Trieste motorway (Quarto d'Altino - San Donà di Piave)

In November 2009, the joint venture led by Impregilo as lead contractor won the tender for the planning and execution of the works to widen to three lanes the A4 Venice - Trieste motorway between the municipalities of Quarto d'Altino and San Donà di Piave (VE). The contract is worth € 224 million.

The works involve widening the motorway over a length of 18.5 km by building a third lane and include, in particular, the construction of two new viaducts with an overall length of about 1.4 km over the Piave River, the construction of four bridges, nine overpasses, four motorway underpasses and the rebuilding of the San Donà di Piave motorway exit.

At 31 March 2013, 37.9% of the work was complete.

High-speed/capacity Milan - Genoa Railway Project

The project for the construction of this railway line was assigned to Consorzio CO.C.I.V. as general contractor with the TAV (as operator on behalf of Ferrovie dello Stato)/CO.C.I.V. agreement of 16 March 1992. Impregilo is the project leader.

As described in previous years, this project's pre-contractual stage was complicated and difficult, with developments from 1992 to 2011 on various fronts, including many disputes.

Following enactment of Law decree no. 112/2008, converted into Law no. 133/2008, and the 2010 Finance Act, which provided that the contract was to be split into construction lots, for the first of which CIPE (the interministerial committee for economic planning) has already decided the related funding, the parties recommenced discussions to ascertain whether it is possible to start work again and to discontinue the claims for compensation under the ongoing dispute as specifically provided for by the 2010 Finance Act.

The contract for the works on the Terzo Valico dei Giovi section of the high speed/capacity Milan - Genoa railway line was signed in November 2011. The works assigned to the general contractor CO.C.I.V., led by Impregilo with a 54% interest, approximate € 4.8 billion. Construction is to take place in lots, as provided for by the 2010 Finance Act. The first lot, already financed by CIPE for € 500 million, includes works and activities for € 430 million. CIPE has also assigned the funds for the second lot as per its resolution no. 86/2011, published in the Italian Official Journal no. 65 of 17 March 2012. The Court of Auditors recorded the funding of the second lot (€ 1.1 billion) on 5 March 2012. CO.C.I.V. and RFI agreed commencement of Lot 2 for € 617 million on 23 March 2013.

Regardless of the provisions of the above contract, the proceedings commenced by the consortium for the legal recognition of the activities carried out in previous years are still ongoing.

At 31 March 2013, 10.9% of the work was complete.

Milan outer east by-pass

In February 2009, following the bid made by the joint venture comprising Impregilo as lead contractor, an agreement was signed with Concessioni Autostradali Lombarde for the design, construction and operation of the Milan outer east by-pass on a project financing basis. CIPE approved the definitive project on 3 August 2011 and it was subsequently filed with the Court of Auditors on 24 February 2012 and published in the Italian Official Journal on 3 March 2012.

The infrastructure operation concession agreement has a term of 50 years from completion of the works, which are scheduled to take six years, including the design stage.

At 31 March 2013, 5.7% of the work was complete.

Milan metro Line 4

Impregilo, leader and lead contractor of a joint venture consisting of Astaldi, Ansaldo STS, AnsaldoBreda, Azienda Trasporti Milanese (the Milan municipal transport company) and Sirti, was awarded the tender called by the Milan municipality for the selection of a private partner of a public/private partnership to which the concession for the engineering, construction and subsequent operation of Line 4 of the Milan metro will be given. The new line, which will be fully automated (i.e., driverless), will cover a 15.2 km stretch from Linate to Lorenteggio. The contract includes the final and executive design and construction of two single-track tunnels, one in each direction, with 21 stations and a depot/workshop.

The investment, mainly for the civil works, the supply of technological services and mechanical equipment, is roughly € 1.7 billion, two thirds of which is financed by the Italian state and the Milan municipality. Impregilo and Astaldi will be jointly responsible for the civil works.

At 31 March 2013, 1.5% of the work was complete.

Jonica highway

At the end of 2011, Impregilo and Astaldi were awarded the tender called by ANAS (the Italian national roads authority) for the construction of the third maxi-lot of the Jonica highway no. 106 as general contractor. This contract is worth approximately € 791 million, of which 40% for Impregilo. The new infrastructure will stretch over 38.0 km from the junction with highway no. 534 to Roseto Capo Spulico (CS). The contract includes the construction of roughly 13.0 km of tunnels, roughly 5.0 km of viaducts and 20.0 km of embankments as the main works. It is scheduled to take approximately seven years and eight months, including 15 months to develop the designs (final and executive) and for the preliminary work with the other six years and five months dedicated to the construction work.

At 31 March 2013, 0.8% of the work was complete.

Abroad

Venezuela - Puerto Cabello - La Encrucijada Railway

This project consists of the construction of civil works of the railway line along approximately 110 km, connecting Puerto Cabello and La Encrucijada.

Impregilo signed a contract addendum with the Venezuelan Independent Railway Institute for completion of the Puerto Cabello - La Encrucijada line in November 2011. The addendum includes extension of the line from the city of Moron to the port of Puerto Cabello. These new works are worth approximately € 763 million (Impregilo's share is 33.33%).

At 31 March 2013, 59.0% of the work was complete.

Venezuela - San Juan de los Morros - San Fernando de Apure Railway and Chaguaramas - Cabruta Railway

Impregilo is involved (33.33% interest) in the construction of two new railway lines: "San Juan de los Morros - San Fernando de Apure" (252 km) and "Chaguaramas - Las Mercedes-Cabruta" (201 km).

The projects comprise the design and installation of a railway superstructure, the construction of 11 stations and nine logistics centres as well as the laying of 453 km of new lines.

Work was 26.9% complete for the "San Juan de los Morros - San Fernando de Apure" line at 31 March 2013.

It was 35.9% complete for the "Chaguaramas - Cabruta" line at the reporting date.

Greece - Thessalonica metro project

This project relates to the construction of the automated metro in Thessalonica. The contract was signed in 2006 and Impregilo is involved in the civil works together with the Greek construction company Aegek S.A. and Seli S.p.A.. The project entails the construction of an automated light metro system with the excavation of two 9.5-km tunnels and 13 new underground stations.

At 31 March 2013, 31.9% of the work was complete.

Romania - Orastie - Sibiu motorway

In April 2011, Impregilo was awarded the tender for the engineering and construction of Lot 3 of the Orastie - Sibiu motorway by the Romanian National Road & Highways Company (CNADNR). The contract is worth approximately € 144 million and is 85% funded by the European Community and 15% by the Romanian government. It includes the construction of 22.1 km of a four-lane dual carriageway stretch of motorway with hard shoulders and a total width of 26 metres. The Orastie - Sibiu project is part of a larger project, Motorway corridor no. 4, which will link the city of Nadlac on the Hungarian border with the city of Constanza on the western shore of the Black Sea.

At 31 March 2013, 76.1% of the work was complete.

United States - Lake Mead tunnel

In 2008, Impregilo won the international tender called by the Southern Nevada Water Authority (SNWA) for the construction of an articulated water extraction and transportation system from Lake Mead to the Las Vegas area to increase water supplies for

drinking and domestic use. Lake Mead is one of the biggest reservoirs in the US. The contract is worth US\$ 447 million.

At 31 March 2013, 62.7% of the work was complete.

US - San Francisco Central Subway

At the end of June 2011, the board of directors of the San Francisco Transportation Agency awarded Impregilo group (in a consortium with the American company Barnard) the contract to extend the city's Central Subway line. The contract is worth US\$ 233 million and Impregilo has a 45% share therein with its subsidiary SA Healy. It covers the underground extension of the existing surface line in the city centre, with two new single-track tunnels for a total length of 5 km to be excavated with two 6.40-metre diameter TBMs. It is expected to take 35 months.

At 31 March 2013, 27.0% of the work was complete.

South Africa - Ingula hydroelectric plant

The procedures for the participation of Impregilo, CMC of Ravenna and a local company in construction of a hydroelectric plant in South Africa were finalised in March 2009. Impregilo has a 39.2% share of the project ("Ingula Pumped Storage Scheme"), which is currently worth approximately € 948 million. It consists of the construction of a generating and pumping plant with total installed capacity of 1100 MW which will generate electricity at peak times and reuse the water pumping it into the upper reservoir during times of less demand.

At 31 March 2013, 82.7% of the work was complete.

Widening of the Panama Canal

In July 2009, Impregilo obtained official confirmation that the consortium of which it is a member (Grupo Unido por el Canal), along with Sacyr Vallehermoso (Spain), Jan de Nul (Belgium) and the Panama-based Constructora Urbana (Cusa), had been awarded the contract for the construction of a new system of locks as part of the project to widen the Panama Canal. The bid was for USD 3.22 billion.

The contract is one of the largest and most important civil engineering projects ever to take place. It involves the construction of two new series of locks, one on the Atlantic side and another on the Pacific side, which will allow an increase in commercial traffic through the Canal and better meet developments in the sea freight market with bigger ships that have greater capacity (the Post Panamax ships) compared to those that can currently use the existing locks.

Reference should be made to the "Risk areas" paragraph of this section for information about certain critical issues affecting this contract.

At 31 March 2013, 49.0% of the work was complete.

United Arab Emirates - Abu Dhabi hydraulic tunnel - Lots 2 and 3

Impregilo is engaged in two lots of the Strategic Tunnel Enhancement Programme (STEP) in the United Arab Emirates that includes construction of a 40-km long deep sewer tunnel, which will collect the waste water from the island and mainland of Abu Dhabi and channel it to the Al Wathba treatment station. Impregilo is constructing 25 km of the tunnel. The contract is worth approximately US\$ 445 million.

At 31 March 2013, 93.0% of the work was complete on Lot 2 and 64.6% on Lot 3.

Colombia - Hydroelectric project on the Sogamoso River

In December 2009, Impregilo was awarded the tender to build a hydroelectric plant on the Sogamoso River in north-western Colombia, about 40 km from the city of Bucaramanga.

The project comprises construction of a 190-metre high, 300-metre long dam and an underground power station, which will house three turbines with installed capacity of 820 MW. The contract is worth roughly € 590 million and the customer is ISAGEN S.A., a public/private operator active in power generation in Colombia.

Impregilo has already completed the preliminary work for the dam, which includes construction of two diversion tunnels of roughly 870 metres long and a diameter of 11 metres, as well as a system of access tunnels and roads to the underground station.

With respect to the main project, construction of the dam, critical issues came to light in the second half of 2011, which negatively impacted both production levels and the related profitability. These issues included, in particular, the exceptionally adverse weather conditions affecting a large part of Colombia, which significantly delayed the river diversion activities, the concurrent presence of geological conditions that are very different to those provided for in the contract and the changes in the scope of work requested by the customer. Some of the most significant claims made by Impregilo were accepted in early 2012 while other claims are still pending. While the group deems it reasonable to expect further positive developments in the above disputes, the estimated costs to complete the contract at 31 March 2013 give rise to a loss which the group had already recognised in its 2012 income statement.

At 31 March 2013, 81.8% of the work was complete.

Colombia - "Ruta del Sol" motorway

At the end of July 2010, the group won the tender for the operation under concession of the third motorway lot of the "Ruta del Sol" project in Colombia. This concession, awarded to a group headed by Impregilo and including the Colombian companies Infracon, Grodco, Tecnica Vial and the private investment fund RDS (owned by Bancolombia and Fondo Pensioni Proteccion), includes the upgrading, widening to four lanes and operation of the two motorway sections between the cities of San Roque and Ye de Cienaga and the cities of Carmen de Bolivar and Valledupar. The related investment approximates USD 1.3 billion. The concession contract provides for total revenue of roughly USD 3.7 billion (of which 40% for Impregilo), including revenue from tolls and a government grant of USD 1.7 billion, to be provided during the construction stage. The concession will have a 25-year term,

including six years for the design and infrastructure modernisation stage and 19 years for operation.

At 31 March 2013, 4.0% of the work was complete.

Chile - Angostura hydroelectric project

Impregilo was awarded the contract for a hydroelectric project in Chile currently worth approximately € 250 million by Colbun S.A., a Chilean company active in the power generation sector, at the end of June 2010.

The plant will be located in the Angostura area roughly 600 km south of the capital Santiago.

The contract includes construction of a main dam, 152-metres long and 63-metres high, a secondary dam, 1.6-km long and 25-metres high, and an underground power station housing three generators with installed capacity of 316 MW. The generated electricity will approximate 1540 Gwh per annum.

Certain critical issues were identified in the second half of 2011 due to both increasing social-environmental issues, as the conditions are very different to those envisaged during the bid stage, and the building site operating conditions, partly due to variations requested by the customer. This situation led the group to commence legal proceedings against the customer, and its claims were partly recognised in 2012.

At 31 March 2013, 97.6% of the work was complete.

