

2019 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 29, 2019 and will remain in office until the approval of the 2021 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	Alessandra CONTE
Alternate Auditor	Andrea LORENZATTI

The Board of Statutory Auditors was appointed by the Shareholders' Meeting of April 29, 2019 and will remain in office until approval of the 2021 Annual Accounts

Auditors' Report

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, 2019

	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	160,975,298	n.a. ⁽¹⁾
Floating share capital %	48.982%	n.a. ⁽¹⁾

(1) Following the amendments to Article 2.2.1. of the "Regulation for markets organized and managed by Borsa Italiana", in force since March 4, 2019, the calculation of the free float was made only on the basis of the number of shares and not on the number of votes.

MAIRE TECNIMONT SHARE PERFORMANCE

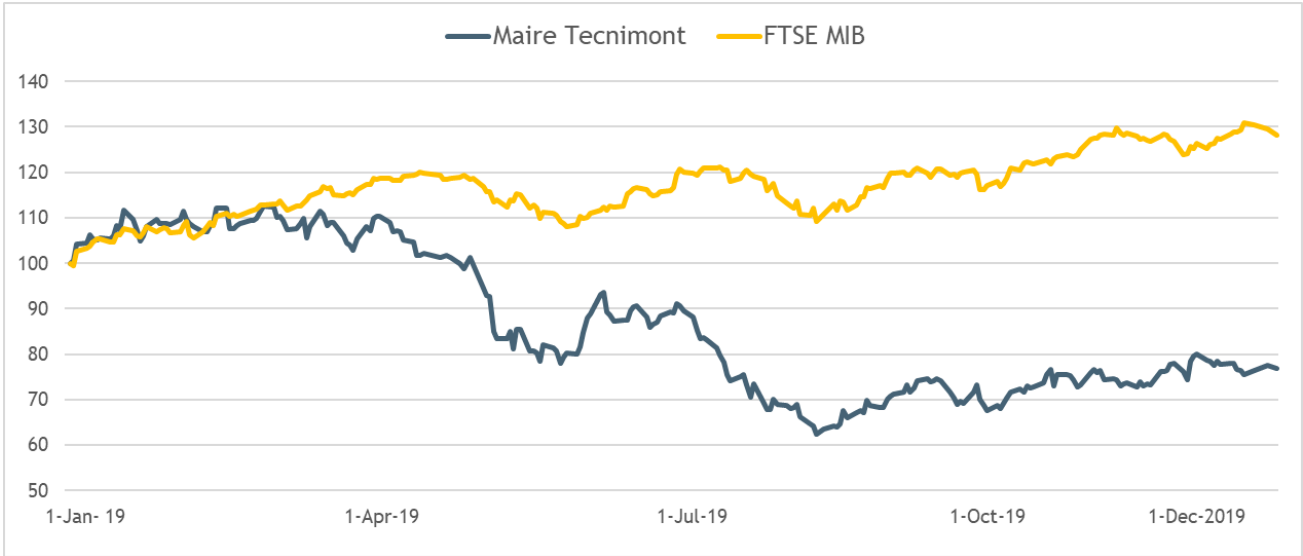
The Maire Tecnimont share price in 2019 was influenced in the initial part of the year by a number of sector issues of particular interest to investors, such as working capital management and the net financial position, and in the second half by the growth outlook, supported not only by new orders acquired during the year - but also by those to be acquired in 2020.

In 2019, Maire Tecnimont met 182 investors in the main European countries - France, Germany, the United Kingdom and Switzerland - and also in Australia.

The average daily trading volume in 2019 was 1,177,839 shares, at an average price of Euro 2.80.

Milan Stock Exchange ordinary share price (Euro)	01/01 - 31/12/2019
Maximum (March 1, 2019)	3.64
Minimum (August 14, 2019)	2.04
Media	2.80
Year-end (December 30, 2019)	2.47
Stock market capitalization (at December 30, 2019)	813,056,429

Maire Tecnimont 2019 share performance against the FTSE MIB





3. Key Events in the year

The Group's key operating events in 2019 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.

SHAREHOLDERS' MEETING APPROVES FINANCIAL STATEMENTS AT DECEMBER 31, 2018, THE DISTRIBUTION OF A DIVIDEND AND THE APPOINTMENT OF NEW CORPORATE BOARDS FOR THE 2019-2021 THREE-YEAR PERIOD

On April 29, 2019, the Shareholders' Meeting of Maire Tecnimont S.p.A. in ordinary session and in first call approved: i) the Financial Statements of the company at December 31, 2018 reporting Net Income of Euro 39,466,209.44 and ii) the distribution of a dividend for a total of Euro 39,108,211.41, equal to one-third of 2018 consolidated net income of Euro 117.4 million.

The Shareholders' Meeting also appointed the new Board of Directors of the company for the 2019-2021 three-year period, which will remain in office until the approval of the 2021 Annual Accounts, comprising: Luigi Alfieri, Gabriella Chersicla, Fabrizio Di Amato, Stefano Fiorini, Pierroberto Folgiero, Vittoria Giustiniani, Andrea Pellegrini and Patrizia Riva - from the slate presented by the majority shareholder GLV Capital S.p.A., holder of 167,665,134 shares of Maire Tecnimont, without nominal value, equal to 51.018% of the shares with voting rights, receiving 83.36% of votes - and Maurizia Squinzi - from the minority slate, jointly presented by a number of institutional investor shareholders indicated in the slate filed, holding a total 9,935,692 Maire Tecnimont shares, without nominal value, equal to 3.023% of shares with voting rights.

The Shareholders' Meeting also confirmed Mr. Fabrizio Di Amato as Chairman of the Board of Directors. The Shareholders' Meeting appointed the new Board of Statutory Auditors for the 2019-2021 three-year period, which will remain in office until the approval of the 2021 Annual Accounts, comprising: Francesco Fallacara (Chairman), from the minority slate presented jointly by a number of institutional investor shareholders indicated in the slate filed, holding a total of 9,935,692 shares of Maire Tecnimont, without nominal value, equal to 3.023% of shares with voting rights, Giorgio Loli and Antonia Di Bella (Statutory Auditors), both from the slate presented by the majority shareholder GLV Capital S.p.A., holder of a total of 167,665,134 shares of Maire Tecnimont, without nominal value, equal to 51.018% of the shares with voting rights, which received 83.33% of the votes.

The Alternate Auditors Massimiliano Leoni and Alessandra Conte were appointed from the majority slate, while the Alternate Auditor Andrea Lorenzatti was appointed from the minority slate.

The Shareholders' Meeting also voted in favor of the First Section of the 2019 Remuneration Report drawn up in accordance with Article 123-ter of the CFA. The Shareholders' Meeting also authorized the Board of Directors to purchase and dispose of treasury shares as per Articles 2357 and 2357-ter of the Civil Code, Article 132 of Legislative Decree No. 58 of February 24, 1998 ("CFA") and Article 144-bis of Consob Issuers' Regulation 11971/1999, as subsequently amended, according to the means proposed by the Board of Directors on March 14, 2019. Authorization was granted to acquire treasury shares up to a maximum 2,000,000 ordinary shares, 0.6% of the shares currently in circulation. The authorization to purchase and dispose of treasury shares was approved in order to permit the company to acquire and dispose of ordinary shares, in compliance with the applicable European and domestic regulations, for all purposes permitted by the applicable provisions, including those set out by Article 5 of Regulation EC 596/2014 ("MAR") and the practices permitted by Consob in accordance with Article 13 MAR, according to the terms and the means which may be approved by the competent corporate boards, in addition to, where required, the utilization of treasury shares in service of the third cycle (2018) of the "2016-2018 Maire Tecnimont Group Employee Share Ownership Plan" approved by the Ordinary Shareholders' Meeting of April 27, 2016 as per Article 114-bis of the CFA. The authorization for purchases approved is 18 months, while authorization for disposals is without time limit. The unitary payment for the purchase of shares shall be established for each transaction, subject to the restriction that share purchase payments may not exceed the higher price between the price of the last independent transaction and the highest present independent purchase bid price during the trading session in which the purchase was made, while the above-stated unitary price may not however be 10% higher or lower than the share price recorded in the trading session before each individual purchase transaction.

The Shareholders' Meeting finally approved, on the reasoned proposal of the Board of Statutory Auditors, the amendment to the financial terms of the legal audit appointment assigned, in accordance with Legislative Decree 39/2010, to the company PricewaterhouseCoopers S.p.A. for the 2016-2024 period, with regards to financial years 2018 to 2024 inclusive.



MAIRE TECNIMONT BOARD OF DIRECTORS' MOTIONS

On April 29, 2019, the Board of Directors of Maire Tecnimont S.p.A., noted the confirmation of Fabrizio Di Amato as Chairman of the Board of Directors by the Shareholders' Meeting, confirming his appointment and the allocation of powers in accordance with statutory law and the By-Laws, including in particular, the undertaking of institutional relations and external relations and the oversight of implementation of the strategic plans approved by the Board of Directors.

The Board of Directors also confirmed Pierroberto Folgiero as Executive Director and General Manager, granting him as CEO (the most senior operating manager) executive functions for the management and co-ordination of Group operations. Pierroberto Folgiero was also confirmed as Director in charge of the internal control and risk management system.

The Board of Directors also assessed and confirmed, on the basis of available information and the declarations of the interested parties, the independence in accordance with law and the Self-Governance Code for listed companies ("Code") of the Directors Gabriella Chersicla, Vittoria Giustiniani, Andrea Pellegrini, Patrizia Riva and Maurizia Squinzi.

The Board of Statutory Auditors, on the same date also meeting on conclusion of the appointing Shareholders' Meeting, verified the independence as per statutory law and the Code of its members Francesco Fallacara, Giorgio Loli and Antonia Di Bella.

In addition, the Board of Directors confirmed the Independent Director Gabriella Chersicla as Lead Independent Director.

The Board of Directors also confirmed the establishment of the following Committees, appointing the members:

- (i) The Control, Risks and Sustainability Committee, comprising the Independent Directors Gabriella Chersicla (Chairperson) and Maurizia Squinzi and Stefano Fiorini, all with appropriate accounting and financial or risk management experience;
- (ii) The Remuneration Committee, comprising the Independent Directors Andrea Pellegrini (Chairman) and Vittoria Giustiniani and Luigi Alfieri, all with appropriate finance or remuneration policy knowledge and experience;
- (iii) The Related Parties Committee, comprising the Directors (all independent) Gabriella Chersicla (Chairman), Andrea Pellegrini and Patrizia Riva.

The Board of Directors, on approval by the Board of Statutory Auditors, in addition confirmed Dario Michelangeli as the Executive for Financial Reporting, granting the powers set out under applicable provisions and the By-Laws.

The Board of Directors also appointed Simona Dolce, Secretary of the Board of Directors of the company and confirmed, until revocation, Erica Vasini as Internal Audit Manager.

Finally, the Board of Directors, following the conclusion of mandate of the previous board, appointed to the company's Supervisory Board as per Legislative Decree 231/2001, Franco Rossi Galante (Chairman), Iole Anna Savini and Erica Vasini. The Supervisory Board will remain in office until approval of the 2021 Annual Accounts.

MAIRE TECNIMONT STRENGTHENS PRESENCE IN RUSSIA AND THE CASPIAN SEA REGION THROUGH NEW AGREEMENTS AT SPIEF 2019

On June 7, 2019, Maire Tecnimont S.p.A. announced a series of agreements signed at the St. Petersburg International Economic Forum (SPIEF) 2019, one of the most important global conferences dedicated to the major economic issues facing Russia and the Commonwealth of Independent States. The agreements were signed in the presence of senior representatives of the countries involved.

In particular, Gazprombank and Maire Tecnimont signed a Memorandum of Understanding ("MOU") regarding financing for the implementation of oil and gas and petrochemical projects in the Russian Federation and the Commonwealth of Independent States.

The agreement was signed by Deputy Chairman of Gazprombank, Alexey Belous, Chief Executive Officer of the Maire Tecnimont Group, Pierroberto Folgiero, and General Manager of GPB International S.A., Sergei Nekrasov.

The agreement guarantees Gazprombank an opportunity to participate in project financing for clients of Maire Tecnimont (in particular with the aim of developing Russian industrial infrastructure) and in cooperative projects with industrial companies in which Gazprombank holds an interest.

In addition, the SAFMAR Group, one of the leading players in Russian industry and finance, which controls major companies that produce and refine oil (a.o. Russneft, Neftisa and Forteinvest), the Maire Tecnimont Group, through its subsidiary MET Development, and New Gavan, the company that owns the Novaya Gavan marine terminal, entered into a Memorandum of Understanding governing the development, construction, financing, maintenance and operation of the greenfield methanol facility to be built in the Port of Ust Luga, the largest port on the Baltic Sea, located 110 km to the west of St. Petersburg.

The agreement was signed by Chairman of the SAFMAR Group Mihail Gutseriev, Chairman of the Maire Tecnimont Group Fabrizio Di Amato, and Chairman of New Gavan Sherbakov Denis.

The methanol facility will have a capacity of 5,000 tons per day. According to a preliminary estimate, the total cost of the investment in the project will exceed Euro 1 billion.

The parties have agreed to discuss a Joint Development Agreement that is to concern, inter alia, front-end engineering design ("FEED") activities, under the coordination of Tecnimont S.p.A., the Maire Tecnimont Group's main EPC contractor, and a Russian design institution.

The parties also intend to form a joint venture and will work together to structure a non-recourse financing project. They plan to secure financing from international banks, with support from one or more export credit agencies.

During the SPIEF event, Maire Tecnimont also took part in the inauguration ceremony of the new EuroChem ammonia production facility in Kingisepp organized by EuroChem to celebrate the commissioning of the complex.

AGREEMENT BETWEEN ENI AND MAIRE TECNIMONT TO INTRODUCE A NEW TECHNOLOGY THAT CONVERTS NON-RECYCLABLE WASTE INTO HYDROGEN AND METHANOL

On June 10, 2019, Eni and Maire Tecnimont (through its green chemicals subsidiary NextChem) entered into a partnership agreement for the study and introduction of a conversion technology, based on low-temperature gasification with a very low environmental impact, for unrecyclable solid urban waste and plastics that produces hydrogen and methanol.

Eni and NextChem will conduct a synergistic assessment, from both a technical and economic perspective, of the application of the technology, which could be introduced at Eni's industrial facilities in Italy. In particular, Eni has already expressed interest in assessing the Waste-to-Hydrogen project at the biorefinery in Porto Marghera, Venice, and has already conducted a feasibility study in collaboration with NextChem.

The agreement, under which Eni is a co-developer of the NextChem technology, will permit concrete application of the circular economy, giving a second life to hundreds of thousands of tons of non-recyclable waste through the production of chemical products and fuels, thereby contributing to the environmental sustainability of industrial facilities within the framework of an increasingly integrated and efficient system aimed at containing and reducing atmospheric CO2 emissions.



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

On June 17, 2019, Maire Tecnimont S.p.A. launched a treasury share buyback programme, as per Article 5 of Regulation (EC) No. 596/2014 (the “MAR”), in service of the Third Cycle (2018) of the “2016-2018 General Share Plan for Maire Tecnimont Group employees” approved by the Shareholders’ AGM of April 27, 2016.

On June 26, 2019, Maire Tecnimont S.p.A. communicated the acquisition on the Mercato Telematico Azionario (MTA) organized and managed by Borsa Italiana S.p.A., in the period between June 17, 2019 and June 21, 2019 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 2.851, for a total amount of Euro 1,425,660.55. On June 30, 2019, 428,478 shares from the Program had been assigned to foreign Plan Beneficiaries.

Between June 3, 2019 and June 9, 2019 inclusive, 602,770 treasury shares were acquired (corresponding to 0.18% of the total number of ordinary shares), at an average weighted price of Euro 2.881, for a total amount of Euro 1,736,772.19; taking into account also the shares already acquired in the June 17, 2019 - June 21, 2019 inclusive period, all shares serving the Third Cycle (year 2018) of the Plan had been acquired and therefore the Program was completed. Delivery of the Third Cycle (2018) assigned to the Plan Beneficiaries will be concluded by July 26, 2019.

NEW STEP ON THE GROUP’S DIGITAL TRANSFORMATION ROADMAP WITH ACQUISITION OF A DIGITAL INNOVATION COMPANY

On July 18, 2019 - The Maire Tecnimont Group announced the acquisition through Stamicarbon, the Group licensing and innovation subsidiary, of the company Protomation.

Protomation is a Dutch company specialized in Information Technology and particularly the development of cutting-edge software and simulators for plant operating training (OTS, operator training simulators), targeting the chemical processing industry and with a strong track record in collaborating with fertilizer producers. Stamicarbon has worked with Protomation for more than 10 years in developing software packages and training simulators for urea plant operators utilizing Stamicarbon’s technology and design. The control and stabilization of a urea plant is not a simple task and requires constant operator attention. The Operator Training Simulators (OTS) have already demonstrated themselves to be an effective tool for training new personnel at existing plant or new teams at greenfield plant. With this acquisition, the Maire Tecnimont Group improved therefore its value proposition, in line with its digital transformation roadmap.

The Group roadmap leverages digital technologies to rethink its internal processes and at the same time expand the customer offer on the basis of new digital services. As part of its digital transformation strategy, Maire Tecnimont has designed a modular digital portfolio which is constantly growing and expanding. Applying its know-how, which ranges from technology licensing to EPC contracting, Maire Tecnimont can integrate plant digitalization during the project engineering and design phases and leverage on comprehensive knowledge of plant components and processes. Maire Tecnimont’s portfolio of products and services focuses on improving plant efficiency, the factors concerning Health, Safety, Protection and Environment, while also optimizing resources and productivity, by for example accelerating and improving training and the operating capacity of plant personnel.

PRELIMINARY EPC CONTRACT SIGNED FOR AN AMMONIA PRODUCTION PLANT IN EGYPT

On September 12, 2019 - Maire Tecnimont S.p.A. announced that its subsidiary Tecnimont S.p.A. had signed a preliminary EPC (Engineering, Procurement and Construction) contract with Egypt Hydrocarbon S.A.E., a Carbon Holdings Group subsidiary, for the development of a new ammonia production plant in Ain Sokhna, close to Suez (in Egypt).

The plant will have a 1320 tons per day capacity and will utilize KBR technology.

Egypt Hydrocarbon Corporation is a company engaged in the production and sale of ammonia nitrate, which is already produced in the same industrial complex in which the new ammonia plant will be built.

The contract will be effective once a number of contractual conditions have been finalized and the financial closing reached. The support both of SACE and of US EXIM Bank role will ensure the reaching of financial close.

The project involves engineering services, the provision of equipment and materials and construction works. Project completion is scheduled within 36 months, once the contract becomes effective.

MAIRE TECNIMONT SIGNS WITH EUROCHEM A MEMORANDUM FOR A UREA AND AMMONIA PLANT

On October 1, 2019 - Maire Tecnimont S.p.A. announced the signing with EuroChem, a world leading fertilizers Group, of a Memorandum of Intent on the basis of which Tecnimont S.p.A. and MT Russia LLC (previously Tecnimont Russia LLC), both held by Maire Tecnimont, were selected to develop “Early Works” services, with the consequent extension - in the event that EuroChem’s investment plans continue as planned - to the Engineering Procurement and Construction activities on a new urea and ammonia production plant located in Kingisepp, Northwest Russia.

The proposal by Maire Tecnimont Group has a value of up to Euro 1 billion for a new combined urea and ammonia plant, with a capacity once fully operational of approx. 3,000 tons of ammonia and 4,000 tons of urea per day.

According to the “Early Works” agreement, the Maire Tecnimont Group will continue the preliminary engineering and survey activities in the area at the industrial site adjacent to EuroChem’s current production plant in Kingisepp.

MAIRE TECNIMONT SIGNS AN AGREEMENT FOR THE SALE OF MGR VERDUNO 2005, THE CONCESSION HOLDER FOR THE ALBA-BRA HOSPITAL IN HISI

On November 11, 2019 - Maire Tecnimont S.p.A. and HISI Srl (Holding di Investimento in Sanità e Infrastrutture - “HISI”) announced the signing of an agreement for the sale of MGR Verduno 2005 S.p.A. (“MGR”). Following the public tender launched by ASL CN2, MGR was awarded the concession, for a period of 20 years, for the construction and subsequent management of the Alba-Bra Hospital in Verduno (Piedmont).

The agreement stipulates, as a first step, the immediate transfer of the majority shareholding of MGR and, subsequent to the fulfilment of certain standard clauses for such transactions, the transfer of the remaining stake.

The agreement is subject to the applicable legal provisions and the consent of the lenders within the project financing which MGR has undertaken for the completion of the Hospital. This was completed on September 21, 2019.

For Maire Tecnimont - supported by ValeCap as financial advisor - this transaction successfully brings to a close a major infrastructural project launched by Fiat Engineering before its acquisition by Maire Tecnimont and involving the execution and future technical management under concession of one of Europe’s most modern hospitals. The agreement, in addition to the price, stipulates the deconsolidation of the project financing payable of approx. Euro 46 million.

The transaction is a further step in the process to exit the infrastructure EPC business, in line with the strategy to develop expertise with a focus on high added value civil engineering services, the construction of renewable energy plant, in addition to the traditional core business in the downstream oil & gas segment, while recently joined by the green chemicals segment in support of the energy transition.

HISI is an investment vehicle active in the hospital sector, owned by funds managed by Ardian on behalf of APG (Holland’s largest pension organization) and other investors. HISI is a unique leading platform founded in 2007 and active in the hospital sector. Its long-term investor profile ensures stable long-term relations with the public sector. HISI’s first investment, in 2007, involved acquiring a majority interest in the Legnano Hospital concessionaire; this interest was then gradually increased to 90%.

The acquisition of MGR will further consolidate HISI’s position of leadership on the Italian market. The proven track record and experience offered by HISI’s management team will be crucial to the hospital’s start-up and management phase.



MAIRE TECNIMONT CONFIRMS ITS COMMITMENT TO SUSTAINABILITY BY FINALISING AN ESG-LINKED SCHULDSEIN LOAN

On December 13, 2019 Maire Tecnimont continued its Green Acceleration project, launched in 2018, by finalizing a loan intended primarily to support the Group's investments in green technologies.

The instrument, known as an "ESG-linked Schuldschein loan", with a nominal value of Euro 62.5 million, is divided into two tranches with an average term of five years, bullet repayment at maturity and an average rate of approximately 2.3%. The cost of the instrument may also vary - including downwards - in relation to the achievement of the Group's CO2 emission reduction targets. A portion of the loan - Euro 20 million - will be used to refinance an existing bond, leading to reduction in the rate of more than 110 bps and to an extension of the maturity by about three years.

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 EBITDA on a yearly basis, with next measured on the December 31, 2019 figures.

Climate change mitigation initiatives - in line with the Group's commitment to the energy transition - are linked to the following types of emissions:

- Emissions deriving from activities directly controlled by the Group (e.g. industrial plastic recycling activities and green chemistry activities);
- Indirect emissions due to the production of energy purchased and used by the Group (e.g. energy efficiency measures);
- Other indirect emissions (e.g. savings achieved thanks to the implementation of the "Smart Working" program and incentives for reducing commuting).

This transaction confirms the Group's commitment to the United Nations Sustainable Development Goals ("SDGs"), by supporting the transition to an economy based on the use of renewable resources.

This was the context for forming NextChem, the Group company that develops and manages technological initiatives to support the energy transition and green chemistry; NextChem seeks to be the partner of choice for the industrialization of technological innovations that contribute to the reduction of CO2 emissions originating from production and processing activities. Maire Tecnimont was assisted with the transaction by Banca IMI and UniCredit Bank AG as arrangers.

NEW ORDERS

In 2019, the Maire Tecnimont Group announced the awarding, through its main subsidiaries, of orders worth a total of approx. Euro 3,209.9 million for licensing, engineering services and EP (Engineering and Procurement) and EPC (Engineering, Procurement and Construction) operations.

The contracts - awarded by some of the leading international clients - were won principally in Europe, the Americas, North Africa and South-East Asia. For further details, reference should be made to the "Backlog - Principal projects awarded" section.

