



To the attention of Mr A Bernini, Mr D Michelangeli and Mrs S Dolce

Maire Tecnimont SpA  
Via Castello della Magliana 27  
00148 Roma

Rome, 9 April 2018

Dear Sirs,

With reference to our auditor's report of the consolidated financial statements of Maire Tecnimont group as of 31 December 2017, in accordance with article 14 of Legislative Decree n° 39 of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014 (the "Report") that we have transmitted to you on 4 April 2018, we inform you that for a mere typing error it has not been printed the paragraph related to the occurred non-financial statement's management approval (article 4 of Consob's Regulation implementing Legislative Decree n° 254 of 30 December 2016).

We therefore enclose the Report that includes the paragraph mentioned above and its courtesy translation into English.

The Report herein enclosed cancel and replace the previous version.

Best regards,

PricewaterhouseCoopers SpA



Carmine Elio Casalini  
(Partner)

Enclosure

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**PricewaterhouseCoopers SpA**

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**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH  
ARTICLE 14 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY  
2010 AND ARTICLE 10 OF REGULATION (EU) N° 537/2014**

**MAIRE TECNIMONT SPA**

**CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2017**



## ***Independent auditor's report***

*in accordance with article 14 of Legislative Decree n° 39 of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014*

To the shareholders of Maire Tecnimont SpA

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### ***Report on the Audit of the Consolidated Financial Statements***

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#### ***Opinion***

We have audited the consolidated financial statements of Maire Tecnimont group (the Group), which comprise the consolidated balance sheet as of 31 December 2017, the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity, consolidated cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/05.

#### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Maire Tecnimont SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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#### ***PricewaterhouseCoopers SpA***

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**Key Audit Matters**
**Auditing procedures performed in response to key audit matters**


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**Measurement of revenues and construction contracts**

*Note 27.1 to the consolidated financial statements "Revenues".*

Revenues of Maire Tecnimont Group are generated from engineering and construction services in the following fields:

- Technology, Engineering & Construction.
- Infrastructure & Civil Engineering.

Revenues generated during 2017 totalled Euro 3,503 million and refer for 95.9 per cent to the Technology, Engineering & Construction business; the remaining revenues were generated by the Infrastructure & Civil Engineering business. Revenues also include the positive impact of the recognition of changes to works, incentives and any reserves ("claims") posted for the updated amount, measured reliably, that is likely to be collected from clients. In detail, claims are measured by the Company based on the favourable outcomes that can be reasonably foreseen from ongoing negotiations with clients to agree payment for additional costs incurred or based on litigation pending, which by nature may carry a risk of occurrence.

Recognition of contract revenues takes place over the length of each project based on the percentage of completion. The percentage of completion of each project is measured on the basis of the contract costs incurred to the reporting date as a percentage of the total costs incurred or to be incurred to complete the project.

We understood and evaluated the internal control relevant to this financial statements area in particular with reference to the process of identification of loss-making contracts and the recognition of additional payments relating to changes to contracts, and verified the design and the effectiveness of certain manual and automated relevant controls.

We selected a sample of construction contracts based on quantitative and qualitative elements that include:

- Significant revenues accounted for in the reporting period.
- Loss-making contracts.
- Existence of claims for additional payments and significant changes to contracts.

For the sample of contracts selected we carried out the following main auditing procedures:

- Reconciliation of revenues to the contractual agreements with the counterparty.
  - Reconciliation of costs resulting from the management accounts to the amounts resulting from the general ledger.
  - Verification, on test basis, of the actual costs of a contract for the period by obtaining documentary evidence from third parties (invoices, contracts, transport documents).
  - Recalculation of the percentage of completion of the contract using the cost-to-cost method.
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**Key Audit Matters**

Claims for additional payments arising from changes to contractually agreed works are included in the total amount of contractual payments when it is probable that the client will approve the changes and the related costs; other claims for changes to contracts arising, for instance, from additional costs incurred for reasons attributable to the client are included in the total amount of contractual payments only when the amount can be quantified reliably and it is probable that the client will agree to them based on an advanced stage of negotiations or technical/legal assessments, also having regard to the documentary evidence produced by third parties (arbitration boards, dispute adjudication boards, etc.).

We paid special attention to this financial statements area because of aspects that can make the measurement process difficult, such as the technical complexity of projects, the scope and duration of construction work, the existence of additional payments, changes to contracts and price revisions.

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**Auditing procedures performed in response to key audit matters**

- Submission of inquiries to the law firms that assisted the Company in the existing litigations in order to verify the correct valuation of any claims to the counterparties for additional payments.