Order backlog

The Construction segment's order backlog at 31 March 2013 is as follows:

(Impregilo's share in millions of Euros)

Area/Country	Project	Residual backlog at 31 March 2013	Percentage of total	Percentage of completion
High speed		2,477.0	24.6%	
Italy	Mestre motorway connector	28.6	0.3%	92.6%
Italy	Salerno-Reggio di Calabria motorway Lot 5	67.4	0.7%	89.3%
Italy	Salerno-Reggio di Calabria motorway Lot 6	99.9	1.0%	63.6%
General Contracting		195.9	1.9%	
Italy	Genoa metro	1.0	0.0%	98.1%
Italy	Highway 36/Milan motorway connector	40.3	0.4%	86.6%
Italy	Spriana landslide	1.4	0.0%	96.6%
Italy	New offices of the Lombardy Regional Authorities	0.2	0.0%	99.9%
Italy	Pedemontana Lombarda - Lot 1	221.1	2.2%	46.6%
Italy	Riviera Scarl	3.3	0.0%	71.1%
Italy	Milan outer east by-pass	361.5	3.6%	5.7%
Italy	A4 building of third lane	48.7	0.5%	37.9%
Italy	Milan metro Line 4	412.8	4.1%	1.5%
Italy	Jonica highway	313.9	3.1%	0.8%
Italy	Broni - Mortara	392.6	3.9%	0.0%

(Impregilo's share in millions of Euros)

Area/Country	Project	Residual backlog at 31 March 2013	Percentage of total	Percentage of completion
Italy	SGF	21.5	0.2%	
Other work in Italy		1,818.3	18.1%	
Total work in Italy		4,491.2	44.6%	
Greece	Support Tunnel Achelos	5.9	0.1%	27.5%
Greece	Thessalonica metro	194.5	1.9%	31.9%
Greece	Stavros Niarchos Cultural Center	159.6	1.6%	3.6%
Romania	Orastie-Sibiu motorway	34.4	0.3%	76.1%
Poland	Motorway A1 Torun - Strykow	83.4	0.8%	0.0%
Switzerland	Transalp Tunnel	17.3	0.2%	95.0%
Switzerland	CSC	106.6	1.1%	
Europe		601.7	6.0%	
Dom. Republic	Consorcio Acueducto Oriental	1.0	0.0%	99.4%
Dom. Republic	Guaigui hydraulic plant	71.2	0.7%	13.6%
Venezuela	Puerto Cabello - Contuy Ferrocarriles	633.9	6.3%	59.0%
Venezuela	Puerto Cabello - Contuy Ferrocarriles stations	481.3	4.8%	8.5%
Venezuela	Chaguaramas railway	225.8	2.2%	35.9%
Venezuela	San Juan de Los Morros railway	579.6	5.8%	26.9%
Venezuela	OIV Tocoma	37.0	0.4%	96.5%
Panama	Widening of the Panama Canal	563.7	5.6%	49.0%
Chile	Angostura	3.7	0.0%	97.6%
Chile	Santiago metro	60.6	0.6%	0.0%
Colombia	Sogamoso	88.6	0.9%	81.8%
Colombia	Ruta del Sol motorway	425.1	4.2%	4.0%
Colombia	Quimbo	126.4	1.3%	46.7%
Brazil	Serra Do Mar	47.7	0.5%	50.6%
USA	Vegas Tunnel - Lake Mead	139.3	1.4%	62.7%
USA	San Francisco Central Subway	59.3	0.6%	27.0%
USA	Gerald Desmond Bridge	142.8	1.4%	6.1%
America	SGF	2.2		
Americas		3,689.2	36.6%	
United Arab Emirates	Step Deep Tunnel Sewer Contract T-02	12.4	0.1%	93.0%
United Arab Emirates	Step Deep Tunnel Sewer Contract T-03	52.7	0.5%	64.6%
Qatar	Abu Hamour	91.9	0.9%	1.8%
Iraq	IECAF - Engineering Services for the Al-Faw Port	10.5	0.1%	38.8%
Asia		167.5	1.7%	
Africa	Rivigo	52.2	0.5%	74.0%
Africa	Lidco	994.4	9.9%	12.4%
Africa	Ingula	62.4	0.6%	82.7%
Africa	SGF - Il nuovo Castoro	11.0	0.1%	
Africa		1,120.0	11.1%	
Total Abroad		5,578.4	55.4%	
Total Construction		10,069.6	100.0%	

The section on the segment's Risk areas comments on the Libyan contracts which are worth € 994.4 million.

Risk areas

Libya

Impregilo is active in Libya through its subsidiary Impregilo Lidco Libya General Contracting Company (Impregilo Lidco) in which it has a 60% interest. The other shareholder is Libyan.

In the past, the subsidiary had acquired important contracts for the construction of:

- infrastructural works in Tripoli and Misuratah;
- university campuses in Misuratah, Tarhunah and Zliten;
- a new Conference Hall in Tripoli.

With respect to the political upheaval in Libya from February 2011 to the date of this Report, the subsidiary has always acted in accordance with the contractual terms and the investments made up until the deterioration of the country's political situation are fully covered by the contractually provided for advances.

The works covered by the contracts agreed by the Libyan subsidiary are works of national interest which are currently expected to be continued. It is clear that there is considerable doubt about the subsidiary's effective ability to carry out the contracts compared to the forecasts made before the crisis exploded. Accordingly, Impregilo does not expect to develop its revenue in this country in the near future.

The group commenced the procedures necessary to restart industrial activities in 2012, even though the local situation continues to be complicated and full security conditions are not guaranteed. However, it resumed commercial and contractual relations with the customers to open up the building sites again and restore the financial conditions originally provided for in the related contracts. During 2012, the group obtained access to more precise information about the figures that impact its consolidated financial statements. As a result, Impregilo updated the carrying amounts of the Libyan subsidiary's assets, liabilities, revenue and expense in its 2012 consolidated financial statements in line with its accounting policies, based on the information gathered during the year and the valuations performed by the subsidiary's independent legal advisors. Compared to the situation presented in the group's 2011 consolidated financial statements, which was based on the latest available figures at 31 March 2011, the subsidiary's net assets have been impaired by approximately € 34.1 million to reflect the above events. These losses have been included in contract work in progress as the group deems them recoverable considering the recommencement of contacts with customers. Net cash and cash equivalents held in Libya decreased by roughly € 12.3 million due to costs incurred locally in the period from 31 March 2011 to 31 March 2013.

In early 2013, the group carried out a physical count of the plant, machinery and supplies for the main building sites, recognised at € 29.9 million, although complete access to all the sites where the assets are held was not possible for safety reasons. Given that any additional costs that may arise following completion of the count would be covered by the customers as per the contractual terms for force majeure, as also assessed by the legal advisors

assisting the subsidiary, the group does not believe that any new significant risks will arise from the above valuations with respect to the recovery of the company's net assets, thanks in part to the actions taken and requests and claims presented to the customer.

The group is monitoring the situation closely and it cannot be excluded that events which cannot currently be foreseen may take place after the date of preparation of this Report that would require changes to the assessments made to date.

Tax litigation - Iceland

With respect to the contract for the construction of a hydroelectric plant in Karanjukar (Iceland) that the group successfully completed in previous years, a dispute arose with the local tax authorities in 2004 about the party required to act as the withholding agent for the remuneration of foreign temporary workers at the building site. Impregilo was firstly wrongly held responsible for the payment of the withholdings on this remuneration, which it therefore paid. Following the definitive ruling of the first level court, the company's claims were fully satisfied. Nevertheless, the local authorities subsequently commenced a new proceeding for exactly a similar issue. The Supreme Court rejected the company's claims in its ruling handed down in February 2010, which is blatantly contrary to the previous ruling issued in 2006 on the same matter by the same judiciary authority. The company had expected to be refunded both the unduly paid withholdings of € 6.9 million (at the original exchange rate) and the related interest accrued to date of € 6.0 million. Impregilo had prudently impaired the interest amount in previous years, despite a previous local court ruling and the opinion of its consultants that confirmed its grounds, and only continued to recognise the unduly paid principal. After the last ruling, the company took legal action at international level (appeal presented to the EFTA Surveillance Authority on 22 June 2010) and, as far as possible, again at local level (another reimbursement claim presented to the local tax authorities on 23 June 2010) as it deems, again supported by its advisors, that the last ruling issued by the Icelandic Supreme Court is unlawful both in respect of local legislative and international agreements which regulate trade relations between the EFTA countries and international conventions which do not allow application of discriminatory treatments to foreign parties (individuals and companies) working in other EFTA countries. On 8 February 2012, the EFTA Surveillance Authority sent the Icelandic government a communication notifying the infraction of the free exchange of services and requested the government to provide its observations about this. Following this, in April 2013, the EFTA Surveillance Authority issued its documented opinion that the Icelandic legislation does not comply with the regulations covering trade relations between member countries, based on the regulations for the above-described dispute. It asked Iceland to amend its position within 60 days. Based on the above and especially the recent developments, which make it necessary to revise the evaluations made to date, Impregilo does not believe objective reasons currently exist to change its estimates about this dispute.

Ente irriguo Umbro-Toscano - Imprepar

The group was informed that part of the sill above the surface discharge of the Montedoglio dam in the Arezzo province had been damaged on 29 December 2010. The Irrigation Body notified Imprepar in January 2011 that "*investigations and checks are being carried out to ascertain the reasons and responsibilities for the damage*". As the transferee of the "sundry activities" business unit, which includes the "Montedoglio dam" contract, Imprepar

informed the body that the activities related to the damaged works were carried out by another company in 1979 and 1980, from which Impregilo (then COGEFAR) only took over the contract in 1984. The works had been tested and inspected with positive results. Impregar specifically explained its non-liability for any damage caused by the event in its communication to the Body and does not believe that there are reasons to modify its related assessments, supported by the opinion of its legal advisors.

During the period, the managers of Ente Acque Umbre Toscane and the works manager signed a service order requesting the contractor to immediately prepare executive designs and commence the related works at its own expense and under its own responsibility. Impregar challenged these acts in full. However, the amounts involved are not significant.

Impregilo deems it too early to be able to assess any risks arising from the Montedoglio dam contract other than those already assessed in the previous year, given the above recent developments and supported by its legal advisors.

Widening of the Panama Canal

Certain critical issues have arisen during the first stage of full-scale production which, due to their specific characteristics and the materiality of the work to which they relate, have made it necessary to revise downwards the estimates on which the early phases of the project had been based. The most critical issues relate to, *inter alia*, the geological characteristics of the excavation areas with respect to the raw materials necessary to produce the concrete and the processing of such raw materials during normal production activities. The considerable differences between the actual conditions and those planned for are critical and have been provided for in the prudent estimates of the cost to complete the contract made on the basis of recent production trends and considering that the inefficiencies will gradually be absorbed. Given the relations with the customer, with which these issues are constructively discussed on an ongoing basis, and the long timeframe of the contract, the group believes that the estimates, consistently with those made during preparation of the 2012 consolidated financial statements, are reasonable and supported by the contract.

Bridge crossing the Messina Strait and roadway and railway connectors from Calabria to Sicily

In March 2006, as lead contractor of the joint venture created for this project (interest of 45%), Impregilo signed a contract with Stretto di Messina S.p.A. for its engagement as general contractor for the final and executive designs and construction of the Messina Strait Bridge and related roadway and railway connectors.

A bank syndicate also signed the financial documentation required in the General Specifications after the joint venture won the tender, for the concession of credit lines of € 250 million earmarked for this project. The customer was also given performance bonds of € 239 million, as provided for in the contract. Reduction of the credit line to € 20 million was approved in 2010.

Stretto di Messina S.p.A. and Eurolink S.c.p.A. signed a rider in September 2009 which covered, *inter alia*, suspension of the project works carried out since the contract was signed

and until that date. As provided for by the rider, the final designs were delivered to the customer and its board of directors approved them on 29 July 2011.

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

CONCESSIONS

Group activities in this business segment relate to the management of investments in numerous subsidiaries and other investees, almost entirely abroad, which hold concessions mainly for the management of motorway networks, plants that generate energy from renewable sources, electricity transmission, integrated cycle water systems and the management of non-medical hospital service activities.

The segment is headed by Impregilo International Infrastructures N.V., the Dutch sub-holding company wholly owned by Impregilo S.p.A.. It coordinates the segment.

As already mentioned in previous sections of this Report and in line with the group's new strategies identified in the second half of 2012, followed by preparation of the 2013-2015 business plan, approved in December 2012, the Concessions segment took steps to make the most of its main assets that are no longer considered strategic for the group's core business in 2012. Accordingly, at the start of the period, the group finalised the sale of its investment in the jointly controlled Brazilian group EcoRodovias (originally 29.74% of the holding company) held by Impregilo International Infrastructures. The transaction did not give rise to significant differences compared to the carrying amount of this remaining investment at 31 December 2012. Given that, pursuant to IFRS 5 - Non-current assets held for sale and discontinued operations, EcoRodovias group's contribution to the group's results have been classified as "Profit from discontinued operations" starting from the fourth quarter of 2012, the corresponding figures for the first quarter of 2012 have been restated accordingly in this Report.

Moreover, Impregilo provided full disclosure about the transactions involving the investment in EcoRodovias on 31 October 2012 and 26 January 2013, pursuant to article 71 and in accordance with Annex 3B (table 3) to the Regulation implementing Legislative decree no. 58 of 24 February 1998, adopted by Consob with resolution no. 11971 of 14 May 1999 and subsequent amendments.

The Concessions segment was not very active in the period (total revenue of € 3.6 million compared to € 4.7 million for the corresponding period of 2012), given that its order backlog mainly consists of non-controlling interests and the more significant recently acquired orders (i.e., the Ruta del Sol motorway in Colombia, the Milan outer east bypass in Italy, the Milan metro Line 4, etc.) are all still under construction.

The following tables summarise the key figures of the Concessions order backlog at period end, split by business segment.

MOTORWAYS

Country	Operator	% of investment	Total	Stage	Start date	End date
			km			
Italy	Tangenziale Esterna S.p.A.	15.5	33	Not yet active		
	Broni - Mortara	40	50	Not yet active		
Argentina	Iglys S.A.	98		holding		
	Autopistas Del Sol	19.82	120	active	1993	2020
	Puentes del Litoral S.A.	26	59.6	active	1998	2023
	Mercovia S.A.	60	18	active	1998	2023
Colombia	Yuma Concessionaria S.A. (Ruta del Sol)	40	465	active	2011	2036

METROS

Country	Operator	% of investment	Total	Stage	Start date	End date
			km			
Italy	Milan metro Line 4	31.05	15	Not yet active		

ENERGY FROM RENEWABLE SOURCES

Country	Operator	% of investment	Installed	Stage	Start date	End date
			voltage			
Argentina	Yacilec S.A.	18.67	T line	active	1994	2088
	Enecor S.A.	30.00	T line	active	1992	2088

INTEGRATED WATER CYCLE

Country	Operator	% of investment	Pop.	Stage	Start date	End date
			served			
Argentina	Aguas del G. Buenos Aires S.A.	42.58	210 k	liquidation		
Peru	Consorcio Agua Azul S.A.	25.50	740 k	active	2002	2027

HOSPITALS

Country	Operator	% of investment	No. of	Stage	Start date	End date
			beds			
GB	Impregilo Wolverhampton Ltd.	20.00	150k medical visits	active	2002	2032
	Ochre Solutions Ltd.	40.00	220	active	2005	2038
	Impregilo New Cross Ltd.	100.00		holding		

CAR PARKS

Country	Operator	% of investment	No. of	Stage	Start date	End date
			parks			
GB	Impregilo Parking Glasgow Ltd.	100.00	1400	active	2004	2034

ENGINEERING & PLANT CONSTRUCTION

The Engineering & Plant Construction segment, headed by FISIA Italimpianti and FISIA Babcock Environment (Germany), includes the operation of plants for the desalination of sea water, fume treatment and waste-to-energy processes.