4. Group operating performance

The Maire Tecnimont Group 2019 key financial highlights (compared to the previous year) are reported below:

(in Euro thousands)	Note (*)	December 2019	%	December 2018	%	Change
Performance indicators:						
Revenues	27.1	3,338,364		3,646,612		(308,248) (8.5%)
Business Profit (**)	27.3	316,988	9.5%	284,111	7.8%	32,877 11.6%
EBITDA (***)		235,592	7.1%	205,723	5.6%	29,868 14.5%
EBIT		188,902	5.7%	185,512	5.1%	3,389 1.8%
Net financial expense	27.10-11-12	(21,895)	(0.7%)	(12,801)	(0.4%)	(9,094) 71.0%
Income before tax		167,007	5.0%	172,710	4.7%	(5,704) (3.3%)
Income taxes	27.13	(52,311)	(1.6%)	(55,309)	(1.5%)	(2,998) (5.4%)
Tax rate		(31.3%)		(32.0%)		N/A
Net income		114,695	3.4%	117,401	3.2%	(2,706) (2.3%)
Group net income		112,981	3.4%	110,575	3.0%	2,405 2.2%

(*) 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 2019 pro-forma key financial highlights without application of IFRS 16 (compared to the previous year) are reported below:

(in Euro thousands)	Note (*)	December 2019 (**)	%	December 2018	%	Change
Revenues	27.1	3,338,364		3,646,612		(308,248) (8.5%)
Business Profit (1)	27.3	294,744	8.8%	284,111	7.8%	10,633 3.7%
EBITDA (1)		209,855	6.3%	205,723	5.6%	4,131 2.0%
EBIT (2)		185,653	5.6%	185,512	5.1%	140 0.1%
Net financial expense (3)	27.10-11-12	(16,037)	(0.5%)	(12,801)	(0.4%)	(3,236) 25.3%
Income before tax		169,615	5.1%	172,710	4.7%	(3,095) (1.8%)
Income taxes	27.13	(52,808)	(1.6%)	(55,309)	(1.5%)	(2,501) (4.5%)
Tax rate		(31.1%)		(32.0%)		N/A
Net income (4)		116,808	3.5%	117,401	3.2%	(594) (0.5%)
Group net income		115,093	3.4%	110,575	3.0%	4,518 4.1%



*** For comparison with 2018, the 2019 data was adjusted, excluding the effects of IFRS 16 as follows:*

- (1) Recognition of leasing charges of Euro 22.2 million at the level of Business Profit and of Euro 25.7 million at the level of EBITDA;*
- (2) Reversal of amortization and depreciation of Euro 22.5 million with positive effect at EBIT level;*
- (3) Reversal of financial expenses on finance lease liabilities of Euro 5.9 million;*
- (4) Net positive effect, after taxes, of adjustments (1), (2) and (3) above for Euro 2.1 million.*

The Maire Tecnimont Group in 2019 reported revenues of Euro 3,338.4 million, down 8.5% on the previous year (Euro 3,646.6 million).

Volumes reflect the development of portfolio projects and their performance over time, depending upon the scheduling of the individual works. In particular, in 2019 production levels reflect the reaching of the conclusive stages of the main prior year EPC contracts, not yet fully offset by new acquisitions which are still in the initial engineering phases, and temporary phasing of several EPC projects recorded in the third quarter of 2019. The nature of recently acquired contracts mainly concerns Engineering, Procurement, Construction Management and Commissioning services, which by their nature present lower volumes.

The Group reports a Business Profit of Euro 294.7 million for 2019, increasing 3.7% on Euro 284.1 million for 2018. The Adjusted Consolidated Business Margin for the FY 2019 was 8.8%, up considerably on FY 2018, when it was 7.8%, due to the temporary change in the mix of projects in portfolio during the year, and particularly in the third quarter of 2019, featuring a greater proportion of Engineering, Procurement, Construction Management and Commissioning service contracts at traditionally higher margins.

G&A costs without the application of IFRS 16 were Euro 78.1 million, equal to 2.3% of consolidated revenues - higher than 2018, but essentially in line with the final quarters of 2019.

The Group, taking account also of R&D costs without application of IFRS 16 of approx. Euro 6.8 million, reports EBITDA margin of 6.3% for FY 2019, significantly increasing on FY 2018 (5.6%), as a result of - as previously indicated - the differing production mix. Adjusted EBITDA was Euro 209.9 million, up by 2% on the previous year (Euro 205.7 million), essentially due to the higher margins despite the lower volumes reported in 2019.

Adjusted amortization, depreciation, write-downs and provisions amounted to Euro 24.2 million, increasing on the previous year (Euro 20.2 million), mainly following the initiation of amortization and depreciation on new Group operating assets (software and other applications), depreciation of plant and machinery following the acquisition by the subsidiary Nextchem S.r.l. in 2019 of MyReplast Industries S.r.l. (the company that manages an advanced mechanical plastics recycling facility located in Bedizzole, in the province of Brescia), the amortization of the Contractual Costs account and accruals to provisions for receivables due to risks relating to previous infrastructure initiatives.

On the basis of that outlined above, adjusted EBIT for FY 2019 was Euro 185.7 million, essentially in line with the previous year (Euro 185.5 million), with the margin increasing (5.6% in FY 2019, compared to 5.1% in the previous year).

Adjusted net financial expense amounted to Euro 16 million, an increase of Euro 3.2 million on the Euro 12.8 million reported in 2018. The figure for 2019 includes Euro 5.8 million of impairment losses on a convertible bond issued by the investee Siluria Technologies Inc.

Adjusted pre-tax income totaled Euro 169.6 million (contracting 1.8%), against estimated taxes of Euro 52.8 million.

The effective tax rate was approx. 31.1%, in line with the adjusted average tax rate reported for the preceding quarters and on the previous year (32%), based on the various countries in which Group operations are carried out.

The 2019 adjusted net income was Euro 116.8 million, compared to Euro 117.4 million in 2018, reducing 0.5%.

Adjusted group net income amounted to Euro 115.1 million, increasing 4.1% on the previous year (Euro 110.6 million).

In 2019, the Maire Tecnimont Group won new projects and existing contract extensions worth approx. Euro 3,209.9 million. The Backlog at December 31, 2019 was Euro 6,373.4 million, reducing by approx. Euro 238.6 million on December 31, 2018.

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 or Operating Result: 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: Hydrocarbons and Green Energy.

The BU figures are in line with the new 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. **‘Hydrocarbons’ 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. **“Green Energy” Business unit**, involved in Green Acceleration initiatives managed by NextChem and its subsidiaries, focused on the circular economy, undertaking mechanical plastics recycling and the promotion of recycled chemicals; 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. It also works on large-scale renewables sector plant (mainly solar and wind). The Group provides maintenance and facility management services, in addition to general services for temporary construction facilities and the design and construction of infrastructure.

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.

The Maire Tecnimont Group 2019 key financial highlights by Business Unit (compared to the previous year) are reported below:

(In Euro thousands)						
	Hydrocarbons		Green Energy		Total	
	Total	% on Revenues	Total	% on Revenues	Total	% on Revenues
2019						
Revenues	3,219,320		119,044		3,338,364	
Business Margin	309,848	9.6%	7,140	6.0%	316,988	9.5%
EBITDA	234,064	7.3%	1,527	1.3%	235,592	7.1%
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%
Change December 2019 vs. 2018						
Revenues	(266,978)	(7.7%)	(41,270)	(25.7%)	(308,248)	(8.5%)
Business Margin	31,481	11.3%	1,396	24.3%	32,877	11.6%
EBITDA	29,278	14.3%	590	62.9%	29,867	14.5%

The 2019 pro-forma key financial highlights by Business Unit without application of IFRS 16 (compared to 2018) are reported below:

(in Euro millions)				
	2019 (*)	% Revenue	2018	% Revenue
Hydrocarbons				
Revenues	3,219.3		3,486.3	
Business Profit	288.0	8.9%	278.4	8.0%
EBITDA	209.0	6.5%	204.8	5.9%
Green Energy				
Revenues	119.0		160.3	
Business Profit	6.7	5.6%	5.7	3.6%
EBITDA	0.9	0.8%	0.9	0.6%

(*) To facilitate the comparison with 2018, the figures for 2019 have been adjusted without applying the accounting standard IFRS 16 and the following adjustments have been made: a negative effect of Euro 21.8 million on Business Profit and of Euro 25.1 million on EBITDA for the Hydrocarbons BU and a negative effect of Euro 0.4 million on Business Profit and of Euro €0.7 million on EBITDA for the Green Energy BU.

HYDROCARBONS BUSINESS UNIT

FY 2019 revenues amounted to Euro 3,219.3 million (Euro 3,486.3 million in FY 2018), decreasing 7.7% on the previous year.

Volumes reflect the development of portfolio projects and their performance over time, depending upon the scheduling of the individual works. In particular, in 2019 production levels reflect the reaching of the conclusive stages of the main prior year EPC contracts, not yet fully offset by new acquisitions which are still in the initial engineering phases, and temporary phasing of several EPC projects recorded in the third quarter of 2019. The nature of recently acquired contracts mainly concerns Engineering, Procurement, Construction Management and Commissioning services, which by their nature present lower volumes.

The FY 2019 Adjusted Business Profit amounted to Euro 288 million (Euro 278.4 million in FY 2018), up on the previous year in absolute terms. The Adjusted Consolidated Business Margin for FY 2019 was 8.9%, up considerably on FY 2018, when it was 8%, due to the temporary change in the mix of projects in portfolio during the year, and particularly in the third quarter of 2019, featuring a greater proportion of Engineering, Procurement, Construction Management and Commissioning service contracts at traditionally higher margins.

The “Hydrocarbons” Business Unit reports an EBITDA margin of 6.5% for 2019, significantly improving on 2018 (5.9%), as a result of - as previously indicated - the differing production mix. Adjusted EBITDA was Euro 209 million, up slightly on the previous year (Euro 204.8 million), essentially due to the higher margins despite the lower volumes reported in 2019.

GREEN

ENERGY BUSINESS UNIT

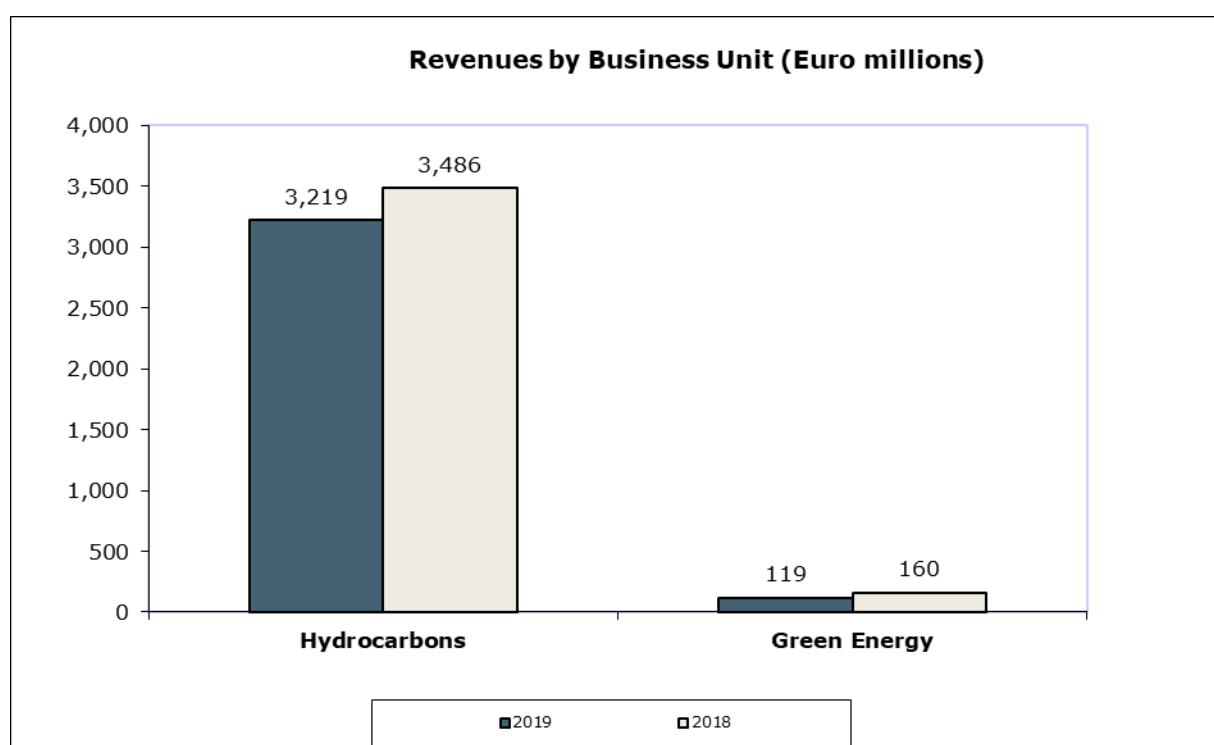
2019 revenues of Euro 119 million decreased 25.7% on the previous year (2018 revenues of Euro 160.3 million), as a result of the conclusion of orders in portfolio in the large renewables plant sector not yet replaced by new orders and the conclusion phase also of a project in the hospital sector. The subsidiary NextChem, active in the circular economy and energy transition sector, started up operations simultaneously, following the investment in the first advanced mechanical plastics recycling plant.

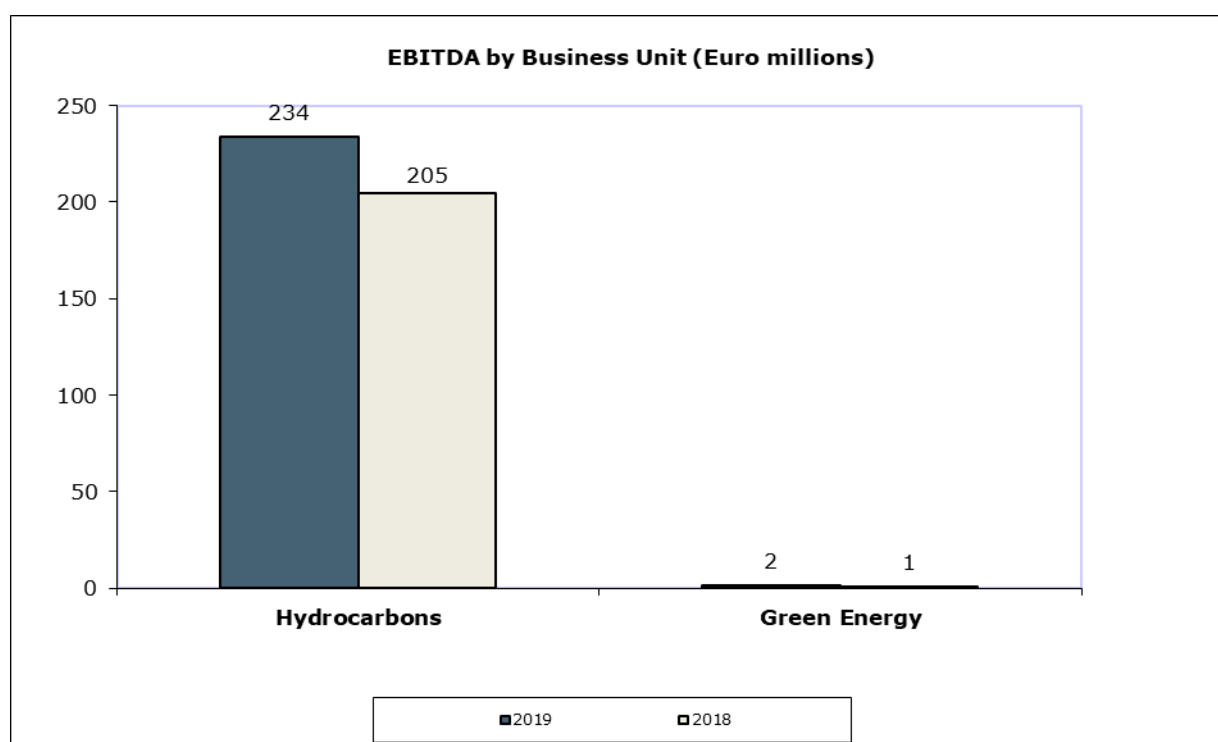
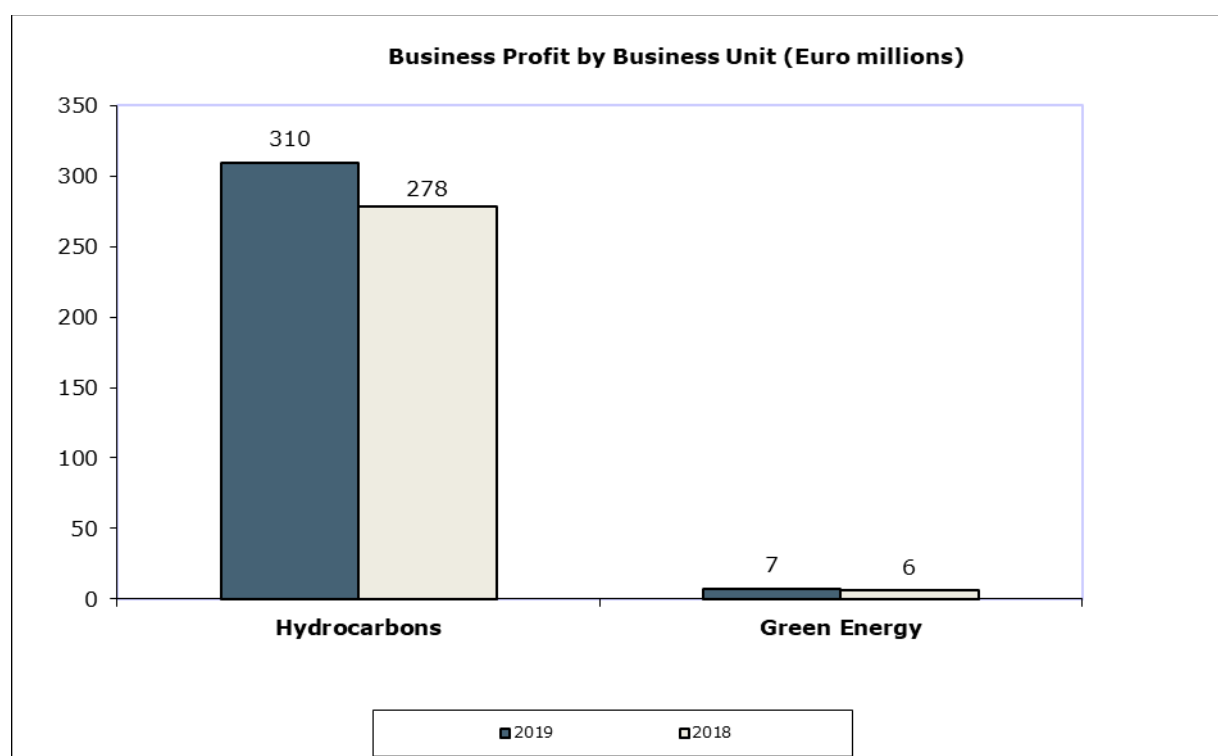
The adjusted 2019 Business Profit was Euro 6.7 million (Euro 5.7 million in 2018), increasing despite the lower volumes reported, thanks to the margin increasing and the Nextchem contribution. In fact, the adjusted Business margin for 2019 was 5.6%, increasing on 3.6% in 2018, thanks to the greater contribution from Nextchem, starting up only in the current year.



2019 Adjusted EBITDA was Euro 0.9 million after the absorption of G&A costs, in line with the previous year.

The following tables outline Revenues, Business Profit and EBITDA by Business Unit, with application of IFRS 16 compared to the amounts for the same period of the previous year:



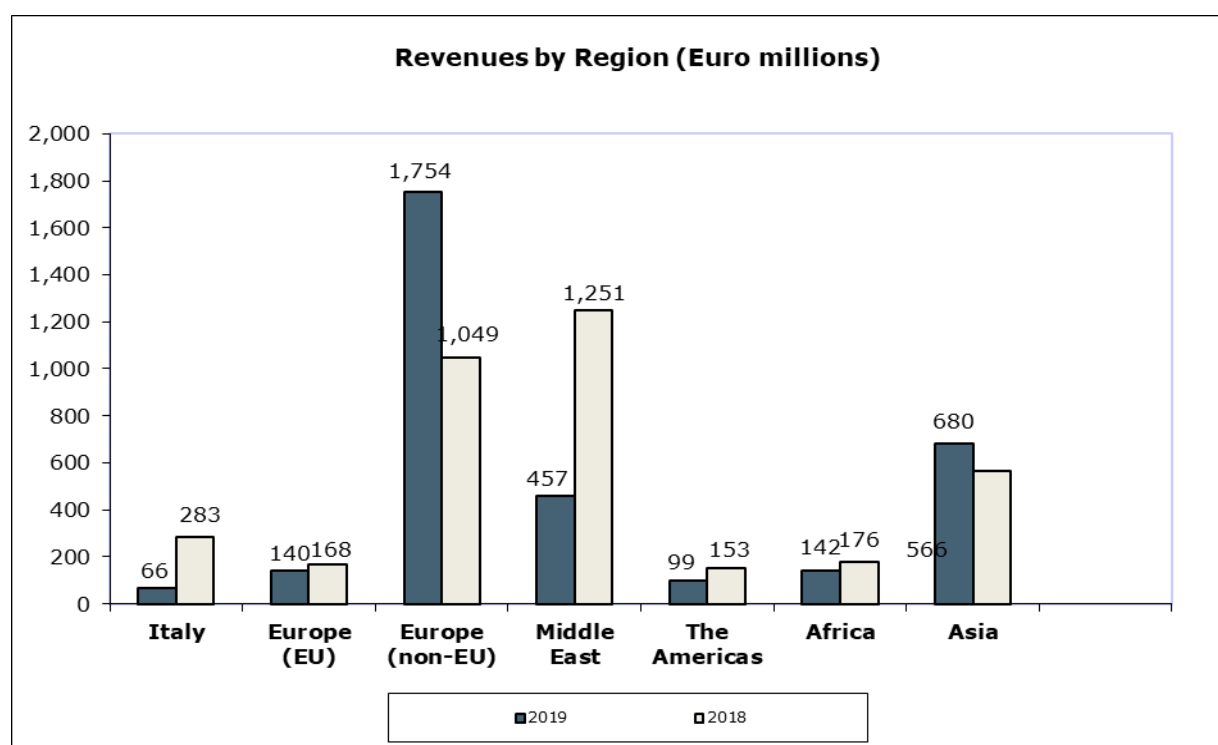




VALUE OF PRODUCTION BY REGION:

The regional breakdown of Revenues in 2019 compared to the previous year is illustrated below:

(In Euro thousands)		2019		2018		Change	
		Total	%	Total	%	Total	%
Italy		66,194	2.0%	282,579	7.7%	(216,385)	(76.6%)
Overseas							
· Europe (EU)		140,266	4.2%	168,072	4.6%	(27,805)	(16.5%)
· Europe (non-EU)		1,754,147	52.5%	1,048,783	28.8%	705,364	67.3%
· Middle East		456,658	13.7%	1,251,380	34.3%	(794,722)	(63.5%)
· The Americas		99,224	3.0%	153,238	4.2%	(54,015)	(35.2%)
· Africa		142,291	4.3%	176,205	4.8%	(33,914)	(19.2%)
· Asia		679,585	20.4%	566,190	15.5%	113,395	20.0%
· Other		0	0.0%	165	0.0%	(165)	na
Total Consolidated Revenues		3,338,364		3,646,612		(308,246)	(8.5%)



The main regional revenue sources were Europe - non-EU (52.5%), which reflects the development of operations in Russia. As apparent in the revenues table, a reduction was reported in the Middle East and in Italy following the completion of the main projects in the region.

6. Backlog by Business Unit and Region

The following tables outline the Group's Backlog, broken down by Business Unit at December 31, 2019, net of third-party shares and compared to the previous year:

BACKLOG BY BUSINESS UNIT

(In Euro thousands)			
	Hydrocarbons	Green Energy	Total
Initial Order Backlog at 01/01/2019 (*)	6,364,836	247,132	6,611,968
Adjustments/Eliminations (***)	(212,674)	97,905	(114,769)
2019 Order Intake (****)	3,066,359	143,545	3,209,904
Revenues net of third parties (**)	3,219,303	114,430	3,333,733
Backlog at 31/12/2019	5,999,218	374,153	6,373,371

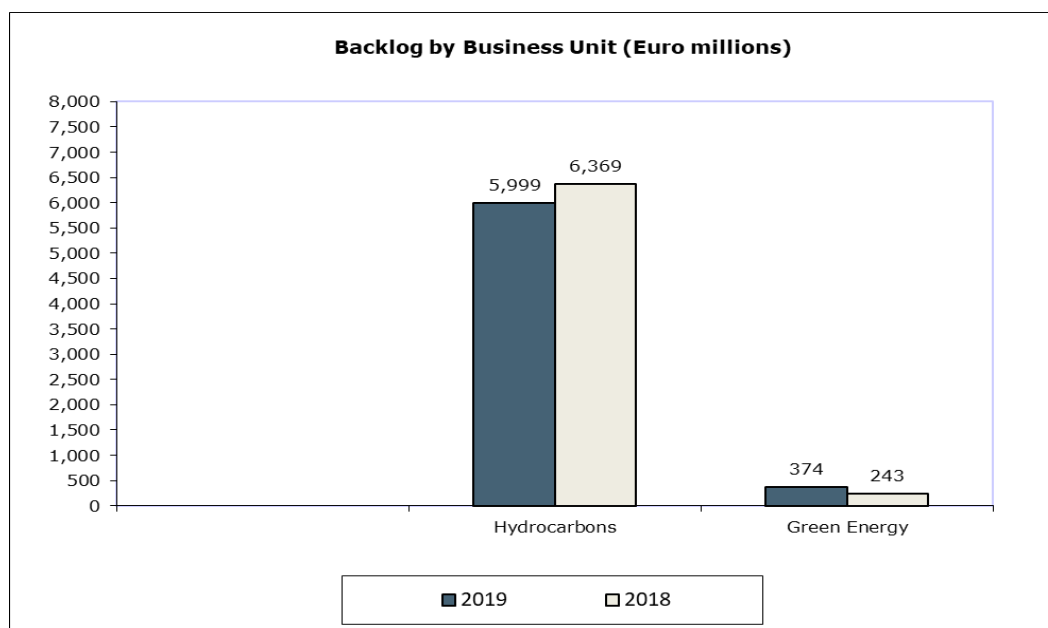
(*) Initial Backlog following the introduction of the new Business Units from January 1, 2019, with reallocation of Euro 4.6 million from Hydrocarbons to Green Energy, mainly in relation to the Backlog of Nextchem S.r.l..

