



Milan March 15, 2012

Dear Sir/Madam,

Re: IFRS 11 - Draft Endorsement Advice

Impregilo S.p.A. (Impregilo) is pleased to comment the "Draft Endorsement Advice" on IFRS 11.

The Appendix to this letter includes our reply to the questions proposed.

Sincerely yours

Nicola Brusa

Head of consolidation

Appendix

Personal information

1 Please provide the following details about yourself:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

Nicola Brusa - Impregilo S.p.A.

- (b) Are you a:
 Preparer User Other (please specify)
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- (c) Please provide a short description of your activity:
Impregilo is an Italian General Contractor, an international specialist in major infrastructures and civil buildings of architectural prestige such as roads, motorways, railways and subways, dams and hydroelectric plants, underground works, bridges, viaducts, ports and airports, desalination plants, waste-to-energy facilities, industrial-emission treatment plants. Listed on the Italian Stock Exchange, Impregilo is active, directly and through its subsidiaries, joint arrangements and affiliates in the infrastructure, concessions and in environmental engineering and plant sectors:

(i) Infrastructure: Impregilo has constructed large-scale infrastructures. Today, its core activities in this area centre on railways, dams and hydroelectric plants, roads, motorways and subways, as well as marine works and specialised subsoil structures. Activities are mainly performed through joint agreements.

(ii) Engineering and plant: Impregilo operates in the environmental engineering and plant business. Through its subsidiaries, global leaders in their industries, offers a full range of environmental products and technologies.

(iii) Concessions: Impregilo has developed infrastructure concessions in many sectors, including motorways, power generation from renewable sources, water treatment and distribution, hospital systems, detention systems, airports. Impregilo has extensive

international experience in management of Build, Operate and Transfer contracts (BOT), public/private partnership contracts and other forms of mixed contract such as Design, Build, Finance, Operate (DBFO).

(d) Country where you are located:

Italy

(e) Contact details including e-mail address:

Nicola Brusa - nicola.brusa@impregilo.it

2 Invitation to Comment on EFRAG's Initial Assessments of IFRS 11

- 1 EFRAG's initial assessment of IFRS 11 is that it meets the technical criteria for endorsement. In other words, it is not contrary to the principle of true and fair view and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2 of *IFRS 11 - EFRAG's Initial Assessments*.

(a) Do you agree with this assessment?

Yes

No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

In general we agree with EFRAG's assessment for the consolidated financial statements. Our disagreement concerns the impact of IFRS 11 on the separate financial statements. In our opinion, within the IFRS and the framework, there is not a precise definition of what the purposes of the separate financial statements are.

We agree with both the dissenting opinion reported on Appendix 4 of the Draft endorsement advice.

In addition we believe that IFRS 11 on the separate financial statements is contrary to the principle of true and fair view as it fails to meet the criteria of understandability, relevance and comparability as evidenced by the following examples taken from real situation in our business.

Example 1: Assume that two parties A and B establish an arrangement to perform a construction contract X. A and B own 50 per cent of the voting rights in the arrangement. The condition to classify the arrangements as a joint operation are met. Consequently in year 201X the parties recognize in their respective separate and consolidated financial statements their right and obligations. After one year party B decide to sell its shares to the other party. A is now controlling the arrangement. In the consolidated financial statements there are no problem but what would happen in the separate financial statements? Probably separate financial statements of year 201X and 201X+1 are not comparable.

Example 2. Assume that party A performs a construction contract Y having the same characteristics of contract X with the only difference that the contract Y is performed since the beginning by a wholly owned entity. In year 201X party A will show in its separate financial

statements its share of rights and obligations arising from contract X, which are 50% of the contract, and will not show its involvement in contract Y which is the same as contract X from a rights and obligations point of view, but is stronger from an ownership point of view.

Finally we point out that the recognition criteria for the joint arrangements established according to Italian law (such as consorzi, società consortili etc.) provides a model which, in our opinion, perfectly complies with the principle of true and fair view in the separate financial statements.

- (b) Are there any issues that are not mentioned in Appendix 2 of *IFRS 11 - EFRAG's Initial Assessments* that you believe EFRAG should take into account in its technical evaluation of IFRS 11? If there are, what are those issues and why do you believe they are relevant to the evaluation?
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- 2 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRS 11 in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 7 to 40, 46 to 51 and 56 to 71 of Appendix 3 of *IFRS 11 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that:

- (a) IFRS 11 is likely to result in incremental one-off costs for preparers, which for some preparers could be significant. Preparers that expect to be most affected are (1) those that have interests in joint operations structured through a separate vehicle, which were previously accounted for under the equity method, and (2) those that present only separate financial statements and have interests in joint operations structured through separate vehicle;
- (b) The incremental ongoing costs will not be significant for most of preparers. However, the ongoing costs could be significant for some preparers; in particular those that have interests in numerous joint operations structured through separate vehicle and that present only separate financial statements; and
- (c) IFRS 11 is unlikely to result in significant costs for users.

Do you agree with this assessment?

Yes No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

- 3 In addition, EFRAG is assessing the benefits that are likely to be derived from IFRS 11. The results of the initial assessment of benefits are set out in paragraphs 41 to 44, 52 to 54, and 72 to 75 of Appendix 3 of *IFRS 11 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that IFRS 11 will provide significant benefits for users and some benefits for preparers. Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

- 4 EFRAG's initial assessment is that the benefits to be derived from implementing IFRS 11 in the EU as described in paragraph 9 of above are likely to outweigh the costs involved as described in paragraph 8 above. Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

5 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IFRS 11.

Do you agree that there are no other factors?

Yes

No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?