The Engineering & Plant Construction segment includes the Chinese company Shanghai Pucheng Thermal Power Energy Co. Ltd, 50% held by FISIA Babcock and consolidated on a proportionate basis. The Engineering & Plant Construction segment's order backlog solely includes the contractual amounts of the engineering contracts and environment services. It does not include the Chinese company's estimated future revenue. In order to present the group's future revenue consistently, this figure is included in the Concessions segment in the graphs set out in the section on the group's highlights of this Report. The general data related to transactions with the grantor are summarised below:

Country	Company	% of investment	Installed voltage	Pop. served	Stage	Start date	End date
China	Shanghai Pucheng Thermal Power Energy Co. Ltd	50.00	17 mw	1.6 m	active	2004	2034

In line with the strategies of the 2013-2015 business plan, activities undertaken during the period included recovery of the assets of FISIA Italimpianti, still being contested, in relation to the USW Campania projects and other contracts for desalination plants in the Arabian Gulf area for which significant disputes had been commenced with customers in previous years. The segment also concentrated on developing the German FISIA Babcock Environment's business to avail of the best opportunities to enhance its value while concurrently maintaining its leadership position in its current strategic market sectors.

The business segment's revenue amounted to € 33.2 million for the period (€ 41.1 million) and the operating profit totalled € 0.3 million (operating loss of € 0.3 million).

The contraction in business volumes is mainly due to FISIA Babcock's position and the timing factors involved in managing its portfolio.

Order backlog

The Engineering and Plant Construction segment's order backlog at 31 March 2013 is as follows:

(in millions of Euros)

Area/Country	Project	Residual backlog at 31 March 2013	Percentage of total	Percentage of completion
FISIA Italmimpianti				
Middle East	Jebel Ali L2	2.6	1%	98.7%
Middle East	Ras Abu Fontas B2	7.1	2%	96.4%
Middle East	Jebel Ali M	16.3	5%	97.9%
Middle East	Jebel Ali M - spare parts	8.8	3%	1.8%
Middle East	Ras Abu Fontas A1	7.3	2%	97.8%
Middle East	Shuaiba North	3.2	1%	99.1%
Middle East	Shuaiba North - spare parts	15.3	5%	21.2%
Middle East	Takreer CbdC	20.2	7%	2.7%
Middle East	Other	0.3	0%	n.a.
Desalination		81.1	27%	
Total FISIA Italmimpianti		81.1	27%	
FISIA Babcock				
Germany	Datteln REA	2.0	1%	94.0%
Germany	Moorburg - ESP	2.2	1%	95.0%
Germany	Manheim Block 9 RRA	30.0	10%	64.0%
Netherlands	Maasvlakte Block 3 REA	2.7	1%	93.0%
Panama	Paco - FGD	12.2	4%	14.0%
Poland	Plock FGD	39.1	13%	0.0%
	Other Abroad	3.0	1%	n.a.
Fume treatment		91.2	30%	
Germany	Moskau WtE	94.7	31%	17.0%
Germany	Krefeld WtE	1.0	0%	99.0%
Germany	Ruhleben WtE	3.6	1%	97.0%
Germany	Wuppertal K 13 EfW	8.4	3%	65.0%
Lithuania	Klaipeda WtE	1.3	0%	97.0%
China	Haidian EfW	14.0	5%	0.0%
	Other Abroad	1.2	0%	n.a.
Waste-to-energy		124.2	41%	
	Italy	0.2	0%	n.a.
	Abroad	8.7	3%	n.a.
Other		8.9	3%	
Total FISIA Babcock		224.3	73%	
TOTAL ENGINEERING & PLANT CONSTRUCTION		305.4	100%	

Risk areas

The considerable slow-down in industrial production seen in international markets due to the widespread financial crisis, which began in previous years, continues to be highly critical for the markets in which FISIA Italmimpianti, the company which heads the segment, operates. The Arabian Gulf countries, which are FISIA Italmimpianti's key markets, have not yet recommenced their development programmes halted in 2008 in an organised manner. Although this has critical repercussions on the company's order backlog, the group company acquired a contract to build a new desalination plant worth approximately USD 28 million towards the end of 2012.

Even if this contract's value is not comparable to those acquired in previous years, it represents the first important step towards recovery, also considering the technologies provided for in the contract, which are an interesting alternative to those used for the large plants built in the past.

Non-current assets held for sale

I.1 USW Campania projects: the situation up to 31 December 2009

As already described in detail in previous reports, Impregilo group became involved in the urban solid waste disposal projects in the Province of Naples and other provinces in Campania at the end of the 1990's through its subsidiaries FIBE and FIBE Campania (the "companies").

From 2000 to 2003, the companies completed the construction of the RDF plants, built for them by other Impregilo group companies, namely FISIA Italimpianti (for the electromechanical parts) and Impregilo Edilizia e Servizi (for the civil works) and took the steps necessary to produce RDF and store it temporarily until the waste-to-energy plants were ready.

Over the years, the situation began to become increasingly critical due to the following main factors:

- non-commencement by the Campania Regional Authorities of the scheduled separated waste collection with the related agreed volumes, an essential factor underpinning the project and service contracts agreed by the companies with the government commissioner;
- inadequate landfill areas made available by the government commissioner;
- commencement of activities at the Acerra waste-to-energy plant, which should have commenced as per the contract in early 2001, only in August 2004 following the extraordinary intervention of more than 450 policemen who cleared the work areas occupied since January 2003 by demonstrators;
- the Santa Maria La Fossa waste-to-energy plant only obtained the E.I.V. (environmental impact valuation) in 2007, although activities should have started there concurrently with those at Acerra;
- on 12 May 2004, the Naples public prosecutor seized the plants with their concurrent release on attachment bond as part of proceedings which included investigation of the directors of the group companies involved in the project (FIBE, FIBE Campania and FISIA Italimpianti) and top management of the commission;
- an increasing number of municipalities, companies and inter-municipality consortia started to not pay the tariffs due to the companies for the treatment of their waste with the result that the companies saw a significant rise in receivables leading to the inevitable financial tension;
- given this critical situation, the banks that had granted FIBE project financing to construct the RDF plants and waste-to-energy plant at Acerra suspended all further disbursements (they had granted € 173.5 million); moreover, the negotiations aimed at agreeing similar funding for the RDF plants and waste-to-energy plant of FIBE Campania (at Santa Maria La Fossa) were interrupted; these circumstances worsened the two companies' financial positions and that of the entire Impregilo group (as Impregilo Edilizia e Servizi, FISIA Babcock and FISIA Italimpianti were engaged to build the RDF plants and the waste-to energy plants and FISIA Italimpianti also provided plant management services).

Given this situation, beginning from early 2005, measures and procedures were adopted at top institutional levels following the direct involvement of the Italian government to return the project to its original status and normal operating conditions. Specifically:

- the overdue receivables for the waste tariffs through to 31 December 2004 should have been recovered following issue of Law decree no. 14 of 17 February 2005 (converted into Law no. 53 of 15 April 2005) whereby the Cassa Depositi e Prestiti should have ensured payment of the outstanding amounts under a specific procedure of roughly 60 days;
- recovery of the receivables overdue after that date should have taken place by the appointment of *ad acta* commissioners by the extraordinary government commissioner using its powers assigned by the Prime Minister's Order ("OPCM") no. 3397 of 28 January 2005;
- the problems related to the judicial seizure of the plants would have been resolved by implementation of a "Programme for structured and management actions for RDF plants" prepared by the commissioner and subject, for certain aspects, to the approval of the Naples public prosecutor, which should have allowed their release from seizure within a short period of time as per the "Conformity Deed" signed by FIBE and FIBE Campania;
- with respect to the availability of the landfill areas, the government commissioner issued an order on 7 December 2004 for the "Montesarchio" landfill and another for the "Campagna" landfill on 1 April 2005. These orders established that, upon the closure of the then used landfills, two new sites in the Campania region would be set up and used to ensure at least one year of regular performance of the project and giving rise to the concurrent reasonable belief that the issue of the landfills could be managed positively after that time period.

Based on these assumptions, the directors of both FIBE and FIBE Campania approved a business plan for the period of the service on a going concern basis.

However, a number of events took place in the following months that significantly negatively altered the assumptions inferred from the legal and administrative measures. Specifically:

- the Cassa Depositi e Prestiti had not yet shown any signs of applying the measures set out in Law decree no. 14/2005 (converted into Law no. 53/2005) many months after its issue and, therefore, the receivables overdue at 31 December 2004 were still outstanding with further problems about the collection of those that became due in 2005;
- following social-political agreements, the government commissioner had delayed the use of one of the two previously authorised landfills and had not allowed preparation of the second. This implied that, in order not to disrupt services, FIBE and FIBE Campania had to use private landfills outside the region fully bearing the very high and unplanned disposal and transportation costs from April. No feedback from the commissioner was received about their request for reimbursement;
- meanwhile, the government commissioner, with a claim form of May 2005, took legal action claiming compensation from FIBE, FIBE Campania and FISIA for alleged damage being the costs it incurred in the past to transport waste outside the region (subsequent parts of this section give more information about this dispute);

- the banks that had given the first instalment of € 173.5 million of the project financing agreed with FIBE not only confirmed that they would not provide the rest of the financing but also formally requested that the project financing structure be dismantled as it was no longer considered suitable given the critical situation of the USW Campania project.

In this situation, Law decree no. 245 (converted into Law no. 21 of 27 January 2006) was issued on 30 November 2005 and became applicable on 15 December 2005. It:

- terminated the contracts between FIBE S.p.A., FIBE Campania S.p.A. and the extraordinary government commissioner for the Campania Waste Emergency on an *ope legis* basis on 15 February 2005 “without prejudice to any claims arising from the terminated contracts” (article 1.1);
- required the commissioner to:
 - identify “urgently”, with a “swift EU” procedure, the new parties to which the waste disposal service for Campania should have been awarded, taking over the contracts from FIBE and FIBE Campania (article 1.2);
 - construct “the landfills ... continue work to build the waste-to-energy plants at Acerra and Santa Maria la Fossa” (article 6.2). The measure did not in any way establish the procedures or contracts to be introduced/agreed for the plants’ final use.
- provided that, pending the identification of new providers of the waste treatment service (the “transition period”) until the awarding of the contract and, however, no later than 31 May 2006 (article 6.1 which extended the emergency state until this date), FIBE and FIBE Campania were to continue to provide the service, in full compliance with the coordination activities carried out by the government commissioner against their right to claim payment from the commissioner’s office of expenses and costs incurred in this regard (article 1.7, as modified by the aforesaid Law decree no. 263/2006 - article 1.4 of Prime Minister’s Order no. 3479/05);
- set specific regulations for:
 - “speeding up the procedure to obtain payment” of the waste disposal tariffs (article 2);
 - “guaranteeing that the separate waste collection objectives are met ... and resolution of the current emergency situation” (article 5).

In order to assist the tender procedure described in paragraph “b.i”, FIBE and FIBE Campania complied with the commissioner’s request in March 2006 to formalise a sale promise, irrevocable until 30 September 2006 (“statements of promises to sell”). They thus committed themselves to selling the following assets to the commissioner (or parties indicated by it upon the outcome of the tender):

- the waste-to-energy plant in Acerra at its carrying amount on 15 December 2005, increased by additional entries made by the current owner FIBE for work carried out and to capitalise financial expense and technical costs in the period between 16 December 2005 and the payment date;
- the land on which the waste-to-energy plant of Santa Maria La Fossa is to be constructed, owned by FIBE Campania, for its carrying amount at 15 December 2005;
- sundry equipment used to manage the waste treatment plants and RDF stocking sites, owned by FIBE, FIBE Campania and FISIA Italimpianti, at their carrying amount at 15 December 2005;

- the RDF stocking sites and related stocked materials of FIBE and FIBE Campania at their carrying amount at 15 December 2005.

The tenders published on 31 March 2006 also provided that the parties would have had to pay FIBE and FIBE Campania for the right to use the RDF plants (which are owned by the government commissioner) the *non-depreciated costs incurred by the previous providers of the service up until 15 December 2005*.

The tender called on 31 March 2006 was not awarded since only two bids were presented, one of which by an ineligible bidder.

With respect to this situation, the public institutions involved showed their intention to begin a new procedure, calling bids from throughout the European Union and committing themselves to conducting the procedure in a significantly shorter time span than the previous one. They asked FIBE and FIBE Campania to renew their “statements of promises to sell” as described above. This request was accepted and the statements were renewed until 31 March 2007.

In August 2006, the tender for the allocation of the urban solid waste disposal services for the Campania region was called again. The assets to be sold and the amounts were unchanged from the previous tender.

Given the continued critical waste situation in the region, the government issued two law decrees aimed at resolving it. Specifically:

- (i) Law decree no. 263 of 9 October 2006 (converted into Law no. 290 of 6 December 2006) which, *inter alia*:
 - (i) appointed a new commissioner, the head of the Civil Protection Department, who reported directly to the Prime Minister (article 1.1);
 - (ii) cancelled the tender called in August 2006 (article 3.1);
 - (iii) required the new commissioner to redefine “*the conditions for allocation of the waste disposal service in Campania*” (article 3.1);
 - (iv) amended Law no. 21/2006 establishing that the current holders of the contract were required to continue to provide the service until the tender was closed, and this “*on the basis of the necessary transfer of duties to the new holders, including those related to personnel and any movable and immovable property that should be transferred, considering their use, age and maintenance*” (article 3.1-bis);
 - (v) provided for measures aimed at ensuring the effective separate collection of urban solid waste (article 4);
 - (vi) extended the transition period for the waste emergency situation in Campania until 31 December 2007 (article 1.1);
- (ii) Law decree no. 61 of 11 May 2007 (converted into Law no. 87 of 5 July 2007) which, *inter alia*:
 - (i) opened, “*also to avoid new emergency situations*”, new sites to be used as landfills (article 1.1);
 - (ii) requested the commissioner to identify “*urgently ... also by directly engaging parties other than the current service providers ... the best possible solutions for the treatment and disposal of waste and possible disposal of waste bales*” (article 2);
 - (iii) requested the commissioner to adopt “*a plan for introduction of an integrated waste cycle in Campania*” (article 9).

On 5 July 2007, concurrently with the issue of the aforesaid legal measure, a new extraordinary commissioner for the waste emergency in Campania was appointed, namely the Naples Prefect.

Following specific requests presented by FIBE and FIBE Campania, on 10 August 2007, the new commissioner provided for the speeding up of the process aimed at reimbursing the two companies the costs incurred by them to manage the service which they had not yet received and for the direct payment, by means of advances, of personnel expenses and the costs of strategic subcontractors engaged in providing the service with them.

In Autumn 2007, the commissioner recommenced the procedures for the preparation of a new tender to identify an USW service operator. To overcome the problems that beset the previous tenders, the commissioner started an in-depth preliminary survey of the actual situation of the plants and equipment as well as the related labour required to provide the service under tender. It was assisted in this by FIBE and FIBE Campania. This survey was based on formats that reflected those underlying the original contracts with FIBE and FIBE Campania that had been terminated:

- a) geographical: the survey focused on two areas: the Province of Naples and other provinces;
- b) technical: the existing RDF plants and the Acerra waste-to-energy plant, still under construction.

A new tender was called in December 2007 for solely the USW disposal service in the Province of Naples. The Prime Minister issued a decree dated 28 December 2007 extending the waste emergency status of Campania until 30 November 2008.

At the start of the first quarter of 2008, the commissioner received expressions of interest from two major industrial groups active in the waste treatment and energy generation sector. After having requested and obtained an extension of the tender until the end of January 2008, they withdrew from the procedure, communicating their doubts about the existence of *both* appropriate guarantees from the body calling the tender about the availability of landfills for the waste from the RDF processing *and* suitable certainty about the availability of the benefits provided for under measure "CIP6" for the Acerra waste-to-energy plant under construction for the sale of electricity generated by the plant at favourable tariffs.

Given this situation and the further worsening in the waste collection and disposal emergency in the region, the Prime Minister issued Orders nos. 3656 and 3657 of 6 February and 20 February 2008, respectively:

- (i) the first confirmed the benefits provided for by the "CIP6" measure for the Acerra waste-to-energy plant: these benefits were confirmed by Law no. 31 of 28 February 2008 whereby, during conversion of the "Milleproroghe decree" *"for the plant ... in Acerra ... the government grants and incentives provided for by the Interministerial price committee resolution no. 6 of 29 April 1992 ... are due"*;
- (ii) the second authorised the elimination of the waste treated by the RDF plants and currently stored in the region in the waste-to-energy plant under construction.

In addition, the Prime Minister's Order no. 3653 of 30 January 2008:

- (i) appointed a commissioner to wind up the commission activities at 31 December 2007 and speed up transfer of the ordinary integrated waste management cycle for the Campania region to the municipalities;
- (ii) gave this commissioner a mandate to identify all the outstanding receivables up to 31 December 2007, by preparing a suitable financial plan; and
- (iii) organised an institutional conference involving the commissioner, the president of the Campania region and the provincial presidents in order to facilitate the gradual transfer to the relevant bodies and municipalities, manage the transition period and the procedures for the definitive transfer of the works.

The commissioner, appointed with Prime Minister's Order no. 3563/08, provided that:

- 1) with order no. 001/08 of 1 February 2008, the companies were obliged to *"guarantee until further instructions the continuous cycle working of the former RDF plants (still functional) in Campania, with costs and charges to be recognised pursuant to Prime Minister's Order no. 3479/05 – including for any overtime worked by the two companies' employees – by the commissioner appointed with Prime Minister's Order no. 3653/08"*;
- 2) with its subsequent order no. 048/08 of 14 March 2008, the companies' obligation to:
 - (i) *"ensure waste disposal service continuation in the Campania region, management of the companies and use of the assets as available in compliance with the coordination activities carried out by the commissioner until the awarding of the service to the new providers and, however, not after 30 November 2008"*;
 - (ii) *"agree the necessary contracts with all the parties, whose operations are necessary to correctly provide the waste disposal service"*;
 - (iii) *"ensure compliance within the plants, as available, with workplace safety regulations"*.

Payment to FIBE S.p.A. and FIBE Campania S.p.A. for their services provided to meet their obligations under the terms of this Order should have been made by the commissioner in accordance with article 1.4 of Prime Minister's Order no. 3479 of 14 December 2005.

FIBE and FIBE Campania appealed against these measures before the Lazio – Rome Regional Administrative Court which issued its ruling no. 7280/08 on 23 July 2008, stating the impossibility to proceed with the appeal due to the intervening lack of interest, considering the *medio tempore* regulations governing the entire sector, which is of particular relevance and significance to the companies and is satisfactory to the shareholders.

After issue of these orders, the government intervened again directly enacting significant measures aimed at resolving the existing critical situation, including the allocation of the position as extraordinary commissioner for the waste emergency in Campania, which had been held to then by the under-secretary of state who reported to the Prime Minister, to the head of the Civil Protection Department.

These measures were:

- a) Law decree no. 90 of 23 May 2008 and Law decree no. 107 of 17 June 2008, both converted into Law no. 123 of 14 July 2008. The conversion law, *inter alia*:
 - (i) confirmed FIBE's obligation to complete the Acerra waste-to-energy plant (see article 6-bis.4);
 - (ii) expressly authorised *"use of the Acerra waste-to-energy plant"* (see article 5.2) and combustion of the *"eco-bales"* (see article 5.1);

- (iii) authorised “*construction of the Santa Maria La Fossa waste-to-energy plant*” (see article 5.3) and “*construction of a waste-to-energy plant in the Naples municipality*” (see article 8.1);
 - (iv) provided for the possible allocation of the benefit of the CIP 6 “*for the waste-to-energy plants located in the Salerno, Naples and Santa Maria La Fossa municipalities*” (see article 8-bis.1);
 - (v) definitively authorised Impregilo group’s exit from the waste disposal business, transferring “*title*” to the RDF plants “*located in their municipalities*” to the provincial authorities (see article 6-bis.1) and providing for “*the involvement of the Armed Forces for the technical and operating management of the plants*” (see article 6-bis.3);
 - (vi) ordered “*an assessment of the value*” of the RDF plants and Acerra waste-to-energy plant by a panel of five experts appointed by the president of the Naples Appeal Court, “*also for the possible purchase against consideration by the new service operator*” and that the assessment of the RDF plants be carried out considering “*their effective use, age and maintenance*” (see article 6.1);
 - (vii) established that the commissioner would directly pay the fees of third parties (i.e., unrelated to the former service providers) in order to release FIBE and FIBE Campania from financial burdens during their services they might be called to provide to the commissioner (i.e., completion of the Acerra waste-to-energy plant). This system was also to be applied to the *reporting* of the operating costs incurred by the two companies in the period from 16 December 2005 to 31 December 2007, which the commission still has not settled;
 - (viii) extended the state of emergency to 31 December 2009.
- b) Law decree no. 97 of 3 June 2008, converted into Law no. 129 of 2 August 2008 which, *inter alia*, required the Ministry for Economic Development, together with the Ministry for the Environment, to establish “*the methods to provide government incentives, as per resolution no. 6 of 29 April 1992 of the Interministerial price committee, to the waste-to-energy plants located in the municipalities of Salerno, Naples and Caserta*”;
- c) Order of the Prime Minister no. 3685 of 19 June 2008 which provided for, *inter alia*:
- (i) transfer of the “*operating resources present in each plant*” to the provincial authorities that gain title to the RDF plants;
 - (ii) taking over of the employees of the RDF plants (other than management) by the provincial authorities using term employment contracts;
- d) Decree no. 3299 of 30 June 2008 and letter no. 1882 of the same date, both issued by the under-secretary of state which, *inter alia*, include orders related to:
- (i) completion by FIBE of the Acerra waste-to-energy plant;
 - (ii) transfer of management of the RDF plants to the municipalities.

These measures were of fundamental importance given that, in short:

- a) the Acerra waste-to-energy plant was finished; accordingly, the work completion certificate was signed on 11 September 2009 and the test certificate issued on 16 July 2010;
- b) combustion of the “*eco-bales*” was expressly provided for at this plant;
- c) an additional two waste-to-energy plants were to be built, benefiting from CIP 6, like the Acerra waste-to-energy plant;

- d) management of the RDF plants had been definitively taken from FIBE and FIBE Campania and title thereto had been transferred to the Campania municipal authorities while they were to be managed by the Armed Forces.

Following enactment of these measures, and as coordinated by the relevant commission offices, FIBE and FIBE Campania took steps to ensure they were fully implemented. Specifically:

- a) possession of all the plants and related assets by the relevant commission offices was completed with contracts signed on 30 July and 7 August 2008;
- b) in July 2008, the relevant authority commenced a preliminary investigation to identify the costs already incurred and not yet paid to third parties for work performed after the contracts had been terminated and the activities currently ongoing and required to complete the roll out of the Acerra waste-to-energy plant;
- c) after the due meetings with the trade unions, the procedure to decrease FIBE's personnel and to transfer them to the relevant *ad acta* commissioners of the Campania provinces was completed.

A new operator was identified in December 2008 during the procedure to allocate management of the nearly operative waste-to-energy plant, namely a leading Italian company which currently owns other major waste-to-energy plants.

Subsequently, the commissioner ordered the return of the individual assets given to the *ad acta* commissioners to the companies with a number of orders (no. 0021331, no. 0021332, no. 0021333, no. 0021334 and no. 0021335 of 12 November 2008 of the Technical operational head under Prime Minister's Order no. 3705 of 18 September 2008), based on an assessment of their inoperability, pursuant to Prime Minister's Order no. 3693/2008. The companies questioned these orders with FIBE letter no. U/08/462 of 18 November 2008, querying their content and affirming that they had been fully excluded from the integrated waste management system and had no further management obligations with respect to works and assets indisputably used as part of such system.

This was followed by order no. 0022743 of 21 November 2008 of the Technical-operational head under Prime Minister's Order no. 3705 of 18 September 2008, which substantially reiterated the content of the previous return measure and contested the role of FIBE and FIBE Campania as the mere service providers from 15 December 2005, with the related implied continued obligation for them to manage the offices, sites and plants that were not necessary for the waste treatment service as part of the assessment carried out by the municipalities after the "temporary" takeover by the *ad acta* commissioners.

These measures were appealed against with the relevant Lazio - Rome Regional Administrative Court which handed down its decision no. 2537 of 13 March 2009 accepting the appeal and quashing the measures. The under-secretary appealed against this ruling and FIBE and FIBE Campania filed a cross appeal.

The Council of State issued its opinion on the appeal made by the under-secretary on 26 January 2010 with ruling no. 290/2010, confirming Impregilo group's reasoning and thus quashing the claims made by the under-secretary about the alleged inoperability of the sites under dispute. Pending this decision, on 22 July 2009, the under-secretary, via the *ad acta* commissioners, had again ordered the companies to take back the sites. FIBE and FIBE Campania appealed against this order to the Lazio Regional Administrative Court.

On 5 March 2009, the Prime Minister issued Order no. 3745 for the start-up and provisional use of the Acerra waste-to-energy plant until completion of the tests with positive results. The plant's first line was rolled out on 18 March 2009 while the third and last line began operating on 8 May 2009 with the plant's full operation on 14 September 2009.

On 18 March 2009, the Prime Minister issued Order no. 3748 with the intention to "fully settle all aspects related to the transfer of waste to the Acerra waste-to-energy plant". The order provided for the transfer of only waste produced and stored from the date on which the service contracts were terminated with the companies (15 December 2005) to this plant. No mention was made of the waste produced before this date.

This order was challenged promptly before the Lazio Regional Administrative Court.

Moreover, given the legal provisions described above under which the group, and specifically FIBE S.p.A., is only obliged to complete the Acerra waste-to-energy plant, FIBE Campania S.p.A. was merged into FIBE S.p.A. in 2009. The merger became effective from 1 November 2009 with accounting effect backdated to 1 January 2009.

In December 2009, the *ad acta* commissioner, appointed by the Regional Administrative Court to recover the receivables due to the two companies from the Campania municipalities for the waste disposal service provided until 15 December 2005, completed the first key stage of its engagement, checking the receivables (of FIBE and FIBE Campania) and the payables (of the municipalities). It also determined the additional amounts due to FIBE for default interest accrued until 15 December 2005. Specifically, the *ad acta* commissioner found that the amounts claimed by FIBE and those recorded by the municipalities were substantially the same with respect to:

- a) amounts due to the former service providers for waste disposal tariffs of approximately € 138 million;
- b) amounts due to the former service providers for default interest accrued to 15 December 2005 of approximately € 8 million;
- c) collections recorded by the local authorities as tariffs and interest of approximately € 39 million.

Following this procedure, the *ad acta* commissioner stated it would have submitted the check of the differences between the amounts documented by FIBE and those presented by the municipalities to the Regional Administrative Court, especially with respect to approximately € 8 million (tariffs and interest), which FIBE states has been collected by the municipalities but which the municipalities deny having collected, alleged compensation due by the municipalities to FIBE of roughly € 38 million, default interest accrued after 15 December 2005 to 31 December 2008 calculated by FIBE to approximate € 40 million and additional collections that the municipalities hold FIBE has collected but which FIBE claims it has not collected for another approximate € 4 million.

There are still large differences between the municipalities' and FIBE's figures, the assessment of which has been resubmitted to the Regional Administrative Court by the *ad acta* commissioner. However, the commissioner is expected to issue a payment order to the municipalities owing amounts to FIBE as described above, showing its determination to resolve the situation, even if with more than four years' delay, by settling at least the amounts due to the former service providers at the contract termination date.

I.2 USW Campania projects: developments from 1 January 2010

Following termination of the state of emergency of the waste situation in Campania, as provided for by Law no. 123/2008, previously set for 31 December 2009, Law decree no. 195/2009, amended and converted into Law no. 26 of 26 February 2010, was approved on 30 December 2009. This law includes, *inter alia*, certain significant measures as summarised below:

- a) the missions, provided for as part of the emergency under Law no. 123/2008, are to be replaced by two units, an Operating Unit and an Emergency Unit which will be included in “*the Civil Protection Department under the Prime Minister*”;
- b) the Emergency Unit is to identify the assets and liabilities “*arising from the operations carried out during the waste emergency period in Campania and related to the commissioner and the under-secretary of State for the waste emergency*”, organise such assets and liabilities using a procedure similar to that used for bankruptcy proceedings and allocate the limited financial resources earmarked by the government for the unit under this procedure;
- c) the amount for the Acerra waste-to-energy plant was determined to be € 355 million. Transfer of title to the plant by Impregilo group to the Campania Regional Authorities (or the Prime Minister - Civil Protection Department or a private body) is to take place by 31 December 2011 in accordance with the Prime Minister’s new decree and after checking the related financial resources. Until then, the former service provider will be paid a monthly lease payment of € 2.5 million for 15 years. The payments for the 12 months before transfer of title will be deducted from the consideration to be paid as well as the amounts advanced to the former service provider, pursuant to article 12 of Law decree no. 90/2008, as advances for work in progress when the plant was being built;
- d) the Acerra plant cannot be sold, disposed of, given as pledge or security nor can other registrations or damaging acts be made for it until title has been transferred;
- e) the former service provider is required to pay additional amounts for guarantees which are considerably higher than the current best practices for the engineering & plant construction sector. The plant is to be managed by a new operator starting from 2010, despite the guarantees given and that it still belongs to Impregilo group.

The preliminary work for the final testing was carried out in the first two months of 2010 and the related certificate was issued on 16 July 2010 confirming the procedure’s successful completion.

Pending conversion of Law decree no. 195/2009 into law, the group companies affected by the measure immediately appealed against it in early 2010 before the Lazio Regional Administrative Court.

The appeal before the Lazio Regional Administrative Court refers to the damage to FIBE’s rights as owner of the Acerra waste-to-energy plant with the purchase and mandatory lease of the plant without immediate compensation to the company. FIBE has also requested (in addition to the referral of the proceedings to the Court of Strasburg or the Constitutional Court) an injunction against the documents related to the sale of the plant and the amounts already collected and to be collected by the department from GSE related to the sale of electrical energy by the plant, which the legislative measure allocated *ex-lege* to the Civil Protection Department.

Following the hearing of 24 November 2010, the Regional Administrative Court:

- a) with **order no. 5032/2010**, filed the day after, rejected the precautionary motion, noting that *“at present, the periculum in mora assumption would not seem to exist as Law decree no. 195/2009, as amended by the conversion law no. 26/2010, quantified the consideration for the transfer of title to the waste-to-energy plant to be € 355 million payable before 31 December 2011 and, moreover, provided for a monthly lease payment for use of the plant of € 2,500,000”*. This order was challenged by FIBE with an appeal currently pending as RG no. 10469/2010, which will be linked to that being prepared against the interim ruling referred to below;
- b) with **order no. 1992/2010**, referred the issue of unlawfulness of articles 6 and 7.1/2/3 of Law decree no. 195/2009 to the Constitutional Court considering the principles protecting title set in the European Convention on Human Rights. Specifically, the issue of the unconstitutionality of these articles was deemed to be grounded as:
- the plant’s value is tied to the law’s conversion date, 26 February 2010, but is based on the Italian National Authority for Alternative Energy’s (ENEA) estimate which clearly valued the asset in 2005 and 2006;
 - the plant’s value, estimated in this manner, is unlawfully decreased by the lease payments made in the first 12 months before the transfer deed;
 - the time when the former owner’s right to the receivable arises is not specified;
 - the party to which the asset is to be transferred is not identified;
 - the transfer date is not identified;
 - basically, the financial resources necessary for the asset’s transfer are not identified.

Based on these reasons, the unconstitutionality of the law is deemed to be not openly without grounds and the issue has been transferred to the Constitutional Court so that it can decide on the highlighted points;

- c) with **interim ruling no. 39180/2010**, found inadmissible the *“appeal in the part in which the non-allocation of the revenue to the appellant arising from the sale of electrical energy generated at the Acerra waste-to-energy plant is challenged and, as a result, states the issue of constitutional lawfulness to be irrelevant with respect to article 7.5 of Law decree no. 195/2009 converted, with amendments, by Law no. 26/2010”*; it also stated *“the issue of constitutional lawfulness with respect to article 7.4/5/6 of Law decree no. 195/2009 converted, with amendments, by Law no. 26/2010 to be manifestly unfounded”*.

With respect to the appeal hearing against the interim ruling, the Council of State transferred the hearing for the constitutionality of article 7.4/5/6 of Law decree no. 195/2009 to the Constitutional Court with its **ruling no. 5117 on 14 June 2011** (oversetting the Regional Administrative Court’s ruling). The issue relates to whether the municipalities are to retain the availability, use and benefits of the Acerra waste-to-energy plant, with the possible optional signing of a lease agreement subject moreover to vexatious and unlawful conditions and guarantees. The Council of State noted the lack of automatism in paying the related compensation after acquisition of access to the plant and stated *“the clear violation of constitutional and international principles (EU Treaty and the European Convention of Human Rights) protecting title”*.

The date set for the Constitutional Court hearing was 18 April 2012, when it was postponed to 3 July 2012 and then to 18 September 2012, when it was deferred again to an unknown

date. The date for the hearing before the European Court of Human Rights about the group's appeal no. 36485/10 filed on 22 June 2010 has not yet been set.

During the last few months of 2011, the public bodies against which the above appeals had been made, especially the Civil Protection Department under the Prime Minister, proposed a number of meetings with the group with the result that an agreement was reached to settle the dispute concerning the Acerra waste-to-energy plant. This agreement, the full terms and conditions precedent of which were confirmed towards the end of 2011, provides for the recognition of FIBE's legitimate compensation of an all-inclusive amount of € 355,550,240.84 as owner of the plant for the (i) detachment of the asset - determined by the challenged measures of Law decree no. 195/2009 - and for (ii) use of the asset, pending finalisation of the administrative procedures required to transfer title. It also provides for the discontinuation of the related disputes and enforcement actions commenced by FIBE in the meantime to protect its rights. The financial conditions of this agreement, compared to the previously-made assessments about the dispute, led to the recognition of € 68.8 million, net of the related tax effects, in the profit from discontinued operations at 31 December 2011.

Completion of the procedure, which should have taken place before the end of 2011, as provided for both by Decree law no. 195/2009 and the agreements proposed in 2011 by the Department for Civil Protection, was deferred in accordance with the measures of Law decree no. 216/2011 ("Milleproroghe decree") to early 2012, as a result of issues tied to the complicated administrative procedures.

Prime Minister's Order of 16 February 2012 provided for transfer of title to the plant to the Campania regional authorities and identified the financial resources to be used to pay the amount to FIBE (together with subsequent Law decree no. 16 of 2 March 2012 converted into Law no. 44/2012 of 26 April 2012).

Finally, the following should be noted:

a) Article 12.8-10 of **Law decree no. 16 of 2 March 2012, converted with amendments into Law no. 44 of 26 April 2012** provided that:

8. *"The Campania regional authorities are authorised to use the 2007-2013 Development and Cohesion Fund for the regional development plan to purchase the Acerra waste-to-energy plant pursuant to article 7 of Law decree no. 195 of 30 December 2009, converted with amendments by Law no. 26 of 26 February 2010. The necessary funds of € 355,550,240.84 will be transferred to the regional authorities.*
9. *As a result of the purchase as per paragraph 8, the funds already earmarked pursuant to article 18 of the aforementioned Law decree no. 195/2009 to pay the lease payment as per article 7.6 of such Law decree are to be transferred to the same regional authorities as state aid.*
10. *For tax purposes, payment by the Campania regional authorities of the amount set out in paragraph 8 is to be considered as the out-of-court compensation payment between the private and state parties as it settles all claims of the plant owner as per article 6 of the aforementioned Law decree no. 195/2009. Any deed executed as part of the order set out above is exempt from tax."*

b) **Decree no. 17226** of the Ministry for the Economy and Finance amending the budget was adopted on 14 March 2012;

- c) Article 3.4 of **Law decree no. 59 of 15 May 2012**, converted into Law no. 100 of 12 July 2012, ordered that:

«4. Considering the Council of Ministers' resolution of 16 February 2012, adopted in its meeting of 14 February 2012, pursuant to article 61.3 of Law decree no. 5 of 9 February 2012, converted with amendments by Law no. 35 of 4 April 2012, and filed with the Court of Auditors on 23 March 2012, covering the transfer of title to the Acerra waste-to-energy plant to the Campania regional authorities, and the related decree no. 17226 of 14 March 2012 of the Ministry for the Economy and Finance, setting out changes to the budget, the 2007-2013 Development and Cohesion Fund's resources for the regional development plan needed to purchase the above plant of € 355,550,240.84, as per article 12.8 of Law decree no. 16 of 2 March 2012 converted with amendments by Law no. 44 of 26 April 2012, were transferred directly to the creditor which owned the Acerra waste-to-energy plant, settling all its claims, by the relevant department of the Ministry for Economic Development. Given that the transfer is performed on behalf of the Campania regional authorities, the provisions of article 12.10 of the above Law decree no. 16/2012, converted with amendments by Law no. 44/2012, hold true for the authorities for tax purposes. All guarantees provided for by the Italian Civil Code in the Campania regional authorities' favour, as purchaser of the plant, remain in place. The effects of the purchase, in terms of the resources and net indebtedness, arising from implementation of this paragraph, will be dealt with pursuant to paragraph 4-bis»;

- d. Pursuant to the above legal provisions, the amount specified above was paid to FIBE S.p.A..

On 7 December 2010, the Prime Minister's decree no. 903 was published in the Italian Official Journal calling for information about the waste emergency commissioners' debts (as provided for by Law decree no. 195/2009 in connection with termination of the state of emergency) and granting a 60-day period from its publication for presentation of the related applications. The Emergency Unit (which has now been replaced by the Technical-Administrative Unit), set up for this purpose by the aforesaid Law decree no. 195/2009, received claims for € 2,403,801,269.74 related to those already made in court (including receivables for tariffs prior to December 2005, receivables for 2006/2007 and receivables for the RDF plants) and claims for compensation (damage arising from the greater costs and loss of profits from the *ex lege* termination of the service contracts and damage as per the counterclaim already presented in the civil proceedings pending before the Naples Court). The payment of the consideration for the Acerra waste-to-energy plant was not applied for as it does not fall within the responsibility of the Emergency Unit (now the Technical-Administrative Unit) and is covered by the legal action already commenced and described earlier.

* * *

II. The litigation currently pending for the USW Campania Projects

II.1 The administrative litigation

- A) In October 2006, FIBE and FIBE Campania took legal action before the Lazio Regional Administrative Court censuring the commissioner's failure to comply with its obligations under Law decree no. 245/2005 (converted into Law no. 21/2006), namely: (i) recovery of amounts due by municipalities for waste disposal services outstanding at the date of termination of the contracts (15 December 2005); and (ii) identification of

landfills for organic waste and stockpiles generated by the RDF plants and preparation and implementation of a plant maintenance plan.

After accepting the precautionary motion presented by FIBE and FIBE Campania (in its ruling of 11 October 2006, confirmed by the Council of State on 7 November 2006), in its decision no. 3790 filed on 27 April 2007, the Court found that:

- (i) FIBE and FIBE Campania effectively provided the waste disposal service under the 2000 and 2001 contracts up until 15 December 2005 and had the right to request completion of the legally-provided for procedure for collection of outstanding receivables by the municipalities;
- (ii) due to the *ope legis* termination of the service contracts, FIBE and FIBE Campania “with effect from 15 December 2005 merely provided the service on behalf of the commissioner [waste disposal] and had definitively lost title thereto”;
- (iii) the commissioner was to complete the procedure aimed at meeting the companies’ requests within 45 days;
- (iv) an *ad acta* commissioner to take the necessary measures within a further 45 days, should the local administrative bodies not fulfil their obligations, was to be appointed.

The commissioner appealed against this ruling with the Council of State. Ruling no. 6057 of 28 November 2007 rejected the appeal, fully confirming the ruling of the Lazio Regional Administrative Court.

As a result of the newly introduced regulations mentioned earlier, the companies are no longer interested in completing the procedure for identification of the landfills for organic waste and stockpiles generated by the RDF plants and preparation and implementation of a plant maintenance plan, given that they are to be transferred to the relevant municipalities. However, they continue to be interested in completion of the procedure for the recovery of their outstanding receivables for services provided up until 15 December 2005.

As already described in point I.1, the *ad acta* commissioner appointed by the Regional Administrative Court to recover the receivables due to the two companies from the municipalities in Campania for the waste disposal services provided until 15 December 2005, completed the first important step of its engagement in December 2009, checking the receivables (of Impregilo group) and payables (of the municipalities) and determined that the group is also due default interest accrued to 15 December 2005.

- B) The Lazio Regional Administrative Court confirmed the findings of its ruling no. 3790/2007 in its ruling no. 7280 of 23 July 2008, reiterated by the Council of State decision no. 6057/07, as confirmed and integrated by the *medio tempore* regulations and aforesaid Law decrees nos. 90/08 and 107/08, converted into Law no. 123/08 and following laws.

This ruling, which is practically final as it has not been appealed against by the municipalities, is very important for the companies as, in the justification section, it reconstructs the role and responsibilities attributable to the former service providers after 15 December 2005 – “mere executors” of the commissioner’s orders – and to the commissioner – sole responsibility for the waste disposal service and coordination

activities, required to identify the best solutions for waste disposal. The ruling concurrently establishes that all obligations imposed on the former service providers by law ceased to exist on 31 December 2007, contrary to the extension measures challenged with the previous regulations governing the conditions and limits of the specific emergency measures. Moreover, the *medio tempore* regulations also affected the orders as they were applied to past negotiations involving the companies whereby “no further activities are requested except for those to allow the taking over of management of the plants, employees and assets as well as transactions with third parties by the municipalities and the Armed Forces”. Given the above, the Regional Administrative Court concluded “It can logically be deducted that the commissioner is required to meet the obligations”.

- C) In December 2008, FIBE and FIBE Campania challenged a number of orders before the Lazio Regional Administrative Court whereby the parties appointed by the commissioner for technical and operating activities (Technical-operational head under Prime Minister’s Order no. 3705/2008 and the *ad acta* commissioners for the provinces) obliged the companies to re-acquire possession of certain areas and stocking sites, which such parties had acquired in August 2008, as these areas and stocking sites were not deemed necessary to provide the service, requesting the concurrent declaration of - “(i) the inexistence of any obligation to manage the offices, sites and plants used at any time as part of the integrated waste treatment system in Campania for the companies in the light of the ruling sector regulations which fully regulated the previous situations in full compliance with the Lazio Regional Administrative Court’s ruling no. 3790/2007, confirmed by the Council of State with ruling no. 6057/2007 and the Lazio Regional Administrative Court ruling no. 7280 of 23 July 2008 about the nature of the relationships between the municipalities, FIBE and FIBE Campania and third parties, (ii) the municipalities’ obligation to comply with the relevant instructions in the above court ruling no. 3790/2007, confirmed by the Council of State with ruling no. 6057/2007 and the Lazio Regional Administrative Court ruling no. 7280 of 23 July 2008 about the nature of the relationships between the municipalities, FIBE and FIBE Campania and third parties.”

Following the hearing of 19 January 2009, the Regional Administrative Court suspended the enforceability of the challenged measures and accepted the appeal made by FIBE and FIBE Campania in its ruling no. 2357/09 on 13 March 2009, cancelling the challenged measures.

The municipalities appealed against this ruling to the Council of State on 8 July 2009. The companies presented themselves for the related proceeding and made a cross appeal against the same ruling, requesting that the reprimands deemed to have been covered by the first level hearing and particularly related to the non-existence of the assumptions about the inoperability of the sites for the purposes of the waste management service, be examined and allowed. They also requested that the reprimands related to the inexistence of any obligation for them to manage the offices, sites and plants used at any time for the integrated waste treatment system in Campania in line with the sector regulations and to the existence of the municipalities’ obligation to comply with the rulings of the Lazio Regional Administrative Court no. 3790/07, confirmed by the Council of State’s ruling no. 6057/07 and the Lazio Regional Administrative Court ruling no. 7280 of 23 July 2008 about the nature of the relationships between the municipalities, FIBE and FIBE Campania and third parties, be examined and allowed as well.

On 22 July 2009, the under-secretary of State notified FIBE and FIBE Campania via the *ad acta* commissioners of new orders to take back the above sites. The companies have appealed to the Regional Administrative Court.

On 26 January 2010, the Council of State issued ruling no. 290/2010 definitively confirming the cancelling of the orders issued in December 2008, freeing FIBE from any obligation to manage the sites which, according to the municipalities, were not suitable for their activities.

Specifically, this ruling analysed Prime Minister's Order no. 3693/2008 deeming that the challenged orders were unlawful as contrary to the reference legislation due to the erroneous valuation of the concept of the operability of the assets for the waste management service.

The Council of State based its assessment of the operability of the sites on article 183.1.D) of Legislative decree no. 152/2006, which expressly defines the concept of waste management as the collection, transportation, recycling and elimination of waste, including monitoring of these activities as well as of the landfill after it has been closed.

This led to confirmation of the operability of the assets, the return of which had been ordered, for the waste management service as a whole, with the related statement of unlawfulness of the challenged measures.

Despite this outcome, the party engaged under Law no. 26/2010 to manage the sites in the Province of Caserta and, subsequently, the party engaged to manage the sites in the Province of Naples and Benevento have taken new action to see FIBE S.p.A. charged with the custody costs for the sites.

The company presented a motion for the cancellation of this action to the relevant judicial authority which was rejected on 25 October 2010. However, following the request for clarifications about the custodian obligations, the Fifth Criminal Chamber of the Naples Court established in its order of 24 November 2010 that the official receiver has "*as its sole scope and responsibility that of ensuring the integrity of the seals, the property under seizure and to report any dangers to the judicial authority*". This clarification bears out the company's thesis, supported by its legal advisors, that the official receiver is exempt from any liability once it diligently and promptly informs the relevant authority of any events that could in any way compromise the integrity of the property under seizure and that the persons indicated as official receivers are behaving in this way.

The civil proceedings before the Naples Court initiated by S.A.P.NA. S.p.A., a local company set up by the Naples provincial authorities, form part of this situation. It challenged its takeover of title to certain temporary and definitive areas and stocking sites with roughly 40 rulings; these areas and sites had already been found to be inoperable by the *ad acta* commissioners in their measures of December 2008 challenged by FIBE S.p.A. and which led to the Lazio Regional Administrative Court's ruling no. 2357/09 and the Council of State's ruling no. 290/10. S.A.P.NA. also requested it be held harmless by FIBE S.p.A. and/or the government commissioner from the *medio tempore* operating costs incurred and to be incurred.

FIBE S.p.A. has appeared before the courts in the various proceedings which are still ongoing.

- D) FIBE and FIBE Campania appealed to the Lazio Regional Administrative Court again on 30 April 2009 (RG no. 3770/2009) disputing the commissioner's slackness in completing the administrative procedures for the recording and recognition of the costs incurred by the former service providers for the services provided as required by law and the work ordered by the municipalities and carried out by the companies during the transition period (16 December 2005 - 31 December 2007). They requested the Court state the unlawfulness of this silence and verify the municipalities' obligation to finalise the procedure in a suitable timeframe, with the concurrent appointment of an *ad acta* commissioner that would take the measures required of the defaulting commissioner should the latter not respond within the set timeframe. Upon conclusion of the hearing of 24 June 2009, the Court stated the appeal was inadmissible in its ruling no. 7070/2009 and that with respect to "*checks into financial claims, even when based on obligations assumed by law*", the companies should not have already activated the special silence procedure but should have filed a specific action for declaration and satisfaction to the Court on an exclusive jurisdiction basis.

On this basis, the companies filed a new appeal with the Lazio Regional Administrative Court (RG no. 7338/2009), which had exclusive jurisdiction pursuant to article 4 of Law decree no. 90/2008, for the issue of the necessary rulings on the declaration and payment orders against the local governments, including on an admonitory basis. The admonitory motion was quashed as the Court did not accept the assumptions for issue of a payment order. The merits hearing has yet to be held. While awaiting a date for the related hearing, a preliminary motion was notified and subsequently filed on 8 April 2010 for the appointment of a court-appointed expert that, after examining the documentation presented, identified the amount of:

- a) *the sum due by the local governments for the management activities reported by the companies from 16 December 2005;*
- b) *the amount already paid by the municipalities for this service;*
- c) *the amount of the payable already checked and acknowledged but not yet paid by the municipalities as per the administrative measures already issued and added to the court records;*
- d) *the amount not yet checked or paid by the municipalities for the services reported by the companies;*
- e) *the amount due by the municipalities for the services entrusted to the companies and provided by them since 16 December 2005;*
- f) *the amount already paid by the municipalities for the services as per point e);*
- g) *the amount of the payable already checked and acknowledged but not yet paid by the municipalities as per the administrative measures already issued and added to the court records;*
- h) *the amount of the payable not yet checked or paid by the municipalities for the services provided as requested by such local governments by FIBE S.p.A. and FIBE Campania S.p.A., based on the documentation added to the court records;*
- i) *specified the consultancy role based on the verification of the above documents, the amount of the municipalities' payables for all the activities imposed on and carried out by FIBE S.p.A. and FIBE Campania S.p.A. for them, starting from 16 December 2005, net*

of the amount already paid for such services and any other issue that this court will consider.

The companies presented a specific withdrawal request for the timely setting of the related hearing, after which the Regional Administrative Court issued its interim ruling no. 3669 ordering that the “checks” of the accounting documentation presented for reporting purposes be carried out to ascertain if the claims made in court are grounded. It has reserved its decision until this procedure is completed. Accordingly, the Court requested that La Sapienza Rome University carry out the check. It filed a partial appraisal on 29 January 2013 covering the period from 15 December 2005 to 31 December 2006. In February 2013, the court granted an extension to a still unspecified date for the filing of the definitive appraisal for all the periods considered.

- E) With their appeal notified on 18 May 2009 (RG no. 4189/09), the companies challenged Prime Minister’s Order no. 3748/09 before the Lazio Regional Administrative Court whereby only refuse produced and stored after the date of termination of the service contracts with the companies (15 December 2005) was to be transferred to the Acerra waste-to-energy plant. A date for the related hearing has yet to be set.

While they are convinced that the obligation to dispose of the bales produced and stored in Campania (regardless of the solution chosen by the municipalities about which waste was to be disposed of first) remains solely with the municipalities, the companies have prudently appealed against this order with the relevant Lazio Rome Regional Administrative Court.

- F) The Lazio Regional Administrative Court issued its ruling no. 3886 on 5 May 2011 on FIBE’s appeal (RG no. 9942/2009) for the municipalities’ non-payment of FIBE’s non-depreciated costs at 15 December 2005 for the Campania RDF plants. It accepted FIBE’s appeal and ordered the municipalities pay FIBE € 204,742,665 plus legal and default interest from 15 December 2005 until settlement. This ruling correctly reconstructs the transactions between the parties as per the reference contractual terms and legislation. It confirms that the municipalities recouped the RDF plants as a result of termination of the service contracts and are therefore obliged to pay the former service providers the non-depreciated costs at the contract termination date (15 December 2005) as expressly stated by the municipalities. The Regional Administrative Court based its quantification of the claim on FIBE’s accounting figures and the considerations set out by the municipalities in the previous calls to tender for the service.

The municipalities have appealed against the ruling with a petition (RG no. 6313/11) notified on 11 July 2011 which was heard on 13 December 2011 after which the Council of State rejected the appeal made by the municipalities with its ruling no. 868/2012 filed on 20 February 2012 and ordered that the parties bear their own legal costs.

The public prosecutor has proposed an appeal be made to the Supreme Court against the Council of State’s ruling, alleging the administrative judge’s lack of jurisdiction. FIBE, in turn, has presented a statement of defence and a counterclaim challenging the municipalities’ arguments and appearing against the Council of State’s ruling with its counterclaim in the part in which it holds that it had first to rule about jurisdiction (even though it was favourable) rather than acknowledging the tardiness of the appeal

and, therefore, invalidating it. The public prosecutor then presented its statement of defence to FIBE's counterclaim. As a result of the hearing passed down by the Supreme Court and made public in April 2012, the appeal was fully rejected and the Regional Administrative Court's sentence confirmed, recognising FIBE's right to compensation. Pending the Supreme Court's ruling and following FIBE's commencement of the enforcement procedure, the Council of State accepted the requests made by the municipalities pursuant to article 111 of the Code for Administrative Procedures, limiting it to the amount exceeding € 61,422,799.50 (30% of the amount ordered). In addition, following the Supreme Court's ruling confirming the previous sentences of the Regional Administrative Court and the Council of State, FIBE commenced a new enforcement procedure to ensure the municipalities' compliance for the part exceeding 30% of the above-mentioned enforcement.

- G) The Campania Regional Administrative Court handed down order no. 292 of 23 February 2012 rejecting the appeal RG no. 301/2012 made by S.A.P.NA. S.p.A. for suspension of the ministerial measure which requested that the local company provide the results of the characterisation plan and implementation of urgent safety measures for the contaminated groundwater at the Settecainati landfill (Giugliano municipality) owned by FIBE. The local company sued FIBE for its alleged liability for the contamination and its obligation to characterise and implement urgent safety measures. The court order included S.A.P.NA.'s obligation to pay the precautionary court costs. Pending a date for the merits hearing, S.A.P.NA. challenged the order before the Council of State which rejected the appeal on 23 May 2012 confirming the first level ruling.
- H) The Lazio Regional Administrative Court ruling of 5831 of 26 June 2012 stated the lack of its jurisdiction in favour of the Court of Public Waters. FIBE has appealed against this ruling with appeal RG no. 7434/2008 and subsequent additional grounds. FIBE requested that the commission and ministerial measures ordering the communication of the results of the surface and groundwater characterisation plan and urgent safety measures be cancelled - the measures provide that if FIBE fails to comply therewith, the substitute damaging powers are activated -, as well as the recognition of the real cost and the inspection and reclamation of the environmental damage to the landfill in Cava Giuliani in the Giugliano municipality.
The ruling has been summarised before the Court of Public Waters which deferred the hearing to 9 October 2013.
- I) The Lazio Regional Administrative Court ruling no. 6033/2012, published on 3 July 2012 and notified on 13 September 2012, joined and rejected the appeals RG nos. 10397/2007, 10398/2007 and 2770/2012 and related additional grounds presented by FIBE for the cancellation of the commission and ministerial measures requiring the characterisation plan and urgent safety measures, - the measures provide that if FIBE fails to comply therewith, the damaging powers are activated -, for the Pontericcio site, the RDF production plant and storage area and the Cava Giuliani site and storage area. The company appealed against this ruling to the Council of State (RG no. 7313/2012) as it would appear to be tainted by the obvious misrepresentation of the facts as it is based on contamination at a site different to those referred to in the ruling. Reference is mistakenly made to contamination of the landfill in Cava Giuliani (as shown in the court-appointed expert's report to the Caserta public prosecutor, prepared for the criminal proceedings RGNR no. 15968/2008), appealed against with

appeal RG no. 7434/2008 (see letter H) above). On 12 November 2012, the Council of State rejected FIBE's precautionary motion for suspension of the execution of the ruling. A date for the merits hearing has not yet been set.

Following rejection of the precautionary motion by ruling no. 6033/2012, FIBE decided to inform the Ministry for the Environment and the other relevant authorities of its willingness to voluntarily execute ruling no. 6033/2012 in its communication of 13 December 2012. However, it does not admit its liability as the merits hearing has yet to be held and it has also reserved the right to resubmit the costs of executing the ruling.

II.2 The civil litigation

The government commissioner presented a claim form in May 2005 requesting compensation from FIBE, FIBE Campania and FISIA Italimpianti for alleged damage of approximately € 43 million. During the hearing, the commissioner increased its claims to over € 700 million, further to the additional claim for damage to its reputation, calculated to be € 1 billion.

The companies appeared before the court to dispute the claims made by the government commissioner and lodged a counterclaim requesting compensation for damage and sundry charges determined before the court of first instance for more than € 650 million, plus another claim for damage to their reputation of € 1.5 billion. They also complained about the significant delay (compared to that provided for in the 2000 and 2001 contracts) in the issue of the authorisations required to construct the waste-to-energy plants and the related delay in the construction of such plants. These delays led to *both* the lengthening of the temporary stocking periods of the produced "eco-bales" *and* an increase in the stocked "eco-bales" with the related need to find bigger stocking areas: circumstances that led to the incurring of greater costs by FIBE and FIBE Campania.

In the same proceeding, the banks that issued FIBE and FIBE Campania's performance bonds to the government commissioner also requested that the commissioner's claim be rejected. In addition, they requested to be held harmless by Impregilo from the commissioner's claims. Impregilo appeared before the court and disputed the banks' requests.

The hearing was finalised with ruling no. 4253 of 11 April 2011 confirming the administrative court's jurisdiction rather than that of the ordinary court. The public prosecutor has appealed against this ruling and the related hearing before the Naples Appeal Court was set for 13 November 2012. FIBE regularly appeared before the court.

With the "resumption statement" of 1 August 2012, the Ministry for Justice and the Cassa delle Ammende summarised the ruling for execution of the sureties for € 13,000,000.00 before the Milan Court. These sureties had been given by certain major banks to guarantee execution of the measures imposed by the Naples public prosecutor as part of the seizure of the RDF plants.

The group companies appeared before the Milan Court (RG no. 57109/2012) challenging the grounds of the claims, alleging, *inter alia*, the invalidity of the policy as it was activated after its expiry date and the lack of grounds for its execution. In turn, they summonsed the government commissioner.

The proceeding was deferred during the first hearing of 17 January 2013 until the outcome of the hearing of 5 December 2013 is known.

Finally, at civil court level, the public administration has recently commenced proceedings challenging FIBE's operations with respect to the complex management of the receivables and payables arising from the "contractual management" period. Although these are separate to the other proceedings described above, they refer to the same claims filed by FIBE in the administrative courts for which the *ad acta* commissioner is still taking action (see point II.1.A) Accordingly and assisted by the group's legal advisors, FIBE's fully compliant conduct during the "contractual" period can reasonably be confirmed and the risk of a negative outcome of these proceedings is merely possible.

The company's legal advisors hold that the public administration's claims can reasonably be challenged considering the counterclaims and, moreover, the admissibility of legal compensation given the circumstances.

* * *

II.3 The criminal litigation

In September 2006, the public prosecutor at the Naples Court served Impregilo S.p.A., Impregilo International Infrastructures N.V., FIBE S.p.A., FIBE Campania S.p.A., FISIA Italimpianti S.p.A. and Gestione Napoli S.p.A. in liquidation with a "*Notice of the conclusion of the preliminary investigations about the administrative liability of companies*" related to the alleged administrative crime pursuant to article 24 of Legislative decree no. 231/2001 as part of a criminal case against several former directors and employees of the above companies, investigated for the crimes as per article 640.1/2.1 of the Criminal Code in relation to the tenders for management of the urban solid waste disposal cycle in Campania. Following the preliminary hearing of 29 February 2008, the Judge for the Preliminary Hearing at the Naples Court accepted the request for a hearing made by the public prosecutor.

The hearing for the merits of the case is still ongoing and is in the trial stage hearing the defence council's witnesses and technical experts.

The Court has accepted the exception proposed by the companies' defence council and has stated the unlawfulness of the civil parties' claims against the bodies involved pursuant to Legislative decree no. 231/2001. Therefore, all their claims made in the preliminary hearing have been found to be inadmissible.

Moreover, the public prosecutors Messrs. Noviello and Sirleo presented an additional charge pursuant to article 517 of the Criminal Procedural Code in the hearing of 15 June 2011 against just the individuals for the crime as per article 110 of the Criminal Code, article 81, second paragraph of the Criminal Code and article 53-*bis* of Legislative decree no. 22/97, now article 260 of Legislative decree no. 152/06.

The Public Prosecutor requested the following **precautionary measures** relating to:

- "assets", pursuant to article 19 of Legislative decree no. 231/2001 (seizure: of the RDF production plants and Acerra waste-to-energy plant; approximately € 43 million belonging to the Impregilo group companies; receivables of approximately € 109 million due to FIBE and FIBE Campania from municipalities in Campania); and

- “interdiction”, pursuant to article 9 of Legislative decree no. 231/2001 (or: ban on negotiating with public bodies; exclusion from subsidies, loans and similar assistance, ban on advertising goods and services).

In its ruling of 26 June 2007, the Judge for the Preliminary Investigation ordered the precautionary seizure of the profit from the alleged crime, estimated to approximate € 750 million; specifically, the Judge ordered the precautionary seizure of:

- € 53,000,000.00, equal to the amount advanced by the commissioner to construct the plants in provinces other than Naples;
- the total amount of € 301,641,238.98 for the regularly collected waste tariffs;
- certain, liquid and due receivables due from the municipalities and not yet collected of € 141,701,456.56;
- the expense incurred by the commissioner for the disposal of the USW and related processing at the RDF plants of € 99,092,457.23;
- € 51,645,689.90 being the missing guarantee deposit, payment of which had been agreed to guarantee correct compliance with contractual obligations;
- amounts received as premiums for the collection service performed on behalf of the commissioner and municipalities to be determined upon enforcement;
- € 103,404,000.00 being the value of the works carried out to build the Acerra waste-to-energy plant up to 31 December 2005.

The precautionary proceedings, commenced with the above orders, lasted nearly five years and have finally been settled with no consequences for the group in May 2012 when the final ruling taken by the Supreme Court (Sixth Criminal Chamber) denied the existence of new evidence that would overturn the final judgement passed down by the same Supreme Court (Second Chamber) on 16 April 2009 about the public prosecutor’s precautionary requests. Reference should be made to the previous reports for more complete information about the complicated issue which is now settled.

* * *

During 2008, as part of a new inquiry by the Naples Court into waste disposal and related activities in the region carried out after the *ope legis* termination of the contracts (15 December 2005), the Judge for the Preliminary Investigations issued personal preventive seizure measures upon the request of the public prosecutor against certain managers and employees of FIBE, FIBE Campania and FISIA Italmimpianti and managers of the commissioner’s office.

As part of this inquiry, the former service providers and FISIA Italmimpianti are again challenged for the administrative liability of companies under Legislative decree no. 231/01. The related acts describes how this is *both* a continuation of the previous investigations *and* a separate proceeding based on new allegations.

The preliminary hearing was concluded on 29 January 2009 with all the defendants being committed for trial. In the pre-trial hearing, the civil actions brought against the companies were found to be inadmissible. Moreover, on 16 December 2009, the Naples Court declined its jurisdiction and ordered that the documents be transferred to the Rome public prosecutor. The Rome Court set the date for the preliminary hearing as 27 October 2010

when it was postponed by the Judge for the Preliminary Hearing to 13 December 2010 due to the erroneous notice notification about the hearing to FIBE's legal advisor. In the subsequent hearing of 10 January 2011, the Judge for the Preliminary Hearing at the Rome Court cancelled certain charges made against the chief executive officer in office when the events took place and deferred the hearing to 23 March 2011, which was deferred again to 21 September 2011, then to 14 December 2011 and finally to 28 March 2012. The Judge deferred to the Supreme Court the decision about the conflict in jurisdiction and the other subjective positions and other charges, holding the Naples Court competent to decide on these positions. The related hearing before the First Chamber of the Supreme Court was held on 6 July 2011. No ruling was handed down as the First Chamber is awaiting the United Chamber's decision about a similar case. However, following the decision of the Chief Justice of the Supreme Court, the "similar but related to another issue" matter was not heard by the United Chamber and, therefore, the Second Chamber of the Supreme Court took its decision and ruled that the Judge for the Preliminary Hearing at the Rome Court is competent to judge on all the charges for all the defendants on 2 March 2012. Therefore, the proceeding was to be recommenced with a preliminary hearing before the Rome Judge set for 16 May 2012, which was then deferred to 26 September 2012 as the case was assigned to another Judge for the Preliminary Hearing replacing Mr. Mancinetti who had been transferred to another position. On 26 September 2012, the new Judge, Mr. Saulino, took over the different parts of the proceeding and set the dates for the extraordinary hearings as 10 and 31 January 2013 and 14 March 2013 as a continuation of the preliminary hearing, after which he stated the inadmissibility of the sole civil party that had asked to join the criminal proceeding. The public prosecutor requested that all the defendants and legal entities involved be committed for trial pursuant to Legislative decree no. 231/2011. The preliminary hearing was finished on 21 March 2013 and all the positions have been committed for trial before the Collegial Tenth Chamber, First Bench, of the Rome Court to be heard on 16 July 2013.

The group companies involved in the new proceeding are fully convinced of the legitimacy of their actions, also because their activities are not only expressly covered by Law no. 21/2006 but were carried out merely on behalf of the commissioner (see the rulings of the Lazio Regional Administrative Court and Council of State in paragraph II.A.).

In January 2011, FIBE joined the proceeding no. 61604/10 RGNR as the injured party against MP Nicola Cosentino at the Santa Maria Capua Vetere Court. The allegation to be examined during the trial, which legitimises FIBE's position as an "injured party" is that Mr. Cosentino contributed significantly *"to the planning and implementation of the project aimed - especially through the consortium company [...], the consortium [...] and other consortia in the Province of Caserta controlled by him - at setting up a competitive integrated cycle in Campania to compete with that lawfully managed by FIBE-FISIA Italimpianti, thus boycotting the latter two companies in order to take over the entire management of the related financial cycle and moreover create an unlawful independent management at provincial level (i.e., local management of the waste disposal cycle, directly managing the landfills, where the waste is stored, taking action to build and manage a waste-to-energy plant and manipulating the activities of the waste emergency government commissioner)"*.

On 27 January 2011, an order for immediate judgement was issued against the defendant and FIBE was specifically identified as an injured party. As already disclosed, this proceeding is at the trial stage.

On 23 December 2011, as the party involved pursuant to Legislative decree no. 231/01, FIBE S.p.A. was notified of the completion of the preliminary investigations related to another investigation by the Naples public prosecutor. The allegation relates to the charging of article 24 of Legislative decree no. 231/01 relating to the committing of the crime covered and punished by article 81, second paragraph, and articles 110 and 640.I/II of the Criminal Code committed jointly and with the prior agreement of the defendants (individuals) and other parties to be identified with respect to management of the urban waste water purification service using purification systems.

Specifically, certain individuals working in the commission and for FIBE S.p.A. have allegedly actively encouraged and induced other accomplices to implement stratagems and tricks to hide and conceal the very poor management of the above purification systems.

FIBE S.p.A. is accused as it has allegedly presented documents reporting among the other items related to the elimination of USW the cost of transferring leachate, while not mentioning why the leachate had been transferred to plants that did not have the necessary legal authorisation, technical qualifications and residual purification capacity.

The public prosecutor will probably request that the Judge for the Preliminary Hearing at the Naples Court hear the case. However, as again it relates to events challenged in the period after the contracts were terminated, when the companies' activities were not solely specifically ordered by Law no. 21/2006 but also carried out on behalf of the commissioner, FIBE is fully convinced that it acted in accordance with the law.

III. The directors' considerations about the situation at 31 March 2013

The group's situation with respect to the USW Campania projects at 31 March 2013 continues to be extremely complex and uncertain (as can be seen from the wealth of the above information), notwithstanding the recent positive events.

The rulings of the administrative courts on the claims about the costs of the RDF plants not yet depreciated at the service contract termination date (15 December 2005), which have become final following the Supreme Court's recent ruling (see earlier), are positive and important as they support the group's affirmation that it has behaved correctly and its related assessments made to date. It has accordingly reversed the impairment losses of € 91.1 million recognised in previous years on the RDF plants' claims for compensation, leading to income recognised as "Profit from discontinued operations" for the first quarter of 2011, net of the related tax effects. The group will assess FIBE's additional right to receive the legal and default interest, as definitely confirmed after the above Supreme Court ruling of April 2013, after the reporting date.

While the group is convinced that the pending proceedings at different levels (administrative, criminal and civil) will show its correct behaviour and considering the recent decisions of the administrative courts about the areas in the Giugliano municipality (see points II.1.H and II.1.I), although they are still pending with respect to their merits and the risk of a negative outcome has been deemed merely possible, assisted by the group's legal advisors, the exact timing of when the various proceedings will be closed cannot yet be established precisely.

Therefore, considering that the group's legal advisors agree with it that developments in the ongoing proceedings will show the correctness of the group's activities and although the assessments developed and modified over the years are reasonable and prudent, based on the legal and regulatory framework and supported by the opinion of the group's legal advisors, given the complexity and range of the different litigation disclosed in the previous sections, the group cannot exclude that events may arise in the future that cannot currently be foreseen which might require changes to these assessments.

Events after the reporting period

This section presents the main facts that took place after the reporting period and not yet commented on in the previous sections of this Report.

Reference should be made to the section “Non-current assets held for sale” for information about the main events that have taken place since 31 March 2013 related to the USW Campania projects, especially the ruling of the United Chambers of the Supreme Court about the former RDF plants.

With respect to the Construction segment, the Impregilo-Salini joint venture was awarded the tender for the construction of the “Mina de Cobre” project in Panama in January 2013. However, due to reasons not attributable to the group related to the change of control over the customer, the contract was cancelled in April 2013. This circumstance was provided for in the contract and is part of the overall revaluation of the entire mining project by the customer’s new management team.

The voluntary takeover bid launched by Salini S.p.A. pursuant to article 106.4 of Legislative decree no. 58/1998 for all Impregilo’s ordinary shares on 18 March 2013 was closed on 24 April 2013. At that date, the shareholder Salini S.p.A. held shares equal to 92.08% of Impregilo’s share capital. On 30 April 2013 and considering that set out in its offering document, Salini announced its decision to reconstitute a float sufficient to ensure the regular trading of the Impregilo shares. It has not yet decided how this will take place and will inform the market thereof as required by article 108.2 of Legislative decree no. 58 of 24 February 1998.

In their meeting of 30 April 2013, the shareholders of Impregilo S.p.A. resolved, *inter alia*, the following:

- to distribute € 599,662,326.13 as a dividend to the holders of ordinary shares, equal to € 1.49 per share;
- to distribute € 2,575,092.65 as a dividend to the holders of savings shares, equal to € 1.594 per share;
- to set the ex-dividend date as 20 May 2013 and the payment date as 23 May 2013.

The statement of financial position as at 31 March 2013 does not include the effects of the above resolution.

On 8 May 2013, Impregilo and Parsons Corporation, one of the leading construction companies in the US, won the tender to design and build a waste water collection and treatment system in Washington D.C.. This highly technological project is worth roughly USD 254 million (Impregilo’s share is 65%). Impregilo will act as project leader for this contract which is expected to take four and a half years to complete.

The Anacostia River Tunnel scheme is part of DC Water’s Clean Rivers project. It involves construction of a tunnel that will run for most part under the Anacostia River, a tributary of the Potomac. The tunnel will have a length of 3.8 km, an inner diameter of 7 metres and six water collection wells each with a depth of approximately 30 metres. The tunnel will collect and convey separately wastewater and rainfall, thereby avoiding river pollution caused by combined sewer overflows that occur during intense rains.

No other significant events took place after the reporting date.

Outlook

The important events that have characterised the group's corporate governance structure since the shareholders' meeting of 30 April 2013 and the related resolutions that will be taken in the future will strengthen the group's strategic position and competitive edge in its reference markets over the medium term. The outlook for the current year and the short term described below refer to the group as it currently exists.

At the end of the first quarter of 2013, the group's strong order portfolio, in volume and quality terms, and its balanced financial structure continue to be two key factors for stability, backing up its expectation that its results for the rest of 2013 will develop to be in line with the objectives communicated to the market.

The group is still enmeshed in the complex operating and legal situation caused by the criminal and civil proceedings for the USW Campania projects. This situation continues to be critical for the group's activities. Due to the very complicated nature of the proceedings, which involve government bodies, regional and provincial authorities and municipal authorities in Campania, and the complexity of the related court procedures, the group cannot exclude that events may take place in the future that are not currently foreseeable and which could modify its valuations made to date.

Other information

Treasury shares

At the date this Report was prepared, the parent did not hold any treasury shares either directly or indirectly.

Company bodies

The members of the boards are presented in the section entitled "Company officers".

Judicial investigations - Milan Court (proceedings commenced at the Monza Court)

Following the proceedings initiated by the public prosecutor before the Monza Court for crimes covered by articles 81 and 110 of the Criminal Code and articles 2621 and 2637 of the Italian Civil Code, in which the former chairman of the board of directors and the former CEO of Impregilo at the time of the alleged crimes are under investigation, Impregilo S.p.A. and Imprepar S.p.A. were subjected to a preliminary investigation relating to an alleged administrative violation in relation to the crimes covered by article 25-ter.a) and r), article 5 and article 44 of Legislative decree no. 231/2001.

The public prosecutor notified the company of the allegations against its former chairman and former CEO on 13 October 2005.

The allegation is that the company "prepared and implemented an organisational model not suitable to prevent the crimes" that the directors under investigation allegedly committed and from which it benefited.

The proceedings have been long and torturous and, finally, in the hearing of 12 July 2007, accepting the related exceptions that the defence counsel of the defendants and companies involved in the case had raised since the preliminary hearing, the Milan Court ruled on a preliminary basis "the invalidity of the ruling issued by the Judge for the Preliminary Hearing at the Milan Court on 21 February 2007 in the hearing pursuant to article 416 of the Criminal Procedural Code" and that the acts were to be returned to the Milan public prosecutor's office.

The Milan public prosecutor re-opened the proceeding and presented the Judge for the Preliminary Investigation with a request for its filing in November 2007. On 13 February 2009, the Judge for the Preliminary Investigation accepted the public prosecutor's request for a part of the charges and ordered the filing. As a result, Imprepar S.p.A. was excluded from the proceedings. The Judge referred the acts to the public prosecutor for the formulation of the charges for the part of the request which was not accepted. With respect to the part of the charges for which the Judge for the Preliminary Hearing did not order its filing, the company presented a request for a prompt trial. The public prosecutor requested that a ruling of "dismissal" be handed down for the remaining charges in the hearing of 21 September 2009.

In the hearing of 17 November 2009, Impregilo was acquitted of the first charge due to the lack of an element of the cause of action and of the second as it is not punishable under article 6 of Legislative decree no. 231/01 as it has a suitable organisational model.

On 21 March 2012, the Milan Appeal Court rejected the public prosecutor's appeal against the first level ruling that had cleared Impregilo from the liability as per Law no. 231/01 and fully confirmed this ruling which, *inter alia*, found the parent's organisational model to be appropriate. The public prosecutor challenged this ruling before the Supreme Court where the proceedings are still pending.

Judicial investigations - Naples Court

Reference should be made to the section on "Non-current assets held for sale" for details on the events that have taken place with respect to the USW Campania projects.

Other proceedings - Milan Court

With respect to proceeding no. 57720/12 in which IGLI S.p.A. has challenged the shareholders' resolutions to remove from office and elect directors of Impregilo S.p.A., the Milan Court rejected the motion to suspend the effectiveness of the resolutions at first and second level. During the hearing of 19 February 2013, the judge assigned the terms as per article 183 of the Code of Criminal Proceedings and set a date for the hearing to discuss the evidence as 1 October 2013.

On 17 October 2012, the Anti-trust Authority commenced an investigation pursuant to article 14 of Law no. 287/90 into the agreements covering future commercial projects entered into by Impregilo with Salini group to check whether article 101 of the TFUE (Treaty on the Functioning of the European Union) had been violated. On 29 January 2013, the Authority communicated the results of its investigation to Impregilo: it did not identify violations of the anti-trust regulations. The Authority authorised the business combination between Impregilo and Salini on 20 February 2013. As a result, the investigation into the alleged violation of article 101 of the TFUE will be formally closed in the next few months without identification of violations.

Other proceedings - Florence Court

With respect to the criminal proceedings commenced against the C.A.V.E.T. consortium and certain individuals, including several former managers of the consortium, the appeal hearing was completed in June 2011 and the related ruling handed down on 27 June 2011 reversed the first level decision in full, thus quashing the measures and fully absolving both the consortium and the individuals of the charges made against them. Following the appeal to the Supreme Court by the Florence public prosecutor, the Supreme Court cancelled part of the ruling issued by the Florence Appeal Court on 18 March 2013. It ordered that the case be returned to the latter court. The reasons for this decision have not yet been made known.

Compliance with the conditions of article 36 of the Stock Exchange Regulation

Impregilo confirms that it complies with the conditions of article 36 of Consob regulation no. 16191 ("Regulation on markets"), based on the procedures adopted before article 36 was effective and the availability of the related information.

Alternative performance indicators

As required by Consob communication no. 6064293 of 28 July 2006, details of the performance indicators used in this Report and in the group's institutional communications are given below.

Financial ratios:

Debt/equity ratio: this ratio shows net financial position (shown with a minus sign when negative, i.e., net financial indebtedness) as the numerator and equity as the denominator. The statement of financial position items making up the financial position are given in the related schedules and highlighted with an asterisk (*). The equity items are those included in the relevant section of the statement of financial position. For consolidation purposes, equity used for this ratio also includes that attributable to non-controlling interests.

Performance indicators:

1. **Gross operating profit:** this ratio shows the sum of the following items included in the income statement:
 - a. Total revenue.
 - b. Total Costs, less amortisation and depreciationThis can also be shown as the ratio of gross operating profit to total revenue.
2. **Operating profit:** the operating profit given in the income statement, being the sum of total revenue and total costs.
3. **Return on sales or R.o.S.:** given as a percentage, shows the ratio of operating profit (as calculated above) to total revenue.

On behalf of the board of directors
Chairman
(signed on the original)

Statement by the manager in charge of financial reporting pursuant to article 154-bis.2 of Legislative decree no. 58/1998 (Consolidated Finance Act)

Pursuant to article 154-bis.2 of the Consolidated Finance Act, the manager in charge of financial reporting, Rosario Fiumara, states that the financial information included in this Report is consistent with the supporting documentation and accounting books and records.

**Interim consolidated financial
statements as at and for the three
months ended 31 March 2013**

Impregilo group has prepared its interim consolidated financial statements at 31 March 2013 on a going concern basis and in line with the International Financial Reporting Standards (IFRS). The format and content of these interim consolidated financial statements comply with the disclosure requirements of article 154-*ter* of the Consolidated Finance Act. The recognition and measurement criteria comply with those issued by the International Accounting Standards Board (IASB) and endorsed by the European Union as required by Regulation no. 1606/2002 issued by the European Parliament and Council and enacted in Italy by Legislative decree no. 38/2005.

The accounting policies adopted to draw up these interim consolidated financial statements at 31 March 2013 are consistent with those used to prepare the 2012 annual consolidated financial statements, to which reference should be made, except for the IFRS applicable to annual periods beginning on or after 1 January 2013. Application of these new standards has not affected the interim consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)

ASSETS	31 March 2013	31 December 2012
Non-current assets		
Property, plant and equipment	281,320	298,777
Intangible assets - Rights to infrastructure under concession	12,509	12,818
Other intangible assets	33,650	34,043
Goodwill	30,390	30,390
Equity investments	88,790	62,637
Non-current financial assets (*)	23,611	16,335
Non-current intragroup loans and receivables	11,067	10,892
Other non-current assets	41,768	42,700
Deferred tax assets	122,260	105,484
Total non-current assets	645,365	614,076
Current assets		
Inventories	90,374	95,376
Contract work in progress	898,657	864,368
Trade receivables	774,502	809,180
Current intragroup loans and receivables	262,824	253,685
Derivatives and other current financial assets (*)	16,683	11,681
Current tax assets	71,522	67,253
Other current tax assets	85,597	80,579
Other current assets	294,996	296,268
Cash and cash equivalents (*)	1,399,538	1,243,086
Total current assets	3,894,693	3,721,476
Non-current assets held for sale	212,256	307,588
Total assets	4,752,314	4,643,140

(*) Items included in net financial position.

EQUITY AND LIABILITIES	31 March 2013	31 December 2012
Equity		
Share capital	718,364	718,364
Share premium reserve	1,222	1,222
Other reserves	9,245	12,482
Retained earnings	1,068,886	466,227
Profit for the period/year	69,038	602,659
Equity attributable to the owners of the parent	1,866,755	1,800,954
Non-controlling interests	4,646	4,851
Total equity	1,871,401	1,805,805
Non-current liabilities		
Bank and other loans (*)	126,419	138,549
Bonds (*)	148,932	148,840
Finance lease payables (*)	34,584	40,028
Non-current derivatives (*)	6,345	5,200
Post-employment benefits and employee benefits	18,340	20,234
Deferred tax liabilities	60,094	46,507
Provisions for risks	97,322	98,285
Other non-current liabilities	2,936	2,601
Total non-current liabilities	494,972	500,244
Current liabilities		
Current portion of bank loans and current account facilities (*)	245,843	235,211
Current portion of bonds (*)	117,300	113,689
Current portion of finance lease payables (*)	23,135	22,785
Derivatives and other current financial liabilities (*)	1,176	65
Progress payments and advances on contract work in progress	870,038	844,440
Trade payables	689,298	731,484
<i>of which: related parties</i>		
Current intragroup payables	96,815	87,115
Current tax liabilities	97,041	52,630
Other current tax liabilities	8,460	16,603
Other current liabilities	236,835	233,069
<i>of which: related parties</i>		
Total current liabilities	2,385,941	2,337,091
Liabilities directly associated with non-current assets held for sale		
Total equity and liabilities	4,752,314	4,643,140

(*) Items included in net financial position.

CONSOLIDATED INCOME STATEMENT

(€'000)

	1st quarter 2013	1st quarter 2012
		(\$)
Revenue		
Operating revenue	505,305	518,398
Other revenue	13,443	11,929
Total revenue	518,748	530,327
Costs		
Raw materials and consumables	(84,260)	(72,725)
Subcontracts	(128,041)	(103,693)
Other operating expenses	(166,357)	(222,950)
Personnel expenses	(94,005)	(84,654)
Amortisation, depreciation, provisions and impairment losses	(22,089)	(17,193)
<i>of which: related parties</i>		
<i>of which: non-recurring</i>		
Total costs	(494,752)	(501,215)
Operating profit	23,996	29,112
Financing income (costs) and gains (losses) on investments		
<i>Financial income</i>	5,401	3,556
<i>Financial expense</i>	(15,485)	(19,718)
<i>Net exchange rate gains</i>	8	9,448
Net financing costs	(10,076)	(6,714)
Net gains on investments	707	342
Net financing costs and net gains on investments	(9,369)	(6,372)
Profit before tax	14,627	22,740
Income tax expense	(5,236)	(10,549)
Profit from continuing operations	9,391	12,191
Profit from discontinued operations	59,474	12,350
Profit for the period	68,865	24,541
Profit for the year attributable to:		
Owners of the parent	69,038	24,151
Non-controlling interests	(173)	390

(\$ Restated figures due to application of IFRS 5 to EcoRodovias group

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€000)

	1st quarter 2013	1st quarter 2012
Profit for the period (a)	68,865	24,541
Change in the translation reserve	(1,925)	(4,528)
Net gains (losses) on cash flow hedges, net of the tax effect	(1,144)	184
Other comprehensive expense related to equity-accounted investees	(200)	(60)
Other comprehensive expense (b)	(3,269)	(4,404)
Total comprehensive income (a) + (b)	65,596	20,137
Total comprehensive income attributable to:		
Owners of the parent	65,801	20,015
Non-controlling interests	(205)	122

CONSOLIDATED STATEMENT OF CASH FLOWS

(€'000)

	1st quarter 2013	1st quarter 2012
		(\$)
Cash and cash equivalents	1,243,086	678,389
Current account facilities	(83,935)	(102,448)
Total opening cash and cash equivalents	1,159,151	575,941
Operating activities		
Profit for the period	9,391	11,885
Amortisation of intangible assets	395	181
Amortisation of rights to infrastructure under concession	188	171
Depreciation of property, plant and equipment	22,118	19,939
Net impairment losses and provisions	(614)	(3,098)
Accrual for post-employment benefits and employee benefits	3,657	3,474
Net gains (losses) on the sale of assets	3,278	(468)
Deferred taxes	1,134	1,939
Share of loss of equity-accounted investees	(714)	(359)
Other non-monetary items	315	5,614
Total income statement	39,148	39,278
Decrease (increase) in inventories	(30,158)	(73,598)
Decrease (increase) in trade receivables	29,343	(30,826)
Decrease (increase) in intragroup loans and receivables	(9,306)	(16,132)
(Decrease) increase in progress payments and advances from customers	25,598	8,736
(Decrease) increase in trade payables	(49,591)	557
(Decrease) increase in intragroup payables	9,700	(540)
Decrease (increase) in other assets/liabilities	(1,307)	(39,901)
Total operating cash flows	(25,721)	(151,704)
Cash flows from (used in) operating activities	13,427	(112,426)
Investing activities		
Net investments in intangible assets	(381)	(231)
Investments in property, plant and equipment	(7,252)	(25,878)
Proceeds from the sale or reimbursement value of property, plant and equipment	3,015	907
Investments in non-current financial assets	(25,581)	(2,833)
Dividends and capital repayments from equity-accounted investees	315	496
Proceeds from the sale or reimbursement value of non-current financial assets	10	45
Cash flows used in investing activities	(29,874)	(27,494)
Financing activities		
Increase in bank and other loans	56,465	115,892
Decrease in bank and other loans	(54,438)	(126,926)
Change in other financial assets/liabilities	(11,282)	(7,618)
Cash flows used in financing activities	(9,255)	(18,652)

(€'000)

	1st quarter 2013	1st quarter 2012
		(\$)
Net cash flows from discontinued operations	185,619	9,312
Exchange rate gains (losses) on cash and cash equivalents	2,430	(2,340)
Increase (decrease) in cash and cash equivalents	162,347	(151,600)
Cash and cash equivalents	1,399,538	526,248
Current account facilities	(78,040)	(101,907)
Total closing cash and cash equivalents	1,321,498	424,341
Other information:		
Income taxes paid during the year	(1,907)	(9,631)
Net interest paid during the year	(6,198)	(8,559)

(\$) Restated figures due to application of IFRS 5 to EcoRodovias group