For the examination of total contract costs and additional payments in relation to claims for changes to contracts we used also the support of experts belonging to the PwC network. For the sample of contracts selected, they supported us in:

- Analyses of the total contract costs, on a test basis, by meeting the project managers to assess the reasonableness of the amount booked.
- Investigation of the key variances from the total costs included in the previous budget for the same contract.
- Carry out analyses of the additional payments booked (when applicable) in terms of reasonableness, compliance with business procedures and verifying the documentation to support the evaluations made by the Company.
- Visited directly the construction sites of some projects.

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**Assessment of the recoverability of the carrying amount of goodwill**

*Note 28.2 to the consolidated financial statements "Goodwill"*

The consolidated financial statements of Maire Tecnimont Group as of 31 December 2017 include goodwill for a total of Euro 291.8 million (8.6 per

We understood the methodology adopted by the Company in the preparation of the impairment test that has been approved by the Company's Board of Directors.

We carried out auditing procedures, on a test basis, on the amounts included in the



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**Key Audit Matters**

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cent of Total Assets), allocated to three cash generating units (“CGUs”): Technology, Engineering & Construction; Infrastructure & Civil Engineering; and Licensing. Goodwill originated mainly from the acquisitions in previous years of the Tecnimont Group, Maire Engineering, Tecnimont Private Ltd, the KT Group and Stamicarbon BV.

The recoverability of goodwill is verified at least once a year even if impairment indicators are not present. The recoverable amounts of the CGUs to which goodwill amounts have been allocated is verified through the calculation of value in use, which is the present value of the estimated future cash flows determined using a discount rate that reflects the risks specific to each CGU at the measurement date.

The Company performed the impairment test with the help of an independent expert, using cash flows based on the projections set out in the 2018 budget and in the business plan for the period 2018-2022 approved by the Board of Directors on 15 March 2018.

In determining the recoverable amount the Company considered a terminal value determined as the arithmetical average of the margins of the cash flow projections included in the business plan for the period 2018-2022.

The Group also performed a sensitivity analysis based on changes to the discount rate and growth rate.

The valuation of goodwill was considered a key audit matter because of both the magnitude of the balance and the complexity of the process of estimating the recoverable amount of goodwill, this being based on assumptions affected by

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**Auditing procedures performed in response to key audit matters**

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business plan for the period 2018-2022 in order to verify the reasonableness of the inputs with particular reference to estimated future revenues and cash flows. In detail, our activities involved obtaining adequate information to understand the make-up of estimated future revenues included in the plan. In order to assess the reliability of the

forecasts we also performed a comparison of the actual revenues reported for the year 2017 with the forecast for the same year included in the previous business plan (2017-2021).

We analysed the criteria for the identification of the CGUs, the consistency of the cash flows used in the valuation against the amounts included in the business plan for the period 2018-2022 and the reasonableness of the methodology used for the determination of the terminal value.

We also verified the mathematical accuracy of the key figures included in the impairment test, the adequacy of the discount rates used and their consistency with the methodology approved by the Company’s Board of Directors.

We verified the sensitivity analysis performed by the Company.

Those activities were performed also with the help of experts in valuation models belonging to the PwC network.

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***Key Audit Matters***

***Auditing procedures performed in response to key audit matters***

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economic and market conditions that are subject to uncertainties, referred in particular to the calculation of prospective cash flows and of the discount rate.

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***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate Maire Tecnimont SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.



As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.





From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

#### ***Additional Disclosures required by Article 10 of Regulation (EU) n° 537/2014***

On 15 December 2015, the shareholders of Maire Tecnimont SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) n° 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

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#### ***Report on Compliance with other Laws and Regulations***

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##### ***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree n 39/10 and Article 123-bis, paragraph 4, of Legislative Decree n° 58/98***

Management of Maire Tecnimont SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Maire Tecnimont Group as of 31 December 2017, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n° 58/98, with the consolidated financial statements of the Maire Tecnimont Group as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Maire Tecnimont SpA as of 31 December 2017 and are prepared in compliance with the law.



With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree n° 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

***Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree n° 254 of 30 December 2016***

Management of Maire Tecnimont SpA is responsible for the preparation of the non-financial statement pursuant to Legislative Decree n° 254 of 30 December 2016.

We have verified that management approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree n° 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Rome, 4 April 2018

PricewaterhouseCoopers SpA

*Signed by*

Carmine Elio Casalini  
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers*