

2018 Annual Report

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Directors' Report



1. Board of Directors, Board of Statutory Auditors and Independent Audit Firm

Board of Directors	
Chairman	Fabrizio DI AMATO
Chief Executive Officer	Pierroberto FOLGIERO
Director	Luigi ALFIERI (*)
Independent Director	Gabriella CHERSICLA (**Chairman) (***) Chairman)
Director	Stefano FIORINI (**)
Independent Director	Vittoria GIUSTINIANI (*)
Independent Director	Andrea PELLEGRINI (* Chairman) (**) (***)
Independent Director	Maurizia Squinzi
Independent Director	Patrizia RIVA (***)

The Board of Directors was appointed by the Shareholders' Meeting of April 27, 2016 and will remain in office until the approval of the 2018 Annual Accounts

(*) Member of the Remuneration Committee

(**) Member of the Control and Risks Committee

(***) Member of the Related Parties Committee

Board of Statutory Auditors	
Chairman	Francesco FALLACARA
Statutory Auditor	Giorgio LOLI
Statutory Auditor	Antonia DI BELLA
Alternate Auditor	Massimiliano LEONI
Alternate Auditor	Roberta PROVASI
Alternate Auditor	Andrea LORENZATTI

The Board of Statutory Auditors was appointed by the Shareholders' Meeting of April 27, 2016 and will remain in office until approval of the 2018 Annual Accounts

Independent Audit Firm
PricewaterhouseCoopers S.p.A.

The company's Shareholders' Meeting of December 15, 2015 awarded the audit of accounts for the years 2016-2024 to the independent audit firm PricewaterhouseCoopers S.p.A..



2. Investor information

MAIRE TECNIMONT S.P.A. SHARE CAPITAL AT DECEMBER 31, 2018

	Expressed in No. of shares	Expressed in No. of voting rights
Share Capital	Euro 19,920,679	Euro 19,920,679
Total	328,640,432	496,305,566
Floating share capital	160,976,108	160,975,298
Floating share capital %	48.982%	32.435%

MAIRE TECNIMONT SHARE PERFORMANCE

In the initial part of the year, the Maire Tecnimont share gained ground, thanks to the strong results reported and contracts acquired in strategic regions such as Azerbaijan, Russia and the Philippines.

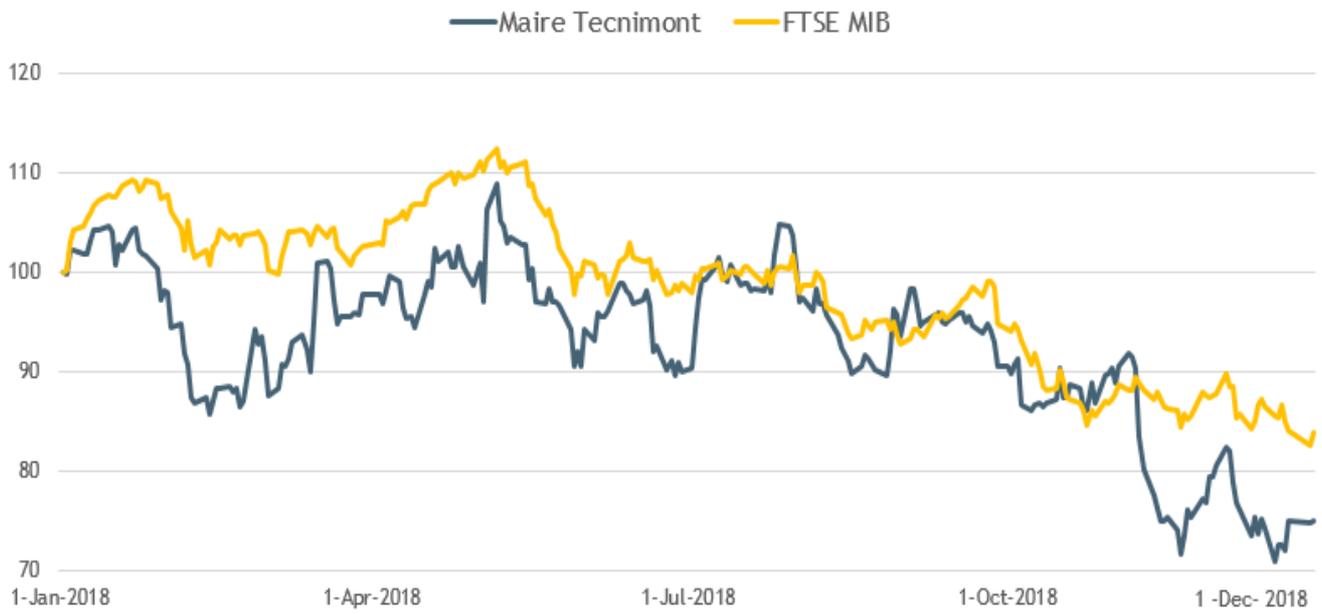
In the second part of the year, the share performed in line with sector indices and other Oil Services companies, which were heavily impacted by oil price movements.

Investor interest in the Maire Tecnimont share rose during the course of 2018 with more than 230 attending meetings, including in new areas such as Denmark, Sweden, Spain, Australia and Singapore. This marks a 21% increase on 2017.

The average daily trading volume in 2018 was 928,789 shares, at an average price of Euro 3.98.

Milan Stock Exchange ordinary share price (Euro)	01/01 - 31/12/2018
Maximum (May 7, 2018)	4.61
Minimum (December 17, 2018)	3.06
Average	3.98
Period-end (December 28, 2018)	3.21
Stock market capitalization (at December 28, 2018)	1,054,935,787

Maire Tecnimont 2018 share performance against the FTSE MIB.





3. Key Events

The Group's key operating events in 2018 were as follows:

SETTLEMENT OF THE "€80 MILLION 5.75 PER CENT. UNSECURED EQUITY-LINKED BONDS DUE 2019"

On January 25, 2018 - the Board of Directors of Maire Tecnimont approved the exercise of the advance repayment option in cash, at nominal value, of the equity-linked bond called "€80 million 5.75 per cent. Unsecured Equity- Linked Bonds due 2019" (the "Loan") issued by Maire Tecnimont ("Maire Tecnimont") and convertible into Maire Tecnimont ordinary shares. On March 6, 2018 - Maire Tecnimont announced that - against the nominal value of the Loan at January 25, 2018 of Euro 79,900,000, for 799 bonds (the "Bonds") still in circulation and listed on the Dritter Markt (Third Market) Multilateral Trading Facility organized and managed by the Vienna Stock Exchange - it had received, by the deadline of February 28, 2018, conversion requests from bondholders for a nominal value of Euro 79,800,000, corresponding to a total of 798 Bonds, at the conversion price of Euro 2,0964. The conversion requests were satisfied through delivery to entitled parties of a total 38,065,232 ordinary Maire Tecnimont shares, with full rights, of which 14,952,300 treasury shares of the company from the buy-back program to service the conversion of the Loan which commenced on September 25, 2017, and 23,112,932 newly-issued shares from a paid-in share capital increase to service the Loan, approved by the Extraordinary Shareholders' Meeting of the company of April 30, 2014. The 1 Bond of a nominal value of Euro 100,000.00, for which a conversion request was not presented by the final deadline of February 28, 2018, was repaid in cash at the above nominal value, in addition to interest matured, according to that set out in the Bond Regulation, with value date of March 7, 2018.

CHANGE IN SHARE CAPITAL ANNOUNCEMENT

On March 15, 2018 - Maire Tecnimont S.p.A. communicated the new composition of the subscribed and paid-in share capital, in addition to the total number of voting rights (as per Article 85-bis, paragraphs 1, 2 and 4-bis, Consob Regulation 11971/1999), following the issue of 23,112,932 new ordinary shares on the basis of the paid-in share capital increase approved by the Extraordinary Shareholders' Meeting of the company of April 30, 2014 in service of the conversion of the "€80,000,000 5.75 per cent equity-linked bonds due 2019". The declaration confirming the subscription of the newly issued ordinary shares indicated above was filed at the Rome Companies Registration Office as per Article 2444 of the Civil Code on the same date.

	Previous situation			Current situation		
	No. Shares comprising share capital	Voting rights	Euro	No. Shares comprising share capital	Voting rights	Euro
Total of which:	305,527,500	473,192,634	19,689,550.00	328,640,432	496,305,566	19,920,679.32
Ordinary shares without additional votes (ISIN IT0004931058, full rights) Present coupon: No. 4	137,862,366	137,862,366	-	160,975,298	160,975,298	-
Ordinary shares with additional votes (ISIN IICMTV0000104, full rights) Present coupon: No. 4	167,665,134	335,330,268	-	167,665,134	335,330,268	-

ISSUE OF A NON-CONVERTIBLE BOND LOAN FOR EURO 165 MILLION

On March 15, 2018 - Maire Tecnimont S.p.A. communicated that the Board of Directors of the company approved the issue of a non-convertible bond loan for a maximum Euro 250 million (the "Bond Loan") for the partial repayment of the medium/long-term bank debt of the subsidiary Tecnimont S.p.A., currently amounting to Euro 350 million.

The Bond Loan is part of a project to diversify funding and optimize the medium/long-term debt in order to align its structure with the altered financial needs of the Maire Tecnimont Group.

On April 11, 2018 - the "Commission de Secteur Financier" of the Grand Duchy of Luxembourg (the "CSSF") approved the prospectus (the "Prospectus") concerning the public offer of Maire Tecnimont S.p.A. Senior Unsecured Notes due 30 April 2024 (the "Bonds"), authorizing listing on the regulated Luxembourg Stock Exchange.

Borsa Italiana S.p.A., with provision of April 9, 2018, admitted the Bonds to the "Mercato Telematico delle Obbligazioni" ("MOT") regulated market.

Following approval of the Prospectus, Maire Tecnimont S.p.A. - for the purposes of also offering to the public in Italy the Bonds and their listing on the MOT - requested the CSSF to send and notify to CONSOB, as part of the "passporting" process as per Directive 2003/71/CE of the European Parliament and Council of November 4, 2003 (the "Directive"), the Prospectus, together with the additional documents required by the applicable regulation.

The public offer of the Bonds in Luxembourg and in Italy began on April 18, 2018 at 09:00 AM (CET) and concluded on April 24, 2018 at 5:30 PM (CET). The total nominal value of the subscribed Bonds is Euro 165 million. The interest rate of the Bonds, as announced on April 16, 2018, is 2.625% annually, with a return on the Bonds of 2.625%.

Consequently, on May 3, 2018, 165,000 Bonds were issued at a price equal to 100% of the nominal value, and with a unitary minimum value of Euro 1,000 (thousand).

The interest on the Bond shall be paid on a deferred basis on April 30 and October 31 of each year, from October 31, 2018.

The interest to be paid on the Bonds shall amount to Euro 13.125 per Calculation Amount (as defined in the Prospectus), with the exception of the first interest payment, to be made on October 31, 2018 and calculated pro-rata on the basis of the period between the issue date of the Bonds (May 3, 2018) and October 31, 2018 excluded (the "First Interest Period") and shall amount to Euro 12.911 per Calculation Amount.

The amount of interest payable per Calculation Amount for each period, except for that stated in relation to the First Interest Period, shall be the product of 2.625%, the Calculation Amount and the agreed daily calculation (calculated as "Actual/Actual (ICMA)", as per the Bond Conditions) for the relevant period, rounding the resulting figure to the nearest cent (half cent amounts rounded upwards).

SHAREHOLDERS' AGM APPROVES 2017 ANNUAL ACCOUNTS AND THE DISTRIBUTION OF A DIVIDEND

On April 26, 2018, the Shareholders' AGM of Maire Tecnimont S.p.A. (the "Company") met in first call and approved all matters on the agenda.

Specifically, the AGM approved i) the 2017 Annual Accounts of the company reporting Net Income of Euro 60,143,682.32 and ii) the distribution of a dividend for a total of Euro 42,063,895.55, equal to one third of 2017 consolidated net income of Euro 126.6 million.

The Shareholders' Meeting finally voted in favor of the First Section of the 2018 Remuneration Report drawn up in accordance with Article 123-ter of the CFA.

The company also announced, as per Article IA.2.1.2., paragraph 1 of the Instructions to the Regulation of the Markets organized and managed by Borsa Italiana S.p.A., that: dividend coupon No. 4 was fixed for April 30, 2018 ("ex-date"), with payment taking place from May 3, 2018 ("payment date"); the dividend equals Euro 0.128 per share, gross of any statutory withholdings, for all shares in circulation at coupon date No. 4, for a total amount of Euro 42,063,895.55 and is allocated from the 2017 net income of Euro 60,143,682.32; the remaining net income of Euro 18,079,786.77 is allocated to retained earnings; in accordance with Article 83-terdecies of the CFA, the right to the payment of a dividend is based on the accounts of the intermediary as per Article 83-quater, paragraph 3 of the CFA, at the conclusion of the trading day of May 2, 2018 ("record date").

MAIRE TECNIMONT AND BIO-ON COME TOGETHER TO DEVELOP, PRODUCE AND DISTRIBUTE BIODEGRADABLE FERTILIZERS

On May 30, 2018, Maire Tecnimont S.p.A. - through a Maire Group company specialized in the green chemicals sector - and Bio-on S.p.A., a high-quality bio-plastics enterprise, signed an agreement involving



the undertaking by the Maire Group in the share capital of U-Coat (Urea Coating) S.p.A.; on December 31, 2018 the acquisition of a 50.1% stake in U-Coat was completed by the Maire Group.

U-Coat is a company newly incorporated by Bio-on engaged in the production and distribution of an innovative technology for the coating of urea for fertilizer use. U-Coat operates on a key and quickly expanding global market, leveraging on a PHAs bio-plastics based technology developed by Bio-on. In fact, the PHAs bio-plastics are from renewable vegetable sources without any food chain competition. Appropriately measured, the PHAs coat the urea pellet for the time-controlled release of the fertilizer, protecting it from atmospheric agents and maximizing efficacy without leaving any residue on land.

Under the investment agreement, Maire Tecnimont will be the exclusive global contractor for the turnkey building of plant using this innovative technology.

The global urea market continues to grow (+4% annually) and provides a wide range of applications for this new technology. The partnership between Maire Tecnimont and Bio-on further illustrates our Italian green economy industrial leadership.

TREASURY SHARE BUY-BACK PLAN IN SERVICE OF THE SECOND CYCLE OF THE “MAIRE TECNIMONT GROUP EMPLOYEE 2016-2018 SHARE OWNERSHIP PLAN”

On June 12, 2018, in accordance with Article 144-bis of Consob Regulation No. 11971/1999 (the “Issuers’ Regulation”), in addition to Article 2, paragraph 1 of the Delegated Regulation (EC) 2016/1052 of the Commission of March 8, 2016 (“Regulation EC 1052”), Maire Tecnimont S.p.A. announced that on June 14, 2018 the treasury share buy-back program, as per Article 5 of Regulation (EC) No. 596/2014 (the “MAR”), in service of the second cycle of the “Maire Tecnimont Group Employee 2016-2018 Share Ownership Plan”, will launch, as approved by the Shareholders’ AGM of April 27, 2016 (the “Program”).

On June 20, 2018, as part of the treasury share buy-back plan, Maire Tecnimont S.p.A. communicated - in accordance with Article 2, paragraph 3 of Delegated Regulation (EC) 2016/1052 of the Commission of March 8, 2016 (the “EC 1052 Regulation”) - the acquisition on the Mercato Telematico Azionario (MTA) organized and managed by Borsa Italiana S.p.A., in the period between June 14, 2018 and June 19, 2018 inclusive, of a total of 500,000 treasury shares (corresponding to 0.15% of the total number of ordinary shares), at an average weighted price of Euro 4.174, for a total amount of Euro 2,087,182.15.

On June 30, 2018, 472,180 shares from the Program had been assigned to foreign Plan Beneficiaries.

Between July 4, 2018 and July 10, 2018 inclusive, 663,721 treasury shares were acquired (corresponding to 0.20% of the total number of ordinary shares), at an average weighted price of Euro 4.254, for a total amount of Euro 2,823,345.16.

Taking into account also the shares already acquired in the June 12, 2018 - June 30, 2018 inclusive period, all shares concerning the Second Cycle (year 2017) of the Plan had been acquired and therefore the relative Program was completed. All the Second Cycle (year 2017) shares were assigned to the Plan Beneficiaries by July 25, 2018.

MAIRE TECNIMONT: AWARDING OF EURO 1.3 BILLION SUB-CONTRACT ON AMURSKY PROJECT IN RUSSIA

On May 25 - Maire Tecnimont, at the St. Petersburg International Economic Forum (SPIEF), one of the key annual international conferences, signed a construction sub-contract agreement involving Tecnimont - the main Group contractor (through its subsidiary Tecnimont Russia) - and the sub-contractor Renaissance Heavy Industries. The agreement is in implementation of the Euro 3.9 million mega agreement signed last year with Amursky Gas Processing Plant, under execution by the Maire Tecnimont Group in Svobodny (in the Eastern region of Amur, Russian Federation) for Jsc Nipigaspererabotka (NipiGas), a Gazprom Group general contractor.

MEDIUM/LONG-TERM BANK DEBT OPTIMISED: APPLICABLE RATE REDUCED FROM 1.95% TO 1.70%

On July 16, 2018, Maire Tecnimont S.p.A. announced that, in completion of its funding diversification and the restructuring of the Group medium/long-term debt previously announced to the market on March 15, 2018 on approval of the issue of the Maire Tecnimont S.p.A. “Senior Unsecured due 30 April 2024” bond loan, placed on the capital markets in April 2018 for a nominal amount of Euro 165 million, at an annual interest rate of 2.625%, the subsidiary Tecnimont S.p.A. agreed with Banca IMI S.p.A., as Agent Bank, and

UniCredit S.p.A., Banca Monte dei Paschi di Siena S.p.A., Banco BPM S.p.A. and Intesa Sanpaolo S.p.A., as Lending Banks, a new medium/long-term cash loan for a total maximum Euro 285 million.

The New Loan Contract specifically stipulates:

i) the issue of a new medium/long-term “Term Loan” cash credit line for a maximum Euro 185 million, with Euro 175 million allocated for the full repayment of the residual part of the original Euro 350 million “Term Loan” undertaken by Tecnimont and Euro 10 million to top up the original loan;

ii) the increase of the “Revolving Facility” credit line issued to Tecnimont, from Euro 50 million to Euro 100 million.

The New Loan Contract further reduces the applicable medium/long-term Group debt margin from 1.95% to 1.70%, extending the maturity from March 2022 to June 30, 2023 and reviewing the repayment plan.

The New Loan Contract requires Tecnimont to provide declarations and undertake commitments typical of similar transactions and, in line with the previous loan contract, requires that the transaction's obligations are covered by an independent on-demand guarantee issued by Maire Tecnimont in favor of the Lending Banks and in the interest of Tecnimont.

MAIRE TECNIMONT BECOMES PART OF THE GREEN ACCELERATION, LAUNCHING “NEXTCHEM”, THE NEW ENERGY TRANSITION BUSINESS UNIT

Maire Tecnimont on November 27, 2018 presented its Green Acceleration project at the “NEXTCHEM - Maire Tecnimont for innovation” event, launching a new business unit through the NextChem special vehicle, which will oversee 19 energy transition technology initiatives which provide a targeted response to new market demands, confirming the Group's commitment to delivering the sustainable development goals (SDG's) of the United Nations.

Carbon Footprint reduction, the Circular Economy, new products and bio raw materials: the energy industry paradigm is evolving and the energy transition market is following suit, with compound annual growth rates (CAGR) in excess of 15%. This is a global market which is today worth approx. Euro 40 billion and is forecast to triple by 2025. All the key players - both manufacturers and purchasers of plastics - are shifting in fact towards recycling and bioplastics, while the major oil players are reviewing their investment plans to focus more on decarbonization.

The Group has identified these initiatives by acting as a developer of technologies and a plant engineer, therefore capable of developing, industrializing and commercializing new solutions from tested technologies and filling the gap between laboratory and industrial testing. Thanks to its technological DNA and its natural resource conversion leadership, Maire Tecnimont is in fact capable of acting on the innovation curve with the right timing and becoming the go-to technological and industrial partner to manage the current energy transition.

Maire Tecnimont has already invested approx. Euro 50 million over the last 5 years in the Green Acceleration project, in over 70 innovation projects, also through targeted start-ups and partnerships and creating a portfolio of technologies which optimally respond to the new demands of the energy and chemicals industry revolution.

This portfolio features a series of initiatives focused on:

- **GREENING THE BROWN:** offsetting the environmental impacts of technologies used for the conversion of oil and gas. The first objective is to maximize technologies to offset the environmental impact of processes for the production of fuels and derivative chemical products, through - for example - desulfurization projects and conversion processes which do not generate CO₂ emissions.
- **CIRCULAR ECONOMY:** the mechanical recycling of plastics and the promotion of chemicals recycling. Currently, 95% of the value of plastics from packaging - equating to USD 80 - 120 billion per year - is lost and 8 million tons of plastic are released into the oceans every year. Maire Tecnimont - in addition to promoting chemicals recycling - is already concretely involved in mechanical recycling with its first regenerated polymers production plant located in Lombardy.



- **GREEN - GREEN:** identify oil additives or substitutes for the production of fuels and renewable source plastics, while industrializing bioplastics production. The Group has developed a series of initiatives to produce biofuels and bioplastics from renewables, e.g. from agricultural waste. This market is expanding rapidly and production is forecast to rise by 50% over just 5 years (from 4 million tons produced in 2016 to an expected 6 million tons by 2021). Through its extensive plant construction know-how, Maire Tecnimont has an existing capacity to boost the industrialization of bioplastics, developing from laboratory innovations, to pilot plant, right up to the construction of industrial-scale plant.

In this regard, Maire Tecnimont has signed an agreement with ENEA, the National Agency for new technologies, energy and sustainable economic development, with the goal of jointly delivering green chemicals and circular economy projects.

In support of its Green Acceleration, Maire Tecnimont also announced the creation of an Advisory Board, comprising Carlos Cabrera, Genomatica Executive Chairman; Gaetano Micciché, Banca IMI Chairman; Andrea Prencipe, LUISS Dean; Ferruccio Resta, Polytechnic of Milan Dean; Elena Zambon, Chairperson of Zambon Spa. Maire Tecnimont's Green Acceleration will be the focus of a debate moderated by Fabio Tamburini, Managing Director of Il Sole 24 ORE, Radiocor and Radio24, with the participation of (among others) Mauro Micillo, Head of the Corporate and Investment Banking Division of Intesa Sanpaolo and Chief Executive Officer of Banca IMI, in addition to Josko Bobanovic, Partner at Sofinova.

SPIN-OFF OF NEOSIA S.P.A AND RESTRUCTURING OF BUSINESS INFRASTRUCTURE

On December 18, 2018, the partial and proportional spin-off of Neosia S.p.A and the establishment through spin-off of Neosia Renewables S.p.A. was registered at the Milan Companies Registration Office as approved by the Board of Directors of Neosia S.p.A (the "Transferor") and, on the conclusion of the spin-off process, the "Spun-off Company" and Tecnimont S.p.A, a company whose share capital is fully held by Maire Tecnimont S.p.A. Therefore, the allocation to Tecnimont S.p.A. of all elements, assets and resources belonging to the "Infrastructure Branch" already held by Neosia S.p.A became effective from this date. The incorporated and operating Neosia Renewables S.p.A was allocated all the elements, assets and resources belonging to the "Renewables Branch" already held by Neosia S.p.A.

4. Group operating performance

The Maire Tecnimont Group 2018 key financial highlights (compared to 2016) are reported below:

<i>(in Euro thousands)</i>	Note (*)	December 2018	%	December 2017	%	Change
Performance indicators:						
Revenues	27.1	3,646,612		3,524,289		122,323 3.5%
Business Profit (**)	27.3	284,111	7.8%	267,256	7.6%	16,855 6.3%
EBITDA (***)		205,723	5.6%	193,475	5.5%	12,249 6.3%
EBIT		185,512	5.1%	183,543	5.2%	1,970 1.1%
Net financial expense	27.10-11-12	(12,801)	(0.4%)	5,350	0.2%	(18,152) (339.3%)
Income before tax		172,710	4.7%	188,893	5.4%	(16,183) (8.6%)
Income taxes	27.13	(55,309)	(1.5%)	(62,341)	(1.8%)	(7,032) (11.3%)
Tax rate		(32.0%)		(33.0%)		N/A
Net income		117,401	3.2%	126,553	3.6%	(9,151) (7.2%)
Group net income		110,575	3.0%	118,650	3.4%	(8,074) (6.8%)

(*) The notes refer to the paragraphs of the Explanatory Notes to the consolidated financial statements where the respective accounts are analyzed in detail.

(**) "Business Profit" is the industrial margin before the allocation of general and administrative costs and research and development expenses; its percentage of revenues is the Business Margin.

(***) EBITDA is net income for the year before taxes (current and deferred), net financial expenses, currency exchange differences, gains and losses on the valuation of holdings, amortization and depreciation and provisions. EBITDA is a measure utilized by management to monitor and assess the operating performance. Management consider EBITDA a key parameter in measuring the Group's performance as not impacted by the effects of differing criteria applied to taxable income, the amount and characteristics of the capital utilized and by amortization and depreciation. As EBITDA is not governed by the Group's accounting standards, the Group calculation criteria may not be uniform with those adopted by other groups and, therefore, may not be comparable.

The 2018 key financial highlights (compared to 2017) are reported below:

<i>(in Euro Thousands)</i>	Note (*)	December 2018	December 2017 (*)	Change %
Revenues	27.1	3,646,612	3,527,235	3.4%
Business Profit (1)	27.3	284,111	263,634	7.8%
<i>Business Margin</i>		7.8%	7.5%	
EBITDA (1)		205,723	189,852	8.4%
<i>EBITDA Margin</i>		5.6%	5.4%	
EBIT (1)		185,512	168,746	9.9%
Net financial expense	27.10-11-12	(12,801)	(22,986)	(44.3%)
Income before tax		172,710	145,761	18.5%
Consolidated Net Income (2)		117,401	97,655	20.2%
Group net income (2)		110,575	89,753	23.2%

* For comparison with 2018, the 2017 figures were adjusted as described in notes (1) and (2):

- (1) Adjusted figure, recalculated as per IFRS 15 retrospectively to 2017, with a negative impact of Euro 3.6 million on Business Profit and EBITDA and of Euro 14.8 million on EBIT.
- (2) Adjusted figure, recalculated applying that indicated in note (1) and excluding a positive one-off impact of Euro 28.3 million (pre-tax) from derivatives related to the convertible bond.

The Maire Tecnimont Group in 2018 reported revenues of Euro 3,646.6 million, up 3.5% on the previous year (Euro 3,524.3 million). Revenues rose 3.4% on the 2017 adjusted figure.



The increase in volumes reflects progress on backlog projects and refers to the main EPC projects which are in the full construction phase.

The Group reports a Business Profit of Euro 284.1 million for 2018, increasing 6.3% on Euro 267.3 million for the previous year and up 7.8% on the 2017 adjusted figure. The 2018 Consolidated Business Margin was 7.8%, up on 7.6% for 2017 and also rising on the final quarters of 2018.

G&A costs were Euro 72.7 million, accounting for 2% of consolidated revenues - substantially in line with 2017.

The Group, taking account also of R&D costs of approx. Euro 5.7 million in 2018, reports EBITDA of Euro 205.7 million (+6.3% on Euro 193.5 million for 2017 and up 8.4% on the 2017 adjusted figure). The margin was 5.6%, slightly increasing on recent quarters and improving on the 2017 adjusted figure.

Amortization, depreciation, write-downs and provisions amounting to Euro 20.2 million, increasing on the previous year (Euro 9.9 million), following the initiation of amortization and depreciation on new Group operating assets and the amortization and depreciation on the new “Contractual Costs” account, which according to the new IFRS 15 standard stipulates the capitalization of certain cost categories considered ‘incremental’, incurred to fulfil the contract which enable the entity to make use of new or greater resources to satisfy performance obligations in future (‘pre-production costs’).

The Group therefore reports for 2018 EBIT of Euro 185.5 million, up 1.1% on the previous year (Euro 183.5 million); the adjusted figure rose 9.9% on 2017.

Net financial expenses amounted to Euro 12.8 million, against income in the comparative period of Euro 5.3 million, with the latter mainly owing to the non-recurring positive contribution from the net valuation of derivative instruments. The result however improved Euro 10.2 million against adjusted expenses of Euro 18 million for 2017. The 2018 figure also includes a net negative component of Euro 3.6 million related to the “time value” of currency derivatives.

Income before tax was Euro 172.7 million, reducing 8.6%, with estimated taxes of Euro 55.3 million. The decrease exclusively relates to the financial management result. Pre-tax income however increased 18.5% on the 2017 adjusted figure.

The effective tax rate was approx. 32%, improving on the adjusted average tax rate reported for the preceding quarters and on the previous year (33%), based on the various countries in which operations are carried out.

Net Income for 2018 was Euro 117.4 million, compared to Euro 126.6 million for 2017, while increasing 20.2% on the 2017 adjusted figure.

Group net income amounted to Euro 110.6 million, compared to Euro 118.7 million in 2017; up 23.2% on the 2017 adjusted figure.

In 2018, the Maire Tecnimont Group acquired new projects and contract extensions worth approx. Euro 2,966.5 million; the Backlog of the Maire Tecnimont Group at December 31, 2018 was Euro 6.612 million, slightly decreasing by approx. Euro 617.4 million compared to 2017.

ALTERNATIVE PERFORMANCE INDICATORS

In compliance with CONSOB Communication No. 0092543 of December 3, 2015, indications are provided below in relation to the composition of the performance indicators utilized in this document and in the institutional communications of the Maire Tecnimont Group.

BUSINESS PROFIT is the industrial margin before the allocation of general and administrative costs and research and development expenses and therefore reflects the sum of total revenues, order costs and commercial costs included in the income statement.

BUSINESS MARGIN is the percentage of the BUSINESS PROFIT, as defined above, on total revenues included in the income statement.

EBITDA: is net income for the year before taxes (current and deferred), net financial expenses, gains and losses on the valuation of holdings, amortization and depreciation and provisions.

This indicator is also presented in 'percentage' form as a ratio between EBITDA and Total revenue included in the income statement.

EBITDA is a measure utilized by management to monitor and assess the operating performance. Management consider EBITDA a key parameter in measuring the Group's performance as not impacted by the effects of differing criteria applied to taxable income, the amount and characteristics of the capital utilized and by amortization and depreciation. As EBITDA is not governed by the Group's accounting standards, the Group calculation criteria may not be uniform with those adopted by other groups and, therefore, may not be comparable.

EBIT: is the net income for the year before taxes (current and deferred), net financial expenses, gains and losses on the valuation of holdings.

5. Performance by Business Unit

INTRODUCTION

Maire Tecnimont S.p.A. heads an integrated industrial group providing engineering services and works in the following sectors on the domestic and international markets: Technology, Engineering & Construction and Infrastructure & Civil Engineering.

The BU figures are in line with the internal reporting structure utilized by company Top Management and in particular with the reporting used by the highest decision-making level for the taking of business decisions, identified as the chief executive officer (CODM). The features of these sectors are outlined below:

- I. **"Technology, Engineering & Construction" Business Unit** - designs and constructs plant, principally for the "natural gas chain" (involving separation, treatment, liquefaction, transport, storage, regasification and compression and pumping stations); designs and constructs chemical and petrochemical industry plant for the production, in particular, of polyethylene and polypropylene (polyolefin), ethylene oxide, ethylene glycol, purified terephthalic acid ("PTA"), ammonia, urea and fertilizers; issues, in addition, within the fertilizer sector, licenses on patented technology and proprietary know-how to current and potential urea producers. Other major activities related to the sulphur recovery process, hydrogen production and high temperature furnaces. It is also engaged in the design and construction of hydro-carbon electric power plant and waste-to-energy and district heating plant.

- I. **"Infrastructure & Civil Engineering" Business Unit** - engaged in the design and construction of major infrastructural projects (such as roads and motorways, rail lines, underground and surface metro lines, tunnels, bridges and viaducts) and industrial and commercial and tertiary sector facilities and buildings; it provides environmental services for infrastructure, civil and industrial construction and energy sector projects and plant in general. The Group provides maintenance and facility management services, in addition to general services for temporary construction facilities and Operation & Maintenance services. It also works on large-scale renewables sector plant (mainly solar and wind).

The Group assesses the performance of the operating segments based on the segment operating result. Segment revenues are those directly deriving from or attributable to the Segment and from core operations and include revenues from agreements with third parties. Segment costs are charges from segment operations incurred from third parties. For Group operations, amortization, depreciation, provisions for risks, financial income and expense and income taxes are borne by the corporate entity as excluded from operating activities.

The Maire Tecnimont Group 2018 key financial highlights by Business Unit (compared to the previous year) are reported below:



<i>(In Euro thousands)</i>						
	Technology, Engineering & Construction		Infrastructure & Civil Engineering		Total	
	Total	% on Revenues	Total	% on Revenues	Total	% on Revenues
31/12/2018						
Revenues	3,486,298		160,314		3,646,612	
Business Margin	278,367	8.0%	5,744	3.6%	284,111	7.8%
EBITDA	204,787	5.9%	938	0.6%	205,723	5.6%
31/12/2017						
Revenues	3,379,881		144,408		3,524,289	
Business Margin	262,174	7.8%	5,083	3.5%	267,256	7.6%
EBITDA	193,059	5.7%	416	0.3%	193,475	5.5%
Change 2018 vs. 2017						
Revenues	106,417	0	15,906	0	122,323	3.5%
Business Margin	16,194	6.2%	661	13.0%	16,855	6.3%
EBITDA	11,728	6.1%	522	125.3%	12,249	6.3%

The 2018 key financial highlights by Business Unit (compared to 2017) are reported below:

<i>(in Euro millions)</i>				
	2018	% Revenues	2017	% Revenues
Technology, Engineering & Construction				
Revenues	3,486.3		3,382.8	
Business Profit (1)	278.4	8.0%	258.6	7.6%
EBITDA (1)	204.8	5.9%	189.4	5.6%
Infrastructure & Civil Engineering				
Revenues	160.3		144.4	
Business Profit	5.7	3.6%	5.1	3.5%
EBITDA	0.9	0.6%	0.4	0.3%

(1) Adjusted figure, recalculated as per IFRS 15 retrospectively to 2017, with a negative impact of Euro 3.6 million on Business Profit and EBITDA and of Euro 14.8 million on EBIT.

TECHNOLOGY, ENGINEERING & CONSTRUCTION BUSINESS UNIT

2018 revenues were up 3.1% to Euro 3,486.3 million (Euro 3,379.9 million in 2017).

The increase in volumes reflects progress on backlog projects and refers to the main EPC contracts which are in the full construction phase, in continuity with recent quarters.

The 2018 Business Profit increased to Euro 278.4 million (Euro 262.2 million for 2017) and also rose in absolute and percentage terms on the 2017 adjusted figure.

2018 EBITDA was Euro 204.8 million (Euro 193.1 million in 2017), with a margin of 5.9%. This performance is reflective of the business margin, as previously outlined, while improving also on the 2017 adjusted figure.

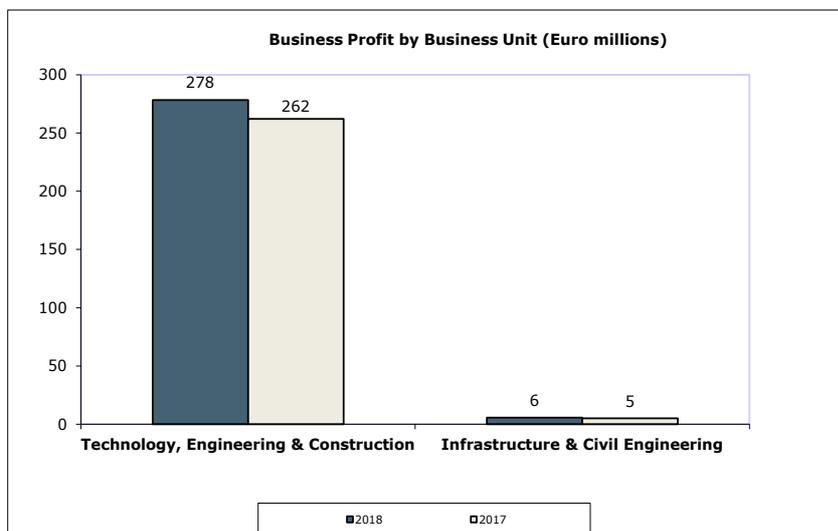
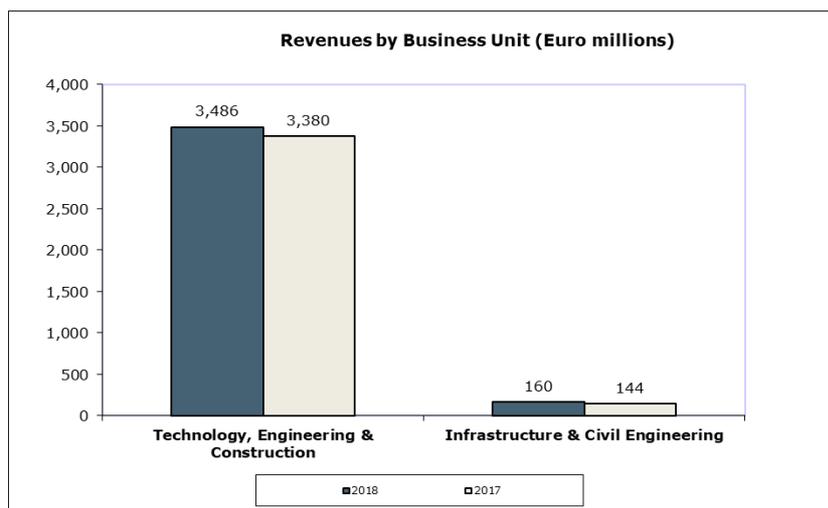
INFRASTRUCTURE & CIVIL ENGINEERING BUSINESS UNIT

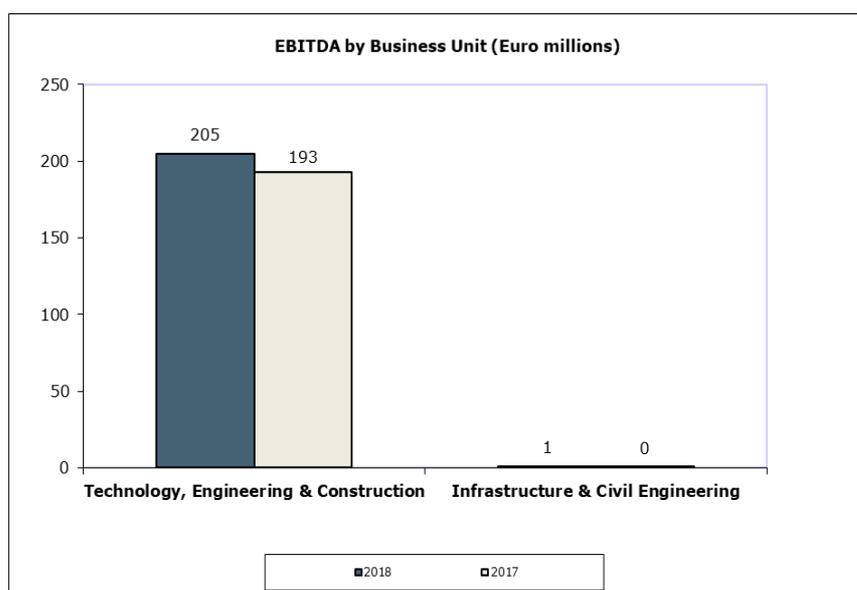
2018 revenues of Euro 160.3 million rose 11% on the previous year (2017 revenues of Euro 144 million), as a result of the advancement of orders in portfolio acquired in the large renewables plant sector and the recommencement of a construction project in the hospital sector.

The 2018 Business Profit was Euro 5.7 million (Euro 5.1 million in 2017). In addition, the Business margin for 2018 was 3.6%, slightly increasing on 3.5% in 2017, thanks to expanded renewables operations.

2018 EBITDA was Euro 0.9 million after the absorption of G&A costs, substantially in line with 2017.

The following tables outline the Revenues, Business Profit and EBITDA by Business Unit commented upon above.

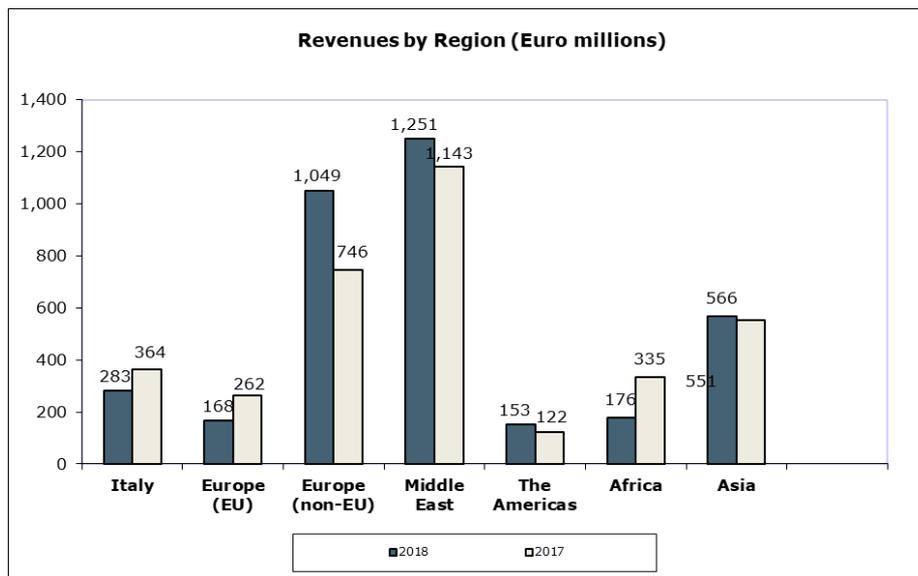




VALUE OF PRODUCTION BY REGION:

The regional breakdown of Revenues in 2018 compared to the previous year is illustrated below:

<i>(In Euro thousands)</i>						
	2018		2017		Change	
	Total	%	Total	%	Total	%
Italy	282,579	7.7%	364,496	10.3%	(81,917)	(22.5%)
Overseas						
· Europe (EU)	168,072	4.6%	261,905	7.4%	(93,833)	(35.8%)
· Europe (non-EU)	1,048,783	28.8%	745,765	21.2%	303,017	40.6%
· Middle East	1,251,380	34.3%	1,143,224	32.4%	108,156	9.5%
· The Americas	153,238	4.2%	122,454	3.5%	30,784	25.1%
· Africa	176,205	4.8%	335,102	9.5%	(158,897)	(47.4%)
· Asia	566,190	15.5%	551,344	15.6%	14,847	2.7%
· Other	165	0.0%	0	0.0%	165	na
Total Consolidated Revenues	3,646,612		3,524,289		122,323	3.5%



The main regional revenue sources were the Middle East (34.3%) and Europe - non-EU (28.8%). As evident from the Revenues by Business Unit table, this figure highlights the significant contribution of the “Technology, Engineering & Construction” Business Unit in the Middle East, in which the Group has a long-standing presence and in relation to the Non-EU Europe area reflects the development of the current activities in Russia.

6. Backlog by Business Unit and Region

The following tables outline the Group’s Backlog, broken down by Business Unit at December 31, 2018, net of third-party shares and compared to the previous year:

BACKLOG BY BUSINESS UNIT

<i>(In Euro thousands)</i>	Technology, Engineering & Construction	Infrastructure & Civil Engineering	Total
Initial Order Backlog at 01/01/2018	6,864,257	365,109	7,229,366
Adjustments/Eliminations (**)	103,044	(46,547)	56,498
2018 Order Intake	2,887,873	79,406	2,966,479
Revenues net of third parties (*)	3,484,969	155,407	3,640,375
Backlog at 31/12/2018	6,369,407	242,561	6,611,968

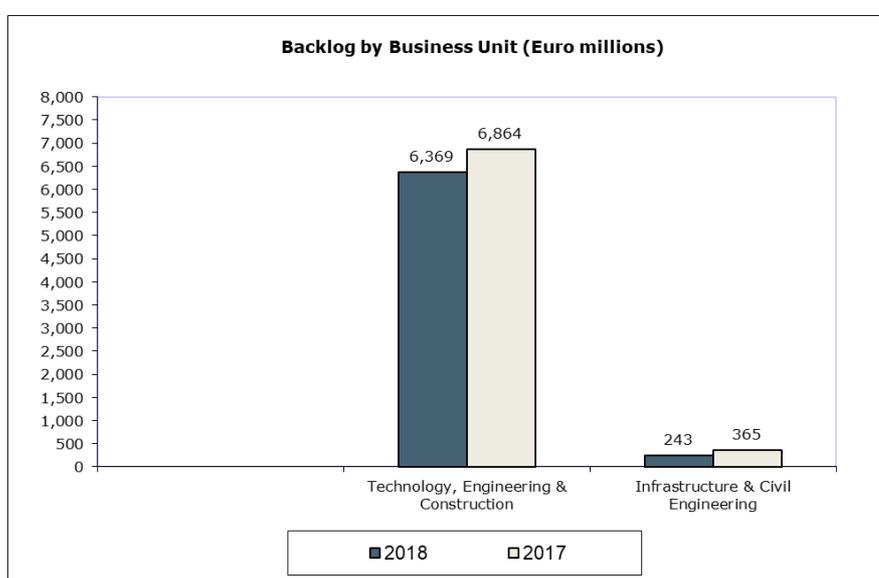
(*) Backlog revenues are net of third-party shares of Euro 6.2 million.

(**) 2018 Adjustment/Eliminations principally reflect portfolio currency adjustments.



(In Euro thousands)

	Backlog at 31.12.2018	Backlog at 31.12.2017	Change December 2018 vs December 2017	
Technology, Engineering & Construction	6,369,407	6,864,257	(494,851)	(7.2%)
Infrastructure & Civil Engineering	242,561	365,109	(122,547)	(33.6%)
Total	6,611,968	7,229,366	(617,398)	(8.5%)



In 2018, the Maire Tecnimont Group won new projects and existing contract extensions worth approx. Euro 2,966.5 million, mainly in the Technology, Engineering & Construction sector.

The Maire Tecnimont Group Backlog at December 31, 2018 was Euro 6,612 million, slightly reducing by approx. Euro 617.4 million on 2017.

BACKLOG BY REGION

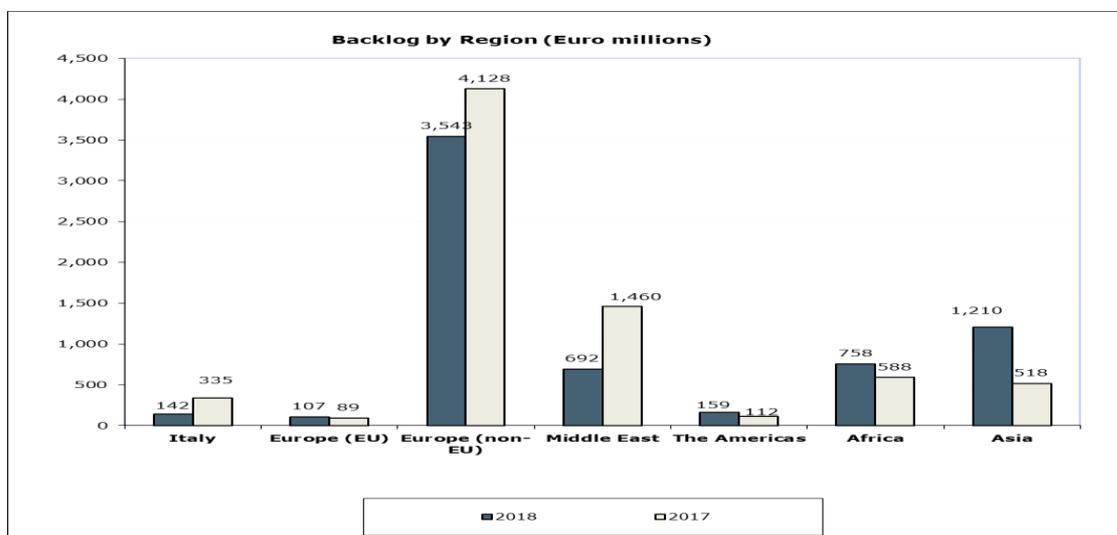
The Group Backlog broken down by region at December 31, 2018 and compared with the previous year is presented below:

(In Euro thousands)	Overseas								Total
	Italy	Europe (EU)	Europe (non-EU)	Middle East	The Americas	Africa	Asia	Other	
Initial Order Backlog at 01/01/2018	335,037	89,311	4,127,516	1,459,969	111,531	588,443	517,558	0	7,229,366
Adjustments/Eliminations (**)	(63,455)	52,314	(56,806)	19,081	(49,178)	41,325	113,052	165	56,498
2018 Order Intake	147,847	133,774	521,458	464,635	250,065	303,483	1,145,218	0	2,966,479
Revenues net of third parties (*)	277,033	168,072	1,048,783	1,251,305	153,238	175,589	566,190	165	3,640,375
Backlog at 31/12/2018	142,395	107,328	3,543,385	692,381	158,180	757,662	1,209,637	0	6,611,968

(*) Backlog revenues are net of third-party shares totaling Euro 6.2 million.

(**) 2018 Adjustment / Eliminations principally reflect portfolio currency adjustments.

(In Euro thousands)	Backlog at 31.12.2018	Backlog at 31.12.2017	Change December 2018 vs December 2017	
Italy	142,395	335,037	(192,642)	(57.5%)
Europe (EU)	107,328	89,311	18,017	20.2%
Europe (non-EU)	3,543,385	4,127,516	(584,131)	(14.2%)
Middle East	692,381	1,459,969	(767,588)	(52.6%)
The Americas	159,180	111,531	47,649	42.7%
Africa	757,662	588,443	169,219	28.8%
Asia	1,209,637	517,558	692,079	133.7%
Total	6,611,968	7,229,366	(617,398)	(8.5%)





ORDER INTAKE BY BUSINESS UNIT AND REGION

The table below outlines 2018 Group Order Intake broken down by Business Unit and Region and compared with the previous year:

<i>(In Euro thousands)</i>						
	December 2018		December 2017		Change 2018 vs 2017	
		% of total		% of total		
Order Intake by Business Unit						
Technology, Engineering & Construction	2,887,073	97.3%	4,278,294	99.0%	(1,391,221)	(32.5%)
Infrastructure & Civil Engineering	79,406	2.7%	45,395	1.0%	34,011	74.9%
Total	2,966,479	100%	4,323,689	100%	(1,357,210)	(31.4%)
Order Intake by Region:						
Italy	147,847	5.0%	120,786	2.8%	27,061	22.4%
Europe (EU)	133,774	4.5%	13,417	0.3%	120,357	897.1%
Europe (non-EU)	521,458	17.6%	4,011,577	92.8%	(3,490,119)	(87.0%)
Middle East	464,635	15.7%	29,684	0.7%	434,951	1465.3%
The Americas	250,065	8.4%	29,451	0.7%	220,614	749.1%
Africa	303,483	10.2%	39,315	0.9%	264,168	671.9%
Asia	1,145,218	38.6%	79,460	1.8%	1,065,758	1341.3%
Total	2,966,479	100%	4,323,689	100%	(1,357,210)	(31.4%)

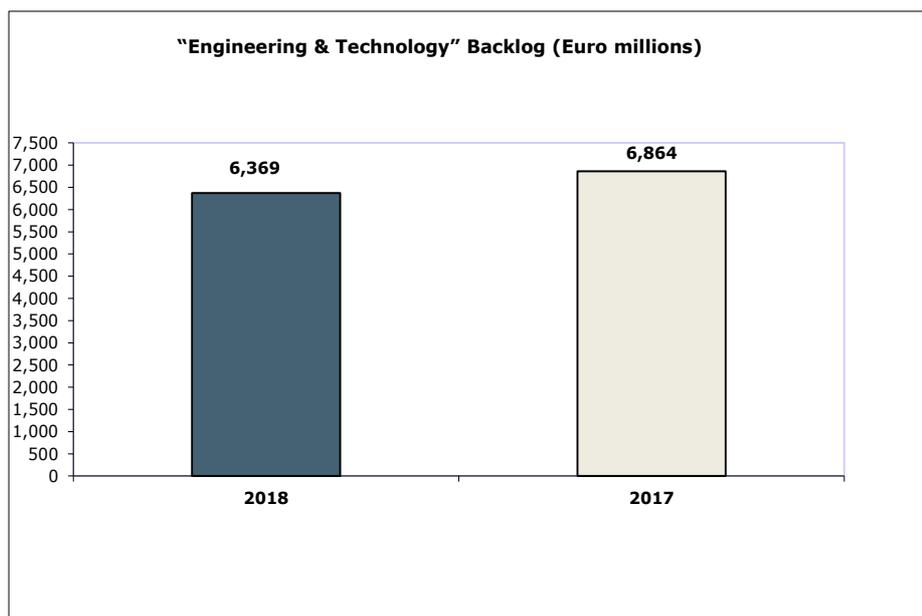
In 2018, the Maire Tecnimont Group won new projects and existing contract extensions worth approx. Euro 2,966.5 million, almost exclusively in the Technology, Engineering & Construction sector.

The Infrastructure BU principally acquired renewable energy orders, new contracts and formalized change orders and project variants.

ANALYSIS OF THE “TECHNOLOGY, ENGINEERING & CONSTRUCTION” BUSINESS UNIT BACKLOG

December 31, 2018 compared with the previous year is as follows:

<i>(In Euro thousands)</i>				
	Backlog at 31.12.2018	Backlog at 31.12.2017	Change December 2018 vs December 2017	
			Total	%
Technology, Engineering & Construction	6,369,407	6,864,257	(494,851)	(7.2%)



The “Technology, Engineering & Construction” Business Unit Backlog at December 31, 2018 was Euro 6,369.4 million, reducing on the previous year Euro 494.9 million.

PRINCIPAL PROJECTS AWARDED:

SOCAR (Azerbaijan), February 2018, Tecnimont S.p.A. and KT-Kinetics Technology S.p.A. were awarded by the client SOCAR (State Oil Company of Azerbaijan Republic) Heydar Aliyev Baku Oil Refinery, an EPC (Engineering, Procurement, Construction) Lump Sum contract concerning a significant portion of the works for the modernization and reconstruction of the Heydar Aliyev refinery in Baku (Azerbaijan). The contract value is approx. USD 800 million. Project completion is scheduled within 41 months from the contract signing date.

JSC Gazprom Neft - OMSK (Russia) February 2018, Tecnimont S.p.A. and its subsidiary Tecnimont Russia LLC have been awarded by JSC Gazprom Neft - Omsk Refinery an EPCm (Engineering, Procurement, and Construction management) a contract for the execution of the “Delayed Coking Unit” (DCU) project at the Omsk Refinery in the Russian Federation. The contract covers Engineering and Procurement on a Lump Sum basis and Construction Management services on a reimbursable basis. The scope of the project includes the construction of a new Delayed Coking complex with a capacity of 2 million tons per year (34,500 barrels per day). The total contract value is USD 215 million, on a multi-currency basis. Project completion is scheduled within 29 months from the contract signing date.

JGSPC - (Philippines) March 2018, Tecnimont S.p.A. and its subsidiary Tecnimont Philippines Inc. were awarded, as part of a joint venture with JGC Philippines (Tecnimont Philippines 65% - JGC Philippines 35%), a Lump Sum EPC contract by JG Summit Petrochemical Corporation (JGSPC) for the construction of a new high-density polyethylene unit (HDPE) and the extension of a polypropylene (PP) unit. The units will be located 120 km from Manila, in Batangas City (Philippines). JGSPC, part of the JS Summit Holdings Group, is the largest polyethylene producer in the Philippines. The scope of works concerns Engineering, Procurement and Construction, until Ready for Commissioning. Once the new project is completed, the new HDPE plant will have a 250,000 tons per year capacity, while the PP plant will be expanded up to a capacity of 300,000 tons per year. The total EPC Lump Sum contract value is in the USD 180 million range. The total execution time for the project is 26 months.

BOROUGE PP5 (United Arab Emirates) July 2018, Tecnimont S.p.A. was awarded by Abu Dhabi Polymer Company (Borouge) an EPC contract for a new polypropylene unit (PP5 project) at Ruwais (Abu Dhabi), United Arab Emirates. Borouge is a joint venture between Abu Dhabi National Oil Company (ADNOC), one



of the largest oil & gas companies in the world, and Borealis, a leading international Austrian petrochemical and plastics producer. The scope of work involves a new polypropylene unit (PP5) and related structures, to be incorporated into the existing Borouge 3 Complex. The Polypropylene Unit shall have a maximum capacity of 480,000 tons per annum. Project completion is scheduled for the end of 2021.

HMEL (India) August 2018, Tecnimont S.p.A. was awarded, in consortium with its Indian branch Tecnimont Private Limited, two EPCC (Engineering, Procurement, Construction and Commissioning) Lump Sum contracts by HPCL-Mittal Energy Limited (HMEL) for the construction of a new high-density polyethylene unit (HDPE) and a new polypropylene unit (PP). The units shall be constructed next to the Guru Gobind Singh refinery in Bathinda, Punjab, in northern India. HMEL is a joint venture between Hindustan Petroleum Corporation Limited and Mittal Energy Investments Pte. Limited. The total contract value of the EPCC lump sum contracts is approx. USD 225 million. The Mechanical Completion period is 25 months.

ZCINA - SONATRACH (Algeria) Tecnimont S.p.A. was awarded by SONATRACH an EPC (Engineering, Procurement and Construction) contract on a lump sum basis for the execution of the “LPG Train 4 - ZCINA Hassi Messaoud” project, to be executed at the ZCINA complex, in the Hassi Messaoud area of central Algeria. The scope of the project covers the construction of a new train with the capacity of 8 million standard cubic meters per day for the extraction of LPG and Condensed Gas from the associated gas from the plant situated close to the ZCINA complex. The contract has a total value of approx. USD 248 million. Project completion is scheduled within 30 months from start-up.

EXXON MOBIL- (USA) Tecnimont USA Inc., a subsidiary of Tecnimont S.p.A., in consortium with Performance Contractors Inc., was awarded a renewable contract by Exxon Mobil Corporation for the preliminary operations for the undertaking of front-end engineering design, the undertaking of preliminary execution studies and preliminary procurement operations, for the construction of a new process unit and the relative infrastructure and auxiliary units for a petrochemical complex in the United States. The scope of the initial above-mentioned works has a value of approx. USD 230 million (of which approx. USD 190 million concerning Tecnimont). The final investment decision, with regards to the petrochemical complex construction phase, is expected in the first quarter of 2019. As the portion of the contract concerning the procurement activities does not *de facto* stipulate risks for the Maire Group, as per the applicable international accounting standards, the backlog and revenues shall be based on the value of the services provided for engineering and procurement, and therefore excluding the nominal value of equipment and materials.

BELAYIM PETROLEUM COMPANY (PETROBEL) ZOHR DEV. PROJECT PHASE 2 - MODULAR SRU/TGT/SCRUBBER Belayim Petroleum Company (PETROBEL) confirmed KT-Kinetics Technology S.p.A as supplier in Phase 2 of the ZOHR project for the construction of nine sulfur units (Claus units, Tail gas treatment, SO₂ Scrubber). The total value of the contract is USD 93.2 million. The engineering activities are largely based on the duplication of phase 1. Material procurement has been completed. Deliveries shall be made in lots in the months of December 2018 and January 2019. The bonus for early material delivery has been achieved. As was the case for phase 1, the customer has requested our assistance for the construction, pre-commissioning and start-up phase.

INA RIJEKA REFINERY Propane/Propylene Splitter (PPS), storage & Interconnecting; KT-Kinetics Technology S.p.A was awarded an EPCC contract (Engineering-Procurement-Construction-Commissioning) for a value of Euro 57.5 million for a new Propane Proylene Splitter (PPS) plant with a 10 t/h capacity including storage and inter-connecting, at the INA Rijeka refinery, in Croatia. The contract was awarded by INA Industrija Nafta, one of the main Croatian groups in the industrial sector. The PPS project relates to the production of Polymer Grade which will supply the MOL Poly Propylene complex in Hungary.

Engineering is in progress, with completion of approx. 79.7% by the end of December. All itemized material orders have also been delivered. The mechanical contract has been awarded. Overall progress at December 31, 2018 of the project was 24.2%.

HPCL MUMBAI REFINERY EXPANSION PROJECT (NEW HPU UNIT) KT - Kinetics Technology SpA in consortium with Tecnimont Private Limited was awarded a contract totaling Euro 87.7 million for LEPC (License-Engineering-Procurement-Construction-Commissioning) of a new hydrogen production unit with capacity of 91,000 Nm³ / h (HGU) which is part of the refinery expansion project at Mumbai (MREP), Maharashtra, India. This contract was awarded by Hindustan Petroleum Corporation Limited (HPCL). The

project is focused on increasing refinery capacity up to 9.5 MMTPA but also to producing BS-VI fuel in compliance with environmental requirements in force from 2020 in India. Engineering activities are ongoing, with overall progress at the end of December of 23.4%. Equipment procurement has been completed, while bulk acquisition is in progress. The subcontractors for construction have been selected.

Other awards:

In addition to the above contract, further projects and change orders for contracts under execution were acquired principally in Europe, the Middle East and Asia and awarded by some of the leading international clients for licensing, engineering services, design and maintenance, in addition to Technology Packages and EP operations for approx. Euro 778 million.

PROJECTS IN PROGRESS:

AMUR (Russia) Tecnimont S.p.A., as majority leader of the consortium including Tecnimont Russia, the Chinese company Sinopec Engineering Group (SEG) and its subsidiary Sinopec Ningbo Engineering Corp., signed in June 2017 a contract with JSC NIPigaspererabotka (NIPIGas), a general contractor of Gazprompererabotka Blagoveshchensk LLC, part of the Gazprom Group. The contract concerns the execution of package No.3 for the Amursky (AGPP) gas treatment plant, comprising the utilities, off sites and plant infrastructure, to be carried out close to the city of Svobodny, in the Amur district. The project scope includes all of the engineering, procurement, construction, commissioning and performance test activities for the Amur GPP project. Engineering is 70.6% complete, with material procurement at 46.6%, while construction is 2.63% complete. The total advancement of the project is 20.7%. Project completion is scheduled for the end of 2023.

ADCO (United Arab Emirates) Tecnimont S.p.A. on December 11, 2014 signed an EPC contract with Abu Dhabi Company for Onshore Oil Operations (ADCO) for construction of phase III of the Al Dabb'iyah Surface Facilities project in Abu Dhabi, UAE. The project involves EPC operations until the Performance Tests for the expansion of the existing plant - including in particular: the collection of crude oil through a pipeline network; a Central Process Plant (CPP); the relative oil and associated gas export pipeline. The engineering and procurement has been completed, while construction is at 99% advancement. Plant completion is scheduled for the first quarter of 2019. The warranty period is 18 months.

OMAN OIL REFINERIES and PETROLEUM INDUSTRIES COMPANY - SAOC (ORPIC), (Oman), for the construction of 2 polyethylene plant and a polypropylene plant, in addition to the associate utilities. The contract relates to one of the four packages comprising the Liwa Plastic Complex (LPIC) Project. The units will be located in the Sohar Industrial Port Area. The project, announced in December 2015, received Notice-to-Proceed on May 4, 2016 and has a duration of 44 months. The project includes engineering services, the provision of equipment and materials and construction until testing, start-up and the performance tests. The overall advancement of the project is 88% (Engineering 97%; Procurement 97%; Construction 77%), in line with the work program agreed with the Client. Plant delivery is scheduled by January 4, 2020, the contractual Initial Acceptance Certificate date, followed by a warranty period of 12 months.

SOCAR POLYMER HDPE, (Azerbaijan) In December 2015 Tecnimont S.p.A. and KT - Kinetics Technology S.p.A. agreed with SOCAR POLYMER a lump sum EPC 120 kTPY polyethylene plant construction contract in Sumgayit (30 KM north of Baku). This contract follows the order awarded in April 2015 by the same client Socar Polymer. The project includes engineering services, the provision of equipment and materials and construction until the start-up of the plant and the performance tests. The home office services phase has concluded and procurement/manufacturing has substantially been completed (Progress 99.8%). Onsite activities are 99.1% complete. The total advancement of the project is 99.34%. The plant is currently in the Commissioning phase (Cold Run). Completion of operations, with delivery of the PAC, is forecast for March 2019.

SOCAR POLYMER PP (Azerbaijan) In April 2015 Tecnimont S.p.A. and KT - Kinetics Technology S.p.A. agreed with SOCAR POLYMER a lump sum EPC 180 kTPY polypropylene plant construction contract in Sumgayit (30 KM north of Baku). The project includes engineering services, the provision of equipment and materials and construction until the start-up of the plant and the performance tests. Home office services and procurement/manufacturing have been completed, while site operations are 99.72% complete. Start-up is complete and the plant is in the performance test phase. The project is 99.9% complete. Completion of operations, with delivery of the PAC, is forecast for March 2019.



ADGAS (United Arab Emirates). On February 3, 2015, Tecnimont S.p.A., in consortium with the company Archirodon, received from the Client ABU DHABI GAS LIQUEFACTION COMPANY LTD (ADGAS) the “Letter of Award”, followed on March 12, 2015 by the signing of the Signature Agreement, for construction of the Package 1 IGD Expansion Project in Abu DhabiDasIsland, United Arab Emirates. The project involves EPC (Engineering, Procurement & Construction) operations until the Performance Tests for the expansion of the existing plant on the island. Tecnimont’s role principally centers on expansion of the gas drying plant with the installation of an additional unit and related structures, while Archirodon will be involved in the preparation of the site with backfill and civil works and sea works along the western coast of Das Island for the above-stated expansion, including further preparation works upon the site with backfill for the IGD-E2 package (upcoming plant expansion project). The overall advancement of the project is 100%. The consortium Partner Archirodon has completed its works. Provisional plant acceptance (PAC) has been achieved. The overall test run of the plant is still to be completed. The warranty period is underway, on conclusion of which (by 2019) Final Acceptance (FAC) will be released.

KINGISEPP (Russia) - acquired in June 2015, the project is executed under two Lump-Sum-Turn-Key Contracts between JSC “Eurochem NorthWest”, a EuroChem Group AG (“EuroChem”) subsidiary and a global agro-chemical sector leader, Tecnimont S.p.A and Tecnimont Russia. The Client is availing of SACE financing. The project involves the construction of a new industrial grass root plant for the production and storage of ammonia, based on KBR technology and of 2,700 Tons per day capacity. The site is within an existing industrial complex close to the city of Kingisepp. The overall physical state of completion of the Project is 97.7%. Engineering and Procurement of material activities have concluded. Construction and Start-up have reached a 93.2% state of completion. The residual progress relates to the completion of start-up and the delivery of final documentation. All Auxiliary systems are operating, while the start-up of Process systems is in progress. The beginning of production and completion are expected in the first quarter of 2019.

CORU - RAFFINERIA MOSCA (Russia), in June, a letter of intent was signed with JSC Gazprom Neft for construction of the Combined Oil Refinery Unit (CORU) Project at the existing Moscow Refinery in the Russian Federation. The contract was signed on October 5, 2015. It covers Detail Engineering, Procurement and Construction Management services. Engineering is 100% complete, with procurement at 100%, while construction is 83% complete. The total advancement of the project is 97%. The Mechanical Completion and project completion (RFSU - Ready for Start-Up), as a consequence of the agreement between the client and the general construction contractor, are respectively expected by the second and third quarters of 2019.

PP MALAYSIA - PETRONAS (Malaysia), in November 2015 Tecnimont was awarded as part of a joint venture with China Huan Qiu Contracting & Engineering Corporation L.td. (HQC) an EPCC Lump Sum TurnKey project for the construction of two polypropylene units for the RAPID (Refinery and Petrochemical Integrated Development) complex and for PRPC Polymers Sdn Bhd (PRPC Polymers) - Group (“PETRONAS”). The two units will be constructed at the RAPID complex, located in Pen Gerang in South-East Johor, Malaysia. The project includes engineering services, the provision of equipment and materials and construction until the start-up of the plant and the performance tests. Engineering is 100% complete, with material procurement at 100%, while construction is 99.7% complete. The total advancement of the project is 98.8%. Plant acceptance (PAC) is expected by April 2019, followed by a 12-month period on whose conclusion the Final Acceptance Certificate (FAC) will be released.

HDPE MALAYSIA - PETRONAS (Malaysia), in November 2016 Tecnimont was awarded as part of a joint venture with China Huan Qiu Contracting & Engineering Corporation L.td. (HQC) an EPCC Lump Sum Turn Key project for the construction of a high-density polypropylene unit for the RAPID (Refinery and Petrochemical Integrated Development) complex by PRPC Polymers Sdn Bhd (PRPC Polymers) - (“PETRONAS”) Group. The HDPE unit, based on the Hostalen Advance Cascade Process (HACP) technology of Lyondel Basell, will have a capacity of 400 tons/year and will be constructed at the RAPID complex, located in Pengerang, South-Eastern Johor, Malaysia. The project includes engineering services, the provision of equipment and materials and construction until the start-up of the plant and the performance tests. Engineering is 99.9% complete, with material procurement at 99.8%, while construction is 74.8% complete. The total advancement of the project is 87.1%. Mechanical completion, scheduled for March 2019, permits the achievement of Ready for Start Up in May 2019. On issue of the PAC, expected in July 2019, a period of twelve months for achievement of Final Acceptance will follow.

Punta Catalina (Santo Domingo) Tecnimont S.p.A., in consortium with Construtora Norberto Odebrecht S.A. and Ingenieria Estrella S.R.L., was awarded in November 2013 the construction of a strategically important industrial complex for the country's development (a coal fired thermal power plant, an offshore terminal and other related structures). The client is CDEEE, the Dominican Republic national electricity company. The project involves the construction of two coal fired 360 MW plant in Punta Catalina, Dominican Republic. The EPC contract was signed in April 2014, with effective date set retroactively as February 7, 2014. Tecnimont will undertake all engineering works (except for the offshore marine and transmission line works), the procurement of the power island equipment and commissioning and delivery of the plant with the relative acceptance tests. Engineering has been completed, with the procurement of materials at 97.57% completion, while construction by CNO is 45% complete, with commissioning activities at a 45% overall state of completion. The start-up of the first Unit, with synchronization with the national electrical grid of the Dominican Republic, is scheduled for the first quarter of 2019. The start-up of the second unit is however scheduled for the second four-month period of 2019. The PAC of both the units is scheduled by the end of 2019, followed by a mechanical warranty period of 12 months.

TEMPA ROSSA (Italy) On April 5, 2012, a temporary consortium (ATI) comprising Tecnimont S.p.A. and KT S.p.A. was awarded a contract for the Engineering, Procurement, Supply, Construction and Commissioning of the "Tempa Rossa" Oil & Gas Treatment Centre located close to Corleto Perticara (Potenza). The client is Total E&P Italia S.p.A., an Italian subsidiary of the Total Group. The project has reached a 97.48% overall state of advancement. The engineering activities have been completed, as has procurement, manufacturing and the delivery of materials on-site (progress of 96.12% - the final supplier documentation is yet to be delivered). Construction of wells GG1, GG2, TR1, TR2, TE1 have been completed and only well PT1 remains to be assembled. The transfer of Care and Custody of the following sites has been completed: Corleto tie-in, of the LPG site and a portion of the Oil Center site, whose commissioning is currently under completion. Overall, construction works on the Tempa Rossa project have reached a 99.56% state of advancement, while Commissioning has reached 93.55% completion.

KIMA (Egypt) The Lump Sum Turn Key contract was acquired on October 30, 2011 from Egyptian Chemical & Fertilizers Industries - KIMA, an Egyptian chemical sector group. The contract involves the construction of a new fertilizer complex for the production of ammonium with a capacity of 1,200 tons per day, and of Urea with a production capacity of 1,575 tons per day and relative services. The plant will be constructed at the existing industrial district in the Assuan region (Northern Egypt). Due to the current political/social situation in Egypt, client operations have slowed significantly for the sourcing of funding for the initiative. The situation was successfully resolved at the end of 2015 with the finalization of credit lines by the client and an increase in Tecnimont's contractual value. In January 2016, recommencement of the project was declared. The engineering and home office activities have substantially concluded, while the site commissioning, begun in February 2016, is 93% complete. The total advancement of the project is 92%. The Provisional Acceptance Certificate (PAC) is expected in August 2019, followed by a 12-month warranty period, on conclusion of which all obligations will be fully discharged and the Final Acceptance Certificate (FAC) issued.

SLUISKIL - YARA (Netherlands) acquired in July 2015 from the client Yara Sluiskil B.V.. The project involves the lump sum turn key construction of a new urea granulation plant with a production capacity of 2,000 tons per day, in addition to a number of related units. The complex will use Yara proprietary technology, enabling production of a special variety of urea, enriched with sulphur. All activities have been completed and the plant has entered into production. The mechanical warranty period of 24 months, currently in progress, shall conclude in 2020.

FERTILIZZANTI IOWA (United States) On September 5, 2012, Tecnimont S.p.A. was awarded a contract for the complete provision of engineering and material procurement services for the construction of a new ammonia plant of 2,200 tons per day (MTPD) capacity in Wever (USA). The scope of works includes Construction Supervision services and commissioning and start-up operations. The client is Iowa Fertilizer Company (IFCo). Engineering is 100% complete, with the physical advancement of the procurement services 100% complete. The total advancement of the project is 100%. The PAC was obtained in September 2017.

HP-LDPE SADARA (Saudi Arabia) On July 23, 2012, Tecnimont S.p.A. and its subsidiary Tecnimont Arabia Limited were awarded a contract for the construction of a 350 KTY HP-LDPE plant (DOW technology) at Al-Jubail, Saudi Arabia. The Client is Sadara Chemical Company, a Joint Venture between Saudi Aramco and Dow Chemical Company. A 28-month lump sum EPC contract until Mechanical Completion (including pre-



commissioning) was agreed. Any assistance to commissioning, start-up and the test run will be provided on a reimbursable basis. Mechanical Completion of the plant was delivered in February 2017.

LDPE MESSICO (Mexico) acquired in December 2012 from Etileno XXI Services B.V.. This concerns an Engineering and Procurement contract for the construction of a low-density polyethylene unit (LDPE), with a capacity of 300 thousand tons per year, at the Etileno XXI petrochemical complex in Coatzacoalcos (MX). The project is 100% complete. The as-builts have been completed and sent to the client, concluding all of Tecnimont's scope of works. HO will provide assistance until conclusion of the warranties (30-6-2019) on certain equipment/items for required modifications (make good). Following these activities, the Final Acceptance Certificate shall be issued.

LDPE NOVY URENGOY (Russia) - acquired in May 2010 from the Operator C.S. Construction Solution (UK) Limited with End Client Novy Urengoy GCC (Gas and Chemical Complex). The contract concerns the provision of materials and assistance by TCM personnel. 27 orders were issued, with 26 finalized and one to be finalized. In addition, instructions from the client for the issue of the new orders are awaited. Following the slowdown of activities on the part of the End Client Novy Urengoy GCC, conclusion of service and supply activities (including the site reconditioning of materials) is scheduled for 2020.

GASCO (United Arab Emirates) under a joint venture with Japan Gas Corporation (JGC), one of the largest gas development projects globally. The project was officially awarded to Tecnimont by the company Abu Dhabi Gas Industries Ltd. (GASCO). Operations were completed as per the project schedule. The home office is engaged only in occasional assistance to Site operations for the works under guarantee. All of the key milestones have been reached (Mechanical Completion and Provisional Acceptance (PAC) both for Phase 1 and Phase 2). The Final Acceptance Certificate (FAC) is expected by the middle of 2019.

BOROUGE 3 (United Arab Emirates) - Two turnkey projects through a Joint Venture with Samsung Engineering Co. Ltd, with Tecnimont as leader with a 55% holding. The Client Borouge is a Joint Venture between Abu Dhabi National Oil Company (ADNOC) and Borealis. The two EPC contracts respectively concern: 2 polypropylene (PP) plant and 2 polyethylene (PE) plant. 1 low density polyethylene plant (LDPE). All plants have started up successfully and production under the End Client has begun. The Provisional Acceptance Certificate (PAC) of the PE/PP Plant was issued by the Client on July 26, 2015. For the LDPE Plant, the PAC was issued on June 17, 2015. The 12-month Mechanical Warranty periods began on these dates and both have been completed. Borouge issued the Final Acceptance Certificates (excluding painting works) for all plant on 16/08/2018. The final certificates concerning completion of the finishing warranty period are expected to be released in July 2020.

LUKOIL - Nizhegorodnefteorgsintez (Russia) October 2017 KT-Kinetics Technology S.p.A received from OOO LUKOIL NIZHEGORODNEFTEORGSIINTEZ two orders. The first for the Detailed Engineering of the HDT and HPU units including Hazop, Sil, 3D Model, supply of Long Lead Items and transport and customs clearance. The contractual value is Euro 105 million. The second for the engineering and supply of Long Lead Items (LLI), on a lump sum basis, for two Sulphur Recovery and HC Gas Fractionation units. The scope of works involves the Detailed Engineering of the SRU and GFU units including Hazop, Sil, 3D Model, supply of Long Lead Items and transport and customs clearance. The contractual value is Euro 28 million. Both projects shall be executed at the Kstovo refinery in Russia. Engineering on the two projects is in progress, while for the first project the LLI procurement has been completed, while under completion for the second. On July 20, 2018, Lukoil signed a contractual amendment concerning the supply of materials and construction activities. With this amendment, the overall contractual value totals approx. Euro 449.2 million. The two projects are at 21.6% completion for the HDT and HPU units and 15.7% for the SRU unit, in line with that scheduled. The contract stipulates Ready for Commissioning for both projects by June 1, 2021.

PETRO RABIGH - EPC PROJECT FOR SULPHUR RECOVERY AND CLEAN FUELS July 2016, KT-Kinetics Technology S.p.A and Tecnimont Arabia Limited were awarded the SRU and Clean Fuel project by Rabigh Refining and Petrochemicals Company (a joint venture between Saudi Aramco and Sumitomo Chemical), to be constructed within the Rabigh Petrochemical Complex in Saudi Arabia. The initial project value is approx. USD 148 million. At the beginning of 2018, the client agreed two C.O.'s for the supply of two SO2 Scrubber packages and for the composition of the Fuel Gas. It regards the EPC development of a new Naphta Hydrotreater unit, with a capacity of 17,000 barrels per day, a new Sulphur Recovery Unit with a capacity of 290 tons per day, in addition to interconnecting works. Mechanical completion, scheduled for the first quarter of 2019, with the new amendment which reset the contractual deadlines, was postponed

to September 17, 2020. Engineering is 99.2% complete. The procurement campaign has concluded, except for the integration of orders from the site and for the laboratory. All local subcontracting construction work has been allocated (this scope does not concern KT but rather a differing Group company). The civil works are under completion, while mechanical works are in progress and the preparatory phases for isolation activities have begun.

BELAYIM PETROLEUM COMPANY (PETROBEL) ZOHR DEVELOPMENT PROJECT - SUPPLY OF MODULAR SULPHUR RECOVERY UNIT May 2016 KT-Kinetics Technology S.p.A received from Belayim Petroleum Company (PETROBEL) the Letter of Award for a project involving the construction of a Sulphur Recovery Unit and a Tail Gas Treatment Unit. Consideration of USD 91 million is on a Lump Sum basis, to which change orders may be added. The project is based on modulated supply. Construction on-site is outside of KT's contract scope. The initial delivery date of 12 months from the Effective Date was brought forward on the client's request, with an acceleration plan on the basis of successfully delivered lots. Engineering activities have concluded. The client has concluded the assembly on-site of the plant for the basic order units; the first sulfur unit was completed by the client in February 2018 and has started-up, while for the second unit (System B) start-up is in progress. The materials for the fourth Claus have been completed on schedule; the SO₂ Scrubber materials were completed according to the contractual deadlines. Both skids have arrived onsite. KT is providing assistance during the construction and commissioning phase and shall do so also during start-up.

GRUPA LOTOS - COKING UNIT AND HYDROGEN GENERATION UNIT (Poland), in July 2015 KT-Kinetics Technology S.p.A was awarded an EPC (Engineering, Procurement and Construction) contract by Lotos Asphalt Sp. z o. o., a subsidiary of Grupa LOTOS SA, for the extension of a refinery unit at their Gdansk, Poland plant as part of the EFRA (Effective Refining) project. Grupa Lotos is one of the largest refinery companies in Poland, engaged in the extraction and processing of oil and the wholesale of refined petroleum products. The total value of the contract is approx. Euro 337.6 million. Mechanical completion is scheduled for the first half of 2019. The contract covers the installation of a delayed coking unit, a coker naphtha hydrotreating unit and a hydrogen production unit (developed using KT proprietary technology), in addition to accessory structures at the Gdansk refinery. In addition, it concerns the use of the best technology available for the unloading and dewatering of coke. This technology is the most innovative available as reducing the environmental impact of the delayed coking process. Tracing and insulation works are in progress. In parallel, pre-commissioning has been completed.