(**) Backlog revenues are net of third-party shares of Euro 4.6 million.

(***) 2019 Adjustment/Eliminations principally reflect portfolio currency adjustments and other minor adjustments.

(****) Includes the Memorandum of Understanding of approximately Euro 1 billion signed for a new urea and ammonia plant located in Kingisepp.

(In Euro thousands)				
	Backlog at 31.12.2019	Backlog at 31.12.2018	Change December 2019 vs December 2018	
			Absolute %	
Hydrocarbons	5,999,218	6,369,407	(370,189)	(5.8%)
Green Energy	374,153	242,561	131,591	54.3%
Total	6,373,371	6,611,968	(238,597)	(3.6%)





In 2019, the Maire Tecnimont Group won new projects and existing contract extensions worth approx. Euro 3,209.9 million. The Backlog at December 31, 2019 was Euro 6,373.4 million, reducing by approx. Euro 238.6 million on December 31, 2018.

BACKLOG BY REGION

The Group Backlog broken down by region at December 31, 2019 and compared with the previous year is presented below:

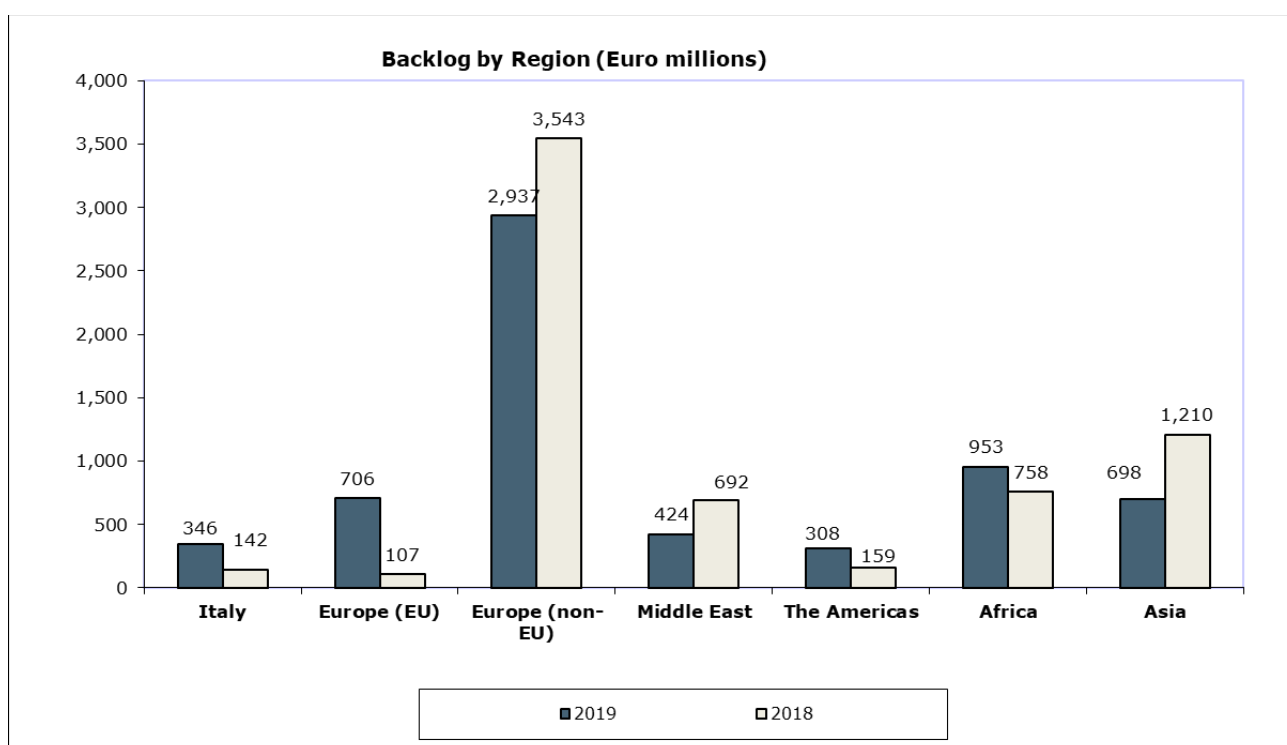
(In Euro thousands)		Overseas							Total
	Italy	Europe (EU)	Europe (non-EU)	Middle East	The Americas	Africa	Asia	Other	
Initial Order Backlog at 01/01/2019	141,973	107,326	3,543,392	692,379	159,147	758,106	1,209,645	0	6,611,968
Adjustments/Eliminations (**)	115,627	56,972	(204,070)	(29,760)	(173,310)	(446)	120,136	83	(114,769)
2019 Order Intake (***)	147,678	682,366	1,355,125	218,117	420,603	337,767	48,249		3,209,904
Revenues net of third parties (*)	59,115	140,266	1,757,647	456,658	98,171	142,291	679,585	0	3,333,733
Backlog at 31/12/2019	346,163	706,397	2,936,800	424,077	308,269	953,136	698,444	83	6,373,371

(*) Backlog revenues are net of third-party shares of Euro 4.6 million.

(**) 2019 Adjustment/Eliminations principally reflect portfolio currency adjustments and other minor adjustments.

(***) Includes the Memorandum of Understanding of approximately Euro 1 billion signed for a new urea and ammonia plant located in Kingisepp.

(In Euro thousands)		Change December 2019 vs December 2018		
	Backlog at 31.12.2019	Backlog at 31.12.2018	Absolute %	
Italy	346,163	142,395	203,768	143.1%
Europe (EU)	706,397	107,328	599,069	558.2%
Europe (non-EU)	2,936,800	3,543,385	(606,585)	(17.1%)
Middle East	424,077	692,381	(268,303)	(38.8%)
The Americas	308,269	159,180	149,089	93.7%
Africa	953,136	757,662	195,474	25.8%
Asia	698,444	1,209,637	(511,192)	(42.3%)
Other	83	0	83	
Total	6,373,371	6,611,968	(238,598)	(3.6%)



ORDER INTAKE BY BUSINESS UNIT AND REGION

The table below outlines 2019 Group Order Intake broken down by Business Unit and Region and compared with the previous year:

(In Euro thousands)						
	December 2019		December 2018		Change 2019 vs 2018	
	% of total		% of total		Total	%
Order Intake by Business Unit						
Hydrocarbons (*)	3,066,359	95.5%	2,887,073	97.3%	179,285	6.2%
Green Energy	143,545	4.5%	79,406	2.7%	64,140	80.8%
Total	3,209,904	100%	2,966,479	100%	243,425	8.2%
Order Intake by Region:						
Italy	147,678	4.6%	147,847	5.0%	(168)	(0.1%)
Europe (EU)	682,366	21.3%	133,774	4.5%	548,592	410.1%
Europe non-EU(*)	1,355,125	42.2%	521,458	17.6%	833,667	159.9%
Middle East	218,117	6.8%	464,635	15.7%	(246,518)	(53.1%)
The Americas	420,603	13.1%	250,065	8.4%	170,538	68.2%
Africa	337,767	10.5%	303,483	10.2%	34,284	11.3%
Asia	48,249	1.5%	1,145,218	38.6%	(1,096,969)	(95.8%)
Total	3,209,904	100%	2,966,479	100%	243,425	8.2%

(*) At December 31, 2019, includes the Memorandum of Understanding of approximately Euro 1 billion signed for a new urea and ammonia plant located in Kingisepp.



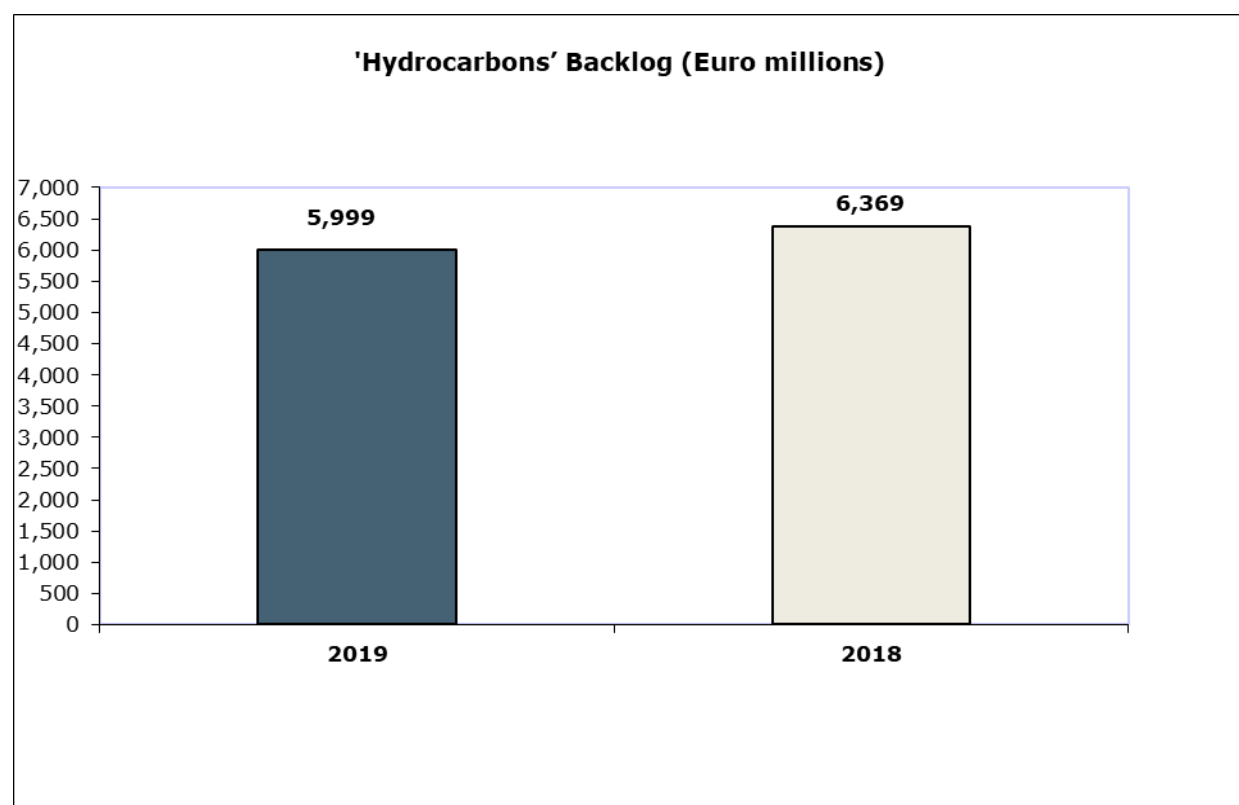
In 2019, the Maire Tecnimont Group won new projects and existing contract extensions worth approx. Euro 3,209.9 million, mainly in the Technology, Engineering & Construction sector, mainly in the Hydrocarbons sector.

The Green Energy BU principally acquired renewable energy orders, new contracts and formalized change orders and project variants in the infrastructure and maintenance services and facility management areas.

ANALYSIS OF THE 'HYDROCARBONS' BUSINESS UNIT BACKLOG

December 31, 2019 compared with the previous year is as follows:

	Backlog at 31.12.2019	Backlog at 31.12.2018	Change December 2019 vs December 2018	
			Total	%
Hydrocarbons	5,999,218	6,369,407	(370,189)	(5.8%)



The "Hydrocarbons" Business Unit Backlog at December 31, 2019 was Euro 5,999.2 million, reducing slightly on the previous year by Euro 370.2 million.

PRINCIPAL PROJECTS AWARDED:

ANWIL (Poland) June 2019, Tecnimont S.p.A. was awarded an EPC (engineering, procurement and construction) contract by ANWIL for the introduction of a new granulation unit capable of producing various kinds of fertilizers. ANWIL is a Polish company that belongs to the ORLEN Group, an international player in the fuels and energy markets and one of the largest industrial companies in Central Eastern Europe. This contract governs one of the three packages included in the ANWIL project to increase production capacity. The contract's scope of work consists of engineering activities, the supply of all materials, construction, commissioning, testing and training of personnel for the installation of a new granulation facility with an average production capacity of approximately 1,500 tons a day, depending on the type of fertilizer produced. The new facility will be constructed at the Polish complex located in Wloclawek and is expected to be completed by mid-2022. The total investment by ANWIL is USD 350 million, as indicated by the client.

KALLO (Belgium) March 2019, Tecnimont S.p.A. was awarded 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. The new plant is expected to Start Up in the middle of 2022.

REFINERY PORT HARCOURT (Nigeria), March 2019, Tecnimont S.p.A. and Tecnimont Nigeria Limited were awarded a "Phase 1 Rehabilitation Project" contract by the client Nigerian National Petroleum Company (NNPC) to carry out a complete integrity check and equipment inspection on the Port Harcourt Refinery complex owned by Port Harcourt Refinery Company Limited (PHRC), a subsidiary of NNPC. The "Phase 1 Rehabilitation" contract has a value of approx. USD 50 million and consists of a six-month assessment and the relative engineering and design for the Port Harcourt Refinery complex in Port Harcourt, in Rivers State (Nigeria). The complex comprises two refinery plant with an overall capacity of approx. 210,000 bpd (barrels per day). Execution of the integrity check and of the equipment inspection is preparatory to a second phase, the "Phase 2 Rehabilitation Project", which consists of complete rehabilitation of the complex in order to recover production capacity to at least 90%. The second phase, subject to completion of the integrity check, shall be carried out on an EPC basis by Tecnimont and Tecnimont Nigeria, in collaboration with a partner.

BOROUGE (UAE) February 2019, Tecnimont S.p.A. 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.

NATPET (KSA) February 2019, 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.



VOLGAFERT (Russia) Tecnimont S.p.A. has been awarded a contract by Volgafert LLC for the construction of a granulated urea facility, on an EPC basis, with a value of approximately Euro 200 million. This project, announced in December 2018, was included in the order intake and backlog in 2019 due to the date of financial closing. Volgafert LLC is a special-purpose company owned by Kuibyshevazot, a leading producer of fertilizers and caprolactam, and METDEV1 srl (with a minority interest), a Maire Tecnimont Group company in which an interest is held by Simest S.p.A. (part of the CDP Group, which supports the international investments of Italian companies). Volgafert will produce and market high-quality urea for the domestic and international markets. To finance the entire amount, a line of credit of approximately Euro 160 million is currently being finalized, to be provided by various international commercial banks and guaranteed by SACE (CDP Group), the Italian export credit agency. The new urea production unit will be located at the Kuibyshevazot industrial complex (in Togliatti, in the Samara region), and will be developed on the basis of Stamicarbon's urea technology. The scope of the project includes the provision of engineering services, equipment and materials and construction until inspection, start-up and the performance tests, for a granulated urea facility with a capacity of 540,000 tons a year. Project completion is scheduled for the fourth quarter of 2021.

INA-INDUSTRIJA NAFTE (Croatia), KT - Kinetics Technology S.p.A. was awarded an EPC contract on a lump sum turnkey basis by INA-Industrija Nafta, d.d. (INA) for a new delayed-coking facility at the refinery in Rijeka, Croatia, as part of a project to modernize the Rijeka refinery. INA has a leading role in the Croatian petroleum market and a significant position in the region. MOL Plc. and the Croatian government are its main shareholders. The project involves the provision of engineering services, the supply of materials, the performance of construction work on a new delayed-coking unit, inclusive of coke handling to the point of loading onto the ship, sour water stripping, amine treating unit and update to the hydrocracker, sulphur treating unit and utilities and offsites. The project combines complexity and engineering challenges, ranging from the elimination of bottle-necks in existing units to the installation of new units, including the most recent solutions for coke storage and the construction of the loading dock, and will affect over 60% of the existing refinery. The total value of the contract is approximately Euro 450 million and the project is set to be completed in 2023.

MIDOR REFINERY EXPANSION (Egypt) KT-Kinetics Technology S.p.A. was awarded by Technip Italy, an EPC works project for the expansion of the Middle East Oil Refinery (MIDOR), in Alexandria, Egypt. The expansion is aimed at increasing the refinery's capacity from 100,000 to 160,000 BPSD, together with product quality (Euro 5). KT has been identified as a subcontractor for some units of this project (lump-sum EPC awarded to Technip Italy for a value of USD 1.7 billion). The KT share amounts to Euro 67.3 million. The terms of delivery are within 22 months of the Effective Date, whereas the term of the entire contract (Expanded Plant) is 42 months from February 21, 2019, to be considered the Effective Date of the Supply Contract between MIDOR and TPI. The engineering activities are under way, with a progress level of 51.6%; placement of the orders of the itemized material has been completed, whereas the purchase of bulk material is in progress. Overall progress as at December 31, 2019 was 27.7%.

FCC REVAMPING - LUKOIL- BURGAS (Bulgaria), KT- Kinetics Technology S.p.A. has received an order from LUKOIL NEFTOHIM BURGAS for the supply of revamping of the FCC unit licensed from UOP on an LSTK (EP) basis. The project has particular commercial significance as a fundamental step to obtaining a competitive advantage in the award of the revamping of the polypropylene plant at that same petrochemical complex. The scope of the work involves: Engineering, consisting in process design on the FCC unit and detailed engineering design; Supply of equipment and bulk materials; Construction, consisting in the dismantling of process equipment to be replaced; and Installation and connection of the new equipment and addition of the necessary equipment. The initial contractual amount was Euro 41 million. Engineering activities have begun and are currently 38.4% complete, with an overall progress level of 6.5%. Placement of orders for itemized materials is currently in the process of being finalized.

LUANDA REFINERY GASOLINE (Angola), KT-Kinetics Technology S.p.A. and Eni Angola Exploration B.V. signed a contract for an LSTK (EPC) project to modernize the refinery in Angola. The units governed by the contract are: New Naphtha Hydrotreating (NHDT) unit; New Naphtha Splitter; and New Platforming Unit. The contractor's full scope of work primarily includes: (Basic Design; detail engineering; procurement and delivery of all process equipment and bulk materials; supply of first-filling of chemicals; supply of first-filling of catalysts for the NHDT unit; all construction activities up to mechanical completion of the facility; and pre-commissioning). The initial contractual value was approx. USD 211.5 million. The facility must be ready for commissioning in 26 months. Engineering activities are in progress and two orders have been issued for long-delivery items and the main MRs for itemized material. Overall progress as at December 31 was 15.7%.

In addition to the above contracts, further projects were acquired for licensing, engineering services, EP (engineering and procurement) and EPC (engineering, procurement and construction) activities and change orders for contracts in the process of being implemented.

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

Other agreements:

EUROCHEM (Russia) Maire Tecnimont S.p.A. and EuroChem, a world leading fertilizers group, signed a Memorandum of Intent on the basis of which Tecnimont S.p.A. and MT Russia LLC (previously Tecnimont Russia LLC), both held by Maire Tecnimont, were selected to develop "Early Works" services, with the consequent extension - in the event that EuroChem's investment plans continue as planned - to the Engineering Procurement and Construction activities on a new urea and ammonia production plant located in Kingisepp, Northwest Russia.

The proposal by Maire Tecnimont Group has a value of up to Euro 1 billion for a new combined urea and ammonia plant, with a capacity once fully operational of approx. 3,000 tons of ammonia and 4,000 tons of urea per day.

According to the "Early Works" agreement, the Maire Tecnimont Group will continue the preliminary engineering and survey activities in the area at the industrial site adjacent to EuroChem's current production plant in Kingisepp. The EPC contract shall become operative on satisfaction of a number of preliminary conditions, essentially related to the preliminary works currently in progress.

PROJECTS IN PROGRESS:

AMUR (Russia) Tecnimont S.p.A., as majority leader of the consortium including MT Russia LLC (previously Tecnimont Russia LLC), 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. Once completed, GPP Amur will be one of the largest gas treatment plants in the world, with a natural gas treatment capacity of 42 billion cubic meters per year and constituting a fundamental element of Gazprom's strategic plan for the supply of natural gas to China. 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 scope of the work assigned to Tecnimont S.p.A. and MT Russia includes engineering, procurement, construction, commissioning and performance test activities for the completion of utilities, offsites and infrastructure for the Amur GPP project. Engineering is 97.6% complete, with material procurement at 85.1%, while construction is 42% complete. The total advancement of the project is 59.3%. Project completion is scheduled for the end of 2023.



SOCAR (Azerbaijan), in 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). Home office activities are 93.4% complete, with manufacturing and delivery of materials at 80.7% and construction activities at 28.9%. The total advancement of the project is 62.6%. The completion of the project (Provisional Acceptance Certificate - PAC) is scheduled for June 14, 2022.

JSC Gazprom Neft - OMSK (Russia) February 2018, Tecnimont S.p.A. and its subsidiary MT Russia LLC (previously 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. Engineering is 97.9% complete, with procurement services at 89% and manufacturing at 88.9% for the itemized component and 88.7% for the bulk component. The total advancement of the project is 90.6%. Construction, which is beyond the scope of the TCM work, is approximately 27% complete. The project is scheduled for completion in 2020.

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). The project involves 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). Engineering is 99% complete, with material procurement at 93%, while construction is 45% complete. The total advancement of the project is 77%. “Ready for Commissioning” is expected by 2020.

BOROUGE PP5 (United Arab Emirates), acquired in July 2018 from the client Abu Dhabi Polymer Company (Borouge). The scope of the project consists of EPCC (engineering, procurement, construction and commissioning) activities for a new polypropylene unit (PP5 project) in Ruwais (Abu Dhabi), United Arab Emirates. Home office activities are 90% complete, with manufacturing and delivery at 61%, while construction and pre-commissioning are 40% complete. The total advancement of the project is 53%. Project completion is scheduled for the end of 2021.

HMEL (India), acquired in August 2018 in a consortium between Tecnimont S.p.A. and its Indian affiliate Tecnimont Private Limited, from the client HMEL, a JV between HPCL (Hindustan Petroleum Corporation Limited) and Mittal Energy Investment Pte Ltd. The contracts in question are two EPCC (engineering, procurement, construction and commissioning) contracts for the construction of a new high-density polyethylene (HDPE) unit and a new polypropylene (PP) unit. The units will be constructed Bathinda, northern India. Engineering activities on the HDPE unit are 98.3% complete, with home-office services for material procurement at 99.9% (and manufacturing and delivery at 75.4%), while construction is 35.7% complete. The total advancement of the project is 66.8%. Engineering activities on the PP unit are 99.3% complete, with home-office services for material procurement at 99.4% (and manufacturing and delivery at 80.7%), while construction is 33.4% complete. The total advancement of the project is 69%. The mechanical completion of the works on both units is scheduled for September 2020, commissioning for November 2020 and performance tests within 12 months of mechanical completion (or 42 months of the acquisition date), followed by a mechanical guarantee period of 12 months.

ZCINA - SONATRACH (Algeria), acquired in November 2018 from the client Sonatrach, involves the implementation of a fourth LPG production train with a capacity of 8 MMS m³/day. The fourth train will be located within an existing facility in the Hassi Messaoud area, approximately 900 km to the south of Algiers. The project was acquired on a lump-sum basis and includes engineering services, material procurement, construction and commissioning. Engineering, procurement and construction activities are 80%, 30% and 1.5% complete respectively. Site activities continue with the execution of civil works (with 10% progress reached), whereas mechanical works are expected to begin in mid-April 2020. The PAC (Provisional Acceptance Certificate) is expected to be awarded by June 2021.

EXXON MOBIL - BAYTOWN (USA), acquired in January 2018 by Tecnimont US in a consortium with the US construction partner Performance Inc. The contract, on a reimbursable basis, was awarded by Exxon Mobil. The project involves the construction of two units (an SPU - Solution Polymer Unit and a LAU - Liquid Alpha-olefin Unit) in Baytown (Houston, TX, USA). In April 2019, the project, which began as a FEED contract, was converted into an EPC (engineering, procurement and construction) contract in which Tecnimont USA is responsible for the EP component only. Engineering activities are 67.7% complete, whereas procurement services are 38% complete and manufacturing 38% complete. Mechanical completion of the works is expected by 2021.

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'iya 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. Engineering, procurement and construction have been completed, together with the test run. The provisional acceptance certificate (PAC) has been received and the facility has entered the warranty period, which will end in September 2020.

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 state of advancement of the project is 99% (Engineering 99.3%; Procurement 100%; Construction 98.1%). The customer has delayed the provision of the utilities required for commissioning activities and has yet to supply the hydrocarbons required for the start-up of the facilities. Accordingly, the contractual delivery of the facilities following the performance tests originally scheduled for January 4 has been postponed until a date to be determined. Commercial discussions are currently being held with the customer.

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. The performance tests have been completed. Delivery of the PAC is forecast for the first quarter of 2020.

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. The start-up and performance tests have been completed. The PAC was delivered on July 31, 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 Dhabi/Das Island, 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 warranty period is underway, on conclusion of which the 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 MT Russia LLC (previously Tecnimont Russia LLC). 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. The site is within an existing industrial complex close to the city of Kingisepp. The Construction and start-up activities have been completed. Production and sale of ammonia began in the first quarter of 2019 and the related performance guarantee test run at 2,890 tons per day was successfully completed. The facility was officially inaugurated during the St. Petersburg International Economic Forum (SPIEF) 2019, in a ceremony attended by the Ministry of Industry and Commerce of the Russian Federation. In this situation, without any prior notice, the client initiated an enforcement procedure, without any legitimate justification, for a part of the performance bonds, claiming that the Consortium Tecnimont S.p.A. - MT Russia LLC was responsible for the delay. The Tecnimont Group denies any and all liability, and in fact believes that it is fully entitled to an increase in the contractual price to compensate it for the greater costs incurred as a result of the delays in the project. The two companies therefore filed a petition at the Milan Court to request an urgent blocking of guarantee payments. On July 8, 2019, the Court of Milan, ruling *ex parte*, granted in full the urgent request presented by the Tecnimont Group, verifying the fraudulent nature of the enforcement. Consequently, the Court ordered a provisional injunction on payment of all bank guarantees issued in the interest of Tecnimont S.p.A. and MT Russia LLC in relation to the above contract, adjourning until the hearing of August 20, 2019 for the discussion of the provisional order handed down by the Court of Milan on July 8, 2019. At the hearing on August 20, 2019 the parties applied for an adjournment for an examination of the statements of case and related documents. The judge granted the adjournment, allowing EuroChem until August 28, 2019 to submit its reply and allowing Intesa until September 4, 2019 to submit its counter-filing and ordering, *inter alia*, that the case be reassigned to a new judge. By order of September 16, 2019, the Court of Milan revoked the order issued *ex parte* and, without fixing a hearing between the parties, rejected the petition filed by Tecnimont and MT Russia. On September 17, 2019 MT and MT Russia lodged an appeal against the order, complaining of both grave formal flaws and errors of substance, and applied for an order to be granted *ex parte* pending the summons of the parties. By order of September 17, 2019, the President of the Sixth Civil Section of the Court of Milan fixed the hearing for the appearance of the parties for October 9, 2019 and appointed the president of the panel to decide on the granting of the injunction sought by Tecnimont and MT Russia. On September 18, 2019 Tecnimont and MT Russia lodged a petition with the president of the panel, laying out the urgent grounds for granting an order *ex parte* pending the hearing for discussion between the parties. By subsequent order, the hearing for discussion of the injunction sought by Tecnimont and MT Russia was fixed for October 1, 2019.

The parties then reached a settlement, the terms of which included suspension of the enforcement of the guarantees by EuroChem and the consequent withdrawal by Tecnimont and MT Russia of the complaint procedure, the waiver by the Tecnimont Group of a supplement to the contractual price as compensation for the higher costs incurred due to the delay accumulated by the project, and the signing of a Memorandum of Intent on the basis of which Tecnimont and MT Russia LLC were selected to develop “Early Works” services, with the consequent extension - in the event that EuroChem’s investment plans continue as planned - to the Engineering Procurement and Construction activities on a new urea and ammonia production plant located in Kingisepp, Northwest Russia. The proposal by Maire Tecnimont Group has a value of up to Euro 1 billion for a new combined urea and ammonia plant, with a capacity once fully operational of approx. 3,000 tons of ammonia and 4,000 tons of urea per day. According to the “Early Works” agreement, the Maire Tecnimont Group will continue the preliminary engineering and survey activities in the area at the industrial site adjacent to EuroChem’s current production plant in Kingisepp. The EPC contract shall become operative on satisfaction of a number of preliminary conditions, essentially related to the preliminary works currently in progress.

On September 27, 2019 EuroChem thus notified Intesa of the suspension of the request for the enforcement of the Guarantees, and Tecnimont and MT Russia filed with the court registry - and then notified Eurochem and Intesa of - a petition to withdraw the complaint proceedings. In the light of this agreement, by order of October 1, 2019 the president of the court declared the effects of the complaint ceased and the proceedings discontinued.

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 98% complete. The total advancement of the project is over 99%. 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 expected by the first quarter of 2020.

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. EPCC activities were concluded with the formal acquisition of the Ready for Start Up (RFSU) certification for the two units (March '19 for the first and June '19 for the second). Due to the customer's lack of feedstocks for extended periods, the start-up and performance demonstration phase is being protracted beyond all expectations: to date, the first of the three performance test runs (PTRs) for the first unit has been completed with fully successful results. Completion of the testing campaign is now scheduled for the first quarter of 2020. Preliminary acceptance of the facility (PAC) will be followed by a 12-month guarantee period, after which the final acceptance certificate (FAC) will be issued.

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 Lyondell 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. EPC activities have essentially been completed; the commissioning of the various systems is in progress and will be followed by start-up and performance demonstration activities. Preliminary acceptance of the facility (PAC) will be followed by a 12-month guarantee period, after which the final acceptance certificate (FAC) will be issued.

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 and procurement have been completed, while construction by CNO has been completed, except for conclusion of the punch points, with commissioning activities at a 79.1% overall state of completion. The start-up of the first Unit, with synchronization with the national electrical grid of the Dominican Republic, was achieved on February 27, 2019. The start-up of the second unit took place on September 29, 2019. The preliminary acceptance certificate for the first unit was delivered on October 4, 2019, whereas the PAC for the second unit is expected to be delivered by the second quarter of 2020. The PAC date valid for each unit will be 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 100% overall state of advancement. The engineering activities have been completed, as has procurement, manufacturing and the delivery of materials on-site. Construction and commissioning of the



Oil Centre, LPG Centre, Corleto tie-in and all wells (GG1, GG2, TR1, TR2, TE1 and PT1) have been completed. Provisional plant acceptance (PAC) has been signed.

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 is installed within 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. Activities relating to engineering, procurement, construction and project commissioning have essentially been completed. The facility has entered production and has already produced approximately 70.000 tons of ammonia and 65.000 tons of urea. The performance test and subsequent provisional acceptance certificate (PAC) are expected by the first quarter of 2020. The PAC will be followed by a 12-month warranty period, on conclusion of which all contractual obligations will be fully discharged and the Final Acceptance Certificate (FAC) 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. Instructions from the client for the issue of the new orders and the continuation of operations are awaited.

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. All of the key milestones have been reached (Mechanical Completion and Provisional Acceptance (PAC) both for Phase 1 and Phase 2). All warranty actions have been completed. Accordingly, the approval of the final acceptance certificate (FAC) by GASCO is expected by the first quarter of 2020.

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 are in an advanced phase. Procurement of the LLI's has been completed. 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 million. As at December 31, 2019 the two projects are at 69.1% completion for the HDT and HPU units and 58.9% for the SRU and GFU units. Purchases of itemized and bulk materials have been completed, whereas only piping remains to be purchased in the quantities indicated in the last MTO. Civil works, assembly of metal structures and prefabrication of piping are in progress on site. 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. Engineering activities have concluded and the final books are being completed. The procurement campaign has been completed and all materials are at the site. Construction work has been completed on the CFP unit and delivery of the systems to the client is in progress. Construction of the SRU is set to be completed by May 2020.

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, except for the preparation of the as-built documentation, which remains ongoing. Both units (System A and B) have been commissioned and are operational. The PAC has also been received for the SO₂ scrubbers and the fourth Claus. The test run was performed in November 2019. KT supplied assistance during the construction, commissioning and start-up phases and Test Run. KT received the LOA for the first lot of two years' spare parts supplied. The materials were delivered and invoicing is now in progress.

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 Asfalt 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. 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. The RFSU was received on June 29, 2019 per Amendment no. 4. The PAC, previously scheduled for September 30, 2019, was delivered in late January 2020 and is awaiting signature by the client.

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, in addition to change orders. The engineering activities are largely based on the duplication of phase 1. 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 phase. The test run is scheduled for March 2020.

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 57.6 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. This important contract confirms the trust installed in KT - Kinetics Technology S.p.A.'s capacity by this major client, following the previous EPC projects implemented with success and based on the HPU technology in



the Rijeka Refinery and SRU in the Sisak Refinery. This acquisition opens up for KT potential opportunities for future industrial development of the Rijeka Refinery (upgrading of the residual programme) and MOL (CAP22 Downstream Investments) and strengthens the presence of the Group in one of the European countries and industrial Groups with significant investment prospects in Croatia and Hungary. Engineering is approximately 99.8% complete and the placement of all material orders is has been completed and all materials are now at the site. Site activities are 69.4% complete. Overall progress of the project is at 87.0%.

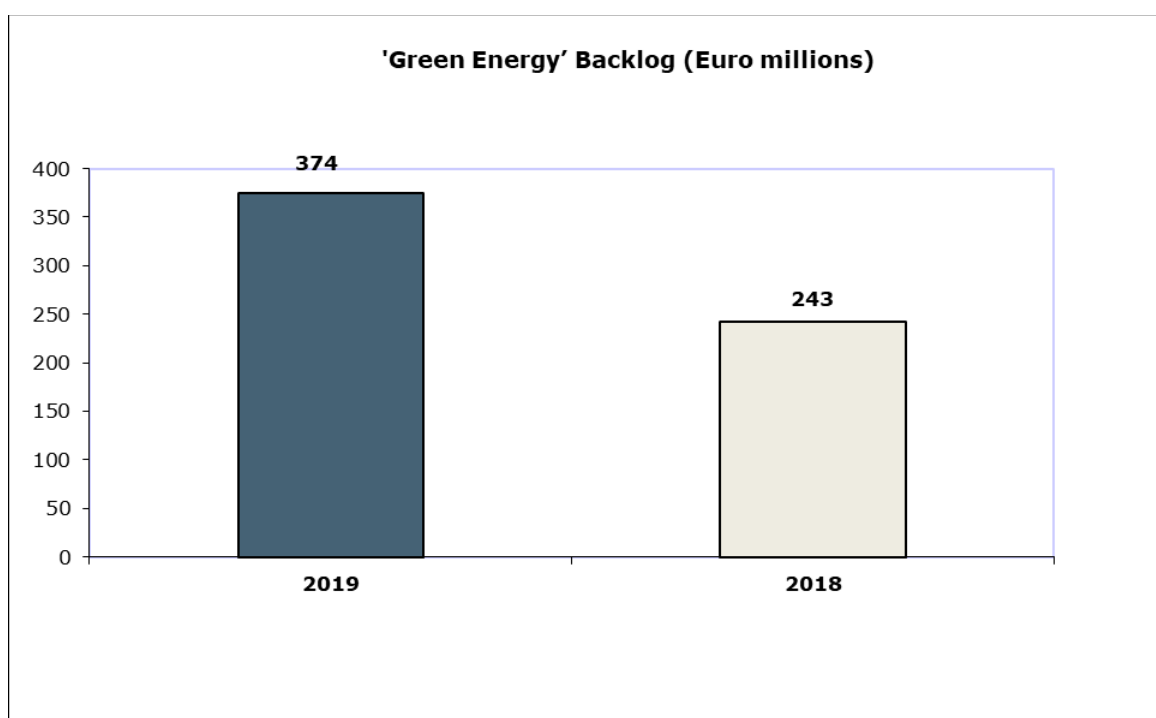
HPCL MUMBAI REFINERY EXPANSION PROJECT (NEW HPU UNIT) KT - Kinetics Technology SpA in consortium with Tecnimont Private Limited was awarded a contract totaling Euro 87.7 million for LEPC (License-Engineering-Procurement-Construction-Commissioning) of a new hydrogen production unit with capacity of 91,000 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. Overall progress on the project is at 83.3%. Engineering activities have concluded. The procurement campaign has been completed and only follow-up activities relating to the purchase of materials for the site remain ongoing. construction is 63.6% complete: the main civil works have been concluded and mechanical assembly (piping, structures and equipment) is in progress.

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

ANALYSIS OF THE 'GREEN ENERGY' BUSINESS UNIT BACKLOG

December 31, 2019 compared with the previous year is as follows:

	Backlog at 31.12.2019	Backlog at 31.12.2018	Change December 2019 vs December 2018	
			Total	%
Green Energy	374,153	242,561	131,591	54.3%



The Green Energy BU Backlog at December 31, 2019 amounts to Euro 376.1 million, increasing on the previous year Euro 133.6 million.

The Green Energy BU principally acquired renewable energy orders, new contracts and formalized change orders and project variants in the infrastructure and maintenance services and facility management areas.

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 100% complete.

RAIL PROJECTS:

Etihad Railway Project - (Ruwais, UAE), the contract was acquired in October 2011 in consortium with Saipem SpA and Dodsall 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/Shhah (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 concluded in February 2020.



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.. On September 17, 2017 the entire line became operational and the work contracted was completed in 2019, in line with the final contractual extension granted by the client. The activities required to complete various secondary finishing and completion works were launched during the reporting period. Activities in view of the technical/administrative inspection of the contract are also in progress. 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.

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. In 2019 engineering activities, procurement of strategic supplies relating to the second addendum and planning concerning the supplies for the third addendum relating to the "Lingotto-Bengasi" section continued. However, activity also slowed this year due to the further delay in the contracting of civil works. Due to the greater duration of the services, amounting to 54 months, in March 2019 the fourth contractual addendum was signed, containing, inter alia, the new calendar for system works. It was only in September 2019 that work relating to bringing the system online at the site began. The progress rate was 20% at December 31, 2019. Delivery of the Lingotto - Bengasi section to the contracting station is scheduled for February 2021, with entry into use for April of the same year. The Collegno - Cascine Vica section is a further extension of the line to the west and its contractual process is autonomous from the previous sections. The award of the section is governed by a specific contract divided into three addenda relating to the development and progress of the work: the first for planning, the second for supplies and the third for commissioning. The framework agreement is expected to be signed in March 2020. The activity relating to the five-year contract signed in April 2018 continued with regard to technical assistance and maintenance of Line 1. The 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.

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. The final delivery was made to the Municipality of Turin in December 2019: the project was validated with formal approval by the Municipal Council in January 2020. There are still activities in progress relating above all to the environmental aspect, which will continue for several months.

Istanbul Metro - Design (Istanbul, Turkey). Acquired in May 2016, the activities concern the definitive engineering and preparation of the tender documentation of the Istinye- İtu- 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. The work on the further Conca D'Oro extension has been completed and 2020 will

be dedicated solely to completing the technical and administrative activities resulting from the issuance of the provisional acceptance certificate. 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 2005 under a “construction and management” contract signed with ASL CN2. The initiative is headed by the project company MGR Verduno S.p.A. (Neosia 99.9% and Gesto 0.1%). There have been numerous delays in the construction work in the course of executing the project, due in part to the unreliability and unsuitability of the Olicar/Matarrese consortium awarded the contract and in part to a series of events beyond MGR’s control. After scope of the contract was reduced and MGR assigned completion activities to Neosia S.p.A. (MGR’s majority shareholder, qualified to do the work), on May 3, 2019 the Company terminated the contract with the Olicar/Matarrese consortium for breach, removing the consortium from all construction activity. Following the above termination, the residual activities assigned to the consortium under the scope reduction agreement, along with the other work resulting from the need to remedy deficiencies or omissions identified in the work done by the consortium, are being carried out by Neosia. The Company has thus taken all lawful initiatives to recover the costs and expenses incurred by the Company to complete the work awarded to the Olicar/Matarrese consortium (in excess of that which would have been incurred if the contract with the Matarrese consortium had been honored), including all damages resulting from breach. On September 21, 2019 MGR gave notice of completion of the work and then on October 3, 2019 the Site Manager issued a certificate of completion of the work, in which it is attested that minor work remained to be done in the following 60 days, in accordance with the contracting code. For reasons beyond the concessionaire’s control, the minor work in question extended over a period in excess of the 60 days indicated in the work completion memorandum. At present, following the final inspection performed on February 28, 2020, the management period is set to begin in March 2020.

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 being completed in accordance with the contractual deadlines: all works and areas have been returned to the client, completely inspected, including the final delivery of all documentation (as-built, certifications, etc.). The client issued the final acceptance certificate for building 4563 - 4553 Parking and Lathe Area on July 15, 2019.

In July 2018, the EPC contract was signed for the construction of an industrial facility (Building 4026) in Colleferro for “motor expansion”. Two contractual addenda for the addition of further work were formalised in 2019, with the resulting extension of work completion times to include all of 2020. As at December 31, 2019, 53.2% of work had been billed.

The contract for the performance of the work on Building 4562 was signed on October 29, 2019 and the work commencement memorandum was drawn up on November 19. As at December 31, 2019 the following work had been completed: set-up of the construction site and commencement of resolution of interference with existing sub-services, such as the chemical sewer, fire retardant conduit, medium and low voltage power lines, pipes for drinking and industrial water plumbing and white-water sewer. As at the above date, 20.14% of work had been billed.



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. As at December 31, 2019 the work was 100% complete. On October 15, 2019 the concessionaire Birillo gave notice of the completion of the work on the new university campus on Viale Morgagni in Florence. On October 21, 2019 the Site Manager drew up the Work Completion Memorandum for the Right to University Study Building and appurtenances, certifying completion of the works, except for completion of a series of items deemed of minor, entirely marginal importance, not affecting the functionality of the works, and set a date of November 8, 2019 for the completion of the said items. On November 29, 2019 the Office of the Public Contracts Manager received a courtesy copy of the Assessment Report, dated November 11, 2019, in which the Site Manager verified the completion of the work on the basis of the completion memorandum of October 21, 2019. On December 2, 2019 the Public Contracts Manager determined that the works had effectively been completed. Pursuant to Art. 8 of the contract of sale for the property to be constructed between Birillo 2007 Scarl and the Regional Authority for the Right to University Study, following the notice of completion of work from Birillo and the subsequent issuance of the Works Completion Memorandum by the Site Manager, on December 5, 2019 the Regional Authority for the Right to University Study launched the inspection procedure to assess that the work promised for sale had been duly executed. The process of remedying the imperfections reported by the Regional Authority for the Right to University Study following the inspections conducted starting on December 5, 2019 is currently in progress. Technical and administrative inspection is expected to occur by April 2020. The lease agreement signed with Campus X entered into effect on September 1, 2019.

7. Group balance sheet and financial position

The Maire Tecnimont Group key balance sheet highlights at December 31, 2019 and December 31, 2018 were as follows:

Maire Tecnimont Condensed Consolidated Balance Sheet (In Euro thousands)	December 31, 2019	December 31, 2018	Change
Non-current assets	805,273	569,243	236,030
Inventories/Advances to Suppliers	442,096	345,113	96,983
Contractual Assets	1,892,365	1,515,979	376,387
Trade receivables	555,286	425,768	129,518
Cash and cash equivalents	727,394	650,008	77,385
Other current assets	334,000	243,872	90,128
Current assets	3,951,141	3,180,740	770,402
Assets held for sale, net of eliminations	79,327	0	79,327
Total assets	4,835,741	3,749,983	1,085,758
Group shareholders' equity	408,547	309,612	98,935
Minorities Shareholders' Equity	40,389	33,021	7,367
Financial debt - non-current portion	244,274	206,410	37,864
Other non-current financial liabilities	198,094	202,634	(4,540)
Non-current financial liabilities - Leasing	127,876	0	127,876
Other non-current liabilities	144,317	190,692	(46,375)
Non-current liabilities	714,562	599,736	114,826
Short-term debt	342,468	195,911	146,557
Current financial liabilities - Leasing	22,208	0	22,208
Other financial liabilities	330	330	0
Client advance payments	684,272	637,837	46,435
Contractual Liabilities	305,013	335,598	(30,585)
Trade payables	1,960,592	1,478,301	482,291
Other current liabilities	294,573	159,637	134,937
Current liabilities	3,609,456	2,807,614	801,842
Liabilities held for sale, net of eliminations	62,788	0	62,788
Total Shareholders' Equity and Liabilities	4,835,741	3,749,983	1,085,758

“Non-current assets” increased on the end of the previous year, mainly due to the recognition for Euro 148,600 thousand of the “Rights-of-use” account arising following the application of the new standard IFRS 16; the additional increases relate to the assets of MyReplast Industries S.r.l, a NextChem subsidiary acquired on February 20, 2019, which manages an advanced mechanical plastics recycling plant located in Bedizzole (province of Brescia), with a total amount for the transaction of approximately Euro 12.5 million; and to the increase in trade receivables due beyond 12 months, relating to receivables from clients for amounts withheld as security for the successful completion of work in progress, primarily relating to the Amursk Gas Processing Plant (AGPP).



“Current assets” also increased on December 2018 by Euro 632,868 thousand, with the main changes concerning the working capital movements on the main orders, as per the contractual terms, whose details are indicated below:

- Inventories/Advances to Suppliers, amounting to Euro 442,096 thousand, with an increase of Euro 96,983 thousand, principally refer to the advances paid to foreign and Italian suppliers and sub-contractors against materials being produced and shipped for the construction of plant and work in progress. The increase in the payments on account to suppliers and subcontractors is a direct consequence of the advancement of the projects acquired in previous years and for which significant numbers of principal equipment orders were made, resulting in advance payments to suppliers and subcontractors, primarily in respect of the Amursky Gas Treatment Plant (AGPP). The account also includes finished products and goods relating to the inventory of the subsidiary Met T&S, which supplies chemical products, replacement parts and polymers, and the inventory of finished goods of MyReplast Industries, a company that manages an advanced mechanical plastics recycling plant located in Bedizzole, in the province of Brescia, acquired in February 2019 from the Nextchem Group;
- “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 376,387 thousand is essentially due to the decrease in invoicing during the year against the economic progress of the projects, which are in very advanced stages and therefore present invoicing terms that do not reflect progress in a linear manner but that are essentially related to achievement of the final project milestones. In the fourth quarter of 2019 the trend was reversed, with an increase in sales due to the achievement of several important milestones for certain projects.
- Trade receivables at December 31, 2019 amount to Euro 555,286 thousand, an increase of Euro 129,518 thousand compared to December 31, 2018. The movement of trade receivables was due to the contractual terms of the main projects, as discussed above; the main projects, since they are in very advanced stages and therefore present invoicing terms that do not reflect economic progress in a linear manner, are essentially related to achievement of the final project milestones. In the fourth quarter of 2019 the trend was reversed, with an increase in sales due to the achievement of several important milestones for certain projects.
- The assets and liabilities held-for-sale reported a net positive value of Euro 15,250 thousand and concerned the project company MGR Verduno S.p.A. involved in the “Alba-Bra Hospital concession” initiative regarding the contract for the “construction and management” of the structure signed with ASL CN2, whose end of works certificate was issued on September 21, 2019. With regards to the disposal of this company, on December 31, 2019 such was considered “highly probable” on the basis of the advanced status of negotiations with the interested counterparty, following the receipt of the binding offer for the company’s acquisition and with closing expected in the coming months. The net assets regarding the project company MGR Verduno S.p.A. were valued at the lesser between the carrying amount and the fair value, net of selling costs, as per negotiations in progress, in accordance with IFRS 5. In the income statement the relative income flows are not classified separately from continuing operations as the disposal does not concern a major line of business.
- Cash and cash equivalents at December 31, 2019 amount to Euro 727,394 thousand, an increase of Euro 77,386 thousand compared to December 31, 2018. The main cash flow movements are reported below:

Cash Flow Statement (In Euro thousands)	December 31, 2019	December 31, 2018	Change 2019- 2018	September 30, 2019	4Q
Cash and cash equivalents at beginning of the year (A)	650,008	630,868	19,140	650,008	0
Cash flow from operating activities (B)	(17,029)	(23,067)	6,037	(179,977)	162,948
Cash flow from investing activities (C)	(21,883)	(13,523)	(8,360)	(23,814)	1,931
Cash flow from financing activities (D)	117,955	56,271	61,684	23,740	94,215
Increase/(Decrease) in cash and cash equivalents (B+C+D)	79,041	19,140	59,901	(180,053)	259,094
Cash and cash equivalents at end of the year (A+B+C+D)	729,049	650,008	79,041	469,955	259,094
of which: Cash and cash equivalents of Discontinued Operations	1,656	0	1,656	2,127	(472)
Cash and cash equivalents at end of year reported in financial statements	727,394	650,008	77,386	467,828	259,565

Operating cash flow was negative Euro 17,029 thousand in 2019, while improving Euro 162,948 thousand in the fourth quarter of 2019. The fourth quarter of 2019 saw the trend reversed, with an increase in sales and subsequent collections due to the achievement of several important milestones for certain projects. Operating cash flow was negative for the first nine months, mainly attributable to the expected working capital changes in line with the normal development of projects, in particular the EPC projects substantially concluding in the period, although ahead of final invoicing related to the achievement of the final project milestones, in addition to the nature of the recently acquired contracts.

Cash flows from operating activities include also income tax payments, which in 2019 totaled Euro 52,954 thousand.

Investment activities absorbed cash totaling Euro 21,883 thousand, mainly for the acquisition of MyReplast Industries S.r.l, a NextChem subsidiary which manages an advanced mechanical plastics recycling plant, with the overall value of the transaction amounting to approx. Euro 12.1 million. A payment of approx. Euro 2.2 million was made for the acquisition of the Dutch company Protomation, specialized in Information Technology and further costs were 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.

Financing activities generated cash totaling Euro 92,707 thousand, mainly due to the utilization of current account overdrafts and use of working capital lines in support of short-term needs as part of the management of the working capital on a number of projects and the drawdown of a non-recourse loan of approx. Euro 8 million from Intesa Sanpaolo, through the new fund dedicated to the Circular Economy established for structured support for these type of industrial initiatives, for the acquisition of MyReplast Industries S.r.l, in addition to a working capital line to support requirements for Euro 2 million and the finalization by Maire Tecnimont of an ESG-linked Schuldschein loan with a nominal value of Euro 62.5 million.

These effects were partially offset by the payment of the dividend approved by the Shareholders' Meeting of Euro 39,108 thousand and by the residual purchases of treasury shares for approx. Euro 3.2 million, in addition to interest paid in 2019.



The Net Financial Position is outlined in the following table:

NET FINANCIAL POSITION (In Euro thousands)	Note (*)	December 31, 2019	December 31, 2018	Change	September 30, 2019	4Q
Short-term debt	28.27	342,468	195,911	146,557	255,622	86,846
Current financial liabilities - Leasing	28.26	22,208	0	22,208	22,190	17
Other current financial liabilities	28.31	330	330	0	330	0
Financial instruments - Current derivatives	28.30	7,909	25,493	(17,583)	12,917	(5,008)
Financial debt - non-current portion	28.20	244,274	206,410	37,864	195,994	48,280
Financial instruments - Non-current derivatives	28.24	1	6,139	(6,138)	846	(846)
Other non-current financial liabilities	28.25	198,094	202,634	(4,540)	218,019	(19,924)
Non-current financial liabilities - Leasing	28.26	127,876	0	127,876	129,228	(1,352)
Total debt		943,160	636,916	306,244	835,146	108,014
Cash and cash equivalents	28.17	(727,394)	(650,008)	(77,385)	(467,828)	(259,565)
Temporary cash investments	28.15	(211)	0	(211)	(211)	0
Other current financial assets	28.15	(6,246)	(6,351)	105	(6,897)	651
Financial instruments - Current derivatives	28.14	(23,705)	(7,071)	(16,634)	(20,673)	(3,032)
Financial instruments - Non-current derivatives	28.6	(5,500)	(1,084)	(4,416)	(7,294)	1,794
Other non-current financial assets	28.7	(42,726)	(13,761)	(28,965)	(37,427)	(5,299)
Total cash and cash equivalents		(805,781)	(678,276)	(127,505)	(540,329)	(265,451)
Other financial liabilities of discontinued operations	28.18	49,767	0	49,767	51,345	(1,578)
Other financial assets of discontinued operations	28.18	(1,656)	0	(1,656)	(2,127)	472
Net Financial Position		185,491	(41,359)	226,850	344,034	(158,544)
"Project Financing - Non-Recourse" financial payables	28.18, 28.20, 28.27	(59,441)	(36,270)	(23,171)	(61,643)	2,202
Other non-current assets - Expected repayments	28.8	(16,557)	(16,245)	(312)	(17,081)	525
Trade Receivables - Admissible Financial Assets	28.12	(38,273)	0	(38,273)	(38,273)	0
Finance lease payables IFRS 16	28.26	(150,084)	0	(150,084)	(151,418)	1,334
Adjusted Net Financial Position		(78,864)	(93,874)	15,010	75,619	(154,483)

(*) 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, 2019 was a Net Cash position of Euro 78.9 million, reducing slightly on December 31, 2018, although altering in composition.

Cash and cash equivalents at December 31, 2019 amount to Euro 727,394 thousand, an increase of Euro 77,386 thousand compared to December 31, 2018.

Against the increase in cash and cash equivalents, as discussed above, the gross debt rose following an increase in short-term debt due to the utilization of factoring transactions as part of working capital management on a number of projects and increases in overdrafts due to the use of lines of credit granted for the management of short-term trading activity; and of long-term financial payables, principally following the finalization by Maire Tecnimont of an ESG-linked Schuldschein loan of a nominal amount of Euro 62.5 million, a non-recourse loan of approx. Euro 8 million for the acquisition of MyReplast Industries S.r.l. and Euro 19 million of new medium-to-long-term loans.

The increase in the mark to market of derivative instruments was Euro 44,770 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 in 2019.

The “Non-Recourse” financial payables account concerns the loan by the project company MGR Verduno S.p.A., engaged in the “Alba-Bra Hospital concession” construction and management contract agreed with ASL CN2 (initiative presented in the item assets and liabilities held for sale) and the loan for the acquisition of MyReplast Industries S.r.l. The above financial payables are on a no-recourse basis, i.e. a type of financing dedicated to these initiatives which is not guaranteed by the Parent Company, but rather by the cash flows from the development of these initiatives of the Vehicle Companies. For these reasons, they were excluded from the calculation of the adjusted net financial position.

The “adjusted net financial position” includes both 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 28.8), and several accounts receivable for completed activities relating to a facility that has already been started up and brought on stream, in relation to which the client has requested very significant modifications involving the extension of the repayment terms. It excludes financial payables under IFRS 16 Leasing of Euro 150,084 thousand, which have only been recognized in view of the application of the new accounting standard IFRS 16.

The non-current portion of financial debt amounted to Euro 244,274 thousand, up by Euro 37,864 thousand on December 31, 2018, primarily due to the finalization by Maire Tecnimont of an ESG-linked Schuldschein loan with a nominal value of Euro 62.5 million, a non-recourse loan of approximately Euro 8 million for the acquisition of MyReplast Industries S.r.l., and Euro 19 million of new medium-to-long-term Creval and Pasha Bank loans; net of the reclassification of Euro 29.5 million of the project-financing loan in no-recourse form for the special-purpose vehicle MGR Verduno S.p.A., involved in the “Alba-Bra Hospital initiative” in the item assets and liabilities held for sale (“Assets held-for-sale”); the value of the loan outstanding as at December 31, 2019 amounted, in any event, to Euro 44.9 million, in addition to the further reclassification to short term of a portion of the medium-to-long-term loan with a nominal value of Euro 185 million of the subsidiary Tecnimont S.p.A. in the amount of approximately Euro 20.7 million.

Short-term financial payables amount to Euro 342,468 thousand, increasing Euro 146,557 thousand on December 31, 2018, principally due to increases in current account overdrafts relating to the use of credit lines to manage current commercial requirements and the use of working capital lines in support of short-term requirements within the framework of working capital management for several projects, in addition to the reclassification to short-term of a portion of the medium-long-term loan of a nominal Euro 185 million by the subsidiary Tecnimont S.p.A.

“Other non-current financial liabilities” includes financial debt relating to:

- for Euro 19,909 thousand, the non-convertible bonds, net of accessory charges, subscribed in 2017 through private placement by the pan-European fund managed by Amundi Group companies; in 2019 Maire Tecnimont redeemed a tranche of these bonds with a nominal amount of Euro 20 million in advance.
- For Euro 163,244 thousand, the non-convertible Bond Loan for a total Euro 165 million, net of accessory charges, issued in 2018.
- for Euro 14,933 thousand the valuation of the repurchase obligation for the minority interest held by SIMEST Spa in Met Dev 1 S.r.l., involved in the Volgafert LLC initiative, 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.

The value of current and non-current financial leasing liabilities related to Rights-of-Use at December 31, 2019 was Euro 150,084 thousand, of which Euro 22,208 thousand short term and Euro 127,876 thousand beyond 12 months.



Group Shareholders' equity at December 31, 2019 amounts to Euro 408,547 thousand, a net increase of Euro 98,935 thousand compared to December 31, 2018 (Euro 309,612 thousand).

Total consolidated Shareholders' Equity, considering minority interests, at December 31, 2019 amounts to Euro 448,936 thousand, an increase of Euro 106,303 thousand compared to December 31, 2018. 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 overall increase in Group Shareholders' Equity is mainly due to the net income for the period for Euro 111,960 thousand together with the positive change in the Cash Flow Hedge reserve of the derivative instruments, which mainly relates to the mark-to-market gains of the derivative instruments to hedge the currency risk of the revenues and costs from the projects, net of the relative tax effect and of the reserve for the translation of items in foreign currencies.

The main reductions in Group Shareholders' Equity concerned the payment of the dividend approved by the Shareholders' AGM of Euro 39,108 thousand and the decrease in the Valuation Reserve in relation to the valuation at fair value of certain financial assets.

They concern contractual advances from clients on the signing of construction contracts. Client advance payments at December 31, 2019 were Euro 684,272 thousand, increasing Euro 46,435 thousand on December 31, 2018, principally following the collection of two further advances in relation to the construction phase of the Amursky Gas Treatment Plant (AGPP), that was then paid on as an advance to the main subcontractor; during the year, additional advances were also collected in relation to the ZCina Sonatrach and Lotos orders and the new orders acquired from the Port Harcourt Refinery, the Volgafert urea facility in Russia and the Midor refinery in Egypt, which collectively exceeded the absorption, through invoicing on account, of advances collected 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 30,585 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 due to projects that had a negative balance in the previous year.

Trade payables at December 31, 2019 amount to Euro 1,960,592 thousand, an increase of Euro 482,291 thousand compared to December 31, 2018. The account includes also accruals at period-end for invoices to be received. This change was essentially due to the general working capital performance of the main orders, which similarly to the contract with the client influences the contractual terms of the goods and services provided by supplier and subcontractors, payment of which is essentially tied to the final project milestones.

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 and the loan for the acquisition of MyReplast Industries S.r.l..

The above financial payables are on a no-recourse basis, i.e. a type of financing dedicated to these initiatives which is not guaranteed by the Parent Company, but rather by the cash flows from the development of these initiatives of the Vehicle Companies. For these reasons, they were excluded from the calculation of the adjusted net financial position. Adjusted net financial position excludes IFRS 16 finance lease payables, which have only been recognized due to the accounting effect of the application of the new accounting standard IFRS 16. The “Adjusted net financial position” also 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, and several accounts receivable for completed activities relating to a facility that has already been started up and brought on stream, in relation to which the client has requested a very significant modification involving the extension of the repayment terms.

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 Pursell Agri-Tech, LLC.
- d. current and non-current derivative financial instruments

Net financial position adjustments:

Non-inclusion of “Project Financing - Non-Recourse” and IFRS 16 leasing payables and inclusion of assets related to the compensation of the events in India and other receivables, as outlined above.

RELATED PARTY TRANSACTIONS MAIRE TECNIMONT GROUP

All related party transactions have been conducted at market conditions. At December 31, 2019 the company’s receivables/payables (including financial) and cost/revenue transactions with related parties for the period are presented in the tables below.

31/12/2019 (in Euro thousands)	Trade Receivables	Trade Payables	Financial Receivables	Financial Payables	Costs	Revenues
G.L.V. Capital S.p.A	0	(151)	0	0	(728)	0
Maire Investments Group	16	(15)	0	(33)	(77)	125
Cyber Partners S.r.l.	0	(117)	0	0	(199)	0
Total	16	(283)	0	(33)	(1,003)	125



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 administrative services and the purchase of flight hours used by the Group; an IT consulting agreement is in place with Cyber Partners, a company controlled by a director of Maire Tecnimont. The Maire Tecnimont Group’s contracts with clients involve facility management services and other residual services connected to the execution of civil works.

Transactions with other non-consolidated and/or associated Group companies, or subsidiaries over which another related party exercises a significant influence (Nextchem, Bio-P, MDG Real Estate, MyReplast Industries and Stamicabon, US) are purely commercial and relate to specific activities linked to contracts or commercial development initiatives; in addition, certain consortiums, having substantially concluded operations, are in liquidation:

31/12/2019 (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	(176)	0	0	(769)	0
Villaggio Olimpico MOI S.c.a.r.l. in liquidation	0	(9)	69	0	(5)	0
Desimont Contracting Nigeria Limited	1,173	0	0	0	0	0
Biolevano S.r.l.	9	0	0	0	0	10
Nextchem S.r.l.	546	(382)	1,500	0	(80)	268
BIO P S.r.l.	7	(7)	51	0	(33)	14
Mdg Real Estate S.r.l.	0	(206)	0	(109)	(270)	0
UCOAT S.p.A.	2	0	0	0	0	0
My Replast Industries	33	0	1,500	0	0	33
TCM KTR LLP	42	0	573	0	0	29
Exportadora de Ingeniería y Servicios Tcm Spa	0	0	0	(67)	0	0
Volgafert LLC	0	0	0	0	0	12,058
GCB General trading	0	0	14	0	0	0
Stamicarbon US	3	0	1,102	0	0	3
Total	1,814	(876)	4,810	(176)	(1,158)	12,415

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

31/12/2019 (in Euro thousands)	Remuneration
Directors	5,073
Statutory Auditors	287
Total	5,360

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 2019 Corporate Governance and Ownership Structure Report and the 2019 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 2019, 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, OOO MT Russia, TPI, 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 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., Neosia Renewables S.p.A., Met Development S.p.A. Met Dev 1 S.r.l., M.S.T S.r.l ,Met T&S Limited, Nextchem S.r.l., TCM Nigeria, TCM Philippines) 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 the previous year 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., Neosia Renewables 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., Neosia Renewables 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., TCM-KT JV S.r.l., 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) 31/12/2019	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.	1,285	(4,748)		(45,000)	(24,091)	16,666	39,885	19,023	(4,625)	2,890	(3,131)
KT S.p.A.	3,550	(878)		(5,000)		5,947	(107,173)	5,759	(385)	500	(577)
Neosia S.p.A.	236	(317)	44,713		(304)	(1,303)	1,537	587		1,680	(436)
Neosia Renewables S.p.A.	215	(192)	25,330		(26)	(456)	10,006			1,121	(266)
Stamicarbon B.V.	671	(201)		(1,000)				221			(201)
Met Gas Processing Technologies S.p.A.	(39)				(455)	(403)	482	10		133	
G.L.V Capital S.p.A.		(71)							(725)		
Mdg Real Estate S.r.l.				(109)					(8)		
MST S.r.l.	18	(1)	3,000		(88)	122			(149)	26	
Met Development S.p.A.	8		2,000		(62)	63	12,908	54		142	
Met Dev 1			100								
OOO MT Russia	231							5		129	
TPI	76	(795)						5			
TCM France	14	(678)								14	
MET TGS LIMITED	359		1,800					7		40	
Cefalu S.c.a.r.l.	2				(117)					3	
Tecnimont Private Limited	20							5		20	
TCM Do Brasil	18							5			
Tecnimont Cile	18							5			
Tecnimont México	2							5			
Tecnimont USA Inc.	1							5			
Tecnimont Arabia Ltd	18							5			
TecnimontHQC Sdn. Bhd.	18							5			
Met Newen Mexico S.A. de C.V.	356									3	
Biolevano S.r.l.								10			
Cosorzio Turbigo 800								1			
Nextchem S.r.l.	297		1,500							41	
TCM Nigeria	49		2,136							49	
TCM Philippines	1		89							1	
TCM-KT JV S.r.l.	13	(2,339)		(70,000)	(7,617)		(95,038)			83	(2,816)
Mgr Verduno	4									4	
kt india	1										
Myreplast	1									1	
Esperia									(51)		
U-Coat S.p.A	2										
Total	7,443	(10,220)	80,668	(121,109)	(32,760)	20,636	(137,393)	25,718	(5,942)	6,881	(7,426)

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

31/12/2019 (in Euro thousands)	Remuneration
Directors	5,073
Statutory Auditors	200
Total	5,273

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 2019 Corporate Governance and Ownership Structure Report and the 2019 Remuneration Report, both available on the company website at www.mairetecnimont.it, in the “Governance” section.

8. Human Resources

As at December 31, 2019 there was an increase in headcount of 207 on the end of 2018, resulting in a Group headcount of 6,347, due to the 1,610 new hires and 1,403 departures in the period. The increase involved, in particular, the following geographical areas:

- the “India Region” with an increase of 165;
- “Italy & Rest of Europe” (+107), where the greatest number of hires was due to the subsidiaries Tecnimont S.p.A. (+64) and NextChem Srl (formerly Processi Innovativi Srl). In February 2019 the Company entered the circular economy sector as part of the Green Acceleration project, investing in the development of its first advanced plastics mechanical recycling plant, located in Bedizzole (BS) and managed by MyReplast Industries, a recently incorporated subsidiary of NextChem Srl; in the same geographical area, mention should also be made of the acquisition, through the Dutch subsidiary Stamicarbon, of Promomation B.V., a company engaged in digital innovation;
- “Russia & Caspian Region”, with an average increase in headcount of 256 attributable to the development of the projects AMUR in Russia and HAOR in Azerbaijan. There is also a significant plan in progress to enhance local skills and facilities, in addition to rationalizing the Group’s legal entities present in the area. The purpose of this rationalization process is to facilitate: i) the achievement of economic and operating synergies; ii) an approach to the local market based on a single commercial platform; and iii) the pursuit of cost optimization, leveraging simplification and process efficiency gains;
- “North America Region”, where the increase in headcount bears witness to the Group’s continuing process of penetration into the US market, in order to provide even better support to its clients, such as Exxon Mobil and Motiva, and projects, through the consolidation of the Houston engineering hub;
- “North Africa & Sub-Saharan Africa Region”, with an increase in headcount of 23% on the end of 2018, attributable to the Group’s first project in Algeria - ZCINA, Hassi Messaoud - which lays the foundation for penetration of a country where oil and gas now represents a key sector of the economy. Mention should also be made of the launch of activity in Angola on the new NNHP (New Naphta Hydrotreating and Platforming units) unit of the Luanda refinery.

On the other hand, the decrease in headcount of 115 in the “Middle East Region” is primarily attributable to the partial demobilization of resources operating on the ADCO and ADGAS projects, where, however, warranty activities and additional work agreed with the clients continue.

Graduates at the Maire Tecnimont Group at December 31, 2019 accounted for 67.6% of the workforce; the average age was approx. 41.7.

In terms of gender breakdown, females - further increasing on 2018 - represent 19.6% of the total Group 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 31/12/2019 of the Maire Tecnimont Group, with movements (by qualification and region) on 31/12/2018 (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 31/12/2019 and 31/12/2018, with the relative movements:



Changes in workforce by category (31/12/2018-31/12/2019):

Category	Workforce 31/12/2018	Hires	Departures	Reclassification employee category (*)	Workforce 31/12/2019	Cge. Workforce 31/12/2019 vs. 31/12/2018
Executives	639	40	(35)	16	660	21
Managers	2,132	355	(317)	121	2,291	159
White-collar	3,151	1,081	(962)	(133)	3,137	(14)
Blue-collar	218	134	(89)	(4)	259	41
Total	6,140	1,610	(1,403)	0	6,347	207
Average headcount	5,846				6,363	

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

The classification of the qualifications above does not necessarily reflect the contractual classification under Italian employment law, but corresponds to the identification criteria adopted by the Group on the basis of roles, responsibilities and duties.

Changes in workforce by region (31/12/2018-31/12/2019):

Region	Workforce 31/12/2018	Hires	Departures	Reclassification employee category (*)	Workforce 31/12/2019	Cge. Workforce 31/12/2019 vs. 31/12/2018
Italy & Rest of Europe	2,857	479	(336)	(36)	2,964	107
India Region	1,872	309	(164)	20	2,037	165
South East Asia and Australian Region	2	5	0	(1)	6	4
Rest of Asia	190	61	(94)	14	171	(19)
Russia & Caspian Region	552	471	(438)	(1)	584	32
North America Region	4	17	(3)	3	21	17
Central and South America Region	23	2	(2)	(2)	21	(2)
Middle East Region	561	217	(335)	3	446	(115)
North Africa Region & Sub-Saharan Africa Region	79	49	(31)	0	97	18
Total	6,140	1,610	(1,403)	0	6,347	207

Changes in workforce by operational region (31/12/2018 - 31/12/2019):

Region	Workforce 31/12/2018	Workforce 31/12/2019	Cge. Workforce 31/12/2019 vs. 31/12/2018
Italy & Rest of Europe	2,439	2,654	215
India Region	1,605	1,831	226
South East Asia and Australian Region	3	23	20
Rest of Asia	280	221	(59)

Region	Workforce 31/12/2018	Workforce 31/12/2019	Cge. Workforce 31/12/2019 vs. 31/12/2018
Russia & Caspian Region	794	782	(12)
North America Region	4	24	20
Central and South America Region	98	82	(16)
Middle East Region	760	564	(196)
North Africa Region & Sub-Saharan Africa Region	157	166	9
Total	6,140	6,347	207

Average headcount:

Maire Tecnimont Group	Average headcount 2019	Average headcount 2018	Change
Maire Tecnimont S.p.A.	141	132	9
Met Gas Processing Technologies S.p.A	3	3	0
Neosia Renewables SpA	23	3	20
Met Development S.p.A.	4	4	0
Vinxia Engineering a.s.	6	8	(2)
MET T&S Limited	202	195	7
Stamicarbon ⁽¹⁾	163	152	11
Protomation B.V. ⁽⁴⁾	6	0	6
Stamicarbon USA Inc.	1	1	0
KT ⁽¹⁾	567	528	39
KT Arabia LLC	2	2	0
KT Star	2	2	0
KT - ANGOLA (SU) LDA.	1	0	1
Nextchem S.r.l (previously Processi Innovativi S.r.l)	17	11	6
MyReplast Industries S.r.l. ⁽²⁾	24	0	24
Green Compound S.r.l. ⁽²⁾	3	0	3
BIO-P S.r.l. ⁽³⁾	2	0	2
KT Cameroun	0	1	(1)
Tecnimont S.p.A. ⁽¹⁾	2,285	2,198	87
Tecnimont HQC BHD	104	105	(1)
MT Russia LLC (previously Tecnimont Russia LLC)	547	340	207
MST S.r.l	73	83	(10)
Tecnimont Philippines Inc.	3	1	3
TCM-KT JV Azerbaijan LLC	50	7	43
Tecnimont Arabia	35	25	11
Tecnimont Private Limited ⁽¹⁾	1,976	1,860	116
Tecnimont Private Limited SDN BHD	5	0	5
Tecnimont Chile	2	2	(0)
TPI	44	42	2
Tecnimont Usa Inc.	10	2	8
Tecnimont Mexico SA de CV	1	2	(1)



Maire Tecnimont Group	Average headcount 2019	Average headcount 2018	Change
TWS	1	1	(0)
Tecnimont Nigeria Ltd	1	0	1
Tecnimont do Brasil-Construção de projetos LTDA	7	7	(0)
NEOSIA S.p.a. ⁽¹⁾	34	107	(73)
Cefalù 20	18	23	(5)
Total	6,363	5,846	517

(1) Figure also includes Branches and representative offices.

(2) Transfer of employment contracts, with effect from February 18, 2019, following the acquisition of the business unit from GI.MA by Nextchem Srl

(3) Transfer, on April 12, 2019, of the interest in BIO-P by Maire Investments SpA to Nextchem Srl

(4) Mention should be made of the acquisition, through Stamicarbon, on July 18, 2019

Maire Tecnimont Group	Average headcount 2019	Average headcount 2018	Change
Engineering	2,983	2,702	281
Operations	1,512	1,468	44
Remainder Technical Area	823	698	125
Commercial Area	154	149	5
Staff Area	892	830	62
Total by professional category	6,363	5,846	517
Italy & Rest of Europe	2,926	2,790	136
India Region	1,977	1,860	117
South East Asia and Australian Region	4	2	3
Rest of Asia	191	150	41
Russia & Caspian Region	655	399	256
North America Region	11	3	8
Central and South America Region	22	23	(1)
Middle East Region	500	541	(41)
North Africa Region & Sub-Saharan Africa Region	78	79	(1)
Total by region	6,363	5,846	517
of which:			
Italian open-ended	2,427	2,280	148
Italian fixed term	82	121	(39)
Total	2,508	2,400	108

9. Training, Incentives, Organization and Security

PERSONNEL TRAINING AND DEVELOPMENT

The process of implementing the MET Academy, an important new initiative intended as a digital showcase for the Group's training offerings, benefiting from the ongoing digitalization process, was carried out and completed in 2019. The new platform allows access to knowledge and information to be extended to all employees, while also promoting and transferring Group know-how amongst employees. Thanks to inter-company collaboration in producing and reorganizing the material provided by the departments, a wide range of training content is already available and is destined to be constantly increased and updated in future. The MET Academy, intended as a digital repository of the tools and

knowledge most useful to personal professional development and work activities, represents a valuable means of capitalizing on and consolidating the company's wealth of knowledge.

In addition, various training initiatives were also promoted in support of implementation of the new company goal assignment and monitoring tool, MyRe - described in further detail in the following section - in view of stimulating managers and their staff to engage in open, constructive dialogue through constant feedback.

With regard to the programme "BE ADAPTIVE! Working Smart in Maire Tecnimont Group", KT- Kinetics Technology S.p.A. began preliminary training for managers and staff involved in the first pilot phase. In the first half of the year, when the union agreement and smart working rules were signed by the company management and company union representatives, this programme, which had long been in place for employees at the Milan branch, was also launched for the above subsidiary.

In addition, the project to integrate and harmonize the performance assessment process (Employee Performance Commitment) also continued in 2019 at the international level, with analysis and implementation activities aimed at gradually extending this process to the Group's foreign companies.

The centrality of the development of distinctive competencies in the competitive scenario of reference was also confirmed with regard to both project management (4,813 hours provided) and technical and specialist training (39,006 hours provided), showing a significant increase on the previous year. This increase may also be attributed to the implementation at construction sites in Russia of preliminary initiatives for obtaining technical certification in accordance with local legislation.

Mention should also be made of the significant investments in training focusing on developing cross-departmental skills, i.e. effective behaviors and communication styles capable of supporting and facilitating business activities, while also taking account of the cultural specificities of the Group's countries of operation. Such investments include the training course devoted to consolidating advanced negotiation skills - held by the Contract & Subcontract Management Function of the sister company Tecnimont S.p.A. - and the training initiative conducted in partnership with LUISS Business School to strengthen decision-making skills in complex scenarios. This latter process, which also embraces the use of exercises and experiential methods, involved a diverse group of participants in roles of responsibility, from task forces for various projects, thus maximizing opportunities for dialogue and cross fertilization.

In view of the importance attributed by the Company to training and raising awareness regarding cybersecurity, an ad hoc suite of e-learning courses was released to increase awareness of the potential cyber-risks to which company users are constantly exposed.

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

The first training courses related to the long-term "Competences Development Program" project, dedicated to the topics of Supply Chain Management & Economics, Vendor Management and Negotiation Techniques applied to this field, were provided to professionals in the Procurement area. Extension to employees of international companies and additional key issues is planned.

During the year the company remained committed to promoting 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.

There also continued to be opportunities for contact and interaction with various academic institutions, including Milan Polytechnic, with the sponsorship of the Chemical Projects Engineering and Management Chair, and Baku Higher Oil School, Azerbaijan, where the development program was renewed, offering the most deserving students training within the Group. In addition to the above initiatives, a further opportunity for visibility of the Company's employer brand in the eyes of a large number of interlocutors and for substantial support for academe was represented by the inauguration of the Open Innovation Desk at Luiss Guido Carli University in Rome, an important opportunity for synergy and openness to innovation for the Group.



As part of the initiatives relating to corporate social responsibility and the development of local sustainability content, the subsidiary Tecnimont remained committed to local communities in Basilicata, involving the participation of 375 workers in 29 training initiatives involving the organization of professional upskilling courses dedicated to subcontractor personnel resident in Basilicata and already operative at the Tempa Rossa Project site.

COMPENSATION AND INCENTIVES

During the year, Maire Tecnimont continued, as in previous years, to pursue the goal of steering the actions of its management and all its employees towards achieving business objectives, by attracting and motivating individuals with the professional qualities required to manage and operate successfully within the Company, including in support of the Company's renewed industrial process, designed to better respond to the new needs posed by the ongoing development of the energy and chemical industry and in agreement with the ongoing Green Acceleration programme.

The 2019 Remuneration Report continued to adopt the same graphical and content layout for ease of reading and identification of key aspects. A full list of references to what occurred in 2018 has also been provided in the second section, which includes the application details of the policy for that same year, as an additional innovation designed to facilitate reading and consultation.

In the first half of the year, activities focused on monitoring the incentive and engagement systems launched in previous years and on recording the goals set in such systems. Specifically, the bonuses arising under the Management by Objectives (MBO) Plans for senior executives and the 2015-2017 Phantom Stock Plan continued to be paid according to the timescales specified in the relevant regulations, and the vesting of the rights relating to the 2017-2019 Restricted Stock Plan for 2019 and the award of the shares relating to the Third Cycle (2018) of the Employee Share Plan to over 4,000 beneficiaries were confirmed. The conclusion of the 2016-2018 Performance Share Plan was also reported.

In accordance with current union agreements, the participation or results bonuses based on financial year 2018 were also disbursed, and approval was granted for the attribution of the portions of flexible benefits from the MAIRE4YOU Plan for the same year. It should be noted that this latter Plan, in addition to the recognition received in 2018, was once again selected by Easy Welfare, a company welfare services leader, as "Best Employee Engagement Plan" in the Big Company category in the 2019 Welfare Awards, due to the broad participation by employees in the plan.

The establishment of objectives process for the current year was carried out, in line with the MBO incentive plan for Senior Executives, extended for the three-year period 2019-2021 by the Board of Directors of Maire Tecnimont on May 8, 2019.

In addition, the related targets were also assigned for the other key office and project personnel. At Maire Tecnimont and Tecnimont, this entire process continued to be managed using the Global HR system, in view of the increasing digitalization of tools for managing HR processes.

On July 25, 2019 the Company's Board of Directors, on the proposal of the Remuneration Committee, approved the adoption of a new long-term incentive plan dedicated to selected senior executives, consistent with the company's strategic development and intended to ensure the continuing pursuit of increased value by the Group as in previous years. The Plan, structured on the basis of criteria established in accordance with market best practices and the indications of the Self-Governance Code of Listed Companies, is divided into three-year cycles. The aforementioned meeting of the Board of Directors approved the overall structure of this Plan, reserving the right to submit the details for the approval of the Shareholders' Meeting in 2020.

That same session of the Board of Directors also resolved, on the basis of favorable opinions expressed by the competent company bodies, to adopt a severance package for Maire Tecnimont's Chief Executive Officer.

Finally, on December 12, 2019 the Company's Board of Directors approved the proposal to introduce a long-term Investment Plan for NextChem, designed to support the strategic process begun within the framework of the ongoing Green Acceleration process. The Plan, which will be submitted for approval by the Shareholders' Meeting on April 16, 2020, is intended to focus mainly on NextChem's business and development initiatives and will involve selected managers from the company, in addition to senior executives from other Group companies, who it is believed may contribute significantly to the above programme's success.

In 2019, as in previous years, the Parent Company provided ongoing direction and support to the Group companies, with the drawing up of the Remuneration Policy strategic guidelines which recognize talent and strong performances, aligning remuneration levels to criteria of internal equity amongst organizational positions and competitiveness with respect to the markets of reference, and also with the coordination of specific projects focused on maintaining a deeper knowledge of the local contexts and their respective remuneration policies.

Finally, we report the commencement of a pilot project to develop models and tools for sharing objectives between employees and their superiors on a rolling basis in assigning priorities and constantly monitoring the progress of the activities and results achieved. This initiative, known as "Results-Driven Organization - My Responsibilities", is intended as a natural extension of the "Be Adaptive!" program, with a focus on the importance of constant manager-employee feedback, within the framework of an approach to work with an increasingly close focus on motivation and results.

SYSTEM ORGANIZATION AND QUALITY

The Maire Tecnimont Group's Green Acceleration project continued in 2019, with the progressive reinforcement of the role of the sister company NextChem Srl (formerly Processi Innovativi Srl), a special-purpose vehicle dedicated to managing initiatives relating to the circular economy, energy transition and ongoing industrial conversion. Related efforts included i) formulating the organizational structure, operating processes and service models for the above sister company's dealings with other Group companies and (ii) forming the NextChem Management Committee, which supports the Chief Executive Officer with value assurance and stage and gate application/decisions regarding business development and technology initiatives, as well as the Green Acceleration Advisory Board of Maire Tecnimont S.p.A, which through the participation of important exponents of industry, finance and academe, seeks to consolidate knowledge regarding the ongoing energy transition, while also reinforcing the Group's identity as a major player in innovation in the green chemistry space.

In the case of the Parent Company, the Group Performance Improvement & Supply Chain Excellence Function has been set up within the Human Resources, ICT and Process Excellence Department (formerly the Human Resources, Organization and ICT Department). The newly formed Function, created to pursue, in accordance with company guidelines, the goal of increasing the supply chain's performance and constantly improving the performance of the entire EPC cycle, while ensuring compliance with the Group's procedures and project centrality, is structured as follows: i) a pool of Group Category Directors, responsible for developing procurement strategies optimized for the assigned product and service categories; ii) Group Performance Improvement, which analyses and proposes actions to ensure improvement of the performances of the Group's EPC processes, including through the addition of specific digital competencies; iii) Group Supply Chain Intelligence & Vendors Management, responsible for analyzing international supply markets, scouting activities and formulating the Group's qualification process; and, finally, iv) Corporate Services, which optimizes the strategy for procuring various services and materials, integrating the needs of the various operating companies and projects, including in view of the characteristics and development of the supply market.

In the regionalization process, i) the North Americas Region and Central and South Americas Region were instituted and the Americas Region was closed; ii) appointments of new Branch Managers and Area Managers in geographical areas of particular strategic importance were formalised; and, finally iii) the new Middle East Region AFC Coordinator was appointed.

Finally, on March 14, 2019 the new head of Internal Audit by the Board of Directors was appointed.



Measures involving operating companies, and the subsidiary Tecnimont S.p.A. in particular, included:

- the formation of the new EPC Projects Department, in view of optimizing the projects portfolio and supervising project management activities, and the resulting closure of the department's EPC Projects - Other than Russia and Caspian Region and EPC Projects - Russia and Caspian Region and the Integrated Project Management Function;
- the revision of the organizational structure of the Contract & Subcontract Management Department (formerly Contract & Claim Management), with the formation of the new Material Supply & Subcontract Management Function;
- the reorganization of the Claim Management Function in the three competency areas Planning & Costing, EPC Projects and Contract & Legal;
- the formation of two new functions within the Construction & Subcontracting Department, in support of the most advanced operating and digital methods, attributable to the ongoing digital transition within the Group, i.e. i) Constructability & Modularization, for the optimization of plant executive strategy and the preparation of the construction execution plan and constructability studies; and ii) Construction Methods & Innovation, responsible for formulating the methods and systems for competitive construction management, including a team dedicated to the AWP-Advanced Work Packaging method. Within the Construction Operations Function, the Site Resources Planning Function was also formed and the Site Commissioning Team Organization and Construction Resources Planning functions closed accordingly, to continue to respond adequately to project needs, through integrated planning of the resources attributable to the various company functions to be allocated to international sites and offices.

In addition, in engineering the organizational units of the Buildings and Commissioning functions were revised in view of their roles in plant construction, in terms of impact on the contents and quality of the end results.

With regard to the Group's international companies, and the Dutch subsidiary Stamicarbon BV in particular, the Company's organizational model was developed to better support the overall growth of its business and an organizational model was adopted by business line, resulting in the creation of the three following business lines, with both commercial and operating competencies in their various spheres of responsibility, in order to further enrich the portfolio of available solutions with regard to the reference market.

- 1) Licensing - operating in the sector of the same name, to enable manufacturers of urea and ANNA (Ammonium Nitrate Nitric Acid) to construct new plants and revamp existing plants by developing and designing reliable, profitable assets based on Stamicarbon's advanced proprietary technologies, providing access to a wide range of secure, efficient and environmentally friendly revamping plans and, lastly, including equipment designed to minimize risks and maximize performance;
- 2) Services - responsible for enabling manufacturers of urea and ANNA to constantly improve the performances of their plants through the provision of services capable of ensuring the quality and efficiency of the production of clients' plants. This business line supports clients in ensuring optimal process function and control, through periodic verification and maintenance of equipment in optimal conditions, including in view of respect for the environment, and training services for constant updates to the skills of personnel tasked with operating the plant;
- 3) Innovation - responsible for technological and digital innovation, developing and capitalizing on the company's intellectual property to create value by expanding and consolidating its portfolio of technologies and the related strategic alliances. At the same time, due in part to the skills acquired via the recent acquisition of Protomation B.V., this BU also develops the portfolio of digital solutions designed to generate additional value for clients that adopt Stamicarbon's technologies (for example, by providing simulation systems for plant operators or for process optimization).

In developments relating to the Quality System, implementation began on the information security management system pursuant to the international standard ISO/IEC 27001, in view of the fact that an integrated procedural system - IT system approach is one of the necessary, essential measures to managing and mitigating the potential risks of cyber-fraud.

This tool, which is complementary to a company asset investment and protection policy, is capable of contributing to the prevention and mitigation of potential cyber-risks, and to the protection of company data and information. The above system will apply to the companies Maire Tecnimont, Tecnimont and KT Kinetics Technology, with the goal of obtaining compliance verification for them in 2020.

In the process of revising and updating the Group's corpus of documents to formulate common operating guidance and guidelines, attention should be drawn to the revision of the Group's procedures (PRG-710 "Project Revenue Forecasting") and cost deviations associated with purchase orders and subcontracts (PRG-714 "Fair Assessment of Cost Deviations associated with Purchase Orders and Subcontracts")

Also particularly important was the publication 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.

Finally, mention should be made of the systematic supervision of the procedures adopted by operating companies to ensure, through the definition of activities, roles and responsibilities, better uniformity and optimization of processes and operations at Group level.

In initiatives seeking to enhance aspects of security of a procedural, organizational, technological and training nature, attention should be drawn, within the system of delegated powers, to the further enhancement of the Parent Company's safeguards on financial matters on best practices relating to fraud prevention, ensuring prompt, constant monitoring and control of processes potentially exposed to fraud of a financial nature and implementing the appropriate actions to prevent and mitigate the exposure to this risk.

GROUP PERFORMANCE IMPROVEMENT & SUPPLY CHAIN EXCELLENCE

The department was created to facilitate the coordination, governance and continuous performance improvement of the entire EPC cycle.

2019 saw regular supplier management activities, anti-terrorism compliance checks and qualification process supervision, as per Group procedure PRG-500. Of particular note was the significant increase in qualification assessments over the previous year, confirming a successful interdisciplinary collaboration with the other departments involved in the process. As for supply market management, activities were mainly focused on enhancing in-country value, to the benefit of International Procurement Offices, particularly in Russia and China.

Regarding external strategic relations, 2019 saw the third edition of the Seenergy event, involving around 200 top managers in consolidating the work over the last three years to develop strategic relationships and fruitful collaborations with the Group's main partners and suppliers.

Further proof of the centrality of the Group's ongoing digital transformation process comes from the kick-off of the Hypercube project, which aims to digitalize negotiation strategies using data from Commercial, Financial and Procurement departments. The project's pilot phase came to an end in December with the first test on piping tenders.

During 2019, support continued for the Proposal and Cost Estimate phases of numerous commercial initiatives, together with the coordination of G&A project activities aimed at optimizing costs.

Furthermore, the department was involved in the implementation of the new e-procurement system providing Procurement Tools with relevant support and initiatives for the updating of contractual terms and conditions.



SECURITY

Under the general Group security policies, support and direction was provided to 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 was provided of the socio-political and economic conditions of the Group’s countries of interest, in continuity with previous financial years, periodically involving top management and the managers of the companies concerned, while adequate security was guaranteed for operative and commercial missions to at risk countries. All employees involved in missions to medium to high risk countries were kept constantly informed on country situations, with detailed update-to-date dossiers and special corporate directives delivered via the Global HR business system. Special security inductions have also been prepared for those working on projects abroad, comprising general information and ad-hoc training on behavioral adaptation.

Informative initiatives and support activities were provided in relation to ongoing tenders, activities and projects in Saudi Arabia, India, Iran, Egypt, Algeria, Mexico, Nigeria, Russia, Indonesia, the Philippines and Malaysia, in addition to Europe and the Group’s national areas of presence.

10. Industrial Relations

In continuity with previous years, the Group confirmed the efficiency of its industrial relations model, which harmoniously manages relations with the various unions. The corporate departments of the parent company and its subsidiaries maintained fruitful and constructive relationship with internal and external trade unions of the reference chemical, construction and metalworking sectors, through constant dialogue and the sharing of various initiatives, particularly concerning contractual welfare for safeguarding individual and family well-being while preserving the competitiveness of corporate remuneration policies.

During the first few months of 2019, as part of initiatives to promote the new working method, approach to time management and superior-subordinate relations, the corporate departments of the parent company and of the subsidiary Tecnimont SpA signed an agreement to introduce the new Single Clock In working hours model, with conventional recording of employee working hours extended to personnel not involved in the Be Adaptive programme, thus extending the flexible time model to the entire corporate population.

Furthermore, in the first half of the year, the management of the subsidiary Kinetics Technologies SpA, signed an agreement with metalworking trade union representatives for an extension to its employees of the Be Adaptive programme, as already implemented in the parent company, as well as the subsidiary Tecnimont, the aforementioned Single Clock In time working hours model, and the Solidarity Time Bank initiative for the free transfer of rest days and holidays to colleagues with family members suffering from particular health conditions. Of note is also the fact that the managements of subsidiaries Neosia SpA and Neosia Renewables SpA, in support of the company’s value growth and employee engagement, and in agreement with construction sector trade unions, saw to the renewal of the Flexible Benefits Plan, the consolidation of the Agile Work initiative and the introduction of the Solidarity Time Bank.

It should also be noted that the management of the subsidiary Nextchem Srl (formerly Innovative Processes), as the reference company for initiatives to develop new technologies in the field of energy transition and change, signed an important contractual harmonization agreement with the main chemical sector trade unions providing for the transition of employees from the metalworking collective bargaining contract to the chemical industry one.

Furthermore, in order to continue to support the value growth and employee engagement of the companies, the parties agreed to renew, from 2019 to 2021, the Maire4You Engagement and Incentive system, the Flexible Benefits plan and the Participation and Production Awards, as effective incentivization tools for achieving the corporate goals of productivity, profitability, quality, efficiency and innovation.

Regarding the consortium Cefalù 20 S.c.ar.l., a subsidiary of Neosia SpA, given the gradual and progressive completion of works for the project entitled “Palermo-Messina line railway doubling - Fiumetorto-Ogliastro section”, following joint assessment with construction sector unions, the management started and satisfactorily concluded the procedure to reduce the number of workers employed in the construction of the railway section.

The internal management trade unions of Maire Tecnimont SpA, Tecnimont SpA, Neosia SpA, Neosia Renewables SpA and the internal trade union of KT-Kinetics Technology SpA met with managements of the respective companies in order to formalize agreements on insurance coverage provided by the July 2019 renewal of the collective bargaining contract for Managers of Goods and Service Production Companies of Goods and Services, and the Supplementary Healthcare Plan.

Regarding the Group’s Dutch subsidiary, Stamicarbon BV, of note were the regular and fruitful meetings between management and the Work Council and intense collaboration on topics such as the acquisition of the company Protomation, the implementation of significant organizational changes, and, finally, the beginning of negotiations for the renewal of the annual union agreement.

11. IT Systems

During the reporting period, the IT Systems department focused on ongoing digital transformation process, which, in line with the established roadmap, envisages the implementation of a significant programme to review and optimize internal processes and corporate technological support in order to exploit the opportunities for change, increase company productivity and competitiveness and offer additional digital services to customers. Indeed, numerous project streams were launched for the digitalization of EPC activities, with initiatives aimed at specific activities, such as Use Case definition, Business Case approval, Pilot Phase realization, and, finally, at-scale deployment. Initiatives leveraging cutting-edge Data Analytics and Artificial Intelligence technologies included the realization of system PoCs that allow sales teams to optimize the preparation of tenders and of the Spend Hypercube app, which features cost estimation algorithms to identify sourcing strategies for each material.

The programme of initiatives also pursued the development of an integrated offering of digital services to Group company customers aimed at leveraging EPC projects in a digital perspective by allowing them to benefit from natively enabled infrastructure and tools for performing processes even more efficiently and effectively while reducing the total cost of ownership. A good example in this regard are licensed process optimization solutions, Operator Training Systems and predictive maintenance tools, which represent synergistic solutions in combination with Asset Digital Twin tool delivered to the customer at the end of the construction phase.

The integration of certain key skills and know-how to support the digital transformation was achieved through selective acquisitions, such as that of Protomation, specialists in OTS and plant optimization systems, the hiring of resources with specific vertical skills, such as Data Scientists and Scrum Masters, and, lastly, the activation of a substantial process of engagement and up-skilling of the entire corporate population. To better govern and support the transformation, the company has thus promoted the implementation process of the renewed operating model by actively engaging the Business and Human Resources, ICT and Process Excellence departments. These activities form part of the overarching campaign of engagement, which comprises a series of external events, such as Beyond Digital, and internal events, in both traditional and digital forms, such as the Town Hall project, which engages employees in a two-way channel with top management and encourages Digital Catalyst volunteers that can help facilitate and raise awareness of the ongoing digitalization across departments and companies.

The year also saw the migration of the entire IT infrastructure to the cloud via a carefully selected market leader and certified expert in IT security. The installation of the Zscaler application answered the need to continue to protect connections and data exchanges with the cloud. The installation of Avecto, on the other hand, prevents the deliberate or involuntary installation of unwanted or harmful programs, or so-called malware. User-level distribution of Microsoft Office 365 applications continued, with the aim of facilitating communications through the implementation of innovative collaboration technologies and of activating multi-factor authentication (MFA) in order to guarantee the effectiveness of Security and Fraud Prevention policies. Yubikey keys were also distributed in allow physical authentication of users for PCs and cloud resources according to the FIDO2 protocol, in order to minimize the risk of computer fraud and digital identity theft. Finally, a Security Operations Centre (SOC) was activated to guarantee the



management and monitoring of proactive systems and services aimed at further improving the level of protection.

As for SAP, in addition to the issuing of security steps, including Single SignOn, disaster recovery system review, firewall strengthening and SAP SNC implementation, the replatforming project was launched for the PI suite, which manages data exchanges and interfaces within SAP and between SAP and other third-party systems. Numerous activities were carried out concerning processes and applications for Administration, Finance and Control departments, particularly in order to implement IFRS 16 directives. Further implementations included the Sharepoint and SAP integrated Gimmel system for managing payable invoices and expense reports and, as part of the new treasury management model, the first milestone of the Bank Account Manager system for optimizing the management of bank current account data. Finally, cash pooling was activated through Piteco and a new SOD model was implemented in SAP GRC.

During the reporting period, the Global HR programme went live in numerous Group companies, including Tecnimont Algeria Branch, Tecnimont Nigeria, Tecnimont Representative Office Algeria, MyRePlast Industries, Tecnimont Belgium Branch, Tecnimont Poland Branch, KT - Kinetics Technology Angola and TCM India Project Office, while the Timesheet Module went live in Tecnimont USA, Tecnimont Algeria Branch, Tecnimont Belgium Branch and Tecnimont Poland Branch. The change management activities therefore continued in support of the change process, broken down into communication and training activities for the population involved.

In the Business Intelligence area, the Credit Collection Reporting dashboard was finalized and implemented, which runs on the app already launched on the SAP Cloud Platform, as well as the Alert Card app for the management of project change orders. Furthermore, nearing completion is the first step of the Supply Chain Integrated Reporting system, which manages the end-to-end procurement process, from issuing the MR in SAP to the release of the material on site.

Regarding business services, the second phase of the BPC engineering workload management project and the migration of the TPMS system to Milemate were completed, together with the realization of the Deliverable List app for design document management.

In another documentation area, the Capital Project system was customized for the Amurski project, in order to optimize the automatic issuing of project document layouts. The following projects were also launched: i) Aconex, development for a new supplier document exchange platform; ii) Robot Process Automation (RPA), a programme for document process automation and release note creation; and iii) migration of the Documentum system to the cloud.

The Itemized Price Specification (IPS) system was developed for advanced supply chain relations management, with all the flexibility for meeting the needs of various projects. Regarding the Amurski project, this system allows the management of specific contractual requirements in relations with vendors and the harmonization of administrative processes.

For the construction sector, specific new digital and process solutions were made available, including the Advanced Work Packaging (AWP) system - released and implemented in five operational projects - for EPC chain digital process flow management in three steps: 1) Completion-driven Engineering Design, designed to ensure that Engineering Deliverables are aligned with construction needs throughout project life-cycles; 2) Construction Materials Procurement Management, with priority management throughout all cycle phases, from purchasing to transport, identification and traceability; 3) Work Packages and Work Sequences Management, as agreed with the Construction Team. A new tool for Construction Proposal Estimating was also released, in order to support the assessment of quotations through the analysis, monitoring and comparison of historical data on quotation requests sent to market.

With a view to promoting the enabling factor of the digital transformation, the following have been implemented in relation to the Sharepoint collaboration suite and Office 365: i) the MET Academy system, for the training and constant updating of personnel and the monitoring of key competences; and ii) the MAIREsponsibilities system, for managing individual employee goals. As an occasion for sharing the digitalization process with the world as an important opportunity for change, the aforementioned Beyond Digital corporate event was also streamed via the Teams platform.

Regular support was provided to operational projects, with the installation of Software Defined Network (SDN) infrastructure to guarantee connectivity and security in the following foreign companies and

branches: TCMPL, Algiers, Abu Dhabi, USA, Tecnimont Mexico, MET-TS, TPI and Stamicarbon. In order to respond to construction site needs, work was also carried out to set up data and connectivity lines at the Kallo Antwerp, ZCINA Hassi Messaoud, Nigeria and Bourouge 5 sites.

As for general services, office space optimization initiatives continued in relation to the implementation of the Be Adaptive programme and the ongoing transformation of methods of use, management and organization of spaces enabled by technological evolution. In this regard, there was a significant increase, estimated at 20%, in the efficiency of use of hot-desk workstations designated to encourage interdisciplinary collaboration and exploit the advantages of agile working. A hot-desk and meeting room booking app is being tested within certain departments, in order to allow users to independently and efficiently organize individual and group work schedules and locations.

12. Health, safety and environment

For Maire Tecnimont Group, personal health and well-being, industrial facility safety and environmental protection are core corporate values.

Maire Tecnimont Group is committed, on a daily basis, to preventing illnesses and injuries, negative environmental impacts and human rights violations at all its offices and construction sites. We pay constant attention to creating and maintaining a positive work environment, in which people can work safely, be aware of residual risks and environmental impacts that their work may entail, have the opportunity to cooperate and share work and personal experiences, and grow professionally together with their colleagues.

Planning, implementing, monitoring and constantly improving an effective HSE Management System is key to setting appropriate HSE priorities, goals and targets. For Maire Tecnimont Group, as an EPC Contractor, people make the difference. For this reason, risks to the health and safety of employees in offices and construction sites are subject to constant monitoring and mitigation measures.

Maire Tecnimont Group is firmly committed to a preventive approach that minimizes the risk of accidents and their consequences, safeguards the health and safety of both employees and other workers under its responsibility and minimizes all negative impacts at offices and construction sites.

The Group's HSE Management System is third-party certified for the main operating companies in compliance with standards ISO 14001: 2015 for environmental management and OHSAS 18001: 2007 for occupational health and safety.