GRUPA LOTOS - HYDROWAX VACUUM DISTILLATION UNIT (Poland), also at the end of October 2015, KT received from Grupa Lotos an order (EPC Lump Sum) for the construction of a "HYDROWAX VACUUM DISTILLATION" plant, to be integrated into the Gdansk refinery in Poland. The project involves the construction of the HVDU - Hydrowax Vacuum Distillation Unit (licensed by ThyssenKrupp Uhde Engineering Services) and is part of the extension of the refinery involving the construction of other units and facilities. The contract value is Euro 36.2 million. The award is part of the above-stated EFRA (Effective Refining) investment program to optimize refinery production efficiency. Provisional Acceptance was received in May. Punch list activities agreed with the client have been completed.

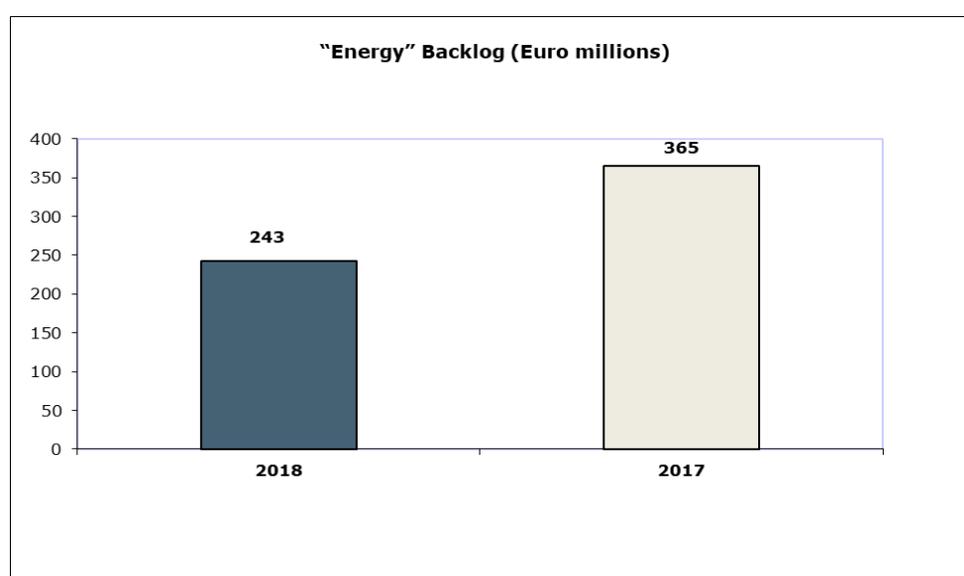
Other projects: all actions necessary on projects under completion and other minor engineering and services contracts are being taken.



ANALYSIS OF THE “INFRASTRUCTURE AND CIVIL ENGINEERING” BUSINESS UNIT BACKLOG

December 31, 2018 compared with the previous year is as follows:

(In Euro thousands)	Backlog at 31.12.2018	Backlog at 31.12.2017	Change December 2018 vs December 2017	
			Total	%
Infrastructure & Civil Engineering	242,561	365,109	(122,547)	(33.6%)



The Infrastructure and Civil Engineering Backlog at December 31, 2018 amounts to Euro 242.6 million, decreasing on the previous year Euro 122.6 million.

PROJECTS IN PROGRESS:

RENEWABLE ENERGY PROJECTS:

Amistad, Wind Plant (Mexico), acquired in 2016 and under completion on behalf of a leading international utility company. The project, concerning the construction of the Amistad wind park, one of the largest in the country with an installed capacity of 200 MW, comprises three parts: the execution of civil works, with the delivery of the park access roadway, the internal roadways, the foundations and the platforms for the installation of 57 turbines and the medium-tension underground network; execution of electromechanical works, with detailed design, supply, installation, testing and entry into service of 5 high-tension electricity lines, 2 power stations and 4 collateral electricity stations; execution of civil works for the first extension of the Amistad wind park, with the construction of the foundations and the platforms for an additional 29 turbines, of the internal park roadways and of the medium-tension aerial network. The overall physical advancement is approx. 90% complete.

RAIL PROJECTS:

Etihad Railway Project - (Ruwais, UAE), the contract was acquired in October 2011 in consortium with Saipem SpA and Dodsal Engineering and Construction Pte. The client is Etihad Rail Company, the developer and operator of the United Arab Emirate national rail system. The project for the construction of a rail line connecting Ruwais/Habshan (section 1) and Habshan/Shah (section 2) for the transport of sulphur has been completed. The trains are operative and the transfer of sulphur has begun. The warranty period is 24 months. The negotiations with the client for the recognition of the claims presented are coming to a conclusion and for which a portion has already been recognized to the financial statements, in the amount for which recognition by the client is considered highly probable.

Fiumetorto Railway line doubling - (Cefalù, Italy) - acquired in September 2005, the contract concerns the doubling of the rail line between Fiumetorto and Ogliastrillo and is under execution on behalf of Rete Ferroviaria Italiana S.p.A.. In the first quarter of 2017, in accordance with the dates agreed with the client, works on the tunnel platforms also began and therefore the rail works were substantially completed. On 17/12/2017, the entire line entered into use. Taking account also of the additional changes requested by the client, a further contractual deadline extension application was presented. Part of the reserves presented to date and considered of highly probable recognition and reliably valued also on the basis of the opinion of our legal representatives, in addition to technical opinions where considered appropriate, have already been recognized to the financial statements. The overall advancement is more than 95% complete.

METRO PROJECTS:

Turin Metro - System Works (Turin, Italy). In February 2013, through TRANSFIMA GEIE (Neosia S.p.A. - Siemens S.a.s.), the framework contract for systemic technological works for extension of the Lingotto - Benghazi line and the relative Addendums were agreed, the last of which in April 2015. The activities concern the design, construction, Management and Works Oversight of the Turin Metro (VAL208 System) for the fourth functional section - Southern extension from Lingotto station to Bengasi station. The works, in summary, may be grouped into the following categories: Fitting out of tracks; Low Current operations (sound diffusion systems, TVCC, intercoms, telephones, video information); Platform frontage with integrated inter-platform coverings; Automatic station and line control system; Installation of Command and Control Post; Supply of spare parts; Engineering services; Training and assistance for entry into service; Integration and testing of systems. Delivery of the Lingotto - Bengasi section to the contracting station is scheduled for April 2020, with entry into use at the end of June of the same year. A new five-year contract running from April 2018 was signed for the technical assistance and maintenance of Line 1. This new contract covers all previously existing activities (technical assistance and level 3 maintenance of the technological components at line 1 of the Turin Metro, Collegno - Lingotto section) in addition to maintenance, Levels 1 and 2, of the IT network and the resolution of a number of obsolescence issues. As part however of the development of the Fermi-Cascine Vica section extension, the contract for the executive design of the civil works by Neosia SpA for the Fermi-Collegno section was completed. In September, the contract for the design of the Collegno Centro - Cascine Vica section was signed.

Turin Metro - Line 2 Engineering (Turin, Italy). Acquired in December 2017 in consortium with leading engineering enterprises, the contract involves the preliminary engineering of Line 2 on the Turin Metro and the drafting of a feasibility study for its extension. The client is the Municipality of Turin. Following a series of contractual addendums, conclusion of activities is scheduled for September 30, 2019.

Istanbul Metro - Design (Istanbul, Turkey). Acquired in May 2016, the activities concern the definitive engineering and preparation of the tender documentation of the Istinye- Itu- Kağıthane Metropolitan Line, which will extend for 12 KM and includes 7 stations. The client is the municipal company İSTANBUL BÜYÜKŞEHİR BELEDİYESİ. Following four extensions to the contractual deadlines, on the basis of numerous amendment requests from the client, in 2018 negotiations for the recognition of higher fees formally began. On August 7, the Client communicated termination of the contract and activities were interrupted. The company therefore initiated a legal dispute against the Municipality of Istanbul.

Gaziantep Metropolitan - Design (Gaziantep, Turkey). Acquired in August 2017, the contract concerns the preliminary and executive engineering of the Gar-Gaun Metropolitan Line over a distance of 15 km and 11 stations. The client is the municipal "company" GAZİANTEP BÜYÜKŞEHİR BELEDİYESİ. On December 18,



2018, the Client notified the company of its wish to terminate the contract, as construction of the metro line is currently suspended due to a lack of funding. Legal proceedings were also initiated in this case.

Rome Metro - Extension line B1 - (Rome, Italy), The contract is currently under execution on behalf of Roma Metropolitane (Municipality of Rome) by a consortium comprising Salini-Impregilo S.p.A., Neosia S.p.A. and ICOP S.p.A.. In relation to the contract for the Bologna - Conca d'Oro line, the test report was issued in February 2013. With regard however to the additional Conca D'Oro - Jonio extension, with the exception of some minor actions concerning access and external works, works have been completed. Both sections are in commercial operation. The procedure initiated before the Ordinary Court continued for recognition of the reserves requested under Article 240.

CIVIL AND INDUSTRIAL PROJECTS:

Alba-Brà Hospital (Verduno, Italy) - acquired in November 2015 under a “construction and management” contract signed with ASL CN2. The initiative is headed by the project company MGR Verduno S.p.A. (Neosia 96% and Gesto 4%). In February 2017, addendum No. 3 was agreed, which set out the public contribution and the review of the Economic and Finance Plan, establishing in addition the new deadline for completion of works and initiation of the management phase. In 2018, the company submitted to the ASL a deadline extension request, substantially due to the absence of contracts for some changes stipulated in Deed 3 but without authorization completion, the request from the ASL for changes subsequent to the signing of Supplementary Agreement 4 and the critical issues emerging in the contract with the contractor. On these items, the ASL, although not approving a formal extension, demonstrated its availability to its granting; in relation to the new extension, negotiations are in progress with the ASL to draw up Supplementary Agreement 5 to finalize the signing of contracts for the additional changes approved by the conference of services and the new works completion date of March 20, 2019. The structural works were completed and the plant works and internal fitting out continues. The works have reached slightly over 90% completion.

Avio Plant - (Colleferro, Italy) - contract signed in August 2015 with the client Avio S.p.A.. The project involves the design and construction of the Vega and Ariane 6 carbon fiber modules production plant extension. Works have substantially been completed in accordance with the contractual deadlines. Some of the residual activities are under completion. In July, the EPC Turn-Key contract was signed for the construction of an industrial facility (Building 4026) in Colleferro for “motor expansion”.

REAL ESTATE INITIATIVES:

“Birillo” University Complex - (Florence, Italy); a project financing scheme by the University of Florence undertaken by the subsidiary Birillo 2007 Scarl, it was necessary, in accordance with the agreement, to initiate in August 2011 an arbitration procedure to rebalance the financial terms of the initiative. In 2016, the parties sought to reach an amicable settlement of the disputed matters and set out solutions to complete the initiative. The structure elevation works have been completed and the sampling works on the frontage has begun. In July, a preliminary management contract was signed with Campus X and completion of works is expected by summer 2019.

7. Group balance sheet and financial position

The Maire Tecnimont Group key balance sheet highlights at December 31, 2018 and December 31, 2017 were as follows:

Maire Tecnimont Condensed Consolidated Balance Sheet <i>(In Euro thousands)</i>	December 31, 2018	December 31, 2017	Change
Non-current assets	569,243	500,401	68,842
Inventories/Advances to Suppliers	345,113	258,967	86,146
Contractual Assets	1,515,979	1,264,178	251,801
Trade receivables	425,768	481,342	(55,575)
Cash and cash equivalents	650,008	630,868	19,140
Other current assets	243,872	263,820	(19,948)
Current assets	3,180,740	2,899,175	281,565
Assets held for sale, net of eliminations	0	0	0
Total assets	3,749,983	3,399,576	350,407
Group shareholders' equity	309,612	261,953	47,659
Minorities Shareholders' Equity	33,021	21,817	11,205
Financial debt - non-current portion	206,410	324,602	(118,191)
Other non-current financial liabilities	202,634	39,719	162,915
Other non-current liabilities	190,692	184,332	6,360
Non-current liabilities	599,736	548,652	51,084
Short-term debt	195,911	103,943	91,968
Other financial liabilities	330	79,911	(79,581)
Client advance payments	637,837	573,783	64,054
Contractual Liabilities	335,598	408,561	(72,963)
Trade payables	1,478,301	1,282,309	195,992
Other current liabilities	159,637	118,649	40,987
Current liabilities	2,807,614	2,567,154	240,460
Liabilities held for sale, net of eliminations	0	0	0
Total Shareholders' Equity and Liabilities	3,749,983	3,399,576	350,407

Total "Non-current assets" increased on the previous year, principally due to intangible assets; this increase mainly follows the introduction of IFRS 15 and consequently the new "Contractual costs" account and the value associated with the right to use innovative technology for the coating of urea for fertilizer use, obtained following the acquisition of 50.1% of the share capital of U-CoatfromBio-on S.p.A. by the Maire Group. Further increases in deferred tax assets were recorded from the application of the new standards IFRS 15 & IFRS 9; and of receivables regarding amounts held by clients for the successful outcome of works in progress.

"Current assets" also increased on the previous year and whose main changes were as follows.

Inventories/Advances to Suppliers, amounting to Euro 345,113 thousand, principally refer to the advances paid to foreign and Italian suppliers and sub-contractors against materials shipped for the construction of plant and work in progress. The increase in the payments on account to suppliers is a direct consequence of the advancement of the projects acquired in the previous year and for which significant numbers of principal equipment orders were made, with the consequent recognition of financial advances on supplies.



“Contract Assets” are the net positive amount, by individual order, resulting from the difference between progressive production or the amount of works-in-progress recorded according to the percentage of completion net of losses realized or estimated at the reporting date and invoicing on account relating to the advancement of works. The net increase of Euro 251,801 thousand substantially concerns continued production volume growth in 2018, which exceeded that in the previous year and invoicing in the period, in addition to the general working capital movements on the main orders, influenced by their particular contractual terms.

Trade receivables at December 31, 2018 amount to Euro 425,768 thousand with a total decrease compared to December 31, 2017 of Euro 55,575 thousand. The decrease in trade receivables is due to the contractual terms of the main orders; increased invoicing is expected in subsequent months.

Cash and cash equivalents at December 31, 2018 amount to Euro 650,008 thousand, an increase of Euro 19,139 thousand compared to December 31, 2017.

The main cash flow movements are reported below:

Statement of Cash Flows <i>(In Euro thousands)</i>	December 31, 2018	December 31, 2017	Change
Cash and cash equivalents at beginning of the year (A)	630,868	497,138	133,730
Cash flow from operating activities (B)	(23,607)	208,535	(232,143)
Cash flow from investing activities (C)	(13,523)	(19,865)	6,342
Cash flow from financing activities (D)	56,271	(54,939)	111,210
Increase/(Decrease) in cash and cash equivalents (B+C+D)	19,140	133,731	(114,590)
Cash and cash equivalents at end of the year (A+B+C+D)	650,008	630,869	19,139
<i>of which: Cash and cash equivalents of Discontinued Operations</i>	0	0	0
Cash and cash equivalents at end of the year reported in financial statements	650,008	630,869	19,139

Cash of Euro 23,607 thousand was absorbed by operating activities, as reflecting the expected working capital changes relating to the normal execution of projects which, during the full execution phase, absorb cash, while partially offset by new recently acquired contracts. Cash flows from operating activities include also income tax payments, which in 2018 totaled Euro 60,005 thousand.

Investing activities absorbed cash for Euro 13,523 thousand, mainly due to the costs incurred for the installation of software and other applications, license development and new technology, in addition to capex as a result of the overall growth of the Group and for investments in the Volgafert LLC joint venture, set up together with PJSC KuibyshevAzot, for the development, construction, financing, maintenance and management of a new urea plant in Togliatti, Samara region, Russian Federation.

Financing activities generated overall cash of Euro 56,271 thousand, principally due to the utilization of factoring operations for the working capital management of certain projects and current account overdrafts, and financial income related to the settlement of the residual portions of the cash-settled Total Return Equity Swap (TRES) derivative instruments. In addition, during the period Euro 10 million was repaid as per the repayment plan for the original Euro 350 million loan undertaken by the subsidiary Tecnimont S.p.A.; an additional Euro 165 million was thereafter repaid following the issue on May 3 of a non-convertible bond for a similar amount by Maire Tecnimont S.p.A. and in July 2018, in completion of the funding diversification and Group medium/long-term debt optimization project, the subsidiary Tecnimont S.p.A. agreed a new medium/long-term cash loan contract for a total amount of Euro 285 million. The operation stipulates the issue of a new medium/long-term cash credit line for Euro 185 million, with Euro 175 million allocated for the full repayment of the residual part of the original Euro 350 million loan

undertaken by Tecnimont and Euro 10 million to top up the original loan, in addition to the increase of the "Revolving Facility" credit line issued in favor of Tecnimont from Euro 50 million to Euro 100 million.

These effects were partially offset by the payment of the dividend approved by the Shareholders' Meeting of Euro 42,064 thousand and by the residual purchases of treasury shares for approx. Euro 27.7 million, in addition to interest paid in 2018.

The Net Financial Position is outlined in the following table:

NET FINANCIAL POSITION <i>(In Euro thousands)</i>	Note (*)	December 31, 2018	December 31, 2017	Change
Short-term debt	28.24	195,911	103,943	91,968
Other current financial liabilities	28.28	330	79,911	(79,581)
Financial instruments - Current derivatives	28.27	25,493	9,876	15,617
Financial debt - non-current portion	28.18	206,410	324,602	(118,191)
Financial instruments - Non-current derivatives	28.22	6,139	249	5,890
Other non-current financial liabilities	28.23	202,634	39,719	162,915
Total debt		636,916	558,299	78,617
Cash and cash equivalents	28.16	(650,008)	(630,868)	(19,140)
Other current financial assets	28.14	(6,351)	(5,356)	(995)
Financial instruments - Current derivatives	28.13	(7,071)	(19,976)	12,905
Financial instruments - Non-current derivatives	28.05	(1,084)	(1,222)	138
Other non-current financial assets	28.06	(13,761)	(8,920)	(4,841)
Total cash and cash equivalents		(678,276)	(666,341)	(11,934)
Other financial liabilities of discontinued operations		0	0	0
Other financial assets of discontinued operations		0	0	0
Net financial position		(41,359)	(108,042)	66,683
"Project Financing - Non-Recourse" financial payables - Alba-Brà Hospital Initiative'	28.18-28.24	(36,270)	0	(36,270)
Other non-current assets - Expected repayments	28.7	(16,245)	0	(16,245)
Adjusted Net Financial Position		(93,874)	(108,042)	14,168

(*) The notes refer to the paragraphs of the Explanatory Notes to the consolidated financial statements where the respective accounts are analyzed in detail.

As the Net Financial Position is not governed by the Group's accounting standards, the Group calculation criteria may not be uniform with those adopted by other groups and, therefore, may not be comparable.

The adjusted net financial position at December 31, 2018 was a Net Cash position of Euro 93.9 million, reducing slightly on December 31, 2017, although altering in composition.

Cash and cash equivalents at December 31, 2018 amount to Euro 650,008 thousand, an increase of Euro 19,140 thousand compared to December 31, 2017.

Against the increase in cash and cash equivalents as already reported, the gross debt also rose following an increase in short-term debt due to factoring operations for the working capital management of a number of projects and increases in current account overdrafts for the utilization of short-term cash flow management credit lines, including the increase in the "Revolving Facility" credit line issued in favor of Tecnimont from Euro 50 million to Euro 100 million.

The decrease in the mark to market of derivative instruments also impacted the financial position for Euro 34,549 thousand, principally concerning derivative instruments hedging order revenue and cost fluctuations, including raw materials, mainly as a result of the performance of the Dollar against the Euro compared to December 31, 2018.

The "Project Financing - Non-Recourse" financial payables account concerns the loan obtained in 2018 by the project company MGR Verduno S.p.A., engaged in the "Alba-Bra Hospital concession" construction and management contract agreed with ASL CN2. This is a no-recourse financial payable, i.e. for the financing of Concession sector initiatives not guaranteed by the parent company, but rather by cash flows from such



initiatives of the Vehicle company during the infrastructure construction and management period. For this reason, it was excluded from the calculation of the adjusted net financial position.

Financial payables, net of the current portion, amount to Euro 206,410 thousand, reducing Euro 118,191 thousand on December 31, 2017, principally following the settlement of the original Euro 350 million loan of the subsidiary Tecnimont S.p.A.. In March 2018, a portion of Euro 10 million was in fact repaid as per the repayment plan; an additional Euro 165 million was subsequently repaid following the issue on May 3 of a non-convertible bond loan of a similar amount by Maire Tecnimont S.p.A..

In July 2018, in completion of the funding diversification and restructuring of the Group medium/long-term debt, the subsidiary Tecnimont S.p.A. agreed a new medium/long-term cash loan for a total amount of Euro 285 million. The operation stipulates the issue of a new medium/long-term cash credit line for Euro 185 million, with Euro 175 million allocated for the full repayment of the residual part of the original Euro 350 million loan undertaken by Tecnimont and Euro 10 million to top up the original loan, in addition to the increase of the “Revolving Facility” credit line issued in favor of Tecnimont from Euro 50 million to Euro 100 million. The New Loan Contract has enabled a reduction in the applicable medium/long-term Group debt margin from 1.95% to 1.70%, extending the maturity from March 2022 to June 30, 2023 and reviewing the repayment plan.

Financial payables net of the current portion therefore comprise for Euro 176,940 thousand the new medium/long-term loan of a nominal Euro 185 million, and for the residual of Euro 29,470 thousand concern the long-term portion of the new Project financing- Non Recourse loan from the banking syndicate comprising IMI, BPER, Intesa Sanpaolo, to the project company MGR Verduno S.p.A. involved in the “Alba-Bra Hospital concession” initiative.

Short-term financial payables amount to Euro 195,911 thousand, increasing Euro 91,968 thousand on December 31, 2017, principally due to increases in current account overdrafts relating to the use of credit lines to manage current commercial requirements and other short-term loans, in addition to the reclassification to short-term of the Credito Valtellinese and Banca Popolare di Milano loans and the increase in the “Revolving Facility” credit line previously issued in favor of Tecnimont, from Euro 50 million to Euro 100 million.

Other non-current financial liabilities includes for Euro 39,767 thousand non-convertible bonds, net of accessory charges, subscribed in 2017 through private placement by the Pan-European Fund and Export Development Fund (created by SACE), both managed by Amundi group companies and for Euro 162,866 thousand the Non-convertible bond loan totaling Euro 165 million, net of the relative accessory charges, issued in 2018.

In this regard, we report the following:

On May 3, 2018, Maire Tecnimont issued 165,000 Non-Convertible Bonds at a price equal to 100% of the nominal value, and with a unitary minimum value of Euro 1,000 (thousand), for a total of Euro 165 million. The Bond interest rate is 2.625% annually, with interest paid on a deferred basis on April 30 and October 31 of each year, from October 31, 2018. The Bonds shall be settled at the nominal value on April 30, 2024 where not previously settled or cancelled. The Bond Loan is part of a project to diversify funding and optimize the medium/long-term debt in order to align its structure with the altered financial needs of the Maire Tecnimont Group.

Other current financial liabilities of Euro 330 thousand do not relate to bank debt but rather loans received from consortium companies. The decrease in “Other current financial liabilities” is due to the settlement of the “€80 million 5.75 per cent. Unsecured Equity- Linked Bonds due 2019”.

In this regard, we report the following:

On January 25, 2018 - the Board of Directors of Maire Tecnimont approved the exercise of the advance repayment option in cash, at nominal value, of the equity-linked bond; on March 6, 2018 - Maire Tecnimont announced that - against the nominal value of the Loan at January 25, 2018 of Euro 79,900,000, for 799 bonds (the “Bonds”) still in circulation and listed on the Dritter Markt (Third Market) Multilateral Trading Facility organized and managed by the Vienna Stock Exchange - it had received, by the deadline of February 28, 2018, conversion requests from bondholders for a nominal value of Euro 79,800,000, corresponding to a total of 798 Bonds, at the conversion price of Euro 2,0964. The conversion requests were satisfied through delivery to entitled parties of a total 38,065,232 ordinary Maire Tecnimont shares, with full rights, of which 14,952,300 treasury shares of the company from the buy-back program to service the conversion of the Loan which commenced on September 25, 2017, and 23,112,932 newly-issued shares from a paid-in share

capital increase to service the Loan, approved by the Extraordinary Shareholders' Meeting of the company of April 30, 2014. The 1 Bond of a nominal value of Euro 100,000.00, for which a conversion request was not presented by the final deadline of February 28, 2018, was repaid in cash at the above nominal value, in addition to interest matured, according to that set out in the Bond Regulation, with value date of March 7, 2018.

Group Shareholders' equity at December 31, 2018 amounts to Euro 309,612 thousand, a net increase of Euro 47,659 thousand compared to December 31, 2017 (Euro 261,953 thousand). Total consolidated Shareholders' Equity, considering minority interests, at December 31, 2018 amounts to Euro 342,633 thousand, an increase of Euro 58,863 thousand compared to December 31, 2017. This increase is also due to the change in minority interest equity including the result for the year and the change in the consolidation scope.

The increase in Group Shareholders' Equity is principally due to net income for the year, together with the increases related to the share capital increase and the reduction in the treasury shares reserve in service of the equity-linked bond loan conversion requests, which were satisfied through the assignment to entitled parties of 14,952,300 treasury shares of the company from the buy-back program to service the conversion of the Loan which commenced on September 25, 2017, and 23,112,932 newly-issued shares from a paid-in share capital increase to service the Loan, approved by the Extraordinary Shareholders' Meeting of the Company of April 30, 2014.

The main decreases in Group Shareholders' Equity related to the payment of the dividend approved by the Shareholders' AGM of Euro 42,064 thousand, of the Cash Flow Hedge reserve of derivative hedging instruments, essentially against decreases in the mark to market of order revenue and cost fluctuations, net of the relative tax effect, the translation reserve for financial statements in foreign currencies and for approx. Euro 28.8 million the application of the new accounting standards IFRS 15 & IFRS 9.

They concern contractual advances from clients on the signing of construction contracts. Client advance payments at December 31, 2018 were Euro 637,837 thousand, increasing Euro 64,054 thousand on December 31, 2017, principally following the receipt of additional advances in relation to the new orders acquired from the Socar refinery in Azerbaijan, the Omsk Refinery and JG Summit Petrochemical Corporation in the Philippines, Bourouge PP5, Hmel, Zcina Sonatrach and Lukoil, which exceeded the reabsorption, through invoicing on account, of advances received in preceding years.

"Contract liabilities" are the net negative amount, by individual order, resulting from the difference between progressive production or the amount of works-in-progress recorded according to the percentage of completion net of losses realized or estimated at the reporting date and invoicing on account relating to the advancement of works. The decrease in the net value of construction contract liabilities, amounting to Euro 72,963 thousand, relates to the advancement of the projects and their contractual terms, against which the value of works carried out in the period was higher than the invoicing on account following a substantial increase in production volumes in the year.

Trade payables at December 31, 2018 amount to Euro 1,478,301 thousand, an increase of Euro 195,995 thousand compared to December 31, 2017. The account includes also accruals at period-end for invoices to be received. This increase relates to the development of projects which have entered into a phase of intense production and the increase in production volumes. In fact, despite reduced material purchases, service costs increased significantly, as for the main orders acquired procurement has been completed and the materials delivered, while intense construction is ongoing.

ALTERNATIVE PERFORMANCE INDICATORS

In compliance with CONSOB Communication No. 0092543 of December 3, 2015, indications are provided below in relation to the composition of the performance indicators utilized in the financial communications of the Tecnimont Group.

NET FINANCIAL POSITION the Group considers the net financial position as an indicator of the capacity to meet financial obligations, represented by the Gross Financial Debt less Cash and Other Cash Equivalents and Other Financial Assets. This Directors' Report includes a table presenting the balance sheet utilized for the calculation of the Group's net financial position.



In order to best represent the real movements in the net financial position, in addition to the usual indicator, the “adjusted net financial position” is also presented, which excludes the effects of the “Project Financing - Non-Recourse” payable of the project company MGR Verduno S.p.A. involved in the “Alba-Bra Hospital concession” initiative. This financial payable is not guaranteed by the parent company, but only by the cash flows stemming from the development of these initiatives. The “adjusted net financial position” in addition includes the value of the assets related to the compensation for the events in India on the basis of the opinion of the legal experts and the insurance coverage provided by leading insurers, undertaken to protect against such events.

The net financial position is the sum of the following accounts:

Total Debt, which is a sum of the following accounts:

- a. Medium/long-term and short-term payables inclusive of bank overdrafts, factoring payables and loans
- b. Other current and non-current financial liabilities, including outstanding Bond loans
- c. Current and non-current derivative financial instruments

Total Liquidity, which is the sum of the following accounts:

- a. Liquidity
- b. Current financial assets, including financial receivables from associates, Group companies and others, including accrued financial income
- c. Non-current financial assets, including financial receivables from associates, Group companies and others, including the value of investments in non-consolidated companies and other companies, without including those considered as strategic in Siluria Technologies Inc and Pursell Agri-Tech, LLC.
- d. current and non-current derivative financial instruments

Net financial position adjustments:

Non-inclusion of Project Financing - Non-Recourse” and inclusion of assets related to the compensation of the events in India, as outlined above.

RELATED PARTY TRANSACTIONS MAIRE TECNIMONT GROUP

All related party transactions have been conducted at market conditions. At December 31, 2018 the company’s receivables/payables (including financial) and cost/revenue transactions with related parties for the period are presented in the tables below.

31/12/2018 (in Euro thousands)	Trade Receivables	Trade Payables	Costs	Revenues
G.L.V. Capital S.p.A	0	(72)	(576)	0
Maire Investments Group	4	(161)	(425)	3
Total	4	(233)	(1,001)	3

In particular, payable contracts refer to the lease of office buildings from Group companies, the use of the “Maire” trademark and other minor recharges from the parent G.L.V. Capital S.p.A. and from transactions with the Maire Investments Group, a company owned by the majority shareholder of Maire Tecnimont S.p.A., for the lease of office buildings and the lease of premises within the research center concerning the collaboration with La Sapienza University. The residual payable and receivable contracts relate respectively to administrative services, facility management and the purchase of flight time used by the Group.

Transactions with other non-consolidated and/or associated Group companies are purely commercial and relate to specific activities linked to contracts; in addition, certain consortiums, having substantially concluded operations, are in liquidation:

31/12/2018 (in Euro thousands)	Trade Receivables	Trade Payables	Financial Receivables	Financial Payables	Costs	Revenues
MCM servizi Roma S.c.a.r.l. in liquidation	0	(95)	0	0	0	0
Studio Geotecnico Italiano S.r.l.	0	(493)	0	0	(1,009)	0
Villaggio Olimpico MOI S.c.a.r.l. in liquidation	0	(4)	69	0	0	0
Desimont Contracting Nigeria Limited	1,544	0	0	(371)	0	0
Biolevano S.r.l.	70	0	0	0	0	2,296
Nextchem S.r.l. (previously Processi Innovativi S.r.l.)	152	(664)	0	0	(390)	65
BIO P S.r.l.	7	(66)	18	0	(137)	13
TCM KTR LLP	13	0	213	0	0	8
Exportadora de Ingenieria y Servicios Tcm Spa	0	0	0	(67)	0	0
Volgafert LLC	1,133	0	0	0	0	1,133
Total	2,919	(1,322)	300	(438)	(1,536)	3,515

Remuneration of Directors, Statutory Auditors and Senior Executives is outlined below:

31/12/2018 (in Euro thousands)	Remuneration
Directors	7,104
Statutory Auditors	281
Total	7,385

The remuneration concerns emoluments and all other payments, pension-related or social security deriving from the role of Director or Statutory Auditor in Maire Tecnimont S.p.A. and the other companies within the consolidation scope.

The remuneration of Directors and Statutory Auditors and Senior Executives, appears in the 2018 Corporate Governance and Ownership Structure Report and the 2018 Remuneration Report, both available on the company website at www.mairetecnimont.it in the "Governance" section.

RELATED PARTY TRANSACTIONS MAIRE TECNIMONT S.P.A.

In view of the transactions carried out by Maire Tecnimont in 2018, related parties principally concern:

- from group and associated companies (Tecnimont S.p.A., KT-Kinetics Technology S.p.A., Neosia S.p.A., Neosia Renewables S.p.A., M.S.T S.r.l., Stamicarbon B.V., MET Gas Processing Technologies S.p.A., Met Development S.p.A., Cefalù S.c.a.r.l.; TCM do Brasil, TCM Russia, TPI, M.E France, TCM-KT JV S.r.l, Met T&S Limited, Tecnimont USA Inc. Tecnimont Arabia Ltd);
- from the parent company G.L.V Capital S.p.A. and from the consolidation scope of Maire Investments S.p.A.

Specifically, payable contracts refer to the lease of office buildings used by the company, in particular the offices in Piazza Flamingo (Rome), the use of the "Maire" trademark and other minor recharges (transactions with GLV Capital S.p.A.); the transactions with the Maire Investments Group relate to costs for rental of the premises at via di Vanning (Rome) in relation to the partnership agreement with the Sapienza University. The residual payable and receivable contracts relate respectively to administrative services, facility management and the purchase of flight time used by Maire Tecnimont.

Maire Tecnimont structurally benefitted from services provided by Tecnimont S.p.A, specifically the availability of office spaces, in addition to the provision of other related services (general services, facilities, security, equipment) and other AFC services from the subsidiary KT.



The balance takes account also of the effect of Tecnimont S.p.A. inter-company payables assumed as part of the wider recapitalization of the company through the subsequent waiver by Maire Tecnimont S.p.A. of the relative receivables in 2013 (TCM France Sa, TPI).

The loan contract payables refer to loans received (Tecnimont S.p.A., Stamicarbon S.P.A.), in addition to the financial payables balance, again in this case taking account also of the effect of the assumption of Tecnimont S.p.A. inter-company financial payables in 2013 (M.E France). All loans are interest-bearing at market rates.

Commercial contract receivables principally concern services provided by Maire Tecnimont S.p.A. in favor of the subsidiaries (Tecnimont S.p.A., KT-Kinetics Technology S.p.A. Neosia S.p.A., METGas Processing Technologies S.p.A., Met Development S.p.A.), the administrative/tax/legal service (Tecnimont S.p.A., MET Gas Processing Technologies S.p.A, Met Development S.p.A.) and the recharge of a number of costs incurred on behalf of the subsidiaries (Stamicarbon B.V., Met Newen Mexico S.A. de C.V).

Financial contract receivables concern the loans granted to the subsidiaries (Neosia S.p.A., TCM do Brasil, METGas Processing Technologies S.p.A.) for the management of their operating activities. All loans are interest-bearing at market rates.

The balance of current account payables and receivables arose under the cash pooling agreement adopted in 2018 by Maire Tecnimont S.p.A., to which a number of Group companies subscribed (Tecnimont S.p.A., KT-Kinetics Technology S.p.A., Neosia S.p.A., MET Gas Processing Technologies S.p.A., Met Development S.p.A, TCM-KT JV S.r.l.). The cash pooling payables and receivables mature interest in line with market rates.

The residual balances are payables arising under the tax consolidation agreement (Tecnimont S.p.A., KT-Kinetics Technology S.p.A., Neosia S.p.A., MET Gas Processing Technologies S.p.A., M.S.T S.r.l., Met Development S.p.A.), and payables and receivables arising following the VAT consolidation (M.S.T S.r.l., Neosia S.p.A., Tecnimont S.p.A., MET Gas Processing Technologies S.p.A., Met Development S.p.A., Cefalù S.c.a r.l).

All related party transactions have been conducted at market conditions.

The Company's receivables/payables and cost/revenue transactions with related parties for the year are presented in the tables below.

(in Euro thousands) 2018	Trade Receivables	Trade Payables	Financial Receivables	Financial Payables	Receivables (Payables) for VAT consol.	Receivables (Payables) for tax consol.	Receivables (Payables) for cash pooling	Revenues	Costs	Financial income	Financial expenses
Tecnimont S.p.A.	15,746	(8,309)	0	(124,900)	(1,043)	24,702	53,079	28,122	(3,986)	786	(5,266)
KT S.p.A.	1,179	(485)	0	0	0	5,694	(91,219)	4,528	(321)	2	(198)
Neosia S.p.A.	1,623	(3)	27,310	0	1,031	(2,822)	14,394	572	0	1,595	(3)
Neosia Renewables S.p.A.	34	0	33,886	0	0	0	0	0	0	34	0
Stamicarbon B.V.	350	(245)	0	(17,300)	0	0	0	249	0	0	(245)
Met Gas Processing Technologies S.p.A.	(21)	0	3,200	0	(365)	(301)	2,809	21	0	85	0
G.L.V Capital S.p.A.	0	0	0	0	0	0	0	0	(576)	0	0
Mdg Real Estate S.r.l.	0	0	0	0	0	0	0	0	(15)	0	0
MST S.r.l	0	(60)	0	0	(432)	617	0	0	(137)	0	0
Met Development S.p.A.	(28)	(5)	0	0	(29)	(298)	601	40	0	1	(5)
TCM Russia	55	0	0	0	0	0	0	6	0	0	0
TPI	45	(795)	0	0	0	0	0	5	0	0	0
TCM France	0	(678)	0	0	0	0	0	0	0	0	0
ME France	0	(3)	0	(129)	0	0	0	0	0	0	(4)
MET T&S LIMITED	295	0	0	0	0	0	0	7	0	9	0

(in Euro thousands) 2018	Trade Receivables	Trade Payables	Financial Receivables	Financial Payables	Receivables (Payables) for VAT consol.	Receivables (Payables) for tax consol.	Receivables (Payables) for cash pooling	Revenues	Costs	Financial income	Financial expenses
Cefalù S.c.a.r.l.	0	0	0	0	113	0	0	0	0	0	0
Tecnimont Private Limited	1,687	0	0	0	0	0	0	24	0	0	0
TCM Do Brasil	13	0	0	0	0	0	0	5	0	0	0
Tecnimont Cile	13	0	0	0	0	0	0	5	0	0	0
Tecnimont México	3	0	0	0	0	0	0	5	0	0	0
Tecnimont USA Inc.	4	0	0	0	0	0	0	5	0	0	0
Tecnimont Arabia Ltd	13	0	0	0	0	0	0	5	0	0	0
TecnimontHQC Sdn. Bhd.	13	0	0	0	0	0	0	5	0	0	0
Met Newen Mexico S.A. de C.V.	248	0	0	0	0	0	0	110	0	0	0
Biolevano S.r.l.	0	0	0	0	0	0	0	9	0	0	0
Cosorzio Turbigo 800	0	0	0	0	0	0	0	1	0	0	0
Nextchem S.r.l. (previously Processi Innovativi S.r.l.)	19	0	0	0	0	0	0	0	0	0	0
TCM-KT JV S.r.l.	0	(108)		0	0	0	(62,583)	0	0	0	(108)
Total	21,287	(10,690)	64,395	(142,329)	(724)	27,593	(82,919)	33,725	(5,035)	2,512	(5,829)

Remuneration of Directors, Statutory Auditors and Senior Executives is outlined below:

31/12/2018 (in Euro thousands)	Remuneration
Directors	7,106
Statutory Auditors	200
Total	7,306

The remuneration concerns emoluments and all other payments, pension-related or social security deriving from the role of Director or Statutory Auditor in Maire Tecnimont S.p.A..

The remuneration of Directors and Statutory Auditors and Senior Executives, appears in the 2018 Corporate Governance and Ownership Structure Report and the 2018 Remuneration Report, both available on the company website at www.mairetecnimont.it in the "Governance" section.

8. Human Resources

The headcount of the Maire Tecnimont Group at December 31, 2018 was 6,140, compared to 5,443 at December 31, 2017, increasing 697, following 1,474 new hires and 776 departures in the year.

The regions reporting the greatest increase in headcount were:

- "Russia & Caspian Region", increasing from 261 to 552 (+379 including the operative geographical area), with the Group further consolidating its presence and involved in a range of projects, although in differing phases of execution (Amurski, Kingisepp, Coru, in Russia, and in Azerbaijan, the SOCAR client projects);



- “Italy & Rest of Europe”, with an average increase of 212 personnel relating to the hiring at the Italian Subsidiaries and those operated by the English subsidiary MET T&S, the Group’s “Global employment company”, confirming its role as a hub of expertise and of international recruitment services for the execution of projects;

- “Rest of Asia”, (+149, considering the operative geographic area), with the increase mainly due to the hiring of personnel for the management of peak operations on the Rapid project.

The overall average increase in technical personnel of 518 reflects the technical-operative personnel investment process, as many projects enter the crucial plant construction phase, of which 22% in Operations - Construction and Project Management and 16% in the remaining technical area.

Graduates at the Maire Tecnimont Group at December 31, 2018 accounted for 66% of the workforce; the average age was approx. 41.5. In terms of gender breakdown, females - further increasing on the previous year - represent 19% of the total workforce.

The workforce at 31/12/2018 of the Maire Tecnimont Group, with movements (by qualification and region) on 31/12/2017 (and the average workforce for the year), is outlined in the following tables: The table below outlines the workforce by areas of effective engagement at 31/12/2018 and 31/12/2017, with the relative movements.

Changes in workforce by category (31/12/2017-31/12/2018):

Category	Workforce 31/12/2017	Hires	Departures	Reclassification employee category (*)	Workforce 31/12/2018	Cge. Workforce 31/12/2018 vs. 31/12/2017
Executives	587	39	(29)	42	639	52
Managers	1,879	318	(177)	112	2,132	253
White-collar	2,857	951	(511)	(146)	3,151	294
Blue-collar	120	166	(59)	(9)	218	98
Total	5,443	1,474	(776)	(1)	6,140	697
Average headcount	5,252				5,846	

(*) includes promotions, changes in category following inter-company transfers / Job Title reclassifications

The category “Executives” and “Managers” does not reflect the Italian contractual term, but refers to national and international Management and Middle Management identification parameters utilized for Italian and overseas managerial staff.

Changes in workforce by region (31/12/2017-31/12/2018):

Region	Workforce 31/12/2017	Hires	Departures	Reclassification employee category (*)	Workforce 31/12/2018	Cge. Workforce 31/12/2018 vs. 31/12/2017
Italy & Rest of Europe	2,646	516	(286)	(19)	2,857	211
India Region	1,885	88	(106)	5	1,872	(13)
South East Asia and Australian Region	0	1	0	1	2	2
Rest of Asia	95	128	(42)	9	190	95
Russia & Caspian Region	261	401	(110)	0	552	291
Americas Region	18	12	(3)	0	27	9
Middle East Region	470	298	(210)	3	561	91
North Africa Region & Sub-Saharan Africa Region	68	30	(19)	0	79	11
Total	5,443	1,474	(776)	(1)	6,140	697

Changes in workforce by operational region (31/12/2017 - 31/12/2018):

Region	Workforce 31/12/2017	Workforce 31/12/2018	Cge. Workforce 31/12/2018 vs. 31/12/2017
Italy & Rest of Europe	2,381	2,439	58
India Region	1,659	1,605	(54)
South East Asia and Australian Region	1	3	2
Rest of Asia	131	280	149
Russia & Caspian Region	415	794	379
Americas Region	49	102	53
Middle East Region	681	760	79
North Africa Region & Sub-Saharan Africa Region	126	157	31
Total	5,443	6,140	697

Average headcount:

Maire Tecnimont Group	Average headcount 2018	Average headcount 2017	Change
Maire Tecnimont S.p.A.	132	120	12
Met Gas Processing Technologies S.p.A	3	2	1
Neosia Renewables SpA (**)	3	0	3
Met Development S.p.A.	4	1	3
Vinxia Engineering a.s.	8	5	3
MET T&S Limited (*)	195	117	78
Stamicarbon (*)	152	155	(3)
Stamicarbon USA Inc.	1	0	1
KT (*)	528	458	70
KT Arabia LLC	2	3	(1)
KT Star	2	0	2
Nextchem S.r.l. (previously Processi Innovativi S.r.l)	11	12	(1)
KT Cameroun	1	1	0
Tecnimont S.p.A. (*)	2,198	1,921	277
Tecnimont HQC BHD	105	48	57
Tecnimont Russia	340	149	191
MST S.r.l	83	87	(4)
Tecnimont Philippines Inc.	1	0	1
TCM-KT JV Azerbaijan LLC	7	0	7
Tecnimont Arabia	25	21	4
Tecnimont Private Limited (*)	1,860	1,935	(75)
Tecnimont Private Limited SDN BHD	0	4	(4)
Tecnimont Chile	2	3	(1)
TPI	42	42	(0)
Tecnimont Usa Inc.	2	1	1
Tecnimont Mexico SA de CV	2	0	2
TWS	1	3	(2)
Tecnimont do Brasil-Contrução de projetos LTDA	7	8	(1)
NEOSIA (formerly Tecnimont Civil Construction S.p.A & MET Newn S.p.A)	107	123	(16)
Cefalù 20	23	32	(9)
Total	5,846	5,252	594

(*) Figure also includes Branches and representative offices.

(**) On December 18, 2018, the partial and proportional spin-off of Neosia S.p.A and the establishment through spin-off of Neosia Renewables S.p.A. was registered at the Milan Companies Registration Office



Maire Tecnimont Group	Average headcount 2018	Average headcount 2017	Change
Engineering	2,702	2,543	159
Operations	1,468	1,207	261
Remainder Technical Area	698	600	98
Commercial Area	149	151	(2)
Staff Area	830	750	80
Total by professional category	5,846	5,252	594
Italy & Rest of Europe	2,790	2,578	212
India Region	1,860	1,935	(75)
South East Asia and Australian Region	2	0	2
Rest of Asia	150	68	82
Russia & Caspian Region	399	197	202
Americas Region	26	18	7
Middle East Region	541	402	139
North Africa Region & Sub-Saharan Africa Region	79	53	26
Total by region	5,846	5,252	594
of which:			
Italian open-ended	2,280	2,147	133
Italian fixed term	121	116	5
Total	2,400	2,264	137

9. IT Systems and General Services

PERSONNEL TRAINING AND DEVELOPMENT

2018 saw the Function engaged in the creating and launch of the “MET Academy”, a key initiative which - leveraging on and benefitting from the possibilities presented by the current digital transformation - seeks to extend to all employees access to knowledge and information, encouraging and transferring company know-how and actively involving those working with the company, putting them at the center of the creation and sharing of content. In fact in support of the on-boarding of personnel and, more generally, individual professional growth at the Group, in collaboration with other departments, intensive planning and design of training courses was carried out for new hires, allowing for the construction of a highly useful company database which - as part of a structured process in terms of timing and addressees - shall collate a range of training content. Also as part of the Group’s digital transformation and in support of user-friendliness, a part of this content, in the form of e-learning capsules, was digitalized and shortly shall be even more user-friendly with the standardization of the common language shared by the Maire Tecnimont Group population. The initial content created in this way, shortly to be circulated among the entire company population, features the Group’s history, the various businesses and its sustainability strategy which sets it apart from other operators, while also providing basic knowledge upon petrochemicals - at the core of the Group since its foundation. The MET Academy project shall not only support the onboarding of new personnel but - through digitalization - sets the broader objective of becoming a common platform which is easily accessible and facilitating the sharing of knowledge and expertise among all Group companies.

Of particular note is the Group Development & Compensation department’s support for the Digital Transformation process through ad-hoc training and development tools, in collaboration with the Boston Consulting Group. As on previous occasions, and for other important change management processes, the program’s launch was supported by a major engagement activity involving 125 employees of the Group’s main Italian companies. After an opening training event on the current state of the market digital innovation processes, various company departments were involved in workshops which, utilizing a design thinking methodology, sought to stimulate - through a bottom-up approach - the identification of digital transformation initiatives which satisfy daily business demands.

In terms of training provided, Project Management investment, covering 4,024 hours, and technical-specialist training, covering 22,265 hours, confirmed the importance placed by the company in the development and consolidation of key market skills. Cross-departmental skills have also been the focus of several specific initiatives, totaling 4,949 training hours, with the aim of developing effective customer

and stakeholder-oriented behaviors and internal and external communication styles to support and facilitate business activities with greater attention to the cultural specificities of the Group's countries of operation.

In addition, the Company, where possible, presented training plans for the various types of initiatives described above, financed by the main relevant interprofessional funds, by agreement with union representatives.

The provision of 8,030 hours of training, involving a total number of 1,917 participants, indicates the commitment again this year to promote a culture of health and safety among Home Office staff.

In agreement with the respective Supervisory Committees, training continued on the subjects of Legislative Decree No. 231/2001, the Code of Ethics of the Maire Tecnimont Group and the Organization, Management and Control Model of the Parent Company and of the Subsidiaries Tecnimont, Neosia and KT Kinetics Technology for a total of 1,000 hours of training provided.

In addition, the second half of 2018 saw the re-launch of the "Your Voice" engagement survey, continuing from 2013's campaign, giving employees of the entire Group the opportunity to voice their thoughts and opinions on business excellence, and make suggestions for further improvements.

The entire project was supported by a dedicated communication campaign over the three opening weeks of the survey, whose results will be shared in the initial months of 2019, with the identification and introduction of numerous initiatives designed to respond to the needs expressed by individuals with regards to their working experience.

Over the course of 2018, the Employee Performance Commitment project continued at the various Group companies, involving all employees meeting the necessary requirements, the Indian company Tecnimont Private Limited, in addition to other major overseas Group entities, such as Tecnimont Russia, Tecnimont Egypt and Vinxia Engineering. This was a further step towards the creation of a uniform approach based on the use of the same assessment parameters, and on the promotion of common values and key behaviors.

Finally, we highlight the opportunities for contact and preferential interaction with the "Polytechnic of Milan" which, further to supporting relations with this major university, featured involvement in the annual Career Day and other initiatives which, together with the sponsorship of a university teaching chair in the area of "Industrial chemical plant and processes" represent occasions for employer brand visibility amongst a wide range of actors and substantial support to the academic and engineering world. Also in terms of collaboration with the academic world, we highlight the continued development program pursued with Baku Higher Oil School in Azerbaijan, offering top students a training course at the Group, concluding - in the period under review - in the hiring in some of the participating newly-graduating students.

During the year, the "BE ADAPTIVE! Working Smart in Maire Tecnimont Group" Program concluded successfully the pilot phases, with deployment launched and the involvement of the entire company population meeting the requirements for program access. By year-end, more than 700 employees at the Milan headquarters were able to work adaptively; both personnel coordinators and those in supporting roles were involved in a dedicated training course centering on more effective conduct to adopt this manner of working, in addition to IT skills training, with the provision of 8,152 hours of training. We highlight that this Program received an award from the Smart Working Research Center of the Polytechnic of Milan at the "Smart Working Award 2018", in addition to recognitions from the Advisory Board and from the public.

As part of the initiatives relating to Corporate Social Responsibility and the development of local sustainability content, the subsidiary Tecnimont, in implementation of the Memorandum of Understanding signed on February 5 with the social partners and local institutions, set the objective to transfer value to the local communities and develop the employment and production system, developing the skills of key individuals for the Oil & Gas industry through the organization of professional upskilling courses dedicated to subcontractor personnel resident in Basilicata and already operative at the Tempa Rossa Project site. The initiative, conducted in collaboration with qualifying partners, led to the hosting of 7 training programs with the involvement of 89 workers, in addition to the rolling out of a further 4 courses, with the participation of 54 personnel. On the basis of the demobilization timeframe of the project, during the year the manifestation of interest management activities were in addition coordinated regarding a further 260 workers, who will be involved in training from the initial months of 2019.



COMPENSATION AND INCENTIVES

As part of the wider 2016-2018 cycle and in continuity with the previous year, the Maire Tecnimont Group compensation and incentive policy again in 2018 targeted the key objective of focusing management actions and all employees on delivering business results, always based on the principles of the Ethics Code, the Self-Governance Code of Listed companies and on best market practices and confirming at the same time its goal of attracting and retaining personnel possessing the professional skill-sets needed to manage and work successfully at the Group. This Group Remuneration Policy, in all its forms, has therefore supported management through targeted incentives, offering compensation mechanisms to a broader base of employees and with - again in 2018 - plans introduced to strengthen and extend at the various companies of the Group a self of belonging and engagement in order to create long-term value. This Policy was approved by the Board of Directors on March 15, 2018, by proposal of the Remuneration Committee, through the 2018 Remuneration Report prepared in accordance with Article 123-ter of Legislative Decree No. 58/1998 and the Corporate Governance Code and featured a much-improved communication style on previous versions, aimed at increasing ease of reading and the identification of key elements. In the first half of the year, compensation activities also focused on monitoring incentive plans launched in the past few years, with performance reviews and the finalization of their goals. On the basis of the results achieved, the bonuses were therefore recognized, where provided for, or the Rights matured related to the short-term MBO incentive system, the 2015-2017 Phantom Stock Plan, the 2016-2018 Performance Share Plan, the 2016-2018 Employee Share Ownership Plan and the 2017-2019 Restricted Stock Plan, and the shares relating to the Second Cycle (2017) of the Employee Share Ownership Plan were assigned to over 4,000 beneficiaries. The participation or results bonus based on financial year 2017 was also issued, in addition to the share of flexible benefits from the MAIRE4YOU Plan for the same year, both for the variable and fixed components, where established and not subject to performance conditions.

With regards to the above Flexible benefits plan, Maire Tecnimont's leadership was recognized by Easy Welfare in awarding the "Best On Top Plan" in the Big Company category at the Welfare Awards 2018 - attesting to its high level of innovation and flexibility, resulting in maximum employee participation in the company's results, in addition to access to a very wide range of products and services.

In the initial months of the year, a process was undertaken to define the objectives for 2018, in line with the MBO incentive plan for Senior Executives and the Group Incentive Standard for other Executives and strategic personnel. In this regard, with a view to greater digitization and HR process integration, within the broader Global HR program, Maire Tecnimont and Tecnimont launched the Performance module, aimed at defining goals, and the Variable Pay module for their reporting.

In July, employees were also offered the option to join the Third Cycle (2018) of the Employee Share Ownership Plan. Again for this third campaign, in continuity with the preceding campaigns, as demonstrated by the high participation rate of over 95% globally - the Plan was appreciated as a lever to strengthen their sense of belonging at the Group.

During the year, the Parent Company provided ongoing direction and support to the Group companies, with the drawing up of the Remuneration Policy guidelines which recognize talent and strong performances, aligning remuneration levels to wider competitive criteria and for internal equity among roles, and also with the coordination of specific projects focused on maintaining a deeper knowledge of the local markets and their respective remuneration policies.

SYSTEM ORGANIZATION AND QUALITY

During the year, the Organization Function continued to guarantee the support and supervision of the organizational structure in order to ensure the coordinated, effective and synergistic management of activities and processes. From a macro-organizational viewpoint, we indicate - following the efficacy of the partial and proportional spin-off of the subsidiary Neosia S.p.A. in favor of Tecnimont S.p.A. and Neosia Renewables S.p.A., the incorporation on December 18, 2018 of this latter new Sister Company, with the transfer of the "Renewables" business unit and the formalization of the relative organizational structure. This was accompanied by a redefinition of the system of responsibilities and of the organizational structure of Neosia S.p.A..

In relation to the parent company, the following main organizational measures were implemented:

- i) the set-up of a Sustainability Reporting Department which reports directly to the Group's Chief Financial Officer, and is responsible for preparing the sustainability report in accordance with applicable laws and applications, including the non-financial report pursuant to Legislative Decree No. 254/16 ("NFR"), as well as for certifying the process of collecting and consolidating the data and information included therein and planning and monitoring the established steps of the sustainability process, in coordination with the company departments involved. We also report ii) the set-up of an Internal Sustainability Committee as a strategic consultation body serving the Chief Executive Officer, with the duty to provide support in drawing and monitoring of the policies in pursuit of the sustainable management of the business, the development programs, the guidelines and objectives, also in terms of Corporate Giving -- in addition to analysis of stakeholder interaction;
- the redefinition of responsibilities of the Group Corporate Affairs, Governance & Compliance Function, including, following the finalization of the adjustment process to the new legal requirements of the GDPR (General Data Protection Regulation), the obligations relating to the protection of personal data for the listed Parent Company and subsidiaries subject to EU law;
- the establishment of an Internal Committee to oversee the Internal Control and Risk Management System (the "ICRMS" Committee). The new committee's duties also include promoting the Group's privacy guidelines and governance. This consultative body reports to the Chief Executive Officer, supporting the company departments involved in the internal control and risk management system by optimizing the various processes within their purview and coordinating with the Group's organizational structure in accordance with company strategic objectives;
- the setting up, as part of the regionalization process, of the new "India" and "South East Asia and Australian" regions, continuing the process to optimize oversight of the Group's operational regions;
- Strengthening of Trade & Export Finance and Information and Communication Technologies supervision in order to facilitate and consolidate orientation and co-ordination by the Parent Company.

During the year, the System Quality department continued documentation review and updating initiatives to support business needs with the issue of Group Procedures relating to "Credit Management" (PRG-006), "Enterprise Risk Management" (PRG-1002), and "Planning and Control" (PRG-702). As part of the progressive harmonization and definition of Group-level common and operational guidelines, of particular importance was the finalization of the procedure "Preparation of Supply Contracts for Project materials, engineering services and freight forwarding services" (PRG-501), comprising the standardization of contracts and related General and Special Terms and Conditions.

Furthermore, among other activities aimed at Group-level process and operating method uniformity and optimization was a systematic supervision and updating of procedures, also at the operating company level.

Finally, the progressive transition of the certification of the quality management systems of the overseas subsidiaries Tecnimont Private Limited, Stamicarbon BV and TPI GmbH, and the Italian companies Neosia, Kinetics Technology and MST, was completed, as part of the major review of the ISO9001 edition 2015 standard, which is added to Tecnimont's certification.

SECURITY

In implementation of the general Group Security policies, the following standard activities were undertaken:

- support and direction of the various managerial and operating company functions in terms both of the general Corporate Governance system and the management of "critical" and/or potentially "critical" situations;
- monitoring of the socio-political-economic conditions in countries of interest for the Maire Tecnimont Group, reporting periodically to senior management and the heads of the companies involved and ensuring adequate security for management's commercial and/or operative missions in at risk countries.
- information on country situations and specific organizational Global HR directives to all employees regarding missions to medium to high risk countries and areas, communicated to overseas personnel through a country-specific "Security Induction" detailing behavioral precautions.



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- support in the proposal phase of the various projects in progress, involving examination of the risk conditions of the country/area of interest to qualify and quantify the consequent security measures, also in line with Client requirements.

Finally, concerning the Italy projects, initiatives continued focused on completing the introduction of company processes for the organization and management of main offices/operating sites, with particular regard to the infrastructural projects in the critical areas of Sicily (Cefalù 20 Project) and Basilicata (Tempa Rossa Project), through contacts and/or meetings with the competent local institutions.

10. Industrial Relations

In continuity with previous years, Company Management has maintained ongoing and fruitful relations with the Trade Unions, the institutions and the public bodies.

These meetings were also for Company Management an occasion to connect and update with the Trade Unions on the advancement of the “BE ADAPTIVE! Working Smart in Maire Tecnimont Group” program, which at the date of preparation of this report, involves over 700 workers employed at the Group’s Milan facilities.

In addition, the managements of the parent company and of the Tecnimont subsidiaries, KT Kinetics Technologies and Neosia, in collaboration with the Chemical, Construction and Metalworking department trade unions, initiated an in-depth analysis for the introduction of a new work timetabling model strongly oriented to improving work-life balance and to promoting and consolidating a new cultural approach to responsible self-management of work times.

Regarding the “Tempa Rossa” project, a Memorandum of Understanding was signed by Tecnimont and its social partners on February 5, 2018, confirming the company’s commitment to supporting production and employment in the Basilicata Region through professional qualifications for local workers, selected by residence and seniority, and employed by subcontractors for the realization of the project. In November 2018, a trade union agreement was signed between workers’ representatives of the Basilicata Region, the municipalities of Accettura, Corleto, Guardia Perticara and Gorgoglione and the management of Tecnimont and of Total E&P Italia in relation to the decommissioning of the “Tempa Rossa” site for the definition of a series of socio-economic measures and training initiatives for local workers previously employed at the site and involuntarily unemployed since October 31, 2018.

Regarding the subsidiary Neosia S.p.A., a spin-off agreement signed between the company’s Board of Directors and that of Tecnimont in October 2018 saw the partial and proportional transfer of certain activities to Tecnimont S.p.A. and the new company Neosia Renewables S.p.A., incorporated on December 18, 2018.

The corporate transaction entailed the transfer of from Neosia S.p.A. to the following business units:

- “Engineering Services” of the “Infrastructures” division to Tecnimont S.p.A, including 38 outstanding employment contracts (of which 3 managerial);
- “Renewables” division to Neosia Renewables S.p.A., including 30 outstanding employment contracts (of which 6 managerial).

Following the joint review signed by the trade unions on October 24 and 25, 2018, regarding the finalization of the procedure, as per Article 47 and amendments of Law No. 428 of December 29, 1990, the relevant employment contracts were extended to the beneficiary companies without interruption as of December 18, 2018, in accordance with agreed economic and regulatory conditions.

Regarding Cefalù 20, the subsidiary of Neosia S.p.A., the redundancy procedure for 27 workers (of which 20 managers or administrative staff and 7 manual workers) was initiated, as agreed with the Construction division’s trade unions on September 27, 2017, in light of the forecast completion, by December 31 of the reporting year, of the doubling of the Fiumetorto to Cefalù Ogliastrillo section of the Palermo-Messina railway line.

11. IT Systems and General Services

During the reporting year, the ICT department focused on Group Digital Transformation activities and initiatives, while confirming, in continuity with previous years, positive results in terms of cost containment and monitoring and of maintenance and development supervision in relation to the company's IT systems.

The ongoing digital transformation involves a significant technological process and support review project aimed at exploiting and enhancing opportunities for change to the benefit of the company's productivity and competitiveness. The goal of the ambitious project is to improve decision-making and production process efficiency and operational effectiveness in order to optimize costs and the value proposition of services to stakeholders. The project, involving all production processes, from tendering to engineering, purchasing, construction and commissioning, will be subdivided into various phases oriented to the definition of the state of the art, business needs analysis and solution conceptualization, prototyping and industrialization.

Digital transformation has been supported by the progressive consolidation of data-driven and service-driven approaches, through Agile project and DevOps management methodologies, and of collaboration tools, through increased use of cloud services, data virtualization systems and the Office 365 platform, with an analysis of the migration of corporate servers to the platform launched in the year's third quarter.

Governance, compliance and safety activities also continued throughout the year. Regarding the corporate procedural framework, specialist support was guaranteed to the Corporate Affairs, Governance & Compliance department to conclude regulatory adjustment to European Union Regulation 679/2016 (GDPR).

Regarding interactive tools, 2018 saw the implementation of the new corporate intranet together with SharePoint, for the management and exchange of documents within the organization and with partners, and apps to support daily operations. In line with the previously mentioned service-driven management model, a Help Desk system, based on the Service Now platform, and a self-service access control totem platform have been introduced. Regarding Open Glass, business analytics dashboards have been prepared on the BI MET Reporting platform, further refining the employee generated cost control and containment system, and space occupation and cost control dashboards are nearing completion.

As for SAP updating, SAP S/4 Hana technology has been released, facilitating consolidated reporting in the Accounting, Finance and Control area, while SAP was extended to further group branches and companies to support business operations. As part of the Global HR project, the new SAP Fiori graphical interface was also introduced, with extended functionality and deployment in TCM Russia and several foreign branches of the subsidiaries Tecnimont and KT Kinetics Technology. Finally, Core HR was rolled out in various legal entities and Variable Pay at the Italian companies.

In terms of business services, we report in the year:

- In the AFC area: i) the finalization of the CBC Corporate Banking Communication system for derivatives management, ii) the launch of SAP S/4 Hana projects for treasury management, cash management and project cash flow in SAP BPC, iii) the production implementation of the Invoice Processing Automation system, and, lastly, iv) the GST Indian tax management system;
- In the Commercial area: i) the introduction of the Business Intelligence and reporting system on the Salesforce platform, to support the life cycle of sales processes, and ii) the launch of a new "Security Access Control" phase.

The Function also responded to specific business operation optimization needs through the following project initiatives:

- In the Construction area: i) the introduction of the MacOS Q3 system for Completion & Handover management, in addition to the Planning & Progress procedure, and ii) the launch of a project to implement the Advanced Work Packaging (AWP) methodology to increase planning efficiency and productivity;
- In the Procurement area: a project for the implementation of SAP Ariba, a cutting-edge Source to Order (S2O) platform that integrates perfectly with ERP to optimize tender planning and supplier management. Regarding Post Order processes, an application for the planning of Expediting/Inspection and Inspection Tracking on SCP (SAP Cloud Platform) was launched to support supplier performance and risk management assessments, as well as purchasing decisions and cost optimization.

Finally, the Pre-order Reporting application was released for the BI MET Portal reporting system, to facilitate the monitoring of the life cycle of purchase orders from material requisition to order creation.



The subsidiary KT Kinetics Technology saw the introduction of the Primavera systems, TPMS, for project progress monitoring, and Prometeo, for integrated Project Status Report, contract and change management, as well as completion of the Capital Project document management and Invoice Process Automation systems.

Lastly, activities continued in 2018 for the Group's Smart Working Project aimed at innovating work methods by exploiting the potential of advanced information technologies and significantly redefining work spaces. In this context, the rearrangement of the hall in the main Garibaldi Complex building was concluded in order to create a work space open to both visitors and employees. The fourth floor of Building C at the same site location was also redesigned to create fluid, activity-based work stations integral to the smart-working philosophy. Technological support for Agile Worker mobility, and, more generally, for the cultural change taking place within the Group, was also provided through technological infrastructure enabling, user equipment renewal, systems and data virtualization, collaborative information management and distributed connectivity.

12. Health, safety and environment

The Maire Tecnimont Group regards the health and wellbeing of individuals, the safety of the industrial facilities it designs and builds and environmental protection as essential company objectives.

The Group - which strives to prevent accidents and mitigate its impacts on the ecosystem - is committed to providing working environments, services and industrial facilities that satisfy applicable legal requirements and the highest health, safety and environment (HSE) standards, by promoting a “safe workplace” and environmental protection, throughout all areas of its operations and all stages of execution of a project, at both its offices and construction sites.

Designing, planning, implementing, monitoring and constantly improving an efficient and effective HSE Management System is key to setting appropriate HSE priorities, goals and targets. Another fundamental aspect is monitoring and checking compliance with applicable legal and other requirements, including Italian and international laws, local requirements, agreements with authorities or clients, voluntary ethical principles and codes of ethics, in addition to the satisfaction of our clients' contractual requirements. The HSE Management System applies to the main operating companies, which have been certified ISO 14001 compliant with regard to environmental management and OHSAS 18001 compliant in respect of worker health and safety.

In order to ensure excellent company performance, each employee receives a copy of the HSE Policy, which serves as a fundamental guide for company departments, in addition to being of strategic importance to the entire Group.

The HSE Policy lays down the principles, goals, targets, roles, responsibilities and management criteria essential to managing HSE issues. These goals and targets are circulated to Group companies by the top management and pursued with the involvement of all personnel in each activity during the engineering, procurement, construction and commissioning stages of our projects, according to the following principles:

- Compliance with all laws, rules or international standards regarding health, safety and the environment;
- Identification of environmental dangers and problems, with an assessment of the impacts and risks - for offices or for project execution - and determination of the appropriate preventive measures;
- Prevention of accidents, injuries and environmental damages;
- Specific training on safety and environmental protection for all employees;
- Involvement of all workers, including through their safety representatives;
- Measurement and monitoring of results relating to safety and the environment;
- Selection and promotion of suppliers and sub-suppliers on the basis of the principles underlying this policy.

Constant, intensive monitoring and periodic audits within the organization are conducted by internal HSE auditors and certified external entities in order to ensure actual compliance with HSE obligations.

The Group's HSE function plans, coordinates, monitors and gathers relevant data and sets goals and targets with the aim of ensuring legal compliance and an efficient, effective HSE management system.

The company and Group are strongly committed to applying engineering standards that minimize energy consumption and emissions and thus their impact on the environment. Over the course of execution of a project, HSE studies are conducted to ensure the construction of safe, reliable installations, a high standard of workplace safety and minimization of environmental impacts, energy waste and GHG emissions.

Training is essential to creating value for our stakeholders and ensuring that our business continues to enjoy robust good health. It is a strategic process that is central to what our Group does, as it constantly refines the professional skills and abilities of our employees.

All of our employees take part in an intensive training program that includes specific courses to improve their knowledge of health, safety and environment issues, personalized to suit each employee's role and responsibilities. Training courses focus on fundamental issues such as the structure of the HSE Management System and HSE Policy, the main dangers and risks for offices and construction sites and the preventative and protective measures to be adopted and emergency procedures. The overall program includes both classroom and e-learning sessions held in partnership with qualified external companies.

Training is also key to preventing accidents at construction sites: entering a work area means exposure to risks associated with site activities and the presence of chemical substances, since work sites are generally located within industrial facilities. At construction sites there are various levels of training for supervisors, HSE professionals and other workers, including introductory HSE courses, fire prevention courses, first aid courses, and courses on exposure to construction risks (such as safe lifting of heavy objects, entry into confined spaces, use of scaffolds and safe handling of chemical substances and hazardous materials). Particular emphasis is placed on training in the use of the individual protective equipment supplied to employees according to their individual risk exposure.

A total of 6,460,972 hours have been dedicated to HSE courses over the past three years 2016-2018. The hours of HSE training provided were equivalent to 2.52% of hours worked at construction sites, a reflection of our strong dedication to and investment in prevention and training.

The company and Group are steadfast supporters of a preventive approach to reducing the risk of accidents and their effects, safeguarding the health and safety of their employees and other personnel under their responsibility and minimizing the negative impacts on the head office and construction sites. Monitoring HSE results at the head office and construction sites is helpful to obtaining an overview of the efforts and actions taken by company management.

The OHSAS 18001-certified health and safety management system ensures oversight, monitoring and maintenance of working spaces, services and equipment, in accordance with applicable laws, regulations and standards.

Within the Technology, Engineering and Construction business unit - which includes the companies operating in the oil and gas business - the company and Group adopt the main workplace safety and health indicators of the U.S. authority (Occupational Safety and Health Administration - OSHA) and the International Association of Oil & Gas Producers (IOGP) to monitor and identify areas of improvement and constantly promote a strong approach to HSE in the workplace.

Over the last three years, hours worked globally at Group offices and sites numbered over 278 million. The site numbers are increasing every year and in 2017 the Group reported a more than doubling on 2016, with one and a half times more hours worked in 2018.

Over the last three years, on-site work hours of the Technology, Engineering and Construction (MET E&C) business unit of Maire Tecnimont numbered over 251 million.

The following table presents the main safety indicators for the Maire Tecnimont Group on the basis of the IOGP criteria.



MET E&C safety indicators according to IOGP	2016	2017	2018
Site hours worked (employees+subcontractors)	34,641,636	86,695,854	130,186,540
LTIF - Lost Time Injury Frequency ¹	0.087	0.046	0.015
TRIR - Total recordable injury rate ²	0.895	0.150	0.061
Lost Work Day Rate ³	2.540	2.503	0.161
Gravity in the cases of lost working days ⁴	29.3	72.3	10.5

The graph indicates the reduction in the HSE indicators thanks to a continuous focus on HSE aspects, considering also the significant increase in site hours worked in 2017 and in 2018.

13. Innovation and Research & Development

Technological advantage is considered a key strategic asset for the Group, mainly advancing its innovation strategy and protecting the portfolio of developed patents and technologies.

In addition, the Maire Tecnimont Group relies on its wealth of intellectual property and technological expertise to develop new commercial projects and new alliances regarding technologies and licensees.

The Maire Tecnimont Group has over 1,000 patents, mainly in the urea and fertilizer segments, amid others.

Patents and other intellectual property rights concerning the Group products and services, including the commercial brands, are a key asset for the Group's positioning and success.

Maire Tecnimont has invested approx. Euro 50 million over the last 5 years in the Green Acceleration project, in over 70 innovation projects, also through targeted start-ups and partnerships and creating a portfolio of technologies which optimally respond to the new demands of the energy and chemicals industry revolution.

Innovation is also one of the Group's main competitive advantages. We therefore constantly improve our Research and Development operations and our portfolio of innovative proprietary technologies in order to develop our position as a supplier of technology for the refinery, energy, oil&gas and petrochemical sectors. We develop a certain number of innovation projects each year and actively cooperate with research centers and industrial partners to continuously improve the overall performance of our technologies.

The Maire Tecnimont Group has a long history of collaboration with leading universities, technology suppliers, research centers and commercial partners. Over recent years, the Maire Tecnimont Group has extended its collaboration with leading Italian and overseas universities by developing research projects and exchanging opinions and ideas, building in this way a solid bridge between the academic and industrial worlds. The long-standing collaboration between Maire Tecnimont and the Milan Polytechnic was further strengthened through partnerships on research projects and the funding of an "Engineering and chemical projects management" chair, beginning in 2018 for 15 years.

The collaboration with the Bio-Medical Campus of the University of Rome began in 2011, providing concrete support for the specialist degree course in chemical engineering for sustainable development.

In 2018, the Maire Tecnimont Group began a collaboration with BHOS (Baku Higher Oil School), providing concrete support for the specialized university course and research support.

¹ Lost Time Injury Frequency (LTIF) is the number of injuries resulting in an absence from work of at least one day, divided by the hours worked in the year multiplied by one million. The LTIF indicator considers fatal accidents and injuries with lost days.

² Total Recordable Injury Rate (TRIR) is the total number of injuries recorded, divided by hours worked in the year multiplied by one million. The TRIR indicator considers: fatal accidents, injuries with lost work days, events limiting working activity, events requiring medical care.

³ Lost Work Day Rate (LWDR) is the number of lost work days for injuries, divided by hours worked in the year by 1 million.

⁴ Gravity of the cases with lost working days is the number of total days lost divided by the cases of injuries with lost work days.

“La Sapienza” University of Rome, the University of Salerno, the University of L’Aquila, the University of Bologna and the Turin Polytechnic are also long-standing academic partners. Overseas, the Maire Tecnimont Group collaborates with the University of Leuven, with the Technical University of Eindhoven and with the Ecole des Mines in Paris. Collaborations have been signed with international research institutes, such as Tecnalía, the Spanish research center, for the development of membrane reactors for the production of hydrogen, and also with Intertek Laboratories.

Some of these collaborations have become business partnerships, such as those with Protomation, Holland Novochem and Envirocare.

Over recent decades the global population has exploded, with repercussions on the conditions and health of our planet due to the extensive and unsustainable use of natural resources. The exponential increase in greenhouse gas (GHG) emissions and the production of waste has put our ecosystem under pressure. The current methods of producing and consuming goods and energy are no longer sustainable.

In order to play a leading role in the promotion and delivery of the United Nations Sustainable Development Goals (SDG’s), at the end of 2018 Maire Tecnimont presented the Green Acceleration project and launched a new business unit through a dedicated vehicle, NextChem, which will manage 19 energy transition technology initiatives.

Carbon Footprint reduction, the Circular Economy, new products and bio raw materials: all the key sector players - both manufacturers and purchasers of plastics - are shifting in fact towards recycling and bioplastics, while the major oil players are reviewing their investment plans to focus more on decarbonization.

In order to better respond to emerging market dynamics, Maire Tecnimont will manage a number of energy transition technology initiatives, contributing on the basis of its technological and execution expertise in the scouting, pivoting, industrialization and finally commercialization of a sustainable technologies’ portfolio. This portfolio comprises a series of initiatives with the following objectives:

GREENING THE BROWN: Technologies for Energy Efficiency and reducing Carbon Footprint;

CIRCULAR ECONOMY: Recycling of plastics and conversion of waste into fuels or chemical substances;

GREEN - GREEN: Fermentation technologies for the production of high value products (bio chemical substances, bio chemicals and green fuels).

Through its extensive plant construction know-how, Maire Tecnimont has an existing capacity to boost the industrialization of bioplastics, developing from laboratory innovations, to pilot plant, right up to the construction of industrial-scale plant.

The Group constantly targets and stimulates the generation of innovative ideas and not only in the area of technological development. The EPC internal innovation program, systematically implemented since 2014, reflects our tradition and strengthens our position on the market to establish best engineering practices as added value.

The EPC innovation program is a bottom-up method which theoretically takes on innovative ideas from all employees and assesses each idea according to an “Innovation Pipeline” mechanism, i.e. a “gate” mechanism which selects the ideas with greatest potential in terms of innovation, feasibility, practicality and cost effectiveness.

The program has generated a large number of ideas, many of which were developed upon and applied to EPC projects. Lessons learnt, new standards and company rules developed and new work instructions were issued. The process of generating ideas involved the entire Group, with a particular emphasis on the EPC-focused companies.

As in previous years, BIM implementation plays a key role among the EPC innovation design instruments, which extends not only to the engineering area, but also to construction.

In 2015, Maire Tecnimont launched a digital transformation program with a clear vision, whose first implementation phase focused on Core Processes concluded in 2018. Maire Tecnimont applied a holistic approach to the digital transformation, integrating future technologies into the development of the organization’s processes, with the goal of boosting efficacy, security and productivity.

In this initial phase of the digital transformation, launched in 2015, Maire Tecnimont committed to a series of differing synergetic areas to digitalize the core Engineering, Procurement and Construction processes, developing at the same time transnational and collaborative platforms. Maire Tecnimont has today



achieved a level of excellence in its BIM modeling and design systems, permitting the application of 4D modeling. This optimized approach to contracting for EPC core processes allows the integration of modeling into time planning and provides an opportunity to introduce the AWP's with the objective of redefining the priorities, within an authentic construction-driven approach and permitting a paradigmatic method to permit Projects to manage in an optimized manner the typical sequences of the engineering-design sector.

In the second phase, beginning in 2018, Maire Tecnimont focused on reducing times and costs and on the offer of more flexible Project Management solutions. The Program is broken down into two separate pillars:

A) Improvement of the operating model, with application of digital enablers, in order to:

1. boost competitiveness thanks to cutting capital costs and operating costs both for the Maire Tecnimont Group companies and their clients.
2. redefining the sequences and/or optimizing the timeframes, to reduce project execution times and/or for the project proposal phase
3. improve competitiveness and key HSSE performances

B) Integration into the Maire Tecnimont Group's value proposal of new digital services for new and existing clients, in order to:

1. identify new value flows made possible by technology
2. improve the Client experience and the Maire Tecnimont proposal
3. assess new opportunities to improve the generation of In-Country Value (ICV)

14. Risks and uncertainties

In this section the main risks and uncertainties concerning the Maire Tecnimont Group and its sectors are outlined. The factors considered by the company risk system regarding the foreseeable future are for this purpose analyzed.

The Maire Tecnimont Group's core operations concern the design and construction of Engineering & Technology sector plant and the design and construction of major public works. In addition, the Group licenses patented technology and know-how for use by urea producers.

The Group's internal control and risk management system includes a continuously evolving Risk Management framework integrated in business processes, extended to all operating entities, and aimed at identifying, assessing, managing and monitoring risks according to sector best practices.

BACKLOG RISKS

The consolidated Backlog at December 31, 2018 was Euro 6,612 million. The timing of revenue and expected cash flows is subject to uncertainty as unforeseeable events may occur which impact Backlog Orders (such as for example the slowdown of works, the delayed start-up of works or indeed the interruption of works or other events). The Group mitigates this risk through termination/cancellation clauses which ensure adequate reimbursement on the occurrence of such events.

BACKLOG CONCENTRATION RISKS AND DEPENDENCE ON A CURTAILED NUMBER OF MAJOR CONTRACT OR CLIENTS

At December 31, 2018, approx. 80% of Group consolidated revenues related to 13 major contracts, corresponding at the same date to approx. 60% of the Backlog value. Any interruptions or cancellations to even one of the major contracts, subject to applicable legal and contractual remedies, may impact on the Group's results and balance sheet. In addition, the Group works with a contained number of clients. At December 31, 2018, consolidated revenues from the 10 leading clients constituted 75% of total consolidated revenues. One of the key operational guidelines concerns the greater distribution of initiatives among more clients and thereafter the opening up to new markets and clients.