Training is crucial to creating value for our stakeholders and guaranteeing the health of our business over time. In the past three years, as many as 8,322,590 hours have been dedicated to HSE training courses. Regarding office and site personnel of the entire Maire Tecnimont Group, the average training hours received per employee on topics of HSE, Social Accountability and Project Quality were 11.1 hours in 2017, 13.8 hours in 2018 and 11.9 hours in 2019. In 2019, training hours have been affected by the overall decrease in working hours on the Group's construction sites. All workers of subcontractors working on the Group's construction sites also receive training on health, safety, environmental and human rights issues. The ratio of HSE training hours to hours worked on construction sites was 2.74% in 2017, 2.52% in 2018 and 2.45% in 2019.

Maire Tecnimont Group is firmly committed to a preventive approach that minimizes the risk of accidents and their consequences, safeguards the health and safety of both employees and other workers under its responsibility and minimizes all negative impacts at offices and construction sites.

Over the last three years, hours worked globally at Group offices and sites numbered over 349 million. The Occupational Disease Rate (ODR) measures the frequency of occupational diseases against the total time worked by employees. Over the past three years, no occupational diseases have been recorded (Occupational Disease Rate = 0).

HEADQUARTERS PERFORMANCE

The MET Hydrocarbons business unit, at Group headquarters, worked a total of over 22.5 million hours in the last three years. Including branches, the hours worked were 7,150,369 in 2017, 7,298,596 in 2018 and 8,063,986 in 2019.



Accident numbers were one in 2017, with 5 lost working days, four in 2018, with 127 lost working days, and four in 2019, with 116 lost working days. The Lost Time Injury Frequency (LTIF) index, according to OSHA, was 0.028 for 2017, 0.110 for 2018 and 0.099 for 2019.

In Italy, as per national legislative provisions, commuting accidents away from company sites are also recorded. Over the past three years, commuting accidents for the Group's Italian companies were 15 in 2017, 17 in 2018 and 9 in 2019.

The Green Energy business worked a total of over 0.48 million office hours in the last three years. In particular, office working hours numbered 194,222 in 2017, 187,268 in 2018 and 105,161 in 2019.

No accidents were recorded in 2017, one accident was recorded in 2018, with 50 lost working days, and no accidents were recorded in 2019. The Lost Time Injury Frequency (LTIF) index, according to OSHA, was 1.068 in 2018 and zero in 2019.

Over the past three years, commuting accidents for the Green Energy business unit were none in 2017, three in 2018, with 200 lost working days, and none in 2019.

SITE PERFORMANCE

For the Hydrocarbons business unit, including petrochemical and oil and gas companies, the Group adopts the main performance indicators of US Occupational Safety and Health Administration (OSHA) and International Association of Oil & Gas Producers (IOGP) standards for monitoring, identifying improvement areas and promoting a committed approach to workplace HSE. Over the last three years, on-site work hours of the Hydrocarbons business unit of Maire Tecnimont numbered over 320 million.

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

MET Hydrocarbons safety indicators according to IOGP			
	2017	2018	2019
Site hours worked (employees+subcontractors)	86,695,854	129,950,053	103,975,975
Lost Time Injury Frequency - LTIF ¹	0.046	0.015	0.096
Total recordable injury rate - TRIR ²	0.150	0.062	0.317

The values and trends established by these indicators are periodically compared with international benchmarks, such as those provided annually by IOGP for EPC (Engineering Procurement & Construction) contractors.

The IOGP figures for 2019 are not yet available (as the benchmark figures will be published in Q2 2020) and the Group will therefore maintain the same 2018 benchmark figures also for 2019.

The Green Energy business worked a total of over 5.5 million hours in the last three years. Site working hours, including employees and subcontractors, totaled over 1.379 million in 2017, over 2.685 million in 2018 and over 1.501 million in 2019.

Reportable accidents calculated per 1 million hours worked were as follows for the Accident Frequency Index (INAIL) and per 1,000 hours worked for the accidents gravity index (UNI: 7249).

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.

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- The Lost Time Injury Frequency index³ was 12.33 in 2017, 12.29 in 2018 and 6.66 in 2019.
 - The Injury Severity Index⁴ was 0.247 in 2017, 0.128 in 2018 and 0.313 in 2019.

In 2019, the Lost Time Injury Frequency index halved with respect to 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 56 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.

In 2019, in a scenario where innovation is a critical success factor, Maire Tecnimont entered into a synergy with LUISS Guido Carli University to create an Open Innovation teaching post.

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.

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

"La Sapienza" University of Rome, the University of Salerno and the University of Bologna are also long-standing academic partners. Overseas, the Maire Tecnimont Group collaborates with the Technical University of Eindhoven and with the Ecole des Mines in Paris.

Collaborations have been signed with international research institutes, such as TecNALIA, the Spanish research center, for the development of membrane reactors for the production of hydrogen, and also with Intertek Laboratories.

³ The Lost Time Injury Frequency index is the number of accidents with loss of working days (fatal events + events causing the loss of working days + events work activity limitations + events requiring medical treatment) / hours worked x 1 million. The TRIR indicator considers: fatal accidents, injuries with lost work days, events limiting working activity, events requiring medical care.

⁴ The Injury Severity Index is the total number of lost working days divided by hours worked x 1000. The indicator considers the lost working days following accidents. The gravity index is defined as per the OSHA Forms 300 method.



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

The ongoing energy transition: The social and economic impact of climate change on communities, the environment and health is felt ever more keenly. The market is increasingly demanding green technology, renewable energy, sustainable products and low-impact services, and almost all business sectors are consequently being forced to review their production models, pursue new technologies, design new products, explore new symbioses with other sectors and open up new markets. It will be crucial over the next 10 years to identify technological solutions capable of realizing the energy transition, as consumers, communities and investors increasingly demand climate-friendly products, services and processes.

Climate change and global warming are imposing an ever-greater urgency for atmospheric carbon dioxide emission reduction solutions. Maire Tecnimont Group prioritizes the development and implementation of industrial technologies that can accelerate the energy transition through contributions to low carbon economics and climate change mitigation. We are committed to helping industry drive the energy transition via the creation of new products from renewable raw materials, entry into new markets with non-fossil footprints, reductions in conventional plant carbon emissions, improvements in circularity through the recycling and transformation of waste into useful chemical substances and the development of clean, green and circular energy solutions. Our technological know-how and leadership in the transformation of natural raw materials allow us to bridge the gap between laboratory testing and the industrial scale, so, just as we are able to industrialize innovation, we can industrialize sustainability.

In 2018, Maire Tecnimont created the company NextChem in order to offer customers technological solutions to reduce the carbon footprint of their conventional processes by developing new processes and products from non-fossil raw materials and renewable energy sources, and by exploiting the circular economy to recycle and transform waste into both fuels and chemicals. NextChem transforms innovative ideas into processes and systems via project development, technology licensing, engineering, procurement and construction services, as well as via joint venture and joint cooperation agreements. Maire Tecnimont, via its subsidiary NextChem, participates, as a coordinator or partner, in numerous research projects. Some of the projects are funded by the EU, while others are funded at the national level.

The energy transition roadmap is divided up into three areas of activity:

- **Greening The Brown:** Activities aiming to mitigate the environmental impacts of hydrocarbon transformation technologies. We are particularly focused on innovations for the conventional petrochemical sector that minimize or eliminate existing plant CO₂ and other greenhouse gas emissions.
- **The Circular Economy:** Activities focused on the recycling of plastic waste for the production of polymers, fuels and other recycled chemicals. The range of possible solutions includes mechanical and chemical recycling of plastic waste via waste-to-chemical and waste-to-fuel technologies that transform the waste into renewable fuel, hydrogen and other precious chemical substances.
- **Green-Green:** Activities that aim to identify innovative oil additives or substitutes for the production of chemical intermediates, fuels and plastics from renewable sources.

Maire Tecnimont is committed to being at the forefront of the digitization of engineering, procurement and construction, as well as supply chain coordination. The Group's digital transformation strategy has two overarching goals: 1) the digitalization of core processes; and 2) the creation of additional digital advantage services for customers.

CORE PROCESS DIGITALIZATION In this initial phase of the digital transformation, launched in 2015, Maire Tecnimont committed to 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.

DIGITAL ADVANTAGE: The application of innovative plant design methodologies is beneficial for both contractor and customer, as it reduces project run-times and minimizes errors and reworking. Maire Tecnimont Group is also developing an EPC sector internal process innovation programme in order to maintain its competitiveness on the market and guarantee the optimization of engineering methodologies and cost savings.

Launched in 2018, the second phases are focused on reducing times and costs, offering more flexible Project Management solutions and creating new service opportunities for our market. The aim is to promote flexible technological platforms that offer the best digital solutions for customers and create an ecosystem of various stakeholders.

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)

As part of its digital vision, Maire Tecnimont aims to strengthen its role as digital coordinator of the over 6,000 companies in its supply chain, offer its customers new services and recover efficiency and productivity in both construction and plant operations phases. For example, the application of digital solutions in a petrochemical plant can lead to an efficiency recovery of between 4 and 7% of the operating margin. This can be achieved by leveraging various technologies such as artificial intelligence and extensive data analysis, which make it possible to create a digital twin of the system, allowing you to constantly optimize energy consumption and various chemical process phases in real time.

To achieve such results, it is crucial that the coordination role is performed by a contractor that boasts both engineering and technological know-how. Change cannot happen without engagement, and, for this reason, the Group has asked its employees to actively participate as digital catalysts, that is accelerators of the digital change.



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 works. Additionally, the Group is active in the licensing of patented technology and proprietary know-how to urea producers and in green acceleration initiatives managed by NextChem and its subsidiaries targeting the circular economy through the implementation of mechanical plastics recycling and chemicals recycling.

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, 2019 was Euro 6,375.7 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, 2019, approx. 78% of Group consolidated revenues related to 13 major contracts, corresponding at the same date to approx. 40% 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, 2019, 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.

IT RISKS

The reliability of the Group's IT systems is critical to achieving its corporate goals. Particular attention is paid to the technology used to protect confidential and proprietary information managed by IT systems. However, both hardware and software products and information contained in corporate IT systems may also be vulnerable to damage or disruption caused by circumstances beyond our immediate control, such as malicious or fraudulent activities by unauthorized third parties accessing confidential information via written or verbal communications, e-mails, faxes, letters, phone, cyber-attacks, network or computer failures, or computer viruses. The inability of IT systems to function properly for any reason may compromise operational activities, resulting in reduced performance, significant repair costs, transaction errors, data losses, processing inefficiencies, downtimes, disputes, and negative effects on financial flows and reputation.

In order to prevent such risks, the Group's IT systems and related processes have been structured and organized as per Maire Tecnimont's IT policies to prevent both cyber-attacks and social engineering fraud. Integrated solutions have been developed for the main areas of focus, including: cloud infrastructure archival; the Enterprise Access Service, which authenticates users via multi-factor and certificate authentication security procedures and blocks and reports access attempts from devices without anti-virus software, devices connecting from untrusted locations and users not complying with company policies; the artificial intelligence based anti-fraud system; open source intelligence tools that search for sensitive corporate information on the dark web and protect domains and users; constant and effective threat management via a 24/7 Security Operations Centre, in order to mitigate viruses, phishing, spamming, spoofing, malicious domains, and so on; periodic IT security assessments in accordance with ISO 27001 guidelines; internal simulated phishing campaigns, using various technologies, such as instant messaging, e-mails and paper documents, in order to identify specific at-risk groups of users and identify training needs; extensive IT security and behavioral training for employees; timely communications to all Group employees as soon as the dedicated threat team identifies new phishing campaigns, potential fraud attacks or new system vulnerabilities; integrated and centralized payments managed directly by headquarters and advanced security policies to manage bank details along the entire value chain.

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 number 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 uses Interest Rate Swap (IRS) derivatives to hedge its exposure to the risk of fluctuating interest rates on the no-recourse loan of MGR Verduno SpA, which is involved in the Alba-Bra Hospital concession reclassified under the item of assets and liabilities held for sale.

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 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, 2019 amount to Euro 727,394 thousand, an increase of Euro 77,385 thousand compared to December 31, 2018.

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 2018, the subsidiary Tecnimont S.p.A. agreed a medium/long-term cash loan for a total amount of Euro 285 million. The operation stipulated 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 loan agreement made it possible to further reduce the applicable margin of the Group’s medium to long-term bank debt from 1.95% to 1.70%, extending the repayment period from March 2022 to June 30, 2023, and remodeling the repayment plan. The loan agreement thus has a duration of 5 years, with repayment beginning in June 2020 and the last instalment due on June 30, 2023.

The 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 on a half-yearly basis, with next measurement on the FY 2019 figures.

Maire Tecnimont made a further commitment to its Green Acceleration project, launched in 2018, by taking out a loan to support Group investments in green technologies. The instrument is divided in two tranches with an average duration of approximately 5 years, total repayment at maturity, and an average rate of approximately 2.3%. The cost of the instrument envisages both positive and negative variations linked to the achievement of the Group’s CO2 reduction targets. A portion of the loan, equal to Euro 20 million, has been used to refinance an existing bond, with a consequent cost reduction of more than 110 basis points and an extension to the deadline of approximately three years.

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 EBITDA on a yearly basis, with next measured on the December 31, 2019 figures.

In 2019, the Group, through the subsidiary Maire Green S.r.l, subsequently merged into MyReplast Industries S.r.l., drew down a non-recourse loan of approx. Euro 8 million issued by Intesa Sanpaolo through the new fund dedicated to the circular economy to provide structured support to this type of industrial initiative, for the acquisition of MyReplast Industries S.r.l, in addition to a working capital line to support requirements for Euro 2 million. The Loan Contract has an applicable margin on the medium/long-term bank debt of 1.5% and a duration of 5 years, with repayment beginning August 2020 and final instalment due on February 18, 2024.

The 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 EBITDA on an annual basis, in addition to the achievement of specific KPI’s concerning the number of tons of recycled plastic material and that reintroduced into the production cycle, improvement to the product quality and relative waste efficiencies. The next measurement will take place on the December 31, 2019 figures.

The Group holds non-convertible bonds subscribed in 2017 on a private placement basis by the pan-European fund managed by companies of the Amundi group.

The bonds 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.. The bonds 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, on a half-yearly basis, next measured on the December 31, 2019 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 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 next measured on the December 31, 2019 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, 2019 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 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. Issuing of the final award is expected during the first quarter of 2020.

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, with the closing briefs filed in January 2020.



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 intention 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 2020.

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. Given the serious errors in the provision, TCM FR took steps to challenge the arbitration decision before the Paris Court of Appeal with an appeal formulated on April 2, 2019. The preliminary investigation phase was closed and a hearing was held at the Court of Appeal on 2/3/2020. The decision is scheduled for April 21 next.

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, subsequently postponing the hearing to the end of July 2020 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 Fosmax 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 hearings were held on February 25, 26 and 27, 2019. The parties filed two *Mémoires après audience*, the first on May 29, 2019, and the second, on July 5, 2019. The last act of the parties was the filing of the *listes de frais*, that is the legal costs report, on July 19, 2019. The parties are now waiting for the Court of Arbitration to issue the award.

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 established a deadline of April 6, 2017 for the filing of our third brief 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 Brief, 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. Regarding the suspension request presented by KT, by Procedural Order No. 12 of 14/03/2019, the Court of Arbitration decided not to exercise the power to suspend the procedure and granted an exchange of further briefs on amount issues. KT filed its briefs on 26/4/2019 and on 12/07/2019, HYL replied to the first on 10/6/2019 and will have to deposit its last reply on 2/08/2019. For the submission on costs, the Court of Arbitration granted joint terms, assigning the parties the date of September 6 for pleadings and September 13 for replies.

Regarding the Final Award, issued on 28/11/2019, the Court of Arbitration quantified the co-responsibility of the parties in relation to the causes of the accident, acknowledging compensation for HYL equal to approximately Euro 14 million. Certified true copies of the originals of the "Partial Award" and "Final Award", together with the relevant sworn translations into Italian and the enforcement order, were notified to KT on February 6. When the arbitration proceeding was initiated, KT activated the insurance provided for in the contract in order to submit a refund request in accordance with the associated coverage, amounting to approx. Euro 3 million. Regarding the proceedings before the Milan Court of Appeal, HYL presented itself directly at the hearing held on July 10, 2019. The court granted a postponement for closing arguments until September 16, 2020. A mandate was also given to a prominent law firm to request the cancellation of the final award based on the arguments of the first claim.

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, 2018 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 was held in Singapore in preparation for the relevant hearings. The hearings were held from June 7 to 14, 2019, in New Delhi. The parties filed post-hearing submissions on July 24, 2019, and reply post-hearing submissions on August 14, 2019. The last hearing was held from September 16 to 18 in London. Subsequently, the parties filed submissions on costs on October 4, 2019, and reply submissions on costs on October 14, 2019.

On January 6, 2020, the Court of Arbitration issued the final award, accepting the claims of Tecnimont and Tecnimont Private Limited for the delay incurred in completing the project and ordering OPaL to pay the following sums: INR 828,013,043, EUR 5,049,443 and USD 4,977,199 (relating to prolongation costs, withheld amounts and payment of contractual milestones). The court also rejected all OPaL counter-claims and ordered OPaL to pay the legal costs incurred by Tecnimont SpA and Tecnimont Private Limited for a total of: INR 18,866,620, EUR 3,275,000, GBP 450,080, USD 751,070, RUB 152,500 and MYR 3,750.

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 approx. USD 120.9 million, 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 took place on March 25, 2019, following which the proceeding was divided into two phases, the first regarding the coverage of the policy in relation to the damage, and the second on its quantification. Hearings were held in November in order to complete the first phase. On February 3, 2020, the Court of Arbitration issued the partial award for the first phase, acknowledging the coverage of the policy in relation to the damage in favor of Tecnimont.



The court will issue the procedural calendar for the damage quantification phase in the coming weeks. At the moment it is not yet possible to predict the exact duration of the entire proceeding, which, however, seems unlikely to be concluded before the first half of 2021. Tecnimont and the client continue negotiations on the possibility to conclude a settlement agreement.

Yara Sluiskil B.V - The dispute refers to the EPC contract signed in July 2015 between Tecnimont SpA and the customer Yara Sluiskil B.V, a subsidiary of Yara International ASA, for the realization, on a lump-sum turn-key basis, of a new urea granulation fertilizer plant and associated units in Sluiskil, Holland. The complex, with a fully operational production capacity of 2,000 tons per day, uses proprietary technology developed by Yara enabling the production of a particular type of sulphur-enriched urea. 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. After several months spent in vain trying to find an amicable agreement between the parties, on January 15, 2020, Tecnimont SpA filed its request for arbitration with the International Chamber of Commerce in order to initiate the arbitration proceeding. The request for arbitration reported in the petition, as an initial amount, a provisional value of approximately Euro 49 million. The request for arbitration was made in relation to, inter alia, the following claims: a) acknowledgement and payment of certain extra works; b) acknowledgement of higher costs incurred and compensation for damages incurred due to delays attributable to Yara; c) payment of a portion of the residual contract price. By February 24 last, Yara filed the reply to the request for arbitration, together with the Answer to the Request for Arbitration and Counterclaim. Yara's counterclaim provisionally amounts to approx. Euro 24 million. The Court of Arbitration has yet to sit and so the procedural calendar remains undefined. Given the number and complexity of the issues to be dealt with, the arbitration is expected to end in 2023.

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, 2019 according to currently available information is presented below.

TECNIMONT SPA: Tax assessment concerning IRPEG - IRAP - VAT and withholding taxes 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 approx. 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 and renewed in 2019, of the repayment of income taxes paid in 2005 for the release of part of the Quetta fund (income taxes of Euro 2 million 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 dialogue still in progress with the Tax Agency does not permit the company to obtain 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: 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; alleged higher interest income of Euro 1,085,000 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. In October 2019, the Large Taxpayers Office of the Revenue Agency's Lombardy Regional Directorate notified the company of separate assessment notices for corporate income tax (IRES) purposes, notifying also Maire Tecnimont SpA in this regard as a consolidating and jointly liable party, and regional tax (IRAP) for the 2014 tax period. The Revenue Agency essentially confirmed the findings of the tax audit report, calling for Euro 1,015 thousand in terms of IRES and Euro 138 thousand in terms of IRAP, plus interest. Tecnimont SpA (and Maire Tecnimont SpA, as the IRES consolidating party), considering that the objections formulated by the Revenue Agency, supported by a prominent law firm, were unfounded, filed an appeal against the assessment notices (pending consideration before the Milan Provincial Tax Commission). Simultaneously, an application was made for the precautionary suspension of the enforcement of the afore-mentioned notices. The intention of the company to initiate a Mutual Agreement Procedure as per Article 26 of the Convention between the Government of the Republic of Italy and the Government of the Republic of India. If this procedure is successful, it would allow the elimination, at a consolidated level, of the potential double taxation produced by the assessment of the Revenue Agency. Furthermore, in order to avoid further similar disputes on the correct transfer pricing methodology to be used in inter-company transactions between Italian and Indian Group companies, on December 31, 2019, the company submitted an application to the Office for the Resolution and Prevention of International Disputes (the so-called APA Office) of the Revenue Agency's Large Taxpayers Central Directorate to request access to the bilateral preventive agreement procedure pursuant to Article 31-ter of Presidential Decree No. 600/1973 and Article 26 of the Convention between the Government of the Republic of Italy and the Government of the Republic of India to avoid double taxation. An analogous request was submitted by Tecnimont Private Limited to the corresponding Indian APA Office.

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 60 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 (awaiting consideration). The Chilean Finance agency in addition issued additional acts containing challenges from the years 2012, 2013 and 2014, mainly relating to the non-recognition of the losses carried forward for 2011. Tecnimont Chile requested on time cancellation of the assessments as considering them unlawful and unfounded: demonstrating the correctness of its conduct and supported by a leading legal firm, the company challenged the assessments (still awaiting hearing).

KT Kinetics Technology SpA: Tax Agency audit on FY 2011: On November 3, 2016, in conclusion of the tax audit relating to the year 2011, the Tax office (Lazio Regional Tax Office) issued separate tax assessments 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 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 purposes (notification also sent to Maire Tecnimont S.p.A. as tax consolidating company) not cancelled 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. Simultaneously, it initiated a discussion with the Revenue Agency to evaluate a possible dispute settlement. The discussion concluded on December 9, 2019, with the signing of an agreement with the Revenue Agency providing, without charge to the company, for a reduction in the taxable amount originally ascertained and the simultaneous recognition of convertible tax losses to over Euro 1,838 thousand.

KT Kinetics Technology SpA: Tax Agency Audit year 2016 On December 5, 2019, following the general tax audit of direct taxes, regional tax (IRAP), VAT and withholding tax conducted by the Revenue Agency’s Lazio Regional Directorate with reference to the 2016 tax period, the company received the tax audit report containing the following findings: Recovery of corporate income tax (IRES) and regional tax (IRAP) for the costs incurred in the licensing of industrial patents by the subsidiary Stamicarbon BV (to a total of Euro 1,933 thousand), deemed to be in excess of the normal value; credit for taxes paid abroad (to a total of Euro 363 thousand); withholdings on royalties paid to a non-resident subject (to a total of Euro 994 thousand). 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 legislation.

NEOSIA SpA: Revenue Agency Audit in reference to 2014: In December 2019, after a documentary audit in reference to the year 2014, the Milan Provincial Directorate of the Revenue Agency notified the company (as well as Maire Tecnimont SpA as a consolidating and jointly liable party) via an assessment notice claiming the tax recovery of redundancy incentives allocated by the Company in 2014 (Euro 544 thousand more in terms of corporate income tax, plus penalties and interest). Regarding this dispute, the so-called “IPEC model” was presented in order to request the reassessment of the due amounts following the use of the tax loss carry-forward, and, thereby, completely offset the tax, penalties and interest indicated in the assessment notice. Furthermore, the company, deeming the findings of the assessment notice, supported by a prominent law firm, to be unfounded, submitted a request for a settlement with the Revenue Agency to cancel all the findings of the assessment notice.

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 June 17, 2019, Maire Tecnimont S.p.A. launched a treasury share buyback programme, as per Article 5 of Regulation (EC) No. 596/2014 (the “MAR”), in service of the Third Cycle (2018) of the “2016-2018 General Share Plan for Maire Tecnimont Group employees” approved by the Shareholders’ AGM of April 27, 2016.

On June 26, 2019, Maire Tecnimont S.p.A. communicated the acquisition on the Mercato Telematico Azionario (MTA) organized and managed by Borsa Italiana S.p.A., in the period between June 17, 2019 and June 21, 2019 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 2.851, for a total amount of Euro 1,425,660.55. On June 30, 2019, 428,478 shares from the Program had been assigned to foreign Plan Beneficiaries.

Between June 3, 2019 and June 9, 2019 inclusive, 602,770 treasury shares were acquired (corresponding to 0.18% of the total number of ordinary shares), at an average weighted price of Euro 2.881, for a total amount of Euro 1,736,772.19; taking into account also the shares already acquired in the June 17, 2019 - June 21, 2019 inclusive period, all shares serving the Third Cycle (year 2018) of the Plan had been acquired and therefore the Program was completed. Delivery of the Third Cycle (2018) assigned to the Plan Beneficiaries will be concluded by July 26, 2019.

At December 31, 2019, the Company does not hold any treasury shares.

19. Going Concern

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, 2019, even after assessing the impacts from the emergence of the “coronavirus”. In this regard, please refer to the “Subsequent events and outlook” paragraph.