RISKS RELATED TO GROUP SECTOR INVESTMENT

Group markets are cyclical, principally dependent on available investment, which in turn is impacted by: (i) economic growth and (ii) a significant number of economic-financial (e.g. interest rates and the price of oil) and political-social (economic, public spending and infrastructure policies) variables. Therefore, general recessions may impact the Group's results and balance sheet. Due to the nature of such risks, the Group must therefore rely on its event forecasting and management capabilities. In particular, the Group has integrated the risk philosophy into strategic and commercial planning processes through the definition of commercial and risk guidelines and process structuring aimed at selecting and prioritizing initiatives according to country and sector risks, rather than counter-party risks. Consideration of such risks is also guaranteed by strategic goal progress monitoring in terms of portfolio composition and diversification, and risk profile evolution.

RISKS RELATED TO INTERNATIONAL OPERATIONS

The Group is engaged in approx. 45 countries and is therefore exposed to a range of risks, including any restrictions on international trade, market instability, foreign investment restrictions, infrastructural deficiencies, currency movements, currency limitations and controls, regulatory changes, natural catastrophes (e.g. earthquakes and extreme weather events) or other extraordinary events (e.g. wars and acts of terrorism, major raw material or semi-finished product or energy supply interruptions, fires, sabotage, attacks or kidnappings). The Group in addition is subject to the risk of greater operational difficulties in regions featuring high levels of corruption, distance from the markets and the traditional workforce and material procurement sources, and which often are politically and socially difficult and unstable (e.g. the Middle East, Russian Federation, Latin America and Nigeria). In order to mitigate this risk, appropriate insurance and/or coverage for the type of risks at issue to mitigate financial impacts from such instability may be undertaken.

LEGAL AND COMPLIANCE RISKS

This category comprises risks relating to sector or country specific management of legal issues, compliance with legal and regulatory requirements (e.g. taxation, local legislation) and contractual risks in relation to Business Partners. Maire Tecnimont considers the monitoring of the legal aspects of contracts and of counterparty relations of critical importance. Risks include possible cases of internal and external fraud, and, more generally, of non-compliance with procedures and policies designed to regulate company operations.

In light of such factors, Maire Tecnimont adopts a multi-level regulatory risk monitoring, management and mitigation policy through constant collaborative dialogue with counterparties and business units affected by regulatory developments, and full assessment of potential impacts.

RISKS RELATED TO JOINT LIABILITY TO CLIENTS

Group companies execute orders independently or together with other operators through the incorporation (for example) of consortiums in Italy or joint control arrangements overseas. In this latter case, each party under applicable public regulations or general contractual practice are usually jointly liable to the client for the design and construction of the entire works. In the case of damage suffered by a client caused by an associated operator, the Group company involved may be called to replace the damage-causing party and fully compensate the damage caused to the client, subject to the right of regress against the non-compliant associated operator. The right to regress among associated operators is normally governed among the partners through contracts (usually called cross indemnity agreements). Group policy is to conclude agreements/associations with operators of proven sector experience and appropriately verified available capital. This policy has ensured that the assumption of partner obligations by a Group company has not yet been requested as a result of non-fulfilment.

RISKS CONCERNING LIABILITY TO THE CLIENT FOR NON-FULFILMENT OR DAMAGE CAUSED BY SUB-CONTRACTORS OR SUPPLIERS

In executing operations, the Group relies on third parties (including sub-contractors) to produce, supply and assemble part of the plant constructed, in addition to suppliers of raw materials, semi-finished products, sub-systems, components and services. The Group's capacity to discharge its obligations to clients



is however reliant also on the fulfilment of contractual obligations by sub-contractors and suppliers. In the case of Group sub-contractor or supplier non-fulfilment (even partially), the provision of products and/or services not in line with that agreed or falling short of the required quality or with defects, the Group may incur additional costs due to delays or the need to deliver replacement services or procure equipment or materials at a higher price. In addition, the Group may in turn not fulfil that agreed with the client and be subject to compensation claims, subject to the Group's right to regress from non-compliant sub-contractors and suppliers. However, where the Group is unable to reclaim the entire compensation paid from such parties through its right to regress, the Group results and balance sheet may be impacted. The Group system for the assessment and selection of suppliers, identified on the basis of price, in addition to their technical abilities and capital structure, requires the request and provision of bank performance guarantees from such parties. Group companies are also covered by appropriate insurance policies to meet any particular difficulties.

RISKS RELATED TO ORDER EXECUTION

Almost all of Group consolidated revenues concern long-term contracts, whose settlement (in favor of the Group) is established at the date of the tender or the awarding of contract, particularly for lump sum - turn key contracts. For such contracts, the margins originally estimated by the Group may reduce due to higher costs incurred by the Group during order execution. Where the Group's policies and procedures to identify, monitor and manage costs for order execution do not reflect the duration and complexity of such orders, or are no longer accurate following the occurrence of unforeseeable events, the Group's results and balance sheet may be impacted.

This dimension is critical in the effective assessment of Group core business risks, requiring the definition of tools to identify and monitor contract risks right from the bidding phase, as part of an in-depth risk and opportunity assessment procedure. Once risks have been assumed on the basis of informed decisions by management, constant monitoring is critical in proactively and dynamically managing risk exposure and evolution over time.

The analysis of significant risk dimensions and related risk areas offers management both a detailed (i.e. contract) and portfolio (i.e. total exposure) vision of the risk profile assumed by the Group, as well as exposure limits set by risk containment capacities. Through the use of appropriate risk management tools, the portfolio vision facilitates systematic assessments of the potential risk profile evolution due to certain events or decisions.

The risk management framework, outlined above and subject to ongoing developments, is oriented to supporting decisional and operational processes at every step in the management of initiatives, in order to minimize the occurrence of certain events that might compromise ordinary operations or defined strategic objectives of the Group. For this reason, the framework is integrated into strategic and commercial planning processes, thus incorporating formal consideration of the Group's risk profile and decisions regarding its risk appetite.

15. Financial risk management

The Group's principal financial risks stemming from core operations are outlined below:

MARKET RISK

The Group operates within an international environment and is subject to interest rate, exchange rate and price risk. A risk of fluctuating cash flows from core operations therefore follows, which may only partly be mitigated through appropriate policies.

PRICE AND CASH FLOW RISK

Group results may be impacted by raw material, finished product and insurance cost price changes. This risk is mitigated through a precise and timely procurement policy and also through the use of derivative contracts. The Maire Tecnimont Group also seeks to minimize transaction currency risk through derivative contracts.

CURRENCY RISK

The currency used for the consolidated financial statements is the Euro. As stated, the Group operates in an international environment, with part of its receipts and payments made in currencies other than the Euro. A significant amount of projects are quoted in or linked to the US Dollar or Russian Ruble; this factor, together with timing differences between the accrual of revenues and costs in currencies other than the presentation currency and their financial realization, exposes the Group to currency risk (transaction currency risk).

The Maire Tecnimont Group seeks to minimize transaction currency risk through derivative contracts. Group level planning, coordination and management of such operations is carried out by the Finance Department, which monitors the correct correlation between derivative instruments and underlying cash flows and their appropriate representation as per international accounting standards.

The Group furthermore has investments in subsidiaries in countries not belonging to the Eurozone and shareholders' equity changes from local currency movements against the Euro are temporarily recognized to the "translation reserve" shareholders' equity reserve.

INTEREST RATE RISK

Maire Tecnimont Group interest rate risk essentially concerns its variable medium/long-term loans. Variable rate debt interest rate risk not hedged through derivative instruments is however partly mitigated by liquidity remunerated at rates indexed to the same debt parameter (euribor). Any consequent interest rate fluctuations may create similar effects upon cash flows generated from inventories, although in an opposing manner than those produced on cash flows related to debt positions.

The Group also has Interest Rate Swaps (IRS) hedging the exposure to variable interest rate risk on the loan signed in the first half of 2018.

CREDIT RISK

The Group credit risk represents the exposure to potential losses deriving from the non-compliance with obligations by counterparties. This stems from normal operations and is monitored by the operating and financial departments on the basis of set procedures, which establish the methods for quantifying and controlling client risk.

They are managed according to procedures, including credit recovery and dispute management. Presently, there is no significant concentration of credit risk by region or by Client, as the Group operates on geographically diversified markets and through a range of clients and business lines.

Receivables were recognized net of write-downs calculated according to counterparty non-compliance risk, based on client reliability (third parties, related parties and public sector clients). For IFRS 9 - Financial Instruments, the impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model, utilizing supporting information, available without unreasonable charges or effort, which includes historic, current and projected figures.

LIQUIDITY RISK

This risk concerns the difficulty in sourcing new funding or access to liquid assets, resulting in the enterprise's failure to satisfy payment commitments, being forced to incur additional funding costs or, in extreme instances, being faced with potential insolvency which may put its going concern at risk.

At the present moment, Maire Tecnimont considers that the good levels of liquidity held and prudent and functional management of the credit lines available are important elements for stability and sufficient to guarantee the resources necessary for operating continuity. The management of liquidity risk is based above all on the strategy of containing debt and maintaining financial equilibrium.

Cash and cash equivalents at December 31, 2018 amount to Euro 650,008 thousand, an increase of Euro 19,139 thousand compared to December 31, 2017.



FINANCIAL COVENANT RISK

This concerns the possibility that loan contracts include clauses permitting the lending Banks and other lenders to request immediate repayment on the occurrence of certain events, resulting therefore in a liquidity risk.

In July 2018, in completion of the funding diversification and restructuring of the Group medium/long-term debt, the subsidiary Tecnimont S.p.A. agreed a new medium/long-term cash loan for a total amount of Euro 285 million. The operation stipulates the issue of a new medium/long-term cash credit line for Euro 185 million, with Euro 175 million allocated for the full repayment of the residual part of the original Euro 350 million loan undertaken by Tecnimont and Euro 10 million to top up the original loan, in addition to the increase of the “Revolving Facility” credit line issued in favor of Tecnimont from Euro 50 million to Euro 100 million. The New Loan Contract has enabled a reduction in the applicable medium/long-term Group debt margin from 1.95% to 1.70%, extending the maturity from March 2022 to June 30, 2023 and reviewing the repayment plan.

The new loan includes covenants in line with normal business practice for such operations; specifically, the loan’s financial covenants concern the ratio between the net financial position and net equity, as well as between the net financial position and EBITDA, with next measurement on the FY 2018 figures.

In 2017, Maire Tecnimont S.p.A. concluded agreements for the subscription through private placement by the Pan-European Fund and the Export Development Fund (created by SACE), both managed by Amundi Group companies, of non-convertible bonds amounting to Euro 40,000,000. The bonds, divided into two equal tranches, are of six-year duration with bullet repayment on maturity.

Again in this case, the bonds are supported by covenants in line with market practice; specifically, the bond covenants regard the maintenance of a ratio between the net financial position and net equity, as well as between the net financial position and EBITDA, next measured on the December 31, 2018 figures.

On May 3, 2018, Maire Tecnimont issued 165,000 Non-Convertible Bonds at a price equal to 100% of the nominal value, and with a unitary minimum value of Euro 1,000 (thousand), for a total of Euro 165 million. The Bond interest rate is 2.625% annually, with interest paid on a deferred basis on April 30 and October 31 of each year, from October 31, 2018. The Bonds shall be settled at the nominal value on April 30, 2024 where not previously settled or cancelled.

The Bond Loan is part of a project to diversify funding and optimize the medium/long-term debt in order to align its structure with the altered financial needs of the Maire Tecnimont Group.

The Bond issue terms and conditions stipulate incurrence-type covenants regarding the debt level; specifically, the bond financial covenants require the maintenance of a stated net financial position/EBITDA ratio, measured annually and initially on the December 31, 2018 figures.

Maire Tecnimont is currently not aware of any default situations regarding the above-mentioned covenants.

RISKS CONCERNING THE GROUP CAPACITY TO OBTAIN AND RETAIN GUARANTEED CREDIT LINES AND BANK GUARANTEES

In the course of operations and, in particular, for participation in tenders, the signing of contracts with operators or receiving advances and payments from such during order execution, the Group is required to issue bank and/or insurance guarantees in favor of operators.

The Group’s capacity to obtain such guarantees from banks and/or insurance companies depends on an assessment of the Group’s financial statements and, in particular, of the Group company involved, from analysis of the order risk, experience and the Group companies competitive positioning within its sector.

At the present moment, Maire Tecnimont is satisfied with the level of credit lines available, which are considered sufficient to guarantee the resources necessary for operating continuity.

16. Disputes

Maire Tecnimont Group disputes concern outstanding proceedings relating to ordinary operations of Group companies. A summary of the main positions at December 31, 2018 according to currently available

information is presented below.

CIVIL, ADMINISTRATIVE AND ARBITRATION PROCEEDINGS

J&P Avax S.A.: arbitration procedure initiated by Tecnimont in August 2002 against J&P Avax S.A. (“J&P”) for compensation for damages suffered following delayed execution of a sub-contract awarded to J&P as part of Tecnimont’s construction of a polypropylene production plant in Salonicco, Greece, commissioned by the Greek enterprise Helpe. Tecnimont’s arbitration claim amounts to Euro 17.4 million, while J&P advanced a counter claim for Euro 28.5 million. The Arbitration Board in December 2007 issued a partial award, attributing 75% liability for the 4-month work execution delay to J&P and 25% to Tecnimont. J&P challenged on December 28, 2008 the partial award before the Paris Appeal Court, which with judgment of February 12, 2009 cancelled the award due to the alleged lack of independence and impartiality of the Arbitrary Board’s Chair. Tecnimont subsequently challenged this decision before the Court of Cassation, which on November 4, 2010 announced in favor of Tecnimont, overturning the Appeal Court judgment. The Arbitration Board therefore decided to re-examine the arbitration, although J&P challenged the partial award before the Reims Court of Appeal, which on November 2, 2011 again cancelled the partial award for alleged improper constitution of the Arbitrary Board. Tecnimont therefore presented a fresh appeal to the French Court of Cassation, which again overturned the appeal court judgment and postponed its decision. The Court of Appeal judged in favor of Tecnimont and J&P has appealed to the Court of Cassation. The Arbitration Tribunal however decided to re-initiate the arbitration process. In the meantime, the Chair of the Arbitration Board resigned due to health issues and a new Chairperson was appointed, who fixed the next hearings for conclusion of the matter for May 2017. Following these hearings, the Court issued a partial award rejecting all of the residual claims of J&P regarding the issue. J&P presented an appeal also in terms of the final partial award, which however will not impact completion of the arbitration process.

The final hearing on the award amount was held in February 2018. At the end of December 2018, the Court of Cassation definitively rejected J&P’s appeal for the annulment of the first partial award of 2007. The final award is not expected to be issued before the first half of 2019.

Mainka: in December 2010 Tecnimont received notification from the International Court of Arbitration of the opening of a procedure against the company by Mainka, a German construction company engaged in the Münchsmünster project. The subcontract signed in August 2007 concerned the execution of civil works at the polyethylene production plant located in Münchsmünster, Germany. The Mainka claim concerns the recognition of alleged higher costs incurred for the execution of works for a total of approx. Euro 16.7 million. Tecnimont presented a formal response to the arbitration appeal, rejecting all Mainka claims and presenting a counterclaim for Euro 7.9 million. According to the Terms of Reference filed in September 2011, the Arbitration Board was called to decide in first instance the preliminary issue concerning the applicability of German law which considers clauses contained in forms and questionnaires as void. On this basis, Mainka argued the nullity of the liquidated damages and performance bond clauses. In parallel, Tecnimont initiated at the German Court an enforcement action upon the performance bond through two proceedings: i) against Mainka at the Ingolstadt court with subsequent appeal to the Munich Court of Appeal and with a successful outcome for Tecnimont (due to lack of jurisdiction) ii) against the insurance company at the Wiesbaden Court. On December 5, 2011, the ICC hearing on the partial award was held and it was decided to postpone any payment of the bond until conclusion of the arbitration process. It was also decided to continue the process on the Termination point. The petitions of the parties were filed between February and April 2012 and at the beginning of May 2012 the ICC hearing on the Termination was held. The Arbitration Board, without formally pronouncing upon the question of the Termination, therefore initiated a review of Mainka’s claim and Tecnimont’s counterclaim. The parties presented new petitions upon the claim and the counterclaim between August and December 2012. In January 2013, the hearing upon the “final invoice” was held, where it was decided to re-submit to the arbitrators a shared list of outstanding questions with indication of whether strictly legal or technical matters to be submitted by the Arbitration Board to its appointed expert. In May 2014, the Arbitration Board fixed new dates for presentation of additional petitions and for a further hearing which was held in July 2014. At this hearing, the Chairman of the Arbitration Board suggested a potential conflict impacting his independence and impartiality. The parties therefore expressly requested the replacement of the Chairman, with the ICC accepting this request. In autumn 2014, the new Chairman was appointed, who in turn formalized the appointment of the technical consultant. In the first half of 2015, the parties met with the Tribunal and with the expert in the form of the facilitator. Following these meetings, an agreement was not reached and the Tribunal decided that the arbitration should continue, maintaining the expert who would have acted to all intents and purposes as the technical consultant appointed by the Tribunal. In February 2016, the hearing at which the



testimonies were cross-examined was held. The Tribunal appointed expert issued a technical opinion at the beginning of September 2016, which was commented upon by the parties at the end of October. In November 2016, the final hearing was held, at which the Tribunal nominated expert was questioned.

The final award was issued in August 2017, substantially limiting Mainka's claims. The award was immediately challenged at the Swiss Federal Court for significant procedural defects. The Federal Court ruled negatively, and, in February 2019, Mainka obtained from the Court of Appeal of Milan provisional enforceability of the award. The appeal against the recognition of the award is still pending. The hearing for the statement of conclusions is fixed for October 2019.

Juruena: in May 2009, Maire Sapezal Ltda (now Tecnimont Sapezal, a subsidiary of Maire Engineering do Brazil, now Tecnimont do Brazil Ltda) was forced to resolve the contract with Juruena concerning the construction of 5 hydroelectric power plant in the Mato Grosso region. This followed serious financial difficulties emerging during the project caused by events outside of Tecnimont Sapezal's scope of responsibility which decisively impacted timelines and costs, including: in addition to a year of suspension due to non-renewal of the client's environmental licenses, a suspension order upon works issued by the local magistrate, basic design errors by the client, destruction and fire on site caused by indigenous peoples, site flooding due to exceptional rainfalls and the failure to pay invoices issued and approved by the client. Following the resolution of contract, Maire Sapezal blocked the legal actions taken by the counterparty at the Cuiabá (Mato Grosso) Court, in clear contradiction of the arbitration clause and the attempt to enforce the performance insurance guarantee and completed the site transfer operations as planned. Maire Sapezal therefore filed an international arbitration claim (ICC) to obtain payment of approx. Reals 115 million for: i) non-adjustment of the contractual price following delays caused by the failure to renew local environmental licenses by Juruena; ii) non-adjustment of the contractual price following additional costs due to basic design errors by Juruena; and iii) non-compliance with the obligations agreed between the parties under an operational agreement for price resetting on an open book basis; iv) Juruena's liability for the incursion of indigenous peoples which devastated the sites and non-recognition of the damage caused to Tecnimont; v) non-payment of invoices approved for services provided by Tecnimont; vi) improper recourse to the Mato Grosso Court in violation of the contractual arbitration clause; vii) violation of the principle of good faith. The client in turn filed an arbitration claim for approx. Reals 346 million. The Arbitration Court was constituted and during the ICC procedure petitions and technical, economic and market reports were filed and written testimonies gathered. On June 9, 2013, the Group received from its Brazilian legal representatives a copy of the (partial) arbitration award, subsequently amended on October 17, 2013 and not immediately executive, which contained the following: i) both parties were deemed responsible for resolution of contract; ii) the award concludes all Tecnimont do Brazil Ltda claims, with recognition of approx. Reals 21.15 million; iii) the award concludes Juruena's claims with recognition of approx. Reals 16.4 million. The proceedings expenses will be decided as part of the final award.

The ICC procedure concluded with a final award which recognized certain costs for the re-execution of works requested by Juruena. Tecnimont presented a request for the annulment of the Award on the basis of procedural technicalities. The efficacy of the award was suspended by the Mato Grosso Courts ahead of a final decision.

Kesh: Maire Engineering S.p.A. (now Tecnimont S.p.A.) in February 2007 signed an EPC contract for the construction of an EPC plant located in Vlore (Valona), Albania with the operator Kesh Dh. Albanian Power Corporation, an Albanian state-owned company. The initial "lump sum" contract value was Euro 92 million, thereafter increased by an additional Euro 4.1 million. Since the beginning of the project, Tecnimont has encountered significant difficulties which have impacted the timely execution of works and led to additional costs and damages. The initial difficulties stemmed from the fact that the contract tender was carried out in a period of greatly different market conditions than those which Tecnimont encountered two years subsequent to the awarding of the contract. Apart from the increase in the contract value of Euro 4.1 million, Kesh without basis has neither recognized an additional adjustment to the contract value or an extension to the completion deadline. Furthermore, in addition to deteriorated market conditions, other events have increased Tecnimont's costs and delayed works completion, including: ongoing storms and requests to carry out temporary rather than permanent repairs. In 2009, Tecnimont presented an Interim Report requesting review of the Operational Acceptance date and, in the case of non-acceptance, the payment of the additional costs incurred in accelerating works to reduce the delay, meaning that Kesh would not have had other grounds to request payment of the delayed penalties. In July 2009, the change proposals were submitted to Kesh. Despite all this, Kesh in September 2011 demanded the payment of penalties of Euro 9.2 million from Tecnimont. In November 2011, Tecnimont sent a Supplementary Report concerning the events between February 2009 and October 2011, which would have entitled Tecnimont to

request a longer extension to the completion date than that already requested through the Interim Report and additional damage and cost claims. In particular, recognition of approx. Euro 56 million and approx. USD 22.5 million was requested. The Operational Acceptance Certificate was thereafter issued in November 2011, although with retroactive effect to October 2011. Apart from the unjustified delay in issuing the certificate, Kesh has not released the remaining 5% of the contractual price for an amount of Euro 4.7 million and has not reduced the Performance Bond from 10% to 5% of the contract value. In addition, Kesh has not extended beyond December 31, 2011 the duration of the letter of credit in guarantee of its payment obligations, therefore not complying with its contractual and legal obligations. As a direct consequence, Tecnimont sent to Kesh a first Notice of Termination in April 2012, followed by a second Notice in May and a third in September 2012. Despite this, Kesh subsequently threatened to enforce the entire amount of the Performance Bond of Euro 9.6 million. In January 2012 and therefore subsequently to obtaining Operational Acceptance and following the transfer of the plant from the custodianship of Kesh a storm hit the plant, damaging the sea outlet piping. Tecnimont considers that the damage to the tubing related to events entirely outside of its scope of responsibility and due to the improper management of the plant by Kesh personnel. In order to avoid enforcement of the entire Performance Bond amount of Euro 9.6 million claimed by Kesh in September 2012, Tecnimont claimed and obtained from the Milan Court an injunction recognizing enforcement of half the Performance Bond as illegal; the guarantee issue bank therefore paid Kesh only half of the Performance Bond. In October 2012, Tecnimont therefore filed an arbitration claim at the ICC against Kesh for payment of the remaining 5% of the contract value, the reimbursement of the half of the Performance Bond enforced, in addition to Euro 51 million, plus USD 22 million of additional costs for damages, further to a declaration of non-responsibility for the delayed penalties. In addition, Tecnimont requested resolution of the EPC contract on the basis of Kesh's non-fulfilment, reserving the right to present additional damage claims during the same arbitration procedure. On January 4, 2013, Kesh presented a brief rejoinder, requesting that the matter is preliminarily submitted for an adjudicator's assessment. This assumes that the EPC contract established this preliminary step before the matter is dealt with by the Arbitration Board. The ICC proposed that the parties reach an agreement to suspend arbitration and resubmitted the matter to the adjudicator's assessment. The contract establishes however that the party unsatisfied with the adjudicator's assessment may initiate an arbitration proceeding. In February 2014, Tecnimont therefore filed an initial adjudicator application concerning Kesh's non-compliance with its obligations in relation to the Performance Bond reduction. On April 2, 2014, the adjudicator's decision was in favor of Tecnimont and on April 28, 2014 Kesh announced its intension to challenge this decision through arbitration in accordance with the contract. However, Kesh has thus far not initiated any arbitration in this regard at the ICC. Simultaneously, on February 18, 2014 Tecnimont was summoned to appear in Albania with regards to the case initiated in October 2012 by Kesh against Intesa Sanpaolo Bank Albania for payment of the residual performance bond (Euro 4,830,000), which was blocked by the Milan Court. The first level judgement rejected Kesh's demands, which within the thirty following days challenged this decision.

With judgement of March 27, 2015, the Court of Appeal confirmed the first level decision, rejecting therefore Kesh's claim. Against this provision, on April 17, 2015 Kesh filed an appeal before the Albanian Court of Cassation, which was only notified to Tecnimont on May 25, 2018. The Court of Cassation decision is expected to be concluded by 2019.

NGSC/Iranian Bank of Mines and Industry: On January 16, 2014 Sofregaz (now TCM FR) presented a request for arbitration to the International Arbitration Court of the ICC against the client NGSC (Natural Gas Storage Company) to obtain rejection of a number of compensation claims previously advanced by NGSC, the payment of an overdue amount of Euro 1,286,339.06 and relative interest and withdrawal of the payment request of the Performance Bond and the Advance Payment (or, where payment has already taken place, reimbursement of the relative amount). Initially, the arbitration was suspended due to the embargo restrictions as concerning an Iranian company, although thereafter resuming on May 29, 2015. The Tribunal was established on June 7, 2016. On December 1, 2016, TCM FR presented the statement of claim concerning a further request for damages of over Euro 9 million. Arbitration is still in progress, with conclusion expected in the second half of 2019.

The decision of 27/12/2018 ordered TCM FR to pay the sum of USD 947,032.18. In view of the serious errors in the provision, TCM FR took steps to challenge the arbitration decision before the Paris Court of Appeal.

Municipality of Venice - Manifattura Tabacchi: with subpoena notified on June 5, 2010, the Municipality of Venice summoned the Temporary Consortium comprising Tecnimont (59% mandatee), Progin and other



mandatees (the “ATI”), as designer of the new Venice legal headquarters (ex Manifattura Tabacchi), requesting from the ATI repayment of damages alleged by the Municipality of Venice for the failings and omissions of the executive projects (concerning in particular, the failure to carry out chemical analysis of the soil, structure and plant errors/omissions and the failure undertake archaeological surveys). The damage claim amounted to Euro 16.9 million. In its opening, the ATI strongly contested that alleged by the Municipality of Venice. The Judge has currently withheld the decision. At the hearing on 3/02/2019, the presiding judge initially proposed a postponement of the hearing in order to facilitate a conciliatory proposal for all three judgments relating to the contract (i.e. against the temporary joint venture planners, project manager, and temporary joint venture contractor, respectively).

The judge then reserved the right to formulate the (first) conciliatory proposal by the end of the following March, subsequently postponing the hearing to the end of April in order to ascertain the determination of the parties.

Tecnimont/TCM FR - STMFC (Society du Terminal Methane de Foes Cavour): the contract concerns the construction of a regasification terminal and was signed in September 2004 between the client STMFC - Society du Terminal Methane de Foes Cavour (70% Gas De France, 30% Total) - subsequently assigned to Fosamax LNG - and STS (society end participation), comprising: 1% Sofregaz, 49% Tecnimont, 50% Saipem France (hereafter “STS”). The award was issued on February 13, 2015, under which STS is required to pay Fosamax delay penalties, costs related to accidents, disorder and harmful events at the site and for residual works carried out by Fosamax; Fosamax however shall pay STS for the increase in contractual value, the reimbursement of bank guarantees and additional costs, in addition to interest as provided for in the Judgement. The recognition of the respective positions took place in April 2015. Fosamax LNG subsequently challenged the award before the French Council of State, requesting nullification of the allegation put forward that the Arbitration Board erroneously applied private law in the place of public law. STS filed its defense petition before the Council of State. The parties exchanged petitions at the hearing before the French Council of State (Conseil d’Etat). Subsequently, at the hearing of the Rapporteur Public (Reporting Judge), the debate phase was closed. The Rapporteur referred the case to the Tribunal des Conflits, which is required to reach its decision within three months from the day of referral. At the hearing of December 3, 2015 for discussion of the suspension of the counterparty’s procedure taken at the Court of Appeal, the case was adjourned to the hearing of January 7, 2016. At this hearing, the Court of Appeal suspended the proceedings ahead of the Tribunal des Conflits decision. With decision No. 4043 the Tribunal declared the administrative jurisdiction as competent for the arbitration award appeal. On November 9, 2016, the Conseil d’Etat only partially annulled the Award, in terms of the section in which the request of the company Fosamax LNG for payment by the STS Group of costs for the at risk works and expenses of the STS Group (mise end régie (under authority of a third party)) was rejected, confirming however all other decisions of the Arbitration Board. Fosamax in addition initiated further legal proceedings before the Court of Appeal: one concerning the cancellation of the award and the other cancellation of the decree of the TGI Chairman (hereafter the “exequatur”). (1) Award cancellation appeal: With regards to this appeal, STS requested the Court to consider itself as lacking jurisdiction in view of the decision of April 11, 2016 of the Tribunal des conflits which declared the jurisdiction of the Conseil d’Etat for the award cancellation appeal. The Paris Court of Appeal accepted STS’s arguments and therefore declared itself to lack jurisdiction to decide upon this appeal (in favor of administrative jurisdiction) both for the principal appeal and accessory (enforcement appeal). (2) Appel nullité dell’exequatur: With regards to the second appeal, STS requested the Court to consider the action inadmissible due to the non-fulfilment of the initiation requirements. Subordinately, STS requested the Court to consider that as Fosamax made payment willingly it implicitly accepted the award, which was therefore no longer challengeable. The decision of the Court of Appeal rejected STS’s grounds, founding its decision, among other matters, on the control of the award allocated to administrative jurisdiction and the possibility to challenge the decision before the civil jurisdiction. As considering arguments relating to compliance with the award, the Court of Appeal considered that this review required the competent judge to declare upon the cancellation of the award: therefore, judgement was not made on the point, referring the decision to the Conseil d’Etat. In addition, the Court of Appeal considered itself competent to review the appeal, taking account of the fact that the decision was issued by a civil authority and may no longer be challenged before the administrative jurisdiction. Therefore, this procedure will continue on such lines and the Court of Appeal will fix a date in the coming weeks for examination and discussion of the case. The practical impact of a negative decision by the Court of Appeal is quite reduced (except for judgment against legal and case expenses) as the Conseil d’Etat, through its November 9, 2016 decision confirmed the validity of the award, with the exception of the request of Fosamax concerning mise end régie. On June 21, 2017, Fosmax notified STS of an “ICC Request for arbitration”. On August 22, 2017, STS filed its “Answer to the Request for Arbitration”, appointing an

arbitrator. With appointment of the Chairman on January 19, 2018, the Arbitration Court was convened. During the course of 2018, the parties exchanged respective statements of claim, with Fosmax filing a *Mémoire en Demande* on April 13, 2018, STS a *Mémoire en Défense et Demandes Reconventionnelles* on July 14, 2018, Fosmax a *Mémoire en Réplique et Réponse à la Demande Reconventionnelle* on October 5, 2018, STS a *Mémoire en Duplique et en Réplique à la Demande Reconventionnelle* on December 14, 2018, and Fosmax a *Mémoire en Duplique sur la Demande Reconventionnelle* on February 1, 2019. The hearing is due to be held at the end of April 2019.

KT - HYL TECHNOLOGIES - on July 22, 2015, an arbitration request was notified by the Client HYL TECHNOLOGY for alleged serious non-fulfilment by KT in the execution of the EP contract signed with the Client in May 2011. The claim presented by HYL amount to USD 32 million for damages and USD 45 million for loss of earnings. As per the contractual terms, the arbitration was taken to the International Court of Arbitration of the International Chamber of Commerce and was held in Milan. In the defensive petitions filed on September 18, 2015 and August 4, 2016, KT contested the accusation of poor design and rejected the assumption, drawn up by the plaintiff, of KT's liability for the accident at the plant on November 2, 2014. KT made a counter-claim requesting the sum of approx. Euro 2.7 million together with the restoration of costs incurred to date of Euro 900 thousand in relation to the arbitration. The claim requested by HYL for damages does not appear founded and does not contain specified detailed attachments such as (i) non-compliance by KT; (ii) indication of the link between the event which caused the damage and the activities undertaken by KT in execution of the contract and (iii) the certified damage incurred. The request by the counterparty for the loss of earnings - which is subject to the outcome on the assessment of the direct damage - is also unfounded in consideration of the following: (i) the contract underwritten between the parties expressly provides for the exclusion of indirect and consequential damage (citing, for example purposes, loss of production or profit, loss of revenue, loss of use, loss of capital); ii) the non-awarding of the order to HYL would principally be due to the (reduced/lower) reliability of the technology of this latter, in both absolute terms (compared to historical performances of the plant constructed by HYL), and in relative terms (compared to its competitors). The latest "Procedural Timetable" sent to the Parties by the Arbitration Court establishes a deadline of April 6, 2017 for the filing of our third Rejoinder and fixed the dates of May 22-30 for the hearings to be held in Milan. On the request of the counterparty, after the filing of our Rejoinder, the Arbitration Court granted an extension to October 2017. The hearings were held between October 9-14 2017. The Arbitration Court fixed the date of February 2, 2018 for the simultaneous post-hearing filing, with a deadline for reply to the Parties of February 26, 2018. A first partial "award on liabilities" will be sent by the arbitration court to the International Court of Arbitration on August 31, 2018.

The partial award, issued on October 4, 2018, recognized joint-liability of the parties in relation to the causes of the incident of November 2, 2014. By appeal on December 28, 2018, KT requested the Court of Appeal of Milan to ascertain and declare the nullity of the partial award due to public order infringement, lack of motivation, violation of the right to make representation and defect of excess. KT also requested the Court of Arbitration (i) to suspend the proceedings, pursuant to Article 819b of the Civil Code, pending the decision for the request for annulment by the Court of Appeal of Milan, and (ii) to grant the parties further time for the filing of statements of claim.

NANGAL (India) - project acquired in May 2010 from National Fertilizer Limited (NFL). The project involved the reconversion of the existing Nangal fertilizer plant, replacing the fuel oil and natural gas system and modernizing the accessory infrastructure. Engineering, material procurement and construction have been completed. The project is 99.9% complete. The mechanical completion of works was delivered on February 15, 2013, while plant start-up took place on April 9, 2013. The performance tests were successfully completed. In 2015, negotiations for the settlement of outstanding matters with the client continued. In February 2016, following the unexpected requests of the client and without notice or notice of contractual non-fulfilment, a procedure for the enforcement of the project Performance Bond was initiated; a legal case was opened in India under Section 9 of the Arbitration and Conciliation Act. 1996. The High Court of Delhi on February 15, 2016 immediately blocked enforcement until March 9, 2016. At the subsequent hearing of March 9, 2016, the Delhi Court maintained the "status quo" of NFL requests until April 29, 2016. At that hearing, NFL requested an extension to the deadline for the filing of its petitions. At the hearings of July 29, 2016 and October 6, 2016, the same Court maintained the "status quo". At the last hearing of December 6, 2016, the Court decided to maintain the supervision order of February 15, 2016 unaltered until the decision of the sole arbitrator, referring therefore to the arbitrator the decision upon enforcement of the Performance Bond. With order of December 6, 2016, the Court therefore declared the proceedings closed as per Section 9 of the Arbitration and Conciliation Act. 1996. The Maire Tecnimont Group, supported by its consultants, does not concur with the actions of the Client and considers that strong arguments in its favor exist. Simultaneously, Tecnimont on February 27, 2016 presented an arbitration for recognition of



the previously advanced requests to the client for the issue of improperly withheld payments for the works carried out, in addition to recognition of additional compensation due to the extra costs incurred and chargeable to the client. With order of December 9, 2016 of the Supreme Court of India (pronouncing upon the Section 11 of the Arbitration and Conciliation Act of 1996 proceeding), Justice S.S. Nijjar was appointed as the sole arbitrator. On February 15, 2017, the parties agreed with the arbitrator the arbitration calendar. As established, Tecnimont on May 19, 2017 filed its Statement of Claim, while NFL is required to file its Statement of Defense and counterclaim on August 11, 2017. In August, NFL filed its Statement of Defense and Counterclaim, with Tecnimont responding in October 2017 with the filing of a Rejoinder and a Reply to Counterclaim. The parties on June 4 filed their written testimonies. Tecnimont also delivered the reports of its technical consultants (analysis on delays and on damages).

The preliminary hearings have not yet been held, and, on January 12, 2019, the sole arbitrator resigned. On February 4, 2019, Tecnimont therefore initiated the procedure pursuant to the 1996 Arbitration and Conciliation Act for the appointment of a new sole arbitrator. Once the latter has been appointed, arbitration will resume at the point at which it was interrupted (i.e. the preliminary phase). The arbitration is expected to conclude by the end of 2019.

NAGRP Kuwait (Kuwait) - acquired in July 2010 from Kuwait National Petroleum Company (KNPC). The EPC contract regards the provision of three portions of plant: a new process plant (New AGRP), a steam generation plant (Utilities) and the development of an existing plant (AGRP Revamping). Without any notice and entirely unexpectedly, on May 16, 2016, the Client terminated the contract and which was immediately contested by Tecnimont S.p.A. before the competent judicial courts. Following the resolution Tecnimont in fact commenced a civil procedure requesting the competent judge to accept the illegitimacy of the contract resolution as well as requesting condemnation of the Client for the payment of the contractual price matured to the date of the resolution, to the restitution of the sums received following the enforcement of the bank guarantees and payment for all damages incurred. Despite these proceedings the Parties began negotiations on the possibility to conclude a settlement agreement which would provide, among the various aspects, that the Client would commit to the payment of the trade payables of the projects which, for such purpose, would be ceded from Tecnimont to the client. Currently, negotiations are still in progress with conclusion expected in the short-term. Based on that discussed and on information available to the Group, the outcome will not result in the recognition of significant liabilities. The company however does not intend to withdraw from the legal action unless a Settlement is agreed with the Client.

ONGC Petro Additions Limited (India) This concerns two UNCITRAL arbitration proceedings brought by the consortium comprising Tecnimont S.p.A. and Tecnimont Private Limited against the Indian company ONGC Petro Additions Limited (“OPaL”) with regards to two turnkey EPC Contracts (total value of approx. USD 440,000,000.00), regarding respectively the construction by the Consortium of a 340 tons per annum polypropylene plant (PP Project) and two HD/LLD “swing” polyethylene plant, each of 360 tons per annum capacity (PE Project). The PP and PE polyolefin plant are located in Dahej, in the State of Gujarat (India). Both Notices of Arbitration cite the following demands: a) recognition of a “time at large” situation regarding the two projects due to the actions of OPaL; b) the recognition of additional costs incurred and compensation for damage for delays owing to OPaL; c) recognition of and payment for extra works; d) the release of amounts overdue or incorrectly held by OPaL. Arbitration was suspended as the parties attempted to reach a settlement privately. Arbitration was thereafter reinitiated, with Tecnimont S.p.A. and Tecnimont Private Limited filing at the Indian Court a motion for the appointment of the Arbitration Board Chair. The Arbitration Board Chair was appointed, who issued the first procedural order which: i) requires unification of the two arbitration procedures into a single procedure; ii) sets OPaL’s jurisdictional claims for a subsequent hearing; iii) set the procedural timeline. Subsequently, the Court was declared as competent to consider the issue and the New Delhi Arbitration Board was assigned the case. At the end of 2017, Tecnimont and Tecnimont Private Limited filed their Statement of Claim. OPaL filed on April 2, 2018 its Statement of Defense and Counterclaim.

On April 10, a procedural hearing was held in Singapore. In May 2018, the parties appointed their respective technical experts. On September 27, 2018, the technical experts of the parties filed their respective Expert Reports. On October 1, 2018, Tecnimont and Tecnimont Private Limited filed their Reply and Defense to Counterclaim. On December 24, 2018, OPaL filed its Reply to Defense to Counterclaim. On February 28, 2019, the parties presented their respective Rejoinders. On March 24, 2019, a procedural hearing is to be held in Singapore in preparation for the relevant hearings to be held in the first half of June 2019 in New Delhi. Arbitration is expected to conclude in the first half of 2020.

AL AIN AHLILA / ADCO (United Arab Emirates): The dispute refers to the EPC contract signed in 2014 between Tecnimont S.p.A. and the client ADCO (Abu Dhabi Company for Onshore Operations Ltd) regarding

the construction of the oil pipeline on the Al Dabb'iya site near to Abu Dhabi (United Arab Emirates). Among the various types of pipe used for crude oil distribution, the insulated section supplied by MAN Industries (India) was found, on preparation for laying and welding, to have a contact gap between the non-insulated part and the insulating layers. This delamination issue would have exposed the pipeline to the risk of progressive corrosion, potentially compromising the functionality of the system. Therefore, at the beginning of 2017, the client ordered the full rehabilitation of the insulation for over 100 kilometers of pipeline. In autumn 2017, Tecnimont submitted a claim to the insurance company Al Ain Ahlia Insurance Company (P.S.C.) for the costs of the rehabilitation of the insulation. The client had subscribed to a Construction All Risk (CAR) policy with the insurance company regarding the contract in question in order to cover any damages to the client and its co-insurees, including Tecnimont and all the contract suppliers. Tecnimont's insurance claim quantified damages due to the repair activities carried out by Tecnimont at USD 63,169,349. After several months of unsuccessful attempts to find a common understanding with the insurance company, having revised the arbitration clause, on August 19, 2018, Tecnimont, as claimant, filed a Request for Arbitration at the London Court of International Arbitration (LCIA) for the initiation of arbitration proceedings. The Request for Arbitration referred to an initial claim amount equal to the amount already claimed in October 2017 while reserving the right to increase the claim during the arbitration proceedings in light of further damages. On September 17, 2018, the insurance company filed its Response to Request for Arbitration, denying the relevant insurance coverage under the policy, without, in turn, formulating a counter-claim. In autumn 2018, the Court of Arbitration, constituted by three arbitrators, issued Procedural Order Number 1 with the annexed Procedural Timetable setting the dates for the exchange of Statements of Claim and for the Case Management Meeting between the parties and the Court of Arbitration itself. This meeting was due to define the final procedural steps and to make a decision on whether to not to divide the procedure into two phases, the first considering the policy coverage and relevant technical aspects, the second any award amount. On December 10, 2018, Tecnimont filed a Statement of Claim providing further arguments on the insurance policy coverage and increasing the claim amount to USD 101,678,678, excluding any further additional damages and interest. On January 24, 2019, the insurance company filed a Statement of Defense, fully confirming the positions taken in the Response to Request for Arbitration, restating the exclusion of the insurance coverage, and rejecting any claim by Tecnimont. On February 21, 2019, Tecnimont filed a Reply to the insurance company's Statement of Defense. The Case Management Meeting is scheduled for March 25, 2019, while the Court of Arbitration has set preliminary dates for hearings in autumn 2019. At present, it is not possible to predict the exact duration of the entire procedure, which, in any case, shall not reach conclusion before the second half of 2020. Despite this Tecnimont and the client began negotiations on the possibility to conclude a settlement agreement.

TAX DISPUTES

Maire Tecnimont Group Tax disputes concern outstanding tax proceedings relating to ordinary operations of Group companies. A summary of the main positions at December 31, 2018 according to currently available information is presented below.

TECNIMONT SPA: IRPEG - IRAP - VAT and withholding tax assessment for 2003

With IRPEG - IRAP - VAT and withholding tax assessments concerning 2003, notified to Maire Engineering (subsequently incorporated into Tecnimont S.p.A.), the Tax Agency assessed higher IRPEG of Euro 4,656 thousand, higher IRAP of Euro 577 thousand, higher VAT of Euro 3,129 thousand, higher withholding taxes of Euro 10 thousand, higher regional levy of Euro 700 thousand and issued a penalty totaling Euro 6,988 thousand. Tecnimont S.p.A. challenged appropriately in advance the tax assessment before the competent Turin Provincial Tax Commission which, accepting the company's reasoning, dismissed nearly all the claims brought by the above-stated tax deed. This judgement was reviewed in 2008 by the justices of the Turin Regional Tax Commission, which accepted the Tax Agency's appeal. Among the findings annulled by the first level justices, although thereafter confirmed by the Regional Tax Commission, we highlight finding No. 2 concerning an extraordinary gain of Euro 12,022 thousand following the issue of the UNCITRAL arbitration award, subject to the Agency claim concerning FY 2003. Both parties appealed to the Court of Cassation which on April 15, 2016 confirmed the Court of Appeal decision (concerning the main findings) and referred the case to a differing section of the Turin Regional Tax Commission, also in terms of the



(re)quantification of penalties following the introduction of a more lenient penalty system (Legislative Decree 158/15).

The dispute was defined as part of a conciliatory agreement signed on October 31, 2018, in which the penalties were also re-determined under the “favor rei” principle. With a ruling dated January 22, 2019, the Tax Agency quantified the amounts paid by the company pending judgment and resulting in excess of the amount due as a result of the aforementioned conciliation agreement, for an amount equal to more than Euro 800,000 payable to company.

At the same counter-appeal, the question was also brought to the attention of the Tax Agency, already cited in the application presented by the company on November 24, 2009, of the repayment of income taxes paid in 2005 for the release of part of the Quetta fund (income taxes of Euro 2,329 thousand plus interest), and definitively declared as not due following confirmation by the Supreme Court of Cassation of finding No. 2 regarding financial year 2003. Where the counter-appeal against the Tax Agency does not permit the company to obtain quick recognition of the amounts due for repayment, the company reserves the right to challenge before the competent Tax Commission the (tacit or express) denial of repayment by the Tax Agency.

TECNIMONT S.p.A.: audit for 2014, 2015 and 2016 of direct taxes, IRAP, VAT and withholding tax

On December 6, 2018, following the general audit of direct taxes, IRAP, VAT and withholding tax by the Tax Agency’s Lombardy Region Directorate, in reference to the tax periods of 2015 and 2016 (extended to 2014 for the sole purpose of checking the correctness of the normal value of transactions with the subsidiary Tecnimont Private Limited), the company received a Tax Assessment (PVC) indicating the following findings:

1. recovery of taxes regarding the costs for the acquisition of engineering services by the subsidiary Tecnimont Private Limited in the financial years 2014, 2015 and 2016 (totaling Euro 18,827,000), deemed in excess of the fair value;
2. alleged higher interest income of Euro 1,085 thousand in relation to the loan granted to Tecnimont Arabia Limited.

The company had previously prepared the documentation required by Article 1, Paragraph 2-ter, of Legislative Decree No.471/97 and the Tax Agency Director’s Provision of September 29, 2010. This documentation, submitted during the audit, was held by the auditors (i) to be adequate for demonstrating that the applied transfer prices were consistent with the fair value, and (ii) to be valid for the purposes of the beneficial regime for the waiving of penalties under Article 1, Paragraph 2-ter, of Legislative Decree No. 471/97.

At the preparation date of these financial statements, the company was not notified of any additional developments with regards to the above tax assessments.

The company considers the objections contained in the Tax Assessment (PVC) inadmissible, and maintains to have acted in full compliance with transfer pricing legislation.

Ingenieria y Construccion Tecnimont Chile y Compania Limitada: Tax assessment year 2011

In May 2013 Ingenieria y Construccion Tecnimont Chile y Compania Limitada (“Tecnimont Chile”) was notified of an application by the Chilean tax authorities regarding tax findings and claims. In particular, the calculation of the 2011 tax result was contested, rejecting the tax losses accumulated (approx. CLP 71.9 billion) and claiming taxes for a total of approx. CLP 4.9 billion. Tecnimont Chile promptly requested nullification of the claim as illegitimate and unfounded, providing fresh and extensive documentation not previously considered by the Chilean Tax Agency. On the basis of this documentation provided, on August 8, 2013 the Chilean Tax Agency partially nullified the act, acknowledging the validity of part of the tax loss, while also almost entirely cancelling all payment demands for increased taxes and interest previously notified to the company. Tecnimont Chile continued to appeal in support of the correctness of its conduct and, backed by a leading legal firm, proposed an appeal against the first level unfavorable decision of November 20, 2017. In its judgement on January 17, 2019, the Court of Appeal of Santiago accepted all the requests made by the company. Against this decision, the Tax Agency appealed to the Court of Cassation on February 4, 2019.

In addition, following a further and subsequent tax audit, the Chilean Tax Agency issued an additional assessment raising similar issues and challenges with regards to financial years 2012 and 2013,

derecognizing part of the prior year tax losses (for a total of approx. Chilean Pesos 10.3 billion). Tecnimont Chile requested on time cancellation of the assessment as considering it unlawful and unfounded: demonstrating the correctness of its conduct and supported by a leading legal firm, on December 20, 2017 the company challenged the assessment through submitting an appeal (still awaiting hearing).

TWS SA: Tax assessment - years 2004 to 2009

In December 2014, the Tax Agency notified the Swiss company TWS SA of separate tax assessments, establishing the tax residence of the company in Italy for the 2004 to 2009 tax years. The assessed and demanded taxes totaled Euro 3,198 thousand (in addition to penalties of Euro 3,838 thousand). The company considered these assessments as illegitimate and unfounded and, supported by a leading legal and tax firm, challenged all of these acts before the competent Milan Provincial Tax Commission which, with the judgment filed on June 29, 2015, accepted all appeals, judging expenses against the Tax Agency. Following the appeal presented by the Tax Agency, with judgment filed on November 22, 2017, the Milan Regional Tax Commission confirmed the first level Judgment, entirely in favor of the company, judging the repayment of additional expenses against the agency. On April 24, 2018, TWS was party to an out-of-court agreement by which the Tax Agency committed not to challenge the Court of Cassation judgment (making the entirely favorable judgment for the company therefore definitive) against the waiver of case costs.

KT Kinetics Technology SpA: Tax Agency Audit year 2011

On November 3, 2016, in conclusion of the Finance Police's tax audit relating to the year 2011, the Tax Agency (Lazio Regional Tax Office) issued separate tax assessment for IRES, IRAP and withholding taxes. The company immediately sent an appeal to the Tax Office requesting and obtaining the cancellation of some assessments which were illegitimate (without charge to the company) and in March 2017 agreed a simplified settlement for all items disputed for IRAP purposes only and withholding taxes (charge of Euro 247 thousand). The principal matters disputed in the assessment notices for IRES corporate tax only (notification also sent to Maire Tecnimont S.p.A. as tax consolidating company) concern however the accounting treatment of some financial contracts and dividends from a foreign owned company. The additional IRES claimed amounts to Euro 1,064 thousand, in addition to penalties and interest.

With regards to these disputes, Maire Tecnimont S.p.A. presented the "IPEC form" requesting the recalculation of the amounts due following the use of prior tax consolidation losses. Therefore, the Tax Agency accepted the request to cancel the taxes, penalties and interests claimed in the assessment. The company, considering that it has correctly acted and supported by leading tax consultants, challenged the Tax Assessment before the Rome Provincial Tax Commission. It simultaneously brought a counter-appeal against the Tax Agency which is still in progress and obtained repeated postponements following the application jointly presented to the Tax Agency.

17. Corporate Governance and Ownership Structure Report

In accordance with the regulatory obligations of Article 123-bis of the CFA, the "Corporate Governance and Ownership Structure Report" is drawn up annually and contains a general outline of the Corporate Governance System adopted by the company and information upon the ownership structure, including the main governance practices applied and the features of the risk management and internal control system with regards to financial disclosure.

This report is available on the company website www.mairetecnimont.it, in the "Governance" section.

18. Treasury shares and shares of the parent company

On February 1, 2018 - as part of the treasury share buy-back program, Maire Tecnimont S.p.A. announced that, taking account of the transactions carried out in the period between September 25, 2017 and January



30, 2018 inclusive, all 15,000,000 ordinary shares in service of the equity-linked bond loan had been acquired and, therefore, the Program had concluded.

On March 6, 2018, Maire Tecnimont announced that the conversion requests on the “€80 million 5.75 per cent. Unsecured Equity- Linked Bonds due 2019” were satisfied through delivery to entitled parties of a total 38,065,232 ordinary Maire Tecnimont shares, with full rights, of which 14,952,300 treasury shares of the company from the buy-back program to service the conversion of the Loan which commenced on September 25, 2017, and 23,112,932 newly-issued shares from a paid-in share capital increase to service the Loan, approved by the Extraordinary Shareholders’ Meeting of the company of April 30, 2014.

On June 20, 2018, as part of the treasury share buy-back plan in service of the Second Cycle (2017) of the “Maire Tecnimont Group Employee 2016-2018 Share Ownership Plan” approved by the Shareholders’ Meeting of April 27, 2016 (the “Plan”), Maire Tecnimont S.p.A. announced the acquisition on the Mercato Telematico Azionario (MTA) organized and managed by Borsa Italiana S.p.A., in the period between June 14, 2018 and June 19, 2018 inclusive, of a total of 500,000 treasury shares (corresponding to 0.15% of the total number of ordinary shares), at an average weighted price of Euro 4.174, for a total amount of Euro 2,087,182.15. On June 30, 2018, 472,180 shares from the Program had been assigned to foreign Plan Beneficiaries.

Between July 4, 2018 and July 10, 2018 inclusive, 663,721 treasury shares were acquired (corresponding to 0.20% of the total number of ordinary shares), at an average weighted price of Euro 4.254, for a total amount of Euro 2,823,345.16.

Taking into account also the shares already acquired in the June 12, 2018 - June 30, 2018 inclusive period, all shares concerning the Second Cycle (year 2017) of the Plan had been acquired and therefore the relative Program was completed. All the Second Cycle (year 2017) shares were assigned to the Plan Beneficiaries by July 25, 2018.

At December 31, 2018, the Company does not hold any treasury shares.

19. Going Concern

The Group again reported strong results in 2018, with consolidated net income of Euro 117.4 million (Euro 126.6 million in 2017; Euro 85.3 million in 2016), marking the completion of the turnaround initiated in preceding years and the significant growth of the Group in the recent past. The Group at December 31, 2018 presents consolidated shareholders’ equity of Euro 342.6 million (Euro 283.8 million at December 31, 2017).

The adjusted net financial position at December 31, 2018 was Net Cash of Euro 77.6 million, slightly reducing on December 31, 2017 (Euro 108 million). Despite the increase in cash and cash equivalents, as already stated, the gross debt rose due to the management of current operating cash flows, with the mark to market of the derivative instruments also decreasing, contributing to the deterioration in the financial position for approx. Euro 34.5 million.

In 2018, the Maire Tecnimont Group acquired new projects and contract extensions worth approx. Euro 2,966.5 million; the Backlog of the Maire Tecnimont Group at December 31, 2018 was Euro 6,612 million.

On May 3, 2018, Maire Tecnimont issued 165,000 Non-Convertible Bonds for a total of Euro 165 million. The interest rate on the Bonds is 2.625% annually, with settlement at nominal value on April 30, 2024 where not previously settled or cancelled. The Bond Loan is part of a project to diversify funding and optimize the medium/long-term debt in order to align its structure with the altered financial needs of the Maire Tecnimont Group.

In July 2018, in completion of the funding diversification and restructuring of the Group medium/long-term debt, the subsidiary Tecnimont S.p.A. agreed a new medium/long-term cash loan for a total amount of Euro 285 million. The operation stipulates the issue of a new medium/long-term cash credit line for Euro 185 million, with Euro 175 million allocated for the full repayment of the residual part of the original Euro 350 million loan undertaken by Tecnimont and Euro 10 million to top up the original loan, in addition to the increase of the “Revolving Facility” credit line issued in favor of Tecnimont from Euro 50 million to Euro 100 million. The New Loan Contract has enabled a reduction in the applicable medium/long-term Group debt margin from 1.95% to 1.70%, extending the maturity from March 2022 to June 30, 2023 and reviewing the repayment plan.

Based on the results achieved, the Group and the Company consider the going concern principle appropriate for the preparation of the annual report at December 31, 2018.

20. Subsequent events and outlook

The key events were as follows:

MAIRE TECNIMONT JOINS THE PLASTICS MECHANICAL RECYCLING SEGMENT THROUGH NEXTCHEM - A STEP FORWARD FOR THE GROUP'S GREEN ACCELERATION

On February 20, 2019, with regards to the Green Acceleration announced in November last, Maire Tecnimont through the subsidiary NextChem joined the Circular Economy sector, investing in the development of its first advanced plastics mechanical recycling plant. The circular economy is one of the three pillars of Nextchem's strategy, together with "Greening the Brown" (offsetting environmental impacts from the conversion of petrol and gas) and "Green- Green" (developing additives and substitutes to oil for fuels or plastics from renewables).

The plant, located in Bedizzole, in the province of Brescia, will be managed by a new company, MyReplast Industries, a NextChem subsidiary and with a minority holding undertaken by local businesses; the total value of the operation is approx. Euro 12.5 million. The operation is funded by a non-recourse loan of Euro 8 million from Intesa Sanpaolo for the acquisition, in addition to a working capital line to support requirements for Euro 2 million, all through the new dedicated Circular Economy fund designed for structured support for such industrial initiatives. The plant, based on an economically-sustainable business model and without relying on any type of public incentives, has the following features:

- Major production capacity: the plant is currently among the largest in Europe and when fully operational capable of producing approx. 40 thousand tons per year of recycled polymers;
- High level of flexibility: the complex can treat various types of incoming plastic waste, both industrial production residues (e.g. vehicle components, food and industrial packaging production waste) and from post-consumption, i.e. materials from the sorting of household waste;
- Excellent finished product quality: the recycled polymers are of high quality, with recycling efficiency of approx. 95%. The currently operational complexes produce a material utilizable only for certain types of products due to their particular chemical-physical properties. The MyReplast Industries plant manufactures however a top-quality product, which permits extensive reuse for high added value products.

In the Circular Economy, mechanical recycling offers high levels of energy efficiency and significant flexibility in the treatment of various types of plastic waste. NextChem seeks to combine them with its developed know-how to regenerate recycled polymers, improving the technical properties. The outgoing recycled polymer from the MyReplast plant shall in fact have properties approaching those on the high added value "premium" markets, closing the quality gap between recycled plastic and virgin plastic (i.e. directly from fossil fuel hydrocarbons).

With this operation, NextChem will in addition have an industrial scale plant available to facilitate client's needs in relation to major international market opportunities. The European Union, in particular, has set among its objectives an increase from the current 5% to 17% by 2025 of the share of recycled plastic out of the total produced on the continent. To achieve this increase - of approx. 12 million tons - within just six years will require 175 new recycling and sorting plant, with a capacity of 50 thousand tons each. In addition, from a regional viewpoint, market opportunities are greatest in areas close to production and material collection centers which support the plant. The recycled plastic production sector lends itself to the project development model, both in terms of the limited size of the investment compared to traditional plastic production plant and also the specific technological content. Consequently, Maire Tecnimont combines a traditional contractor approach with a new business model as a developer, co-developer and plant operator.

MAIRE TECNIMONT OBTAINS "b" RATING FOR CARBON DISCLOSURE PROJECT



The Group obtained a “b” rating for its company policies regarding climate change and environmental sustainability as part of the CDP (Carbon Disclosure Project), an international non-profit specialized in evaluating and measuring environmental performances and strategies concerning climate change adopted by leading international players.

In its fourth year of participation, the Maire Tecnimont Group continues to improve year-on-year, ranking among the leading 25 out of 120 Italian companies analyzed: a “best in class” positioning demonstrating that transparency and engagement with all stakeholders are at the core of the Group’s identity.

Maire Tecnimont in fact achieved a score in excess of the national and European average, confirming its continuous commitment to sustainability, as demonstrated also by its rapid progress in achieving the United Nation’s Sustainable Development Goals (SDG’s). The “B” rating achieved is a significant improvement on last year’s “C” level and recognizes the major efforts made by Maire Tecnimont to mitigate risks, undertaking a more solid and comprehensive evaluation, implementing an environmental policy and integrating social and climate issues into its strategy.

NEW REIMBURSABLE FEED CONTRACT OF APPROX. USD 45 MILLION SIGNED FOR THE FOURTH EXPANSION OF THE RUWAIS PETROCHEMICAL COMPLEX IN ABU DHABI

On February 26, 2019 - Maire Tecnimont S.p.A. announced that its subsidiary Tecnimont S.p.A. had signed a contract with Abu Dhabi Polymers Company (Borouge) for Front-End Engineering and Design (FEED) on the fourth expansion phase of the Ruwais petrochemical complex, in Abu Dhabi (United Arab Emirates).

Borouge is a joint venture between Abu Dhabi National Oil Company (ADNOC), one of the largest oil & gas companies in the world, and Borealis, an Austrian global leader in supplying innovative polyethylene, chemical product and fertilizer solutions.

The total FEED contract value is approx. USD 45 million on a reimbursable basis.

The scope of works involves FEED activities for the fourth expansion phase of Borouge’s petrochemical complex in Ruwais, comprised of the largest mixed feed cracker in the world, with a capacity of 1.8 million tons of ethylene per year. The new cracker, Borouge’s fourth petrochemical complex, will be associated with numerous process units and the relative utilities & offsites. The project is scheduled for completion in 2020.

The Maire Tecnimont Group has supported the United Arab Emirates’ growth, creating value through the conversion of natural resources since the end of the 1990’s, with the first polyolefin complex at Borouge (Borouge 1) completed in 2001. After concluding two additional complex expansion projects in 2007 and 2010 (respectively Borouge 2 and Borouge 3), the Group is currently executing EPC works for the fifth Borouge polypropylene unit (PP5). This new FEED contract confirms the Group’s strong global polyethylene leadership and the reliability of its value proposition in the downstream sector.

MAIRE TECNIMONT AWARDED REIMBURSABLE EPC CONTRACT WORTH APPROX. USD 65 MILLION BY NATPET IN THE REVAMPING BUSINESS

On February 28, 2019, Maire Tecnimont S.p.A. announced that its subsidiary Tecnimont S.p.A., through the branch Tecnimont Arabia Company Limited, was awarded a reimbursable EPC contract by National Petrochemical Industrial Company (NATPET), for the recovery of the polypropylene plant located in Yanbu Industrial City on the west coast of Saudi Arabia.

The total value of the contract is approx. USD 65 million on a reimbursable basis. The scope of works includes Engineering and Procurement services, material supply, Construction supervision services and construction operations. The project stipulates an estimated execution period of approx. seven months, until the Ready for Start Up.

MAIRE TECNIMONT AWARDED EPC SERVICES CONTRACT FOR ONE OF THE WORLD’S LARGEST PROPANE DEHYDROGENATION PLANT FOR BOREALIS IN BELGIUM

On March 7, 2019 - Maire Tecnimont S.p.A. announced the awarding to its subsidiary Tecnimont S.p.A. of an Engineering, Procurement, Construction Management (EPCM) and Commissioning contract for a new propane dehydrogenation plant (PDH), including the relative Utilities and Interconnections, from Borealis, a leading group in the supply of innovative polyolefin, chemical product and fertilizer solutions. The new

complex, which will be located at the existing Borealis production site in Kallo (Belgium), will have a fully operational production capacity of 750,000 tons per year, making it one of the largest and most efficient plants in the world. The total value of the contract is approx. USD 90 million on a reimbursable basis.

PDH is a key process phase for the production of propylene from propane. Propylene is one of the key elements for the entire chemicals industry and is the raw material utilized to produce polypropylene (PP), which in turn is one of the most utilized plastics. It forms the base of a vast number of industrial applications, used in a broad range of sectors, including the automotive industry, textiles, food packaging, healthcare and energy, among many others.

The new PDH plant in Kallo shall be constructed at the existing Borealis production facility, selected in view of its excellent logistics positioning, in addition to its proven experience in the production of propylene, although also with the objective of tapping into the synergies available with the existing PDH unit. The new plant will employ the Oleflex™ technology of Honeywell UOP, a reliable and sustainable choice and widely utilized for the specific production of propylene. The new plant is expected to Start Up in the middle of 2022.

TECHNOLOGY-DRIVEN CORE BUSINESS ORDERS FOR A TOTAL VALUE OF APPROX. USD 360 MILLION

On March 12, 2019 - Maire Tecnimont S.p.A. announced the awarding, through its main subsidiaries, of orders worth a total of approx. USD 360 million for licensing, engineering services and EP operations (Engineering and Procurement).

The contracts - awarded by some of the leading international clients - were won principally in Europe, North America and Asia.

In particular, the Group subsidiary with headquarters in Mumbai, Tecnimont Private Limited, was awarded two electro-instrumental works engineering services contracts for a refinery project in the United Arab Emirates, while KT- Kinetics Technology was awarded an Engineering and Procurement contract to construct a number of refinery process units in Egypt. In addition, with regards to the EPC project for the urea plant in Volgafert, announced on December 17, 2018, Maire Tecnimont announces that the project has now been included in the Order Intake and Backlog, in view of the completion of its financial close.

PRESS RELEASE - PUNTA CATALINA

On March 14, 2019 - With regards to the information regarding the investigations in progress concerning the construction project for the electricity plant located in Punta Catalina in Santo Domingo appearing in the press, the company Maire Tecnimont, in confirming its determination to work as closely as possible with the Italian investigative authorities, restates its lack of involvement in the events subject to investigation and its confidence in their positive conclusion.

It is underlined also that for the stated Punta Catalina order the subsidiary Tecnimont exclusively provided Engineering and Procurement services for the power island and assistance for the start-up of the electricity plant as part of an EPC (Engineering, Procurement & Construction) project, undertaken as part of a consortium led by the Brazilian company Oderbrecht which, as such, negotiated and signed the relative contract and also independently and exclusively undertook relations with the end client CDEEE, throughout also the entire commercial negotiations phase.

It is considered that the investigation of the Milan Public Prosecutor - initiated on the petition of the RE non-profit: Common and mentioned by the press - is a due act by the Investigating Authorities and will permit, as mentioned, demonstration to these authorities of the total non-involvement of Tecnimont in terms of any illegal activities.

OUTLOOK

At the end of 2018, the Group continues to maintain a strong backlog and thanks also to the contracts signed with international clients since the beginning of the current year, is certain to continue delivering industrial performances in line with 2018, mainly featuring the execution of EPC projects whose expected production volumes are greater than those in the year just concluded and with margins in line with such types of contracts.



The market is decisively favoring downstream segment investments, with a particular focus on infrastructure for the conversion of oil and gas into petrochemical products and for the modernization of existing refinery units, in order to align the type and quality of end product with the altered market demand, which is heavily influenced by recent environmental sector regulatory developments.

In this environment, the technologies of the Group - universally recognized by the petrochemicals and fertilizers sectors - and the top-level refinery and natural gas treatment expertise, which continues to develop and extend to adjacent technologies, in synergy with existing technologies and a flexible business model offering innovative services and products that can anticipate market demand, allow us to therefore forecast the maintenance of a significant backlog.

This outlook is guaranteed by a robust commercial pipeline consisting of initiatives in the Group's traditional areas, and extending also into new regions characterized by economic stability and raw material availability.

With regards to the Green Acceleration project announced in November last, the Group - through the new subsidiary NextChem - is already involved in the Circular Economy sector, thanks to the Group's investment in the most efficient advanced plastics mechanical recycling plant operating in Europe, located in Italy and to become also a reference plant on an industrial scale to support commercial operations focused on converting the major opportunities available both on the domestic and international markets.

The circular economy is one of the three pillars of NextChem's strategy, together with "Greening the Brown" (offsetting environmental impacts from the conversion of petrol and gas) and "Green- Green" (developing additives and substitutes to oil for fuels or plastics from renewables), of which NextChem has proprietary technologies or agreements for the exclusive use of third party technologies, also set to become subject to intensive commercial development in 2019.

Also in view of the start-up of the activities described above, from January 1, 2019 the sector income statement shall be broken down between "Hydrocarbons" and "Green". The results classified to the Hydrocarbons Business Unit will collate the performances previously included in the "Technology, Engineering & Construction" BU, while the Green Business Unit will collate the Civil Infrastructure and Renewable Energies performances and the performances of the Green Acceleration projects managed by NextChem and its subsidiaries.

21. Consolidated Non-Financial Report

The Group in accordance with Article 5, paragraph 3, letter b of Legislative Decree 254/2016 has drawn up the consolidated disclosure non-financial information as a separate report.

In accordance with Articles 3 and 4 of Legislative Decree 254/2016, the 2018 Sustainability Report, published on the company website at www.mairetecnimont.it., in the "Investors" section, constitutes the Non-Financial Statement.

22. Other information

PARENT COMPANY OPERATING PERFORMANCE

Maire Tecnimont S.p.A. is a company incorporated in Italy at the Rome Companies Registration Office, acting as the Maire Tecnimont Group holding company. The company Maire Tecnimont S.p.A. reported net income of Euro 39.5 million for 2018, with an EBITDA of Euro 46.5 million and shareholders' equity of Euro 463.4 million.

The main decrease in non-current assets follows the reclassification to short-term of a number of loans issued in favor of the subsidiaries.

Current assets mainly comprise trade receivables from subsidiaries, also relating to the tax and VAT consolidation of the Group for Euro 48,879 thousand; current financial assets for Euro 135,277 refer to financial receivables from subsidiaries, in addition to receivables for current accounts from subsidiaries.

In 2018, Maire Tecnimont S.p.A. adopted the cash pooling system to streamline the management of Group cash flows, avoiding the dispersion of liquidity and minimizing financial charges.

Cash and cash equivalents at December 31, 2018 amount to Euro 41,993 thousand, an increase of Euro 39,869 thousand compared to December 31, 2017.

Shareholders' Equity at December 31, 2018 was Euro 463,394 thousand, an increase on the previous year of Euro 51,720 thousand.

The increase in Shareholders' Equity is principally due to net income for the year, together with the increases related to the share capital increase and the reduction in the treasury shares reserve in service of the equity-linked bond loan conversion requests, which were satisfied through the assignment to entitled parties of 14,952,300 treasury shares of the company from the buy-back program to service the conversion of the Loan which commenced on September 25, 2017, and 23,112,932 newly-issued shares from a paid-in share capital increase to service the Loan, approved by the Extraordinary Shareholders' Meeting of the Company of April 30, 2014. The main reduction in Shareholders' Equity concerned the payment of the dividend approved by the Shareholders' AGM of Euro 42,064 thousand.

Other non-current liabilities refer for Euro 202,634 thousand to non-current financial liabilities and specifically for Euro 39,767 thousand to non-convertible bonds, net of accessory charges, subscribed in 2017 through private placement by the Pan-European Fund and Export Development Fund (created by SACE), both managed by Amundi group companies and for Euro 162,866 thousand the Non-convertible bond loan totaling Euro 165 million, net of the relative accessory charges, issued in 2018.

Other current liabilities concern for Euro 153,801 thousand payables to subsidiaries for current accounts, with the company adopting in 2018 a cash pooling system, for Euro 142,329 thousand payables to subsidiaries for inter-company loans pre-cash pooling, for Euro 4,736 thousand trade payables to suppliers for ordinary operations and for Euro 10,690 thousand trade payables to subsidiaries.

Balance Sheet

(in Euro)	2018	2017
Non-current assets	772,347,030	834,013,239
Current assets	232,242,072	90,507,837
Total Assets	1,004,589,101	924,521,075

(in Euro)	2018	2017
Shareholders' Equity	463,393,694	411,674,234
Non-current liabilities	204,787,139	385,407,103
Current liabilities	336,408,268	127,439,739
Total Shareholders' Equity and Liabilities	1,004,589,101	924,521,075

Revenues in 2018 principally concerned the dividends received from the subsidiaries and "Inter-company services" from the direct subsidiaries; revenues are substantially in line with the previous year.

Production costs however increased, essentially due to the increased use of outside services and higher personnel costs.



The workforce at December 31, 2018 numbered 136, increasing 9 on the previous year; the average headcount increased from 120 to 132.

Financial income amounts to Euro 2.9 million and significantly decreased on the previous year as income of approx. Euro 25.9 million was recognized on the settlement of cash-settled Total Return Equity Swaps (TRES) to hedge against movements in the Maire Tecnimont share price.

Financial charges amount to Euro 14,074 thousand and concern for Euro 5,829 thousand interest on inter-company loans and financial charges for cash pooling, for Euro 883 thousand interest charges on bank loans which during the year were completely repaid; charges on bonds for Euro 5,360 thousand and for Euro 2,002 thousand concerning the charges on derivatives relating to the negative fair value of the residual portions of the two cash-settled Total Return Equity Swap (TRES) derivative instruments.

Net income of Euro 39.5 million is reported, decreasing on the previous year, mainly due to the financial management result.

Income Statement

(in Euro)	2018	2017
Total Revenues	96,763,142	97,631,546
Total Costs	(50,306,153)	(43,526,678)
EBITDA	46,456,989	54,104,868
Amortization, depreciation and write-downs	(258,066)	(160,544)
Operating income	46,198,923	53,944,325
Financial income	2,944,108	27,346,455
Financial expenses	(14,074,235)	(19,569,768)
Investment income/(expense)	0	0
Income before taxes	35,068,796	61,721,011
Income taxes	4,397,413	(1,577,329)
Net income for the year	39,466,209	60,143,682
Basic (loss) earnings per share	0.12	0.203
Diluted (loss) earnings per share	0.12	0.189

The “Reconciliation between the net income of Maire Tecnimont S.p.A. and Group net income” and the “Net equity of Maire Tecnimont S.p.A. and Group net equity” is reported in the explanatory notes to the consolidated financial statements.

SECONDARY OFFICES

In accordance with Article 2428, paragraph 5, it is stated that Maire Tecnimont does not have secondary offices.

MARKETS REGULATION ARTICLE 15 (PREVIOUSLY ARTICLE 36) OF CONSOB MARKETS REGULATION (ADOPTED WITH CONSOB MOTION No. 20249)

In relation to the regulations concerning the conditions for the listing of companies that control companies constituted and regulated according to laws outside of the European Union and of significant importance for the purposes of the consolidated financial statements, the Maire Tecnimont Group has identified 4 subsidiaries, with headquarters in 4 countries not belonging to the European Union, which are considered significant in accordance with the regulation.

With regards to that outlined above, the current administrative-accounting and reporting systems of the Maire Tecnimont Group are considered appropriate to provide regular reporting to management and the Auditor of the parent company of the income statement, balance sheet and financial data necessary for the preparation of the Consolidated Financial Statements and to ensure compliance with the above regulation.



Consolidated Financial Statements and Explanatory Notes

at December 31, 2018

23. Financial Statements

23.1. Consolidated Income Statement

<i>(In Euro thousands)</i>	<i>Note</i>	2018	2017
Revenues	27.1	3,613,582	3,502,902
Other operating revenues	27.2	33,029	21,387
Total Revenues		3,646,612	3,524,289
Raw materials and consumables	27.4	(1,095,223)	(1,424,524)
Service costs	27.5	(1,811,032)	(1,457,287)
Personnel expenses	27.6	(415,834)	(370,562)
Other operating costs	27.7	(118,800)	(78,441)
Total Costs		(3,440,888)	(3,330,815)
EBITDA		205,723	193,475
Amortization, depreciation and write-downs	27.8	(19,344)	(6,670)
Write-down of current assets	27.9	(706)	(3,147)
Provisions for risks and charges	27.9	(161)	(115)
EBIT		185,512	183,543
Financial income	27.10	21,092	48,538
Financial expenses	27.11	(36,198)	(46,635)
Investment income/(expense)	27.12	2,305	3,447
Income before taxes		172,710	188,893
Income taxes, current and deferred	27.13	(55,309)	(62,341)
Net income for the year		117,401	126,553
Group net income		110,575	118,650
Minorities		6,826	7,903
Basic earnings per share	27.14	0.336	0.401
Diluted earnings per share		0.336	0.372

The transactions with related parties, pursuant to Consob Resolution No. 15519 of July 27, 2006, are illustrated in the separate disclosure "Related Party Transactions", while in the tables no separate indication was provided as not considered significant.



23.2. Consolidated Comprehensive Income Statement

<i>(In Euro thousands)</i>	<i>Note</i>	2018	2017
Net income for the year		117,401	126,553
Other comprehensive income/(expense) which may not be subsequently reclassified to income/(loss) for the year:			
Actuarial gains/(losses)	28.18	(17)	94
Relative tax effect		4	(23)
Fair value changes of investments with OCI effects	28.18	152	0
Total other comprehensive income/(expense) which may not be subsequently reclassified to income/(loss) for the year:		139	72
Other comprehensive income/(expense) which may be subsequently reclassified to income/(loss) for the year:			
Translation differences	28.18	(9,814)	(3,167)
Net valuation of derivatives instruments:			
· valuation derivative instruments	28.18	(49,745)	56,941
· relative tax effect		11,939	(13,666)
Total other comprehensive income/(expense) which may be subsequently reclassified to income/(loss) for the year:		(47,620)	40,108
Total other comprehensive income/(expense), net of the tax effect		(47,480)	40,180
Comprehensive income		69,921	166,732
Attributable to:			
· Group		63,095	158,829
· Minorities		6,826	7,903
Basic comprehensive earnings per share		0.192	0.537
Diluted comprehensive earnings per share		0.192	0.498

23.3. Consolidated Balance Sheet

<i>(In Euro thousands)</i>	<i>Note</i>	December 31, 2018	December 31, 2017
Assets			
Non-current assets			
Property, plant and equipment	28.1	33,700	33,927
Goodwill	28.2	291,754	291,754
Other intangible assets	28.3	64,232	40,427
Investments in associates	28.4	20,449	16,436
Financial instruments - Derivatives	28.5	1,084	1,222
Other non-current financial assets	28.6	27,792	22,516
Other non-current assets	28.7	85,432	55,584
Deferred tax assets	28.8	44,801	38,535
Total non-current assets		569,243	500,401
Current assets			
Inventories	28.9	6,968	3,453
Advance payments to suppliers	28.9	338,146	255,514
Contractual Assets	28.10	1,515,979	1,264,178
Trade receivables	28.11	425,768	481,342
Current tax assets	28.12	94,901	91,641
Financial instruments - Derivatives	28.13	7,071	19,976
Other current financial assets	28.14	6,351	5,356
Other current assets	28.15	135,548	146,847
Cash and cash equivalents	28.16	650,008	630,868
Total current assets		3,180,740	2,899,175
Non-current assets classified as held-for-sale		0	0
Elimination of assets to and from assets/liabilities held-for-sale		0	0
Total Assets		3,749,983	3,399,576

The transactions with related parties, pursuant to Consob Resolution No. 15519 of July 27, 2006, are illustrated in the separate disclosure "Related Party Transactions", while in the tables no separate indication was provided as not considered significant.



<i>(In Euro thousands)</i>	<i>Note</i>	December 31, 2018	December 31, 2017
Shareholders' Equity			
Share capital	28.17	19,921	19,690
Share premium reserve	28.17	272,921	224,698
Other reserves	28.17	2,808	6,683
Valuation reserve	28.17	(15,553)	22,114
Total shareholders' equity & reserves	28.17	280,097	273,186
Retained earnings/(accumulated losses)	28.17	(81,060)	(129,882)
Net income for the year	28.17	110,575	118,650
Total Group Net Equity		309,612	261,953
Minorities		33,021	21,817
Total Net Equity		342,633	283,770
Non-current liabilities			
Financial debt - non-current portion	28.18	206,410	324,602
Provisions for risk and charges - beyond 12 months	28.19	16,436	62,007
Deferred tax liabilities	28.8	21,623	31,159
Post-employment & other employee benefits	28.20	11,005	11,452
Other non-current liabilities	28.21	135,490	79,465
Financial instruments - Derivatives	28.22	6,139	249
Other non-current financial liabilities	28.23	202,634	39,719
Total non-current liabilities		599,736	548,652
Current liabilities			
Short-term debt	28.24	195,911	103,943
Provisions for risks and charges - within 12 months	28.25	40,707	3,384
Tax payables	28.26	26,998	41,413
Financial instruments - Derivatives	28.27	25,493	9,876
Other current financial liabilities	28.28	330	79,911
Client advance payments	28.29	637,837	573,783
Contractual Liabilities	28.30	335,598	408,561
Trade payables	28.31	1,478,301	1,282,306
Other Current Liabilities	28.32	66,439	63,976
Total current liabilities		2,807,614	2,567,154
Liabilities directly associated with non-current assets classified as held-for-sale		0	0
Elimination of liabilities to and from assets/liabilities held-for-sale		0	0
Total Shareholders' Equity and Liabilities		3,749,983	3,399,576

The transactions with related parties, pursuant to Consob Resolution No. 15519 of July 27, 2006, are illustrated in the separate disclosure "Related Party Transactions", while in the tables no separate indication was provided as not considered significant.

24. Statement of changes in Consolidated Shareholders' Equity

(In Euro thousands)

	Share capital	Share premium reserve	Other reserves	Translation reserve	Valuation reserve	Retained earnings/accum. losses	Income/(loss) for the year	Group Shareholders' equity	Minority interest capital & reserves	Group & Minority int. consol. share. equity
December 31, 2016	19,690	224,698	79,363	(14,907)	(21,233)	(192,405)	74,371	169,577	15,079	184,656
Allocation of the result						74,371	(74,371)	-		-
Other changes			(203)			(91)		(294)	(1,165)	(1,459)
IFRS 2 (Employee share plans)			6,695			(2,225)		4,470		4,470
Treasury Shares			(42,215)					(42,215)		(42,215)
Dividends distribution			(18,883)			(9,531)		(28,414)		(28,414)
Comprehensive income/(loss) for the year				(3,167)	43,347		118,650	158,829	7,903	166,732
December 31, 2017	19,690	224,698	24,756	(18,073)	22,114	(129,882)	118,650	261,953	21,817	283,770
December 31, 2017	19,690	224,698	24,756	(18,073)	22,114	(129,882)	118,650	261,953	21,817	283,770
Allocation of the result						118,650	(118,650)	-		-
Change to consolidation scope								-	3,753	3,753
Dividends distribution						(42,064)		(42,064)		(42,064)
Share capital increase in service of Equity Linked Bond	231	48,223						48,454	0	48,454
Other changes			(110)			976		866	625	1,491
Application IFRS 15 & 9						(28,740)		(28,740)	0	(28,740)
IFRS 2 (Employee share plans)			(2,541)			-		(2,541)		(2,541)
Utilization Treasury Shares 2018 for PAD 2' cycle			4,949					4,949		4,949
Acquisition of Treasury Shares 2018			(27,706)					(27,706)		(27,706)
Utilization of Treasury Shares for Equity Linked Bond			64,942					64,942		64,942
Equity-Linked Bond Conversion Effect			(33,597)					(33,597)		(33,597)
Comprehensive income/(loss) for the year				(9,814)	(37,667)		110,575	63,095	6,826	69,921
December 31, 2018	19,921	272,921	30,694	(27,887)	(15,553)	(81,060)	110,575	309,611	33,021	342,633



25. Consolidated Cash Flow Statement (indirect method)

<i>(Euro thousand)</i>	31 December 2018	31 December 2017
Cash and cash equivalents at the beginning of the year (A)	630.868	497.138
Operations		
Net Income of Group and Minorities	117.401	126.553
Adjustments:		
- Amortisation of intangible assets	15.849	3.667
- Depreciation of non-current tangible assets	3.496	3.004
- Provisions	867	3.262
- (Revaluations)/Write-downs on investments	(2.305)	(3.447)
- Financial Charges	36.198	46.635
- Financial (Income)	(21.091)	(48.538)
- Income and deferred tax	55.309	62.341
- Capital (Gains)/Losses	24	27
- (Increase)/Decrease inventories/supplier advances	(86.146)	103.753
- (Increase)/Decrease in trade receivables	46.661	41.798
- (Increase)/Decrease in contract assets receivables	(344.007)	(384.538)
- Increase/(Decrease) in other liabilities	52.290	(12.722)
- (Increase)/Decrease in other assets	(14.054)	23.080
- Increase/(Decrease) in trade payables/advances from clients	255.158	406.698
- Increase/(Decrease) in payables for contract liabilities	(72.963)	(146.467)
- Increase/(Decrease) in provisions (including post-employment benefits)	(6.288)	(72)
- Income taxes paid	(60.005)	(16.498)
Cash flow from operations (B)	(23.607)	208.535
Investments		
(Investment)/Disposal of non-current tangible assets	(3.292)	(3.376)
(Investment)/Disposal of intangible assets	(9.512)	(11.986)
(Investment)/Disposal in associated companies	(1.905)	(4.503)
(Increase)/Decrease in other investments	(149)	-
(Investments)/Disposal of companies net of cash and cash equivalents acquired	1.335	-
Cash flow from investments (C)	(13.523)	(19.865)
Financing		
Increase/(Decrease) in short-term debt	92.281	(1.659)
Repayments of long-term debt	(350.000)	(43.359)
Proceeds from long-term debt	216.622	-
Increase in securities/bonds	162.674	39.719
Change in other financial assets and liabilities	4.465	25.941
Dividends	(42.064)	(28.414)
Treasury Shares-Buyback	(27.706)	(47.167)
Cash flow from financing (D)	56.271	(54.939)
Increase/(Decrease) in Cash and Cash Equivalents (B+C+D)	19.140	133.731
Cash and cash equivalents at year end (A+B+C+D)	650.008	630.869
of which: Cash and cash equivalents of Discontinued Operations	-	-
CASH AND CASH EQUIVALENTS REPORTED IN THE FINANCIAL STATEMENTS	650.008	630.869

The transactions with related parties, pursuant to Consob Resolution No. 15519 of July 27, 2006, are illustrated in the separate disclosure "Related Party Transactions", while in the tables no separate indication was provided as not considered significant.

26. Explanatory Notes as of 31 December 2018

BASIS OF PREPARATION

INTRODUCTION

Maire Tecnimont S.p.A. is a company incorporated in Italy at the Rome Companies Registration Office. The addresses of the registered office and principal headquarters of Group activities are reported in the introduction to the Annual Report.

The financial statements for the year 2018 were prepared in accordance with IFRS issued by the International Accounting Standards Board (“IASB”) and approved by the European Union, as well as the provisions issued under Article 9 of Legislative Decree No. 38/2005. IFRS include all the revised international accounting standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), previously known as the Standing Interpretations Committee (“SIC”). The financial statements are prepared under the historical cost convention, modified where applicable for the valuation of certain financial instruments. The present consolidated financial statements at December 31, 2018 are expressed in Euro, as the majority of Group operations are carried out in this currency. The foreign subsidiaries are included in the consolidated financial statements in accordance with the policies described in the notes below.

GOING CONCERN

The Group and the company consider the going concern principle appropriate for the preparation of the consolidated financial statements at December 31, 2018.

FINANCIAL STATEMENTS

The financial statements prepared by the Group include the integrations introduced following the application of “IAS 1 revised”, as follows:

The Balance Sheet accounts are classified between current and non-current, while the Consolidated Income Statement and Comprehensive Income Statement are classified by nature of expenses. The Consolidated Cash Flow Statement is presented in accordance with the indirect method, adjusting the income for the period with non-cash items. The Statement of change in Shareholders’ Equity reports comprehensive income (charges) for the period and the changes in Shareholders’ Equity.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLICABLE FROM JANUARY 2018

Standard IFRS 15 - Revenue from Contracts with Customers (published on May 28, 2014 and supplemented with further clarifications on April 12, 2016) which replaces IAS 18 - Revenue and IAS 11 - Construction Contracts, in addition to the interpretations IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new revenue recognition model, which will apply to all contracts with clients, with the exception of those falling under the application of other IAS/IFRS such as leasing, insurance contracts and financial instruments. The essential issues for the recognition of revenues according to the new model are: the identification of the contract with the client; the identification of the performance obligations of the contract; the establishment of the price; the allocation of the price to the performance obligations of the contract; the recognition criteria of the revenues when the entity satisfies each of the performance obligations.

The application of the revenue recognition model as per IFRS 15 and as previously mentioned, did not indicate significant impacts. The Group recognizes revenues as per IAS 11 through the utilization of the percentage of completion criterion, valued as per the “Cost-to-Cost” method. This method is not expected to change with the introduction of IFRS 15, being one of the input-based methods set out by the new standard. It is currently considered to best reflect the transfer to the client of control of the works under construction.

However, with regards to costs incurred for expected and specifically identified future acquisition contracts following the application of the more stringent requirements under IFRS 15, some of the costs previously recognized as assets will not meet the conditions identified by the new standard, whose effect on opening



shareholder' equity at 01.01.2018 was considered to reduce shareholders' equity by approx. Euro 23.4 million, net of the tax effect.

In accordance with IFRS 15, revenue recognition takes place by applying a model which establishes five phases as stated below:

1) Identification of the contract with the customer:

In general, the contract is easily identifiable through the tender contract. In addition to the guidelines for the contract's identification, the standard establishes the rules to be followed to aggregate two or more contracts concluded simultaneously or almost simultaneously with the same client (or with the client's related parties). This different method of aggregating contracts has not, however, had an impact on the Group shareholders' equity.

2) Identification of the performance obligations envisaged by the contract:

Performance obligations are represented by the project as a whole, as provided for in the contract, since the different services are characterized by high interdependence and integration and are aimed at transferring the project in its entirety. However, the case in point was investigated since certain transactions with typical industry clients would have entailed different criteria in the recognition of associated revenues for maintenance services following the execution of works and additional or different contractual guarantees to those envisaged by law or by normal industry practices. This analysis did not identify such cases and, therefore, did not have an impact on the Group shareholders' equity.

3) Determining the transaction price:

The transaction price is the fee amount expected to be received in exchange for the facility's transfer to the client in accordance with the contract. In order to establish this value, it is necessary to assess different factors including: - Variable payments; - Significant financial components; - Payments made to the client; and - Non-monetary payments.

One aspect that was investigated concerned variable payments which, together with the provisions of IFRS 15 in relation to contractual changes, includes the matter of additional payments. IFRS 15 requires that the recognition of revenue is attributable to 'enforceable rights' and that it is highly probable that revenues thus determined are not reversed in future.

The analysis of the principal variable payments did not have an impact on the Group shareholders' equity.

4) Allocation of the price to the individual performance obligations:

The same considerations and conclusions reached in point 2 apply to the allocation of the price to the individual performance obligations;

5) Recognition of revenues on the satisfaction of the performance obligation.

In the context of the Maire Tecnimont Group, revenues should be recognized progressively as the performance obligation is satisfied, since the client controls the works covered by the contract at the point when it is being built; the construction activity creates an asset that does not presuppose an alternative use to what it was designed for and the Group is entitled to collect payment for services while construction is underway.

The Group recognizes revenues as per IAS 11 through the utilization of the percentage of completion criterion, valued as per the "Cost-to-Cost" method. This method should not change with the introduction

of IFRS 15 to the general structure, being one of the input-based methods set out by the new standard. It is currently considered to best reflect the transfer to the client of control of the works under construction.

Despite this, the correlation between the considered costs (inputs) and the transfer of control of the works under construction to the client was reviewed; in fact, the new IFRS 15 accounting standard also introduced new guidelines for the accounting of contractual costs, making a distinction between costs for the contract's obtainment ('cost to obtain the contract') and costs for the contract's fulfilment ('cost to fulfil the contract').

The new rule on contractual costs has led to a different accounting treatment for certain categories of costs on projects involving the capitalization of costs to obtain the contract, considered as 'incremental', and costs incurred to fulfil the contract which enable the entity to make use of new or greater resources to satisfy performance obligations in future ('pre-production costs').

In addition to the above, the new provisions introduced by IFRS 15 define all those costs which, by their nature, may not contribute to contractual advancement since, despite specifically relating to the contract and are considered to be recoverable, they do not contribute towards generating or improving the resources that are used to satisfy contractual performance obligation, nor do they contribute to the transfer of control of the goods and/or services to the client. In this situation, it should be noted that some of the costs previously recognized as assets will not meet the conditions identified by the new standard, whose effect on opening shareholders' equity at 01.01.2018 was considered to reduce shareholders' equity by approx. Euro 23.4 million, net of the tax effect.

IFRS 9 - Financial instruments (published on July 24, 2014). The document incorporates the results of the Classification and measurement, Impairment and Hedge accounting phases of the IASB project to replace IAS 39:

- it introduces new criteria for the classification and measurement of financial assets and liabilities involving processes that reflect the business model according to which such assets are managed and the characteristics of their financial flows. The standard classifies financial assets into three principal categories based on the measurement criterion: 'at amortized cost', 'at fair value recorded in other comprehensive income statement items' and 'at fair value recorded in the profit/(loss) for the year". The categories under IAS 39, that is, held-to-maturity financial instruments, loans and receivables and available-for-sale financial instruments, are eliminated;
- the impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model, utilizing supporting information, available without unreasonable charges or effort, which includes historic, current and projected figures;
- introduces a new hedge accounting model (increase in the types of transactions eligible for hedge accounting, changes in the accounting method of forward contracts and options when included in a hedge accounting relationship, change in the effectiveness test).

Application of IFRS 9 with regards to hedge accounting will not impact the financial statements in terms of numbers, but rather in terms of the provision of greater disclosure in the Group consolidated financial statements. With regards to hedge accounting, application was prospective from the date of first application. At that date, the hedges had not changed and the new accounting rules, with specific regard to the time value of the options and the swap points of the four contracts, did not result in any changes.

In relation to the impairment on financial assets on the basis of expected losses and the analysis on outstanding receivables at the previous reporting date, applying a risk factor on the basis of the specific default probability of the counterparties, the effect was to reduce opening shareholders' equity at 01.01.2018 by approx. Euro 6.3 million, net of the tax effect.

Despite this effect, the Group considered that, in view of the characteristics of the sector in which it operates, the introduction of new methods for estimates of financial assets' losses in value has not led to a significant impact on current measurement processes. This conclusion is derived from the fact that useful factors for the qualification of credit risk used previously with IAS 39, such as client risk, country risk and the evaluation of significant macroeconomic information, are considered to already be representative of a measurement method based on expected risk. In fact, credit risk is represented by the exposure to potential losses deriving from the non-compliance of obligations by buyers, who are almost entirely connected to sovereign states, government bodies, overseas state entities, public administrations or large oil companies. Credit risk is, therefore, essentially linked to country risk. It should also be noted that exposure to credit



risk on the basis of past-due trade receivables is hardly significant since receivables, predominantly from government bodies or large oil companies, are assessed jointly with other working capital items and particularly, with those items representing net exposure toward buyers relating to the whole range of works under execution.

With regards to the valuation of financial liabilities, IFRS 9 provides for upon their renegotiation, differing from IAS 39, the use of the Internal Rate of Return of the original liability adjusted only for the new settlement costs. The difference between the previous amortized cost and the Net Present Value of the renegotiated liability should be recognized to the Income Statement. The utilization of the Internal Rate of Return of the original loan had a positive effect on opening shareholders' equity at 01.01.2018 of approx. Euro 0.2 million, net of the tax effect.

Finally, with regard to the measurement of financial assets concerning minority investments, IAS 39 established the option to maintain the historic cost, while IFRS 9 requires fair value measurement, thus eliminating the exemption from applying the measurement criterion at fair value for non-listed equity investments. The impact of the fair value measurement of minority investments increases opening shareholders' equity by approx. Euro 0.7 million, net of the tax effect.

The Maire Tecnimont Group applied the new IFRS 15 and IFRS 9 provisions retrospectively, recording the cumulative effect of first-time application of the new standards as an adjustment to the opening 2018 shareholders' equity balance, without therefore restating - as per permitted by the standards - the comparative prior year figures.

The following table indicates the changes to the Consolidated Statement of Financial Position at January 1, 2018 from application of the two standards IFRS 15 and IFRS 9.

In Euro thousands

BALANCE SHEET - ASSETS	December 31, 2017 Published	IFRS 15 Effect	IFRS 9 Effect	January 1, 2018 Adjusted
PROPERTY, PLANT AND EQUIPMENT	33,927			33,927
GOODWILL	291,754			291,754
OTHER INTANGIBLE ASSETS	40,427	15,202		55,629
INVESTMENTS IN ASSOCIATES	16,436			16,436
FINANCIAL INSTRUMENTS - DERIVATIVES	1,222			1,222
OTHER NON-CURRENT FINANCIAL ASSETS	22,516		893	23,409
OTHER NON-CURRENT ASSETS	55,584			55,584
DEFERRED TAX ASSETS	38,535	9,088	1,750	49,374
TOTAL NON-CURRENT ASSETS	500,401	24,290	2,643	527,334
INVENTORIES	3,453			3,453
ADVANCE PAYMENTS TO SUPPLIERS	255,514			255,514
CONSTRUCTION CONTRACTS	1,264,178	(47,648)		1,216,529
TRADE RECEIVABLES	481,342		(8,046)	473,296
CURRENT TAX ASSETS	91,641			91,641
FINANCIAL INSTRUMENTS - DERIVATIVES	19,976			19,976
OTHER CURRENT FINANCIAL ASSETS	5,356			5,356
OTHER CURRENT ASSETS	146,847			146,847
CASH AND CASH EQUIVALENTS	630,868			630,868
TOTAL CURRENT ASSETS	2,899,175	(47,648)	(8,046)	2,843,480
ASSETS HELD-FOR-SALE	0			0
ELIMINATION OF ASSETS TO AND FROM ASSETS/LIABILITIES HELD-FOR-SALE	0			0
TOTAL ASSETS	3,399,576	(23,359)	(5,404)	3,370,813

BALANCE SHEET - LIABILITIES	December 31, 2017 Published	IFRS 15 Effect	IFRS 9 Effect	January 1, 2018 Adjusted
SHARE CAPITAL	19,690			19,690
SHARE PREMIUM RESERVE	224,698			224,698
OTHER RESERVES	6,683			6,683
REVALUATION RESERVE	22,114			22,114
TOTAL CAPITAL AND RESERVES	273,186	0	0	273,186
RETAINED EARNINGS/(ACCUM. LOSSES)	(129,882)	(23,359)	(5,381)	(158,622)
NET INCOME FOR THE YEAR	118,650			118,650
TOTAL GROUP SHAREHOLDERS' EQUITY	261,953	(23,359)	(5,381)	233,213
TOTAL MINORITY INTEREST SHAREHOLDERS' EQUITY	21,817			21,817
TOTAL SHAREHOLDERS' EQUITY	283,770	(23,359)	(5,381)	255,030
FINANCIAL DEBT - NON-CURRENT PORTION	324,602		(233)	324,369
PROVISIONS FOR RISKS & CHARGES - BEYOND 12 MONTHS	62,007			62,007
DEFERRED TAX LIABILITIES	31,159		210	31,369
POST EMPLOY. & OTHER EMPLOYEE BENEFITS	11,452			11,452
OTHER NON-CURRENT LIABILITIES	79,465			79,465
FINANCIAL INSTRUMENTS - DERIVATIVES	249			249
OTHER NON-CURRENT FINANCIAL LIABILITIES	39,719			39,719
TOTAL NON-CURRENT LIABILITIES	548,652	0	(23)	548,629
SHORT-TERM DEBT	103,943			103,943
PROVISIONS FOR RISKS & CHARGES - WITHIN 12 MONTHS	3,384			3,384
TAX PAYABLES	41,413			41,413
FINANCIAL INSTRUMENTS - DERIVATIVES	9,876			9,876
OTHER CURRENT FINANCIAL LIABILITIES	79,911			79,911
CLIENT ADVANCE PAYMENTS	573,783			573,783
CONSTRUCTION CONTRACTS	408,561			408,561
TRADE PAYABLES	1,282,306			1,282,306
OTHER CURRENT LIABILITIES	63,976			63,976
TOTAL CURRENT LIABILITIES	2,567,154	0	0	2,567,154
LIABILITIES HELD FOR SALE	0	0	0	0
ELIMINATION OF LIABILITIES TO AND FROM ASSETS/LIABILITIES HELD-FOR-SALE	0	0	0	0
TOTAL LIABILITIES	3,399,576	(23,359)	(5,404)	3,370,813



The following tables indicate the effects of the adoption of IFRS 15 on the annual financial statements at December 31, 2018:

amounts in Euro millions

CONSOLIDATED INCOME STATEMENT	2018 - Announced	2018 - Without adoption of IFRS 15	Effect of change
TOTAL REVENUES	3,646.61	3,645.51	(1.11)
TOTAL COSTS	(3,440.89)	(3,434.69)	6.20
EBITDA	205.72	210.81	5.09
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	(20.21)	(10.58)	9.63
EBIT	185.51	200.23	14.72
CURRENT AND DEFERRED TAXES	(55.31)	(60.02)	(4.71)
NET INCOME FOR THE YEAR	117.40	127.41	10.01

amounts in Euro millions

BALANCE SHEET - ASSETS	December 31, 2018 - Announced	December 31, 2018 - Without adoption of IFRS 15	Effect of change
PROPERTY, PLANT AND EQUIPMENT	33.70	33.70	
GOODWILL	291.75	291.75	
OTHER INTANGIBLE ASSETS	64.23	49.73	(14.50)
INVESTMENTS IN ASSOCIATES	20.45	20.45	
FINANCIAL INSTRUMENTS - DERIVATIVES	1.08	1.08	
OTHER NON-CURRENT FINANCIAL ASSETS	27.79	27.79	
OTHER NON-CURRENT ASSETS	85.43	85.43	
DEFERRED TAX ASSETS	44.80	35.71	(9.09)
TOTAL NON-CURRENT ASSETS	569.24	545.66	(23.59)
INVENTORIES	6.97	6.97	
ADVANCE PAYMENTS TO SUPPLIERS	338.15	338.15	
CONSTRUCTION CONTRACTS	1,515.98	1,577.35	61.37
TRADE RECEIVABLES	425.77	425.77	
CURRENT TAX ASSETS	94.90	94.90	
FINANCIAL INSTRUMENTS - DERIVATIVES	7.07	7.07	
OTHER CURRENT FINANCIAL ASSETS	6.35	6.35	
OTHER CURRENT ASSETS	135.55	135.55	
CASH AND CASH EQUIVALENTS	650.01	650.01	
TOTAL CURRENT ASSETS	3,180.74	3,242.11	61.37
ASSETS HELD-FOR-SALE	0.00	0.00	
ELIMINATION OF ASSETS TO AND FROM ASSETS/LIABILITIES HELD-FOR-SALE	0.00	0.00	
TOTAL ASSETS	3,749.98	3,787.76	37.78

amounts in Euro millions

BALANCE SHEET - LIABILITIES	December 31, 2018 - Announced	December 31, 2018 - Without adoption of IFRS 15	Effect of change
TOTAL NET EQUITY	342.63	376.00	33.37
FINANCIAL DEBT - NON-CURRENT PORTION	206.41	206.41	
PROVISIONS FOR RISKS & CHARGES - BEYOND 12 MONTHS	16.44	16.44	
DEFERRED TAX LIABILITIES	21.62	21.62	
POST EMPLOY. & OTHER EMPLOYEE BENEFITS	11.00	11.00	
OTHER NON-CURRENT LIABILITIES	135.49	135.49	
FINANCIAL INSTRUMENTS - DERIVATIVES	6.14	6.14	
OTHER NON-CURRENT FINANCIAL LIABILITIES	202.63	202.63	
TOTAL NON-CURRENT LIABILITIES	599.74	599.74	0.00
SHORT-TERM DEBT	195.91	195.91	
PROVISIONS FOR RISKS & CHARGES - WITHIN 12 MONTHS	40.71	40.71	
TAX PAYABLES	27.00	31.71	4.71
FINANCIAL INSTRUMENTS - DERIVATIVES	25.49	25.49	
OTHER CURRENT FINANCIAL LIABILITIES	0.33	0.33	
CLIENT ADVANCE PAYMENTS	637.84	637.84	
CONSTRUCTION CONTRACTS	335.60	335.60	
TRADE PAYABLES	1,478.30	1,478.30	
OTHER CURRENT LIABILITIES	66.44	66.44	
TOTAL CURRENT LIABILITIES	2,807.61	2,812.32	4.71
LIABILITIES HELD FOR SALE	0.00	0.00	
ELIMINATION OF LIABILITIES TO AND FROM ASSETS/LIABILITIES HELD-FOR-SALE	0.00	0.00	
TOTAL LIABILITIES	3,749.98	3,788.06	38.08

OTHER ACCOUNTING STANDARDS, APPLIED FROM JANUARY 1, 2018

The following amendments and interpretations applied from January 1, 2018 did not have a significant impact on the Group consolidated financial statements.

- Amendment to IFRS 2 “Classification and measurement of share-based payment transactions (published on June 20, 2016) which contains clarifications upon the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, on the classification of share-based payments with characteristics of net settlement and the recognition of the amendments to the terms and conditions of a share-based payment which changes the classification from cash-settled to equity-settled.
- Document “Annual Improvements to IFRSs: 2014-2016 Cycle”, published on December 8, 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures - Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the Standard) which partially integrates the pre-existing standards.
- Interpretation IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (published on December 8, 2016). The interpretation provides guidelines for transactions in foreign currencies where advances or non-monetary payments on account are recorded in the financial statements, before the recognition of the relative asset, cost or revenue. This document provides indications on how an entity should determine the date of a transaction, and consequently, the exchange rate



to be utilized concerning operations in foreign currencies concerning payments made or received in advance.

- Amendment to IAS 40 “Transfers of Investment Property” (published on December 8, 2016). These amendments clarify the transfers of a building to, or from, investment property. In particular, an entity shall reclassify a building to, or from, investment property only when there is a clear indication of a change in the use of the building. This change must be attributable to a specific event and shall not therefore be limited to only a change in intention by management of the entity.

IFRS AND IFRIC STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EU, NOT YET MANDATORY AND NOT ADOPTED IN ADVANCE BY THE GROUP AT DECEMBER 31, 2018

- IFRS 16 - Leases (published on January 13, 2016) which replaces IAS 17 - Leases, as well as the interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard provides a new definition of leases and introduces a criterion based on control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying essential differences: the identification of the asset, the right of replacement of the asset, the right to obtain substantially all the economic benefits from the use of the asset and the right to use the asset underlying the contract. The standard establishes a single model to recognize and measure leasing contracts for the lessee (lessees) which provides also for the recognition of operating leases under assets with a related financial payable, providing the possibility not to be recognize as leasing contracts “low-value assets” and leasing contracts less than 12 months. This Standard does not contain significant amendments for lessors. The standard is effective from January 1, 2019, although early application is permitted, only for companies which have already applied IFRS 15 - Revenue from Contracts with Customers.

The rules introduced by IFRS 16 will be prospectively applied in transition as from January 1, 2019, by adopting some simplifications (practical expedient) provided, for which contracts having a duration of less than twelve months and certain contracts with a modest value will be excluded from the measurement; the assessments of all contracts are still being finalized, however, the preliminary estimate of the impact of the first application on the representative activity of the usage right and on the financial payables amounts to approximately Euro 163 million.

The new standard’s adoption will have an immaterial impact on the net result for the contracts’ duration period but a temporary difference will be recorded in relation to higher financial charges which will mature on the initial recognition of the financial liability; the new standard’s application to the contracts identified will, therefore, determine:

- In the balance sheet: the initial recognition (i) of an asset, representative of the usage right pursuant to IFRS 16, which will then be depreciated on the lower duration between the technical and economic life and the contracts’ residual value and (ii) of a financial payable equivalent to the present value of future minimum mandatory lease instalments which the lessee will have to pay as from January 1, 2019, and which will be progressively reduced thereafter as rental charges are paid.
 - In the income statement: an improvement in the gross operating margin to eliminate the rental charges and the recording (i) of the depreciation of the usage right and (ii) the financial charges on the recorded payable.
- In implementing the new standard which will become operational in 2019, interpretations that will be issued in this regard by the IFRS Interpretations Committee (IFRIC) will be taken into account together with accounting practices which will be observed.
- On June 7, 2017, the IASB published the interpretative document IFRIC 23 - Uncertainty over Income Tax Treatments. The document deals with uncertainties on the tax treatment to be

adopted for income taxes. It establishes that uncertainties in the calculation of tax liabilities or assets are reflected in the financial statements only where it is probable that the entity will pay or recover the amount in question. In addition, the document does not contain any new disclosure obligations, but underlines that an entity should establish whether it will be necessary to provide information on considerations made by management and the relative uncertainty concerning the accounting of income taxes, in accordance with IAS 1. The new interpretation applies from January 1, 2019, although early application is permitted. The Directors do not expect this interpretation to have a significant impact on the company's financial statements.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION AT DECEMBER 31, 2018

At the date of the present Annual Report, the relevant bodies of the European Union have not yet concluded the process necessary for the implementation of the amendments and standards described below:

- On May 18, 2017, the IASB published IFRS 17 - Insurance Contracts which replaces IFRS 4 - Insurance Contracts. The new standard ensures that an entity provides pertinent information which accurately presents the rights and obligations under insurance contracts. The IASB developed the standard in order to eliminate inconsistencies and weaknesses in the existing accounting policies, providing a single principle-based framework to take account of all types of insurance contracts, including reinsurance contracts held by an insurer. The standard is effective from January 1, 2021, although early application is permitted, only for entities applying IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. The Directors do not expect this standard to have a significant impact on the Group consolidated financial statements.
- Amendment to IAS 28 “Long-term Interests in Associates and Joint Ventures” (published on October 12, 2017)”. This document clarifies the necessity to apply IFRS 9, including the requirements related to impairment, to the other long-term interests in associates and joint ventures which do not apply the equity method. The amendment applies from January 1, 2019, although early application is permitted. The directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.
- Document “Annual Improvements to IFRSs 2015-2017 Cycle”, published on December 12, 2017 (among which IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - Remeasurement of previously held interest in a joint operation, IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity, IAS 23 Borrowing costs Disclosure of Interests in Other Entities - Borrowing costs eligible for capitalization) which include the amendments to some standards within the annual improvement process. The amendments are applicable from January 1, 2019, although advance application is permitted. The Directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.
- Amendment to IAS 19 “Plant Amendment, Curtailment or Settlement”, published on February 7, 2018. The document clarifies that an entity must recognize a change (i.e. a curtailment or a settlement) of a defined benefit plan. The amendments require the entity to update their assumptions and remeasure the net liability or asset from the plan. The amendments clarify that after the occurrence of this event, an entity utilizes updated assumptions to measure the current service cost and interest for the remainder of the period. The amendments are applicable from January 1, 2019, although advance application is permitted. The Directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.
- On September 11, 2014, the IASB published an amendment to IFRS 10 and IAS 28 “Sales or Contribution of Assets between an Investor and its Associate or Joint Venture”. The document was published in order to resolve the current conflict between IAS 28 and IFRS 10 relating to the measurement of the gain or loss from the sale or conferment of a non-monetary asset to a joint venture or associate in exchange for a share of the capital of this latter. Currently, the IASB has



suspended the application of this amendment. The directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.

- On October 22, 2018, the IASB issued the “Amendments to IFRS 3 Business Combinations” document, whose provisions are effective from years beginning, or subsequent to, January 1, 2020, except for any deferments established on endorsement by the European Commission. The amendments introduced by the document make it easier to classify a transaction as the acquisition of a business or of a group of activities.
- On October 31, 2018, the IASB published the document “Amendments to IAS 1 and IAS 8: Definition of Material”, whose provisions are effective from years beginning, or subsequent to, January 1, 2020, except for any deferments established on endorsement by the European Commission. The document redrew and clarified the definition of “material” with regards to the following concepts: (i) “obscuring”: obscuring relevant information with other information which may be omitted may have a similar effect as omission or misrepresentation; (ii) “could reasonably be expected to influence”: the amount of information to be provided should not be affected by the remote risk of influencing the users of financial statements; (iii) “primary users”: these and not all possible users of the financial statements are those to be considered when establishing the disclosure to be provided.

CONSOLIDATION SCOPE

In addition to the Parent Company Maire Tecnimont S.p.A., the consolidation scope includes the directly and indirectly held subsidiaries. In particular, the companies consolidated are those in which Maire Tecnimont S.p.A. exercises control, either due to a direct shareholding or the indirect holding of the majority of the voting rights, or having the power to determine the financial and operating choices of the company/entity, obtaining the relative benefits, irrespective of the shareholding. The Joint Operations in which two or more parties undertake an economic activity which is subject to joint control are consolidated under the proportional method. All the subsidiaries are included in the consolidated scope at the date in which control is acquired by the Group. Entities are excluded from the consolidation scope from the date the Group cedes control.

The changes in the consolidation scope compared to December 31, 2017 were as follows:

- incorporation and inclusion in the consolidation scope of TCM-KT JV S.r.l. and of TCM-KT JV Azerbaijan LLC, involved in the new Group initiative for the SOCAR- Heydar Aliyev Baku Oil Refinery order for an EPC (Engineering, Procurement, Construction) contract;
- incorporation and inclusion in the consolidation scope of Tecnimont Philippines Inc. and of Unincorporated JV Philippines (Joint Operations with the partner JGC Philippines), in support of the Group project in the Philippines for the client JG Summit Petrochemical Corporation (JGSPC), involving the construction of a new high-density polyethylene unit (HDPE) and the extension of a polypropylene unit (PP) located in Batangas City;
- acquisition of Maire Green Chemicals S.r.l. by the parent GLV Capital S.p.A, a newly incorporated company engaged in the green chemicals sector; the transaction price was Euro 10 thousand, essentially equating to the share capital of Maire Green Chemicals S.r.l..
- incorporation and inclusion of MyReplast S.r.l. in the consolidation scope, a company that carries out technological package research and development (“License+PDP”) for the commercialization of the mechanical recycling process.
- incorporation and inclusion of Neosia Renewables S.p.A in the consolidation scope; on December 18, 2018, the partial and proportional spin-off of Neosia S.p.A and the establishment through spin-off of Neosia Renewables S.p.A. was registered at the Milan Companies Registration Office as approved by the Board of Directors of Neosia S.p.A (the “Transferor”) and, on the conclusion of the spin-off process, the “Spun-off Company” and Tecnimont S.p.A, a company whose share capital is fully held by Maire Tecnimont S.p.A. Therefore, the allocation

to Tecnimont S.p.A. of all elements, assets and resources belonging to the “Infrastructure Branch” already held by Neosia S.p.A became effective from this date. The incorporated and operating Neosia Renewables S.p.A was allocated all the elements, assets and resources belonging to the “Renewables Branch” already held by Neosia S.p.A.

- acquisition of 50.1% of the share capital in U-Coat (Urea Coating) S.p.A. Maire Tecnimont S.p.A. - through Nextchem S.r.l, a Maire Group company specialized in the green chemicals sector - and Bio-on S.p.A., a high-quality bio-plastics enterprise, signed an investment agreement regulating the Maire Group’s undertaking of share capital in U-Coat (Urea Coating) S.p.A; the acquisition of 50.1% of the share capital in U-Coat by Maire Group was concluded on December 31, 2018. U-Coat is a company newly incorporated by Bio-on engaged in the production and distribution of an innovative technology for the coating of urea for fertilizer use. U-Coat operates on a key and quickly expanding global market, leveraging on a PHAs bio-plastics based technology developed by Bio-on. In fact, the PHAs bio-plastics are from renewable vegetable sources without any food chain competition. Appropriately measured, the PHAs coat the urea pellet for the time-controlled release of the fertilizer, protecting it from atmospheric agents and maximizing efficacy without leaving any residue on land. Under the investment agreement, Maire Tecnimont will be the exclusive global contractor for the turnkey building of plant using this innovative technology.

This transaction is recorded in the financial statements pursuant to the revised IFRS 3 (“business combinations”), that is, by recording the fair value of assets, liabilities and potential liabilities at the acquisition date, the Purchase Price Allocation (PPA); the PPA process, carried out on the date of acquiring majority and, therefore, control, identified the amount of intangible assets at approximately Euro 6 million and no additional goodwill. This figure is provisional since, in accordance with the revised IFRS 3, the valuation becomes definitive within 12 months from the acquisition date.

The following table summarizes asset and liability figures identified as part of the above business combination and the acquisition prices of entities acquired, as from the acquisition date:

<i>(In Euro thousands)</i>		Fair Value - Assets/Liabilities Acquired
Assets		
Intangible Assets		6,008
Tax receivables		1,323
Other Receivables		1,335
Cash and cash equivalents		1,335
Total Assets		10,001
Trade payables		16
Other Payables		2,500
Total Liabilities		2,516
Fair Value of Net Assets Acquired		7,485
% pertaining to Maire Group	50.1%	
Fair Value pertaining to Maire Group		3,750
Acquisition Price (including deferred and conditioned component)		3,750
Goodwill		0
Cash and cash equivalents acquired		1,335
Net acquisition price		2,415

For the consolidation in accordance with IFRS, all consolidated subsidiaries prepared a specific “reporting package”, based on IFRS accounting standards adopted by the Group and illustrated below, reclassifying and/or adjusting the accounts approved by the boards of the respective companies.

The following criteria and methods were utilized in the consolidation:



- a) adoption of the line-by-line consolidation method, with the full recognition of assets, liabilities, costs and revenue, irrespective of the shareholding;
- b) adoption of the proportion consolidation method, recognizing the percentage held in the assets, liabilities, costs and revenue;
- c) elimination of balance sheet and income statement transactions between Group companies, including the reversal of any gains or losses not yet realized, deriving from operations between consolidated companies, recording any consequent deferred tax effects;
- d) elimination of inter-company dividends and relative adjustment of opening equity reserves;
- e) elimination of the book value of investments, relating to companies included in the consolidation, and the corresponding share in net equity and allocation of the positive and/or negative differences deriving from the relative accounts (assets, liabilities and equity), defined with reference to the date of acquisition of the investment and subsequent changes;
- f) recognition, in separate equity and income statement accounts, of the share capital, reserves and income for the period of minorities;
- g) adoption of the conversion method of financial statements of foreign companies which prepare their financial statements in currencies other than the Euro, which provides for the conversion of all monetary assets and liabilities at the period-end rate and the average period rate for income statement items. The difference deriving from the conversion is recorded under equity reserves.

The main exchange rates applied for the conversion of the financial statements in foreign currencies, illustrated below, are those published by the UIC:

Exchange rates	January-December 2018	31.12.2018	January-December 2017	31.12.2017
Euro/US Dollar	1.1810	1.1450	1.1293	1.1993
Euro/Brazilian Real	4.3085	4.4440	3.6041	3.9729
Euro/Indian Rupee	80.7332	79.7298	73.498	76.6055
Euro/Nigeria Naira	360.9013	350.9425	350.6249	367.0458
Euro/Chilean Peso	756.94	794.37	732.19	737.29
Euro/Russian Ruble	74.0416	79.7153	65.8877	69.392
Euro/Saudi Arabia Riyal	4.4286	4.2938	4.2351	4.4974
Euro/Polish Zloty	4.2615	4.3014	4.2563	4.177
Euro/Yen	130.3959	125.8500	126.6545	135.01
Euro/Malaysian Ringgit	4.7634	4.7317	4.8501	4.8536
Euro/Mexican Pesos	22.7054	22.4921	21.3278	23.6612
Euro/GBP	0.88471	0.89453	0.87615	0.88723

The consolidation scope at December 31, 2018 is shown below:

Companies consolidated by the line-by-line method:

Consolidated companies	Location/	Currency	Share capital	% Group	Through:	
Maire Tecnimont S.p.A.	Italy (Rome)	EUR	19,920,679	-	Parent Company	
Met Development S.p.A.	Italy	EUR	10,005,000	100%	Maire Tecnimont S.p.A.	100%
Met T&S Ltd	UK	GBP	100,000	100%	Met Development S.p.A.	100%
VGL Management Ltd	UK	GBP	1	100%	Met T&S Ltd	100%

Consolidated companies	Location/	Currency	Share capital	% Group	Through:	
Met Dev 1 S.r.l.	Italy	EUR	25,300,000	51%	Met Development S.p.A.	51%
MET GAS Processing Technologies S.p.A.	Italy	EUR	4,000,000	100%	Maire Tecnimont S.p.A.	100%
Nextchem S.r.l. (formerly Processi Innovativi S.r.l.)	Italy	EUR	45,000	56.67%	KT S.p.A.	56.67%
Maire Green Chemicals S.r.l.	Italy	EUR	10,000	100%	Nextchem S.r.l. (formerly Processi Innovativi S.r.l.)	100%
MyReplast S.r.l.	Italy	EUR	10,000	51%	Nextchem S.r.l. (formerly Processi Innovativi S.r.l.)	51%
U-Coat S.p.a.	Italy	EUR	7,500,000	50.1%	Nextchem S.r.l. (formerly Processi Innovativi S.r.l.)	50.1%
Stamicarbon B.V.	Holland	EUR	9,080,000	100%	Maire Tecnimont S.p.A.	100%
Stamicarbon USA Inc	USA	USD	5,500,000	100%	Stamicarbon B.V.	100%
Vinxia Engineering a.s.	Czech Republic	CZK	13,500,000	80%	Stamicarbon B.V.	40%
					Tecnimont S.p.A.	40%
KT S.p.A.	Italy	EUR	6,000,000	100%	Maire Tecnimont S.p.A.	100%
KTI Arabia LLC	Saudi Arabia	Riyal	500,000	70%	KT S.p.A.	70%
KT Cameroun S.A.	Cameroon	XAF	120,000,000	75%	KT S.p.A.	75%
KT Star CO. S.A.E.	Egypt	USD	1,000,000	40%	KT S.p.A.	40%
Tecnimont S.p.A.	Italy (Milan)	EUR	1,000,000	100%	Maire Tecnimont S.p.A.	100%
TCM FR S.A.	France	EUR	37,000	100%	Tecnimont S.p.A.	100%
TPI Tecnimont Planung und Industrieanlagenbau GmbH	Germany	EUR	260,000	100%	Tecnimont S.p.A.	100%
Tws S.A.	Switzerland	EUR	507,900	100%	T.P.I.	100%
Tecnimont Poland Sp.Zo.o	Poland	Plz	50,000	100%	Tecnimont S.p.A.	100%
Tecnimont Arabia Ltd.	Saudi Arabia	Riyal	5,500,000	100%	Tecnimont S.p.A.	100%
Tecnimont Nigeria Ltd.	Nigeria	Naire	10,000,000	100%	Tecnimont S.p.A.	100%
Tecnimont Russia	Russia	RUR	18,000,000	100%	Tecnimont S.p.A.	99%
					T.P.I.	1%
Tecnimont Private Limited	India	Indian Rupee	13,968,090	100%	Tecnimont S.p.A.	100%
Tecnimont E&I (M) Sdn Bhd	Malaysia	MYR	1,000,000	100%	Tecnimont Private Limited	100%
Tecnimont do Brasil Ltda.	Brazil	Real	589,900,501	100%	Tecnimont S.p.A.	99.30%
					Maire Engineering France S.A.	0.70%
					Tecnimont S.p.A.	95.71%
Tecnimont Chile Ltda.	Chile	Pesos	57,747,137,403	100.00%	Tecnimont do Brasil Ltda.	4.28%
					T.P.I.	0.01%
Consorcio ME Ivai	Brazil	Real	12,487,309	65%	Tecnimont do Brasil Ltda.	65%
Tecnimont Mexico SA de CV	Mexico	MXN	50,000.00	100%	Tecnimont S.p.A.	90.00%
					TWS S.A.,	10.00%
Maire Engineering France S.A.	France	EUR	680,000	99.98%	Tecnimont S.p.A.	99.98%
Tecnimont USA INC.	Texas (USA)	USD	4,430,437	100.00%	Tecnimont S.p.A.	100.00%
TecnimontHQC S.c.a.r.l.	Italy	EUR	10,000	60.00%	Tecnimont S.p.A.	60.00%



Consolidated companies	Location/	Currency	Share capital	% Group	Through:	
TecnimontHQC Sdn Bhd.	Malaysia	MYR	750,000	60.00%	Tecnimont S.p.A.	60.00%
Tecnimont Bolivia S.r.l	Bolivia	BS	2,842,200	100%	Tecnimont S.p.A.	99%
					Tecnimont Mexico SA de CV	1%
Tecnimont-KT JV S.r.l	Italy	EUR	15,000	100%	Tecnimont S.p.A.	70%
					KT S.p.A.	30%
Tecnimont-KT JV Azerbaijan LLC	Azerbaijan	AZN	170,000	100%	Tecnimont S.p.A.	70%
					KT S.p.A.	30%
Tecnimont Philippines Inc.	Philippines	PHP	10,002,000	100%	Tecnimont S.p.A.	100%
Neosia Renewables S.p.A.	Italy	EUR	50,000	100%	Maire Tecnimont S.p.A.	100%
Met NewEN Mexico SA de CV	Mexico	MXN	4,200,000	100%	Neosia Renewables S.p.A.	99%
					Tecnimont Messico SA de CV	1%
Neosia S.p.A.	Italy	EUR	6,000,000	100%	Maire Tecnimont S.p.A.	100%
MST S.r.l	Italy	EUR	400,000	100%	Neosia S.p.A.	100%
Transfima S.p.A.	Italy	EUR	51,000	51%	Neosia S.p.A.	51%
Transfima G.E.I.E.	Italy	EUR	250,000	50.65%	Neosia S.p.A.	43%
					Transfima S.p.A.	15%
Cefalù 20 S.c.a.r.l.	Italy	EUR	20,000,000	99.99%	Neosia S.p.A.	99.99%
Corace S.c.a.r.l. in liquidation	Italy	EUR	10,000	65%	Neosia S.p.A.	65%
MGR Verduno 2005 S.p.A.	Italy	EUR	7,950,942	98.25%	Neosia S.p.A.	98.25%
Birillo 2007 S.c.a.r.l.	Italy	EUR	1,571,940	100%	Neosia S.p.A.	98.4%
					MST S.r.l.	1.6%
Coav S.c.a.r.l. in liquidation	Italy	EUR	25,500	51%	Neosia S.p.A.	51.0%
TCC Denmark Aps	Italy	EUR	10,728	100%	Neosia S.p.A.	100.0%

Companies consolidated line-by-lined based on shareholding:

Consolidated companies	Location/	Currency	Share capital	% Group	Through:	
Sep FOS(*)	France	EUR	-	50%	Tecnimont S.p.A.	49%
					TCM FR S.A.	1%
Consorzio Turbigio 800 in liquidazione (*)	Italy	EUR	100,000	50%	Tecnimont S.p.A.	50%
JV Gasco(*)	United Arab Emirates	USD	-	50%	Tecnimont S.p.A.	50%
JO Saipem-Dodsai-Tecnimont (*)	United Arab Emirates	AED	-	32%	Neosia S.p.A.	32%
UTE Hidrogeno Cadereyta(*)	Spain	EUR	6,000	43%	KT S.p.A.	43%
Unincorporated JV Philippines (*)	Philippines	PHP	-	65%	Tecnimont Philippines Inc.	65%

(*) Joint control agreement incorporated to manage a specific project and measured as a joint operation in accordance with the introduction of IFRS 11.

ACCOUNTING POLICIES

The main accounting policies adopted in the preparation of the financial statements are illustrated below:

BUSINESS COMBINATIONS

Business combinations are recorded in accordance with the purchase method. The cost of the business combination is measured as the aggregate of the fair values, at the date of exchange, of assets acquired, liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the company acquired.

The identifiable assets, liabilities and contingent liabilities of the company acquired that comply with the conditions for recognition under IFRS 3 are recognized at their fair value at the acquisition date, with the exception of non-current assets (or disposal groups) which are classified as held-for-sale in accordance with IFRS 5 and are recognized and measured at fair value, net of sales costs.

Goodwill deriving from acquisition is recognized under assets and initially measured at cost, represented by the excess of the acquisition cost compared to the Group share in the present value of the identifiable assets, liabilities and contingent liabilities recognized. Where, after the measurement of these values, the Group share in the present value of the identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost, the excess is immediately recorded in the Income Statement.

The share of minorities in the entity acquired is initially measured in line with their share of the present value of the assets, liabilities and contingent liabilities recognized.

INVESTMENTS IN ASSOCIATES

An associate is a company in which the Group has significant influence, but not full control or joint control. The Group exerts its influence by taking part in the associate's financial and operating policy decisions.

The results and assets and liabilities of associates are recorded in the consolidated financial statements under the Equity method, except where the investments are classified as held-for-sale in which case they are recognized separately in accordance with IFRS 5 - Non-current assets held-for-sale and discontinued operations.

Under this method, investments in associates are recorded in the Balance Sheet at cost, adjusted for changes after the acquisition in the net assets of the associates, less any impairment in the value of the individual investments. Losses of associates in excess of the Group share (including medium/long-term interests which, in substance are part of the Group net investment in the associate) are not recorded unless the Group has an obligation to cover them.

INVESTMENTS IN JOINT VENTURES AND JOINT OPERATIONS

A joint operation is a contractual agreement whereby the Group undertakes a jointly controlled business venture with other parties. Joint control is defined as the contractually shared control over a business activity and only exists when the financial and operating strategic decisions of the activities requires the unanimous consent of the parties sharing control.

When an enterprise of the Group undertakes its activities directly through joint operations, the assets and liabilities jointly controlled with other participants are recognized in the consolidated financial statements of the company based on the Group holding and classified in accordance with their nature. The liabilities and the costs incurred directly in relation to the activity jointly controlled are recognized on the basis of the accruals principle. The share of the gains deriving from the sale or use of the resources produced by the joint operation, net of the relative share of expenses, are recognized when it is probable that the economic benefits deriving from the operations will benefit the Group and their amount may be measured reliably.

Joint venture agreements, which involve the incorporation of a separate entity in which each participant has a shareholding, are considered joint control investments. The Group records the joint control investments utilizing the equity method. Under this method the joint ventures are recorded in the Balance Sheet at cost, adjusted for changes after acquisition in the net assets of the associates, less any impairment in the value of the individual investments. The losses of the associates exceeding the Group interest and including medium/long-term interests (which, in substance are part of the Group net investment in the associates) are not recorded, unless the Group has an obligation to cover such losses.

Unrealized profits and losses on transactions between a Group company and a joint controlled entity are eliminated to the extent of the Group's share in the joint controlled entity, except when the unrealized losses constitute a reduction in the value of the asset transferred.



GOODWILL

Goodwill deriving from the acquisition of a subsidiary or a joint controlled entity represents the excess of the acquisition cost over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or the joint controlled entity at the acquisition date. Goodwill is recorded as an asset and an impairment test is undertaken annually.

Impairments are recorded immediately in the Income Statement and may not be subsequently restated, in accordance with IAS 36 - Impairment of assets.

For the impairment test, the goodwill acquired in a business combination must be allocated to each cash-generating unit of the acquirer, or groups of cash-generating units, which will gain from the synergies of the business combination. When the recoverable value of the cash-generating unit (or groups of cash-generating units) is lower than the book value, a write-down is recorded.

On the disposal of a subsidiary or joint controlled entity, the part of the goodwill attributable to the disposal is included in the measurement of the gain or loss.

Goodwill deriving from acquisitions prior to the transition date to IFRS are maintained at the values applicable under Italian GAAP at that date and which were subject to an impairment test at that date.

NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

Non-current assets (and disposal groups) are classified as held-for-sale when their carrying value is expected to be recovered by means of a sales transaction rather than through use in company operations. This condition is met only when the sale is highly likely, the assets (or group of assets) are available for immediate sale in their current condition and, consequently, management is committed to a sale, which should take place within 12 months of the classification as held-for-sale.

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their previous carrying value and market value less selling costs.

CONTRACTUAL ASSETS AND LIABILITIES

A client contract is identified and assessed on the basis of IFRS 15 following the tender contract's signature which establishes mutual obligations arising between the Group and the buyer.

In terms of contracts with Maire Tecnimont Group clients, the performance obligation is generally represented by the works in their entirety. In fact, even though individual performance obligations envisaged in the contract can be distinct by their very nature, in the contract's context, these are characterized by high interdependence and integration geared towards transferring the whole infrastructure to the buyer.

Nevertheless, in cases where several performance obligations are identified under the same contract, it is necessary to allocate the appropriate portion of the contractual price to the different performance obligations. In Group commercial practices, client contracts generally specify the price components for each contractual item in detail (observable contract price).

Revenues are recognized when (or over time) the performance obligation is fulfilled by transferring to the client the goods or service (or the asset) promised. The asset is transferred when (or over time) the client acquires control.

Contracts with clients typically signed as part of the Group and concerning the execution of multi-year contracts, envisage obligations to be fulfilled over time on the basis of the gradual progress of activities and the transfer of the facilities' control over time to the buyer since - the client controls the facility covered by the contract at the moment when it is built (the building is built directly on the land made available by the buyer) and - the works under construction cannot have an alternative use and the Maire Tecnimont Group retains the right to collect payment for services rendered during construction.

In choosing the appropriate measurement model of the transfer of control to the buyer, input-based criteria were adopted by the Group for current contracts.

With the input-based method, revenues are recognized on the basis of resources used by the entity to fulfil the contractual performance obligation (such as, resources consumed, dedicated labor hours, costs incurred, time spent or machine-hours used) with respect to total budgeted inputs.

The method considered to be more representative for revenue recognition is cost-to-cost, determined by applying the progress percentage as the ratio between costs incurred and total expected costs, to expected total contractual revenue. In calculating the ratio of costs incurred and expected costs, only costs contributing to the effective transfer of control of the goods and/or services are considered. In so doing, this method enables an objective measurement of the transfer of control to the client since it takes into consideration the quantitative variables relating to the contract in its entirety.

Given the engineering and operating complexity, the size and multi-annual duration of the projects, contractual payments, in addition to the basic consideration set out in the contract, include additional amounts covering elements that must necessarily be taken into account. In particular, amounts arising from “Reserves” or “Claims” are additional charges in respect of higher costs incurred (and/or to be incurred) for unforeseeable causes or events that are not attributable to the buyer, “Change Orders” after major works are performed (and/or to be sustained) or order modifications not formalized under additional deeds. The determination of additional charges is subject, by its very nature, to a certain degree of uncertainty both on the amounts that will be recognized by the client and on the payment periods which usually depend on the outcome of negotiations between the parties or by decisions from judicial bodies.

This type of contractual charge is attributed to “Contractual Changes” - a contractual change exists if this is approved by both contracting parties; approval may take place in writing, by verbal agreement or through industry commercial practices.

A contractual change can exist despite the presence of a dispute concerning the object and/or price of the contract. In this case, it is first necessary to assess whether rights to payment are contractually envisaged, generating an enforceable right. Once the enforceable right is identified, the recognition of the “Reserves” or “Claims” and charges for additional requests to the buyer requires defining whether the circumstance that associated revenues will not be reversed in future is considered to be “highly probable”. For the purposes of this assessment, all significant aspects and circumstances will be taken into consideration, including contractual terms and conditions, industry commercial and negotiating practices or other supporting factors, as well as technical and legal assessments. Documentation produced by other bodies (Arbitration Boards, Dispute Adjudication Boards, etc) will also be considered.

The contract with the buyer may envisage the accrual of penalty liabilities arising from non-compliance with specific contractual clauses (such as failure to comply with delivery times).

Once the entity is in possession of the elements to define how “reasonably foreseeable” is the accrual of contractual penalties, these will be considered as a reduction in contractual payments. In order to carry out these assessments, all available indicators will be analyzed to estimate the probability of contractual non-compliance that may lead to the accrual of penalty liabilities.

The practice in the sector in which the Maire Tecnimont Group operates is that payment for works (generally running into several years) is financially regulated through the disbursement of an advance and thereafter, through on-account invoicing. In general, buyer payment flows (an advance and subsequently, Interim Payment Certificates [IPC]) are designed in such a way as to make the construction project sustainable for the contractor and to limit exposure.

The contractual advance is used for the following purposes: - to finance the initial order investments and to disburse associated contractual advances to be paid to sub-contractors; - as a form of contractual guarantee to cover any risks of breach of contract by the buyer. The recovery of the contractual advance is reabsorbed through subsequent IPC/on-account invoicing, in line with the production cycle of the multi-year contract. Moreover, it is necessary to consider that the Group operating cycle is normally multi-year and therefore, the correct duration is considered to determine the existence of a significant financial component.

In view of the above considerations, the presence of significant financial components within contractual fees was not assessed in contracts that provide for an adjustment of advances and on-account invoicing in line with industry practices and/or, in any case, of amounts serving as ‘guarantees’ and with a timeframe that is adequate for the cash flows required by the project’s execution.

The new accounting standard does not explicitly regulate the accounting treatment of loss-making contracts, but refers to the method of accounting defined by IAS 37. In particular, according to the IAS 37 definition, a contract is onerous when non-discretionary costs (“unavoidable costs of meeting the obligation”) exceed the expected economic benefits. Any expected loss is accounted for by the Group in the financial statements when this loss becomes probable on the basis of the latest estimates performed by management to adjust the order.



Since they cannot be qualified as incremental costs, costs that are incurred independently of the order's acquisition are expensed to the income statement not contributing to contractual advancement (cost not attributable to Cost-to-Cost).

Costs for the contract's execution, that is, those costs that refer directly to the contract, generate and improve the resources that will be used to satisfy the performance obligation and are recoverable through the contract's future economic benefits, are capitalized by the Group.

The practice in the industry in which the Maire Tecnimont Group operates is that usually these types of costs are represented by pre-production costs which, in some contractual cases, are expressly recognized by the buyer through specific items under the contract, while, in other cases, they are not expressly recognized and are paid through the order's overall margin. The explicit recognition of these costs implies that when they are incurred the transfer of control of the works covered by the project takes place. Consequently, such costs should not be capitalized and have to contribute to the determination of contractual advancement.

Should the contract not envisage explicit recognition, in compliance with the three conditions mentioned above, pre-production costs are capitalized and consistently depreciated to correspond with the transfer of control of the goods/services to the client.

Assets and liabilities arising from the contract are classified in the "Contractual Assets" and "Contractual Liabilities" accounts in the financial statements, respectively in the assets and liabilities section. Based on the standard's provisions, the classification between contractual assets and liabilities is on the basis of the ratio between Maire Tecnimont Group's service and the client's payment. If the resultant value is positive, the project's net balance is shown in the "Contractual Assets" account and, conversely, in the "Contractual Liabilities" account. If, on the basis of the contract, the values in question express an unconditional right to payment, they are presented as receivables.

The Group classifies exchange differences deriving from commercial operations under operating results, and in particular in the accounts other operating revenues and other operating costs, depending on whether the net effect is a gain or loss.

The amounts matured, where expressed in foreign currencies, are calculated taking into account the exchange rates at the date of the relative hedging operations.

OTHER REVENUES

"Other revenues" mainly includes positive income components from projects under execution and deriving from industrial activities and accessory operations not directly related to the contract with the client. The account is measured according to other standards or specific Group "Accounting Policies". In particular, this account includes income concerning: gains from the sale of fixed assets; income from the recharge of costs, prior year income, contractual penalties, exchange gains, insurance indemnities and the utilization of the doubtful debt provision.

The Company also classifies exchange differences deriving from commercial operations under operating results, and in particular in the accounts other operating revenues and other operating costs, depending on whether the net effect is a gain or loss.

PROPERTY, PLANT AND EQUIPMENT

Plant and machinery utilized for the production or the provision of goods and services are recorded in the financial statements at historic cost, including any accessory and direct costs necessary for the asset to be available for use.

Plant, machinery & equipment are recognized at cost, net of accumulated depreciation and any write-down for loss in value.

Property is recorded at fair value at the revaluation date net of any subsequent accumulated depreciation and any subsequent loss in value accumulated and is depreciated based on their estimated useful lives. Buildings are revalued annually on the basis of an independent expert's valuation. The positive/negative difference is recorded in the revaluation reserve under equity.

Depreciation is calculated on a straight-line basis on the cost of the assets, according to their estimated useful life, which is reviewed annually at following rates:

Asset Category	Rate
Land	0%
Buildings	from 2% to 10%
Plant and machinery	from 7.5% to 15%
Industrial & commercial equipment	15%
Furniture	12%
EDP	20%
Motor vehicles	from 20% to 25%

Gains and losses deriving from the disposal or sale of assets are determined as the difference between the sales revenue and the net book value of the asset and are recorded in the Income Statement in the year.

Ordinary maintenance costs are fully charged to the income statement.

Improvements on the original value of the assets are capitalized and depreciated based on their residual utilization.

Leasehold improvements which may be recorded as an asset are recognized under property, plant and equipment and depreciated at the lower between the residual duration of the contract and the residual useful life of the asset.

Leased assets

Leasing contracts which do not provide for the transfer of all of the risks and benefits of ownership to the Group are considered operating leases.

Operating lease costs are recorded on a straight-line basis over the duration of the lease agreement.

Grants

Capital grants are recognized when there is reasonable certainty that they will be received and that the conditions will be satisfied for their attainment.

Capital grants are recorded as a direct reduction of the asset to which they refer. The value of an asset is adjusted by straight-line depreciation, calculated on the basis of the residual useful life of the asset.

INTANGIBLE ASSETS

Intangible assets acquired separately are recorded at cost less amortization and any net loss in value. Amortization is calculated on a straight-line basis over the useful life of the asset. The amortization method and the residual useful life are reviewed at the end of each accounting period. The effects deriving from the change in the amortization method and the residual useful life are recorded prospectively.

Intangible assets generated internally - research and development costs

Research costs are expensed to the income statement in the period in which they are incurred.

Intangible assets generated internally deriving from the development phase of a Group internal project are only recognized under assets when the following conditions are met:

- There is the technical feasibility to complete the intangible asset for its use or sale;
- There is the intention to complete the intangible asset and utilize or sell the asset;
- There is the capacity to utilize or sell the intangible asset;



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- It is probable that the asset will generate future economic benefits;
 - The technical, financial and other resources exist in order to complete the development and utilize or sell the asset during the development phase.

The initial amount recognized of the intangible assets generated internally corresponds to the sum of the expenses incurred at the date in which the asset meets the criteria described above. Where these expenses may not be recorded as intangible assets generated internally, the development expenses are expensed in the Income Statement in the period in which they are incurred.

Subsequent to initial recognition, the intangible assets generated internally are recorded at cost less any accumulated loss in value, as occurs for intangible assets acquired separately.

Intangible assets acquired through a Business Combination

Intangible assets acquired in a business combination are identified and the goodwill is recorded where they satisfy the definition of intangible assets and their fair value may be determined reliably. The cost of these intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, the intangible assets acquired in a business combination are recorded at cost less amortization and any accumulated loss in value, as occurs for intangible assets acquired separately.

IMPAIRMENT OF TANGIBLE, INTANGIBLE AND FINANCIAL ASSETS

At each reporting date, the Group reviews the carrying value of its intangible, tangible and financial assets to determine if there are indications that these assets have incurred a loss in value. Where it is not possible to make an estimate of the recoverable amount of an asset individually, the Group makes an estimate of the recoverable amount of the cash-generating unit the asset belongs to. When it is established that a potential loss exists, an estimate of the recoverable amount is made in order to identify the amount of the loss.

The indefinite intangible assets, as for goodwill, are verified annually and whenever there is an indication of a possible loss in value, in order to determine if there has been a loss in value.

The recoverable value is the higher between fair value less costs to sell and value in use. In determining the value in use, the estimated future cash flows are discounted on a pre-tax basis which reflects the market assessment of the time value of money and the risks specific to the asset. In the determination of this value various cash flow scenarios are utilized (sensitivity analysis).

If the recoverable value of an asset (or a CGU) is considered lower than its carrying value, it is reduced to its recoverable value. A loss in value is recognized in the income statement immediately.

Where, subsequently, the loss in value no longer exists or reduces, the book value of the asset is increased up to the new estimate of the recoverable value and may not exceed the value which would be determined where no loss in value had been recorded. The reversal of a loss in value is immediately recorded in the income statement.

INVENTORIES

Inventories are measured at the lower of cost and net realizable value. Cost includes direct materials and, where applicable, direct labor costs, general production costs and other costs which are incurred in bringing the inventories to their present location and condition. The cost is calculated using the weighted average cost method. The net realizable value is represented by the estimated sales price less the estimated cost for completion and estimated costs to sell.

FINANCIAL INSTRUMENTS

The new classification of the financial instruments as per IFRS 9 is based on the “business model” and on the characteristics of the contractual cash flows of the instruments. The “business model” represents the management model of the financial assets held by the Group on the basis of the strategic objectives defined, in order to generate cash flows by collecting the contractual cash flows, selling financial assets or managing both models.

Financial assets and liabilities are recorded in the financial statements when the Group has the contractual obligations of the instrument.

FINANCIAL ASSETS

The “business model” utilized by the Group are:

- Held To Collect (HTC), managed to collect contractual cash flows: corresponding to the wish to hold the instruments until maturity;
- Held To Collect and Sell (HTC&S), managed to collect contractual cash flows and for sale: corresponding to the wish to meet liquidity needs and minimize liquidity management cost and maintain the risk profile;
- Other - residual category, managed for trading; corresponding to the wish to maximize contractual cash flows through sale.

Receivables

In considering the classification of financial assets account was taken of the Group’s business model and characteristics of the cash flows. In particular trade receivables are classified in the category of the receivables Held-to-collect, corresponding to the wish to hold the instruments until maturity.

Receivables are initially recognized at fair value and subsequently measured at amortized cost, utilizing the effective interest rate method, net of the relative losses in value with reference to amounts considered non-recoverable, recorded in a specific doubtful debt provision. The original amount is restated whenever the reasons for the adjustment no longer apply. In this case, any reversal of previous provisions is recorded in the income statement and may not exceed the amortized cost of the receivable in the absence of the previous adjustments.

Trade receivables which mature within the normal commercial terms are not discounted. Receivables in currencies other than the operational currency of the individual companies are recorded at the period-end exchange rates.

Other financial assets

Financial assets are recognized at cost, recorded at the trading date, represented by the fair value of the initial amount given in exchange, increased by any transaction costs (for example: commissions, consultancy etc.) directly attributable to the acquisition of the asset. After initial recognition, these assets are measured at amortized cost using the original effective interest method.

Financial assets held for speculative purposes in the short-term are recognized and measured at fair value, with changes recorded in the income statement.

With regards to the valuation of financial assets concerning minority investments, IFRS 9 requires fair value measurement. The investments in other companies of the Group mainly refers to consortiums incorporated for specific projects whose duration is related to the project span. These investments are measured at fair value with changes to the statement of comprehensive income, although as not listed on an active market, the fair value is therefore estimated, although does not vary from the cost and the relative portion of equity.

Cash and cash equivalents

Cash and cash equivalents include cash balances and bank current accounts and deposits repayable on-demand, plus other highly liquid short-term financial investments that can be readily converted into cash and are not subject to a significant risk of a change in value.

Impairment model

The method is based on a predictive approach (expected credit losses model), based on the probability of default and the capacity of recovery in the event of a loss given default.



In the estimate of the impairment of receivables official ratings are utilized where available or internal ratings, to determine the probability of default of the counterparty; the capacity of recovery was also identified in the case of a loss given default of the counterparty based on historical experiences and different possible recovery methods.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Financial liabilities and Equity instruments issued by the Group are classified in accordance with the underlying contractual agreements and in accordance with the respective definitions of liabilities and Equity instruments. These latter are defined as those contracts which give the right to benefit from the residual interest of the assets of the Group after the reduction of the liabilities. The accounting policies adopted for specific financial liabilities and Equity instruments are described below.

Payables

Payables are initially recorded at cost, corresponding to the fair value of the liability, net of directly attributable transaction costs.

Subsequent to initial recognition, the payables are measured under the amortized cost method, utilizing the effective interest rate method. This category includes interest bearing bank loans, overdrafts, non-convertible bonds and trade payables.

The trade payables which mature within the normal commercial terms are not discounted. Payables in currencies other than the operational currency of the individual companies are recorded at the period-end exchange rates.

FAIR VALUE MEASUREMENT

Fair value is the amount in which an asset (or a liability) may be exchanged in a transaction between independent counterparties with reasonable knowledge of the market conditions and significant events related to the item under negotiation. The presumption that an entity is fully operational and does not need to liquidate or significantly reduce activities, or undertake operations at unfavorable conditions, is fundamental to the definition of fair value. The fair value reflects the credit quality of the instrument as it incorporates the counterparty risk.

Receivables and Payables:

For receivables and payables recorded in the financial statements at cost or amortized cost, the fair value for the purposes of the disclosure to be provided in the Explanatory Notes is determined as follows:

- for short-term receivables and payables, it is considered that the value paid/received reasonably approximates fair value;
- for medium/long-term receivables/payables, the measurement is principally undertaken through the discounting of future cash flows. The discounting of the expected cash flows is normally undertaken through the zero-coupon curve increased by the margin represented by the specific credit risk of the counterparty.

Other financial instruments (Debt and equity securities)

The fair value for this category of financial asset is measured taking as reference the listed prices at the reporting date of the financial statements where existing, otherwise with reference to technical valuations utilizing as input exclusively market data.

Other financial instruments (Minority holdings)

The fair value for this category of financial assets is calculated according to valuation models whose input is not based on observable market data (“unobservable inputs”).

EQUITY INSTRUMENTS

Equity instruments issued by the Company are recognized based on the amount received, net of direct issue costs.

CONVERTIBLE BONDS

In accordance with IAS 32 “Financial Instruments: Presentation in the financial statements” convertible bonds are recorded as hybrid financial instruments, formed by two components which are treated separately only if significant: a liability and a conversion option. The liability corresponds to the present value of the future cash flows based on the current interest rate at the issue date for an equivalent non-convertible bond. The value of the option is defined as the difference between the net amount received and the amount of the liability and is recorded under equity. The value of the conversion option in shares does not change in subsequent periods. On the contrary, where the characteristics of the bond result in, on the exercise of the conversion right, the right of the company to deliver shares or offer a combination of shares and cash, the option is recognized as a financial liability for the incorporated host, measured at fair value through P&L, while the difference compared to the original nominal value or rather the financial liability (host) is recorded at amortized cost.

DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

The Group utilizes derivative instruments (swap contracts, options, and forwards) to hedge against risks from interest rate changes on bank loans and currency movements on cash flows in foreign currencies.

The structure of the contracts in place is in line with the Group “hedging” policy.

IFRS 9 requires amendments to the rules for the management of hedge accounting relations which are closer to the recognition logic utilized by the Group within its Risk Management.

As per IFRS 9 the effectiveness of the hedging relationship can only be on a prospective basis and must be demonstrated both qualitatively and quantitatively, without any threshold level defined by the standard (i.e. elimination of the 80-125% range).

Derivative instruments are measured at fair value with recognition of any changes in fair value to the income statement where they do not satisfy the conditions to be considered as hedges either due to the type of instrument or the choice of the company not to undertake the efficiency test. Derivative instruments are classified as hedging instruments when the relation between the derivative and the hedged item is formally documented and the effectiveness of the hedge, periodically verified, is high in accordance with IFRS 9.

The accounting of the hedging instruments differs depending on the objective of the hedge: cash flow hedges or fair value hedges.

Cash flow hedge

The changes in the fair value of the derivative instruments which are designated, and which are efficient, to hedge future cash flows relating to the Group contractual commitments are directly recorded under Equity, while the non-efficient portion are immediately recorded in the Income Statement.

The amounts recorded directly under Equity are included in the Income Statement in the same period that the contractual commitment hedged is included in the Income Statement.

Fair value hedge

For the efficient hedge of a “change in fair value” the item hedged is adjusted by the fair value changes attributable to the risk hedged recognized through the Income Statement. The gains and losses deriving from the fair value of the derivatives are also recorded in the income statement.

The changes in the fair value of the derivative instruments which do not qualify as hedges are recorded in the Income Statement in the period in which they arise.



Embedded derivatives

Embedded derivatives included in contracts are treated as separate derivatives only when:

- their risks and features are not strictly related to those of the host contracts;
- the separate embedded instrument satisfies the definition of a derivative;
- the hybrid instrument is not recognized at fair value with changes recorded through P&L.

Where an embedded derivative is separated, the relative host contract must be recorded in accordance with IFRS 9, if the contract is a financial instrument, and in accordance with the other accounting standards if the contract is not a financial instrument.

Fair value calculation

The fair value of financial instruments is represented by the current market price or, in their absence the application of appropriate financial valuation models which take into consideration all the factors adopted by market operators and the prices obtained in a real market transaction. In particular, the fair value of the interest rate swaps is measured discounting the expected cash flows, while the fair value of currency forward contracts is determined on the basis of the forward exchange rate at the reference date and the differential rates between the currencies.

DERECOGNITION OF FINANCIAL INSTRUMENTS

Financial assets are eliminated from the balance sheet when the right to receive the cash flows no longer exists and all the related risks and benefits are substantially transferred (so-called derecognition) or where the item is considered definitively non-recoverable after the completion of all the necessary recovery procedures. Financial liabilities are derecognized from the balance sheet when the specific contractual obligations are extinct. Receivables transferred following factoring operations are eliminated from the balance sheet only when the related risks and benefits of ownership have been substantially transferred. With recourse receivables and non-recourse receivables which do not satisfy these requisites remain on the balance sheet of the company, even if legally transferred; in this case a financial liability of a similar amount is recorded under liabilities against advances received.

SHAREHOLDERS' EQUITY

Share capital

The share capital is the amount of the subscribed and paid-in capital of the Parent Company. The costs strictly related to the issue of new shares are classified as a reduction of the share capital when they refer to costs directly attributable to the equity operation.

Treasury shares

They are recorded as a decrease in Group Shareholders' Equity. The costs incurred for the issue of new shares by the Parent Company are recorded as a reduction in equity, net of any deferred tax effect. The gains or losses for the purchase, sale, issue or cancellation of treasury shares are not recorded in the income statement.

Retained earnings/ (accumulated losses)

This refers to the results of previous years for the part not distributed or recorded under reserves (in the case of profit) or recapitalized (in the case of losses). The account also includes the transfers from other equity reserves when those reserves are no longer required as well as the effects of the recording of changes to accounting policies and material errors.

Other reserves

These include the fair value reserves recorded under equity in accordance with the applicable criterion, the treasury share reserve, the legal reserve, the translation reserve and the other statutory reserves.

Valuation reserve

These include the cash flow hedge reserve relating to the “effective” portion of the hedge, the cost of hedging reserve which includes the time value of currency options, the actuarial reserve on defined benefit plans recognized directly to equity and the changes in fair value of minority investments through OCI reserve.

CONTRACTUAL LIABILITIES DERIVING FROM FINANCIAL GUARANTEES

The contractual liabilities deriving from financial guarantees are initially measured at their fair value and subsequently measured at the higher between:

- the amount of the contractual obligation, determined in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets;
- the initial amount recorded net, where applicable, of the accumulated amount recorded in accordance with the recognition of the revenues as described above.

PROVISIONS FOR RISKS AND CHARGES

Provisions are recorded when the Group has a current obligation (legal or implied) that is the result of a past event and it is probable that the Group will be required to fulfil the obligation. Provisions are made based on the best estimate of the cost of fulfilling the obligation at the reporting date, and are discounted when the effect is significant.

When the Group considers a provision for risks and charges must be in part or in full reimbursed, the indemnity is recorded under assets only when the reimbursement is almost certain and the amount of reimbursement may be determined reliably.

Onerous contracts

Where the Group has an onerous contract, the current obligation contained in the contract must be recognized and measured as a provision.

An onerous contract is a contract in which the non-discretionary costs necessary to settle the obligations exceed the economic benefits deriving from such.

Restructuring provision

A provision for restructuring costs is recorded only when the Group has undertaken a formal detailed program for the restructuring and there exists a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A provision for restructuring must only include the direct expenses deriving from the restructuring and not associated with the current activities of the Group.

Personnel incentive plans

The Group recognizes additional benefits to employees through the cash incentive plans. These plans represent a remuneration component of the beneficiaries; therefore, the cost is recognized in the income



statement under “Personnel expense” over the period between the granting date and that of maturity and under provisions for risks and charges.

The financial effects of the Plans are estimated through adequately weighing the defined maturity conditions (including the probability of employees remaining in the Group for the duration of the Plan); at the end of each year the estimate is updated and recognized under “Personnel expense”. At December 31, 2018, the plans within this category included the Phantom Stock plan for the Chief Executive Officer of the company and some Senior Managers of the Group, the MBO incentive system, both in its short-term and deferred long-term component, and the annual attendance bonus.

Guarantees

The provisions for guarantee costs are accrued when it is considered probable that the request to honor the guarantee will be made. The calculation of the provision is made based on the best estimate by Management of the costs required to comply with the obligation.

POST-EMPLOYMENT BENEFITS

The payments for defined contribution plans are recognized in the Income Statement of the period in which they are due.

For the defined benefit plans, the cost relating to the benefits recognized is determined using the projected unit credit method, making actuarial valuations at the end of each period. Actuarial gains and losses are recognized in the period they arise and recorded directly in a specific equity reserve. The cost relating to past employment service is immediately recorded when the benefits have already matured.

The liabilities for post-employment benefits recorded in the balance sheet represent the present value of the liabilities for the defined benefit plans adjusted to take into account any actuarial gains or losses not recorded and costs relating to past employment services not recorded, and reduced by the fair value of the asset plan. Any net assets resulting from this calculation are limited to the value of the actuarial losses not recorded and costs relating to past employment services not recorded, plus the present value of any repayments and reductions in future contributions to the plan.

Other long-term employee benefits

The accounting treatment of the other long-term benefits is similar to those of the plans for post-employment benefits with the exception of the fact that the actuarial gains and losses and costs deriving from past employment services are recognized in the income statement fully in the year in which they arise.

SHARE-BASED PAYMENTS

The Group recognizes additional benefits to employees through equity participation plans. The above-mentioned plans are recognized in accordance with IFRS 2 (Share-based payments). In accordance with IFRS 2, these plans represent a remuneration component of the beneficiaries; therefore, for the equity participation plans, the cost is represented by the fair value of these instruments at the granting date, and recognized in the income statement under “Personnel expense” over the period between the granting date and that of maturity, and in the “IFRS 2 reserve” under equity. Changes subsequent to the granting date in the fair value do not have an effect on the initial value. At the end of each year the estimate is updated on the number of rights which will mature on maturity. The change in the estimate reduces the amount in the “IFRS 2 reserve” and is recorded under “Personnel expense” in the P&L. At December 31, 2018, the plans within this category included the 2016-2018 Employee Share Ownership Plan, the 2016-2018 Performance Share Plan and the 2017-2019 Restricted Stock Plan.

FINANCIAL INCOME AND EXPENSE

Interest is recognized in accordance with the effective interest rate method, utilizing therefore the interest rate which is financially equivalent to all the cash inflows and outflows (including premiums, discounts, commissions etc.) which comprise an operation. The Group classifies in this account the exchange differences deriving from financial operations, while the exchange differences from commercial operations are classified under operating results, and in particular in the accounts other operating revenues and other operating costs, depending on whether the net effect is a gain or loss, with detailed information provided in the Explanatory Notes.

INCOME TAXES

Income taxes for the year represent the sum of current and deferred taxation.

Current income taxes

Current income taxes for the year and previous years are recorded for the amount expected to be paid to the fiscal authorities.

The liability for current income taxes is calculated using the current rates at the reporting date in the individual countries where the Group operates.

Deferred taxes

Deferred taxes are the taxes that it is expected to pay or recover on the temporary differences between the carrying value of the assets and of the liabilities in the financial statements and the corresponding fiscal value utilized in the calculation of the assessable income, accounted under the liability method. Deferred tax liabilities are generally recorded on all temporary assessable differences, while deferred tax assets are recorded based on the probability that the future assessable results will permit the use of the temporary deductible differences. These assets and liabilities are not recognized if the temporary differences deriving from the goodwill or the initial recognition (not in business combinations) of other assets or liabilities in operations do not have an impact on the accounting result or on the assessable fiscal result.

The carrying value of deferred tax assets is revised at the end of the year and reduced to the extent that it is no longer likely that there will be sufficient taxable income against which to recover all or part of the assets.

Deferred taxes are calculated based on the fiscal rates that are expected to be in force at the moment of the realization of the asset or the settlement of the liability. Deferred taxes are recognized directly in the income statement with the exception of those relating to accounts directly recognized to equity, in which case the deferred taxes are also recognized to equity.

Deferred tax assets and liabilities are offset when there is a direct right to compensate the tax assets and liabilities and when they refer to income taxes due to the same fiscal authority and the Group intends to pay the amount on a net basis.

Deferred taxes are recognized directly to the income statement with the exception of those relating to accounts directly recognized to equity, in which case the deferred taxes are also recognized to equity.

USE OF ESTIMATES

The preparation of the financial statements and the relative notes in application of IFRS require that management make estimates and assumptions on the values of the assets and liabilities in the financial statements and on the disclosures relating to the assets and contingent liabilities at the reporting date. The estimates and assumptions used are based on past experience and other factors considered relevant. The actual results may differ from such estimates. The estimates and assumptions are reviewed periodically and the effects of any changes are recorded in the income statement in the period of the revision of the estimate, if the revision has effect only on that period, or also in subsequent periods if the revision has effect on the current year and on future years. In this regard, the situation caused by the economic and financial crisis resulted in the need to make assumptions on an outlook characterized by significant



uncertainty and for which it is reasonably possible - on the basis of currently available information - that within the following year, results may differ from estimates, requiring even significant adjustments (including to the book value of the relative items).

The accounts principally affected by such uncertainty are:

- construction contracts: almost all Group consolidated revenues derive from long-term contracts, whose amount is determined at the participation date of the tender and any subsequent award of the contract. In relation to these contracts, the margins originally estimated may reduce as a consequence of an increase in costs incurred during the construction of the projects (for example costs for raw materials, contractual penalties on delays or unexpected circumstances or disputes with the buyers, subcontractors and suppliers).
- goodwill, other intangible assets, financial assets: they are tested annually and whenever there is an indication of a possible loss in value in order to determine the recoverability of these values.
- derivative instruments: initially recognized at cost, they are adjusted to fair value on subsequent reporting dates. The fair value represents the current market price or, in their absence, the value from application of appropriate financial valuation models.
- provisions for risks and charges: provisions are made based on the best estimate of the cost of fulfilling the obligation at the reporting date, and are discounted when the effect is significant.
- employee benefits: the cost relating to employment services is made utilizing the best actuarial valuations at the estimate date.

CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

The Group in the selection and application of the accounting policies, in the accounting of the changes in accounting policies and of the changes in accounting estimates and corrections of previous year errors applies IAS 8.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Subsequent events are events which occur after the reporting date up to the authorized publication date. The date for authorization of publication is considered the approval date by the Board of Directors. Subsequent events may concern events which provide information on the situation existing at the reporting date (adjusting subsequent events) or events arising after the reporting date (non-adjusting subsequent events). For the former, the relative effects are reflected in the financial statements and updated disclosure provided, while for the latter, if significant, adequate disclosure alone is provided in the Explanatory Notes.

27. Notes to the income statement

27.1. Revenues

Revenues from contracts with buyers in 2018 amounted to Euro 3,613,582 thousand, an increase of Euro 110,680 thousand on the previous year as follows:

<i>(In Euro thousands)</i>	2018	2017
Revenues from sales and services	303,890	974,525
Changes in contract work-in-progress	3,309,692	2,528,377
Total	3,613,582	3,502,902

The improvement is principally due to the Euro 781,315 thousand increase in the account “change in contract work-in-progress”, which mainly owes to the advancement of the orders acquired in previous years compared to the situation in 2017.

“Revenues from sales and services” however reported a decrease of Euro 670,634 thousand, mainly due to the lower revenues from orders completed in the year.

The increase in volumes reflects progress on backlog projects and refers to the main EPC projects which are in the full construction phase.

Group core business revenues derived for 95.6% from the “Technology, Engineering & Construction” business unit (95.9% in 2017), substantially in line with the previous year in terms of consolidated volumes following the advancement of new projects acquired in previous years and in line with the Group strategy based on the consolidation of the traditional EPC activities.

The principal projects of the “Technology, Engineering & Construction” BU concerned ADCO, Amursky, Tempa Rossa, Kingisepp, Orpic and the projects in Malaysia with Petronas.

Finally, the “Infrastructure & Civil Engineering” BU accounted for approx. 4.4% of revenues (4.1% in 2017), increasing approx. Euro 15.9 million following the advancement of orders in portfolio also in the large renewables plant sector and the recommencement of a hospital building project.

The change in work-in-progress takes into account not only the recognition of contractual amounts agreed upon, but also changes in work orders, not yet approved, incentives and any reserves - claims, for the highly probable amount to be recognized by the buyer and reliably measured. In particular, the calculation of the revenues not yet approved was made based on reasonable expectations through the negotiations in progress with the buyers to recognize the higher costs incurred or disputes in course and therefore by their nature may present a risk (for further details, reference should be made to the “Disputes” section of the Directors’ Report). Currently, these revenues not yet approved account for approx. Euro 5.3% of Technology, Engineering & Construction BU contract values and approx. 15.2% of Infrastructure BU contracts.

The contractual obligations to be fulfilled by the Group (backlog of orders) at December 31, 2018 amounted to approx Euro 6,612 million; the Group will recognise this amount as revenue in future periods in line with its business plan forecasts.



27.2. Other operating revenues

“Other Operating Revenues” in 2018 amounted to Euro 33,029 thousand, up Euro 11,642 thousand on the previous year and relate to:

<i>(In Euro thousands)</i>	2018	2017
Operating currency gains	0	7,944
Prior year income	5,992	1,331
Use of doubtful debt provision	2,182	1,227
Use of other risk provisions	77	77
Contract penalties	7,770	4
Gains on disposals	101	319
Currency derivative gains	7,138	0
Insurance indemnities	3,598	0
Other income	6,172	10,484
Total	33,029	21,387

Other operating revenues refer to revenues not directly connected to the Group core business. Other operating revenues mainly refer to:

- Contractual penalty income, equal to Euro 7,770 thousand principally relating to the enforcement of bonds following delays and other penalties applied to suppliers;
- “Currency derivative gains”, amounting to Euro 7,138 thousand, concern cash flow hedges on Group contractual commitments, principally hedging payments in foreign currencies impacting the income statement in the year. The increase relates to currency market movements and the expiry of currency hedging instruments on contracts completed in the year;
- Insurance indemnities of Euro 3,598 thousand, income recognized following an insurance payout made in the year;
- utilization of the doubtful debt provision for Euro 2,182 thousand for trade receivables losses determined certain in 2018 and included in “Other Operating Costs”;
- prior year income of Euro 5,992 thousand, principally relating to payables no longer due and the reversal of costs accrued in previous years;
- the other accounts refer mainly to disposal gains, reimbursements for subsidized taxes and other income;

Operating exchange differences, amounting to Euro 7,944 thousand in 2017, concerned the net gain between currency gains and losses; the decrease follows currency market movements and those on foreign currencies regarding ongoing projects.

27.3. Business segment information

Maire Tecnimont S.p.A. heads an integrated industrial group providing engineering services and works in the following sectors on the domestic and international markets: Technology, Engineering & Construction and Infrastructure & Civil Engineering.

The BU figures are in line with the internal reporting structure utilized by company Top Management and in particular with the reporting used by the highest decision-making level for the taking of business decisions, identified as the chief executive officer (CODM). The features of these sectors are outlined below:

- I. **“Technology, Engineering & Construction” Business Unit** - designs and constructs plant, principally for the “natural gas chain” (involving separation, treatment, liquefaction, transport, storage, regasification and compression and pumping stations); designs and constructs chemical and petrochemical industry plant for the production, in particular, of polyethylene and polypropylene (polyolefin), ethylene oxide, ethylene glycol, purified terephthalic acid (“PTA”), ammonia, urea and fertilizers; issues, in addition, within the fertilizer sector, licenses on patented technology and proprietary know-how to current and potential urea producers. Other major activities related to the sulphur recovery process, hydrogen production and high temperature furnaces. It is also engaged in the design and construction of hydro-carbon electric power plant and waste-to-energy and district heating plant.
- II. **“Infrastructure & Civil Engineering” Business Unit** - engaged in the design and construction of major infrastructural projects (such as roads and motorways, rail lines, underground and surface metro lines, tunnels, bridges and viaducts) and industrial and commercial and tertiary sector facilities and buildings; it provides environmental services for infrastructure, civil and industrial construction and energy sector projects and plant in general. The Group provides maintenance and facility management services, in addition to general services for temporary construction facilities and Operation & Maintenance services. It also works on large-scale renewables sector plant (mainly solar and wind).

The Group assesses the performance of the operating segments based on the segment operating result. Segment revenues are those directly deriving from or attributable to the Segment and from core operations and include revenues from agreements with third parties. Segment costs are charges from segment operations incurred from third parties. For Group operations, amortization, depreciation, provisions for risks, financial income and expense and income taxes are borne by the corporate entity as excluded from operating activities and are presented in the total column.

Segment disclosure is reported in the following tables:

2018 SEGMENT REVENUES AND RESULT:

	Revenues		Segment result (EBITDA)	
	2018	2017	2018	2017
Technology, Engineering & Construction	3,486,298	3,379,881	204,787	193,059
Infrastructure & Civil Engineering	160,314	144,408	938	416
Total	3,646,612	3,524,289	205,723	193,475



2018 INCOME STATEMENT BY SEGMENT:

<i>(In Euro thousands)</i>	Technology, Engineering & Construction	Infrastructure & Civil Engineering	Total
Segment revenues	3,486,298	160,314	3,646,612
Industrial margin (Business Profit)	278,367	5,744	284,111
Segment result (EBITDA)	204,787	938	205,723
Amortization, depreciation, write-downs and provisions			(20,212)
EBIT			185,512
Financial income/(expenses)			(12,801)
Income before tax			172,710
Income taxes			(55,309)
Net income			117,401
Group net income			110,575
Minority interest net income			6,826

2017 INCOME STATEMENT BY SEGMENT:

<i>(In Euro thousands)</i>	Technology, Engineering & Construction	Infrastructure & Civil Engineering	Total
Segment revenues	3,379,881	144,408	3,524,289
Industrial margin (Business Profit)	262,174	5,083	267,256
Segment result (EBITDA)	193,059	416	193,475
Amortization, depreciation, write-downs and provisions			(9,932)
EBIT			183,543
Financial income/(charges)			5,350
Income before tax			188,893
Income taxes			(62,341)
Net income			126,553
Group net income			118,650
Minority interest net income			7,903

BALANCE SHEET AT 31.12.2018 BY SEGMENT:

<i>(In Euro thousands)</i>	Technology, Engineering & Construction	Infrastructure & Civil Engineering	Total
Segment assets	2,559,497	337,064	2,896,560
Assets not allocated (**)			853,423
Total Assets			3,749,983
Segment liabilities	(2,549,003)	(148,600)	(2,697,603)
Liabilities not allocated (**)			(1,052,380)
Total Liabilities			(3,749,983)

(**) The asset and liability accounts not allocated principally refer to treasury and tax assets and liabilities of the corporate entity and are not allocated to the segments as excluding operating activities.

BALANCE SHEET AT 31.12.2017 BY SEGMENT:

<i>(In Euro thousands)</i>	Technology, Engineering & Construction	Infrastructure & Civil Engineering	Total
Segment assets	2,250,740	320,753	2,571,493
Assets not allocated (**)			828,083
Total Assets			3,399,576
Segment liabilities	(2,334,274)	(133,355)	(2,467,629)
Liabilities not allocated (**)			(931,947)
Total Liabilities			(3,399,576)

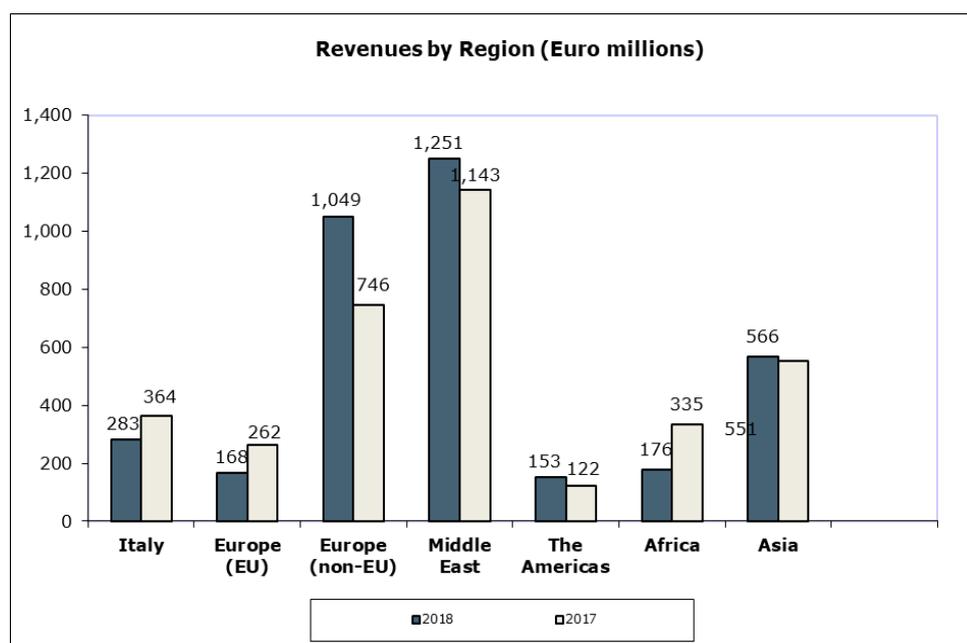
(**) The asset and liability accounts not allocated principally refer to treasury and tax assets and liabilities of the corporate entity and are not allocated to the segments as excluding operating activities.



REGIONAL SEGMENTS:

The regional breakdown of Revenues in 2018 compared to the previous year is illustrated below:

(In Euro thousands)		2018		2017		Change	
		Total	%	Total	%	Total	%
Italy		282,579	7.7%	364,496	10.3%	(81,917)	(22.5%)
Overseas							
·	Europe (EU)	168,072	4.6%	261,905	7.4%	(93,833)	(35.8%)
·	Europe (non-EU)	1,048,783	28.8%	745,765	21.2%	303,017	40.6%
·	Middle East	1,251,380	34.3%	1,143,224	32.4%	108,156	9.5%
·	The Americas	153,238	4.2%	122,454	3.5%	30,784	25.1%
·	Africa	176,205	4.8%	335,102	9.5%	(158,897)	(47.4%)
·	Asia	566,190	15.5%	551,344	15.6%	14,847	2.7%
·	Other	165	0.0%	0	0.0%	165	na
Total Revenues	Consolidated	3,646,612		3,524,289		122,323	3.5%



The main regional revenue sources were the Middle East (34.3%) and Europe - non-EU (28.8%). As evident from the Revenues by Business Unit table, this figure highlights the significant contribution of the “Technology, Engineering & Construction” Business Unit in the Middle East, in which the Group has a long-standing presence and in relation to the Non-EU Europe area reflects the development of the current activities in Russia.

27.4. Raw materials and consumables

Raw materials and consumables for the year 2018 amount to Euro 1,095,223 thousand, a decrease of Euro 329,301 thousand compared to the previous year.

The breakdown of the account is as follows:

<i>(In Euro thousands)</i>	2018	2017
Raw material purchases	(1,079,403)	(1,405,169)
Consumables	(13,657)	(17,724)
Fuel	(1,930)	(1,125)
Change in inventories	(232)	(506)
Total	(1,095,223)	(1,424,524)

In particular, “Raw material purchases” in 2018 decreased Euro 325,766 thousand, due to the reduced material procurement needs for orders acquired in prior years and for which the issue and execution phase of the main order equipment has been completed and construction is fully underway. For new orders, the main equipment orders are currently being issued.

“Consumables” were impacted by lower general and office material requirements, in the previous year the account increased following the start-up of new projects acquired and the purchase of specific consumable materials for the opening of new sites.

27.5. Service costs

Service costs in 2018 amounted to Euro 1,811,032 thousand, an increase of Euro 353,745 thousand on the previous year.

The breakdown of the account is as follows:

<i>(In Euro thousands)</i>	2018	2017
Sub-contractors	(1,372,168)	(1,067,492)
Turnkey design	(195,233)	(118,870)
Cost recharges	(4,047)	(6,157)
Utilities	(10,954)	(7,430)
Transport Costs	(51,679)	(89,262)
Maintenance	(9,006)	(4,592)
Consultants and related services	(26,497)	(22,940)
Increase in internal work capitalized	8,729	9,493
Bank expenses and sureties	(34,748)	(34,579)
Selling & advertising costs	(11,717)	(14,411)
Accessory personnel costs	(50,221)	(41,385)
Post & telephone and similar	(672)	(448)
Insurance	(8,946)	(8,105)
Other	(43,872)	(51,111)
Total	(1,811,032)	(1,457,287)



The general increase in the service costs reflects progress on backlog projects and principally the beginning of full operations on the main EPC projects, which in the previous year were still in the material shipping and initial assembly stage and are now in the full construction phase.

“Sub-contractors” reported the largest increase, principally concerning construction sub-contracting costs.

“Turnkey design” reports however an increase related to the initial research and design phase of the main newly acquired orders.

“Accessory Personnel costs” increased, principally due to a higher average number of personnel compared to 2018.

“Transport costs” however decreased on the previous year, also due to a different operational mix, with a considerable increase in 2017 in the acquisition and delivery to sites of raw materials and equipment, while for these orders construction is now fully underway.

“Consultants and related services” rose due to a greater recourse to “per hour” freelance technicians; this also includes professional fees (principally legal), Audit fees, commercial consultancy and service fees and consultancy fees on projects carried out during the period.

“Bank expenses and sureties”, “Insurance” and other minor items among the other accounts were substantially in line with the previous year.

“Bank expenses and sureties” include the costs for the services provided by banks and other financial companies other than true and proper financial charges and commissions and accessory expenses to loans which are included under financial charges; the account therefore principally comprises costs for guarantees provided in the interests of the Group operating companies in relation to commitments undertaken for the execution of their core operations.

“Other” costs principally relate to non-capitalized IT costs, application package maintenance expenses, various services incurred by other consolidated companies, various site and general costs and emoluments to corporate boards.

27.6. Personnel expense

Personnel expense in 2018 amounts to Euro 415,834 thousand, an increase of Euro 45,272 thousand compared to the previous year.

The breakdown of the account is as follows:

<i>(In Euro thousands)</i>	2018	2017
Wages and salaries	(330,626)	(293,389)
Social security charges	(62,024)	(56,842)
Post-employment benefits	(14,078)	(13,453)
Other costs	(9,106)	(6,878)
Total	(415,834)	(370,562)

The headcount of the Maire Tecnimont Group at December 31, 2018 was 6,140, compared to 5,443 at December 31, 2017, increasing 697, following 1,474 new hires and 776 departures in the year.

The regions reporting the greatest increase in headcount were:

- “Russia & Caspian Region”, increasing from 261 to 552 (+379 including the operative geographical area), with the Group further consolidating its presence and involved in a range of projects, although in differing phases of execution (Amurski, Kingisepp, Coru, in Russia, and in Azerbaijan, the SOCAR client projects);

- “Italy & Rest of Europe”, with an average increase of 212 personnel relating to the hiring at the Italian Subsidiaries and those operated by the English subsidiary MET T&S, the Group’s “Global employment company”, confirming its role as a hub of expertise and of international recruitment services for the execution of projects;

- “Rest of Asia”, (+149, considering the operative geographic area), with the increase mainly due to the hiring of personnel for the management of peak operations on the Rapid project.

The overall average increase in technical personnel of 518 reflects the technical-operative personnel investment process, as many projects enter the crucial plant construction phase, of which 22% in Operations - Construction and Project Management and 16% in the remaining technical area.

Graduates at the Maire Tecnimont Group at December 31, 2018 accounted for 66% of the workforce; the average age was approx. 41.5. In terms of gender breakdown, females - further increasing on the previous year - represent 19% of the total workforce.

The increase in personnel expense is therefore attributable to the factors illustrated above; social security charges on total remuneration were lower than the theoretical Italian charge as many of the staff are employed abroad.

The workforce at 31/12/2018 of the Maire Tecnimont Group, with movements (by qualification and region) on 31/12/2017 (and the average workforce for the year), is outlined in the following tables: The table below outlines the workforce by areas of effective engagement at 31/12/2018 and 31/12/2017, with the relative movements:

Changes in workforce by category (31/12/2017-31/12/2018):

Category	Workforce 31/12/2017	Hires	Departures	Reclassification employee category (*)	Workforce 31/12/2018	Cge. Workforce 31/12/2018 vs. 31/12/2017
Executives	587	39	(29)	42	639	52
Managers	1,879	318	(177)	112	2,132	253
White-collar	2,857	951	(511)	(146)	3,151	294
Blue-collar	120	166	(59)	(9)	218	98
Total	5,443	1,474	(776)	0	6,140	697
Average headcount	5,252				5,846	

(*) includes promotions, changes in category following inter-company transfers / Job Title reclassifications

The category “Executives” and “Managers” does not reflect the Italian contractual term, but refers to national and international Management and Middle Management identification parameters utilized for Italian and overseas managerial staff.



Changes in workforce by region (31/12/2017-31/12/2018):

Region	Workforce 31/12/2017	Hires	Departures	Reclassification in employee category (*)	Workforce 31/12/2018	Cge. Workforce 31/12/2018 vs. 31/12/2017
Italy & Rest of Europe	2,646	516	(286)	(19)	2,857	211
India Region	1,885	88	(106)	5	1,872	(13)
South East Asia and Australian Region	0	1	0	1	2	2
Rest of Asia	95	128	(42)	9	190	95
Russia & Caspian Region	261	401	(110)	0	552	291
Americas Region	18	12	(3)	0	27	9
Middle East Region	470	298	(210)	3	561	91
North Africa Region & Sub-Saharan Africa Region	68	30	(19)	0	79	11
Total	5,443	1,474	(776)	(0)	6,140	697

Changes in workforce by operational region (31/12/2017 - 31/12/2018):

Region	Workforce 31/12/2017	Workforce 31/12/2018	Cge. Workforce 31/12/2018 vs. 31/12/2017
Italy & Rest of Europe	2,381	2,439	58
India Region	1,659	1,605	(54)
South East Asia and Australian Region	1	3	2
Rest of Asia	131	280	149
Russia & Caspian Region	415	794	379
Americas Region	49	102	53
Middle East Region	681	760	79
North Africa Region & Sub-Saharan Africa Region	126	157	31
Total	5,443	6,140	697

It should be noted that employee numbers may vary based on the stage of the project and on scheduling, which may provide for recourse to direct employees with consequent utilization of Group materials and staff, or alternatively recourse to third party services. In particular, the Group policy is to hire the workforce necessary for the execution of the individual projects in line with the time period necessary for completion.

In application of IFRS 2 Share-based payments, the 2016-2018 Share Ownership Plan and the 2017-2019 Restricted Stock plan are recorded in the Group financial statements as “Equity Settled” plans as the Group has granted equity participation instruments as additional remuneration against services received (employment service). The Group did not however assume any liability to be settled with cash and cash equivalents or with other assets for employees. Given the impossibility to reliably estimate the fair value of the services received from the employees, the benefit cost to the employees is represented by the fair value of the shares granted, calculated at the grant date, to be recognized in the income statement under personnel costs and in a specific reserve under equity. The total cost of these plans for the year amount to Euro 5,849 thousand, also based on an average fair value of the equity instruments equal respectively to

Euro 3.878 per share for the third and last cycle of the Share Ownership Plan and Euro 4.682 per share for the Restricted Stock Plan.

The above-mentioned Share Ownership Plan included a Rights Granting Cycle for each year (2016-2017-2018) and the possibility, for all employees, to receive Maire Tecnimont shares without consideration on the basis of the overall profitability of the Group. In relation to 2016 and 2017 the respective plans were concluded with the free allocation of the shares to employees.

In addition, the 2017-2019 Restricted Stock Plan for the Chief Executive Officer, Senior Managers and Senior Group Management concerns the granting of rights to Maire Tecnimont shares without consideration in the three-year period 2017-2019, and their effective granting at the end of the retention period or rather the approval of the 2019 Annual Accounts, and in any case not beyond June 30, 2020.

The effects in the financial statements of the Plans, estimated through adequately weighing the defined maturity conditions (including the probability of employees remaining in the Group for the duration of the Performance Plan), will be recognized over the maturity period of the benefit, or rather over the duration of the Plans, under "Personnel expense".

"Personnel expense" also includes the fair value component recognized relating to the last year of the Phantom Stock incentive plan for the Chief Executive Officer of the company and some Senior Managers of the Group; these costs also include the employee flexible benefit plan ("Maire4You") and the profit participation bonus.

The 2016-2018 Performance Share Plan concerns approx. 30 Senior Managers, with the granting of rights to Maire Tecnimont shares without consideration in the three-year period 2016-2018 and their effective granting based on pre-set industrial performance objectives, to be assessed annually and at the end of the period. In the previous years the vesting conditions of the benefits were assessed as probable and therefore included under personnel expense, but in view of the recent industrial performances concluding with the 2018 year these expectations were no longer valid and consequently no accrual was made for the final year of the plan and income was recognized for previous years of Euro 3,847 thousand.

27.7. Other operating costs

Other operating costs in 2018 amounted to Euro 118,800 thousand, an increase of Euro 40,359 thousand compared to the previous year.

The breakdown of the account is as follows:

<i>(In Euro thousands)</i>	2018	2017
Contractual penalties	(111)	(0)
Rental	(47,046)	(33,727)
Hire	(32,032)	(22,410)
Currency derivative losses	0	(3,297)
Losses on receivables	(1,845)	(1,454)
Operating currency losses	(10,111)	0
Other costs	(27,654)	(17,553)
Total	(118,800)	(78,441)

"Rental" concerns the Group office buildings and also various sites, with a substantial increase following the hire of staff for the commencement of more recently acquired orders requiring additional space.



“Hire”, which increased compared to the previous year, mainly relates to Group plant hire charges, motor vehicle leasing and application software licenses.

“Operating currency losses” reflect the net loss between currency gains and losses; the gain or loss follows currency market movements and those on foreign currencies regarding ongoing projects; in the previous year, the amount was positive and reclassified to “Other Operating Revenues”.

“Losses on receivables”, net of the use of the doubtful debt provision released to “Other Operating Income” relate principally to an assessment on the collectability of receivables.

“Other costs” principally comprise indirect taxes and various local taxes, mainly concerning a number of overseas companies, membership fees, prior year charges, other general costs and license and patent usage fees; the increase relates to the purchase of licenses and patents for a number of new orders acquired.

27.8. Amortization, depreciation & write-downs

Amortization, depreciation and write-down of fixed assets in 2018 amount to Euro 19,344 thousand, an increase of Euro 12,674 thousand compared to the previous year.

The breakdown of the account is as follows:

(In Euro thousands)	2018	2017
Amortization	(15,849)	(3,667)
Depreciation	(3,496)	(3,002)
Other fixed asset write-downs	0	(1)
Total	(19,344)	(6,670)

Amortization and depreciation increased significantly on the previous year following the initiation of amortization and depreciation on new Group operating assets and for the amortization of the new account “Contractual Costs”.

“Contractual Costs” include costs for obtaining the contract and costs for the fulfilment of the contract. From January 1, 2018, the Group adopted IFRS 15 which introduced new rules on contractual costs and resulted in a different accounting treatment for certain categories of costs on projects involving the capitalization of costs to obtain the contract, considered as ‘incremental’, and costs incurred to fulfil the contract which enable the entity to make use of new or greater resources to satisfy performance obligations in future (‘pre-production costs’). These capitalized costs are amortized based on the advancement of the work on the contract.

Amortization of intangible assets principally refers to:

- amortization of patent rights, amounting to Euro 1,412 thousand, principally relating to urea licenses patented by Stamicarbon and the other licenses developed by the Maire Tecnimont Innovation Center;
- amortization of concessions and licenses, amounting to Euro 1,296 thousand and principally relating to Group software license applications;
- amortization of other intangible assets of Euro 3,511 thousand. This account increased Euro 2,460 thousand compared to the previous year following the initiation of amortization on new assets and principally refers to accessory and consultant costs incurred for the installation of the principal software applications of the Group.
- amortization of the contractual costs, equal to Euro 9,630 thousand.

Depreciation of property, plant and equipment principally refers to:

- depreciation of own buildings for Euro 483 thousand, principally in relation to the Indian subsidiary Tecnimont Private Limited and residually on other owned assets;
- depreciation of plant and equipment for Euro 39 thousand and industrial equipment for Euro 213 thousand (on-site plant);
- for Euro 2,760 thousand depreciation of other assets, office furniture, leasehold improvements, EDP, motor vehicles and industrial transport vehicles.

27.9. Doubtful debt provision and risk provisions

The doubtful debt provision and risk provisions for 2018 amount to Euro 867 thousand, a decrease of Euro 2,395 thousand compared to the previous year.

The breakdown of the account is as follows:

<i>(In Euro thousands)</i>	2018	2017
Doubtful debt provision	(706)	(3,147)
Risk provision	(161)	(115)
Total	(867)	(3,262)

The doubtful debt provision in the year amounted to Euro 706 thousand, reducing on the previous year in which provisions were also made on legal risks related to real estate initiatives.

For IFRS 9 - Financial Instruments, the impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model, utilizing supporting information, available without unreasonable charges or effort, which includes historic, current and projected figures.

Application of IFRS 9 in relation to the impairment on financial assets on the basis of expected losses and the analysis on outstanding receivables at the previous reporting date, applying a risk factor on the basis of the specific default probability of the counterparties, increased the opening doubtful debt provision at 01.01.2018 by approx. Euro 8 million. Thereafter, no further amounts were provisioned in the year.

Provisions for risks and charges amount to Euro 161 thousand and include the provisions for charges relating to legal cases and other disputes.

27.10. Financial income

<i>(In Euro thousands)</i>	2018	2017
Income from associates	8	5
Income from group companies	264	70
Other income	11,436	8,112
Income on derivatives	9,384	40,351
Total	21,092	48,538



Financial income of Euro 21,092 thousand decreased Euro 27,446 thousand on the previous year, with the prior year figure mainly benefitting from the non-recurring net valuation of derivative instruments.

“Income from associates” concerns the interest from the associate JV Kazakhstan Tecnimont-KTR LLP, incorporated to develop initiatives in the country with a new strategic partner.

“Income from group companies” relates to interest from the company Siluria Technologies Inc which in the second half of 2017 issued a Convertible Bond; the Group, through the subsidiary Met Gas Processing Technologies S.p.A., subscribed USD 5 million. The Bond from the subscription date matures interest at an annual rate of 6%.

“Other income” mainly relate to interest matured on temporary liquidity invested and on bank current accounts thanks to the returns on deposits in some regions where the Group currently operates, for example Russia.

“Other income” includes approx. Euro 3.6 million from the renegotiation of a new medium/long-term cash credit line of Euro 185 million signed in the second half of 2018 and allocated for Euro 175 million to the full repayment of the residual part of the loan held by Tecnimont. IFRS 9 provides for upon their renegotiation, differing from IAS 39, the use of the Internal Rate of Return of the original liability adjusted only for the new settlement costs. The difference between the previous amortized cost and the Net Present Value of the renegotiated liability must be recognized to the Income Statement immediately and recovered over the years through the amortized cost.

Income on derivatives for Euro 9,384 thousand refer specifically to:

- for Euro 8,841 thousand to the “time-value” portion of currency hedging derivatives. As not considered a hedging component, the change to the fair value is recognized to the income statement. This component is due to swap point movements (differences between Eurozone and US interest rates), in addition to new contracts signed by the Group to cover cash flows for new and major orders exposed to the Russian Ruble;
- for Euro 31 thousand the positive differential closed and settled during the year following the partial closure of the cash-settled Total Return Equity Swap (TRES) derivative instruments;
- for Euro 512 thousand income arising on the TRES contracts, related to the distribution of dividends by Maire Tecnimont S.p.A., which the intermediary receded to the issuer.

Income on derivatives in the previous year included income in relation to the TRES instruments for Euro 28,336 thousand which were subsequently terminated simultaneous with the conversion of the Euro 80 million equity-linked bond.

27.11. Financial expenses

(in Euro thousands)	2018	2017
Charges from group companies	(2)	(2)
Other charges	(17,821)	(22,044)
Equity Linked Bond interest & other charges	(5,360)	(10,111)
Charges on derivatives	(13,015)	(14,478)
Total	(36,198)	(46,635)

Financial expenses amounted to Euro 36,198 thousand and decreased Euro 10,437 thousand compared to the previous year.

Charges from group companies, amounting to Euro 2 thousand, refer to interest on loans received from the consortium company Cavtoni.

“Other charges”, which principally include loan interest, current account interest charges, factoring charges and banking and accessory charges and charges on financial liabilities measured at amortized cost and interest paid to the tax authorities and charges for discounting for a total of Euro 17,821 thousand, decreased by Euro 4,224 thousand.

We recall that during the year Euro 10 million was repaid as per the repayment plan for the original Euro 350 million loan undertaken by the subsidiary Tecnimont S.p.A.; an additional Euro 165 million was thereafter repaid following the issue on May 3 of a non-convertible bond for a similar amount by Maire Tecnimont S.p.A. and in July 2018, in completion of the funding diversification and Group medium/long-term debt optimization project, the subsidiary Tecnimont S.p.A. agreed a new medium/long-term cash loan contract for a total amount of Euro 285 million.

The operation stipulates the issue of a new medium/long-term cash credit line for Euro 185 million, with Euro 175 million allocated for the full repayment of the residual part of the original Euro 350 million loan undertaken by Tecnimont and Euro 10 million to top up the original loan, in addition to the increase of the “Revolving Facility” credit line issued in favor of Tecnimont from Euro 50 million to Euro 100 million. The New Loan Contract has enabled a reduction in the applicable medium/long-term Group debt margin from 1.95% to 1.70%, extending the maturity from March 2022 to June 30, 2023 and reviewing the repayment plan.

The “Interest Bond & Equity Linked” charges, amounting to Euro 5,360 thousand, specifically refer to:

- for Euro 848 thousand to the cash and non-cash components of the interest on the equity-linked bond of a nominal Euro 80 million issued in February 2014 and settled in the first half of 2018; for further details, reference should be made to the key events paragraph of the Directors’ Report; the account includes also Euro 319 thousand concerning the residual portion of accessory charges on a shortened repayment plan following exercise of the advance repayment option in cash, at a nominal value, originally scheduled for February 2019.
- for Euro 1,463 thousand interest on the non-convertible bonds subscribed in the first half of 2017 through private placement, by the Pan-European Fund and the Export Development Fund (created by SACE), both managed by Amundi Group companies.
- for Euro 3,049 thousand the cash and non-cash components of interest on non-convertible bonds of Euro 165 million issued on May 3, 2018 by Maire Tecnimont S.p.A..

Charges on derivatives for Euro 13,015 thousand refer specifically to:

- for Euro 8,174 thousand the “time-value” portion of currency hedging derivatives. As not considered a hedging component, the change to the fair value is recognized to the income statement. This component is due to swap point movements (differences between Eurozone and US interest rates), in addition to new contracts signed by the Group to cover cash flows for new and major projects.
- for Euro 2,839 thousand the negative mark-to-market change in the hedging instruments to hedge the exposure to changes in the price of raw materials (principally copper); these instruments, although hedging raw material risk, for accounting purposes are classified as held-for-trading instruments and consequently measured at fair value with changes recognized to profit and loss;
- for Euro 2,002 thousand the negative fair value change of the residual portion of two cash-settled Total Return Equity Swap derivative instruments (TRES); to hedge against movements in the Maire Tecnimont share price. In the first half of 2018, Maire Tecnimont exercised the “Early Termination” option to settle a portion of the instruments; the settled portion hedged the risk relating to approx.



Euro 3.6 million shares; the differential received amounted to approx. Euro 5.4 million. The residual portion of the instruments at December 31, 2018 hedges the risk for a total of approx. 2.5 million shares, further increased by 1.1 million shares at the beginning of 2019;

The derivative contracts (TRES) were underwritten with a financial intermediary, with no obligation for Maire Tecnimont to acquire the treasury shares, but only the obligation for the settlement between the parties of the differential between the exercise price and the Maire Tecnimont share price on the maturity of the instruments. Contract maturity is in the first half of 2019.

For accounting purposes, the TRES is measured in accordance with IFRS 9 as a fair value derivative through P&L.

27.12. Investment income/(expenses)

<i>(In Euro thousands)</i>	2018	2017
Income from investments in associates	1,500	0
Income from investments in other companies	198	288
Revaluations/(Write-downs) associates	610	3,249
Revaluations/(Write-downs) other companies	(2)	(90)
Total	2,305	3,447

Net investment income amount to Euro 2,305 thousand, a decrease of Euro 1,142 thousand compared to the previous year.

Investment income from associates includes dividends received from the investment in Biolevano S.r.l..

Investment income includes dividends received from Kafco LTD, in which Stamicarbon B.V. holds an investment.

Net income on the valuation of associates refers to their valuation at equity; in particular income for Euro 556 thousand refers to the investment in the company Biolevano S.r.l. following the profit for the year and for Euro 25 thousand to the investment in Studio Geotecnico S.r.l. and for Euro 44 thousand to the investment in the JV Kazakhstan Tecnimont-KTR LLP incorporated in order to develop initiatives in the country with a new strategic partner. On the other hand, the charges for Euro 15 thousand refer to the investment in Bio-P S.r.l.

The write-down of other companies for Euro 2 thousand relates to the Cavet and Cavtomi consortiums.

27.13. Income taxes

<i>(In Euro thousands)</i>	2018	2017
Current income taxes	(51,135)	(47,823)
Prior year taxes	(1,202)	(7,334)
Deferred tax income	3,627	(8,117)
Deferred tax charges	(6,599)	933
Total	(55,309)	(62,341)

Estimated income taxes amount to Euro 55,309 thousand, a decrease of Euro 7,032 thousand, mainly due to lower pre-tax income compared to the previous year.

The effective tax rate in 2018 was approx. 32%, a small improvement on the average tax rate reported for the preceding quarters and based on the various countries in which operations are carried out, reducing on the previous year of 33%.

Current income taxes mainly include “IRES” Italian corporation tax and foreign overseas corporation tax as well as an estimate of the “IRAP” Italian regional income tax and other taxes.

Prior year income taxes mainly include the differences arising between the amounts accrued for taxes and the actual tax declarations for the year and an estimate of charges in relation to legal disputes.

Net deferred tax income and charges includes the effect of the utilization of deferred tax income on fiscal losses realized in previous years and temporary differences arising in previous years and deductible in 2018.

27.14. Earnings per share

The share capital of Maire Tecnimont S.p.A. comprises ordinary shares, whose earnings per share is calculated dividing the Group net income in 2018 by the weighted average number of Maire Tecnimont S.p.A. shares in circulation in the period considered.

This figure was used as the denominator for the calculation of the earnings per share at December 31, 2018. The basic earnings per share was Euro 0.336;

<i>(in Euro)</i>	2018	2017
Number of shares in circulation	328,640,432	305,527,500
(Treasury shares)	0	(9,759,548)
Number of shares to calculate earnings per share	328,640,432	295,767,952
Group net income	110,575,125	118,649,857
Number of shares reserved capital increase Equity Linked Bond	0	23,112,932
Earnings per share (Euro)		
Group basic earnings per share	0.336	0.401
Group diluted earnings per share	0.336	0.372

In addition, following the settlement in the first half of 2018 of the equity-linked bond loan of Euro 80 million, no dilutive elements impacted the calculation of the earnings per share.

Diluted earnings equate to basic earnings in the absence of dilutive elements.



28. Notes to the Balance Sheet

28.1. Property, plant and equipment

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Land	4,060	(43)	4,017
Buildings	20,769	(527)	20,242
Plant and machinery	310	(89)	221
Assets in progress and advances	0	181	181
Industrial and commercial equipment	985	153	1,138
Other assets	7,803	97	7,900
Total	33,927	(227)	33,700

The following table illustrates the changes in the historical cost, accumulated amortization and net book values for the year 2018:

<i>(In Euro thousands)</i>	Land	Buildings	Plant and Machinery	Industrial and commercial equipment	Other assets	Assets in progress and advances	Total
Net book value at December 31, 2017	4,060	20,769	310	985	7,804	0	33,927
Increases	0	0	7	337	2,857	181	3,382
Disposals	0	0	(5)	0	0	0	(5)
Depreciation	0	(483)	(39)	(213)	(2,760)	0	(3,496)
Cost reclassification/adjustments	0	0	0	0	0	0	0
Change to consolidation scope	0	0	0	0	0	0	0
Revaluations/(Write-downs)	0	0	0	0	0	0	0
Other changes	(43)	(44)	(52)	29	0	0	(110)
Net book value at December 31, 2018	4,017	20,242	221	1,138	7,900	181	33,700
Historic cost	4,017	26,842	3,660	3,732	43,292	181	81,725
Accumulated depreciation	0	(6,600)	(3,439)	(2,595)	(35,392)	0	(48,025)

The changes mainly refer to depreciation in the year, net of acquisitions. The principal changes in the year related to:

- Land, with a net decrease of Euro 43 thousand, due to the conversion of amounts in foreign currencies;
- Buildings, with a net decrease of Euro 527 thousand, principally due to depreciation in the year. The other decreases mainly refer to the translation effect of amounts in foreign currencies;
- Plant and machinery, with a net decrease of Euro 89 thousand, principally due to the depreciation in the year and some disposals. The increases mainly refer to the acquisition of small site equipment;

- Industrial and commercial equipment, with a net increase of Euro 153 thousand, principally due to the purchase of specific site material. The decreases relate to depreciation for the year;
- Other assets, with a net increase of Euro 97 thousand, mainly due to leasehold improvements, office furniture, EDP and depreciation in the year. The increases are related to the rise in the Group's projects portfolio, as well as new operational offices; in addition, activities continued in 2018 for the Group's Smart Working Project aimed at innovating work methods by exploiting the potential of advanced information technologies and significantly redefining work spaces. In this context, the rearrangement of the hall in the main Garibaldi Complex building was concluded in order to create a work space open to both visitors and employees.

The account other assets also includes the vast historical archive of the former Fiat Engineering complex comprising approx. 7,000 boxes, 6,000 dossiers and 65,000 microfilms in addition to enumerable reports, notes and photographs; a wealth of civil and industrial projects and among the most important engineering works are included personalities which have marked the Italian engineering panorama: Quaroni, Danusso, Covre, Albini, Nervi, Morandi, Zevi, Aulenti, Gabetti, Isola, Piano, Halprin, Rogers, Krier. The archive is protected by the Cultural Heritage Superintendence and the estimated value is almost Euro 26 million, however it is currently valued in the accounts at historical costs.

For comparative purposes the changes relating to the previous year are shown below:

<i>(In Euro thousands)</i>	Land	Buildings	Plant and Machinery	Industrial and commercial equipment	Other assets	Total
Net book value at December 31, 2016	4,137	21,337	359	477	7,271	33,582
Increases	0	0	88	172	2,891	3,151
Disposals	0	0	(47)	(38)	(122)	(207)
Depreciation	0	(490)	(57)	(261)	(2,195)	(3,002)
Cost reclassification/adjustments	0	0	0	588	(588)	0
Change to consolidation scope	0	0	0	0	0	0
Revaluations/(Write-downs)	0	0	0	0	(1)	(1)
Other movements	(77)	(78)	(32)	46	547	406
Net book value at December 31, 2017	4,060	20,769	310	985	7,804	33,927
Historic cost	4,060	26,915	3,699	3,567	41,941	80,182
Accumulated depreciation	0	(6,146)	(3,389)	(2,582)	(34,138)	(46,254)



28.2. Goodwill

(In Euro thousands)	2017	Changes in the year	2018
Goodwill	291,754	0	291,754
Total	291,754	0	291,754

This account, amounting to Euro 291,754 thousand, did not change during the year 2018 and includes the consolidation differences relating to:

- for Euro 135,249 thousand the acquisition of the Tecnimont Group;
- for Euro 53,852 thousand the acquisition and subsequent merger of Maire Engineering S.p.A. into Maire Investimenti S.p.A. (following the merger Maire Investimenti S.p.A. changed its name to Maire Engineering S.p.A), net of the write-down of Euro 10,000 thousand in 2013;
- for Euro 18,697 thousand the acquisition and subsequent merger into Maire Engineering of Tecno Impianti di Amato & Orlandi S.p.A., SIL Società Italiana Lavori S.p.A. and Calosi e Del Mastio S.p.A.;
- for Euro 55,284 thousand the acquisition of the subsidiary Tecnimont Private Limited;
- for Euro 137 thousand the purchase of the share capital of Noy Engineering S.r.l.;
- for Euro 2,184 thousand the acquisition of the subsidiary Stamicarbon B.V.;
- for Euro 26,351 thousand the acquisition of the KT Group.

In application of the IAS 36 impairment method, the Maire Tecnimont Group identified the Cash Generating Units (CGU) which represent the smallest identifiable group of activities capable of generating cash flows largely independently within the consolidated financial statements. The maximum level of the aggregation of the CGU's is represented by the segments of activities as per IFRS 8.

The goodwill was allocated to the cash generating units from which the related benefits from the business combination are expected to arise.

The CGU's were identified with uniform criteria compared to the previous year also in line with that for the representation of the operating sectors, although during the year following the spin-off of Neosia S.p.A and the wider rationalization of the infrastructure business a portion of the "Infrastructure and Civil Engineering" CGU was assigned to the "Technology, Engineering & Construction" CGU after the allocation to Tecnimont S.p.A. of all the elements, assets and resources relating to the "Infrastructure Branch" in order to develop the infrastructural activities of the EPC projects in the Technology, Engineering & Construction BU.

On December 18, 2018, the partial and proportional spin-off of Neosia S.p.A and the establishment through spin-off of Neosia Renewables S.p.A. was registered at the Milan Companies Registration Office as approved by the Board of Directors of Neosia S.p.A (the "Transferor") and, on the conclusion of the spin-off process, the "Spun-off Company" and Tecnimont S.p.A, a company whose share capital is fully held by Maire Tecnimont S.p.A. Therefore, the allocation to Tecnimont S.p.A. of all elements, assets and resources belonging to the "Infrastructure Branch" already held by Neosia S.p.A became effective from this date. The incorporated and operating Neosia Renewables S.p.A was allocated all the elements, assets and resources belonging to the "Renewables Branch" already held by Neosia S.p.A.

The spin-off and allocation of part of the "Infrastructure and Civil Engineering" CGU derives from the current market dynamics in which the Maire Tecnimont Group operates and in the size and quality of the current backlog and specifically:

- the growth in the size and infrastructural complexity of the EPC projects (Engineering Procurement and Construction) in portfolio and those currently in the commercial pipeline of the Technology, Engineering & Construction BU of Tecnimont, company operating in the Oil & Gas and petrochemical sector, confirms the opportunity to strengthen the internal organization through the insertion of

specific know-how in its civil infrastructure engineering, applied to the plant sector. For this purpose, a number of personnel possessing highly-specialized engineering skills were identified to complement the traditional technical skills required for the construction of complex plant. These personnel will contribute significantly to constructing those sections requiring technical, infrastructural and civil skills, with knock-on effects in terms of production process efficiency, costs savings and compliance with works execution contractual obligations. They may also provide high value integrated advisory during the estimation and design phase on civil and infrastructural works, collaborating with other company departments.

- the renewables sector over the last two years has rewarded Group's with a depth of specific know-how and quick and flexible structures which can proactively satisfy customer demands. The Group's recent attraction of highly-qualified renewables and civil infrastructure personnel has opened up market opportunities which otherwise would not be available. In particular, the bringing on-board of such personnel has provided the renewables sector with specific civil and infrastructural engineering know-how and the skills needed to construct almost independently large wind or solar plant in complex environments;
- the infrastructure sector, on the other hand, requires large organizations capable of competing on a global market dominated by a few players with complex structures and a long-standing presence across the various regions and characterized by limited commercial opportunities. This increasingly competitive marketplace, in which only a few operators have managed to maintain a presence, does not present Neosia with commercial opportunities in view of its limited production capacity.

On the basis of that outlined above, it was considered inevitable to reallocate a significant section of Neosia's highly-specialized personnel in a more targeted manner, with many assigned to projects within the core "TEC" division. The 2018-2022 Group Industrial Plan reflects this strategy, drawing on - among others - through cross-business unit synergies, the specialist skills of Neosia in support of the "Technology, Engineering & Construction CGU" projects and renewables penetration and a focus on the construction of medium/large-scale wind and solar plant.

The table below summarizes the value of goodwill allocated by sector:

<i>(in Euro millions)</i>	2017	Changes in the year	2018
Technology, Engineering & Construction	238.6	15.4	254.0
Infrastructure & Civil Engineering	51	(15.4)	35.6
Licensing	2.2	0	2.2
Total	291.8	0	291.8

The recoverability of the goodwill and of the other intangible and tangible fixed assets is verified at least once a year also in the absence of indicators of loss in value. The recoverable value of the cash-generating units, whose individual goodwill were allocated, was determined through the determination of the value in use, considered as the present value of the expected cash flows, utilizing a discount rate which reflects the specific risks of the individual cash-generating units at the valuation date. The book value of the CGU's (carrying amount) includes the book value of the net assets invested which may be attributed directly, or separated based on a reasonable and uniform criterion, to the CGU's. The net working capital items are included in the calculation of the book value and of the recoverable value. The working capital items are in addition separately tested for loss in value, in accordance with the applicable accounting standards.

This analysis was undertaken in conjunction with an independent expert, utilizing the cash flows based on the 2019 Budget and the 2019-2023 Business Plan approved by the Board of Directors on March 14, 2019.

These cash flows confirm the assumptions and the strategic projections of the Group plan and reflect the best estimates made by Top Management in relation to the principal assumptions concerning business operations (macro-economic trends and prices, and business development). The underlying assumptions and the corresponding financials are considered appropriate for the impairment test. The plan, in addition to the project margins, includes commercial, general and administrative costs.



The main assumptions reflected in the 2019 Budget and the Industrial Plan take account of the significant backlog at the end of 2018 and the contracts signed with international clients since the beginning of the current year, which indicate the maintenance of the strong industrial performances delivered in 2019.

The market is expected to remain challenging, although the recognized technological know-how of the Group continues to develop and extend to adjacent technologies, in synergy with existing technologies and a flexible business model offering innovative services and products that can anticipate market demand. We can therefore forecast the maintenance of a significant backlog. This forecast is backed up by a strong commercial pipeline and the expectation of additional new contracts over the coming quarters, which will also extend our geographic reach.

The value in use was determined based on the estimated future cash flows discounted which the CGU will be capable of producing in the future. The estimated cash flows include the recharge of general and administration costs (G&A) of the Group for all the CGU's. The value of the cash flows was expressed net of the notional imposition, considering the tax benefit relating to any deductibility of amortization and depreciation. Consideration was also taken of changes in net working capital and in relation to fixed capital investment.

For the determination of the recoverable value, the cash flows refer to the business plan, as well as a final value (Terminal Value) beyond the plan horizon, in line with the nature of the investments and with sector operations. Relating to the estimate of the Terminal Value, the last year of the cash flows was not taken as an expression of the "normalized" cash flow, but rather the average margin of the Plan future cash flows was considered.

The "normalized" cash flow was capitalized considering a growth rate between an interval of 0% and 2.8% for the "Technology, Engineering & Construction" CGU, between 0% and 2.7% for the "Licensing" CGU and between 0% and 1.7% for the "Infrastructure and Civil Engineering" CGU.

For the purposes of the discounting of the operating cash flows, the interest rate identified was the weighted average cost of capital (WACC) post tax. The parameters utilized in the estimate of the discounting rate (Beta and Net Financial Position) were determined on the basis of a basket of comparable operators respectively in the "Infrastructure" sector for the I&IC CGU and in the "Plant" sector for all the other CGU's, calculating for each the key financial indicators, in addition to the most significant market values.

The risk-free rate utilized considered the Eurirs average 6 months (S&P Capital IQ) rate, the expected medium/long-term inflation rate for the reference countries and the relative Country Risk Premium (determined on the basis of the differential between the country CDS spread and the country benchmark CDS spread). The market risk premium was estimated at 5.5%. It was considered appropriate to consider a specific risk for each CGU above the relative discounting rate; this premium was determined based on the comparison between the size of the CGU and the companies utilized for the estimate of the Beta Unlevered. This risk was increased by a Company Specific Risk Premium in relation to the conditions of the individual CGU.

For the cost of equity component, the rate was prudently increased by 1.6 percentage points for the "Technology, Engineering & Construction", by 3.5 percentage points for the "Licensing" units and by 5.4 percentage points for the "Infrastructure and Civil Engineering" CGU, also considering the prospects of the CGU following the redefinition of the operating structure, the commercial repositioning as well as the strengthening of synergies and know-how.

For all CGU's, the recoverable value as presented above is higher than the net carrying amount of the Net Capital Employed of the CGU's and therefore no impairment is indicated.

The recoverable value of the "Technology, Engineering & Construction" CGU amounts to approx. Euro 1,273 million, the "Licensing" CGU to approx. Euro 160 million and the "Infrastructure and Civil Engineering" CGU to approx. Euro 249 million.

A sensitivity analysis was also undertaken on the basis of the changes in the following parameters: i) discount rate and ii) growth rate for the estimate of the Terminal Value; based on this analysis, the range of the recoverable value of the CGU's was determined.

Discount rate (WACC post tax)	Lower extreme	Higher extreme
Technology, Engineering & Construction	9.7%	11.7%
Infrastructure & Civil Engineering	9.1%	11.1%
Licensing CGU	11.3%	13.3%

Growth rate beyond plan period	Lower extreme	Higher extreme
Technology, Engineering & Construction	0%	2.8%
Infrastructure & Civil Engineering	0%	1.7%
Licensing CGU	0%	2.7%

The results of these sensitivity analyses did not highlight any impacts on the values recorded by the three CGU's.

A test was carried out according to the previous and current scope of the Infrastructure sector, without indicating any impairments. Where not including a portion of the "Infrastructure and Civil Engineering" CGU of Euro 15 million in the "Technology, Engineering & Construction" CGU, this method would not indicate any impairment.

In the application of this method, management utilized assumptions, including the estimate of the future increases in the backlog, revenues, gross margin, operating costs, growth rate of the terminal value, investments and average weighed cost of capital (discount rate). The cash flow forecasts refer to current business conditions, therefore they do not include cash flows related to events of an extraordinary nature.

The estimates and the budget data were determined by Group management based on past experience and forecasts relating to the development of the Group's markets. However, the estimate of the recoverable value of the cash generating units requires discretionary interpretation and the use of estimates by management. The Group cannot guarantee that there will not be a loss in value of the goodwill in future years. In fact, various market environment factors may require a review of the value of goodwill. The circumstances and events which could give rise to a further loss in value will be monitored constantly by the Group.

28.3. Other intangible assets

(In Euro thousands)	2017	IFRS 15 Effect	Changes in the year	2018
Patent rights	20,288	0	6,347	26,635
Concessions, licenses, trademarks & similar rights	3,513	0	(239)	3,274
Other	1,636	0	11,748	13,384
Assets in progress and advances	14,990	0	(8,551)	6,440
Contractual costs	0	15,202	(702)	14,500
Total	40,427	15,202	8,603	64,232

The following table illustrates the changes in the historical cost, accumulated amortization and net book values for the year 2018:



<i>(In Euro thousands)</i>	Patents	Concessions, licenses, trademarks & others	Others	Assets in progress & advances	Contractual costs	Total
Net book value at December 31, 2017	20,288	3,513	1,636	14,990	0	40,427
Increases	1,759	1,056	0	6,894	8,928	18,637
Disposals	0	0	0	0	0	0
Amortization	(1,413)	(1,296)	(3,511)	0	(9,630)	(15,849)
Cost reclassification/adjustments	0	0	15,444	(15,444)	0	(0)
Change in consolidation scope	6,000	0	0	0	0	6,000
Revaluations/(Write-downs)	0	0	0	0	0	0
IFRS 15 Effect	0	0	0	0	15,202	15,202
Other movements	0	0	(186)	0	0	(186)
Net book value at December 31, 2018	26,635	3,274	13,384	6,440	14,500	64,232
Historic cost	39,677	14,443	39,995	6,440	44,423	144,977
Accumulated amortization	(13,042)	(11,169)	(26,611)	0	(29,923)	(80,745)

The value of other intangible assets at December 31, 2018 amounts to Euro 64,232 thousand, increasing Euro 23,805 thousand on December 31, 2017; this increase is mainly due to the introduction of IFRS 15 and consequently of the new “Contractual costs” account and follows the change in the consolidation scope with the acquisition by Bio-on S.p.A. of 50.1% of U-Coat S.p.A, in addition to other technology investments, net of amortization in the year.

The principal changes in the year related to:

- Patent rights, with a net increase of Euro 6,347 thousand, for Euro 1,759 thousand mainly refer to the new technologies and intellectual property rights (patents and licenses) developed and filed by Stamicarbon B.V and by the Maire Tecnimont Innovation Center (MTIC) and for Euro 6,000 thousand to the value associated with the utilization rights of the innovative technology for the covering of the urea as fertilizer obtained following the acquisition of 50.1% of the share capital of U-Coat by the Maire Group. U-Coat is a newly incorporated company engaged in the production and distribution of an innovative technology for the coating of urea for fertilizer use. U-Coat operates on a key and quickly expanding global market, leveraging on a PHAs bio-plastics based technology. In fact, the PHAs bio-plastics are from renewable vegetable sources without any food chain competition. Appropriately measured, the PHAs coat the urea pellet for the time-controlled release of the fertilizer, protecting it from atmospheric agents and maximizing efficacy without leaving any residue on land. Under the investment agreement, Maire Tecnimont will be the exclusive global contractor for the turnkey building of plant using this innovative technology.

The decreases relate to amortizations for the year.

- Concessions, licenses and trademarks, with a net decrease of Euro 239 thousand principally due to amortization in the year. The increase mainly refers to the costs incurred for the purchase of software licenses for operational activities, also due to the growth of the Group, engineering applications and the management of business processes, as well as the installation of management and document digitalization systems.
- Other intangible assets, with an increase of Euro 11,748 thousand; this increase derives from the reclassification of 15,444 thousand from assets in progress and advances net of amortization in the year. During 2018 new application software and relative installations entered into use which were recorded as assets in progress in the previous year. As for SAP updating, SAP S/4 Hana technology has been released, facilitating consolidated reporting in the Accounting, Finance and Control area, while SAP was extended to further group branches and companies to support business operations; within the Global HR project the new SAP Fiori graphic interface was implemented, with extended functionality and the relative implementation in TCM Russia, in addition to some foreign branches of the subsidiaries Tecnimont and KT Kinetics Technology; finally we report the roll-out of Core HR in various legal entities

and the release of the Variable Pay component for the Italian companies. The finalization of the CBC Corporate Banking Communication system, the implementation of Business Intelligence and Reporting system on the Salesforce platform, and within the Construction environment implementation of the Macos Q3 system for the management of Completion & Handovering in addition to the Planning & Progress phase;

- Intangible assets in progress and advances recorded a net decrease of Euro 8,551 thousand principally for the reasons already outlined. The account mainly includes new software and relative installations still in progress for procurement and in relation to the initiatives related to the Digital Transformation program undertaken by the Group;
- “Contractual costs” equal to Euro 14,500 thousand include Costs for obtaining the contract and Costs for fulfilment of the contract. From January 1, 2018, the Group adopted IFRS 15 which introduced new rules on contractual costs and resulted in a different accounting treatment for certain categories of costs on projects involving the capitalization of costs to obtain the contract, considered as ‘incremental’, and costs incurred to fulfil the contract which enable the entity to make use of new or greater resources to satisfy performance obligations in future (‘pre-production costs’); the effect of this introduction was an increase of this amount to Euro 15,202 thousand. These capitalized costs are amortized based on the advancement of the work on the contract. We report that in view of the performance of the contracts to which these amounts refer there were no issues which could represent potential loss in value.

For comparative purposes the changes relating to the previous year are shown below:

<i>(In Euro thousands)</i>	Patents	Concessions, licenses, trademarks & others	Others	Assets in progress & advances	Total
Net book value at December 31, 2016	19,966	2,183	844	9,115	32,108
Increases	1,599	2,430	1,844	6,041	11,914
Disposals	0	0	0	0	0
Amortization	(1,508)	(1,107)	(1,051)	0	(3,667)
Cost reclassification/adjustments	166	0	0	(166)	0
Change in consolidation scope	0	0	0	0	0
Revaluations/(Write-downs)	0	0	0	0	0
Other movements	64	6	0	0	70
Net book value at December 31, 2017	20,288	3,513	1,636	14,990	40,427
Historic cost	31,917	13,405	24,564	14,990	84,877
Accumulated amortization	(11,629)	(9,892)	(22,928)	0	(44,450)



28.4. Investments in associates and Joint Ventures

<i>(In Euro thousands)</i>			
	2017	Changes in the year	2018
Investments in associates:			
• Studio Geotecnico Italiano	1,125	25	1,150
• MCM servizi Roma S.c.a.r.l. in liquidation	4	0	4
• Desimont Contracting Nigeria (*)	0	0	0
• JV TSJ Limited	0	679	679
• Villaggio Olimpico Moi S.c.a.r.l. in liquidation	3	0	3
• FEIC Consortium in liquidation	5	0	5
• Tecnimont Construction Co WLL-Qatar	20	0	20
• HIDROGENO CADEREYTA - S.A.P.I. de C.V. (*)	0	0	0
• Bio - P S.r.l.	34	(15)	19
• Biolevano S.r.l.	15,230	557	15,786
• Kazakhstan JV Tecnimont-KTR LLP	10	45	54
• JV Volgafert LLC	5	2,613	2,618
• Gulf Compound Blending Ind Ltd	0	87	87
• G.C.B. General Trading Ltd	0	25	25
Total	16,436	4,014	20,449

(*) The investment was completely written down and a provision for accumulated losses is recorded under provisions for risks and charges.

During 2018 the following changes took place in the investments held in associates:

- the investment in the company Bio-P S.r.l. reduced Euro 15 thousand following its valuation at equity;
- the investment in JV Kazakhstan Tecnimont-KTR LLP incorporated to develop initiatives in the country increased Euro 45 thousand following its valuation at equity;
- the investment in the company Biolevano S.r.l. increased Euro 557 thousand following its valuation at equity and the profits reported;
- the investment in Studio Geotecnico S.r.l. increased Euro 25 thousand following its valuation at equity;
- the investment in TSJ Limited in the previous year was completely written down and a risk provision for cumulative losses was recorded under the provision for risks and charges; in 2018 the investment increased Euro 679 thousand following the recapitalization through both the waiver by shareholders of trade receivables and a further capital increase necessary for the closure of all the residual positions relating to the “Borouge 3” contract now concluded;
- in the previous year, the Maire Tecnimont Group, through the subsidiary Met Dev 1 S.r.l, incorporated together with PJSC KuibyshevAzot, (a Russian chemical sector leader), the joint venture Volgafert LLC. Volgafert LLC’s corporate scope concerns the development, construction, funding, maintenance and management of a new urea plant in Togliatti, in the Samara region of the Russian Federation. The increase in the year is due to the further share capital increase to ensure operational continuity.

In 2018, the Maire Tecnimont Group through its subsidiary MET T&S Ltd and other strategic partners incorporated two companies in the United Arab States, specifically Gulf Compound Blending Ind Ltd and G.C.B. General Trading Ltd both held 37.5% by the Group. Gulf Compound will undertake the construction of a new plant able to produce and supply thermal plastic materials utilizing waste and non-primary materials, while G.C.B. General Trading Ltd will operate as a trading company of raw plastic polymers.

The breakdown of associates and joint ventures is as follows:

Company	Location/	Currency	Share capital	% Group	Through:	%
Studio Geotecnico Italiano	ITA	EUR	1,550,000	44.00%	Tecnimont S.p.A.	44%
MCM servizi Roma S.c.a.r.l. in liquidation	ITA	EUR	12,000	33.33%	MST S.r.l	33.33%
Desimont Contracting Nigeria	Nigeria	NGN	0	45%	Tecnimont S.p.A.	45%
JV TSJ Limited	Malta	USD	123,630	55.00%	Tecnimont S.p.A.	55.00%
Villaggio Olimpico Moi S.c.a.r.l. in liquidation	ITA	EUR	10,000	33.33%	Neosia S.p.A.	33.33%
FEIC Consortium in liquidation	ITA	EUR	15,494	33.85%	Neosia S.p.A.	33.85%
Tecnimont Construction Co WLL-Qatar	Qatar	QAR	42,000	49%	Neosia S.p.A.	49%
HIDROGENO CADEREYTA - S.A.P.I. de C.V.	Mexico	MXN	10,000	40.70%	KT S.p.A.	40.70%
Biolevano S.r.l.	ITA	EUR	18,274,000	30.00%	Neosia Renewables S.p.A.	30.00%
BIO - P S.r.l.	ITA	EUR	50,000	30.00%	Nextchem S.r.l. (previously Processi Innovativi S.r.l.)	30.00%
Kazakhstan JV Tecnimont-KTR LLP	KZT	KZT	193,000,000	50.00%	Tecnimont S.p.A.	50.00%
JV Volgafer LLC	RUSSIA	RUB	619,878,000	32.00%	Met Development S.p.A	32.00%
Gulf Compound Blending Ind Ltd	UAE	AED	1,000,000	37.50%	Met T&S Ltd	37.50%
G.C.B. General Trading Ltd	UAE	AED	280,000	37.50%	Met T&S Ltd	37.50%

The key financial highlights of the principal associates and joint ventures and the reconciliation with the book value of the investments is shown below:

2018 KEY FINANCIAL HIGHLIGHTS

(In Euro thousands)	Studio Geotecnico	TSJ Limited	Biolevano S.r.l.	JV Volgafer LLC
NON-CURRENT ASSETS	140	0	53,048	7,123
CURRENT ASSETS	5,945	181	27,818	1,293
FINANCIAL ASSETS	486	5,856	4,732	116
TOTAL ASSETS	6,571	6,037	85,598	8,532
NET EQUITY	2,560	1,234	43,420	7,642
NON-CURRENT LIABILITIES	855	0	1,088	0
CURRENT LIABILITIES	2,991	4,803	4,623	890
FINANCIAL LIABILITIES (current and non-current)	165	0	36,467	0
TOTAL NET EQUITY AND LIABILITIES	6,571	6,037	85,598	8,532
REVENUES	2,876	498	24,568	0
EBITDA	67	-474	10,841	-168
TOTAL COMPREHENSIVE INCOME	41	-476	3,726	-134



RECONCILIATION WITH THE BOOK VALUE OF THE INVESTMENT

<i>(In Euro thousands)</i>	Studio Geotecnico	TSJ Limited	Biolevano S.r.l.	JV Volgafer LLC
GROUP SHARE	44%	55%	30%	32%
EQUITY SHARE	1,126	679	13,026	2,445
OTHER ADJUSTMENTS (*)	23	0	2,761	172
BOOK VALUE OF THE INVESTMENTS	1,150	679	15,786	2,618

(*) The “other adjustments” relating to Biolevano S.r.l. principally concern the remeasurement at fair value of the residual interest after the sale of the company; for the other companies, consolidation adjustments were made.

With reference to the other investments held by the Group in associates and joint ventures, there are no individually significant investments compared to total consolidated assets, operating activities or regional operations and, therefore, the disclosure required in such cases by IFRS 12 is not provided.

28.5. Financial instruments - Non-current Derivatives

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Financial instruments - Currency hedging derivatives	1,222	(138)	1,084
Total	1,222	(138)	1,084

The account Non-current derivative financial instruments at December 31, 2018 amounts to Euro 1,084 thousand, a decrease of Euro 138 thousand compared to December 31, 2017.

The account relates to the measurement at fair value of the derivative contracts in place; mainly, they refer to the measurement of the derivative instruments to hedge against currency risks on the cash flows related to project revenues and costs; the positive mark-to-market will be set off against future operating cash flows of a similar amount.

For further information and analysis of the Fair Value Hierarchy, reference should be made to the “FINANCIAL RISKS” section.

28.6. Other non-current financial assets

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Equity investments:			
Non-consolidated subsidiaries	120	9	129
Other companies	17,508	1,393	18,901
Total investments	17,628	1,402	19,030
Financial receivables from associates	18	0	18
Financial receivables from group companies	4,507	(140)	4,367
Other financial assets	363	4,015	4,378
Total Financial Receivables	4,888	3,875	8,763
Total	22,516	5,276	27,792

The value of non-current financial assets included in the calculation of the net financial position is Euro 13,761 thousand and does not include the value of the strategic investments in Siluria Technologies Inc and Pursell Agri-Tech, LLC.

INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Investments in non-consolidated subsidiaries:			
• Svincolo Taccone S.c.a.r.l. in liquidation	8	0	8
• Program International C.E. S.r.l. in liquidation (*)	0	0	0
• Exportadora de Ingeniería y Servicios TCM SpA	68	0	68
• Tecnimont Illinois Llc.	8	0	8
• Tecnimont Iberia S.l.u.	25	0	25
• Metrofiera S.c.a.r.l. in liquidation	10	0	10
• Consorzio Stabile MST S.c.a.r.l.	0	9	9
Total	120	9	129

(*) The investment was cancelled from the register in 2018

In 2018, the only increase is due to the incorporation of the Consortium MST S.c.a.r.l..

Tecnimont Exportadora de Ingeniería y Servicios TCM SpA in Chile and Tecnimont Illinois LLC in the United States are still not operational and were therefore not included in the consolidation; the same considerations are valid for the newly incorporated Consorzio Stabile MST S.c.a.r.l. whose activities will commence next year.

Conclusion of the liquidation process is awaited for the investments in Metrofiera S.c.a.r.l. and Svincolo Taccone.

The breakdown of the non-consolidated subsidiaries is as follows:

Company	Location/	Currency	% Group	Through:	%
Svincolo Taccone S.c.a.r.l. in liquidation	ITA	EUR	80%	Tecnimont S.p.A.	80%
Exportadora de Ingeniería y Servicios TCM SpA	Chile	CLP	100%	Tecnimont S.p.A.	100%
Tecnimont Illinois Llc.	USA	USD	100%	Tecnimont USA Inc.	100%
Tecnimont Iberia S.l.u.	Spain	EUR	100%	Tecnimont S.p.A.	100%
Metrofiera S.c.a.r.l. in liquidation	ITA	EUR	99.99%	Tecnimont S.p.A.	99.99%
• Consorzio Stabile MST S.c.a.r.l.	ITA	EUR	91.00%	MST S.r.l	91.00%

The investments in non-consolidated subsidiaries mainly refer to consortiums incorporated for specific projects whose corporate duration is related to the duration of the project which is currently either terminated or not yet commenced. Investments in non-consolidated subsidiaries are measured at fair value



with changes written to the statement of comprehensive income, although as the investment concerns securities no longer related to operational activity, the fair value does not vary from the cost and the relative portion of equity.

With reference to the investments held by the Group in non-consolidated subsidiaries there are no individually significant investments compared to the total of the consolidated assets, operating activities or regional operations and, therefore, the disclosures required in such cases by IFRS 12 are not provided.

INVESTMENTS IN OTHER COMPANIES

<i>(In Euro thousands)</i>	2017	IFRS 9 Effect	Other Changes in the year	2018
• Finenergia S.p.A. in liquidation	26	0	0	26
• Società Interporto Campano S.p.A.	1,653	267	0	1,920
• Cavtomi consortium	150	0	0	150
• Cavet consortium	434	0	0	434
• Lotto 5A S.c.a.r.l.	2	0	0	2
• Metro B1 S.c.a.r.l.	352	0	115	467
• RI.MA.TI. S.c.a.r.l.	40	0	(34)	6
• Sirio consortium	0.3	0	0	0.3
• Lybian Joint Company	9	0	0	9
• Kafco L.T.D.	0	1,404	152	1,556
• Cisfi S.p.a.	1,008	(778)	0	230
• Fondazione ITS	10	0	0	10
• Contratto di programma Aquila consortium (*)	0	0	0	0
• Consorzio parco scientifico e tecnologico Abruzzo (*)	0	0	0	0
• Tecnosanità S.c.a.r.l.	17	0	5	22
• Tecnoenergia Nord S.c.a.r.l. consortium	35	0	0	35
• Tecnoenergia Sud S.c.a.r.l. consortium	7	0	0	7
• Siluria Technologies Inc.	9,176	0	56	9,232
• Pursell Agri-Tech LLC	4,589	0	210	4,799
Total	17,509	893	502	18,904

(*) The holdings were entirely written down

In 2018, the decreases and increases were mainly due to the transition to IFRS 9; in fact, with regards to the valuation of financial assets concerning minority investments, IAS 39 established the option to maintain the historic cost, while IFRS 9 however requires fair value measurement. The impact of the fair value measurement of minority investments resulted in a net increase in the opening value of the above investments of approx. 893 thousand.

The investments in other companies mainly refers to consortiums incorporated for specific projects whose duration is related to the project span. These investments are measured at fair value with changes to the statement of comprehensive income, although as not listed on an active market, the fair value is therefore estimated, although does not vary from the cost and the relative portion of equity.

In 2018 the other changes related to the increase in the investment in Kafco L.T.D. following further revaluation of the fair value.

In relation to Siluria Technologies Inc the increase of Euro 56 thousand in 2018 is due to the additional acquisition of 29,371 shares; specifically Met Gas S.p.A. received payment in kind for engineering services provided in the form of 29,371 "Series E" shares.

The further increase in the year of Euro 210 thousand relates to the acquisition by the Dutch subsidiary Stamicarbon of further rights in Pursell Agri-Tech, LLC, a US start-up specialized in the development and sale of controlled release polymer-coated fertilizers.

In relation to the investments in infrastructure the movements are related either to the partial restitution of the consortium fund by the consortium or by further payments.

The key financial highlights relating to other companies is reported below:

Company	Location/	Currency	% Group	Through:	%
Contratto di programma Aquila consortium	ITA	EUR	5.50%	KT S.p.A.	5.50%
Fondazione ITS	ITA	EUR	10%	KT S.p.A.	10%
Parco scientifico e tecnologico Abruzzo consortium	ITA	EUR	11.10%	KT S.p.A.	11.10%
Tecnoenergia Nord S.c.a.r.l. consortium	ITA	EUR	12.50%	MST S.r.l	12.50%
Tecnoenergia Sud S.c.a.r.l. consortium	ITA	EUR	12.50%	MST S.r.l	12.50%
Tecnosanita S.c.a.r.l.	ITA	EUR	17%	MST S.r.l	17%
Cavtomi consortium	ITA	EUR	3%	Neosia S.p.A.	3%
Società Interporto Campano S.p.A.	ITA	EUR	3.08%	Neosia S.p.A.	3.08%
RI.MA.TI. S.c.a.r.l.	ITA	EUR	6.15%	Neosia S.p.A.	6.15%
Cavet consortium	ITA	EUR	8%	Neosia S.p.A.	8%
Lotto 5°A S.c.a.r.l.	ITA	EUR	15%	Neosia S.p.A.	15%
Metro B1 S.c.a.r.l.	ITA	EUR	19.30%	Neosia S.p.A.	19.30%
Cisfi S.p.a	ITA	EUR	0.69%	Neosia S.p.A.	0.69%
Lybian Joint Company	Libya	Libyan Dinar	0.33%	Tecnimont S.p.A.	0.33%
Kafco L.T.D.	Bangladesh	BDT	1.57%	Stamicarbon B.V.	1.57%
Finenergia S.p.A. in liquidation	ITA	EUR	1.25%	Tecnimont S.p.A.	1.25%
Siluria Technologies Inc.	USA	USD	3.160%	MET GAS S.p.A.	3.160%
Pursell Agri-Tech LLC	USA	USD	20.00%	Stamicarbon B.V.	20.00%

NON-CURRENT FINANCIAL RECEIVABLES FROM ASSOCIATES

Receivables from associates amount to Euro 18 thousand and relate to the financial receivable from the associate Bio-P S.r.l. for the operating activities of the newly incorporated company; the loan is non-interest bearing.

NON-CURRENT FINANCIAL RECEIVABLES FROM GROUP COMPANIES

In the previous year, Siluria Technologies Inc issued a Convertible Bond; the Group, through the subsidiary Met Gas Processing Technologies S.p.A., subscribed USD 5 million, equal at December 31, 2018 to Euro 4,367 thousand. The Bond from the subscription date matures interest at an annual rate of 6%. The financial instrument is measured at amortized cost.

OTHER FINANCIAL ASSETS

Non-current financial assets for Euro 11 thousand relate to prepayments and accrued financial income and for Euro 4,367 thousand the restoration of the amount involved in the fraudulent actions perpetuated by



individuals not yet identified against the subsidiary Tecnimont Arabia L.T.D. The Maire Tecnimont Group is working with judicial authority offices in Italy and abroad to recover the fraudulently stolen sums. A specialized international financial investigation company has also been appointed to carry out an independent investigation to ascertain responsibility. These assets are considered as virtually certain, also on the basis of the opinion of the legal experts supporting the company in the proceedings. Their recoverability is valued also according to the insurance coverage from leading insurers in protection against such events and the negotiations with the financial intermediaries involved.

28.7. Other non-current assets

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Trade receivables beyond 12 months	35,247	13,827	49,074
Other trade receivables beyond 12 months	12,727	600	13,327
Other assets beyond one year	0	16,245	16,245
Tax Receivables beyond 12 months	5,495	(1,457)	4,038
Prepayments beyond 12 months	2,115	632	2,748
Total	55,584	29,848	85,432

Other non-current assets amount to Euro 85,432 thousand, increasing Euro 29,848 thousand compared to December 31, 2017.

Trade receivables due beyond 12 months mainly relate to receivables of Tecnimont S.p.A., Tecnimont S.p.A. and KT - Kinetics Technology S.p.A. and the other Group operating companies for withholding guarantees by the buyer for the correct completion of works in progress. The increase of Euro 13,827 thousand is the net effect of lower releases of withholding guarantees in 2018 than those matured.

Other trade receivables beyond 12 months amount to Euro 13,327 thousand and increased Euro 600 thousand; this amount mainly refers to receivables from J&P Avax and other receivables beyond 12 months, including guarantee deposits.

The other assets for Euro 16,245 thousand concern the restoration of the amount involved in the fraudulent actions perpetuated by individuals not yet identified against the Indian subsidiary Tecnimont Private Limited. The Maire Tecnimont Group is working with judicial authority offices in Italy and abroad to recover the fraudulently stolen sums. A specialized international financial investigation company has also been appointed to carry out an independent investigation to ascertain responsibility. These assets are considered as virtually certain, also on the basis of the opinion of the legal experts supporting the company in the proceedings. Their recoverability is valued also according to the insurance coverage from leading insurers in protection against such events.

Tax receivables beyond 12 months of Euro 4,038 thousand concern those of the overseas companies, principally the Indian subsidiary Tecnimont Private Limited, with repayment expected beyond 12 months.

Prepayments beyond twelve months amount to Euro 2,748 thousand and mainly comprise advance payments on bank guarantee commissions relating to new large projects acquired.

28.8. Deferred tax assets and liabilities

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Deferred tax assets	38,535	6,266	44,801
Deferred tax liabilities	(31,159)	9,537	(21,623)
Total	7,376	15,802	23,178

Deferred tax assets and liabilities present a positive net balance of Euro 23,178 thousand, increasing Euro 15,802 thousand compared to December 31, 2017, as a combined effect of the increase in deferred tax assets and the decrease in deferred tax liabilities.

The net increase in deferred tax assets is principally due to the recognition of deferred tax assets arising from application of the new standards IFRS 15 & IFRS 9.

The other residual changes in deferred tax assets are due to the combined effect of the release of residual deferred tax assets on fiscal losses in previous years of some Group companies utilized in the period to reduce the estimated Group tax charge and the release of deferred tax assets on excess interest expenses non-deductible in previous years and on risks provisions following utilization in the period, only partially offset by the deferred tax assets arising on temporary charges deductible in future years.

Deferred tax liabilities decreased Euro 9,537 thousand, due to utilizations on temporary differences assessable in the year and a reduction in temporary differences, principally due to decreases in the mark to market of derivative instruments hedging the exposure of order revenues and costs to currency risks.

Deferred tax assets were measured through critically assessing the future recoverability of these assets on the basis of the capacity of the company and of the Maire Tecnimont Group, also through use of the “tax consolidation” option, to generate assessable income in future years. The National Tax Consolidation is valid for the years 2016-2018.

The Group reports theoretical tax benefits for tax losses which may be carried forward for an unlimited amount of approx. Euro 56.8 million not recognized to the balance sheet, principally in relation to some South American entities.

Deferred tax assets and liabilities were offset based on the relative jurisdictions.

28.9. Inventories and Advances to Suppliers

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Work-in-progress and semi-finished products	2,162	2,648	4,810
Finished products and goods	1,291	867	2,157
Advance payments to suppliers	255,514	82,631	338,146
Total	258,967	86,147	345,114



The account “Work-in-progress and semi-finished goods”, amounting to Euro 4,810 thousand, relates to the “Campus Firenze” initiative, a project financing concession of the Florence University which in 2017 was restarted following agreement between the parties. The increase relates to the advancement of activities in 2018, net of the contribution received from the client.

“Finished products and goods”, amounting to Euro 2,157 thousand, relate to consumable materials and finished products, mainly at the warehouse of the subsidiary Met T&S which supplies chemical products, spare parts and polymers and residually materials for the undertaking of some on-site operations.

Advance payments to suppliers, amounting to Euro 338,146 thousand, refer to the advances paid to foreign and Italian suppliers and sub-contractors against materials in progress and transit for the construction of plant and work in progress.

The increase in the payments on account to suppliers is a direct consequence of the advancement of the projects acquired in the previous year and for which significant numbers of principal equipment orders were made, with the consequent recognition of financial advances on supplies.

28.10. Contractual Assets

<i>(In Euro thousands)</i>	2017	IFRS 15 Effect	Other Changes in the year	2018
Works-in-progress	13,095,826	(47,648)	1,683,994	14,732,172
(Advances received on work-in-progress)	(11,831,648)	0	(1,384,545)	(13,216,193)
Total	1,264,178	(47,648)	299,449	1,515,979

“Contract Assets” are the net positive amount, by individual order, resulting from the difference between progressive production or the amount of works-in-progress recorded according to the percentage of completion net of losses realized or estimated at the reporting date and invoicing on account relating to the advancement of works.

The net increase of Euro 251,801 thousand substantially concerns continued production volume growth in 2018, which exceeded that in the previous year and invoicing in the period, in addition to the general working capital movements on the main orders, influenced by their particular contractual terms.

The change also includes the negative effects from the application of IFRS 15 equal to Euro 47,648 thousand; the new rule on contractual costs has led to a different accounting treatment for certain categories of costs on projects involving the capitalization of costs to obtain the contract, considered as ‘incremental’, and costs incurred to fulfil the contract which enable the entity to make use of new or greater resources to satisfy performance obligations in future (‘pre-production costs’). In addition to the above, the new provisions introduced by IFRS 15 define all those costs which, by their nature, may not contribute to contractual advancement since, despite specifically relating to the contract and are considered to be recoverable, they do not contribute towards generating or improving the resources that are used to satisfy contractual performance obligation, nor do they contribute to the transfer of control of the goods and/or services to the client. In this situation, it should be noted that some of the costs previously recognized as assets will not meet the conditions identified by the new standard.

The gross change on works carried out and advances received on work-in-progress is also impacted by the values of the projects closed during the year and transferred to revenues from sales.

The value of construction contracts includes additional requests on contracts for the quota considered highly probable to be accepted by the client; the variable components were recorded in accordance with the guidelines illustrated in the accounting policies.

28.11. Trade receivables

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Trade receivables - within 12 months	453,320	(37,295)	416,025
Subsidiaries - within 12 months	49	(49)	0
Associates - within 12 months	20,999	(18,127)	2,872
Group companies - within 12 months	6,975	(104)	6,871
Total	481,342	(55,575)	425,768

Trade receivables at December 31, 2018 amount to Euro 425,768 thousand with a total decrease compared to December 31, 2017 of Euro 55,575 thousand. The decrease in trade receivables is due to the contractual terms of the main orders; increased invoicing is expected in subsequent months.

Trade receivables from subsidiaries concerning Program International Consulting Engineers Srl were settled in 2018 following the company's liquidation.

Receivables from associates amount to Euro 2,872 thousand and mainly refer for Euro 1,133 thousand to receivables from the newly incorporated company JV Volgafert LLC for start-up activities; for Euro 70 thousand from Biolevano S.r.l. for trade receivables related to maintenance and other services at the Biomass plant; for Euro 1,544 thousand to recharges and services undertaken on behalf of Desimont Contracting Ltd, for Euro 13 thousand receivables from the newly incorporated JV Tecnimont -KTR LLP and for Euro 112 thousand from Hidrogeno Cadereyta-Sapi. The decrease relates to the receivables from TSJ Limited subject to the waiver for the recapitalization as explained in detail in the paragraph "Investments in Associates and Joint Ventures".

Trade receivables from group companies primarily relate to engineering services provided and/or recharged and concern Metro B1 for Euro 1,830 thousand, the Cavtomi Consortium for Euro 2,574 thousand, Interporto Campano for Euro 1,751 thousand, the Cavet Consortium for Euro 1 thousand and residually for Euro 714 thousand the Tecnoenergia Nord and Sud S.c.a.r.l. consortiums and Tecnosanita' S.c.a.r.l..

Trade receivables are recorded net of the doubtful debt provision of Euro 11,383 thousand at December 31, 2018 (Euro 5,824 thousand at December 31, 2017).

<i>(In Euro thousands)</i>	2017	Provisions	Utilizations	Change in consolidation scope	IFRS 9 Transition Effect	Other changes	2018
Doubtful debt provision - customers	5,824	706	(2,182)	0	8,046	(1,012)	11,383
Total	5,824	706	(2,182)	0	8,046	(1,012)	11,383

Application of IFRS 9 in relation to the impairment on financial assets on the basis of expected losses and the analysis on outstanding receivables at the previous reporting date, applying a risk factor on the basis of the specific default probability of the counterparties, increased the opening doubtful debt provision at 01.01.2018 by approx. Euro 8 million.



For IFRS 9 - Financial Instruments, the impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model, utilizing supporting information, available without unreasonable charges or effort, which includes historic, current and projected figures.

Overdue trade receivables principally refer to the Infrastructure and Civil Engineering Business Unit and concern Italian public sector entities; in relation to the Technology, Engineering & Construction BU, they refer to a few positions and are constantly monitored. Neither client categories provide concern from a solvency viewpoint (Italian and foreign state bodies), or for the recoverability of the amounts.

All trade receivables in the accounts substantially approximate fair value which was calculated as indicated in the accounting policies section.

28.12. Current tax assets

(In Euro thousands)	2017	Changes in the year	2018
Current tax receivables	31,719	285	32,004
Other tax assets	59,922	2,975	62,897
Total	91,641	3,260	94,901

Tax receivables amount to Euro 94,901 thousand, an increase of Euro 3,260 thousand compared to December 31, 2017. The account mainly refers to VAT for Euro 62,897 thousand and other taxes of Euro 32,004 thousand.

The VAT receivables relate to the balance of the tax consolidation executed by the Parent Company Maire Tecnimont S.p.A of Euro 402 thousand, Italian companies' receivables not yet within the Group consolidation or prior to their inclusion and therefore not transferred to the parent company for Euro 15,335 thousand, foreign companies amounting to Euro 27,067 thousand (of which approx. Euro 20,304 thousand relating to Tecnimont Russia) and for Euro 20,093 the foreign subsidiary Tecnimont Chile. The VAT receivables of the South American entities are considered recoverable not only through the acquisition of new projects by the South American Group, but also in view of their recognition on any sale of the company.

Current tax receivables for Euro 32,004 thousand principally refer to:

- tax receivables of foreign companies for Euro 6,971 thousand, mainly relate to the tax receivables of the subsidiaries Stamicarbon BV, MET NEWen Messico and Tecnimont Private Limited;
- residual tax receivables of Euro 25,033 thousand mainly related to: excess corporation tax payment on account compared to current income taxes of the other companies of the Group, IRAP payments on account, tax receivable for bank interest withholding tax and other tax receivables for various reimbursements, as well as tax credits for income taxes paid abroad.

Maire Tecnimont S.p.A. and the subsidiaries Tecnimont S.p.A., MST S.r.l., Met Gas Processing Technologies, Neosia S.p.A., KT S.p.A. and Met Development S.p.A. opted to apply the Tax Consolidation regime which permits the calculation of the IRES corporation tax on a tax basis representing the aggregate of the taxable income and losses of the individual companies.

The companies Tecnimont S.p.A., Neosia S.p.A., Met Gas Processing Technologies, Consorzio Cefalù 20, Consorzio Corace in liquidation, Met Development S.p.A and M.S.T. S.r.l. have also applied the Group VAT consolidation regime.

28.13. Financial instruments - Derivatives

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Financial instruments - Currency hedging derivatives	13,214	(9,018)	4,196
Financial instruments - Raw material hedging derivatives	1,358	1,484	2,841
Financial instruments - Total Return Equity SWAP (TRES) derivatives	5,404	(5,370)	33
Total	19,976	(12,905)	7,071

Derivative financial instruments at December 31, 2018 amount to Euro 7,071 thousand, decreasing Euro 12,905 thousand compared to December 31, 2017 and concern the fair value measurement of the derivative contracts in force.

The account for Euro 4,196 thousand relates to the measurement of the derivative instruments to hedge against currency risks on the cash flows related to project revenues and costs. The mark-to-market is positive as the movement in the exchange rate since the subscription date of the derivative instruments to the reporting date saw a weakening principally of the Dollar and the Ruble against the Euro; the positive mark-to-market will be offset by the future operating cash flows for a similar amount.

The account derivative financial instruments for Euro 2,841 thousand refers to the measurement of the derivative instruments to hedge against changes in the prices of raw materials (copper) whose value is significant on the overall margin of the projects. The change derives from the market movements of exchange rates and commodities and the undertaking of some new positions in 2018.

The reduction in the derivatives account Total Return Equity Swap (TRES) concerning the fair value of the cash settled Total Return Equity Swap (TRES) derivative instruments hedging movements in the Maire Tecnimont share price is due to the fact that in the first half of 2018 Maire Tecnimont exercised the "Early Termination" option in settlement of a portion of the instruments; the settled portion hedged the risk for approx. 3.6 million shares; the differential received was approx. Euro 5.4 million and the residual quota of the instruments at December 31, 2018 hedged the risk on approx. 2.5 million shares, increasing by 1.1 million shares in the first months of 2019; the fair value was negative and therefore classified in the account Derivative financial instruments - liabilities.

The derivative contracts (TRES) were underwritten with a financial intermediary, with no obligation for Maire Tecnimont to acquire the treasury shares, but only the obligation for the settlement between the parties of the differential between the exercise price and the Maire Tecnimont share price on the maturity of the instruments. Contract maturity is in the first half of 2019. For accounting purposes, the TRES is measured in accordance with IFRS 9 as a fair value derivative through P&L.

For further information and analysis of the Fair Value Hierarchy, reference should be made to the "FINANCIAL RISKS" section.



28.14. Other current financial assets

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Financial receivables within 12 months:			
Associates	273	10	282
Group companies	188	174	362
Others	4,895	811	5,707
Total	5,356	995	6,351

Other current financial assets at December 31, 2018 amount to Euro 6,351 thousand, an increase of Euro 995 thousand compared to December 31, 2017.

Financial receivables from associates concern Villaggio Olimpico Moi for Euro 69 thousand and for Euro 213 thousand the JV Kazakhstan Tecnimont-KTR LLP incorporated in order to develop initiatives in the country with a new strategic partner.

Financial receivables from Group companies concerned Euro 187 thousand from the CAVET Consortium and Euro 175 thousand from Pursell Agri-Tech, LLC, a US start-up specialized in the development and sale of controlled release polymer-coated fertilizers.

Other receivables amount to Euro 5,707 thousand, increasing Euro 811 thousand; this account includes financial receivables from factoring companies and banks for the residual portion of advances received, receivables from some minor consortiums for special purpose projects of the Neosia Group, various deposits and financial prepayments and accrued income.

For all financial assets, the book value approximates the fair value which is calculated as described in the accounting policies section.

28.15. Other current assets

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Others receivables within 12 months	132,823	(12,275)	120,548
Commercial prepayments	14,024	976	15,000
Total	146,847	(11,299)	135,548

Other current assets at December 31, 2018 amount to Euro 135,548 thousand, a decrease of Euro 11,299 thousand compared to December 31, 2017. The account mainly comprises the Alba-Brà Hospital “construction and management” project represented in accordance with the IFRIC 12 model, commercial discounts, employee receivables, social security and tax receivables, VAT and taxes of foreign companies and other various receivables, in addition to receivables from other shareholders of the consolidated consortiums.

The breakdown of other receivables due within 12 months is shown in the table below:

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Alba-Bra' Hospital Concession	27,773	34,600	62,373
Receivables from consortiums and JV's	62,698	(54,972)	7,727
Other debtors	22,538	9,716	32,254
Taxes, VAT and levies (foreign companies)	13,264	(223)	13,041
Guarantee deposits	2,523	(1,308)	1,216
Other prepayments (rental, commissions, assistance)	14,024	976	15,000
Employee receivables	1,671	(366)	1,304
Social security institutions	1,619	268	1,886
Receivables for unpaid contributions from other shareholders	738	10	748
Total	146,847	(11,299)	135,548

The Alba-Brà Hospital concession is a “construction and management” contract signed with ASL CN2, measured according to the IFRIC 12 model. The initiative is headed by the project company MGR Verduno S.p.A. and on the completion of the works provides for a concession period of 20 years. The structural works were completed and the plant works and internal fitting out continues. The works have reached slightly over 90% completion. The increase in the account is related to the advancement of the work during the year in accordance with the Supplementary Agreement No. 3 signed in 2017. In 2018, the company submitted to the ASL a deadline extension request, substantially due to the absence of contracts for some changes stipulated in Deed 3 but without authorization completion, the request from the ASL for changes subsequent to the signing of Supplementary Agreement 4 and the critical issues emerging in the contract with the contractor.

The decrease in receivables from other shareholders of the fully consolidated consortium companies principally concerns the receivables from the consolidated consortiums for the third-party portion related to the Rapid Malaysia projects with Petronas which at December 31, 2018 were at a very advanced stage and the works were almost concluded.

All current assets in the accounts substantially approximate fair value.

28.16. Cash and cash equivalents

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Bank deposits	630,667	19,042	649,710
Cash in hand and similar	201	97	299
Total	630,868	19,139	650,008

Cash and cash equivalents at December 31, 2018 amount to Euro 650,008 thousand, an increase of Euro 19,139 thousand compared to December 31, 2017.

Cash of Euro 23,607 thousand was absorbed by operating activities, as reflecting the expected working capital changes relating to the normal execution of projects which, during the full execution phase, absorb



cash, while partially offset by new recently acquired contracts. Cash flows from operating activities include also income tax payments, which in 2018 totaled Euro 60,005 thousand.

Investing activities absorbed cash for Euro 13,523 thousand, mainly due to the costs incurred for the installation of software and other applications, license development and new technology, in addition to capex as a result of the overall growth of the Group and for investments in the Volgafert LLC joint venture, set up together with PJSC KuibyshevAzot, for the development, construction, financing, maintenance and management of a new urea plant in Togliatti, Samara region, Russian Federation.

Financing activities generated overall cash of Euro 56,271 thousand, principally due to the utilization of factoring operations for the working capital management of certain projects and current account overdrafts, and financial income related to the settlement of the residual portions of the cash-settled Total Return Equity Swap (TRES) derivative instruments. In addition, during the period Euro 10 million was repaid as per the repayment plan for the original Euro 350 million loan undertaken by the subsidiary Tecnimont S.p.A.; an additional Euro 165 million was thereafter repaid following the issue on May 3 of a non-convertible bond for a similar amount by Maire Tecnimont S.p.A. and in July 2018, in completion of the funding diversification and Group medium/long-term debt optimization project, the subsidiary Tecnimont S.p.A. agreed a new medium/long-term cash loan contract for a total amount of Euro 285 million. The operation stipulates the issue of a new medium/long-term cash credit line for Euro 185 million, with Euro 175 million allocated for the full repayment of the residual part of the original Euro 350 million loan undertaken by Tecnimont and Euro 10 million to top up the original loan, in addition to the increase of the “Revolving Facility” credit line issued in favor of Tecnimont from Euro 50 million to Euro 100 million.

These effects were partially offset by the payment of the dividend approved by the Shareholders’ Meeting of Euro 42,064 thousand and by the residual purchases of treasury shares for approx. Euro 27.7 million, in addition to interest paid in 2018.

The estimate of the “fair value” of bank and postal deposits at December 31, 2018 approximates their book value.

28.17. Shareholders’ Equity

Group Shareholders’ equity at December 31, 2018 amounts to Euro 309,612 thousand, a net increase of Euro 47,659 thousand compared to December 31, 2017 (Euro 261,953 thousand).

Total consolidated Shareholders’ Equity, considering minority interests, at December 31, 2018 amounts to Euro 342,633 thousand, an increase of Euro 58,864 thousand compared to December 31, 2017. This increase is also due to the change in minority interest equity including the result for the year and the change in the consolidation scope.

The increase in Group Shareholders’ Equity is principally due to net income for the year, together with the increases related to the share capital increase and the reduction in the treasury shares reserve in service of the equity-linked bond loan conversion requests, which were satisfied through the assignment to entitled parties of 14,952,300 treasury shares of the company from the buy-back program to service the conversion of the Loan which commenced on September 25, 2017, and 23,112,932 newly-issued shares from a paid-in share capital increase to service the Loan, approved by the Extraordinary Shareholders’ Meeting of the Company of April 30, 2014.

The main decreases in Group Shareholders’ Equity related to the payment of the dividend approved by the Shareholders’ AGM of Euro 42,064 thousand, of the Cash Flow Hedge reserve of derivative hedging instruments, essentially against decreases in the mark to market of order revenue and cost fluctuations, net of the relative tax effect, the translation reserve for financial statements in foreign currencies and for approx. Euro 28.8 million the application of the new accounting standards IFRS 15 & IFRS 9.

SHARE CAPITAL

The Share capital at December 31, 2018 was Euro 19,920,679 and was comprised of 328,640,432 shares without par value and with normal rights.

On March 15, 2018 - Maire Tecnimont S.p.A. communicated the new composition of the subscribed and paid-in share capital, in addition to the total number of voting rights (as per Article 85-*bis*, paragraphs 1, 2 and 4-*bis*, Consob Regulation 11971/1999), following the issue of 23,112,932 new ordinary shares on the basis of the paid-in share capital increase approved by the Extraordinary Shareholders' Meeting of the company of April 30, 2014 in service of the conversion of the "€80,000,000 5.75 per cent equity-linked bonds due 2019".

By the deadline, conversion requests from Bondholders for a nominal value of Euro 79,800,000 had been received, corresponding to a total of 798 Bonds, at the conversion price of Euro 2.0964. The conversion requests were satisfied through delivery to entitled parties of a total 38,065,232 ordinary Maire Tecnimont shares, with full rights, of which 14,952,300 treasury shares of the company from the buy-back program to service the conversion of the Loan which commenced on September 25, 2017, and 23,112,932 newly-issued shares from a paid-in share capital increase to service the Loan, approved by the Extraordinary Shareholders' Meeting of the company of April 30, 2014.

The new shares were issued, without nominal value, at the conversion price of Euro 2.0964, of which Euro 0.1 as Share Capital and Euro 2.0864 as Share Premium.

SHARE PREMIUM RESERVE

The Share Premium Reserve at December 31, 2018 amounted to Euro 272,921 thousand, broken down as follows:

The reserve comprises for Euro 25,000 thousand the share premium prior to November 26, 2007 and for Euro 58,045 thousand the share premium on the capital increase of 2007 net of the listing costs of Euro 3,971 thousand, net of the tax effect.

The change in 2013 was Euro 141,653 thousand, comprising share premium paid following the reserved share capital increase and from other shareholders amounting to Euro 146,417 thousand, offset for Euro 4,167 thousand for share capital increase charges net of the tax effect.

The increase in 2018 was Euro 48,223 thousand, following the share capital increase in service of conversion of the "€80,000,000 5.75 per cent equity-linked bonds due 2019" equity-linked bond loan.

This reserve may be utilized for share capital increases without consideration and/or for the coverage of losses. In accordance with Article 2431 of the Civil Code, this reserve may be distributed to the shareholders following a Shareholders' Meeting motion.

OTHER RESERVES

The other reserves at December 31, 2018 amount to Euro 2,808 thousand and comprise:

- Legal Reserve of the Parent Company Maire Tecnimont S.p.A. at December 31, 2018 of Euro 5,328 thousand;
- Asset revaluation reserve of Euro 9,772 thousand recorded following the accounting of the purchase of the residual 50% of Tecnimont Private Limited, and the revaluation of other buildings;
- Translation reserve at December 31, 2018 of a negative Euro 27,887 thousand and comprising the temporary translation differences of the financial statements in foreign currencies; the change in the year was a decrease of Euro 9,814 thousand, impacted by currency movements;
- Statutory reserves, which at December 31, 2018 amount to Euro 27,532 thousand;
- Other reserves, which at December 31, 2018 were negative for Euro 20,108, with the change in the year of Euro 26,754 thousand related to the conversion of the equity-linked bond loan;
- IFRS 2 Reserve for Euro 8,220 thousand, which includes the valuation of the equity participation plans offered to employees as additional benefits. The above-mentioned plans are recognized in accordance with the provisions for share-based payments. In accordance with IFRS 2, these plans represent a remuneration component of the beneficiaries; therefore, for the equity participation plans, the cost is represented by the fair value of these instruments at the granting date, and recognized in the income statement under "Personnel expense" over the period between the granting date and that of maturity, and in the "IFRS 2 reserve" under equity. The Reserve in the



year reports a net decrease of Euro 2,541 thousand; the movement in the year is due to accruals in 2018 of Euro 5,849 thousand, net of utilizations following the closing of the second cycle - 2017 of the Employee share ownership plan for Euro 4,542 thousand, and a reduction for Euro 3,847 thousand as a result of the updating of the estimate regarding the achievement of some of the plans, in particular with regards to the 2016-2018 Performance Share Plan for approx. 30 Senior Managers, for which in the previous years the vesting conditions of the benefits were assessed as probable and therefore included under personnel expense, but in view of the recent industrial performances concluding with the 2018 year these expectations were no longer valid and consequently no accrual was made for the final year of the plan and income was recognized for previous years.

VALUATION RESERVE

The valuation reserve, which at December 31, 2018 was negative for Euro 15,553 thousand, comprises the Cash Flow Hedge reserve, the Cost of Hedging Reserve (containing the effects of the costs of hedging in relation to the time value of the options), the actuarial gains and losses reserve and the financial assets measured at fair value reserve. The changes in the valuation reserve are shown below:

<i>(In Euro thousands)</i>	Cash Flow Hedge Reserve & Cost of Hedging Reserve	Actuarial gains/(losses)	Financial assets measured at fair value reserve	Total
Net book value at December 31, 2017	23,197	(1,083)	0	22,114
Actuarial gain/(losses)	0	(17)	0	(17)
Relative tax effect	0	4	0	4
Valuation derivative instruments	(49,745)	0	0	(49,745)
Relative tax effect	11,939	0	0	11,939
Fair value changes of investments with OCI effects	0	0	152	152
Net book value at December 31, 2018	(14,609)	(1,096)	152	(15,553)

The decrease in the Cash Flow Hedge reserve of the derivative instruments, as previously illustrated, mainly relates to the mark-to-market losses of the derivative instruments to hedge the currency risk on project revenues and costs, net of the relative tax effect.

The reconciliation between the “net income of Maire Tecnimont S.p.A. and Group net income” and the “Net equity of Maire Tecnimont S.p.A. and Group net equity” is shown below.

RECONCILIATION BETWEEN NET INCOME OF MAIRE TECNIMONT S.P.A. AND GROUP NET INCOME

<i>(In Euro thousands)</i>	2017	2018
Maire Tecnimont S.p.A. net income	60,144	39,466
Inter-company dividends eliminated in consolidated financial statements	(63,418)	(62,964)
Result reported by subsidiaries	118,837	134,195
Elimination of inter-company profits and write-downs	1,297	(456)
Other consolidation adjustments	0	0
Current and deferred taxes	1,790	334
Group net income	118,650	110,575

RECONCILIATION BETWEEN NET EQUITY OF MAIRE TECNIMONT S.P.A. AND GROUP NET EQUITY

<i>(In Euro thousands)</i>	2017	2018
Maire Tecnimont S.p.A. shareholders' equity	411,674	463,394
Elimination of the book value of consolidated investments	(763,413)	(763,224)
Recognition of net equity of the consolidated investments	452,641	447,965
Other consolidation adjustments	161,051	161,477
Group Shareholders' equity	261,953	309,612
Minority interest	21,817	33,021
Total consolidated Shareholders' equity	283,770	342,633

28.18. Financial payables - non-current portion

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Bank payables beyond 12 months	324,602	(118,191)	206,410
Total	324,602	(118,191)	206,410



Financial payables, net of the current portion, amount to Euro 206,410 thousand, reducing Euro 118,191 thousand on December 31, 2017, principally following the settlement of the original Euro 350 million loan of the subsidiary Tecnimont S.p.A..

In March 2018, a portion of Euro 10 million was in fact repaid as per the repayment plan; an additional Euro 165 million was subsequently repaid following the issue on May 3 of a non-convertible bond loan of a similar amount by Maire Tecnimont S.p.A..

In July 2018, in completion of the funding diversification and restructuring of the Group medium/long-term debt, the subsidiary Tecnimont S.p.A. agreed a new medium/long-term cash loan for a total amount of Euro 285 million. The operation stipulates the issue of a new medium/long-term cash credit line for Euro 185 million, with Euro 175 million allocated for the full repayment of the residual part of the original Euro 350 million loan undertaken by Tecnimont and Euro 10 million to top up the original loan, in addition to the increase of the “Revolving Facility” credit line issued in favor of Tecnimont from Euro 50 million to Euro 100 million. The New Loan Contract has enabled a reduction in the applicable medium/long-term Group debt margin from 1.95% to 1.70%, extending the maturity from March 2022 to June 30, 2023 and reviewing the repayment plan.

The new loan includes covenants in line with normal business practice for such operations; specifically, the loan’s financial covenants concern the ratio between the net financial position and net equity, as well as between the net financial position and EBITDA, with next measurement on the FY 2018 figures.

Maire Tecnimont is currently not aware of any default situations regarding the above-mentioned covenants.

Financial payables net of the current portion therefore comprise for Euro 176,940 thousand the new medium/long-term loan of a nominal Euro 185 million, and for the residual of Euro 29,470 thousand concern the long-term portion of the new Project financing from the banking syndicate comprising IML, BPER and Intesa Sanpaolo.

In 2018, the project company MGR Verduno S.p.A., engaged in the “Alba-Bra Hospital concession” “construction and management” contract agreed ASL CN2, obtained project financing from a banking syndicate. This is a no-recourse financial payable for the financing of Concession sector initiatives not guaranteed by the parent company, but rather by cash flows from such initiatives to be received by the Vehicle company involved in the initiative during the infrastructure construction and management period.

28.19. Provisions for charges - beyond 12 months

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Provisions for charges - beyond 12 months	62,007	(45,572)	16,436
Total	62,007	(45,572)	16,436

The provision for charges amounts to Euro 16,436 thousand, a decrease of Euro 45,572 thousand compared to December 31, 2017.

The account mainly includes provisions for charges relating to remuneration and incentive policies, other charges related to legal cases and disputes in course including fiscal, in addition to personnel disputes and contractual risks on projects closed. This account also includes the measurement at equity of companies with a negative net equity for which the company has the intention - although not immediate given the absence of regulatory obligations - to contribute to the coverage of the negative net equity of the investee.

The composition and changes in the year are shown below:

<i>(In Euro thousands)</i>					
	2017	Provisions	Util.	Reclass./Change in consolidation scope	2018
Provision for personnel charges	30,953	22,949	(16,296)	(34,776)	2,830
Other provisions	30,769	22,787	(16,150)	(34,776)	2,630
Disputes provision	184	162	(146)	0	200
Provision for fiscal risks	3,281	2,524	0	0	5,805
Provision for other charges:	27,774	0	(19,972)	0	7,802
Legal, contract and other risks	7,695	0	(1,288)	0	6,407
Coverage for losses in associates	20,079	0	(18,684)	0	1,395
Total	62,007	25,473	(36,268)	(34,776)	16,436

The main increases relate to provisions for remuneration policies as well as an increase in the provision for new fiscal risks.

The reduction in the provisions relates to the utilizations in the year, particularly again for the remuneration policy drawn up and a reclassification to the “Provisions for risks and charges - within 12 months” account, both in relation to the Phantom Stock incentive plan for the Chief Executive Officer of the company and some Group Senior Managers, which shall conclude in 2019 for Euro 12,530 thousand, in addition to the residual share of the reclassification in relation to other long-term plans concluding in 2019, principally for the deferred portion of the MBO Plan.

The reduction in the coverage for losses in associates provision essentially concerns the investment in TSJ Limited which in the previous year was completely written down and a risk provision for cumulative losses recorded under the provision for risks and charges; in 2018, the provision was utilized following the recapitalization through both the waiver by shareholders of trade receivables and a further capital increase necessary for the closure of all the residual positions relating to the now concluded “Borouge 3” contract.

28.20. Post-employment & other employee benefits

<i>(In Euro thousands)</i>			
	2017	Changes in the year	2018
Post-employment & other employee benefits	11,452	(448)	11,005
Total	11,452	(448)	11,005

The Group has a liability to all employees of the Italian companies regarding the statutory TFR (Post-employment benefit) provision, while the employees of some foreign companies of the Tecnimont Group are recognized defined contribution plans.

In accordance with IAS 19 (Employee benefits), the Group estimated the liability for defined benefit plans at December 31, 2018; the changes in the year are shown below:



<i>(In Euro thousands)</i>	POST-EMPLOYMENT BENEFIT PROVISION	OTHER PLANS	Total
Balance at December 31, 2017	11,185	268	11,452
Changes in the year	(316)	(132)	(448)
Balance at December 31, 2018	10,869	135	11,005

The main decreases in the Post-employment benefit provision and the other plans relate to the departure of employees.

The Cost relating to current employment services is recognized in the Income Statement under “Personnel expense”. Financial expenses on obligations assumed are recognized in the Income Statement under financial expenses - other charges. Actuarial gains and losses are recognized in a specific valuation reserve under Equity.

In particular, the assumptions adopted in the valuation of the Post-employment benefit provision relate to:

- Inflation: With reference to the first assumption, it was decided to adopt a rate of 1.5% as the average inflation taken from the “2018 Economic and Finance Document”.
- Salary increases: with reference to the salary increases, in line with that for the demographic technical bases, new salary line accounts were created for the companies which do not deposit the Employee Leaving Indemnity Provision with the INPS Treasury Fund; a salary growth rate of 3% annually was assumed for all employees, including inflation.
- Discount rate: determined with reference to bond market rates of primary companies at the valuation date, and therefore utilizing the “Composite” interest rate of the curve of corporate issuers with “Investment Grade” AA ratings in the Eurozone (source: Bloomberg) at December 31, 2018.
- Workforce reference: for the internal workforce subject to analysis of the Maire Tecnimont Group, the average age and length of service were considered (Post-employment benefit base) and an estimate of staff turnover.

Sensitivity analysis was also undertaken based on the changes in the following parameters: a) discount rate, b) inflation rate, c) salary increase, d) probability of departure and advances on Post-employment benefit provision; on the basis of these analyses, the range of values of the liabilities for defined benefit plans was established which did not highlight any significant impacts.

In relation to the liabilities at December 31, 2018, a change of +0.5% in the discount rate applied to the calculation would produce a positive effect equal to Euro 0.4 million and in the same manner a change of -0.5% would produce a negative effect of Euro 0.4 million. A change of +0.5% in the inflation rate applied to the calculation would produce a negative effect of Euro 0.2 million and in the same manner a change of -0.5% would produce a positive effect of Euro 0.2 million. A change of +0.5% - 0.5% on salary increases applied to the calculation would have an immaterial effect. A change of +0.5% in the probability of the termination of employment applied to the calculation would produce a positive effect of Euro 0.1 million and in the same manner a change of -0.5% would produce a negative effect of Euro 0.1 million.

28.21. Other non-current liabilities

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Trade payables beyond 12 months	79,369	47,985	127,355
Tax payables beyond 12 months	66	(21)	45
Other payables beyond 12 months	0	8,091	8,091
Accrued liabilities	29	(29)	0
Total	79,465	56,025	135,490

Other non-current other liabilities at December 31, 2018 amount to Euro 135,490 thousand and mainly refer to the withholdings made by the Group to suppliers/sub-contractors in accordance with contractual guarantees for the correct completion of works.

The increase concerns the advancement of orders and the contractual terms with suppliers, against which withholding taxes were greater than December 31, 2017, also due to the significant increase in production volumes in 2018.

Other payables beyond 12 months for Euro 3,685 thousand concern the portion of the deferred price subject to the occurrence of certain future specific events regarding the acquisition of 50.1% of U-Coat by the Maire Group from Bio-on S.p.A.. U-Coat is a newly incorporated company engaged in the production and distribution of an innovative technology for the coating of urea for fertilizer use. U-Coat operates on a key and quickly expanding global market, leveraging on a PHAs bio-plastics based technology. Under the investment agreement, Maire Tecnimont will be the exclusive global contractor for the turnkey building of plant using this innovative technology.

Other payables due beyond 12 months for Euro 4,406 thousand concern the valuation of the repurchase obligation of the minority share of SIMEST Spa in Met Dev 1 S.r.l, a Maire Tecnimont Group company which incorporated together with PJSC KuibyshevAzot (a Russian chemical sector leader) the Volgafert LLC joint venture. Volgafert LLC's corporate scope concerns the development, construction, funding, maintenance and management of a new urea plant in Togliatti, in the Samara region of the Russian Federation. As part of the investment agreement signed between Met Development S.p.A. and Simest S.p.A., the Maire Tecnimont Group commits to repurchase on maturity the investment of Simest S.p.A. against a charge for the payment extension granted. The agreements stipulate also put and call options among the parties.

28.22. Financial instruments - Derivatives - Non-current

<i>(in Euro thousands)</i>	2017	Changes in the year	2018
Financial instruments - Currency hedging derivatives	249	4,171	4,420
Financial instruments - Interest rate hedging derivatives	0	1,151	1,151
Financial instruments - Raw material hedging derivatives	0	568	568
Total	249	5,890	6,139



Derivative financial instruments at December 31, 2018 amount to Euro 6,139 thousand, with an increase of Euro 5,890 thousand compared to December 31, 2017 and concern the fair value measurement of the derivative contracts in force.

The account for Euro 4,420 thousand relates to the measurement of the derivative instruments to hedge against currency risks on the cash flows related to project revenues and costs. The mark-to-market is negative as exchange rates between the subscription date of the derivative instruments and the reporting date saw a revaluation principally of the Dollar and the Ruble against the Euro; the negative mark-to-market will be offset by future operating cash flows of a similar amount.

This component increased on the previous year due to swap point movements (differences between Eurozone and US interest rates) as well as from the differing composition of the notional hedges expiring beyond 12 months.

The account concerns for Euro 1,151 thousand the valuation of Interest Rate Swaps (IRS) hedging the exposure to variable interest rate risk on the MGR Verduno S.p.A loan signed in the first half of 2018.

The account derivative financial instruments for Euro 568 thousand refers to the measurement of the derivative instruments to hedge against changes in the prices of raw materials (copper) whose value is significant on the overall margin of the projects. The change derives from the market movements of exchange rates and commodities in the year.

For further information and analysis of the Fair Value Hierarchy, reference should be made to the “FINANCIAL RISKS” section.

28.23. Other non-current financial liabilities

(In Euro thousands)	2017	Changes in the year	2018
Payables to other lenders - Bonds	39,719	162,915	202,634
Total	39,719	162,915	202,634

“Other non-current financial liabilities” include:

- For Euro 39,767 thousand, the non-convertible bonds, net of accessory charges, subscribed in 2017 through private placement by the Pan-European Fund and the Export Development Fund (created by SACE), both managed by Amundi Group companies.

The bonds, divided into two equal tranches, are priced all-in at 340 basis points, plus the Euribor at 6 months, with a six-year maturity and bullet repayment on maturity and are supported by guarantees issued by Tecnimont S.p.A. and, for one of the two tranches, also by a guarantee in favor of bondholders by SACE S.p.A.. (CDP Group). Both bond tranches were for exclusive subscription by qualifying investors; the securities - with unitary values of Euro 100,000 each - are not be listed or admitted to trading on any market (regulated or non-regulated) or multi-lateral trading systems, nor assigned a rating. The bonds are supported by covenants in line with market practice; specifically, the bond covenants regard the maintenance of a ratio between the net financial position and net equity, as well as between the net financial position and EBITDA, next measured on the December 31, 2018 figures.

- For Euro 162,866 thousand, the non-convertible Bond Loan for a total Euro 165 million, net of accessory charges, issued in 2018.

In this regard, we report the following:

On May 3, 2018, Maire Tecnimont issued 165,000 Non-Convertible Bonds at a price equal to 100% of the nominal value, and with a unitary minimum value of Euro 1,000 (thousand), for a total of Euro 165 million. The Bond interest rate is 2.625% annually, with interest paid on a deferred basis on April 30 and October 31 of each year, from October 31, 2018. The Bonds shall be settled at the nominal value on April 30, 2024 where not previously settled or cancelled.

The Bond Loan is part of a project to diversify funding and optimize the medium/long-term debt in order to align its structure with the altered financial needs of the Maire Tecnimont Group.

The Bond issue terms and conditions stipulate incurrence-type covenants regarding the debt level; specifically, the bond financial covenants require the maintenance of a stated net financial position/EBITDA ratio, measured annually and initially on the December 31, 2018 figures.

The Maire Tecnimont Group is currently not aware of any default situations regarding the above-mentioned covenants.

28.24. Short-term financial payables

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Bank payables	90,320	97,640	187,960
Other lenders	9,566	(3,326)	6,240
Accrued liabilities	4,057	(2,346)	1,711
Total	103,943	91,968	195,911

Short-term financial payables amount to Euro 195,911 thousand, increasing Euro 91,968 thousand on December 31, 2017, principally due to increases in current account overdrafts relating to the use of credit lines to manage current commercial requirements and other short-term loans, in addition to the reclassification to short-term of the Credito Valtellinese and Banca Popolare di Milano loans and the increase in the “Revolving Facility” credit line previously issued in favor of Tecnimont, from Euro 50 million to Euro 100 million.

At December 31, 2018, short-term bank payables mainly refer to:

- for Euro 100,000 thousand the revolving line granted to the subsidiary Tecnimont S.p.A. as part of the wider renegotiation and optimization of medium/long-term Group debt in July 2018;
- for Euro 3,380 thousand the capital portion of the loan granted to the subsidiary Tecnimont S.p.A. issued by Credito Valtellinese;
- for Euro 40,000 thousand hot money granted to the subsidiary Tecnimont S.p.A. da Sogen-Bayerische;
- for Euro 4,213 thousand the loan granted to Neosia S.p.A. by Banca Popolare di Milano in support of a specific project, whose final instalment is due in June 2019.
- for Euro 720 thousand the short-term capital portion of the no-recourse Project financing granted in 2018 to the project company MGR Verduno S.p.A. involved in the “Alba-Bra Hospital concession” initiative, a “construction and management” contract agreed with ASL CN2 and for Euro 4,316 thousand a specific VAT line, also considering this initiative;
- for Euro 35,331 thousand current account overdrafts for the utilization of credit lines granted and commercial advances relating to projects in progress.

Other current lenders amount to Euro 6,240 thousand, reducing Euro 4,302 thousand and mainly relate to the factoring operations within the management of the working capital of some projects.

Interest due on loans and bonds and bank overdrafts matured and not yet paid amount to Euro 1,711 thousand.



The composition of the net financial position is reported in the paragraph “Group balance sheet and financial position” in the Directors’ Report, to which reference should be made for further information on the changes compared to the previous period.

The following table reports the Group’s net financial debt at December 31, 2018 and December 31, 2017, in line with Consob communication No. DEM/6064293/2006 of July 28, 2006:

NET FINANCIAL DEBT MAIRE TECNIMONT GROUP		
<i>In Euro thousands</i>	31/12/2018	31/12/2017
A. Cash	(299)	(200)
B. Bank and postal deposits	(649,710)	(630,667)
C. Securities	-	-
D. Liquidity (A+B+C)	(650,008)	(630,868)
E. Current financial receivables	(13,422)	(25,332)
F. Current bank payables	195,191	68,718
G. Current portion of non-current debt	720	35,225
H. Other current financial payables	25,823	89,787
I. Current financial debt (F+G+H)	221,734	193,730
J. Net current financial debt (I-E-D)	(441,697)	(462,469)
K. Non-current bank payables	206,410	324,602
L. Bonds issued	202,634	39,719
M. Other non-current payables	6,139	249
N. Non-current financial debt (K+L+M)	415,183	364,569
O. Net financial debt (J+N)	(26,514)	(97,900)

The following table presents the reconciliation between the net financial debt and the net financial position of the Group at December 31, 2018 and December 31, 2017:

RECONCILIATION NFD & NFP		
<i>In Euro thousands</i>	31/12/2018	31/12/2017
O. Net financial debt	(26,514)	(97,900)
Net financial debt of discontinued operations	-	-
Other non-current financial assets	(13,761)	(8,920)
Financial instruments - Non-current derivatives	(1,084)	(1,222)
"Project Financing - Non-Recourse"	(36,270)	-
Other non-current assets - Expected repayments	(16,245)	-
Adjusted Net Financial Position	(93,874)	(108,042)

The adjusted net financial position at December 31, 2018 was a Net Cash position of Euro 93.9 million, reducing slightly on December 31, 2017, although altering in composition.

Cash and cash equivalents at December 31, 2018 amount to Euro 650,008 thousand, an increase of Euro 19,140 thousand compared to December 31, 2017.

Against the increase in cash and cash equivalents as already reported, the gross debt also rose following an increase in short-term debt due to factoring operations for the working capital management of a number of projects and increases in current account overdrafts for the utilization of short-term cash flow

management credit lines, including the increase in the “Revolving Facility” credit line issued in favor of Tecnimont from Euro 50 million to Euro 100 million.

The decrease in the mark to market of derivative instruments also impacted the financial position for Euro 34,549 thousand, principally concerning derivative instruments hedging order revenue and cost fluctuations, including raw materials, mainly as a result of the performance of the Dollar against the Euro compared to December 31, 2018.

The “Project Financing - Non-Recourse” financial payables account concerns the loan obtained in 2018 by the project company MGR Verduno S.p.A., engaged in the “Alba-Bra Hospital concession” construction and management contract agreed with ASL CN2. This is a no-recourse financial payable, i.e. for the financing of Concession sector initiatives not guaranteed by the parent company, but rather by cash flows from such initiatives of the Vehicle company during the infrastructure construction and management period. For this reason, it was excluded from the calculation of the adjusted net financial position.

The “adjusted net financial position” in addition includes the value of the assets related to the compensation for the events in India on the basis of the opinion of the legal experts and the insurance coverage provided by leading insurers, undertaken to protect against such events as illustrated in paragraph 28.7.

The estimate of the “fair value” of these financial instruments, calculated as indicated in the accounting policies section, at December 31, 2018 substantially approximated their book value. The breakdown by maturity of the gross financial debt is reported in the financial risks section.

28.25. Provisions for charges - within 12 months

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Provisions for charges - within 12 months	3,384	37,323	40,707
Total	3,384	37,323	40,707

The provision for charges within 12 months amounts to Euro 40,707 thousand and concerns the estimated costs for remuneration and incentive policies due within 12 months.

The increase in the year is essentially due to the reclassification of Euro 34,776 thousand from “Provisions for risks and charges - beyond 12 months” in relation to the Phantom Stock incentive plan for the Chief Executive Officer of the company and some Group Senior Managers which shall conclude in 2019 for Euro 12,530 thousand, in addition to the residual reclassification in relation to some long-term plans concluding in 2019, principally the deferred portion of the MBO Plan.

28.26. Tax payables

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Current income tax payables	21,393	(9,888)	11,505
Other tax payables	20,020	(4,527)	15,493
Total	41,413	(14,415)	26,998



Tax payables amount to Euro 26,998 thousand, increasing Euro 14,415 thousand on December 31, 2017, essentially due to higher estimated taxes in the period for the Italian companies, net of an increase for the overseas companies, mainly Tecnimont Russia.

The account principally includes payables for IRES corporate taxes under the Group tax consolidation and IRES and IRAP of the companies not participating in the tax consolidation for Euro 4,848 thousand, decreasing Euro 14,730 thousand on December 31, 2017. The account in addition includes for Euro 6,657 thousand income tax liabilities for overseas companies, mainly concerning Tecnimont Russia, Tecnimont Private Limited, TPI and Stamicarbon BV.

The other tax payables concern payables for VAT, mainly concerning the Indian subsidiary and residually the VAT of some Italian entities, while the residual amount includes IRPEF personnel withholding tax payables and withholding taxes on account for third party compensation and other tax payables.

At December 31, 2018, tax payables were as follows:

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Current income tax payables - Ires/Irap	19,577	(14,730)	4,848
Current income taxes payable - Imp. Overseas	1,816	4,841	6,657
VAT payables	11,824	(6,202)	5,623
Substitute taxes payable	5,630	1,171	6,801
Other tax payables	2,566	504	3,069
Total	41,413	(14,415)	26,998

28.27. Financial instruments - Derivatives

<i>(in Euro thousands)</i>	2017	Changes in the year	2018
Financial instruments - Currency hedging derivatives	9,876	10,620	20,495
Financial instruments - Interest rate hedging derivatives	0	613	613
Financial instruments - Raw material hedging derivatives	0	2,382	2,382
Financial instruments - Total Return Equity SWAP (TRES) derivatives	0	2,002	2,002
Total	9,876	15,616	25,493

Derivative financial instruments at December 31, 2018 amount to Euro 25,493 thousand, with an increase of Euro 15,616 thousand compared to December 31, 2017 and concern the fair value measurement of the derivative contracts in force.

The account for Euro 20,495 thousand relates to the measurement of the derivative instruments to hedge against currency risks on the cash flows related to project revenues and costs. The mark-to-market is negative as exchange rates between the subscription date of the derivative instruments and the reporting date saw a revaluation principally of the Dollar and the Ruble against the Euro; the negative mark-to-market will be offset by future operating cash flows of a similar amount.

The account concerns for Euro 631 thousand the valuation of Interest Rate Swaps (IRS) hedging the exposure to variable interest rate risk on the MGR Verduno S.p.A loan signed in the first half of 2018.

The account derivative financial instruments for Euro 2,382 thousand refers to the measurement of the derivative instruments to hedge against changes in the prices of raw materials (copper) whose value is

significant on the overall margin of the projects. The change derives from the market movements of exchange rates and commodities in the year.

The account for Euro 2,022 thousand relates to the negative fair value of the cash-settled Total Return Equity Swap (TRES) derivative instruments hedging movements in the Maire Tecnimont share price in the first half of 2018, Maire Tecnimont exercised the “Early Termination” option in settlement of a portion of the instruments; the settled portion hedged the risk for approx. 3.6 million shares; the differential received was approx. Euro 5.4 million and the residual quota of the instruments at December 31, 2018 hedged the risk on approx. 2.5 million shares, increasing by 1.1 million shares in the first months of 2019; the fair value was negative and therefore classified in the account Derivative financial instruments - liabilities.

The derivative contracts (TRES) were underwritten with a financial intermediary, with no obligation for Maire Tecnimont to acquire the treasury shares, but only the obligation for the settlement between the parties of the differential between the exercise price and the Maire Tecnimont share price on the maturity of the instruments. Contract maturity is in the first half of 2019. For accounting purposes, the TRES is measured in accordance with IFRS 9 as a fair value derivative through P&L.

For further information and analysis of the Fair Value Hierarchy, reference should be made to the “FINANCIAL RISKS” section.

28.28. Other current financial liabilities

<i>(in Euro thousands)</i>	2017	Changes in the year	2018
Other current financial liabilities	330	0	330
Other current financial liabilities - Equity Linked Bond	79,581	(79,581)	0
Total	79,911	(79,581)	330

Other current financial liabilities of Euro 330 thousand do not relate to bank debt but rather loans received from consortium companies. Other current financial liabilities specifically relate to the consortium company Cavtomi.

The decrease in “Other current financial liabilities” is due to the settlement of the “€80 million 5.75 per cent. Unsecured Equity- Linked Bonds due 2019”. In this regard, we report the following:

On January 25, 2018 - the Board of Directors of Maire Tecnimont approved the exercise of the advance repayment option in cash, at nominal value, of the equity-linked bond; on March 6, 2018 - Maire Tecnimont announced that - against the nominal value of the Loan at January 25, 2018 of Euro 79,900,000, for 799 bonds (the “Bonds”) still in circulation and listed on the Dritter Markt (Third Market) Multilateral Trading Facility organized and managed by the Vienna Stock Exchange - it had received, by the deadline of February 28, 2018, conversion requests from bondholders for a nominal value of Euro 79,800,000, corresponding to a total of 798 Bonds, at the conversion price of Euro 2,0964. The conversion requests were satisfied through delivery to entitled parties of a total 38,065,232 ordinary Maire Tecnimont shares, with full rights, of which 14,952,300 treasury shares of the company from the buy-back program to service the conversion of the Loan which commenced on September 25, 2017, and 23,112,932 newly-issued shares from a paid-in share capital increase to service the Loan, approved by the Extraordinary Shareholders’ Meeting of the company of April 30, 2014. The 1 Bond of a nominal value of Euro 100,000.00, for which a conversion request was not presented by the final deadline of February 28, 2018, was repaid in cash at the above nominal value, in addition to interest matured, according to that set out in the Bond Regulation, with value date of March 7, 2018.



28.29. Client advance payments

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Client advance payments	573,783	64,054	637,837
Total	573,783	64,054	637,837

They concern contractual advances from clients on the signing of construction contracts. Client advance payments at December 31, 2018 were Euro 637,837 thousand, increasing Euro 64,054 thousand on December 31, 2017, principally following the receipt of additional advances in relation to the new orders acquired from the Socar refinery in Azerbaijan, the Omsk Refinery and JG Summit Petrochemical Corporation in the Philippines, Borouge PP5, Hmel, Zcina Sonatrach and Lukoil, which exceeded the reabsorption, through invoicing on account, of advances received in preceding years.

28.30. Contractual Liabilities

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
(Works-in-progress)	(11,842,294)	(1,378,991)	(13,221,284)
Advances received on work-in-progress	12,250,855	1,306,027	13,556,882
Total	408,561	(72,963)	335,598

“Contract liabilities” are the net negative amount, by individual order, resulting from the difference between progressive production or the amount of works-in-progress recorded according to the percentage of completion net of losses realized or estimated at the reporting date and invoicing on account relating to the advancement of works.

The decrease in the net value of construction contract liabilities, amounting to Euro 72,963 thousand, relates to the advancement of the projects and their contractual terms, against which the value of works carried out in the period was higher than the invoicing on account following a substantial increase in production volumes in the year.

The gross change on works carried out and advances received on work-in-progress is also impacted by the values of the projects closed during the year and transferred to revenues from sales.

The value of construction liabilities includes additional requests on contracts for the quota considered highly probable to be accepted by the client; the variable components were recorded in accordance with the guidelines illustrated in the accounting policies.

28.31. Trade payables

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Suppliers - within 12 months	1,272,576	200,682	1,473,258
Subsidiaries - within 12 months	0	677	677
Associates - within 12 months	393	254	646
Parent companies - within 12 months	92	(20)	72
Group companies - within 12 months	9,245	(5,597)	3,649
Total	1,282,306	195,995	1,478,301

Trade payables at December 31, 2018 amount to Euro 1,478,301 thousand, an increase of Euro 195,995 thousand compared to December 31, 2017. The account includes also accruals at period-end for invoices to be received.

This increase relates to the development of projects which have entered into a phase of intense production and the increase in production volumes. In fact, despite reduced material purchases, service costs increased significantly, as for the main orders acquired procurement has been completed and the materials delivered, while intense construction is ongoing.

Trade payables to subsidiaries amounted to Euro 677 thousand and were due to the Metrofiera consortium.

Trade payables to associates amount to Euro 646 thousand and principally concern Studio Geotecnico Italiano for Euro 371 thousand, MCM Servizi Roma for Euro 95 thousand, TSJ Limited for Euro 109 thousand, BIO-P for Euro 66 thousand and Villaggio Olimpico Moi for Euro 4 thousand.

Payables to parent companies amount to Euro 72 thousand and concern GLV S.p.A for the leasing of office spaces and the use of brands.

Payables to group companies of Euro 3,649 thousand principally concern payables to consortiums and infrastructure initiatives relating to Metro B1 Consortium for Euro 2,731 thousand, the Cavtmi consortium for Euro 293 thousand and Tecnosanita' S.c.a.r.l and the consortium Tecnoenergia Nord e Sud S.c.a.r.l. totaling Euro 534 thousand: The decrease is related to the substantial completion of the activities and settlement of the reciprocal positions.

28.32. Other current liabilities

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Matured by personnel, not yet settled	26,149	3,585	29,734
Payables due to social security institutions	11,295	901	12,196
Expropriation payables	4,731	(535)	4,195
Tax payables (overseas states)	10,791	(4,374)	6,418
Accrued liabilities and deferred income	1,912	2,103	4,014
Other payables (other creditors)	9,100	782	9,881
Total	63,976	2,461	66,439



Other current liabilities at December 31, 2018 amount to Euro 66,439 thousand, increasing Euro 2,461 thousand on December 31, 2017.

The principal current other liability accounts refer to staff remuneration matured and not yet settled, principally payments for vacation and 14th month, and payables to Italian and foreign social security institutions including on contributions not yet matured. The increase essentially concerns the further expansion of the workforce in 2018.

The remaining other current liabilities concern expropriation payables and other various payables including deferred income.

“Expropriation payables” concern the payable for expropriations accumulated to date related to the “Fiumetorto-Cefalù” project managed by the company Cefalù 20 S.c.a r.l.; this payable is subject to reimbursement from the client.

“Other payables” principally concern the VAT payables of overseas branches.

The movement essentially concerns the increase in amounts matured and not yet paid to personnel and in social security payables due to the further expansion of the workforce during H1 2018, in addition to payables to other shareholders of the fully consolidated consortiums.

Public grants in accordance with Law No. 124/2017

With regards to the rules on the transparency of public grants as per Article 1, paragraphs 125-129 of Law No. 124/2017 - as subsequently supplemented by Legislative Decree No. 113/2018 and Legislative Decree No. 135/2018 and the relative interpretations concerning disclosure obligations, the Maire Tecnimont Group analyzed its situation and decided to present in this paragraph the amounts received in 2018 in the form of contributions and grants.

- As part of funded training plans, Euro 132 thousand was received from Fondimpresa and Euro 94 thousand from Fondirigenti;
- This was utilized to offset a research and development tax credit under Article 3 of Legislative Decree No. 145/2013 and subsequent amendments of Euro 1,146 thousand. In addition, in 2018 the Group recognized a research and development tax credit of Euro 1,307 thousand;
- In 2018, the Group recognized an advertising investment supplement tax credit in accordance with Article 57-*bis* of Legislative Decree No. 50 of April 24, 2017 of Euro 42 thousand;
- Public grants were received in relation to technological research and innovation projects funded by the Ministry for Economic Development for Euro 94 thousand, from Lazio Innova S.p.A for Euro 54 thousand and from the European Union (ENEA) for Euro 1,132 thousand;
- Subsidized loan contributions were received from the Ministry for Economic Development for Euro 38 thousand and contributions of Euro 11 thousand previously received from the Ministry for Universities and Research repaid;
- A tax deduction for Economic Growth Assistance (“ACE”) was applied of Euro 8,751 thousand.

29. Commitments and contingent liabilities

The Maire Tecnimont Group's financial guarantees at December 31, 2018 and December 31, 2017 were as follows:

MAIRE TECNIMONT GROUP FINANCIAL GUARANTEES (in Euro thousands)	31/12/2018	31/12/2017
GUARANTEES ISSUED IN THE INTEREST OF THE GROUP		
Sureties issued by third parties in favor of third parties, of which:		
Issued in favor of clients for orders under execution		
<i>Performance bonds (banks and insurance)</i>	1,499,227	1,193,271
<i>Advance Bonds (banks and insurance)</i>	933,858	549,540
<i>Others</i>	231,607	123,988
TOTAL GAURANTEES	2,664,692	1,866,799

"Guarantees issued in the interest of the Group" of Euro 2,664,692 thousand concern guarantees issued by Banks or Insurance companies in the interest of Group operating companies in relation to commitments undertaken upon core operations. In particular:

- "Performance Bonds": contract "successful execution" guarantee. With this guarantee, the bank undertakes the obligation to repay the client, up to a set amount, in the case of non-compliant execution of the contract by the contractor. In the case of large orders, SACE insurance cover may be requested for these risks in favor of the Bank.
- "Advance Bonds": repayment guarantee, requested for payment of contractual advances. With this guarantee the bank undertakes the obligation to repay the client a set amount, as reimbursement for amounts advanced, in the case of contractual non-compliance by the party requesting the guarantee (the contractor). In the case of large orders, SACE insurance cover may be requested for these risks in favor of the Bank.

Commitments

The Parent Company assumed commitments to clients and/or other beneficiaries to fulfil obligations, contractually undertaken by the company and/or subsidiaries awarded tenders as part of their core operations and therefore in the execution of orders, in the case of non-fulfilment of such and for the reimbursement for any damage from such non-fulfilment.

These commitments, which involve the undertaking of an obligation to complete, guarantee contracts whose total value amounts to Euro 11,896 million (Euro 12,702 million at December 31, 2017), including works already executed and the residual backlog at December 31, 2018.

The Parent Company also undertook other residual commitments (letters of Patronage) in favor of banks in the interest of some subsidiaries, principally Tecnimont S.p.A..



30. Related party transactions

All related party transactions have been conducted at market conditions. At December 31, 2018 the company's receivables/payables (including financial) and cost/revenue transactions with related parties for the period are presented in the tables below.

31/12/2018 (in Euro thousands)	Trade Receivables	Trade Payables	Costs	Revenues
G.L.V. Capital S.p.A	0	(72)	(576)	0
Maire Investments Group	4	(161)	(425)	3
Total	4	(233)	(1,001)	3

In particular, payable contracts refer to the lease of office buildings from Group companies, the use of the "Maire" trademark and other minor recharges from the parent G.L.V. Capital S.p.A. and from transactions with the Maire Investments Group, a company owned by the majority shareholder of Maire Tecnimont S.p.A., for the lease of office buildings and the lease of premises within the research center concerning the collaboration with La Sapienza University. The residual payable and receivable contracts relate respectively to administrative services, facility management and the purchase of flight time used by the Group.

Transactions with other non-consolidated and/or associated Group companies are purely commercial and relate to specific activities linked to contracts; in addition, certain consortiums, having substantially concluded operations, are in liquidation:

31/12/2018 (in Euro thousands)	Trade Receivables	Trade Payables	Financial Receivables	Financial Payables	Costs	Revenues
MCM servizi Roma S.c.a.r.l. in liquidation	0	(95)	0	0	0	0
Studio Geotecnico Italiano S.r.l.	0	(493)	0	0	(1,009)	0
Villaggio Olimpico MOI S.c.a.r.l. in liquidation	0	(4)	69	0	0	0
Desimont Contracting Nigeria Limited	1,544	0	0	(371)	0	0
Biolevano S.r.l	70	0	0	0	0	2,296
Nextchem S.r.l. (previously Processi Innovativi S.r.l)	152	(664)	0	0	(390)	65
BIO P S.r.l	7	(66)	18	0	(137)	13
TCM KTR LLP	13	0	213	0	0	8
Exportadora de Ingenieria y Servicios Tcm Spa	0	0	0	(67)	0	0
Volgafert LLC	1,133	0	0	0	0	1,133
Total	2,919	(1,322)	300	(438)	(1,536)	3,515

Remuneration of Directors, Statutory Auditors and Senior Executives is outlined below:

31/12/2018 (in Euro thousands)	Remuneration
Directors	7,106
Statutory Auditors	281
Total	7,387

The remuneration concerns emoluments and all other payments, pension-related or social security deriving from the role of Director or Statutory Auditor in Maire Tecnimont S.p.A. and the other companies within the consolidation scope.

The remuneration of Directors and Statutory Auditors and Senior Executives, appears in the 2018 Corporate Governance and Ownership Structure Report and the 2018 Remuneration Report, both available on the company website at www.mairetecnimont.it in the “Governance” section.

31. Independent Audit Firm fees

The following table, prepared pursuant to Article 149 of the Consob Issuer’s Regulation, reports the payments made in 2018 for audit services and other services carried out by the Audit Firm.

Type of service <i>(in Euro thousands)</i>	Provider	Recipient	2018 Fees
Audit	Pricewaterhousecoopers S.p.A.	Parent Company - Maire Tecnimont	261
	Pricewaterhousecoopers S.p.A.	Maire Tecnimont Group	1,795
	Pricewaterhousecoopers Network	Maire Tecnimont Group	398
Certification services (*)	Pricewaterhousecoopers S.p.A.	Parent Company - Maire Tecnimont	4
	Pricewaterhousecoopers S.p.A.	Maire Tecnimont Group	34
Other services **	Pricewaterhousecoopers S.p.A.	Parent Company - Maire Tecnimont	130
	Pricewaterhousecoopers Network	Parent Company - Maire Tecnimont	206
	Pricewaterhousecoopers S.p.A.	Maire Tecnimont Group	17
	Pricewaterhousecoopers Network	Maire Tecnimont Group	11

The fees do not include VAT, expenses and any Consob oversight contribution repayments

() Certification services include the signing of tax declarations.*

*(**) The Other services of the parent company include the balance of the methodological support for activities concerning the Group’s sustainability initiatives in 2017, the audit fee for the Sustainability Report - containing the Non-Financial Statement as per Legislative Decree 254/2016 and services concerning the issue of the Non-Convertible Bond Loan Maire Tecnimont S.p.A. - Senior Unsecured Notes due April 30, 2024 of Euro 165 million. The other services for the Group include the income tax declaration review for some of the overseas entities, activities agreed on financial statements prepared for the client as part of a commercial offer and reviews on the research and development tax credit.*



32. Financial risk management

The Group's ordinary operations are exposed to financial risks. Specifically:

- credit risk, both in relation to normal commercial transactions with clients and financial activities;
- liquidity risk, concerning difficulties in liquidating positions held within necessary timeframes or in sourcing operating funding;
- market risk, relating to fluctuations in interest rates, exchange rates and the prices of goods, as the Group operates at an international level in various currencies and utilizes financial instruments which generate interest;
- default and debt covenant risk regarding the possibility that loan contracts include clauses permitting the lending Banks and other lenders to request immediate repayment on the occurrence of certain events, resulting therefore in a liquidity risk.

The Maire Tecnimont Group constantly controls Group financial risks, anticipating potential negative impacts and undertaking appropriate corrective actions.

The following section provides qualitative and quantitative information on the impact of these risks on the Maire Tecnimont Group. The following quantitative data may not be used for forecasting purposes, in particular the sensitivity analysis on market risks may not reflect the complexity and the related market reactions from any change in assumptions.

32.1. Credit risk

The Maire Tecnimont Group credit risk represents the exposure to potential losses deriving from the non-compliance with obligations by counterparties. Credit risk stems from normal operations and is monitored by the operating and financial departments on the basis of set procedures, which establish the methods for quantifying and controlling client risk.

They are managed according to procedures, including credit recovery and dispute management. Presently, there is no significant concentration of credit risk by region or by Client, as the Group operates on geographically diversified markets and through a range of clients and business lines.

The maximum theoretical exposure to the credit risk for the Group at December 31, 2018 is the carrying value of the financial assets recorded in the accounts, and the nominal value of the guarantees given on debts and commitments to third parties.

Receivables at December 31, 2018 were recognized net of write-downs calculated according to counterparty non-compliance risk, based on client reliability (third parties, related parties and public sector clients). Application of IFRS 9 in relation to the impairment on financial assets on the basis of expected losses and the analysis on outstanding receivables at the previous reporting date, applying a risk factor on the basis of the specific default probability of the counterparties, increased the opening doubtful debt provision at 01.01.2018 by approx. Euro 8 million.

For IFRS 9 - Financial Instruments, the impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model, utilizing supporting information, available without unreasonable charges or effort, which includes historic, current and projected figures.

Despite this effect, the Group considered that, in view of the characteristics of the sector in which it operates, the introduction of new methods for estimates of financial assets' losses in value has not led to a significant impact on current measurement processes. This conclusion is derived from the fact that useful factors for the qualification of credit risk used previously with IAS 39, such as client risk, country risk and the evaluation of significant macroeconomic information, are considered to already be representative of a measurement method based on expected risk. In fact, credit risk is represented by the exposure to potential losses deriving from the non-compliance of obligations by buyers, who are almost entirely connected to

sovereign states, government bodies, overseas state entities, public administrations or large oil companies. Credit risk is, therefore, essentially linked to country risk.

At December 31, 2018, Trade receivables from third parties due within and beyond 12 months, respectively totaled Euro 416,025 thousand (Euro 453,320 thousand at December 31, 2017) and Euro 49,074 thousand (Euro 35,247 thousand at December 31, 2017), net of the doubtful debt provision of Euro 11,383 thousand (Euro 5,824 thousand at December 31, 2017).

Trade receivables from third parties by maturity and business unit are summarized below:

<i>(In Euro thousands)</i>	Overdue at 31/12/2018					
	Not overdue	From 0 to 90 days	From 91 to 365 days	From 365 to 731 days	Over 731 days	Total
Technology, Engineering & Construction	212,083	39,965	30,240	37,867	98,532	418,687
Infrastructure & Civil Engineering	23,125	8,400	1,671	3,492	2,392	39,080
Other	6,478	191	29	168	467	7,332
Total trade receivables - third parties	241,685	48,556	31,940	41,527	101,391	465,099
<i>Of which:</i>						
<i>Trade receivables due within 12 months Report note 28.11</i>						416,025
<i>Trade receivables beyond 12 months Report note 28.7</i>						49,074

For comparative purposes, the prior year amounts are presented below:

<i>(In Euro thousands)</i>	Overdue at 31/12/2017					
	Not overdue	From 0 to 90 days	From 91 to 365 days	From 365 to 731 days	Over 731 days	Total
Technology, Engineering & Construction	181,106	59,090	43,712	53,838	108,810	446,556
Infrastructure & Civil Engineering	16,406	11,016	5,507	826	3,459	37,214
Other	3,571	514	205	104	404	4,798
Total trade receivables - third parties	201,083	70,620	49,423	54,768	112,673	488,567
<i>Of which:</i>						
<i>Trade receivables due within 12 months Report note 28.11</i>						453,320
<i>Trade receivables beyond 12 months Report note 28.7</i>						35,247

Trade receivables are recorded net of the doubtful debt provision of Euro 11,383 thousand at December 31, 2018 (Euro 5,824 thousand at December 31, 2017).



<i>(In Euro thousands)</i>	2017	Provisions	Utilizations	Change in consolidation scope	IFRS 9 Transition Effect	Other changes	2018
Doubtful debt provision - customers	5,824	706	(2,182)	0	8,046	(1,012)	11,383
Total	5,824	706	(2,182)	0	8,046	(1,012)	11,383

Overdue trade receivables principally refer to the Infrastructure and Civil Engineering Business Unit and concern Italian public sector entities; in relation to the Technology, Engineering & Construction BU, they refer to a few positions and are constantly monitored. Neither client categories provide concern from a solvency viewpoint (Italian and foreign state bodies), or for the recoverability of the amounts.

Trade receivables overdue by 366 days and beyond 731 days significantly reduced in 2018, mainly due to the closure of a number of old positions, primarily from the Indian client Indian Oil Corporation Limited (IOCL), with whom a dispute arose in previous years and a settlement concluded during the year, resulting in the release of the unjustly held payments for works executed.

One of the main positions overdue by over 731 days is from the Indian client National Fertilizer Limited (NFL), with whom a case was taken for recognition of the previously advanced requests to the client for the issue of improperly withheld payments for works carried out, in addition to the recognition of additional compensation due to the extra costs incurred and chargeable to the client.

32.2. Liquidity risk

This risk concerns the difficulty in sourcing new funding or access to liquid assets, resulting in the enterprise's failure to satisfy payment commitments, being forced to incur additional funding costs or, in extreme instances, being faced with potential insolvency which may put its going concern at risk.

At the present moment, Maire Tecnimont considers that the good levels of liquidity held and prudent and functional management of the credit lines available are important elements for stability and sufficient to guarantee the resources necessary for operating continuity. The management of liquidity risk is based above all on the strategy of containing debt and maintaining financial equilibrium.

Cash and cash equivalents at December 31, 2018 amount to Euro 650,008 thousand, an increase of Euro 19,139 thousand compared to December 31, 2017.

Cash of Euro 23,607 thousand was absorbed by operating activities, as reflecting the expected working capital changes relating to the normal execution of projects which, during the full execution phase, absorb cash, while partially offset by new recently acquired contracts. Cash flows from operating activities include also income tax payments, which in 2018 totaled Euro 60,005 thousand.

The following table analyses the breakdown and maturities of financial liabilities according to non-discounted future cash flows:

31/12/2018 (in Euro thousands)	Due within 1 year	Due between 2 & 5 years	Due beyond 5 years	Total
Bank payables	192,843	197,968	26,431	417,242
Payables to other lenders	6,467	0		6,467
Other current financial liabilities	330	0	0	330
Other non-current financial liabilities	0	45,650	185,970	231,620
Derivative instruments	25,493	6,139	0	31,631
Total financial liabilities (current and non-current)	225,133	249,757	212,401	687,291

Future interest is estimated on the basis of existing market conditions at the preparation date of the financial statements.

The portion “beyond 5 years” concerning the bank payables relates to the new Project financing loan from a syndicate of banks including IMI, BPER and Intesa Sanpaolo to the project company MGR Verduno S.p.A., engaged in the “Alba-Bra Hospital concession” “construction and management” contract agreed ASL CN2, which obtained project financing from a banking syndicate. This is a no-recourse financial payable for the financing of Concession sector initiatives not guaranteed by the parent company, but rather by cash flows from such initiatives to be received by the Vehicle company involved in the initiative during the infrastructure construction and management period.

The “beyond 5 years” category concerns other non-current financial liabilities and relates to the new non-convertible Bond loan for a total of Euro 165 million issued in 2018, with repayment scheduled for April 30, 2024.

For comparative purposes, the prior year amounts are presented below:

31/12/2017 (in Euro thousands)	Due within 1 year	Due between 2 & 5 years	Due beyond 5 years	Total
Bank payables	94,377	324,602	0	418,979
Payables to other lenders	9,566	0	0	9,566
Other current financial liabilities	79,911	0	0	79,911
Other non-current financial liabilities	0	39,719	0	39,719
Derivative instruments	9,876	249	0	10,124
Total financial liabilities (current and non-current)	193,730	364,569	0	558,299



32.3. Market risks

Currency risk

The Group is exposed to risks deriving from exchange rate fluctuations, which may impact on the result and on the net equity value. In particular, where the companies of the Group incur costs and revenues in currencies which do not offset each other, the variance in the exchange rate may impact on the operating result of these companies.

The principal exchange rates the Group is exposed to are:

- USD/EUR, in relation to US Dollar sales on contracts whose revenues are entirely or principally denominated in USD, as acquired in markets where the Dollar is the benchmark for commercial trading;
- EUR/USD, in relation to purchases of Dollars on contracts whose revenues are entirely or mainly denominated in EUR, although the costs are partly sustained in USD.
- EUR/USD, in relation to purchases of Rubles on contracts whose revenues are entirely or mainly denominated in EUR, although the costs are partly sustained in USD.
- EUR/CNY, in relation to purchases of Renminbi on contracts whose revenues are entirely or mainly denominated in EUR, although the costs are partly sustained in CNY.

Other lesser exposures concerning USD/JPY, USD/MYR and EUR/PLN exchange rates.

In order to reduce currency risk, the Maire Tecnimont Group companies have adopted the following strategies:

- on signing the individual contracts, the part of receipts to cover payments in differing currencies, calculated during the entire duration of the order, are hedged through currency derivatives (cash flow hedging).
- contracts, where possible, are agreed in the payment currency in order to reduce hedging costs.

In the case of loans drawn down by companies of the Group in currencies other than the currency of the individual entities, they assess the need to hedge the currency risk through swap contracts.

The assets and liabilities of companies consolidated in currencies other than the Euro may be translated into Euro at varying exchange rates. In accordance with the accounting principles adopted, the effects of these changes are recorded directly in equity, in the account Translation reserve.

Raw material price change risk

The Group is exposed to risks deriving from raw material price fluctuations, which may impact on the result and on the net equity value. In particular, where Group companies incur semi-finished or finished product procurement costs (e.g. machinery, piping, cables), for which the raw material content is a significant portion of the overall project margin, price changes in this commodity may impact the operating results of these companies.

Interest rate risk

Maire Tecnimont Group interest rate risk essentially concerns its variable medium/long-term loans. Variable rate debt interest rate risk not hedged through derivative instruments is however partly mitigated by liquidity remunerated at rates indexed to the same debt parameter (euribor). Any consequent interest rate fluctuations may create similar effects upon cash flows generated from inventories, although in an opposing manner than those produced on cash flows related to debt positions.

The Group also has Interest Rate Swaps (IRS) hedging the exposure to variable interest rate risk on the loan signed in the first half of 2018.

Maire Tecnimont share price change risk

The company utilizes derivative instruments to hedge against movements in the Maire Tecnimont share price, in view of the implementation of a buy-back program to satisfy the “Equity Settled” employee plans, as the Group has assigned its capital instruments as additional remuneration for services received (employment). Maire Tecnimont S.p.A therefore subscribed to two cash-settled Total Return Equity Swap (TRES) derivative instruments, undertaken to hedge against movements in the Maire Tecnimont share price. The TRES derivative instruments for accounting purposes are measured in accordance with IFRS 9 at fair value through P&L.

Sensitivity analysis

The potential fair value loss (see table below) of currency risk derivatives (currency forwards, currency swaps and currency options) and derivatives on raw material price changes (commodity forwards), on interest rates (Interest rate swap) and on changes in TRES contracts held by the Group at December 31, 2018, following a hypothetical unfavorable and immediate change of 10% in the exchange and interest rates and the price of raw materials and shares of Maire Tecnimont, would result in a reduction in shareholders’ equity of approx. Euro (17,875) thousand, net of the tax effect.

Financial instrument (Euro thousands)	Book value at 31/12/2018	Income statement impact	Shareholders' equity impact	Income statement impact	Shareholders' equity impact
Net Financial Assets/Liabilities		+10%		-10%	
Currency Option (*)	(4,794)		(23,439)		20,551
Currency Forward (*)	(14,840)	(171)	(356)	255	(1,373)
Interest Rate Swap (*)	(1,764)		276		(314)
Commodity (*)	(109)	2,896	0	(2,896)	0
Tres (*)	(1,969)	796		(796)	
Impact on financial assets/liabilities before tax effect		3,521	(23,519)	(3,438)	18,863
Tax rate		24.00%	24.00%	24.00%	24.00%
Impact on financial assets/liabilities, net of tax effect		2,676	(17,875)	(2,613)	14,336
Total increase (decrease)		2,676	(17,875)	(2,613)	14,336

Receivables, payables and future cash flows are not considered where hedging operations have been undertaken. It is considered reasonable that currency movements may produce an opposing impact, of an equal amount, on the hedged underlying transactions.



32.4. Interest rate risk

The Maire Tecnimont Group is exposed to interest rate risk in relation to debt service costs.

Net Debt <i>(In Euro thousands)</i>	Total	Hedged portion	Non-hedged portion
Short-term debt	196,241	0	196,241
Medium/long-term debt	409,043	33,406	375,638
Total debt	605,284	33,406	571,879
<i>Total Cash and Cash Equivalents</i>	<i>(650,008)</i>	<i>0</i>	<i>(650,008)</i>

The risk on the variable rate debt is presently essentially mitigated by the fact that Group cash deposits are remunerated at interest rates indexed to the same debt parameter (Euribor).

The Group also has Interest Rate Swaps (IRS) hedging the exposure to the variable interest rate risk on the no-recourse loan of MGR Verduno S.p.A signed in the first half of 2018.

32.5. Default and debt covenant risk

This concerns the possibility that loan contracts include clauses permitting the lending Banks and other lenders to request immediate repayment on the occurrence of certain events, resulting therefore in a liquidity risk.

In July 2018, in completion of the funding diversification and restructuring of the Group medium/long-term debt, the subsidiary Tecnimont S.p.A. agreed a new medium/long-term cash loan for a total amount of Euro 285 million. The operation stipulates the issue of a new medium/long-term cash credit line for Euro 185 million, with Euro 175 million allocated for the full repayment of the residual part of the original Euro 350 million loan undertaken by Tecnimont and Euro 10 million to top up the original loan, in addition to the increase of the “Revolving Facility” credit line issued in favor of Tecnimont from Euro 50 million to Euro 100 million. The New Loan Contract has enabled a reduction in the applicable medium/long-term Group debt margin from 1.95% to 1.70%, extending the maturity from March 2022 to June 30, 2023 and reviewing the repayment plan.

The new loan includes covenants in line with normal business practice for such operations; specifically, the loan’s financial covenants concern the ratio between the net financial position and net equity, as well as between the net financial position and EBITDA, with next measurement on the FY 2018 figures.

In 2017, Maire Tecnimont S.p.A. concluded agreements for the subscription through private placement by the Pan-European Fund and the Export Development Fund (created by SACE), both managed by Amundi Group companies, of non-convertible bonds amounting to Euro 40,000,000. The bonds, divided into two equal tranches, are of six-year duration with bullet repayment on maturity.

Again in this case, the bonds are supported by covenants in line with market practice; specifically, the bond covenants regard the maintenance of a ratio between the net financial position and net equity, as well as between the net financial position and EBITDA, next measured on the December 31, 2018 figures.

On May 3, 2018, Maire Tecnimont issued 165,000 Non-Convertible Bonds at a price equal to 100% of the nominal value, and with a unitary minimum value of Euro 1,000 (thousand), for a total of Euro 165 million. The Bond interest rate is 2.625% annually, with interest paid on a deferred basis on April 30 and October 31 of each year, from October 31, 2018. The Bonds shall be settled at the nominal value on April 30, 2024 where not previously settled or cancelled.

The Bond Loan is part of a project to diversify funding and optimize the medium/long-term debt in order to align its structure with the altered financial needs of the Maire Tecnimont Group.

The Bond issue terms and conditions stipulate incurrence-type covenants regarding the debt level; specifically, the bond financial covenants require the maintenance of a stated net financial position/EBITDA ratio, measured annually and initially on the December 31, 2018 figures.

Maire Tecnimont is currently not aware of any default situations regarding the above-mentioned covenants.

FORWARD OPERATION AND DERIVATIVES INSTRUMENTS

In presenting hedges, the IFRS 9 requirements are verified for application of hedge accounting. In particular:

- hedges under IFRS 9: these are broken down between cash flow hedges and fair value hedges. For cash flow hedges, which are currently the only category present, the matured result, where realized, is included in EBITDA with regards to currency hedges, while the fair value change is recognized to shareholders' equity for the effective portion and to the income statement for the ineffective portion.
- not considered hedges under IFRS 9: the result and the fair value change are recognized to the financial statements under EBITDA in financial income and expenses.

Derivative instruments at December 31, 2018

The table below shows the outstanding amounts of derivatives in place at the reporting date, analyzed by maturity:

(Euro thousands)	Book value at 31/12/2018		Notional		
	MTM	Projected cash flows	Within 1 year	Between 2 and 5 years	Over 5 years
Currency Option (*)	(4,794)	370,895	196,658	174,237	
Currency Forward (*)	(14,841)	415,836	415,044	792	
Interest Rate Swap (*)	(1,764)	33,406	795	6,123	26,487
Commodity (*)	(109)	29,068	24,874	4,193	
Tres (*)	(1,969)	9,985	9,985		

(*) "Level 2" of Fair-Value

The Group has the following forward currency contracts:

Description	Currency	Notional in foreign currency	Notional in Euro	Fair value at 31.12.2018
Forward purchases CNY against EUR sales	CNY	926,000,000	113,257,154	2,006,087
Forward purchases JPY against USD sales	JPY	99,121,000	774,940	15,341
Forward purchases MYR against USD sales	MYR	13,000,000	2,665,191	84,660
Forward purchases RUB against EUR sales	RUB	21,349,314,377	259,735,128	(12,186,887)
Forward purchases RUB against EUR sales	RUB	232,000,000	2,997,416	133,575
Forward purchases PLN against EUR sales	PLN	19,300,000	4,455,649	21,470
Forward purchases USD against EUR sales	USD	197,894,000	168,719,306	2,211,902
Forward purchases USD against EUR sales	USD	283,590,000	234,125,520	(11,920,763)
Total guarantees			786,730,304	(19,634,614)



The Group has the following forward contracts on raw materials:

Description	Commodity	Tons	Notional in Euro	Fair value at 31.12.2018
Forward purchases	Copper	3,664	19,737,091	(643,524)
Forward purchases	Palladium	6,218	5,137,317	1,102,652
Forward purchases	Platinum	5,038	4,193,200	(567,761)
Total guarantees			29,067,608	(108,632)

The Group has the following Total Return Equity Swap (TRES) contracts on the share price:

Description	Shares	Pieces	Notional in Euro	Fair value at 31.12.2018
TRES 1	Maire Tecnimont	2,067,800	8,687,345	(2,001,949)
TRES 2	Maire Tecnimont	413,000	1,297,976	33,419
Total guarantees			9,985,321	(1,968,529)

Currency derivatives

The Group utilizes currency derivatives to offset any future order receipt and/or payment cash flow fluctuations from unfavorable currency movements. At December 31, 2018, derivative financial instruments concerned forward operations and, particularly, currency hedges related to Maire Tecnimont Group foreign currency orders.

Currency derivatives are undertaken with leading Italian and overseas banks in order to hedge operations and also for accounting purposes. These instruments qualify as hedging instruments. The changes in the fair value of the derivative instruments designated, and which are efficient, to hedge future cash flows relating to the Group contractual commitments are directly recorded under Shareholders' Equity, while the non-efficient portion are immediately recorded in the Income Statement.

The amounts recorded directly under Shareholders' Equity are included in the Income Statement in the same period that the cash flow hedged is included.

32.6. Classification of the financial instruments

IFRS 7 requires that the classification of financial instruments valued at fair value is determined based on the quality of the input sources used in the valuation of the fair value. The IFRS 7 classification implies the following hierarchy:

- Level 1: fair value calculation according to active market prices. Group instruments do not fall within this category;
- Level 2: fair value measurement according to market prices or similar assets or through measurement techniques for which all significant factors are directly or indirectly based on observable market data. Group instruments fall within this category.
- Level 3: fair value measurement according to valuation models whose input is not based on observable market data ("unobservable inputs"). Some instruments whose value is based on models

with inputs not directly based on observable market data are currently in place, particularly in relation to the valuation of minority holdings.

For all derivative instruments used by the Group, the fair value is calculated according to measurement techniques based on observable market parameters (“Level 2”); during the period, no transfers were made between Level 1 and Level 2 and vice versa.

As required, we report the type of financial instruments present in the financial statements, with indication of the accounting policies applied. The book value of financial assets and liabilities substantially coincide with their fair value.

31.12.2018 <i>(in Euro thousands)</i>	Loans and Receivables - Amortized Cost	Derivative Instruments - Fair value (*)	Derivative Instruments - Hedge Accounting - Fair Value (*)	Capital instruments - Fair Value OCI (**)	Total
Other non-current financial assets	8,763	-		19,029	27,792
Other non-current assets	85,432	-	-	-	85,432
Trade receivables	425,768	-	-	-	425,768
Financial instruments - Current and non-current derivatives	-	2,875	5,281	-	8,156
Other current financial assets	6,351	-	-	-	6,351
Other current assets	135,548	-	-	-	135,548
Cash and cash equivalents	650,008	-	-	-	650,008
Total Financial Assets	1,311,870	2,875	5,281	19,029	1,339,055

(*) “Level 2” of the Fair-Value

(**) “Level 3” of Fair-Value

31.12.2018 <i>(in Euro thousands)</i>	Financial Liabilities - Amortized Cost	Derivative Instruments - Fair value (*)	Derivative Instruments - Hedge Accounting - Fair Value (*)	Total
Financial debt - non-current portion	206,410			206,410
Other non-current financial liabilities	202,634			202,634
Short-term debt	195,911			195,911
Other current financial liabilities	330			330
Financial instruments - Current and non-current derivatives		4,952	26,679	31,631
Trade payables	1,478,301			1,478,301
Other Current Liabilities	66,439			66,439
Total Financial Liabilities	2,150,026	4,952	26,679	2,181,657

(*) “Level 2” of the Fair-Value



33. Positions or transactions arising from atypical and/or unusual operations

In accordance with Consob Communication of July 28, 2006 No. DEM/6064293, the Group did not undertake any atypical and/or unusual operations, as defined in the communication.

34. Significant non-recurring events and operations

In 2018, the Group did not execute any significant non-recurring operations in accordance with Consob Communication No. DEM/6064293 of July 28, 2006.

35. Subsequent events after December 31, 2018

For significant events following year-end, reference should be made to the accompanying Directors' Report.

36. Statement on the consolidated financial statements as per Article 154-bis, paragraph 5 of Legislative Decree No. 58/98 and subsequent amendments and supplements

1. The undersigned Pierroberto Folgiero, as “Chief Executive Officer” and Dario Michelangeli as “Executive for Financial Reporting” of MAIRE TECNIMONT S.p.A. declare, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:
 - the conformity in relation to the characteristics of the company and
 - the effective application of the administrative and accounting procedures for the compilation of the consolidated financial statements for 2018.
2. In addition, we declare that the consolidated financial statements:
 - are drawn up in conformity with the applicable international accounting standards recognized by the European Union in accordance with Regulation (CE) No. 1606/2002 of the European Parliament and the Commission of July 19, 2002;
 - correspond to the underlying accounting documents and records;
 - are drawn up as per Article 154-ter of the above-stated Legislative Decree No. 58/98 and subsequent amendments and supplements and provide a true and fair view of the balance sheet, income statement and financial position of the issuer and the companies included in the consolidation.
3. The Directors’ Report includes a reliable analysis on the performance and operating result as well as the situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

This statement is provided also in accordance with Article 154-bis, paragraph 2 of Legislative Decree No. 58 of February 24, 1998.

Milan, March 14, 2019

The Chief Executive Officer

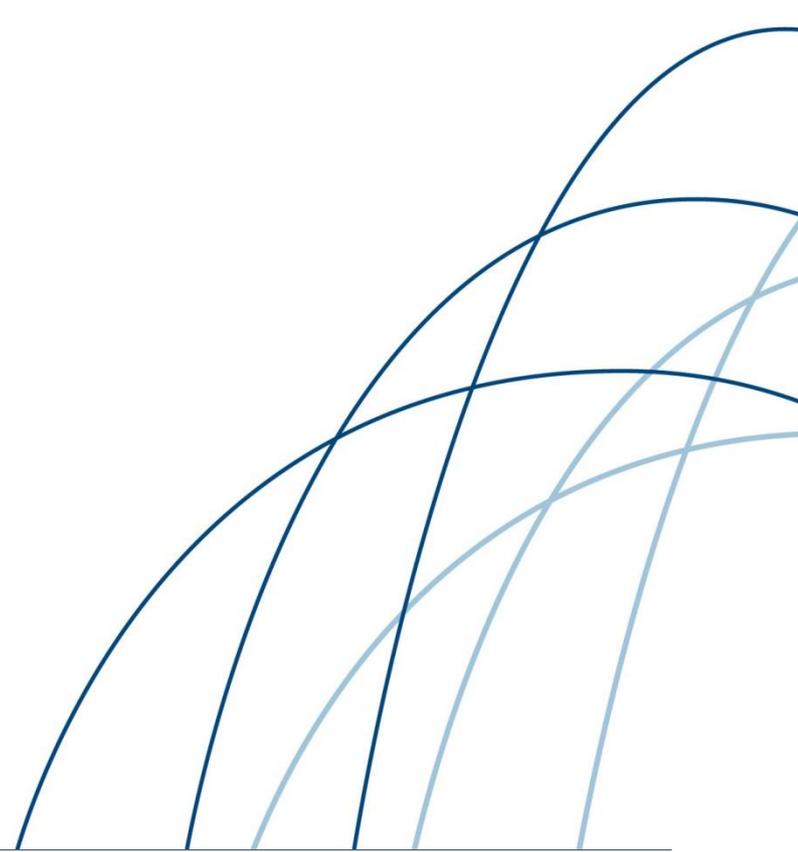
Pierroberto Folgiero

The Executive Officer
for Financial Reporting

Dario Michelangeli

Financial Statements and Explanatory Notes

at December 31, 2018



37. Financial Statements

37.1. Income Statement

(in Euro)	Note	2018	2017
Revenues	41.1	93,166,712	94,600,601
Other operating income	41.2	3,596,429	3,030,945
Total Revenues		96,763,142	97,631,546
Raw materials and consumables	41.3	(46,953)	(36,112)
Service costs	41.4	(18,308,344)	(16,587,674)
Personnel expense	41.5	(29,413,389)	(24,751,644)
Other operating costs	41.6	(2,537,466)	(2,151,247)
Total Costs		(50,306,153)	(43,526,678)
EBITDA		46,456,989	54,104,868
Amortization, depreciation and write-downs	41.7	(258,066)	(160,544)
EBIT		46,198,923	53,944,325
Financial income	41.8	2,944,108	27,346,455
Financial expenses	41.9	(14,074,235)	(19,569,768)
Investment income/(expense)	41.10	0	0
Income before tax		35,068,796	61,721,011
Income taxes	41.11	4,397,413	(1,577,329)
Net income for the year		39,466,209	60,143,682
Basic earnings per share	41.12	0.12	0.203
Diluted earnings per share	41.12	0.12	0.189

The transactions with related parties, pursuant to Consob Resolution No. 15519 of July 27, 2006, are illustrated in the separate disclosure "Related Party Transactions", while in the tables no separate indication was provided as not considered significant.



37.2. Comprehensive Income Statement

(in Euro)	Note	2018	2017
Net income for the year		39,446,209	60,143,682
Other comprehensive income/(expense) which may not be subsequently reclassified to income/(loss) for the year:			
Actuarial gains/(losses)	42.12	(497)	(21,212)
Relative tax effect	42.12	137	5,833
Total other comprehensive income/(expense) which may not be subsequently reclassified to income/(loss) for the year:		(360)	(15,379)
Total comprehensive income		39,465,849	60,128,303
Basic comprehensive earnings per share		0.12	0.203
Diluted comprehensive earnings per share		0.12	0.189

37.3. Balance Sheet

(in Euro)	Note	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	42.1	670,680	567,636
Other intangible assets	42.2	3,601,943	3,713,054
Investments in subsidiaries	42.3	763,223,927	763,412,835
Other non-current assets	42.4	1,165,282	1,214,161
Other non-current financial assets	42.5	0	62,195,377
Deferred tax assets	42.6	3,685,197	2,910,176
Total non-current assets		772,347,030	834,013,239
Current assets			
Trade receivables	42.7	48,879,375	57,362,732
Current tax assets	42.8	3,563,714	18,595,281
Financial instruments - Derivatives	42.9	33,419	5,403,647
Other current financial assets	42.10	135,277,218	3,200,000
Other current assets	42.11	2,495,005	3,822,065
Cash and cash equivalents	42.12	41,993,341	2,124,112
Total current assets		232,242,072	90,507,837
Total Assets		1,004,589,101	924,521,075

The transactions with related parties, pursuant to Consob Resolution No. 15519 of July 27, 2006, are illustrated in the separate disclosure "Related Party Transactions", while in the tables no separate indication was provided as not considered significant.



(in Euro)	Note	2018	2017
Shareholders' Equity & Liabilities			
Shareholders' Equity			
Share capital	42.13	19,920,679	19,689,550
Share premium reserve	42.13	272,921,086	224,698,265
Other reserves	42.13	114,775,533	108,911,977
Valuation reserve	42.13	(60,721)	(60,361)
Total shareholders' equity and reserves	42.13	407,556,577	353,239,431
Retained earnings (accumulated losses)	42.13	16,370,907	(1,708,879)
Net income for the year	42.13	39,466,209	60,143,682
Total Shareholders' Equity		463,393,694	411,674,234
Non-current liabilities			
Provisions for risks and charges - beyond 12 months	42.14	1,043,838	11,899,678
Deferred tax liabilities	42.6	607,521	471,653
Post-employment & other employee benefits	42.15	502,017	511,846
Other non-current financial liabilities	42.16	202,633,763	372,523,926
Total non-current liabilities		204,787,139	385,407,103
Current liabilities			
Short-term debt	42.17	989,151	1,963,585
Provisions for risks and charges - within 12 months	42.18	16,620,997	0
Tax payables	42.19	2,063,939	19,162,556
Financial instruments - Derivatives	42.20	2,001,949	0
Other current financial liabilities	42.21	296,130,549	79,581,434
Trade payables	42.22	15,498,354	20,497,937
Other Current Liabilities	42.23	3,103,329	6,234,227
Total current liabilities		336,408,268	127,439,739
Total Shareholders' Equity and Liabilities		1,004,589,101	924,521,075

The transactions with related parties, pursuant to Consob Resolution No. 15519 of July 27, 2006, are illustrated in the separate disclosure "Related Party Transactions", while in the tables no separate indication was provided as not considered significant.

38. Statement of changes in Shareholders' Equity

<i>(In Euro)</i>								
	Share capital	Share premium reserve	Legal reserve	Other reserves	Valuation reserve	Retained earnings/accum. losses	Income/(loss) for the year	Shareholders' Equity
December 31, 2016	19,689,550	224,698,264	5,328,333	158,190,290	(44,982)	(1,708,879)	9,531,489	415,684,065
IFRS 2 (Employee share plans)				6,694,209				6,694,209
Distribution dividends				(18,882,568)		(9,531,489)		(28,414,057)
Allocation of the result						9,531,489	(9,531,489)	0
Treasury shares				(42,214,651)				(42,214,651)
Other movements				(203,636)				(203,636)
Comprehensive income/(loss) for the year					(15,379)		60,143,682	60,128,303
December 31, 2017	19,689,550	224,698,264	5,328,333	103,583,644	(60,361)	(1,708,879)	60,143,682	411,674,234
December 31, 2017	19,689,550	224,698,264	5,328,333	103,583,644	(60,361)	(1,708,879)	60,143,682	411,674,234
IFRS 2 (Employee share plans)				(2,754,471)				(2,754,471)
Share capital increase in service of Equity Linked Bond	231,129	48,222,822						48,453,951
Distribution dividends						(42,063,895)		(42,063,895)
Allocation of the result						60,143,682	(60,143,682)	0
Utilization Treasury Shares 2018 for PAD 2017				4,949,000				4,949,000
Acquisition of Treasury Shares 2018				(27,706,000)				(27,706,000)
Utilization Treasury Shares 2018 for Conversion Equity Link Bond				64,942,000				64,942,000
Effect Equity Link Bond Conversion				(33,596,624)				(33,596,624)
Other movements				29,651				29,651
Comprehensive income/(loss) for the year					(360)		39,466,209	39,465,849
December 31, 2018	19,920,679	272,921,086	5,328,333	109,447,200	(60,721)	16,370,908	39,466,209	463,393,694



39. Cash Flow Statement (indirect method)

(in Euro)	2018	2017
Cash and cash equivalents at beginning of the year (A)	2,124,112	297,535
Operating Activities		
Net Result	39,466,209	60,143,682
Adjustments for:		
Amortization of intangible assets	111,110	103,029
Depreciation of non-current tangible assets	146,955	57,515
Financial charges	14,074,235	19,569,768
Financial expenses	(2,944,108)	(27,346,455)
Income taxes	(4,397,413)	1,577,329
Write-downs on investments	0	0
(Increase) / Decrease in trade receivables	8,483,356	23,516,450
Increase / (Decrease) in other liabilities	(3,130,898)	1,681,123
(Increase)/Decrease in other assets	1,375,940	(471,050)
Increase/(Decrease) in trade payables	(4,999,583)	(6,901,749)
Increase / (Decrease) in provisions (incl. post-employ. benefits)	5,775,328	568,359
Income taxes paid	(36,469,847)	(5,400,000)
Cash flow from operating activities (B)	17,471,285	67,098,002
Investing Activities		
(Investment)/Disposal of non-current tangible assets	(250,000)	(530,656)
(Investment)/Disposal of intangible assets	0	(546,392)
(Increase)/Decrease in other investments	(2,275,000)	(8,730,000)
Cash flow from investing activities (C)	(2,525,000)	(9,807,048)
Financing Activities		
Change in current loans and borrowings and interest paid	(11,863,576)	(2,960,995)
Change in other financial assets/liabilities	(56,116,665)	(16,641,980)
Increase securities/bonds	162,674,000	39,719,171
Dividends	(42,063,896)	(28,414,058)
Treasury Shares	(27,706,918)	(47,166,515)
Cash flow from financing activities (D)	24,922,945	(55,464,377)
Increase/(Decrease) in cash and cash equivalents (B+C+D)	39,869,230	1,826,577
Cash and cash equivalents at end of year (A+B+C+D)	41,993,341	2,124,112

The transactions with related parties, pursuant to Consob Resolution No. 15519 of July 27, 2006, are illustrated in the separate disclosure "Related Party Transactions", while in the tables no separate indication was provided as not considered significant.

40. Explanatory Notes as of 31 December 2018

BASIS OF PREPARATION

INTRODUCTION

Maire Tecnimont S.p.A. is a company incorporated in Italy at the Rome Companies Registration Office. According to the provisions of the first paragraph of Article 4 of Legislative Decree 38/2005, the statutory financial statements of Maire Tecnimont S.p.A. (separate financial statements), as listed on an Italian regulated market, have been prepared according to International Financial Reporting Standards (hereafter “IFRS” or international accounting standards) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure at Article 6 of Regulation (EC) No. 1606/2002 of the European Parliament and Council of July 19, 2002. The financial statements are prepared under the historical cost convention (modified where applicable for the valuation of certain financial instruments), as well as on the going concern assumption.

The financial statements are presented in Euro which is the Company’s functional currency.

FINANCIAL STATEMENTS

The financial statements and disclosure reported in these statutory financial statements were prepared as per IAS 1 REVISED, CONSOB communication No. 1559 and CONSOB communication No. 6064293, issued on July 28, 2006.

The Balance Sheet accounts are classified between current and non-current, while the Income Statement and Comprehensive Income Statement are classified by nature of expenses.

The Cash Flow Statement is presented in accordance with the indirect method, adjusting the income for the period with non-cash items.

The Statement of change in Shareholders’ Equity reports comprehensive income (charges) for the period and the changes in Shareholders’ Equity.

GOING CONCERN

The Group and the company consider the going concern principle appropriate for the preparation of the consolidated and separate financial statements at December 31, 2018.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLICABLE FROM JANUARY 2018

Standard IFRS 15 - Revenue from Contracts with Customers (published on May 28, 2014 and supplemented with further clarifications on April 12, 2016) which replaces IAS 18 - Revenue and IAS 11 - Construction Contracts, in addition to the interpretations IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new revenue recognition model, which will apply to all contracts with clients, with the exception of those falling under the application of other IAS/IFRS such as leasing, insurance contracts and financial instruments. The essential issues for the recognition of revenues according to the new model are: the identification of the contract with the client; the identification of the performance obligations of the contract; the establishment of the price; the allocation of the price to the performance obligations of the contract; the recognition criteria of the revenues when the entity satisfies each of the performance obligations.

The application of the revenue recognition model as per IFRS 15 and as previously mentioned, did not indicate any impacts. The company recognizes revenues for essentially inter-company services as per IAS 18. This method is not expected to change with the introduction of IFRS 15, being one of the input-based methods set out by the new standard.



IFRS 9 - Financial instruments (published on July 24, 2014). The document incorporates the results of the Classification and measurement, Impairment and Hedge accounting phases of the IASB project to replace IAS 39:

- it introduces new criteria for the classification and measurement of financial assets and liabilities involving processes that reflect the business model according to which such assets are managed and the characteristics of their financial flows. The standard classifies financial assets into three principal categories based on the measurement criterion: ‘at amortized cost’, ‘at fair value recorded in other comprehensive income statement items’ and ‘at fair value recorded in the profit/(loss) for the year’. The categories under IAS 39, that is, held-to-maturity financial instruments, loans and receivables and available-for-sale financial instruments, are eliminated;
- the impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model, utilizing supporting information, available without unreasonable charges or effort, which includes historic, current and projected figures;
- introduces a new hedge accounting model (increase in the types of transactions eligible for hedge accounting, changes in the accounting method of forward contracts and options when included in a hedge accounting relationship, change in the effectiveness test).

The standard was applied from January 1, 2018, but without effects on the financial statements of the company (only requiring additional disclosure).

OTHER ACCOUNTING STANDARDS, APPLIED FROM JANUARY 1, 2018

The following amendments and interpretations applied from January 1, 2018 did not have a significant impact on the company financial statements.

- Amendment to IFRS 2 “Classification and measurement of share-based payment transactions (published on June 20, 2016) which contains clarifications upon the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, on the classification of share-based payments with characteristics of net settlement and the recognition of the amendments to the terms and conditions of a share-based payment which changes the classification from cash-settled to equity-settled.
- Document “Annual Improvements to IFRSs: 2014-2016 Cycle”, published on December 8, 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures - Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the Standard) which partially integrates the pre-existing standards.
- Interpretation IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (published on December 8, 2016). The interpretation provides guidelines for transactions in foreign currencies where advances or non-monetary payments on account are recorded in the financial statements, before the recognition of the relative asset, cost or revenue. This document provides indications on how an entity should determine the date of a transaction, and consequently, the exchange rate to be utilized concerning operations in foreign currencies concerning payments made or received in advance.
- Amendment to IAS 40 “Transfers of Investment Property” (published on December 8, 2016). These amendments clarify the transfers of a building to, or from, investment property. In particular, an entity shall reclassify a building to, or from, investment property only when there is a clear

indication of a change in the use of the building. This change must be attributable to a specific event and shall not therefore be limited to only a change in intention by management of the entity.

IFRS AND IFRIC STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EU, NOT YET MANDATORY AND NOT ADOPTED IN ADVANCE BY THE GROUP AT DECEMBER 31, 2018

- IFRS 16 - Leases (published on January 13, 2016) which replaces IAS 17 - Leases, as well as the interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard provides a new definition of leases and introduces a criterion based on control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying essential differences: the identification of the asset, the right of replacement of the asset, the right to obtain substantially all the economic benefits from the use of the asset and the right to use the asset underlying the contract. The standard establishes a single model to recognize and measure leasing contracts for the lessee (lessees) which provides also for the recognition of operating leases under assets with a related financial payable, providing the possibility not to be recognize as leasing contracts “low-value assets” and leasing contracts less than 12 months. This Standard does not contain significant amendments for lessors. The standard is effective from January 1, 2019, although early application is permitted, only for companies which have already applied IFRS 15 - Revenue from Contracts with Customers.

The rules introduced by IFRS 16 will be prospectively applied in transition as from January 1, 2019, by adopting some simplifications (practical expedient) provided, for which contracts having a duration of less than twelve months and certain contracts with a modest value will be excluded from the measurement; the assessments of all contracts are still being finalized, however, the preliminarily estimate of the impact of the first application on the representative activity of the usage right and on the financial payables amounts to approximately Euro 3.2 million.

The new standard’s adoption will have an immaterial impact on the net result for the contracts’ duration period but a temporary difference will be recorded in relation to higher financial charges which will mature on the initial recognition of the financial liability; the new standard’s application to the contracts identified will, therefore, determine:

- In the balance sheet: the initial recognition (i) of an asset, representative of the usage right pursuant to IFRS 16, which will then be depreciated on the lower duration between the technical and economic life and the contracts’ residual value and (ii) of a financial payable equivalent to the present value of future minimum mandatory lease instalments which the lessee will have to pay as from January 1, 2019, and which will be progressively reduced thereafter as rental charges are paid.
- In the income statement: an improvement in the gross operating margin to eliminate the rental charges and the recording (i) of the depreciation of the usage right and (ii) the financial charges on the recorded payable.

In implementing the new standard which will become operational in 2019, interpretations that will be issued in this regard by the IFRS Interpretations Committee (IFRIC) will be taken into account together with accounting practices which will be observed.

- On June 7, 2017, the IASB published the interpretative document IFRIC 23 - Uncertainty over Income Tax Treatments. The document deals with uncertainties on the tax treatment to be adopted for income taxes. It establishes that uncertainties in the calculation of tax liabilities or assets are reflected in the financial statements only where it is probable that the entity will pay or recover the amount in question. In addition, the document does not contain any new disclosure



obligations, but underlines that an entity should establish whether it will be necessary to provide information on considerations made by management and the relative uncertainty concerning the accounting of income taxes, in accordance with IAS 1. The new interpretation applies from January 1, 2019, although early application is permitted. The Directors do not expect this interpretation to have a significant impact on the company's financial statements.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION AT DECEMBER 31, 2018

At the date of the present Annual Report, the relevant bodies of the European Union have not yet concluded the process necessary for the implementation of the amendments and standards described below:

- On May 18, 2017, the IASB published IFRS 17 - Insurance Contracts which replaces IFRS 4 - Insurance Contracts. The new standard ensures that an entity provides pertinent information which accurately presents the rights and obligations under insurance contracts. The IASB developed the standard in order to eliminate inconsistencies and weaknesses in the existing accounting policies, providing a single principle-based framework to take account of all types of insurance contracts, including reinsurance contracts held by an insurer. The standard is effective from January 1, 2021, although early application is permitted, only for entities applying IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. The Directors do not expect that the adoption of this standard will have a significant impact on the company's financial statements.
- Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures" (published on October 12, 2017)". This document clarifies the necessity to apply IFRS 9, including the requirements related to impairment, to the other long-term interests in associates and joint ventures which do not apply the equity method. The amendment applies from January 1, 2019, although early application is permitted. The Directors do not expect these amendments to have a significant impact on the company's financial statements.
- Document "Annual Improvements to IFRSs 2015-2017 Cycle", published on December 12, 2017 (among which IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - Remeasurement of previously held interest in a joint operation, IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity, IAS 23 Borrowing costs Disclosure of Interests in Other Entities - Borrowing costs eligible for capitalization) which include the amendments to some standards within the annual improvement process. The amendments are applicable from January 1, 2019, although advance application is permitted. The Directors do not expect these amendments to have a significant impact on the company's financial statements.
- Amendment to IAS 19 "Plant Amendment, Curtailment or Settlement", published on February 7, 2018. The document clarifies that an entity must recognize a change (i.e. a curtailment or a settlement) of a defined benefit plan. The amendments require the entity to update their assumptions and remeasure the net liability or asset from the plan. The amendments clarify that after the occurrence of this event, an entity utilizes updated assumptions to measure the current service cost and interest for the remainder of the period. The amendments are applicable from January 1, 2019, although advance application is permitted. The Directors do not expect these amendments to have a significant impact on the company's financial statements.
- On September 11, 2014, the IASB published an amendment to IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture". The document

was published in order to resolve the current conflict between IAS 28 and IFRS 10 relating to the measurement of the gain or loss from the sale or conferment of a non-monetary asset to a joint venture or associate in exchange for a share of the capital of this latter. Currently, the IASB has suspended the application of this amendment. The Directors do not expect these amendments to have a significant impact on the company's financial statements.

- On October 22, 2018, the IASB issued the “Amendments to IFRS 3 Business Combinations” document, whose provisions are effective from years beginning, or subsequent to, January 1, 2020, except for any deferrals established on endorsement by the European Commission. The amendments introduced by the document make it easier to classify a transaction as the acquisition of a business or of a group of activities.
- On October 31, 2018, the IASB published the document “Amendments to IAS 1 and IAS 8: Definition of Material”, whose provisions are effective from years beginning, or subsequent to, January 1, 2020, except for any deferrals established on endorsement by the European Commission. The document redrew and clarified the definition of “material” with regards to the following concepts: (i) “obscuring”: obscuring relevant information with other information which may be omitted may have a similar effect as omission or misrepresentation; (ii) “could reasonably be expected to influence”: the amount of information to be provided should not be affected by the remote risk of influencing the users of financial statements; (iii) “primary users”: these and not all possible users of the financial statements are those to be considered when establishing the disclosure to be provided.

40.1. Accounting policies

The main accounting policies adopted in the preparation of the financial statements are illustrated below:

BUSINESS COMBINATIONS

Business combinations are recorded in accordance with the purchase method. The cost of the business combination is measured as the aggregate of the fair values, at the date of exchange, of assets acquired, liabilities incurred or assumed, and equity instruments issued by the Company, in exchange for control of the company acquired, plus any costs directly attributable to the business combination.

The identifiable assets, liabilities and contingent liabilities of the company acquired that comply with the conditions for recognition under IFRS 3 are recognized at their fair value at the acquisition date, with the exception of non-current assets (or disposal groups) which are classified as held-for-sale in accordance with IFRS 5 and are recognized and measured at fair value, net of sales costs.

Goodwill deriving from acquisition is recognized under assets and initially measured at cost, represented by the excess of the acquisition cost compared to the Group share in the present value of the identifiable assets, liabilities and contingent liabilities recognized. Where, after the measurement of these values, the Group share in the present value of the identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost, the excess is immediately recorded in the Income Statement.

INVESTMENTS

Investments in subsidiaries, in jointly held subsidiaries and in associates, differing from those held-for-sale, are measured at purchase cost including direct accessory costs. Where there is an indication of a reduction in the value of an asset, its recovery is verified comparing the carrying value with the relative recoverable value, represented by the higher between the fair value, net of selling costs, and the value in use. In the absence of a binding sales agreement, the fair value is estimated on the basis of the values in an active market, from recent transactions or on the basis of the best information available to reflect the amount which the entity could obtain from the sale of the asset. The value in use is generally established, within the limits of the corresponding portion of net equity of the investee from the consolidated financial statements, by discounting the projected cash flows of the asset and, if significant and reasonably calculable, from its disposal, less disposal costs. The cash flow is determined on the basis of reasonable and documented assumptions represented by the best estimates of the expected economic conditions,



giving greater significance to the indications obtained from outside sources. Discounting is carried out at a rate which takes account of the implied risk within the company's operating sector. The risk deriving from any losses exceeding the net equity is recorded in a specific account up to the amount the parent company is committed to comply with legal or implicit obligations in relation to the investee or in any case to cover the losses.

If the reasons for the recognition of the impairment loss no longer exist, the previously recognized impairment loss shall be reversed. The amount of the reversal shall be recognized in the income statement under investment income/expense. Other investments are measured at fair value with recognition of the effects to the income statement if held-for-trading, or to the "Other reserves" net equity account; in this latter case, the reserve is recognized to the income statement on write-down or realization. Where the fair value may not be reliably calculated, the investments are valued at cost, adjusted for impairments; impairments may be not written back.

Investments held-for-sale are measured at the lower of their book value and fair value, less selling costs.

NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

Non-current assets (and disposal groups) are classified as held-for-sale when their carrying value is expected to be recovered by means of a sales transaction rather than through use in company operations. This condition is met only when the sale is highly likely, the assets (or group of assets) are available for immediate sale in their current condition and, consequently, management is committed to a sale, which should take place within 12 months of the classification as held-for-sale.

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their previous carrying value and market value less selling costs.

REVENUE RECOGNITION

Revenues are recorded at the fair value of the amount received less returns, discounts and allowances as follows:

- revenue from sales: on the effective transfer of the risks and rewards typically connected with ownership;
- revenue from services: on the provision of the service.

The Company classifies exchange differences deriving from commercial operations under operating results, and in particular in the accounts other operating revenues and other operating costs depending on whether the net effect is a gain or loss, with detailed information provided in the Explanatory Notes.

Dividends received

Dividends are recognized where the shareholder right to receipt arises, normally the year in which the Shareholders' Meeting of the investee is held approving the distribution of profits or reserves.

PROPERTY, PLANT AND EQUIPMENT

Plant and machinery utilized for the production or the provision of goods and services are recorded in the financial statements at historic cost, including any accessory and direct costs necessary for the asset to be available for use.

Plant, machinery & equipment are recognized at cost, net of accumulated depreciation and any write-down for loss in value.

Depreciation is calculated on a straight-line basis on the cost of the assets, according to their estimated useful life, which is reviewed annually at following rates:

Asset Category	Rate
Land	0%
Buildings	from 2% to 10%
Plant and Machinery	from 7.5% to 15%
Industrial & commercial equipment	15%
Furniture	12%
EDP	20%
Motor vehicles	from 20% to 25%

Gains and losses deriving from the disposal or sale of assets are determined as the difference between the sales revenue and the net book value of the asset and are recorded in the Income Statement in the year.

Ordinary maintenance costs are fully charged to the income statement.

Improvements on the original value of the assets are capitalized and depreciated based on their residual utilization.

Leasehold improvements which may be recorded as an asset are recognized under property, plant and equipment and depreciated at the lower between the residual duration of the contract and the residual useful life of the asset.

Leased assets

Leasing contracts which do not provide for the transfer of all of the risks and benefits of ownership to the Company are considered operating leases.

Operating lease costs are recorded on a straight-line basis over the duration of the lease agreement.

Grants

Capital grants are recognized when there is reasonable certainty that they will be received and that the conditions will be satisfied for their attainment.

Capital grants are recorded as a direct reduction of the asset to which they refer. The value of an asset is adjusted by straight-line depreciation, calculated on the basis of the residual useful life of the asset.

INTANGIBLE ASSETS

Intangible assets acquired separately are recorded at cost less amortization and any net loss in value. Amortization is calculated on a straight-line basis over the useful life of the asset. The amortization method and the residual useful life are reviewed at the end of each accounting period. The effects deriving from the change in the amortization method and the residual useful life are recorded prospectively.

Intangible assets generated internally - research and development costs

Research costs are expensed to the income statement in the period in which they are incurred.

Intangible assets generated internally deriving from the development phase of a Company internal project are only recognized under assets when the following conditions are met:

- There is the technical feasibility to complete the intangible asset for its use or sale;
- There is the intention to complete the intangible asset and utilize or sell the asset;
- There is the capacity to utilize or sell the intangible asset;
- It is probable that the asset created will generate future economic benefits;



- The technical, financial and other resources exist in order to complete the development and utilize or sell the asset during the development phase.

The initial amount recognized of the intangible assets generated internally corresponds to the sum of the expenses incurred at the date in which the asset meets the criteria described above. Where these expenses may not be recorded as intangible assets generated internally, the development expenses are expensed in the Income Statement in the period in which they are incurred.

Subsequent to initial recognition, the intangible assets generated internally are recorded at cost less any accumulated loss in value, as occurs for intangible assets acquired separately.

Intangible assets acquired through a Business Combination

Intangible assets acquired in a business combination are identified and the amortization is recorded where they satisfy the definition of intangible assets and their fair value may be determined reliably. The cost of these intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, the intangible assets acquired in a business combination are recorded at cost less amortization and any accumulated loss in value, as occurs for intangible assets acquired separately.

IMPAIRMENT OF TANGIBLE, INTANGIBLE AND FINANCIAL ASSETS

At each reporting date, the Company reviews the carrying value of its intangible, tangible and financial assets to determine if there are indications that these assets have incurred a loss in value. Where it is not possible to make an estimate of the recoverable amount of an asset individually, the Company makes an estimate of the recoverable amount of the cash-generating unit the asset belongs to. When it is established that a potential loss exists, an estimate of the recoverable amount is made in order to identify the amount of the loss.

The indefinite intangible assets, such as goodwill and brands, are verified annually and whenever there is an indication of a possible loss in value, in order to determine if there has been a loss in value.

The recoverable value is the higher between fair value less costs to sell and value in use. In determining the value in use, the estimated future cash flows are discounted on a pre-tax basis which reflects the market assessment of the time value of money and the risks specific to the asset. In the determination of this value various cash flow scenarios are utilized (sensitivity analysis).

If the recoverable value of an asset (or a CGU) is considered lower than its carrying value, it is reduced to its recoverable value. A loss in value is recognized in the income statement immediately.

Where, subsequently, the loss in value no longer exists or reduces, the book value of the asset is increased up to the new estimate of the recoverable value and may not exceed the value which would be determined where no loss in value had been recorded. The reversal of a loss in value is immediately recorded in the income statement.

FINANCIAL INSTRUMENTS

The new classification of the financial instruments as per IFRS 9 is based on the “business model” and on the characteristics of the contractual cash flows of the instruments. The “business model” represents the management model of the financial assets held by the company on the basis of the strategic objectives defined, in order to generate cash flows by collecting the contractual cash flows, selling financial assets or managing both models.

Financial assets and liabilities are recorded in the financial statements when the Company has the contractual obligations of the instrument.

FINANCIAL ASSETS

The “business models” utilized by the company are:

- Held To Collect (HTC), managed to collect contractual cash flows: corresponding to the wish to hold the instruments until maturity;

- Held To Collect and Sell (HTC&S), managed to collect contractual cash flows and for sale: corresponding to the wish to meet liquidity needs and minimize liquidity management cost and maintain the risk profile;
- Other - residual category, managed for trading; corresponding to the wish to maximize contractual cash flows through sale.

Receivables

In considering the classification of financial assets account was taken of the company's business model and characteristics of the cash flows. In particular trade receivables are classified in the category of the receivables Held-to-collect, corresponding to the wish to hold the instruments until maturity.

Receivables are initially recognized at fair value and subsequently measured at amortized cost, utilizing the effective interest rate method, net of the relative losses in value with reference to amounts considered non-recoverable, recorded in a specific doubtful debt provision. The original amount is restated whenever the reasons for the adjustment no longer apply. In this case, any reversal of previous provisions are recorded in the income statement and may not exceed the amortized cost of the receivable in the absence of the previous adjustments.

Trade receivables which mature within the normal commercial terms are not discounted. Receivables in currencies other than the operational currency of the individual companies are recorded at the period-end exchange rates.

Other financial assets

Financial assets are recognized at cost, recorded at the trading date, represented by the fair value of the initial amount given in exchange, increased by any transaction costs (for example: commissions, consultancy etc.) directly attributable to the acquisition of the asset. After initial recognition, these assets are measured at amortized cost using the original effective interest method.

Financial assets held for speculative purposes in the short-term are recognized and measured at fair value, with changes recorded in the income statement.

With regards to the valuation of financial assets concerning minority investments, IFRS 9 requires fair value measurement. These investments are measured at fair value with changes to the statement of comprehensive income, although as not listed on an active market, the fair value is therefore estimated, although does not vary from the cost and the relative portion of equity.

Cash and cash equivalents

Cash and cash equivalents include cash balances and bank current accounts and deposits repayable on-demand, plus other highly liquid short-term financial investments that can be readily converted into cash and are not subject to a significant risk of a change in value.

Impairment model

The method is based on a predictive approach (expected credit losses model), based on the probability of default and the capacity of recovery in the event of a loss given default.

In the estimate of the impairment of receivables official ratings are utilized where available or internal ratings, to determine the probability of default of the counterparty; the capacity of recovery was also identified in the case of a loss given default of the counterparty based on historical experiences and different possible recovery methods.

Currently, all company receivables are inter-company and in consideration of the net exposure of the company towards these parties, no impairment effects are indicated.



FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Financial liabilities and equity instruments issued by the Company are classified based on the substance of the contractual agreements that generated them and in accordance with the respective definitions of financial liabilities and equity instruments. These latter are defined as those contracts which give the right to benefit from the residual interest of the assets of the company after the reduction of the liabilities. The accounting policies adopted for specific financial liabilities and Equity instruments are described below.

Payables

Payables are initially recorded at cost, corresponding to the fair value of the liability, net of directly attributable transaction costs.

Subsequent to initial recognition, the payables are measured under the amortized cost method, utilizing the effective interest rate method. This category includes interest bearing bank loans, overdrafts, non-convertible bonds and trade payables.

The trade payables which mature within the normal commercial terms are not discounted. Payables in currencies other than the operational currency of the individual companies are recorded at the period-end exchange rates.

FAIR VALUE MEASUREMENT

Fair value is the amount in which an asset (or a liability) may be exchanged in a transaction between independent counterparties with reasonable knowledge of the market conditions and significant events related to the item under negotiation. The presumption that an entity is fully operational and does not need to liquidate or significantly reduce activities, or undertake operations at unfavorable conditions, is fundamental to the definition of fair value. The fair value reflects the credit quality of the instrument as it incorporates the counterparty risk.

Receivables and Payables:

For receivables and payables recorded in the financial statements at cost or amortized cost, the fair value for the purposes of the disclosure to be provided in the Explanatory Notes is determined as follows:

- for short-term receivables and payables, it is considered that the value paid/received reasonably approximates fair value;
- for medium/long-term receivables/payables, the measurement is principally undertaken through the discounting of future cash flows. The discounting of the expected cash flows is normally undertaken through the zero-coupon curve increased by the margin represented by the specific credit risk of the counterparty.

Other financial instruments (Debt and equity securities)

The fair value for this category of financial asset is measured taking as reference the listed prices at the reporting date of the financial statements where existing, otherwise with reference to technical valuations utilizing as input exclusively market data.

Other financial instruments (Minority holdings)

The fair value for this category of financial assets is calculated according to valuation models whose input is not based on observable market data (“unobservable inputs”).

EQUITY INSTRUMENTS

Equity instruments issued by the Company are recognized based on the amount received, net of direct issue costs.

CONVERTIBLE BONDS

In accordance with IAS 32 “Financial Instruments: Presentation in the financial statements” convertible bonds are recorded as hybrid financial instruments, formed by two components which are treated separately only if significant: a liability and a conversion option. The liability corresponds to the present value of the future cash flows based on the current interest rate at the issue date for an equivalent non-convertible bond. The value of the option is defined as the difference between the net amount received and the amount of the liability and is recorded under equity. The value of the conversion option in shares does not change in subsequent periods. On the contrary, where the characteristics of the bond result in, on the exercise of the conversion right, the right of the company to deliver shares or offer a combination of shares and cash, the option is recognized as a financial liability for the incorporated host, measured at fair value through P&L, while the difference compared to the original nominal value or rather the financial liability (host) is recorded at amortized cost.

DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

The company utilizes derivative instruments to hedge against movements in the Maire Tecnimont share price, in view of the implementation of a buy-back program. The structure of the contracts in place is in line with the Group “hedging” policy.

The TRES derivative instruments for accounting purposes are measured in accordance with IFRS 9 at fair value through P&L.

Fair value calculation

The fair value of financial instruments is represented by the current market price or, in their absence the application of appropriate financial valuation models which take into consideration all the factors adopted by market operators and the prices obtained in a real market transaction.

In particular, the fair value of the TRES is measured discounting the expected cash flows, calculated on the basis of market interest rate at the reference date and the price of the underlying listed shares.

DERECOGNITION OF FINANCIAL INSTRUMENTS

Financial assets are eliminated from the balance sheet when the right to receive the cash flows no longer exists and all the related risks and benefits are substantially transferred (so-called derecognition) or where the item is considered definitively non-recoverable after the completion of all the necessary recovery procedures. Financial liabilities are derecognized from the balance sheet when the specific contractual obligations are extinct. Receivables transferred following factoring operations are eliminated from the balance sheet only when the related risks and benefits of ownership have been substantially transferred. With recourse receivables and non-recourse receivables which do not satisfy these requisites remain on the balance sheet of the company, even if legally transferred; in this case a financial liability of a similar amount is recorded under liabilities against advances received.

SHAREHOLDERS’ EQUITY

Share capital

The share capital is the amount of the subscribed and paid-in capital of the Company. The costs strictly related to the issue of new shares are classified as a reduction of the share capital when they refer to costs directly attributable to the equity operation.

Treasury shares

They are recorded as a decrease of the shareholders’ equity. The costs incurred for the issue of new shares by the Company are recorded as a reduction in equity, net of any deferred tax effect. The gains or losses for the purchase, sale, issue or cancellation of treasury shares are not recorded in the income statement.



Retained earnings/ (accumulated losses)

This refers to the results of previous years for the part not distributed or recorded under reserves (in the case of profit) or recapitalized (in the case of losses). The account also includes the transfers from other equity reserves when those reserves are no longer required as well as the effects of the recording of changes to accounting policies and material errors.

Other reserves

These include, among others, the legal reserve and the extraordinary reserve.

Valuation reserve

These include, among others, the actuarial reserve on defined benefit plans recognized directly to equity.

CONTRACTUAL LIABILITIES DERIVING FROM FINANCIAL GUARANTEES

The contractual liabilities deriving from financial guarantees are initially measured at their fair value and subsequently measured at the higher between:

- the amount of the contractual obligation, determined in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets;
- the initial amount recorded net, where applicable, of the accumulated amount recorded in accordance with the recognition of the revenues as described above.

PROVISIONS FOR RISKS AND CHARGES

Provisions are recorded in the financial statements when the Company has a present obligation (legal or implied) that is the result of a past event and it is probable that the obligation must be met. Provisions are made based on the best estimate of the cost of fulfilling the obligation at the reporting date, and are discounted when the effect is significant.

When the Company considers a provision for risks and charges must be in part or in full reimbursed, the indemnity is recorded under assets only when the reimbursement is almost certain and the amount of reimbursement may be determined reliably.

Onerous contracts

Where the Company has an onerous contract, the current obligation contained in the contract must be recognized and measured as a provision.

An onerous contract is a contract in which the non-discretionary costs necessary to settle the obligations exceed the economic benefits deriving from such.

Guarantees

The provisions for guarantee costs are accrued when it is considered probable that the request to honor the guarantee will be made. The calculation of the provision is made based on the best estimate by Management of the costs required to comply with the obligation.

POST-EMPLOYMENT BENEFITS

The payments for defined contribution plans are recognized in the Income Statement of the period in which they are due.

For the defined benefit plans, the cost relating to the benefits recognized is determined using the projected unit credit method, making actuarial valuations at the end of each period. Actuarial gains and losses are

recognized in the period they arise and recorded directly in a specific equity reserve. The cost relating to past employment service is immediately recorded when the benefits have already matured.

The liabilities for post-employment benefits recorded in the balance sheet represent the present value of the liabilities for the defined benefit plans adjusted to take into account any actuarial gains or losses not recorded and costs relating to past employment services not recorded, and reduced by the fair value of the asset plan. Any net assets resulting from this calculation are limited to the value of the actuarial losses not recorded and costs relating to past employment services not recorded, plus the present value of any repayments and reductions in future contributions to the plan.

Other long-term employee benefits

The accounting treatment of the other long-term benefits is similar to those of the plans for post-employment benefits with the exception of the fact that the actuarial gains and losses and costs deriving from past employment services are recognized in the income statement fully in the year in which they arise.

SHARE-BASED PAYMENTS

The company recognizes additional benefits to employees through equity participation plans. The above-mentioned plans are recognized in accordance with IFRS 2 (Share-based payments). In accordance with IFRS 2, these plans represent a remuneration component of the beneficiaries; therefore, for the equity participation plans, the cost is represented by the fair value of these instruments at the granting date, and recognized in the income statement under "Personnel expense" over the period between the granting date and that of maturity, and in the "IFRS 2 reserve" under equity. Changes subsequent to the granting date in the fair value do not have an effect on the initial value. At the end of each year the estimate is updated on the number of rights which will mature on maturity. The change in the estimate reduces the amount in the "IFRS 2 reserve" and is recorded under "Personnel expense" in the P&L.

FINANCIAL INCOME AND EXPENSES

Interest is recognized in accordance with the effective interest rate method, utilizing therefore the interest rate which is financially equivalent to all the cash inflows and outflows (including premiums, discounts, commissions etc.) which comprise an operation. The Company classifies in this account the exchange differences deriving from financial operations, while the exchange differences from commercial operations are classified under operating results, and in particular in the accounts other operating revenues and other operating costs, depending on whether the net effect is a gain or loss, with detailed information provided in the Explanatory Notes.

INCOME TAXES

Income taxes for the year represent the sum of current and deferred taxation.

Current income taxes

Current income taxes for the year and previous years are recorded for the amount expected to be paid to the fiscal authorities.

Current income tax liabilities are calculated using applicable rates and tax regulations or those substantially approved at the reporting date. Maire Tecnimont SpA and the main subsidiaries resident in Italy have opted for a consolidated tax regime. This means that the IRES (Corporation Tax) charge is calculated on a tax base representing the aggregate of the taxable income and tax losses of the individual companies.

Deferred taxes

Deferred taxes are the taxes that it is expected to pay or recover on the temporary differences between the carrying value of the assets and of the liabilities in the financial statements and the corresponding fiscal value used in the calculation of the assessable income.



Deferred tax liabilities are generally recorded on all temporary assessable differences, while deferred tax assets are recorded based on the probability that the future assessable results will permit the use of the temporary deductible differences.

The carrying value of deferred tax assets is revised at the end of the year and reduced to the extent that it is no longer likely that there will be sufficient taxable income against which to recover all or part of the assets.

Deferred taxes are calculated based on the fiscal rates that are expected to be in force at the moment of the realization of the asset or the settlement of the liability. Deferred taxes are recognized directly in the income statement with the exception of those relating to accounts directly recognized to equity, in which case the deferred taxes are also recognized to equity.

USE OF ESTIMATES

The preparation of the financial statements and the relative notes in application of IFRS require that management make estimates and assumptions on the values of the assets and liabilities in the financial statements and on the disclosures relating to the assets and contingent liabilities at the reporting date. The estimates and assumptions used are based on past experience and other factors considered relevant. The actual results may differ from such estimates. The estimates and assumptions are reviewed periodically and the effects of any changes are recorded in the income statement in the period of the revision of the estimate, if the revision has effect only on that period, or also in subsequent periods if the revision has effect on the current year and on future years. In this context it is reported that the economic and financial situation resulted in the need to make assumptions on a future outlook characterized by significant uncertainty, for which it cannot be excluded that results in the next year will be different from such estimates and which therefore could require adjustment, currently not possible to estimate or forecast, which may even be significant, to the book value of the relative items.

The accounts principally affected by such uncertainty are:

- bad debt provision;
- Impairments of financial assets;
- depreciation and amortization;
- asset write-downs;
- employee benefits;
- income taxes;
- provisions;
- measurement of derivatives and relative underlying assets.

41. Notes to the income statement

41.1. Revenues

Revenues in 2018 amounted to Euro 93,167 thousand, a decrease of Euro 1,434 thousand compared to the previous year and broken down as follows:

<i>(In Euro thousands)</i>	2018	2017
Revenues from sales and services	30,202	31,183
Dividends from subsidiaries	62,964	63,418
Total	93,167	94,601

Revenues from subsidiary dividends amounted to Euro 62,964 thousand and concern those received during the year from the subsidiaries Tecnimont S.p.A. for Euro 40,000 thousand, KT-Kinetics Technology S.p.A. for Euro 17,964 thousand and Stamicarbon B.V. for Euro 5,000 thousand.

Revenues from sales and services were Euro 30,202 thousand and principally concern “Inter-company services” provided to the direct subsidiaries.

Service revenues specifically concern those provided by the Parent Company as part of the management, co-ordination and control from a legal, administrative, tax, financial and strategic viewpoint in the interest of Group companies.

41.2. Other operating revenues

<i>(in Euro thousands)</i>	2018	2017
Cost recoveries	2	3
Exchange rate differences	357	13
Other income	3,237	3,015
Total	3,596	3,031

Other operating revenues in the year amounted to Euro 3,596 thousand and concerned principally income from specific administrative, tax, legal and procurement service contracts undertaken between Maire Tecnimont S.p.A. and a number of Group subsidiaries (Tecnimont S.p.A, Neosia S.p.A., Met Gas Processing Technology S.p.A., Met Development S.p.A.).

41.3. Raw materials and consumables

Raw materials and consumables costs for the year were Euro 47 thousand.

The breakdown of the account is as follows:

<i>(In Euro thousands)</i>	2018	2017
Raw material purchases	(1)	0
Consumables	(32)	(23)
Fuel	(14)	(13)
Total	(47)	(36)



The account principally concerns the purchase of stationary for Euro 32 thousand and fuel consumption for Euro 14 thousand for company vehicles.

41.4. Service costs

Service costs in 2018 amount to Euro 18,308 thousand, an increase of Euro 1,720 thousand on the previous year.

The breakdown of the account is as follows:

<i>(In Euro thousands)</i>	2018	2017
Utilities	(303)	(302)
Maintenance	(95)	(77)
Consultants and related services	(3,835)	(3,549)
Director and Statutory Auditor Remuneration	(2,460)	(2,436)
Bank expenses and sureties	(133)	(46)
Selling & advertising costs	(310)	(295)
Accessory personnel costs	(4,478)	(4,203)
Post & telephone and similar	(14)	(14)
Insurance	(297)	(234)
Other	(6,383)	(5,432)
Total	(18,308)	(16,588)

Consultants and related services include professional fees, principally legal services and consultancy and administrative services and audit and tax and commercial consultancy fees; the increase is due to the greater number of projects initiated in the year, resulting in an increase use of outside consultants.

Director and Statutory Auditor Remuneration concerns that matured by the members of the Board of Directors, the Board of Statutory Auditors' emoluments, those of the Supervisory Committee, the Remuneration Committee, the Internal Control Committee and the Related Parties Committee.

Accessory personnel costs mainly relate to travel costs and other related costs undertaken by personnel, with the increase due to the rise in the average number of employees compared to 2018.

The Other account mainly concerns inter-company services for the Via Gaetano de Castillia (Milan) offices, including office canteen expenses, maintenance and other accessory activities. The account in addition includes non-capitalized IT costs, application package maintenance expenses and printing and reproduction service costs.

41.5. Personnel expense

Personnel expenses in 2018 amount to Euro 29,413 thousand, an increase of Euro 4,661 thousand compared to the previous year.

<i>(In Euro thousands)</i>	2018	2017
Wages and salaries	(23,369)	(19,594)
Social security charges	(4,589)	(3,890)
Post-employment benefits	(1,423)	(1,250)
Other costs	(32)	(18)
Total	(29,413)	(24,752)

The breakdown of the account is as follows: The workforce at December 31, 2018 numbered 136, increasing 9 on the previous year; the average headcount increased from 120 to 132.

The movement in the company's workforce by category is as follows:

Category	Workforce 31/12/2017	Hires	Departures	Intra-group transfers	Promotions	Workforce 31/12/2018
Executives	43	1	(1)	0	6	49
Managers	42	7	(4)	2	(4)	43
White-collar	42	6	(2)	0	(2)	44
Blue-collar	0	0	0	0	0	0
Total	127	14	(7)	2	0	136
Average headcount	120					132

In 2018 personnel expenses rose due to the factors illustrated above and the increase in charges related to the remuneration policy and employee incentive plans; the social security charges also increased on the previous year and their percentage of total remuneration is in line with the requirements by law.

In application of IFRS 2 Share-based payments, the 2016-2018 Share Ownership Plan and the 2017-2019 Restricted Stock plan are recorded in the company financial statements as "Equity Settled" plans as the company has granted equity participation instruments as additional remuneration against services received (employment service). The company did not however assume any liability to be settled with cash and cash equivalents or with other assets for employees. Given the impossibility to reliably estimate the fair value of the services received from the employees, the benefit cost to the employees is represented by the fair value of the shares granted, calculated at the grant date, to be recognized in the income statement under personnel costs and in a specific reserve under equity. The total cost of these plans for the year amount to Euro 1,326 thousand, also based on an average fair value of the equity instruments equal respectively to Euro 3.878 per share for the third and last cycle of the Share Ownership Plan and Euro 4.682 per share for the Restricted Stock Plan.

The above-mentioned Share Ownership Plan included a Rights Granting Cycle for each year (2016-2017-2018) and the possibility, for all employees, to receive Maire Tecnimont shares without consideration on the basis of the overall profitability of the Group. In relation to 2016 and 2017 the respective plans were concluded with the free allocation of the shares to employees.

In addition, the 2017-2019 Restricted Stock Plan for the Chief Executive Officer, Senior Managers and Senior Group Management concerns the granting of rights to Maire Tecnimont shares without consideration in the three-year period 2017-2019, and their effective granting at the end of the retention period or rather the approval of the 2019 Annual Accounts, and in any case not beyond June 30, 2020.



The effects in the financial statements of the Plans, estimated through adequately weighing the defined maturity conditions (including the probability of employees remaining in the Group for the duration of the Performance Plan), will be recognized over the maturity period of the benefit, or rather over the duration of the Plans, under “Personnel expense”.

“Personnel expense” also includes the fair value component recognized relating to the last year of the Phantom Stock incentive plan for the Chief Executive Officer of the company and some Senior Managers of the Group; these costs also include the employee flexible benefit plan (“Maire4You”) and the profit participation bonus.

The 2016-2018 Performance Share Plan concerns approx. 30 Senior Managers, with the granting of rights to Maire Tecnimont shares without consideration in the three-year period 2016-2018 and their effective granting based on pre-set industrial performance objectives, to be assessed annually and at the end of the period. In the previous years the vesting conditions of the benefits were assessed as probable and therefore included under personnel expense, but in view of the recent industrial performances concluding with the 2018 year these expectations were no longer valid and consequently no accrual was made for the final year of the plan and income was recognized for previous years of Euro 1,923 thousand.

41.6. Other operating costs

Other operating costs in 2018 amounted to Euro 2,537 thousand, an increase of Euro 386 thousand compared to the previous year.

The breakdown of the account is as follows:

<i>(In Euro thousands)</i>	2018	2017
Hire	(599)	(550)
Rental	(532)	(513)
Exchange rate differences	(368)	(5)
Other costs	(1,038)	(1,083)
Total	(2,537)	(2,151)

Hire principally concerns the application packages and motor vehicles.

Rental charges concern the leasing of office buildings, in particular those at Piazza Flamingo (Rome) and Via Castello Della Malian (Rome); the account also includes rental for premises at via di Vanning (Rome) within the partnership agreement with the La Sapienza University.

Other costs of Euro 1,038 thousand principally concern membership fees, sales representative costs, gratuities and other general costs.

41.7. Amortization, depreciation & write-downs

Amortization, depreciation and write-down of fixed assets in 2018 amount to Euro 258 thousand, an increase of Euro 97 thousand compared to the previous year.

The breakdown of the account is as follows:

<i>(In Euro thousands)</i>	2018	2017
Amortization	(111)	(103)
Depreciation	(147)	(58)
Total	(258)	(161)

Amortization of intangible assets of Euro 111 thousand relates to concessions and licenses (SAP, Tagetik and other company software applications) and other intangible assets, principally concerning consultancy costs for the installation and launch of these applications. The account increased on the previous year as a result of the acquisition of new assets, in particular the software and licenses for the SAP GRC.

Depreciation also increased to Euro 147 thousand and concerns EDP, miscellaneous equipment and improvements at the Rome offices in Piazzale Flaminio.

41.8. Financial income

<i>(In Euro thousands)</i>	2018	2017
Income from subsidiaries	2,512	1,418
Other income	34	7
Income on derivatives	398	25,921
Total	2,944	27,346

Income from subsidiaries of Euro 2,512 thousand concerns interest matured on loans, financial instruments classified as loans and receivables valued at amortized cost, granted to Neosia S.p.A. and to MET Gas Processing Technologies S.p.A. and interest income matured on current accounts; in 2018, the company adopted with the subsidiaries cash pooling systems to streamline the management of Group cash flows, avoiding the dispersion of liquidity and minimizing financial charges and other costs.

Income on derivatives for Euro 398 thousand refer specifically to:

- for Euro 33 thousand the positive fair value change of the cash-settled Total Return Equity Swap derivative instrument (TRES) to hedge against movements in the Maire Tecnimont share price;
- for Euro 512 thousand income arising on the TRES contracts, related to the distribution of dividends by Maire Tecnimont S.p.A., which the intermediary receded to the issuer.
- for a negative Euro 147 thousand concerning differences recharged pro rata to the subsidiaries involved in the General Share Ownership Plan.

Income on derivatives in the previous year included income in relation to the TRES instruments which were subsequently terminated simultaneous with the conversion of the Euro 80 million equity-linked bond. In the first half of 2018, Maire Tecnimont additionally exercised the “Early Termination” option under the TRES derivative contracts, settling part of the instruments; the settled portions covered the risk for an amount of approx. 3.6 million shares; the instruments at December 31, 2018 cover the risk for a quantity of approx. 2.5 million shares, further increased by 1.1 million during the initial months of 2019;

The derivative contracts (TRES) were underwritten with a financial intermediary, with no obligation for Maire Tecnimont to acquire the treasury shares, but only the obligation for the settlement between the parties of the differential between the exercise price and the Maire Tecnimont share price on the maturity of the instruments. Contract maturity is in the first half of 2019. For accounting purposes, the TRES is measured in accordance with IFRS 9 as a fair value derivative through P&L.

For further information and analysis of the Fair Value Hierarchy, reference should be made to the “FINANCIAL RISKS” section.



41.9. Financial expenses

(In Euro thousands)	2018	2017
Charges from group companies	(5,829)	(7,993)
Other charges	(883)	(1,466)
Equity Linked Bond interest & other charges	(5,360)	(10,111)
Charges on derivatives	(2,002)	0
Total	(14,074)	(19,570)

Financial expenses were Euro 14,074 thousand and concern for Euro 5,829 thousand interest charges on loans received from Stamicarbon B.V., KT-Kinetics Technology S.p.A., Tecnimont S.p.A. and Maire Engineering France S.A.. These charges are measured under the amortized cost criteria, using the effective interest rate method. The reduction at December 31, 2018 is a result of the lower average debt in the year and financial charges for cash pooling, related to the interest paid to the subsidiaries on the current account balances of the cash pooling during the year.

Other charges principally concern interest expense on bank loans fully repaid in the year and other banking charges.

The “Interest Bond & Equity Linked” charges, amounting to Euro 5,360 thousand, specifically refer to:

- for Euro 848 thousand to the cash and non-cash components of the interest on the equity-linked bond of a nominal Euro 80 million issued in February 2014 and settled in the first half of 2018; for further details, reference should be made to the key events paragraph of the Directors’ Report; the account includes also Euro 319 thousand concerning the residual portion of accessory charges on a shortened repayment plan following exercise of the advance repayment option in cash, at a nominal value, originally scheduled for February 2019.
- for Euro 1,463 thousand interest on the non-convertible bonds subscribed in the first half of 2017 through private placement, by the Pan-European Fund and the Export Development Fund (created by SACE), both managed by Amundi Group companies.
- for Euro 3,049 thousand the cash and non-cash components of interest on non-convertible bonds of Euro 165 million issued on May 3, 2018 by Maire Tecnimont S.p.A..

Charges on derivatives of Euro 2,002 thousand concern the negative fair value change of the residual portion of two cash-settled Total Return Equity Swap derivative instruments (TRES) to hedge against movements in the Maire Tecnimont share price. In the first half of 2018, Maire Tecnimont exercised the “Early Termination” option to settle a portion of the instruments; the settled portion hedged the risk relating to approx. Euro 3.6 million shares; the differential received amounted to approx. Euro 5.4 million. The residual portion of the instruments at December 31, 2018 hedges the risk for a total of approx. 2.5 million shares, further increased by 1.1 million shares at the beginning of 2019;

The derivative contracts (TRES) were underwritten with a financial intermediary, with no obligation for Maire Tecnimont to acquire the treasury shares, but only the obligation for the settlement between the parties of the differential between the exercise price and the Maire Tecnimont share price on the maturity of the instruments. Contract maturity is in the first half of 2019.

For accounting purposes, the TRES is measured in accordance with IFRS 9 as a fair value derivative through P&L.

41.10. Investment income/(expenses)

At December 31, 2018, no write-downs were made on investments based on the impairment test carried out on the Maire Tecnimont S.p.A. investments, as described in the “Investments in subsidiaries” paragraph.

41.11. Income taxes

<i>(In Euro thousands)</i>	2018	2017
Current income taxes	3,787	(4,964)
Taxes relating to previous periods	(354)	32
Deferred tax income	1,100	3,406
Deferred tax charges	(136)	(51)
Total	4,397	(1,577)

The account reports a positive value of Euro 4,397 thousand and a decrease of Euro 5,974 thousand on the previous year.

The current income taxes account presents income of Euro 3,787 thousand and concerns the remuneration of the tax loss and the interest charges transferred to the consolidated company CNM for FY 2018 and utilized in the calculation of the assessable income for the tax consolidation.

Prior year taxes amount to Euro 354 thousand and relate to the income tax allocation difference calculated at December 31, 2017 against that arising from the income transferred to CNM for FY 2017.

Maire Tecnimont S.p.A. and the subsidiaries Tecnimont S.p.A., Met Gas Processing Technologies S.p.A., Met Development S.p.A., Neosia S.p.A., KT-Kinetics Technology S.p.A. and M.S.T S.r.l opted to apply the Tax Consolidation regime which permits the calculation of the IRES corporation tax on a tax basis representing the aggregate of the taxable income and losses of the individual companies.

Deferred tax assets for Euro 1,100 thousand principally relates to the recognition of deferred taxes relating to charges for personnel incentive plans which shall be deducted in future years, net of releases in the year and the allocation differences on the previous year.

Deferred tax liabilities of Euro 136 thousand concern unrealized exchange gains and fiscally recognized amortization of the Tecnimont and KT-Kinetics Technology trademarks which, as considered of indefinite useful life, were not subject to statutory amortization and recognized the benefit only for tax purposes.

An analysis of the difference between the theoretical and effective tax charge for the year follows:

IRES	
Description	31/12/2018
Income before taxes	35,069
Theoretical Rate (*)	24.0%
Theoretical tax charge	8,417
Temporary differences deductible in future years	13,884
Temporary differences assessable in future years	(355)
Reversal of temporary differences from previous years:	
Deductible temporary differences	(4,682)
Taxable temporary differences	60
Total	(4,621)
Non-reversing differences in future years:	
Increases	2,410
Decreases (**)	(59,851)



IRES	
Description	31/12/2018
Total	(57,441)
Total changes	(48,533)
Assessable	(13,464)
Current taxes	(3,231)
Effective IRES rate	N/A

(*) For the purposes of a better understanding on the reconciliation between the tax charge recorded in the accounts and the theoretical tax charge, no account is taken of the IRAP regional tax charge, as consisting of a tax with a different assessable base would generate distortions between each year. Therefore, theoretical taxes were calculated applying only the applicable rate in Italy (24% for IRES in 2018) to the pre-tax result.

(**) The account principally concerns dividends received from subsidiaries and the write-down of investments.

41.12. Earnings per share

The share capital of Maire Tecnimont S.p.A. comprises ordinary shares, whose earnings (loss) per share is calculated dividing the net income in 2018 by the weighted average number of Maire Tecnimont S.p.A. shares in circulation in the period considered.

At the reporting date, the number of shares in circulation was 328,640,432. This figure was used as the denominator for the calculation of the earnings (loss) per share at December 31, 2018.

The basic earnings per share was Euro 0.12.

(in Euro)	2018	2017
Number of shares in circulation	328,640,432	305,527,500
(Treasury shares)	0	(9,759,548)
Number of shares to calculate earnings per share	328,640,432	295,767,952
Net income	39,466,209	60,143,682
Number of shares reserved capital increase Equity Linked Bond	0	23,112,932
Earnings per share (Euro)		
Group basic earnings per share	0.12	0.203
Group diluted earnings per share	0.12	0.189

In addition, following the settlement in the first half of 2018 of the equity-linked bond loan of Euro 80 million, no dilutive elements impacted the calculation of the earnings per share.

Diluted earnings equate to basic earnings in the absence of dilutive elements.

42. Notes to the Balance Sheet

42.1. Property, plant and equipment

<i>(in Euro thousands)</i>	2017	Changes in the year	2018
Other assets	568	43	611
Assets in progress and advances	0	60	60
Total	568	103	671

The following table illustrates the changes in the historical cost, accumulated amortization and net book values for the year 2018:

<i>(In Euro thousands)</i>	Plant and Machinery	Industrial & commercial equipment	Assets in progress and advances	Other assets	Total
Net book value at December 31, 2017	0	0	0	568	568
Increases	0	0	0	190	190
Depreciation & write-downs	0	0	0	(147)	(147)
Other movements	0	0	60	0	60
Net book value at December 31, 2018	0	0	60	611	671
Historic cost	2	20	60	1,202	1,284
Accumulated depreciation	(2)	(20)	0	(591)	(613)

The main decreases relate to depreciation in the year; the increases in Other assets are due to the purchase of office furniture and EDP. Assets in progress and advances refer to improvements underway at the Rome offices at Piazzale Flaminio.

The account other assets also includes the vast historical archive of the former Fiat Engineering complex comprising approx. 7,000 boxes, 6,000 dossiers and 65,000 microfilms in addition to enumerable reports, notes and photographs; a wealth of civil and industrial projects and among the most important engineering works are included personalities which have marked the Italian engineering panorama: Quaroni, Danusso, Covre, Albini, Nervi, Morandi, Zevi, Aulenti, Gabetti, Isola, Piano, Halprin, Rogers, Krier. The archive is protected by the Cultural Heritage Superintendence and the estimated value is almost Euro 26 million, however it is currently valued in the accounts at historical costs.

For comparative purposes the changes relating to the previous year are shown below:



<i>(In Euro thousands)</i>				
	Plants & equipment	Industrial & commercial equipment	Other assets	Total
Net book value at December 31, 2016	0	0	94	94
Increases	0	0	532	532
Depreciation & write-downs	0	0	(58)	(58)
Net book value at December 31, 2017	0	0	568	568
Historic cost	2	20	1,012	1,034
Accumulated depreciation	(2)	(20)	(444)	(466)

42.2. Other intangible assets

<i>(In Euro thousands)</i>			
	2017	Changes in the year	2018
Concessions, licenses, trademarks & similar rights	3,231	(50)	3,181
Other	246	(61)	185
Assets in progress and advances	237	0	237
Total	3,713	(111)	3,602

The following table illustrates the changes in the historical cost, accumulated amortization and net book values for the year 2018:

<i>(In Euro thousands)</i>				
	Concessions, licenses, trademarks & similar rights	Others	Assets in progress and advances	Total
Net book value at December 31, 2017	3,231	246	237	3,713
Amortization & write-downs	(50)	(61)	0	(111)
Net book value at December 31, 2018	3,181	184	237	3,602
Historic cost	4,486	4,815	237	9,538
Accumulated amortization	(1,305)	(4,631)	0	(5,936)

The breakdown of the trademarks with indefinite useful lives is shown in the table below.

<i>(in Euro thousands)</i>		2018
Tecnimont brand		3,016
KT- Kinetics Technology brand		70
Total		3,086

The Company verifies the recovery of the indefinite useful lives of the trademarks at least on an annual basis or more frequently when there is an indication of a loss in value. The recoverable value of trademarks with indefinite life was compared to the value in use.

For comparative purposes the changes relating to the previous year are shown below:

<i>(In Euro thousands)</i>	Concessions, licenses, trademarks & similar rights	Others	Assets in progress and advances	Total
Net book value at December 31, 2016	3,131	0	139	3,270
Increases	142	307	0	449
Amortization & write-downs	(42)	(61)	0	(103)
Other movements	0	0	97	97
Net book value at December 31, 2017	3,231	246	237	3,713
Historic cost	4,486	4,815	237	9,538
Accumulated amortization	(1,256)	(4,569)	0	(5,825)

42.3. Investments in subsidiaries

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Subsidiary companies:			
Investment in Tecnimont S.p.A.	594,118	18,708	612,826
Investment in Neosia S.p.A.	81,206	(54,695)	26,511
Investment in Neosia Renewables S.p.A.	0	35,195	35,195
Investment in Met Development S.p.A.	8,753	1,278	10,031
Investment in K.T. S.p.A.	28,065	(347)	27,718
Investment in MET GAS Processing Technologies S.p.A.	10,683	1	10,684
Investment in Stamicarbon B.V.	40,587	(328)	40,259
Total	763,412	(188)	763,224



The value of the investments in subsidiaries amounts to Euro 763,224 thousand.

On December 18, 2018, the partial and proportional spin-off of Neosia S.p.A and the establishment through spin-off of Neosia Renewables S.p.A. was registered at the Milan Companies Registration Office as approved by the Board of Directors of Neosia S.p.A (the “Transferor”) and, on the conclusion of the spin-off process, the “Spun-off Company” and Tecnimont S.p.A, a company whose share capital is fully held by Maire Tecnimont S.p.A. Therefore, the allocation to Tecnimont S.p.A. of all elements, assets and resources belonging to the “Infrastructure Branch” already held by Neosia S.p.A became effective from this date. The incorporated and operating Neosia Renewables S.p.A was allocated all the elements, assets and resources belonging to the “Renewables Branch” already held by Neosia S.p.A..

The value of investments was adjusted due to the free assignment of shares in favor of employees of the companies of the Group in accordance with IFRS 2. In fact, the compensation component from shares granted by Maire Tecnimont S.p.A. to employees of other Group companies is recognized as a capital contribution to the subsidiaries which employ beneficiaries of the stock option plans, and, as a result, is recorded as an increase in the carrying amount of the investment, with a balancing entry recognized directly in equity. The effects in the financial statements of the Plans, estimated through adequately weighting the defined maturity conditions (including the probability of employees remaining in the Group for the duration of the Plan), will be recognized over the maturity period of the benefit, or rather over the duration of the Plan.

Investments in subsidiaries are measured at cost.

The last column of the following table shows the differences between the book value at cost and the relative share of Net Equity:

Company (in Euro thousands)	Registered Office	Share capital	Currency	Book Net Equity (Group share)	% held	Book net equity share (A)	Book value (B)	Change (A-B)
Tecnimont S.p.A.	Via G. De Castillia 6/A (MI)	1,000	Euro	315,555 (*)	100%	315,555	612,826	(297,271)
Neosia S.p.A.	Via G. De Castillia 6/A (MI)	6,000	Euro	55,712 (*)	100%	55,712	25,511	30,201
Neosia Renewables S.p.A.	Via G. De Castillia 6/A (MI)	50	Euro	8,011 (*)	100%	8,011	35,195	(27,184)
KT S.p.A.	Viale Castello Della Malian (RM)	6,000	Euro	32,666 (*)	100%	32,666	27,718	4,948
MET Gas Processing Technologies S.p.A.	Via G. De Castillia 6/A (MI)	4,000	Euro	9,614 (**)	100%	9,614	10,684	(1,070)
MET Development S.p.A.	Via G. De Castillia 6/A (MI)	10,005	Euro	8,702 (**)	100%	8,702	10,031	(1,329)
Stamicarbon B.V.	Sittard-The Netherlands	9,080	Euro	53,642 (*)	100%	53,642	40,259	13,383

(*) As per the latest consolidated financial statements approved by the respective Boards of Directors, or where not available, the consolidated reporting packages.

(**) As per the latest financial statements approved by the respective Boards of Directors.

An impairment test was carried out on the investment in Tecnimont S.p.A. as the book value of the investment was significantly higher than the pro-quota net equity at December 31, 2018, as was the case also in the previous year.

During the year, events occurred which would indicate a reduction in value, and therefore the possible non-recovery of the carrying amount of the investments in Neosia S.p.A and Neosia Renewables S.p.A. (this latter incorporated following the spin-off outlined above).

A delay was reported in 2018 in the acquisition of new orders than that originally envisaged under the plan and the infrastructure sector is becoming increasingly competitive.

No impairment tests were carried out on other investments as no events occurred indicating a reduction in value.

This analysis was undertaken in conjunction with an independent expert, utilizing the cash flows based on the 2019 Budget and the 2019-2023 Business Plan approved by the Board of Directors on March 14, 2019.

These cash flows confirm the assumptions and the strategic projections of the Group plan and reflect the best estimates made by Top Management in relation to the principal assumptions concerning business operations (macro-economic trends and prices, and business development). The underlying assumptions and the corresponding financials are considered appropriate for the impairment test. The plan, in addition to the project margins, includes commercial, general and administrative costs.

The main assumptions reflected in the 2019 Budget and the Industrial Plan take account of the significant backlog at the end of 2018 and the contracts signed with international clients since the beginning of the current year, which indicate the maintenance of the strong industrial performances delivered in 2019; in relation to the infrastructure sector, the core market is still that of renewable energies with large wind or solar plant in complex environments, which shall continue to expand.

The configuration of the value utilized for the calculation of the recoverable value of the investments indicated above is the value in use which is obtained estimating the operating value (OV), the net financial position (NFP) and the value of accessory assets (ACC).

The operating value of each unit was determined based on the estimated future cash flows discounted which the CGU will be capable of producing in the future. The estimated cash flows include the recharge of general and administration costs (G&A) of the Group for all the CGU's. The value of the cash flows was expressed net of the notional imposition, considering the tax benefit relating to any deductibility of amortization and depreciation.

For the determination of the recoverable value, the cash flows refer to the business plan, as well as a final value (Terminal Value) beyond the plan horizon, in line with the nature of the investments and with sector operations. Relating to the estimate of the Terminal Value, the last year of the cash flows was not taken as an expression of the "normalized" cash flow, but rather the average margin of the Plan future cash flows was considered.

The "normalized" cash flow was capitalized at a g growth rate as detailed in the subsequent tables.

For the purposes of the discounting of the operating cash flows, the interest rate identified was the weighted average cost of capital (WACC) post tax. The parameters utilized in the estimate of the discounting rate (Beta and Net Financial Position) were determined on the basis of a basket of comparable operators respectively in the "Infrastructure" sector for the I&IC CGU and in the "Plant" sector for all the other CGU's, calculating for each the key financial indicators, in addition to the most significant market values.

The risk-free rate utilized considered the Eurirs average 6 months (S&P Capital IQ) rate, the expected medium/long-term inflation rate for the reference countries and the relative Country Risk Premium (determined on the basis of the differential between the country CDS spread and the country benchmark CDS spread). The market risk premium was estimated at 5.5%. It was considered appropriate to consider a specific risk for each CGU above the relative discounting rate; this premium was determined based on the comparison between the size of the CGU and the companies utilized for the estimate of the Beta Unlevered. This risk was increased by a Company Specific Risk Premium in relation to the conditions of the individual CGU.

For the cost of equity component, therefore the rate was prudently increased by 1.6 percentage points for the investment in Tecnimont and by 5.4 percentage points for the investments in Neosia S.p.A. and Neosia Renewables S.p.A., also considering their prospects following the redefinition of their structures following the spin-off and commercial repositioning.



The principal accessory asset/liability (ACC) included in the valuation were the tax benefits from prior year tax losses over the Plan duration and other minor assets.

The analysis undertaken based on the parameters outlined above did not result in any loss in value. The recoverable value in relation to the investment Tecnimont S.p.A. amounts to approx. Euro 1,623 million, that of the investment in Neosia S.p.A amounts to approx. Euro 58 million and in Neosia Renewables S.p.A. amounting to approx. Euro 61 million.

A sensitivity analysis was also undertaken on the basis of the changes in the following parameters: i) discount rate and ii) growth rate for the estimate of the Terminal Value; based on this analysis, the range of the recoverable value of the CGU's was determined.

Discount rate (WACC post tax)	Lower extreme	Higher extreme
Investment in Tecnimont S.p.A.	9.8%	11.8%
Investment in Neosia S.p.A.	9.5%	11.5%
Investment in Renewables S.p.A.	8.6%	10.6%

Growth rate beyond plan period	Lower extreme	Higher extreme
Investment in Tecnimont S.p.A.	0%	2.8%
Investment in Neosia S.p.A.	0%	0.7%
Investment in Renewables S.p.A.	0%	2.8%

The results of the sensitivity analysis did not highlight any impacts on the investments.

In the application of this method, management utilized assumptions, including the estimate of the future increases in the backlog, revenues, gross margin, operating costs, growth rate of the terminal value, investments and average weighed cost of capital (discount rate). The cash flow forecasts refer to current business conditions, therefore they do not include cash flows related to events of an extraordinary nature.

The estimates and the budget data were determined by company management based on past experience and forecasts relating to the development of the Group and company markets. However, the estimate of the recoverable value of the investments requires discretionary interpretation and the use of estimates by management. The company cannot guarantee that there will not be a loss in value of the investments in future years. In fact, various market environment factors may require a review of the value of the investments. The circumstances and events which could give rise to a further loss in value will be monitored constantly by the company and the Group.

42.4. Other non-current assets

(In Euro thousands)	2017	Change in the year	2018
Trade receivables beyond 12 months	1,100	0	1,100
Commercial prepayments beyond 12 months	114	(49)	65
Total	1,214	(49)	1,165

Other non-current assets concern disputed receivables from clients due beyond 12 months and specifically from the Calabria Region for Euro 1,100 thousand.

With regards to this receivable, the arbitral award accepted most of the company's demands. The counterparty has proposed an appeal against the arbitral award and in 2013 the Catanzaro Court of Appeal nullified the award on the basis only of formal errors; the company therefore decided to challenge the judgement filed on May 6, 2013 and to appeal to the Cassation Court. The appeal was accepted with

notification of 20/6/14; the Calabria Region did not make a counter appeal and the hearing date for discussion and subsequent decision is awaited. The above amount is currently considered recoverable on the basis of the strong grounds previously expressed in the arbitral award.

These receivables were due to the company Protecma S.r.l (now MET Gas Processing Technologies S.p.A.) from the client for works executed in the past. For more effective management of the dispute, the company transferred these receivables to Maire Tecnimont S.p.A on the basis of an expert's valuation. This receivable is recognized at estimated realizable value.

Euro 65 thousand concerns long-term prepayments, specifically commissions-expenses on insurance sureties.

42.5. Other non-current financial assets

<i>(In Euro thousands)</i>	2017	Change in the year	2018
Financial receivables beyond 12 months	62,195	62,195	0
Total	62,195	(62,195)	0

Other non-current financial assets in 2018 were reclassified to other current financial assets within 12 months, in relation to which reference should be made to paragraph 6.10.

42.6. Deferred tax assets and liabilities

<i>(In Euro thousands)</i>	2017	Change in the year	2018
Deferred tax assets	2,910	775	3,685
Deferred tax liabilities	(472)	(136)	(608)
Total	2,438	639	3,077

Deferred tax assets and liabilities report a positive balance of Euro 3,077 thousand, increasing Euro 639 thousand on the previous year and comprising deferred tax assets for Euro 3,685 thousand and deferred tax liabilities for Euro 608 thousand.

Maire Tecnimont S.p.A. and the subsidiaries Tecnimont S.p.A., MET Gas Processing Technologies S.p.A., Neosia S.p.A., Met Development S.p.A., KT-Kinetics Technology S.p.A. and Mst S.r.l. opted to apply the Tax Consolidation regime which permits the calculation of the IRES corporation tax on a tax basis representing the aggregate of the taxable income and losses of the individual companies. Deferred tax assets on fiscal losses and carried forward are recognized only for those amounts for which it is probable there will be future assessable income to recover the amounts.

The increase in deferred tax assets is due principally to the combined effect of the temporary differences deductible in future years for the allocation of charges for remuneration policies and personnel bonuses and the reversal of temporary differences from previous years in the year.

Deferred tax liabilities of Euro 608 thousand mainly concern fiscally recognized amortization of the Tecnimont and KT-Kinetics Technology trademarks which, as considered of indefinite useful life, were not subject to statutory amortization and recognized the benefit only for tax purposes.

The breakdown and changes in the deferred tax assets and liabilities is shown below:



<i>(In Euro thousands)</i>	2017	Provisions	Utilizations	Reclassifications /reversals	2018
Deferred tax assets					
Charges related to remuneration policies and personnel bonuses	2,827	1,669	(1,006)	0	3,490
Other	67	167	(55)	0	179
Post-employment benefits	16	0	0	0	16
Total deferred tax assets	2,910	1,836	(1,061)	0	3,685
Deferred tax liabilities					
Difference in intangible asset values (Trademarks)	(472)	(51)	0	0	(523)
Unrealized exchange gains	0	(85)	0	0	(85)
Total deferred tax liabilities	(472)	(136)	0	0	(608)
Total	2,438	1,700	(1,061)	0	3,077

42.7. Trade receivables

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Subsidiaries - within 12 months	57,358	(8,479)	48,879
Associates - within 12 months	5	(5)	0
Total	57,363	(8,483)	48,879

Receivables from subsidiaries were Euro 48,879 thousand, of which Euro 15,746 thousand from Tecnimont S.p.A. for coordination and control and for the tax, financial and legal service and other recharges, Euro 1,179 thousand from KT-Kinetics Technology S.p.A. for coordination and control, Euro 1,623 thousand from Neosia S.p.A. for coordination and control and Euro 350 thousand from Stamicarbon B.V. for the tax service and recharges for seconded personnel.

Finally, Euro 27,593 thousand relates to receivables for the tax consolidation; the amount concerns the net balance of advances and tax credit and debit positions transferred to the consolidating company by the subsidiaries involved in the tax consolidation.

42.8. Current tax assets

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Current tax receivables	3,118	44	3,162
Other tax assets	15,477	(15,075)	402
Total	18,595	(15,032)	3,564

Current tax assets at December 31, 2018 amount to Euro 3,564 thousand, reducing on the previous year. This movement relates principally to the reduction in the Group VAT.

Current tax receivables principally refer to:

- Receivables for excess IREAP payment on account for Euro 227 thousand;
- Tax receivables for withholdings on account Euro 4 thousand;
- Tax receivables for advertising investments Euro 42 thousand;
- The residual Euro 2,888 thousand refers to receivables from the tax authorities for various reimbursements.

Other tax receivables concern receivables for VAT paid by Maire Tecnimont S.p.A. as tax consolidating company for Euro 402 thousand.

In 2018, the Group VAT consolidation was renewed and Maire Tecnimont S.p.A. as parent company consolidated the debit and/or credit balances of the subsidiaries involved in the consolidation.

42.9. Financial instruments - Derivatives

<i>(In Euro thousands)</i>	2017	Change in the year	2018
Financial instruments - derivatives	5,404	(5,370)	33
Total	5,404	(5,370)	33

The reduction in the derivatives account Total Return Equity Swap (TRES) concerning the fair value of the cash settled Total Return Equity Swap (TRES) derivative instruments hedging movements in the Maire Tecnimont share price is due to the fact that in the first half of 2018 Maire Tecnimont exercised the “Early Termination” option in settlement of a portion of the instruments; the settled portion hedged the risk for approx. 3.6 million shares; the differential received was approx. Euro 5.4 million and the residual quota of the instruments at December 31, 2018 hedged the risk on approx. 2.5 million shares, increasing by 1.1 million shares in the first months of 2019; the fair value was negative and therefore classified in the account Derivative financial instruments - liabilities.

The derivative contracts (TRES) were underwritten with a financial intermediary, with no obligation for Maire Tecnimont to acquire the treasury shares, but only the obligation for the settlement between the parties of the differential between the exercise price and the Maire Tecnimont share price on the maturity of the instruments. Contract maturity is in the first half of 2019. For accounting purposes, the TRES is measured in accordance with IFRS 9 as a fair value derivative through P&L.

For further information and analysis of the Fair Value Hierarchy, reference should be made to the “FINANCIAL RISKS” section.

42.10. Other current financial assets

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Financial receivables within 12 months:			
Due from subsidiaries	3,200	132,077	135,277
Total	3,200	132,077	135,277

Other current financial assets amount to Euro 135,277; other non-current financial assets were reclassified to current, with such concerning financial receivables granted to Met Gas Processing Technologies S.p.A,



to Neosia S.p.A. and to Neosia Renewables S.p.A., in addition to current account receivables from the subsidiaries.

In 2018, Maire Tecnimont S.p.A. adopted the cash pooling system to streamline the management of Group cash flows, avoiding the dispersion of liquidity and minimizing financial charges.

Financial receivables and cash pooling account receivables are interest bearing, in accordance with market rates.

For all financial assets, the book value approximates the fair value which is calculated as described in the accounting policies section.

42.11. Other current assets

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Other receivables - within 12 months	2,801	(1,271)	1,530
Commercial prepayments	1,021	(57)	965
Total	3,822	(1,327)	2,495

Other current assets at December 31, 2018 amounted to Euro 2,495 thousand and principally concern receivables from subsidiaries for Group VAT, prepayments for costs incurred in advance, and deposits; the decrease of Euro 1,327 thousand compared to the previous year is due to the reduction in the VAT receivable from parent companies.

Again in 2018 a number of Group companies renewed the tax consolidation, transferring their VAT settlement debit/credit balances to the consolidating Maire Tecnimont S.p.A..

42.12. Cash and cash equivalents

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Bank and postal deposits	2,110	39,872	41,983
Cash in hand and similar	14	(3)	11
Total	2,124	39,869	41,993

Cash and cash equivalents at December 31, 2018 amount to Euro 41,993 thousand, an increase of Euro 39,869 thousand compared to December 31, 2017.

Operating cash flow generated Euro 17,471 thousand, decreasing on 2017 which reported the generation of Euro 67,098 thousand. Cash flows from operating activities, despite the dividends received from the subsidiaries, include also income tax payments, which in 2018 totaled Euro 36,470 thousand.

Investing activity on the other hand absorbed cash of Euro 2,525 thousand, principally relating to capital payments to Met Development S.p.A and Neosia Renewables S.p.A; the residual absorption relates to the costs incurred for the purchase of office furniture, EDP and for improvements at the company's offices.

Financing activities generated overall cash of Euro 24,923 thousand, principally following the issue on May 3 of the non-convertible bond loan for a nominal Euro 165 million in completion of the funding sources and medium/long-term debt optimization project of the Group and for financial income related to the settlement of the residual portions of the cash-settled Total Return Equity Swap (TRES) derivative instruments.

These effects were partially offset by the payment of the dividend approved by the Shareholders' Meeting of Euro 42,064 thousand and by the residual purchases of treasury shares for approx. Euro 27.7 million, in addition to interest paid in 2018 and the repayment to Tecnimont S.p.A. of a portion of the inter-company financial payable.

The estimate of the "fair value" of bank and postal deposits at December 31, 2018 approximates their book value.

42.13. Shareholders' Equity

SHAREHOLDERS' EQUITY

Shareholders' Equity at December 31, 2018 was Euro 463,394 thousand, an increase on the previous year of Euro 51,720 thousand.

SHARE CAPITAL

The Share Capital of Euro 19,621 thousand comprises 328,640,432 shares, without nominal value and with full rights.

On March 15, 2018 - Maire Tecnimont S.p.A. communicated the new composition of the subscribed and paid-in share capital, in addition to the total number of voting rights (as per Article 85-*bis*, paragraphs 1, 2 and 4-*bis*, Consob Regulation 11971/1999), following the issue of 23,112,932 new ordinary shares on the basis of the paid-in share capital increase approved by the Extraordinary Shareholders' Meeting of the company of April 30, 2014 in service of the conversion of the "€80,000,000 5.75 per cent equity-linked bonds due 2019".

By the deadline, conversion requests from Bondholders for a nominal value of Euro 79,800,000 had been received, corresponding to a total of 798 Bonds, at the conversion price of Euro 2.0964. The conversion requests were satisfied through delivery to entitled parties of a total 38,065,232 ordinary Maire Tecnimont shares, with full rights, of which 14,952,300 treasury shares of the company from the buy-back program to service the conversion of the Loan which commenced on September 25, 2017, and 23,112,932 newly-issued shares from a paid-in share capital increase to service the Loan, approved by the Extraordinary Shareholders' Meeting of the company of April 30, 2014.

The new shares were issued, without nominal value, at the conversion price of Euro 2.0964, of which Euro 0.1 as Share Capital and Euro 2.0864 as Share Premium.

SHARE PREMIUM RESERVE

The reserve comprises for Euro 25,000 thousand the share premium prior to November 26, 2007 and for Euro 58,045 thousand the share premium on the capital increase of 2007 net of the listing costs amounting to Euro 3,971 thousand, net of the tax effect.

The change in 2013 was Euro 141,653 thousand, comprising the share premium paid by the shareholder Ardeco and the other shareholders amounting to Euro 146,417 thousand, offset for Euro 4,764 thousand for share capital increase charges net of the tax effect.

The increase in 2018 was Euro 48,223 thousand, following the share capital increase in service of conversion of the "€80,000,000 5.75 per cent equity-linked bonds due 2019" equity-linked bond loan.

The share premium reserve may be utilized for share capital increases without consideration and/or for the coverage of losses. In accordance with Article 2431 of the Civil Code, this reserve may be distributed to the shareholders following a Shareholders' Meeting motion.

OTHER RESERVES

The other reserves at December 31, 2018 amount to Euro 114,775 thousand and comprise:

- Legal Reserve which at December 31, 2018 amounts to Euro 5,328 thousand;



- Statutory reserves, which at December 31, 2018 amounted to Euro 121,550 thousand, and did not change in the year.
- The IFRS 2 reserve at December 31, 2018 amounts to Euro 8,006 thousand; it includes the valuation of the capital participation plans offered to employees as additional benefits; the IFRS 2 reserve reported a net decrease of Euro 2,755 thousand; the movement in the year is due to accruals concerning the company in 2018 of Euro 1,159 thousand, net of utilizations following the closing of the second cycle - 2017 of the Employee share ownership plan for Euro 2,595 thousand, and a reduction for Euro 1,318 thousand as a result of the updating of the estimate regarding the achievement of some of the plans, in particular with regards to the 2016-2018 Performance Share Plan for approx. 30 Senior Managers, for which in the previous years the vesting conditions of the benefits were assessed as probable and therefore included under personnel expense, but in view of the recent industrial performances concluding with the 2018 year these expectations were no longer valid and consequently no accrual was made for the final year of the plan and income was recognized for previous years.
- Other reserves, which at December 31, 2018 were negative for Euro 20,108, with the change in the year of Euro 26,754 thousand related to the conversion of the equity-linked bond loan;

VALUATION RESERVE

The valuation reserve at December 31, 2018 was negative for Euro 61 thousand and comprised the actuarial gains and losses reserve for IAS 19 valuations. The changes compared to the previous year are shown below:

(in Euro thousands)	Actuarial gains/(loss)	Total
Net book value at December 31, 2017	(60)	(60)
Actuarial gain/(losses)	(1)	(1)
Relative tax effect	0	0
Net book value at December 31, 2018	(61)	(61)

RETAINED EARNINGS/(ACCUMULATED LOSSES)

This amounts to Euro 16,371 thousand following the Shareholders' Meeting decision to carry forward the 2017 profit.

In relation to the equity reserves the following is noted:

AVAILABILITY OF RESERVES FOR DISTRIBUTION

(in Euro thousands)	2018	Possibility of use	Quota available
Share capital	19,920		-
Share premium reserve	272,921	A,B,C	272,921
Legal reserve	5,328	B	-
Extraordinary reserve	121,549	A,B,C	121,549
Other reserves - lfrs 2 (*)	8,006	B	-
Other reserves	(20,108)		-
Valuation reserve	(61)		
Retained earnings/(accumulated losses)	16,371		-

Key:

A: for share capital increase

B: to cover losses

C: for distribution to shareholders

Note: (*) In accordance with Article 6, paragraph 5 of Legislative Decree No. 38 of 2005 these reserves are only available to cover losses with prior utilization of the profit reserves available and the legal reserve. In this case the above-mention reserves must be reintegrated covering the retained earnings.

SUMMARY OF UTILIZATIONS IN LAST 3 YEARS

(in Euro thousands)	Cover losses	Distribution	Transfer to other reserves	Other
Share capital				
Share premium reserve				
Legal reserve				
Extraordinary reserve		(18,882)		
Other reserves				

42.14. Provisions for risks and charges - beyond 12 months

(In Euro thousands)	2017	Changes in the year	2018
Provisions for risks and charges - beyond 12 months	11,900	(10,856)	1,044
Total	11,900	(10,856)	1,044

The main increases relate to provisions for remuneration policies.

The reduction in the provisions relates to the utilizations in the year, particularly again for the remuneration policy drawn up and a reclassification to the "Provisions for risks and charges - within 12 months" account, both in relation to the Phantom Stock incentive plan for the Chief Executive Officer of



the company and some Group Senior Managers, which shall conclude in 2019 for Euro 12,530 thousand, in addition to the residual share of the reclassification in relation to other long-term plans concluding in 2019.

The following table indicates the movements in provisions in 2018:

<i>(In Euro thousands)</i>	Balance at December 31, 2017	Provisions	Utilizations	Reclassification / releases	Balance at December 31, 2018
Fund for personnel charges	11,900	10,075	(4,310)	(16,621)	1,044
Total	11,900	10,075	(4,310)	(16,621)	1,044

42.15. Post-employment & other employee benefits

The company has a liability to all employees of the Italian companies of the statutory TFR (Post-employment benefit) provision, similar to defined benefit plans.

In accordance with IAS 19 (Employee benefits), the company estimated, with the support of an actuary, the liability for defined benefit plans at December 31, 2018. The changes in this liability in 2018 are shown below:

<i>(In Euro thousands)</i>	Post-employment benefit provision	Total
Balance at December 31, 2017	511	511
+ costs relating to current employee services	0	0
+ net actuarial losses/(profits)	0	0
+ financial charges on obligations undertaken	(1)	(1)
+ other changes	0	0
- utilizations	(8)	(8)
Balance at December 31, 2018	502	502

Financial expenses on obligations assumed are recognized in the Income Statement under financial expenses - other charges. Actuarial gains and losses are recognized in a specific valuation reserve under Equity. The changes principally relate to the Post-employment benefits transferred to the company for employees transferred from other Group companies.

In particular, the assumptions adopted in the valuation of the Post-employment benefit provision relate to:

- First assumption: it was decided to adopt a rate of 1.5% as the average inflation taken from the “2018 Economic and Finance Document”.

- Salary increases: in line with that carried out for the demographic technical parameters, new salary lines were constructed for the companies which do not deposit Post-Employment Benefits to the INPS Treasury Fund. In agreement with Group Management, a salary growth rate of 3% annually was assumed for all employees, including inflation.

- Discount rate: determined with reference to bond market rates of primary companies at the valuation date.

Specifically, the “Composite” interest rate curve of corporate issuers with “Investment Grade” AA ratings in the Eurozone was utilized (source: Bloomberg) at December 31, 2018.

- Workforce reference: for the internal workforce subject to analysis of Maire Tecnimont S.p.A., the average age and length of service were respectively 43.4 and 8.9 years.

42.16. Other non-current financial liabilities

<i>(In Euro thousands)</i>	31/12/17	Changes in the year	31/12/18
Payables to other suppliers - Bonds	39,719	162,915	202,634
Payable to subsidiaries	332,805	(332,805)	0
Total	372,524	(169,890)	202,634

Other non-current financial liabilities amount to Euro 202,634 thousand, with the reduction in payables to subsidiaries on the previous year due to the reclassification to the account other current financial liabilities for Euro 142,329 thousand, following the maturity within 12 months of the above payables and for Euro 190,476 thousand the repayments in the year, principally of a portion of the payable to Tecnimont S.p.A. following the issue on May 3 of the non-convertible bond loan for a similar amount by Maire Tecnimont S.p.A., as outlined below.

Payables to other lenders of Euro 202,634 thousand comprised:

- For Euro 39,767 thousand, the non-convertible bonds, net of accessory charges, subscribed in 2017 through private placement by the Pan-European Fund and the Export Development Fund (created by SACE), both managed by Amundi Group companies.

The bonds, divided into two equal tranches, are priced all-in at 340 basis points, plus the Euribor at 6 months, with a six-year maturity and bullet repayment on maturity and are supported by guarantees issued by Tecnimont S.p.A. and, for one of the two tranches, also by a guarantee in favor of bondholders by SACE S.p.A.. (CDP Group). Both bond tranches were for exclusive subscription by qualifying investors; the securities - with unitary values of Euro 100,000 each - are not be listed or admitted to trading on any market (regulated or non-regulated) or multi-lateral trading systems, nor assigned a rating. The bonds are supported by covenants in line with market practice; specifically, the bond covenants regard the maintenance of a ratio between the net financial position and net equity, as well as between the net financial position and EBITDA, next measured on the December 31, 2018 figures.

- For Euro 162,866 thousand, the non-convertible Bond Loan for a total Euro 165 million, net of accessory charges, issued in 2018.

In this regard, we report the following:

On May 3, 2018, Maire Tecnimont issued 165,000 Non-Convertible Bonds at a price equal to 100% of the nominal value, and with a unitary minimum value of Euro 1,000 (thousand), for a total of Euro 165 million. The Bond interest rate is 2.625% annually, with interest paid on a deferred basis on April 30 and October 31 of each year, from October 31, 2018. The Bonds shall be settled at the nominal value on April 30, 2024 where not previously settled or cancelled.

The Bond Loan is part of a project to diversify funding and optimize the medium/long-term debt in order to align its structure with the altered financial needs of the Maire Tecnimont Group.



The Bond issue terms and conditions stipulate incurrence-type covenants regarding the debt level; specifically, the bond financial covenants require the maintenance of a stated net financial position/EBITDA ratio, measured annually and initially on the December 31, 2018 figures.

The Maire Tecnimont Group is currently not aware of any default situations regarding the above-mentioned covenants.

42.17. Short-term financial payables

<i>Euro thousands</i>	2017	Changes in the year	2018
Bank payables	1,964	(974)	989
Total	1,964	(974)	989

Current financial payables concern accrued liabilities regarding the amounts matured and not settled of the Bonds and of the Tres III derivative.

The estimate of the “fair value” of these financial instruments substantially approximated their book value.

42.18. Provisions for risks & charges - within 12 months

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Provisions for risks & charges - within 12 months	0	16,621	16,621
Total	0	16,621	16,621

The provision for charges within 12 months amounts to Euro 16,621 thousand and concerns the estimated costs for remuneration and incentive policies due within 12 months.

The increase in the year is essentially due to the reclassification of Euro 16,621 thousand from “Provisions for risks and charges - beyond 12 months” in relation to the Phantom Stock incentive plan for the Chief Executive Officer of the company and some Group Senior Managers which shall conclude in 2019 for Euro 12,530 thousand, in addition to the residual reclassification in relation to some long-term plans concluding in 2019.

42.19. Tax payables

<i>(In Euro thousands)</i>	2017	Changes in the year	2018
Current income tax payables	18,605	(17,077)	1,527
Other tax payables	558	(21)	537
Total	19,163	(17,099)	2,064

Tax payables amount to Euro 2,064 thousand and refer for Euro 1,527 thousand to current income taxes and in particular the IRES corporation tax from the National tax consolidation, net of the advances paid in 2018.

Other tax payables amount to Euro 537 thousand and relate to IRPEF employees.

Tax payables are shown in the table below:

<i>(In Euro thousands)</i>	31/12/18	31/12/17
Current income tax payables - Ires/Irap	1,527	18,605
Substitute taxes payable	537	558
Total	2,064	19,163

42.20. Financial instruments - Derivatives

<i>(In Euro thousands)</i>	2017	Change in the year	2018
Financial instruments - derivatives	0	2,002	2,002
Total	0	2,002	2,002

The account for Euro 2,022 thousand relates to the negative fair value of the cash-settled Total Return Equity Swap (TRES) derivative instruments hedging movements in the Maire Tecnimont share price in the first half of 2018, Maire Tecnimont exercised the “Early Termination” option in settlement of a portion of the instruments; the settled portion hedged the risk for approx. 3.6 million shares; the differential received was approx. Euro 5.4 million and the residual quota of the instruments at December 31, 2018 hedged the risk on approx. 2.5 million shares, increasing by 1.1 million shares in the first months of 2019; the fair value was negative and therefore classified in the account Derivative financial instruments - liabilities.

The derivative contracts (TRES) were underwritten with a financial intermediary, with no obligation for Maire Tecnimont to acquire the treasury shares, but only the obligation for the settlement between the parties of the differential between the exercise price and the Maire Tecnimont share price on the maturity of the instruments. Contract maturity is in the first half of 2019. For accounting purposes, the TRES is measured in accordance with IFRS 9 as a fair value derivative through P&L.

For further information and analysis of the Fair Value Hierarchy, reference should be made to the “FINANCIAL RISKS” section.

42.21. Other current financial liabilities

<i>(In Euro thousands)</i>	31/12/2017	Changes in the year	31/12/2018
Other current financial liabilities - Equity Linked Bond	79,581	(79,581)	0
Other current financial liabilities	0	153,801	153,801
Payable to subsidiaries	0	142,329	142,329
Total	79,581	216,549	296,130



The decrease in “Other current financial liabilities - Equity Linked Bond” is due to the settlement of the “€80 million 5.75 per cent. Unsecured Equity- Linked Bonds due 2019”. In this regard, we report the following:

On January 25, 2018, the Board of Directors of Maire Tecnimont approved the exercise of the early cash repayment option, at nominal value, of the equity-linked bond loan; on March 6, 2018 - Maire Tecnimont announced that - against the nominal value of the Loan at January 25, 2018 of Euro 79,900,000, for 799 bonds (the “Bonds”) still in circulation and listed on the Dritter Markt (Third Market) Multilateral Trading Facility organized and managed by the Vienna Stock Exchange - it had received, by the deadline of February 28, 2018, conversion requests from bondholders for a nominal value of Euro 79,800,000, corresponding to a total of 798 Bonds, at the conversion price of Euro 2,0964. The conversion requests were satisfied through delivery to entitled parties of a total 38,065,232 ordinary Maire Tecnimont shares, with full rights, of which 14,952,300 treasury shares of the company from the buy-back program to service the conversion of the Loan which commenced on September 25, 2017, and 23,112,932 newly-issued shares from a paid-in share capital increase to service the Loan, approved by the Extraordinary Shareholders’ Meeting of the company of April 30, 2014. The 1 Bond of a nominal value of Euro 100,000.00, for which a conversion request was not presented by the final deadline of February 28, 2018, was repaid in cash at the above nominal value, in addition to interest matured, according to that set out in the Bond Regulation, with value date of March 7, 2018.

Other current financial liabilities of Euro 153,801 thousand concern payables to subsidiaries for current accounts, while in 2018, the company adopted the cash pooling system to streamline the management of Group cash flows, avoiding the dispersion of liquidity and minimizing financial charges.

The cash pooling account receivables are interest bearing, in accordance with market rates.

Payables to subsidiaries for inter-company loans in the previous year were reclassified to the “other non-current financial liabilities” account and amount to Euro 142,329 thousand. They concern payables to Tecnimont S.p.A. for Euro 124,900 thousand, payables to Maire Engineering France S.A for Euro 129 thousand and payables to Stamicarbon B.V. for Euro 17,300 thousand.

These loans in previous years were principally received in order to grant loans to other Group companies requiring liquidity for ordinary operating activities, as well as for the working capital management of Maire Tecnimont S.p.A.. All loans are interest-bearing at market rates and maturity is scheduled within the subsequent year.

The following table reports the company’s net financial debt at December 31, 2018 and December 31, 2017, in line with Consob communication No. DEM/6064293/2006 of July 28, 2006:

NET FINANCIAL DEBT MAIRE TECNIMONT S.P.A.

<i>In Euro thousands</i>	31/12/2018	31/12/2017
A. Cash	(11)	(14)
B. Bank and postal deposits	(41,983)	(2,110)
C. Securities	-	-
D. Liquidity (A+B+C)	(41,993)	(2,124)
E. Current financial receivables	(135,311)	(8,604)
F. Current bank payables	989	1,964
G. Current portion of non-current debt	-	-
H. Other current financial payables	298,132	-
I. Current financial debt (F+G+H)	299,122	1,964
J. Net current financial debt (I-E-D)	121,818	(8,764)
K. Non-current bank payables	-	-
L. Bonds issued	202,634	119,300
M. Other non-current payables	0	332,805

NET FINANCIAL DEBT MAIRE TECNIMONT S.P.A.

N. Non-current financial debt (K+L+M)	202,634	452,105
O. Net financial debt (J+N)	324,451	443,341

The following table presents the reconciliation between the net financial debt and the net financial position of the company at December 31, 2018 and December 31, 2017:

RECONCILIATION NFD & NFP

<i>In Euro thousands</i>	31/12/2018	31/12/2017
O. Net financial debt	324,451	443,341
Other non-current financial assets	-	(62,195)
Adjusted Net Financial Position	324,451	381,146

42.22. Trade payables

This account amounts to Euro 15,498 thousand and decreased on the previous year Euro 5,000 thousand.

<i>(Euro thousands)</i>	2017	Changes in the year	2018
Suppliers - within 12 months	3,577	1,159	4,736
Subsidiaries - within 12 months	16,829	(6,139)	10,690
Parent companies - within 12 months	92	(20)	72
Total	20,498	(5,000)	15,498

Payables to suppliers of Euro 4,736 thousand concern trade payables for ordinary operations.

Payables to subsidiaries amount to Euro 10,690 thousand, decreasing on the previous year and relate to interest expense on loans received from subsidiaries, in particular, Tecnimont S.p.A and other services received; in particular Maire Tecnimont structurally benefitted from services provided, including the availability of office spaces, in addition to the provision of other related services (general services, facilities, security, equipment) and other AFC services and personnel management.

Payables to parent companies for Euro 72 thousand relate to the payable to G.L.V. S.p.A. for rent and use of brands.



42.23. Other current liabilities

(In Euro thousands)

	2017	Changes in the year	2018
Payables to social security institutions	811	16	827
Matured by personnel, not yet settled	346	23	369
Other payables	5,066	(3,159)	1,907
Commercial accrued liabilities and deferred income	11	(10)	1
Total	6,234	(3,131)	3,103

Other current liabilities at December 31, 2018 amount to Euro 3,103 thousand, reducing Euro 3,131 thousand on December 31, 2017.

The account concerns Social Security Institution payables, those matured by personnel and other various payables. Other payables for Euro 1,907 thousand concern payables to subsidiaries for Group VAT. Again in 2018 a number of Group companies renewed the tax consolidation, transferring their VAT settlement credit balances to the consolidating Maire Tecnimont S.p.A..

Public grants in accordance with Law No. 124/2017

With regards to the rules on the transparency of public grants as per Article 1, paragraphs 125-129 of Law No. 124/2017 - as subsequently supplemented by Legislative Decree No. 113/2018 and Legislative Decree No. 135/2018 and the relative interpretations concerning disclosure obligations, the company Maire Tecnimont analyzed its situation and decided to present in this paragraph the amounts received in 2018 in the form of contributions and grants:

- As part of funded training plans, Euro 41 thousand was received from Fondirigenti;
- In 2018, the Group recognized an advertising investment supplement tax credit in accordance with Article 57-bis of Legislative Decree No. 50 of April 24, 2017 of Euro 42 thousand;

43. Commitments and contingent liabilities

Maire Tecnimont S.p.A financial guarantees at December 31, 2018 and December 2017 were as follows:

<i>(in Euro thousands)</i>	2018	2017
Guarantees granted in the interest of the company		
Sureties issued by third parties in favor of third parties	138,459	158,954
Total guarantees	138,459	158,954

Sureties issued in favor of third parties concern those in favor of the Milan Polytechnic for a 15-year agreement and the Lazio/Lombardy Regional Tax Agency and Provincial Section II of the Rome/Milan Large Contributions Office for Repayments and Offsets for Group VAT, in addition to the Advance and Performance Bond issued in the interest of KT S.p.A., METNEWEN MEXICO S.A., Tecnimont Russia and Tecnimont S.p.A., respectively for the TOTAL ROG Refinery of Antwerp, Energia Limpia de Amistad, AGPP AMUR, Kingisepp, ADCO and Centro Trattamento Olii Tempa Rossa orders.

Other commitments of Euro 11,630,113 thousand concern "Parent Company Guarantees" issued in favor of clients of Subsidiaries, in relation to commitments undertaken in the execution of core operations and therefore orders undertaken.

These commitments, which involve the undertaking of an obligation to complete, guarantee contracts whose total value amounts includes works already executed and the residual backlog at December 31, 2018.

"Other Unsecured Guarantees" residually concern other guarantees (letters of Patronage) in favor of banks in the interest of some subsidiaries, principally Tecnimont S.p.A.. and KT Kinetics Technology SpA..

44. Related party transactions

In view of the transactions carried out by Maire Tecnimont in 2018, related parties principally concern:

- from group and associated companies (Tecnimont S.p.A., KT-Kinetics Technology S.p.A., Neosia S.p.A., Neosia Renewables S.p.A., M.S.T S.r.l., Stamicarbon B.V., MET Gas Processing Technologies S.p.A., Met Development S.p.A., Cefalù S.c.a.r.l.; TCM do Brasil, TCM Russia, TPI, M.E France, TCM-KT JV S.r.l, Met T&S Limited, Tecnimont USA Inc. Tecnimont Arabia Ltd);
- from the parent company G.L.V Capital S.p.A. and from the consolidation scope of Maire Investments S.p.A.

Specifically, payable contracts refer to the lease of office buildings used by the company, in particular the offices in Piazza Flamingo (Rome), the use of the "Maire" trademark and other minor recharges (transactions with GLV Capital S.p.A.); the transactions with the Maire Investments Group relate to costs for rental of the premises at via di Vanning (Rome) in relation to the partnership agreement with the Sapienza University. The residual payable and receivable contracts relate respectively to administrative services, facility management and the purchase of flight time used by Maire Tecnimont.

Maire Tecnimont structurally benefitted from services provided by Tecnimont S.p.A, specifically the availability of office spaces, in addition to the provision of other related services (general services, facilities, security, equipment) and other AFC services from the subsidiary KT.

The balance takes account also of the effect of Tecnimont S.p.A. inter-company payables assumed as part of the wider recapitalization of the company through the subsequent waiver by Maire Tecnimont S.p.A. of the relative receivables in 2013 (TCM France Sa, TPI).



The loan contract payables refer to loans received (Tecnimont S.p.A., Stamicarbon S.P.A.), in addition to the financial payables balance, again in this case taking account also of the effect of the assumption of Tecnimont S.p.A. inter-company financial payables in 2013 (M.E France). All loans are interest-bearing at market rates.

Commercial contract receivables principally concern services provided by Maire Tecnimont S.p.A. in favor of the subsidiaries (Tecnimont S.p.A., KT-Kinetics Technology S.p.A. Neosia S.p.A., METGas Processing Technologies S.p.A., Met Development S.p.A.), the administrative/tax/legal service (Tecnimont S.p.A., MET Gas Processing Technologies S.p.A, Met Development S.p.A.) and the recharge of a number of costs incurred on behalf of the subsidiaries (Stamicarbon B.V., Met Newen Mexico S.A. de C.V).

Financial contract receivables concern the loans granted to the subsidiaries (Neosia S.p.A., TCM do Brasil, METGas Processing Technologies S.p.A.) for the management of their operating activities. All loans are interest-bearing at market rates.

The balance of current account payables and receivables arose under the cash pooling agreement adopted in 2018 by Maire Tecnimont S.p.A., to which a number of Group companies subscribed (Tecnimont S.p.A., KT-Kinetics Technology S.p.A., Neosia S.p.A., MET Gas Processing Technologies S.p.A., Met Development S.p.A, TCM-KT JV S.r.l.). The cash pooling payables and receivables mature interest in line with market rates.

The residual balances are payables arising under the tax consolidation agreement (Tecnimont S.p.A., KT-Kinetics Technology S.p.A., Neosia S.p.A., MET Gas Processing Technologies S.p.A., M.S.T S.r.l., Met Development S.p.A.), and payables and receivables arising following the VAT consolidation (M.S.T S.r.l., Neosia S.p.A., Tecnimont S.p.A., MET Gas Processing Technologies S.p.A., Met Development S.p.A., Cefalù S.c.a r.l).

All related party transactions have been conducted at market conditions.

The Company's receivables/payables and cost/revenue transactions with related parties for the year are presented in the tables below.

(in Euro thousands) 31/12/2018	Trade Receivables	Trade Payables	Financial Receivables	Financial Payables	Receivables (Payables) for VAT consol.	Receivables (Payables) for tax consol.	Receivables (Payables) for cash pooling	Revenues	Costs	Financial income	Financial expenses
Tecnimont S.p.A.	15,746	(8,309)	0	(124,900)	(1,043)	24,702	53,079	28,122	(3,986)	786	(5,266)
KT S.p.A.	1,179	(485)	0	0	0	5,694	(91,219)	4,528	(321)	2	(198)
Neosia S.p.A.	1,623	(3)	27,310	0	1,031	(2,822)	14,394	572	0	1,595	(3)
Neosia Renewables S.p.A.	34	0	33,886	0	0	0	0	0	0	34	0
Stamicarbon B.V.	350	(245)	0	(17,300)	0	0	0	249	0	0	(245)
Met Gas Processing Technologies S.p.A.	(21)	0	3,200	0	(365)	(301)	2,809	21	0	85	0
G.L.V Capital S.p.A.	0	0	0	0	0	0	0	0	(576)	0	0
Mdg Real Estate S.r.l.	0	0	0	0	0	0	0	0	(15)	0	0
MST S.r.l.	0	(60)	0	0	(432)	617	0	0	(137)	0	0
Met Development S.p.A.	(28)	(5)	0	0	(29)	(298)	601	40	0	1	(5)
TCM Russia	55	0	0	0	0	0	0	6	0	0	0
TPI	45	(795)	0	0	0	0	0	5	0	0	0
TCM France	0	(678)	0	0	0	0	0	0	0	0	0
ME France	0	(3)	0	(129)	0	0	0	0	0	0	(4)
MET T&S LIMITED	295	0	0	0	0	0	0	7	0	9	0
Cefalù S.c.a.r.l.	0	0	0	0	113	0	0	0	0	0	0
Tecnimont Private Limited	1,687	0	0	0	0	0	0	24	0	0	0
TCM Do Brasil	13	0	0	0	0	0	0	5	0	0	0

(in Euro thousands) 31/12/2018	Trade Receivables	Trade Payables	Financial Receivables	Financial Payables	Receivables (Payables) for VAT consol.	Receivables (Payables) for tax consol.	Receivables (Payables) for cash pooling	Revenues	Costs	Financial income	Financial expenses
Tecnimont Cile	13	0	0	0	0	0	0	5	0	0	0
Tecnimont México	3	0	0	0	0	0	0	5	0	0	0
Tecnimont USA Inc.	4	0	0	0	0	0	0	5	0	0	0
Tecnimont Arabia Ltd	13	0	0	0	0	0	0	5	0	0	0
TecnimontHQC Sdn. Bhd.	13	0	0	0	0	0	0	5	0	0	0
Met Newen Mexico S.A. de C.V.	248	0	0	0	0	0	0	110	0	0	0
Biolevano S.r.l.	0	0	0	0	0	0	0	9	0	0	0
Cosorzio Turbigio 800	0	0	0	0	0	0	0	1	0	0	0
Nextchem S.r.l. (previously Processi Innovativi S.r.l.)	19	0	0	0	0	0	0	0	0	0	0
TCM-KT JV S.r.l.	0	(108)	0	0	0	0	(62,583)	0	0	0	(108)
Total	21,287	(10,690)	64,395	(142,329)	(724)	27,593	(82,919)	33,725	(5,035)	2,512	(5,829)

Remuneration of Directors, Statutory Auditors and Senior Executives is outlined below:

31/12/2018 (in Euro thousands)	Remuneration
Directors	7,104
Statutory Auditors	200
Total	7,304

The remuneration concerns emoluments and all other payments, pension-related or social security deriving from the role of Director or Statutory Auditor in Maire Tecnimont S.p.A..

The remuneration of Directors and Statutory Auditors and Senior Executives, appears in the 2018 Corporate Governance and Ownership Structure Report and the 2018 Remuneration Report, both available on the company website at www.mairetecnimont.it in the "Governance" section.

45. Financial risk management

For more complete disclosure on financial risks, reference should be made to the "FINANCIAL RISKS" section of the Explanatory Notes of the Consolidated Financial Statements of the Maire Tecnimont Group.

Maire Tecnimont S.p.A.'s ordinary operations are exposed to financial risks. Specifically:

- Credit risk, both in relation to normal commercial transactions with clients and financial activities;
- Liquidity risk, concerning difficulties in liquidating positions held within necessary timeframes or in sourcing operating funding;
- Market risk, relating to fluctuations in interest rates for financial instruments which generate interest;



- Default and debt covenant risk regarding the possibility that loan contracts include clauses permitting the lending Banks to request immediate repayment on the occurrence of certain events, resulting therefore in a liquidity risk.

Maire Tecnimont S.p.A constantly controls financial risks, anticipating potential negative impacts and undertaking appropriate corrective actions.

The following section provides qualitative and quantitative information on the impact of these risks on Maire Tecnimont S.p.A. The following quantitative data may not be used for forecasting purposes, as market risks may not reflect the complexity and the related market reactions from any change in assumptions.

IFRS 7 requires that the classification of financial instruments measured at fair value is determined based on the quality of the input sources used in the measurement of the fair value (level 1, 2 and 3); the financial statements of Maire Tecnimont S.p.A. includes financial instruments measured at fair value.

CREDIT RISK

Maire Tecnimont credit risk represents the exposure to potential losses following the non-fulfilment of obligations by counterparties. Credit risk stems from normal operations and is monitored by the operating and financial departments on the basis of set procedures, which establish the methods for quantifying and controlling client risk.

They are managed according to procedures, including credit recovery and dispute management.

The maximum theoretical exposure to the credit risk for the Company at December 31, 2018 is the carrying value of the financial assets recorded in the accounts, and the nominal value of the guarantees given on debts and commitments to third parties.

At December 31, 2018, Trade receivables within and beyond 12 months respectively were Euro 48,879 thousand and Euro 1,100 thousand. A summary of the trade receivables and the relative doubtful debt provisions is reported below:

Receivables by expiry date

	Overdue at 31/12/2018				Total
	Not overdue	Up to 365 days	From 365 to 731 days	Over 731 days	
TRADE RECEIVABLES	1,836	46,680	362	0	48,879
OTHER NON-CURRENT ASSETS	0	0	0	1,100	1,100
Total trade receivables	1,836	46,680	362	1,100	49,979
of which:					
Within 12 months (Note 42.6, 42.4)					48,879
					1,100

	Overdue at 31/12/2017				Total
	Not overdue	Up to 365 days	From 365 to 731 days	Over 731 days	
TRADE RECEIVABLES	1,042	54,480	1,841	0	57,363
OTHER NON-CURRENT ASSETS	0	0	0	1,100	1,100
Total trade receivables	1,042	54,480	1,841	1,100	58,463
of which:					
Within 12 months (Note 42.6, 42.4)					57,363
					1,100

Other non-current assets overdue more than 731 days concern disputed receivables from clients due beyond 12 months and specifically from the Calabria Region for Euro 1,100 thousand. With regards to this receivable, the arbitral award accepted most of the company's demands. The counterparty has proposed an appeal against the arbitral award and in 2013 the Catanzaro Court of Appeal nullified the award on the basis only of formal errors; the company therefore decided to challenge the judgement filed on May 6, 2013 and to appeal to the Cassation Court. The appeal was accepted with notification of 20/6/14; the Calabria Region did not make a counter appeal and the hearing date for discussion and subsequent decision is awaited. The above amount is currently considered recoverable on the basis of the strong grounds previously expressed in the arbitral award.

The trade receivables are all from subsidiaries and therefore are considered without credit risk.

For IFRS 9 - Financial Instruments, the impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model, utilizing supporting information, available without unreasonable charges or effort, which includes historic, current and projected figures. The credit risk of the subsidiary counterparties was however assessed, but the effect was considered insignificant.

LIQUIDITY RISK

This risk concerns the difficulty in sourcing new funding or access to liquid assets, resulting in the enterprise's failure to satisfy payment commitments, being forced to incur additional funding costs or, in extreme instances, being faced with potential insolvency which may put its going concern at risk.

At the present moment, Maire Tecnimont considers that the good levels of liquidity held and prudent and functional management of the credit lines available are important elements for stability and sufficient to guarantee the resources necessary for operating continuity. The management of liquidity risk is based above all on the strategy of containing debt and maintaining financial equilibrium.

Cash and cash equivalents at December 31, 2018 of Maire Tecnimont S.p.A. amount to Euro 41,993 thousand, increasing on December 31, 2017 (Euro 2,124 thousand). The cash and cash equivalents at December 31, 2018 of the Maire Tecnimont Group of Euro 650,008 thousand increased Euro 19,139 thousand on December 31, 2017.

The following table analyses the breakdown and maturities of financial liabilities according to non-discounted future cash flows:



31/12/2018 (in Euro thousands)	Due within 1 year	Due between 2 & 5 years	Due beyond 5 years	Total
Bank payables	0	0	0	0
Other intercompany lenders	159,492	152,861	0	312,353
Other lenders	0	45,650	185,970	231,620
Total financial liabilities (current and non-current)	159,492	198,512	185,970	543,973

Future interest is estimated on the basis of existing market conditions at the preparation date of the financial statements.

The other inter-companies financial liabilities concern the payables to subsidiaries for loans and the payables to subsidiaries for current accounts; in 2018, Maire Tecnimont S.p.A. adopted the cash pooling system to streamline the management of Group cash flows, avoiding the dispersion of liquidity and minimizing financial charges. The maturity dates and the interest estimates are based on the residual contractual duration or the earliest date when payment may be demanded.

The “beyond 5 years” category concerns other non-current financial liabilities and relates to the new non-convertible Bond loan for a total of Euro 165 million issued in 2018, with repayment scheduled for April 30, 2024.

MARKET RISKS

CURRENCY RISK

The Company is theoretically exposed to risks deriving from changes in the exchange rate although the amount of financial assets and liabilities in currencies other than the Euro which may impact the income statement or value of the net equity are minimal.

INTEREST RATE RISK

The Company is exposed to interest rate risk in relation to debt service costs.

The residual risk on the variable rate debt is in part mitigated by the fact that Group cash deposits are remunerated at interest rates indexed to the same debt parameter (Euribor).

DEFAULT AND debt COVENANT RISK

This concerns the possibility that loan contracts include clauses permitting the lending Banks and other lenders to request immediate repayment on the occurrence of certain events, resulting therefore in a liquidity risk.

In 2017, Maire Tecnimont S.p.A. concluded agreements for the subscription through private placement by the Pan-European Fund and the Export Development Fund (created by SACE), both managed by Amundi Group companies, of non-convertible bonds amounting to Euro 40,000,000. The bonds, divided into two equal tranches, are of six-year duration with bullet repayment on maturity.

Again in this case, the bonds are supported by covenants in line with market practice; specifically, the bond covenants regard the maintenance of a ratio between the net financial position and net equity, as well as between the net financial position and EBITDA, next measured on the December 31, 2018 figures.

On May 3, 2018, Maire Tecnimont issued 165,000 Non-Convertible Bonds at a price equal to 100% of the nominal value, and with a unitary minimum value of Euro 1,000 (thousand), for a total of Euro 165 million.

The Bond interest rate is 2.625% annually, with interest paid on a deferred basis on April 30 and October 31 of each year, from October 31, 2018. The Bonds shall be settled at the nominal value on April 30, 2024 where not previously settled or cancelled.

The Bond Loan is part of a project to diversify funding and optimize the medium/long-term debt in order to align its structure with the altered financial needs of the Maire Tecnimont Group.

The Bond issue terms and conditions stipulate incurrence-type covenants regarding the debt level; specifically, the bond financial covenants require the maintenance of a stated net financial position/EBITDA ratio, measured annually and initially on the December 31, 2018 figures.

Maire Tecnimont is currently not aware of any default situations regarding the above-mentioned covenants.

DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

The company utilizes derivative instruments to hedge against movements in the Maire Tecnimont share price, in view of the implementation of a buy-back program to satisfy the “Equity Settled” employee plans, as the Group has assigned its capital instruments as additional remuneration for services received (employment).

Maire Tecnimont S.p.A therefore subscribed to two cash-settled Total Return Equity Swap (TRES) derivative instruments, undertaken to hedge against movements in the Maire Tecnimont share price. The TRES derivative instruments for accounting purposes are measured in accordance with IFRS 9 at fair value through P&L.

Fair value calculation

The fair value of financial instruments is represented by the current market price or, in their absence the application of appropriate financial valuation models which take into consideration all the factors adopted by market operators and the prices obtained in a real market transaction.

In particular, the fair value of the interest rate swaps is measured discounting the expected cash flows, while the fair value of currency forward contracts is determined on the basis of the forward exchange rate at the reference date and the differential rates between the currencies.

CLASSIFICATION OF THE FINANCIAL INSTRUMENTS

IFRS 7 requires that the classification of financial instruments valued at fair value is determined based on the quality of the input sources used in the valuation of the fair value. The IFRS 7 classification implies the following hierarchy:

- Level 1: fair value calculation according to active market prices. Company instruments do not fall within this category;
- Level 2: fair value measurement according to market prices or similar assets or through measurement techniques for which all significant factors are directly or indirectly based on observable market data. Company instruments fall within this category.
- Level 3: fair value measurement according to valuation models whose input is not based on observable market data (“unobservable inputs”). Instruments whose value is based on models with inputs not directly based on observable market data are currently in place.

For all derivative instruments used by the Company, the fair value is calculated according to measurement techniques based on observable market parameters (“Level 2”).

As required, we report the type of financial instruments present in the financial statements, with indication of the accounting policies applied. The book value of financial assets and liabilities substantially coincide with their fair value.



At 31/12/2018 (in Euro thousands)	Loans and Receivables - Amortized Cost	Derivative Instruments - Fair value	Derivative Instrumen ts - Hedge Accountin g - Fair Value	Capital instruments - Fair Value OCI	Total
Other non-current assets	1,165				1,165
Trade receivables	48,879				48,879
Financial instruments - Derivatives		*33			33
Other financial assets	135,277				135,277
Other current assets	2,495				2,495
Cash and cash equivalents	41,993				41,993
Total	229,809	33	0	0	229,842

**"Level 2" of Fair-Value

At 31/12/2017 (in Euro thousands)	Loans and Receivables - Amortized Cost	Derivative Instruments - Fair value	Derivative Instrumen ts - Hedge Accounting - Fair Value	Capital instruments - Fair Value OCI	Total
Other non-current assets	1,214				1,214
Other non-current financial assets	62,195				62,195
Trade receivables	57,363				57,363
Financial instruments - Derivatives		*5.404			5,404
Other financial assets	3,200				3,200
Other current assets	3,822				3,822
Cash and cash equivalents	2,124				2,124
Total	129,918	5,404	0	0	135,322

**"Level 2" of Fair-Value

At 31/12/2018 (in Euro thousands)	Financial Liabilities - Amortized Cost	Derivative Instruments - Fair value	Derivative Instruments - Hedge Accounting - Fair Value	Total
Other non-current financial liabilities	344,963			344,963
Current loans and borrowings	989			989
Financial instruments - Derivatives	0	*2.002		2,002
Other current financial liabilities	153,801			153,801
Trade payables	15,498			15,498
Other current liabilities	3,103			3,103
Total	518,354	2,002		520,356

**"Level 2" of Fair-Value

At 31/12/2017 (in Euro thousands)	Financial Liabilities - Amortized Cost	Derivative Instruments - Fair value	Derivative Instruments - Hedge Accounting - Fair Value	Total
Other non-current financial liabilities	372,524			372,524
Current loans and borrowings	1,964			1,964
Other current financial liabilities	79,581			79,581
Trade payables	20,498			20,498
Other current liabilities	6,234			6,234
Total	480,801			480,801

The book value of financial assets and liabilities substantially coincide with their fair value.

46. Independent Audit Firm fees

The following table, prepared pursuant to Article 149 of the Consob Issuers' Regulations, reports the payments made in 2018 for services carried out by the audit firm.

Type of service (in Euro thousands)	Provider	Recipient	2018 Fees
Audit	Pricewaterhousecoopers S.p.A.	Maire Tecnimont S.p.A.	261
Certification services (*)	Pricewaterhousecoopers S.p.A.	Maire Tecnimont S.p.A.	4
Other services **	Pricewaterhousecoopers Network	Maire Tecnimont S.p.A.	206
	Pricewaterhousecoopers S.p.A.	Maire Tecnimont S.p.A.	130

The fees do not include VAT, expenses and any Consob oversight contribution repayments

(*) Certification services include the signing of tax declarations.

(**) The Other services of the parent company include the balance of the methodological support for activities concerning the Group's sustainability initiatives in 2017, the audit fee for the Sustainability Report - containing the Non-Financial Statement as per Legislative Decree 254/2016 and services concerning the issue of the Non-Convertible Bond Loan Maire Tecnimont S.p.A. - Senior Unsecured Notes due April 30, 2024 of Euro 165 million.



47. Significant non-recurring events and operations

In 2018, the company did not execute any significant non-recurring operations in accordance with Consob Communication No. DEM/6064293 of July 28, 2006.

48. Transactions relating to atypical or unusual operations

In accordance with Consob Communication of July 28, 2006 No. DEM/6064293, the Company did not undertake any atypical and/or unusual operations, as defined in the communication.

49. Subsequent events after December 31, 2018

For significant events following year-end, reference should be made to the accompanying Directors' Report.

50. Statement on the financial statements as per Article 154-bis, paragraph 5 of Legislative Decree No. 58/98 and subsequent amendments and supplements

1. The undersigned Pierroberto Folgiero, as “Chief Executive Officer” and Dario Michelangeli as “Executive for Financial Reporting” of MAIRE TECNIMONT S.p.A. declare, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:
 - the conformity in relation to the characteristics of the company and
 - the effective application of the administrative and accounting procedures for the compilation of the financial statements at December 31, 2018.
2. In addition, we certify that the financial statements:
 - are drawn up in conformity with the applicable international accounting standards recognized by the European Union in accordance with Regulation (CE) No. 1606/2002 of the European Parliament and the Commission of July 19, 2002;
 - correspond to the underlying accounting documents and records;
 - provide a true and correct representation of the balance sheet, financial situation and result for the year of the Issuer.
3. The Directors’ Report includes a reliable analysis on the performance and operating result, as well as the situation of the issuer, together with a description of the principal risks and uncertainties to which it is exposed.

This statement is provided also in accordance with Article 154-bis, paragraph 2 of Legislative Decree No. 58 of February 24, 1998.

Milan, March 14, 2019

The Chief Executive Officer

Pierroberto Folgiero

The Executive Officer
for Financial Reporting

Dario Michelangeli



51. Board of Directors proposal

Dear Shareholders,

we consider that the financial statements of the company have been exhaustively outlined and we trust in your approval of the presentation and policies adopted for the 2018 financial statements and invite you to approve them together with the proposal to allocate the net income of Euro 39,466,209.44 as follows:

- assign to shareholders a dividend of Euro 0.119 for each of the existing shares entitled to a dividend, for a total dividend of Euro 39,108,211.41;
- to allocate to retained earnings⁵ the remaining Euro 357,998.03.

The amount of proposed dividend corresponds to one-third of the consolidated net income for 2018. The Board of Directors considers that this amount adequately remunerates shareholders and permits in addition capital strengthening which is indispensable to operate competitively on the international markets.

You are also invited to approve the proposal for the payment of a dividend for each share in circulation at the coupon date of May 6, 2019 (ex-date), with payment on May 8, 2019 (payment date). The shareholders of Maire Tecnimont S.p.A. on May 7, 2019 (record date) have the right to receive a dividend.

Milan, March 14, 2019

For the Board of Directors

The Chairman

⁵ Subject to the amount of the unitary dividend, the total dividend amount may change depending on the number of treasury shares held in portfolio by the company at the coupon date, consequently increasing or decreasing the amount to be allocated to retained earnings.

52. Report of Board of Statutory Auditors

**Report of the Board of Statutory Auditors to the Shareholders' Meeting
called for the approval of the 2018 Annual Accounts
(Article 153, Legislative Decree No. 58/98)**

Dear Shareholders,

the Board of Statutory Auditors, in accordance with Article 153 of Legislative Decree No. 58/1998, Consolidated Finance Act ("CFA") and Article 2429, paragraph 2 of the Civil Code, is required to report to the Shareholders' Meeting on the results for the financial year and on the activities carried out in fulfilment of its duties, and report observations and proposals regarding the financial statements and their approval and to the matters within its scope.

During the year, the Board of Statutory Auditors carried out its supervisory duties in accordance with applicable regulations and taking account of the conduct principles of the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), in addition to the Consob provisions concerning corporate controls and Boards of Statutory Auditors' activities and the indications contained in the Self-Governance Code for listed companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A. (the "Code"), with which Maire Tecnimont S.p.A. (hereafter also "Maire Tecnimont" or "company") complies.

For these purposes, the Board of Statutory Auditors, in addition to attending the meetings of the Board of Directors, Board Committees and meetings of the Independent Directors of the company, undertook the ongoing exchange of information with the heads of the administration, audit, compliance and risk management functions of the company, with the Board of Statutory Auditors of the main subsidiaries, with the Body tasked with overseeing the efficacy, compliance and updating of the Organisation, Management and Control Model for the purposes of Legislative Decree No. 231/01 of the company ("SB"), in addition to PricewaterhouseCoopers S.p.A. ("PwC" or the "Independent Audit Firm"), the "Appointed Auditor", tasked with the audit of the accounts and, as the "Designated Auditor", verification



of compliance regarding the Non-financial disclosure as per Legislative Decree 254/2016 of the company (the “Non-Financial Disclosure” or the “NFD”) and issue of the relative statement.

Appointment of the Board of Statutory Auditors

The Board of Statutory Auditors in office at the date of this report was appointed by the Shareholders’ Meeting of April 27, 2016 and comprises:

- Mr. Francesco Fallacara (Chairman);
- Ms. Antonia Di Bella (Statutory Auditor);
- Mr. Giorgio Loli (Statutory Auditor).

Mr. Massimiliano Leoni, Ms. Roberta Provasi and Mr. Andrea Lorenzatti are Alternate Auditors.

The mandate of the Board of Statutory Auditors concludes at the Shareholders’ Meeting called to approve the 2018 Annual Accounts.

The main offices held by the members of the Board of Statutory Auditors are also indicated in the Corporate Governance and Ownership Structure Report of the company, prepared in accordance with Article 123-*bis* of the CFA, and made available to the public on the website www.mairetecnimont.com.

The Board of Statutory Auditors declares that all of its members comply with Consob’s regulations concerning the cumulative number of appointments permitted.

We report that the financial statements of the company at December 31, 2018 were prepared in accordance with IAS/IFRS International Accounting Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, in force at

December 31, 2018, in addition to the provisions issued in enactment of Article 9 of Legislative Decree 38/2005.

The separate financial statements and the consolidated financial statements at December 31, 2018 of Maire Tecnimont include the statements of compliance by the Chief Executive Officer and the Executive Officer for financial reporting.

Inter-company and related party transactions

In accordance with Article 2391-*bis* of the Civil Code and Consob motion No. 17221 of March 12, 2010 enacting the "Related parties transactions regulation", subsequently amended with Consob motion No. 17389 of June 23, 2010, on November 12, 2010, the Board of Directors approved the "*Related parties transactions policy*" (the "Policy"). On March 15, 2017, the Board of Directors, as part of the three-yearly assessment of the adequacy of the Policy, having received the favorable opinion of the Related Parties Committee, approved the Policy, also in view of its effective application and the relative controls carried out over the three-year period, in addition to the absence during the period of significant amendments to the company's ownership structure. In addition, in March 2018, the Policy was aligned with the rules of European Regulation 596/2014 (market abuse regulation).

The Policy adopted by the company and implemented for transactions undertaken in 2018 complied with the principles contained in the stated Consob Regulation and was published on the company website (www.mairetecnimont.com).

We attended in the year the meetings of the Related Parties Committee at which the inter-company transactions were reviewed, all of an ordinary nature, as essentially concerning the provision of inter-company administrative services, those regarding property and residual matters and therefore Exempt from the Policy. As a result, it was not called to express an opinion on Related Party Transactions as all Exempt in accordance with the Policy. They were executed at normal market conditions. These transactions were periodically communicated by the Company. The Related Party transactions are indicated in the notes to the Financial Statements and to the Consolidated Financial Statements of the company, in which the income and equity effects are also reported.



We verified compliance with the Policy and the correctness of the process followed by the Board of Directors and the Committee charged with qualifying related parties and we have no matters to report.

Atypical or unusual transactions

The company did not undertake any atypical or unusual transactions as defined by Consob communication DEM/6064293 of July 28, 2006.

Impairment test Procedure

In line with the Bank of Italy/Consob/ISVAP joint document of March 3, 2010, the Board of Directors on March 7, 2019 approved, independently and ahead of approval of the financial statements, the consistency of the impairment test procedure with international accounting standard IAS 36.

The impairment test procedures were conducted by the Company on the goodwill allocated to the **Technology, Engineering & Construction (TEC), Licensing (LIC) and Infrastructure and Civil Engineering (INFRA)** cash generating units and on the carrying amount of the investments recognized to the separate financial statements.

The Explanatory Notes to the Financial Statements report information on and the outcomes of the assessment process carried out with the support of an expert.

The Board of Statutory Auditors considers that the impairment test policy adopted by the company is adequate.

The results of the impairment test carried out were thereafter examined and approved by the Board of Directors of the company on March 14, 2019.

Board of Statutory Auditors' activities in 2018

In executing our activities:

- we verified the compliance of law and the By-Laws of the company;
- we verified compliance with the principles of correct administration;

- we attended the meetings of the Board of Directors, the Control, Risks and Sustainability Committee, the Remuneration Committee, the Related Parties Committee and of the Independent Directors and obtained from the Directors periodic information, at least on a quarterly basis, on the general operating performance, on the outlook and on the major economic, financial and equity transactions carried out by Maire Tecnimont and/or its direct and indirect subsidiaries (the “Group”), verifying that the decisions undertaken and executed were not manifestly imprudent, risky, in potential conflict of interest, conflicting with the motions adopted by the Shareholders’ Meetings or such as to compromise the integrity of the company’s assets;
- we supervised the adequacy of the organization through direct observations and the collation of information from Department Managers and attendance at Committee meetings. In this regard, the Board of Statutory Auditors considers the organizational structure of the company to be adequate to its needs and suitable to ensure respect for the principles of correct administration;
- we supervised the adequacy and the functioning of the internal control and risk management system through attending the meetings of the Control, Risks and Sustainability Committee, meetings with the Group HSE, Project Quality & Risk Management Manager and with the Head of the Compliance Department, through obtaining information from the Chief Executive Officer (also as the Director in charge of the internal control and risk management system), from Departmental Managers, from representatives of the Independent Audit Firm and from the Supervisory Board. We also held meetings with the Internal Audit Manager of the company, at which we obtained information on the state of implementation of the Audit Plan for the year, on the results of the audits carried out and on the resolution measures implemented, in addition to the relative follow up activities;
- we oversaw the adequacy of the administrative-accounting system through meetings with the Chief Financial Officer and the Executive Officer for Financial Reporting and with the independent audit firm, also for the purposes of exchanging data and information;



-
- we verified the means for implementation of the Corporate Governance rules adopted by the company, also in compliance with the principles of the Self-Governance Code. In particular:
 - we verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members;
 - we verified the independence of the Independent Audit Firm;
 - we confirmed our independence;
 - we verified the adequacy of the instructions issued to subsidiaries in accordance with Article 114, paragraph 2 of the CFA. These instructions also permitted these latter to provide in a timely manner the company with the information necessary to fulfill its communication obligations under applicable legal provisions;
 - we verified the transactions with related parties and inter-company transactions; in this regard, we consider the information provided as adequate;
 - we oversaw the correct implementation of the measures required to be taken by the company under the market abuse rules ("Market Abuse Regulation"), including those relating to "internal dealing" transactions and on "Savings protection", in addition to corporate disclosure;
 - we verified - in accordance with Article 15 of Consob Markets Regulation adopted with motion No. 20249 of December 28, 2018 (the "Consob Markets Regulation") - that the organization and the procedures adopted permit Maire Tecnimont to verify that the companies controlled and incorporated and regulated under laws of States not belonging to the European Union of relevance, have an appropriate administrative-accounting system to permit management and the auditor of the company to receive regularly the necessary financial statements for the preparation of the consolidated financial statements. At December 31, 2018, the subsidiaries incorporated and governed under the laws of State not belonging to the European Union of relevance in accordance with Article 15 of the Consob Markets Regulation are: Tecnimont Private Ltd (India), Tecnimont HQC Sdn Bhd (Malaysia), Tecnimont Russia LLC (Russia) and Tecnimont Arabia Ltd (Saudi Arabia).
 - we have not received petitions or complaints as per Article 2408 of the Civil Code.

During the controls described above, no significant matters arose that would require reporting to the oversight and control Authority Body or specific mention in this report.

Internal Audit, the Compliance Function, Group HSE, Project Quality & Risk Management and the Supervisory Board, with whom we periodically met, did not highlight any particular issues with regards to the matters within their respective scopes.

The annual Corporate Governance and Ownership Structure Report of the Board of Directors did not indicate any issues to be highlighted in this report.

During the meetings of the Board of Statutory Auditors with the corresponding Boards of the main subsidiaries no significant matters arose.

Supervisory activities on the financial disclosure process

We verified the existence of adequate rules and procedures to oversee the process for the collation, formation and circulation of financial disclosure.

We, in addition, noted that the Executive Officer for financial reporting confirmed:

- i)* the adequacy and appropriateness of the powers and the means assigned to him by the Board of Directors;
- ii)* to have had direct access to all information necessary for the production of the accounting data, without the need for authorizations;
- iii)* to have been involved in internal information flows for accounting purposes and to have approved all of the relative company procedures.

Therefore, the Board of Statutory Auditors expresses an opinion of adequacy in terms of the process for the formation of the financial disclosure and do not raise any issues to be submitted to the Shareholders' Meeting.



Oversight of the non-financial disclosure process

We oversaw compliance with the provisions of Legislative Decree 254/2016, verifying the existence of adequate rules and procedures to oversee the process for its collation, formation and presentation.

The Board of Statutory Auditors expresses, therefore, an assessment upon the adequacy of the process for the drafting of the non-financial disclosure, on the basis of the socio-environmental strategic objectives of the Group, and does not raise any issues to be submitted to the Shareholders' Meeting.

In drawing up the Non-Financial Disclosure, the company did not avail of the option to omit information concerning imminent developments and transactions under negotiation, as per Article 3, paragraph 8 of Legislative Decree 254/2016.

Oversight in accordance with Legislative Decree 39/2010 - verification of the independence of the Independent Audit Firm

We also oversaw the audit of the Annual Accounts and of the Consolidated Annual Accounts, the independence of the independent audit firm, with particular regards to any non-audit services provided and on the outcome of the audit.

With regards to the independence of the Audit Firm, the Board of Statutory Auditors, in its role as the internal control and audit committee, reviewed preliminarily the proposals for the assignment of the non-audit services to the Audit Firm or to companies belonging to its network, assessing in particular the compatibility of these services with the prohibitions at Article 5, Regulation EC 537/2014 and the absence of potential risks in terms of the independence of the auditor from the undertaking of these services. In accordance with the legally-established requirements, the Board of Statutory Auditors approved the assignment of the service to PriceWaterhouseCoopers S.p.A. and to other companies within its network.

The following table presents the fees paid to the Independent Audit Firm or the companies belonging to its network for 2018:

Type of service	Provider	Recipient	2018 Fees (in Euro thousands)
Audit	PricewaterhouseCoopers S.p.A.	Parent Company Maire Tecnimont	261
Audit	PricewaterhouseCoopers S.p.A.	Maire Tecnimont Group	1,795
Audit	PricewaterhouseCoopers S.p.A. Network	Maire Tecnimont Group	398
Certification services (*)	PricewaterhouseCoopers S.p.A.	Parent Company Maire Tecnimont	4
Certification services (*)	PricewaterhouseCoopers S.p.A.	Maire Tecnimont Group	34
Other services (**)	PricewaterhouseCoopers S.p.A.	Parent Company Maire Tecnimont	130
Other services (**)	PricewaterhouseCoopers network S.p.A.	Parent Company Maire Tecnimont	206
Other services (**)	PricewaterhouseCoopers S.p.A.	Maire Tecnimont Group	17



Other services (**)	PricewaterhouseCoopers network S.p.A.	Maire Tecnimont Group	11
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The fees do not include VAT, expenses and any Consob oversight contribution repayments

() Certification services include the signing of tax declarations.*

*(**) The Other services of the parent company include the balance of the methodological support for activities concerning the Group's sustainability initiatives in 2017, the audit fee for the Sustainability Report - containing the Non-Financial Disclosure as per Legislative Decree 254/2016 and services concerning the issue of the Non-Convertible Bond Loan Maire Tecnimont S.p.A. – Senior Unsecured Notes due April 30, 2024. The other services for the Group include the income tax declaration review for some of the overseas entities, activities agreed on financial statements prepared for the client as part of a commercial offer and reviews on the research and development tax credit.*

PwC on April 8, 2019 issued:

- as Appointed Auditor, the reports as per Article 14 of Legislative Decree 39/2010 and 10 of Regulation EC 537/2014, prepared as per the new provisions contained in the stated decree, as amended by Legislative Decree 135/2016; the reports contain an opinion without raising any issues with regards to the statutory and consolidated financial statements and they provide a true and fair view of the financial statements of the company and of the Group at December 31, 2018, of the net result and of the cash flows, in compliance with the applicable accounting standards, in addition to
- the additional report as per Article 11 of Regulation EC 537/2014, which did not indicate any significant deficiencies within the internal control and risk management system with regards to the financial disclosure process, with the statement as per Article 6 of Regulation EC 537/2014 annexed, which did not indicate any situations which may compromise its independence;
- as Designated Auditor, the statement on the 2018 Sustainability Report, containing the Consolidated Non-Financial Disclosure; in this statement the Designated Auditor concludes that no elements came to its attention which may indicate that the Group's Consolidated Non-Financial Disclosure, contained within the 2018 Sustainability Report, concerning the year ended December 31, 2018, was not prepared, from all

significant aspects, in compliance with that required by Legislative Decree No. 254/2016 and by the GRI Standards.

In accordance with the recommendations and indications of CONSOB, the Board of Statutory Auditors notes that:

- the consolidated financial statements at December 31, 2018 report revenues of Euro 3,646,612,000, EBITDA of Euro 205,723,000 and net income of Euro 117,401,000;
- the Group Net Financial Position at December 31, 2018 was a cash position of Euro 93,874,000 (Euro 108,042,000 on December 31, 2017);
- The parent company Maire Tecnimont reports net income of Euro 39,466,209 (Euro 60,143,682 in 2017).

Board of Statutory Auditors' Self-Assessment

The Board of Statutory Auditors, following the recommendations contained in the conduct rules for Boards of Statutory Auditors of listed companies issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), in April 2018 undertook, with reference to financial year 2018, a self-assessment with the support of the independent consultancy firm Willis Towers Watson.

For further information with regards to self-assessment carried out and its results, reference should be made to the Corporate Governance and Ownership Structure Report of the company, prepared in accordance with Article 123-*bis* of the CFA, and made available to the public on the website www.mairetecnimont.com.

Meetings of the Board of Statutory Auditors, of the Board of Directors and of the Board Committees

During 2018:

- 13 meetings of the Board of Statutory Auditors were held, of an average duration of 1 hour and 15 minutes;



-
- the Board of Statutory Auditors held meetings and exchanged information with the representatives of PwC;
 - the Board of Directors held 9 meetings. In this regard, the Board of Directors of the company comprises nine Directors, of which five independent. Of this latter, one is from minority slate. Four Directors out of nine are female;
 - in addition, the Control, Risks and Sustainability Committee met 10 times, the Remuneration Committee met 6 times and the Related Parties Transactions Committee met 2 times.

The Board of Statutory Auditors attended all meetings of the Board of Directors and, in accordance with the Operating Regulations of the Internal Committees, has permanently being invited to these.

Finally, the Board reports on its attendance at the Shareholders' Meeting of April 26, 2018.

The Board of Statutory Auditors submitted for the review and approval of the Shareholders' Meeting called for April 29, 2019, in first call, and where required for April 30, 2019, in second call, the proposal to amend the conditions of the legally-required audit appointment of the Independent Audit Firm ("Appointment"), with regards solely to the contractual provisions regarding the fees for the appointment to audit the statutory and consolidated financial statements of Maire Tecnimont for the years ending December 31, 2018 to 2024 inclusive.

In this regard, PwC drew up a proposal to amend the terms of the Appointment, solely regarding the contractual provisions concerning fees for the audit appointment of the statutory and consolidated financial statements of Maire Tecnimont for the years ending December 31, 2018 to 2024 inclusive, in view of the new provisions introduced by Legislative Decree 135/2016, which amended Legislative Decree 39/2010 and Regulation (EC) No. 537/2014 (the "537 Regulation"), and particularly:

- (i) the extension of the disclosure contained in the Auditors' Report on the statutory and consolidated financial statements, in accordance with Article 10 of Regulation 537 and Article 14 of Legislative Decree 39/2010;
- (ii) the obligation to prepare the Additional Report for the Internal Control and Audit Committee (role carried out at Maire Tecnimont by the Board of Statutory Auditors), in accordance with Article 11 of Regulation 537.

The Chief Executive Officer and the Executive Officer for Financial Reporting issued on March 14, 2019 the declarations as per Article 154-bis of the CFA, declaring that the separate and consolidated financial statements were prepared in compliance with the international accounting standards applicable and recognized by the European Union in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and Council of July 19, 2002, correspond to the accounting records and provide a true and fair view of the equity, earnings and financial situation of the issuer and of the Group.

The Board of Statutory Auditors considers the information provided by the Board of Directors in its reports as complete and adequate, also with regards to the risks, uncertainties and disputes to which the company and the Group are exposed.

As indicated in the Directors' Report, no significant events arose after year-end.

The Board of Statutory Auditors expresses a favorable opinion on the approval of the Financial Statements at December 31, 2018 and agrees with the proposal presented by the Board of Directors on the allocation of the net income as follows:

- assign to shareholders a dividend of Euro 0.119 for each of the existing shares entitled to a dividend, for a total dividend of Euro 39,108,211.41;
- to allocate to retained earnings the remaining Euro 357,998.03.



noting that, while the amount of the unitary dividend will remain unchanged, the total dividend amount may change depending on the number of treasury shares held in portfolio by the Company at the coupon date, consequently increasing or decreasing the amount to be allocated to retained earnings.

Milan, April 8, 2019

Signed by

Mr. Francesco Fallacara (Chairman)

Ms. Antonia Di Bella

Mr. Giorgio Loli

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

53. Report of the Independent Auditors on the Consolidated Financial Statements



**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 2018**



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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Maire Tecnimont group (the Group), which comprise the consolidated balance sheet as of 31 December 2018, the consolidated income statement, consolidated comprehensive income statement, 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 2018, 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.

PricewaterhouseCoopers SpA

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Key Audit Matters

Auditing procedures performed in response to key audit matters

Measurement of revenues and contractual assets and liabilities

Note 26 to the consolidated financial statements "Explanatory notes as of 31 December 2018" (paragraphs "Contractual assets and liabilities" and "Use of estimates"), note 27.1 to the consolidated financial statements "Revenues", note 28.10 to the consolidated financial statements "Contractual assets" and note 28.30 to the consolidated financial statements "Contractual liabilities".

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 2018 totalled Euro 3,614 million and refer for 95.6 per cent to the Technology, Engineering & Construction business and for the remainder to the Infrastructure & Civil Engineering business. Revenues also include the positive impact of the recognition of changes to works not yet approved, incentives and any reserves ("claims") posted for the updated amount, measured reliably, for which collection from clients is highly probable. In detail, as yet unapproved revenues are measured by the Group based on the favourable outcomes that can be reasonably foreseen from ongoing negotiations with clients to agree payment for additional costs incurred or from 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.

We understood and evaluated the internal control relevant to this financial statements area, paying special attention to the process of identification of loss-making contracts and the recognition of additional payments relating to changes to contracts, and we 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;



Key Audit Matters

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.

Contractual payments, in addition to the base consideration agreed in the contract, include additional payments related to claims for additional costs incurred and/or to be incurred for unforeseeable reasons or events attributable to the client, changes to contracts following additional works performed and/or to be performed or changes to works not formalised in additional documents.

The determination of the additional payments is subject by nature to a degree of uncertainty in terms of both the amounts that will be agreed to by clients and of the timing of collection, which usually depend on the outcome of negotiations between the parties or on decisions by courts or arbitrators.

Once the enforceable right has been identified, in order to recognise claims and amounts of additional payments, to adjust the transaction price as a result of the additional payments, it is necessary to define whether it is considered highly probable that the related revenues will not be reversed in future.

For the purpose of the above assessment the Group considers all relevant aspects and circumstances, including the terms of the underlying contract, commercial and negotiation practice in the industry and other supporting evidence, including technical/legal evaluations, also considering the documents generated by third parties (board of arbitrators, dispute adjudication board, etc.).

We paid special attention to this financial statements area because of aspects that can make

Auditing procedures performed in response to key audit matters

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

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

- Analyses of 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;
- Analyses of the additional payments booked (when applicable) in terms of reasonableness and compliance with corporate procedures, and verification of documentation supporting the Group's evaluations;
- Direct visits to the construction sites of some projects.



Key Audit Matters

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.

Assessment of the recoverability of the carrying amount of goodwill

Note 26 to the consolidated financial statements "Explanatory notes as of 31 December 2018" (paragraphs "Goodwill" and "Use of estimates") and note 28.2 to the consolidated financial statements "Goodwill".

The consolidated financial statements of Maire Tecnimont Group as of 31 December 2018 include goodwill for Euro 291.8 million (7.8 per 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 Group performed the impairment test with the help of an independent expert, using cash flows based on the projections set out in the 2019 budget and in the business plan for the period 2019-2023 approved by the Company's Board of Directors on 14 March 2019.

Auditing procedures performed in response to key audit matters

We understood the methodology adopted by the Company in the preparation of the impairment test, which was approved by the Company's Board of Directors.

We carried out auditing procedures, on a test basis, on the amounts included in the business plan for the period 2019-2023 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 2018 with the forecast for the same year included in the previous business plan (2018-2022).

We analysed the consistency with the Group's structure of the criteria used to identify the CGUs, the consistency of the cash flows used in the valuation against the amounts included in the business plan for the period 2019-2023, and the reasonableness of the methodology used for the determination of



<i>Key Audit Matters</i>	<i>Auditing procedures performed in response to key audit matters</i>
<p>In determining the recoverable amount the Group also 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 2019-2023.</p> <p>The Group also performed a sensitivity analysis based on changes to the discount rate and growth rate.</p> <p>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 economic and market conditions that are subject to uncertainties, referred in particular to the calculation of prospective cash flows and of the discount rate.</p>	<p>the terminal value.</p> <p>We also verified the mathematical accuracy of the key figures included in the impairment test, the adequacy of the discount and growth rates used and their consistency with the methodology approved by the Company's Board of Directors.</p> <p>Finally, we verified the sensitivity analysis performed by the Group.</p> <p>Those activities were performed also with the help of experts in valuation models belonging to the PwC network.</p> <p>We verified the completeness and accuracy of disclosures in the notes to the consolidated financial statements.</p>

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are 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 they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are 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, the directors use the going concern basis of accounting unless they either intend to liquidate Maire Tecnimont SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is 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 auditor's 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 our 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 the directors;
- we concluded on the appropriateness of the directors' 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 the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

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

The directors of Maire Tecnimont SpA are 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 2018, 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 2018 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 2018 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

The directors of Maire Tecnimont SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree N° 254 of 30 December 2016.

We have verified that the directors 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, 8 April 2019

PricewaterhouseCoopers SpA

Signed by

Carmine Elio Casalini
(Partner)

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54. Report of the Independent Auditors on the Financial Statements



**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

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018



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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Maire Tecnimont SpA (the Company), which comprise the balance sheet as of 31 December 2018, the income statement, comprehensive income statement, statement of changes in shareholders' equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2018, 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 Financial Statements* section of this report. We are independent of 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters

Auditing procedures performed in response to key audit matters

Assessment of the recoverability of the carrying amounts of investments

Note 40.1 to the financial statements "Accounting policies" (paragraphs "Investments" and "Use of estimates") and note 42.3 to the financial statements "Investments in subsidiaries".

The financial statements of Maire Tecnimont SpA as of 31 December 2018 include seven investments in subsidiaries for a total carrying amount of Euro 763,2 million (Tecnimont SpA, Neosia SpA, Neosia Renewables SpA, Met Development SpA, KT SpA, MET Gas Processing Technologies SpA and Stamicarbon BV) corresponding to 76 per cent of Total Assets.

Investments in subsidiaries are measured at purchase cost including of direct accessory costs. Where indicators of impairment are present, the recoverability of the carrying amounts of investment is tested by comparing the carrying amount with the recoverable amount.

During the year 2018 events occurred that were considered indicators of impairment, i.e. that it might not be possible to recover the carrying amount of the investment, in Neosia SpA and Neosia Renewables SpA. In detail, in 2018 the acquisition of new orders was delayed compared the assumptions reflected in the business plan.

Also with reference to the investment in Tecnimont SpA the Company identified possible impairment indicators, as the carrying amount was significantly higher than the value of the proportionate share of the subsidiary's equity as of 31 December 2018, and therefore tested the investment for impairment.

The value configuration used by the Company to determine the recoverable amount of the investments indicated above is value in use, which was obtained considering the operating value

We understood the methodology adopted by the Company in the preparation of the impairment test, which was approved by the Company's Board of Directors.

With reference to those investments for which impairment indicators were identified (Tecnimont SpA, Neosia SpA and Neosia Renewables SpA) we carried out auditing procedures, on a test basis, on the amounts included in the business plan for the period 2019-2023 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 2018 with the forecast for the same year included in the previous business plan (2018-2022).

In order to verify the recoverability of the carrying amounts of the above-mentioned investments we analysed the consistency of the cash flows used in the valuation against the amounts included in the business plan for the period 2019-2023 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 and growth



Key Audit Matters

(OV), determined by discounting the estimated future cash flows, the value of the net financial position (NFP) and the value of accessory assets (ACC). That value in use was determined with the help of an independent expert. The OV was determined using cash flows based on the projections set out in the 2019 budget and in the business plan for the period 2019-2023 approved by the Board of Directors on 14 March 2019.

In determining the recoverable amount the Company also 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 2019-2023.

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

The analyses carried out by the Company did not identify any impairment loss.

The valuation of investments 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 investments, this being based on assumptions affected by economic and market conditions that are subject to uncertainties, referred in particular to the calculation of prospective cash flows and of the discount rate.

Auditing procedures performed in response to key audit matters

rates used and their consistency with the methodology approved by the Company's Board of Directors.

Finally, 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.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of 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 they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

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

- we identified and assessed the risks of material misstatement of the 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 Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' 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 Company'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 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 Company to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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 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 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 financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

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

The directors of Maire Tecnimont SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Maire Tecnimont SpA as of 31 December 2018, including their consistency with the relevant 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 financial statements of Maire Tecnimont SpA as of 31 December 2018 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 financial statements of Maire Tecnimont SpA as of 31 December 2018 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.

Rome, 8 April 2019

PricewaterhouseCoopers SpA

Signed by

Carmine Elio Casalini
(Partner)

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