20. Subsequent events and outlook

The key events were as follows:

MAIRE TECNIMONT CONFIRMS ITS RATING IN THE CARBON DISCLOSURE PROJECT (CDP) RANKING

On January 29, 2020, Maire Tecnimont confirmed its B rating in the ranking of the Carbon Disclosure Project (CDP), the international, non-profit organization specialized in assessing the environmental performance of major listed companies.

CDP publishes an annual questionnaire on specific climate issues for companies to voluntarily answer. In 2019, the CDP questionnaire was completed by over 7000 companies, representing over 50% of global market capitalization.

Maire Tecnimont, which has publicly disclosed environmental performance data through the Carbon Disclosure Project since 2014, improved its rating from a D in 2016 to a B in 2019 (D<A), thus a rating that puts it in line with the sector average and above the European and world average, which is a C. The positive result recognizes the efforts made by Maire Tecnimont to address the United Nations Sustainable Development Goals (SDGs), in particular Goal 13 “Climate Action”, and to maintain a robust sustainability governance structure that enables the Group to implement the strategy of sustainability throughout the company, to manage goal-setting and reporting processes, to strengthen relations with external stakeholders and to guarantee responsibility, together with a consolidated process of managing risks that helps to quantify the financial impact of climate change risks and opportunities.

ENERGY TRANSITION TECHNOLOGIES - BIOFUELS - NEW HYDROTREATED VEGETABLE OIL (RENEWABLE DEISEL) TECHNOLOGY IN NEXTCHEM'S PORTFOLIO

On February 10, 2020, NextChem, the Maire Tecnimont Group company active in green chemical and energy transition technologies sector, announced that it had signed an agreement with Saola Energy to internationally licence a new technology for the production of hydrotreated vegetable oil (HVO), as a renewable diesel, from vegetable oils and residual fats. It also announced the launch of a promotional roadshow for the American market, starting in Houston at the National Ethanol Conference and continuing in Washington in March and Minneapolis in June.

NextChem and Saola Energy are thus set to combine know-how and experience in the development of a solution for the turnkey market. NextChem will act as the licensor of the combined technology and will provide customers with engineering, procurement and construction services and training in the use of the technology. The technology patented by Saola Energy consists of hydro-treatment and isomerization processes that produce high quality renewable diesel from residual oils and fats. The technology can be used to process a wide range of raw materials and is ideal for exploiting the full economic value of low carbon fuels by leveraging incentives provided by the various applicable regulations.

The process is designed to be scalable from capacities of 10 million gallons per year (approximately 30,000 tons/year), making it ideal for both the integration of small-scale plants on existing sites that supply raw materials and large independent plants that can receive large quantities of the raw materials. The integration of the technology with existing plants (bio-refineries) is particularly economically advantageous since it allows the value exploitation of by-products. Waste oil and residual fat treatment companies will thus gain access to new opportunities on the second-generation renewable fuel market.

Renewable diesel, also known as Hydrotreated Vegetable Oil (HVO), and traditional biodiesel, also known as Fatty Acid Methyl Ester, or FAME, are often confused. However, they are very different products. Both can be derived from vegetable oils and residual fats, but are produced in different ways: biodiesel via transesterification and renewable diesel via hydro-treatment. While FAME has mixing limits with fossil origin diesel, renewable diesel is a drop-in fuel, a fully blendable alternative to fossil origin diesel that meets ASTM D975 and EN 590 standards for fuel oils. It, therefore, has no mixing limits and can currently be used in existing diesel engines with superior performance over fossil and FAME fuels. On the market today, renewable diesel commands a clear premium value over FAME.

OUTLOOK

The Group continues to maintain a strong backlog at the end of 2019 and, thanks also to the contracts being finalized over the coming months, expects the strong industrial performances to continue.

At the preparation date of the financial statements, a number of factors of instability emerged in relation to the international emergency following the spread of Covid-19 (hereafter also the “Coronavirus”). Cases were initially diagnosed in China and subsequently in other countries, including Italy, leading to the adoption of specific measures as information became available.

Such factors of instability, where significantly emerging, could also extensively shape the outlook for future growth, with the decisions taken by government authorities to contain the spread of the epidemic having an impact on the general economy and on the financial markets.

In accordance with IAS 10, these factors were considered as subsequent events not resulting in adjustments to the financial statements.

At present, having undertaken the necessary assessments, it is not possible to predict the outcome of this developing issue, nor the consequences it will have on the general economy. The potential operating and equity impacts that could initially affect the first quarter of 2020 may also not be estimated, as this emergency may re-emerge in subsequent months - depending on the containment measures introduced by the governments and central banks of the countries affected by the spread of the virus.

In this environment, thanks to a flexible organizational model and processes structured to operate on a multi-local basis, the various ongoing project activities are set to continue in line with the planning shared with customers, together with commercial activities in the various geographical areas targeted by the Group, not least the recent acquisitions announced.

These aspects have a direct impact on cash flow generation projections for the coming months and do not alter the analyses conducted and the conclusions reached by the Directors on the ability to operate as a going concern.

Despite uncertainty over the impacts of Covid-19 and consequences for the price oil and its derivatives, the market scenario is expected to favor investments in the downstream segment, with a particular focus on infrastructures for transforming oil and gas into petrochemical products and the modernization of existing refineries in order to adapt the type and quality of end-products to emerging market demands strongly influenced by recently introduced environmental regulations.

With regards to the Green Acceleration project, the Group - through the subsidiary NextChem - continues to grow, thanks also to the investment in 2019 in the most efficient advanced plastics mechanical recycling plant operating in Europe, located in Italy and already becoming a reference plant on an industrial scale for commercial operations and from which major domestic and international market developments are expected. Furthermore, the recently acquired alliances in the production of renewable diesel and hydrogen and methanol from municipal waste position NextChem ever more at the centre of the energy transition dominating the current market scenario.



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 2019 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 30.7 million for 2019, with an EBITDA of Euro 45.9 million and shareholders' equity of Euro 452.8 million.

The main increase in non-current assets is a consequence of the recognition of “Rights-of-Use” following the introduction of the new accounting standard IFRS 16, the purchase of NextChem s.r.l., already held 56.67% by Maire Group through KT - Kinetics Technology S.p.A., and the write-down of the investment in MET Gas Processing Technologies S.p.A..

Current assets mainly comprise trade receivables from subsidiaries, also relating to the tax and VAT consolidation of the Group for Euro 28,082 thousand; tax receivables, mainly for VAT regarding the Group VAT consolidation for Euro 38,594 thousand, current financial assets for Euro 145,487 thousand refer to financial receivables from subsidiaries, in addition to receivables for current accounts from subsidiaries.

In relation to this we recall 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 expenses.

Cash and cash equivalents at December 31, 2019 amount to Euro 102,463 thousand, an increase of Euro 60,470 thousand compared to December 31, 2018.

Shareholders' Equity at December 31, 2019 was Euro 452,828 thousand, a net decrease on the previous year of Euro 10,566 thousand.

Other non-current liabilities rose on December 31, 2018, principally following the finalization by Maire Tecnimont of an “ESG-linked Schuldschein Loan” with a nominal value of Euro 62.5 million.

Other non-current liabilities in addition refer for Euro 183,152 thousand to non-current financial liabilities and specifically for Euro 19,909 thousand to non-convertible bonds, net of accessory charges, subscribed in 2017 through private placement by the Pan-European Fund managed by an Amundi Group company; in 2019 Maire Tecnimont redeemed a tranche of these bonds with a nominal amount of Euro 20 million in advance; and for Euro 163,244 thousand, the non-convertible Bond Loan for a total Euro 165 million, net of accessory charges, issued in 2018.

Other current liabilities concern for Euro 202,211 thousand payables to subsidiaries for current accounts, in relation to the cash pooling system, for Euro 121,000 thousand payables to subsidiaries for inter-company loans pre-cash pooling, for Euro 4,955 thousand trade payables to suppliers for ordinary operations and for Euro 10,149 thousand trade payables to subsidiaries.

Other current liabilities include also Euro 32,795 thousand concerning payables to subsidiaries for Group VAT. Again in 2019 a number of Group companies renewed the tax consolidation, transferring their VAT settlement credit balances to the consolidating Maire Tecnimont S.p.A..

Balance Sheet

(in Euro)	2019	2018
Non-current assets	777,702,909	772,347,030
Current assets	315,650,320	232,242,072
Total Assets	1,093,353,229	1,004,589,101

(in Euro)	2019	2018
Shareholders' Equity	452,828,026	463,393,694
Non-current liabilities	249,409,953	204,787,139
Current liabilities	391,115,250	336,408,268
Total Shareholders' Equity and Liabilities	1,093,353,229	1,004,589,101

Revenues in 2019 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, on the other hand, have slightly decreased due to lower personnel costs, but are using more outsourced services causing a consequent rise in costs.

The workforce at December 31, 2019, numbered 146, an increase of 10 over the previous year, with the average number of staff during the year going up from 132 to 141 resources. Despite this, in 2019, there was a decrease in the cost of personnel due to a lower burden of variable remuneration policies and incentives to employees, which had a greater impact in the previous year.

Financial income amounted to Euro 8 million, a significant increase compared with the previous year, and refers mainly to income from subsidiaries relating to interest income accrued on loans and current accounts; at the end of the previous year, 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 expenses and other costs. The remaining Euro 0.9 million is income from Total Return Equity Swap (TRES) cash-settled derivatives.

Financial expenses amounted to Euro 18.3 million and include Euro 7.4 million in interest paid on loans received from subsidiaries and financial expenses for cash pooling related to interest paid to subsidiaries on cash pooling account overdrafts received during the year; Euro 0.9 million in interest paid on bank loans that were fully repaid during the year and other charges to the banking system; for Euro 6.8 million charges on the Bond in place and for Euro 2.9 million 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 essentially tied to the personnel incentive plans in place.

Write-downs on equity investments of Euro 10 million refer to the write-down of the equity investment in MET Gas Processing Technologies S.p.A. During the year the subsidiary MET Gas Processing Technologies S.p.A. wrote down all assets relating to Siluria Technologies Inc..



Net income of Euro 30.7 million is reported, decreasing on the previous year (entirely due to the write-downs on investments in 2019).

Income Statement

(in Euro)	2019	2018
Total Revenues	95,718,610	96,763,142
Total Costs	(49,843,061)	(50,306,153)
EBITDA	45,875,549	46,456,989
Amortization, depreciation and write-downs	(962,617)	(258,066)
EBIT	44,912,932	46,198,923
Financial income	7,994,261	2,944,108
Financial expenses	(18,252,646)	(14,074,235)
Investment income/(expense)	(10,000,000)	0
Income before taxes	24,654,547	35,068,796
Income taxes	6,072,921	4,397,413
Net income for the year	30,727,468	39,466,209
Basic earnings per share	0.09	0.12
Diluted earnings per share	0.09	0.12

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 5 subsidiaries, with headquarters in 5 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.

PUNTA CATALINA

In relation to that announced 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.

In the initial months of 2019, the company actively cooperated with the Italian investigating authorities by exhibiting all the material requested (mainly computer documentation related to the above-mentioned order). The investigation is still ongoing and is being slowed down by some requests not yet carried out by the Dominican and Brazilian States. The company has received no further requests or is aware of further developments.

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.



Consolidated Financial Statements and Explanatory Notes

at December 31, 2019

23. Financial Statements

23.1. Consolidated Income Statement

(In Euro thousands)		2019	2018
	Note		
Revenues	27.1	3,297,404	3,613,582
Other operating revenues	27.2	40,961	33,029
Total Revenues		3,338,364	3,646,612
Raw materials and consumables	27.4	(951,086)	(1,095,223)
Service costs	27.5	(1,607,531)	(1,811,032)
Personnel expense	27.6	(455,447)	(415,834)
Other operating costs	27.7	(88,709)	(118,800)
Total Costs		(3,102,773)	(3,440,888)
EBITDA		235,592	205,723
Amortization, depreciation and write-downs	27.8	(43,663)	(19,344)
Write-down of current assets	27.9	(2,817)	(706)
Provisions for risks and charges	27.9	(209)	(161)
EBIT		188,902	185,512
Financial income	27.10	19,239	21,092
Financial expenses	27.11	(37,660)	(36,198)
Investment income/(expense)	27.12	(3,474)	2,305
Income before taxes		167,007	172,710
Income taxes, current and deferred	27.13	(52,311)	(55,309)
Net income for the year		114,695	117,401
Group net income		112,981	110,575
Minorities		1,714	6,826
Basic earnings per share	27.14	0.344	0.336
Diluted earnings per share		0.344	0.336

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

(In Euro thousands)		Note	December 31, 2019	2018
Net income for the year			114,695	117,401
Other comprehensive income/(expense) which may not be subsequently reclassified to income/(loss) for the year:				
Actuarial gains/(losses)	28.19	(669)	(17)	
Relative tax effect		160	4	
Fair value changes of investments with OCI effects	28.19	(9,084)	152	
Total other comprehensive income/(expense) which may not be subsequently reclassified to income/(loss) for the year:		(9,592)	139	
Other comprehensive income/(expense) which may be subsequently reclassified to income/(loss) for the year:				
Translation differences	28.19	7,024	(9,814)	
Net valuation of derivatives instruments:				
· valuation derivative instruments	28.19	37,339	(49,745)	
· relative tax effect		(8,961)	11,939	
Total other comprehensive income/(expense) which may be subsequently reclassified to income/(loss) for the year:		35,401	(47,620)	
Total other comprehensive income/(expense), net of the tax effect		25,809	(47,480)	
Comprehensive income		140,504	69,921	
Attributable to:				
· Group		138,790	63,095	
· Minorities		1,714	6,826	

23.3. Consolidated Balance Sheet

(In Euro thousands)			
	Note	December 31, 2019	December 31, 2018
Assets			
Non-current assets			
Property, plant and equipment	28.1	42,573	33,700
Goodwill	28.2	296,132	291,754
Other intangible assets	28.3	72,734	64,232
Right-of-use - Leasing	28.4	148,600	0
Investments in associates	28.5	15,777	20,449
Financial instruments - Derivatives	28.6	5,500	1,084
Other non-current financial assets	28.7	48,148	27,792
Other non-current assets	28.8	143,389	85,432
Deferred tax assets	28.9	32,420	44,801
Total non-current assets		805,273	569,243
Current assets			
Inventories	28.10	2,738	6,968
Advance payments to suppliers	28.10	439,358	338,146
Contractual Assets	28.11	1,892,365	1,515,979
Trade receivables	28.12	555,286	425,768
Current tax assets	28.13	118,577	94,901
Financial instruments - Derivatives	28.14	23,705	7,071
Other current financial assets	28.15	6,457	6,351
Other current assets	28.16	185,262	135,548
Cash and cash equivalents	28.17	727,394	650,008
Total current assets		3,951,141	3,180,740
Non-current assets classified as held-for-sale	28.18	97,314	0
Elimination of assets to and from assets/liabilities held-for-sale	28.18	(17,988)	0
Total Assets		4,835,741	3,749,983

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 thousands)			
	Note	December 31, 2019	December 31, 2018
Shareholders' Equity			
Share capital	28.19	19,921	19,921
Share premium reserve	28.19	272,921	272,921
Other reserves	28.19	7,460	2,808
Valuation reserve	28.19	3,232	(15,553)
Total shareholders' equity & reserves	28.19	303,534	280,097
Retained earnings/(accumulated losses)	28.19	(7,968)	(81,060)
Net income for the year	28.19	112,981	110,575
Total Group Net Equity		408,547	309,612
Minorities		40,389	33,021
Total Net Equity		448,936	342,633
Non-current liabilities			
Financial debt - non-current portion	28.20	244,274	206,410
Provisions for risk and charges - beyond 12 months	28.21	23,256	16,436
Deferred tax liabilities	28.9	27,941	21,623
Post-employment & other employee benefits	28.22	10,926	11,005
Other non-current liabilities	28.23	82,194	135,490
Financial instruments - Derivatives	28.24	1	6,139
Other non-current financial liabilities	28.25	198,094	202,634
Non-current financial liabilities - Leasing	28.26	127,876	0
Total non-current liabilities		714,562	599,736
Current liabilities			
Short-term debt	28.27	342,468	195,911
Current financial liabilities - Leasing	28.26	22,208	0
Provisions for risks and charges - within 12 months	28.28	23,179	40,707
Tax payables	28.29	60,735	26,998
Financial instruments - Derivatives	28.30	7,909	25,493
Other current financial liabilities	28.31	330	330
Client advance payments	28.32	684,272	637,837
Contractual Liabilities	28.33	305,013	335,598
Trade payables	28.34	1,960,592	1,478,301
Other Current Liabilities	28.35	202,749	66,439
Total current liabilities		3,609,456	2,807,614
Liabilities directly associated with non-current assets classified as held-for-sale	28.18	80,775	0
Elimination of liabilities to and from assets/liabilities held-for-sale	28.18	(17,988)	0
Total Shareholders' Equity and Liabilities		4,835,741	3,749,983

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	Val. reserve	Retained earnings	Income for year	Group Share. equity	Minority interest capital & reserves	Group & Minority int. share. equity
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		48,454
Other changes			(110)			976		866	625	1,491
Application IFRS 15 & 9						(28,740)		(28,740)		(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 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

December 31, 2018	19,921	272,921	30,694	(27,887)	(15,553)	(81,060)	110,575	309,611	33,021	342,633
Allocation of the result						110,575	(110,575)	-		-
Change to consolidation scope								-		-
Dividends distribution						(39,108)		(39,108)		(39,108)
Share capital increase non-cont. int.	-	-						-	7,821	7,821
Other changes						1,624		1,624	(2,168)	(544)
IFRS 2 (Employee share plans)			(2,371)					(2,371)		(2,371)
Utilization Treasury Shares 2019 for PAD 3' cycle			3,163					3,163		3,163
Acquisition of Treasury Shares 2019			(3,163)					(3,163)		(3,163)
Comprehensive income for the year				7,024	18,785		112,981	138,790	1,714	140,504
December 31, 2019	19,921	272,921	28,324	(20,863)	3,233	(7,968)	112,981	408,547	40,389	448,936



25. Consolidated Cash Flow Statement (indirect method)

(Euro thousand)	31 December 2019	31 December 2018
Cash and cash equivalents at the beginning of the year (A)	650,008	630,868
Operations		
Net Income of Group and Minorities	114,695	117,401
Adjustments:		
- Amortisation of intangible assets	16,393	15,849
- Depreciation of non-current tangible assets	4,782	3,496
- Depreciation of Right-of-use - Leasing	22,488	-
- Provisions	3,027	867
- (Revaluations)/Write-downs on investments	3,474	(2,305)
- Financial Charges	37,660	36,198
- Financial (Income)	(19,239)	(21,091)
- Income and deferred tax	52,311	55,309
- Capital (Gains)/Losses	43	24
- (Increase)/Decrease inventories/supplier advances	(111,483)	(86,146)
- (Increase)/Decrease in trade receivables	(131,401)	46,661
- (Increase)/Decrease in contract assets receivables	(384,479)	(344,007)
- Increase/(Decrease) in other liabilities	90,418	52,290
- (Increase)/Decrease in other assets	(196,648)	(14,054)
- Increase/(Decrease) in trade payables/advances from clients	574,557	255,158
- Increase/(Decrease) in payables for contract liabilities	(30,585)	(72,963)
- Increase/(Decrease) in provisions (including post-employment benefits)	(10,087)	(6,288)
- Income taxes paid	(52,954)	(60,005)
Cash flow from operations (B)	(17,029)	(23,607)
Investments		
(Investment)/Disposal of non-current tangible assets	(5,186)	(3,292)
(Investment)/Disposal of intangible assets	(5,733)	(9,512)
(Investment)/Disposal in associated companies	4,137	(1,905)
(Increase)/Decrease in other investments	(847)	(149)
(Investments)/Disposal of companies net of cash and cash equivalents acquired	(14,255)	-
Cash flow from investments (C)	(21,883)	(13,523)
Financing		
Repayments of principal of financial Leasing liabilities	(19,878)	-
Payments of financial charges on financial Leasing liabilities	(5,859)	-
Increase/(Decrease) in short-term debt	114,533	92,281
Repayments of long-term debt	(0)	(350,000)
Proceeds from long-term debt	103,766	216,622
Increase/(Decrease) bonds	(20,000)	162,674
Change in other financial assets and liabilities	(12,337)	4,465
Dividends	(39,108)	(42,064)
Treasury Shares-Buyback	(3,163)	(27,706)
Cash flow from financing (D)	117,955	56,271
Increase/(Decrease) in Cash and Cash Equivalents (B+C+D)	79,041	19,140
Cash and cash equivalents at year end (A+B+C+D)	729,049	650,008
of which: Cash and cash equivalents of Discontinued Operations	1,656	-
CASH AND CASH EQUIVALENTS REPORTED IN THE FINANCIAL STATEMENTS	727,394	650,008

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 at December 31, 2019

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 and on the company website www.mairetecnimont.it.

The consolidated financial statements for the year 2019 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, 2019 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, 2019. With regard to the assessment of the impacts from the “coronavirus”, please refer to the “Subsequent events and outlook” paragraph.

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 2019

- **Standard 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. Meanwhile, the standard does not include any significant changes for lessors. This standard is effective as of January 1, 2019.



The rules introduced by IFRS 16 were 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 were excluded from the measurement; following the finalization of all the contracts, the impact of the first application on the representative activity of the right-of-use and on the financial payables amounts to approximately Euro 158.8 million.

The Group Recognized a right-of-use asset at an amount corresponding to the lease liability adjusted, where necessary, to take account of any prepayments for advances and accrued liabilities and without considering the initial direct costs incurred in years prior to January 1, 2019.

The value of current and non-current financial leasing liabilities related to Rights-of-Use at December 31, 2019 was Euro 150,084 thousand, of which Euro 22,208 thousand short term and Euro 127,876 thousand beyond 12 months; the changes after initial recognition are primarily linked to lease payments made in 2019, interest accrued and new contracts entered into during the year.

The value of right-of-use at December 31, 2019 is Euro 148,600 thousand, with an initial recognition value of Euro 151,526 thousand and a subsequent movement relating mainly to amortization in the year, net of new contracts.

The lease liabilities are valued on recognition, discounting all future payments due for leases utilizing the implied lease rate, where this may easily be determined or alternatively utilizing its debt rate. Future cash flows are therefore discounted at the risk-free rate of the respective currencies, plus a spread for the specific risk of the Group, established as the difference between the yield on listed Group debt securities against an instrument with similar features but without risk. The marginal average weighted interest rate applied for the calculation of the financial liabilities at January 1, 2019 was 3.6%.

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 expenses 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 right-of-use 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 leasee 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 right-of-use and (ii) the financial expenses on the recorded payable.
- In the cash flow statement: the following effects result: a) a change in the net cash flow from operations, which no longer includes lease rental payments; and b) a change in the net cash flow from financing, which will include the outlays to repay the lease liabilities and outlays for interest expense on the lease liability.

The Maire Tecnimont Group applied the new IFRS 16 provisions retrospectively, recording the cumulative effect of first-time application of the new standard as an adjustment to the opening 2019 balance, without therefore restating - as permitted - the comparative prior year figures.

The following tables indicate the effects of the adoption of IFRS 16 on the consolidated financial statements at December 31, 2019:

(In Euro thousands)	2019 Published	2019 Without IFRS 16	Effect of change
Revenues	3,297,404	3,297,404	0
Other operating revenues	40,961	40,961	0
Total Revenues	3,338,364	3,338,364	0
Raw materials and consumables	(951,086)	(951,086)	0
Service costs	(1,607,531)	(1,607,531)	0
Personnel expense	(455,447)	(455,447)	0
Other operating costs	(88,709)	(114,446)	(25,737)
Total Costs	(3,102,773)	(3,128,510)	(25,737)
EBITDA	235,592	209,855	(25,737)
Amortization, depreciation and write-downs	(43,663)	(21,175)	22,488
Write-down of current assets	(2,817)	(2,817)	0
Provisions for risks and charges	(209)	(209)	0
EBIT	188,902	185,653	(3,249)
Financial income	19,239	19,239	0
Financial expenses	(37,660)	(31,802)	5,858
Investment income/(expense)	(3,474)	(3,474)	0
Income before tax	167,007	169,615	2,609
Income taxes, current and deferred	(52,311)	(52,808)	(496)
Net income for the year	114,695	116,808	2,112
Group net income	112,981	115,093	2,112
Minorities	1,714	1,714	0
Basic earnings per share	0.344	0.350	0.006
Diluted earnings per share	0.344	0.350	0.006

(In Euro thousands)	2019 Published	2019 Without IFRS 16	Effect of change
Assets			
Non-current assets			
Property, plant and equipment	42,573	42,573	0
Goodwill	296,132	296,132	0
Other intangible assets	72,734	80,293	7,559
Right-of-use - Leasing	148,600	0	(148,600)
Investments in associates	15,777	15,777	0
Financial instruments - Derivatives	5,500	5,500	0
Other non-current financial assets	48,148	48,148	0
Other non-current assets	143,389	143,389	0
Deferred tax assets	32,420	31,924	(496)
Total non-current assets	805,273	663,736	(141,537)



(In Euro thousands)	2019 Published	2019 Without IFRS 16	Effect of change
Current assets			
Inventories	2,738	2,738	0
Advance payments to suppliers	439,358	439,358	0
Contractual Assets	1,892,365	1,892,365	0
Trade receivables	555,286	555,286	0
Current tax assets	118,577	118,577	0
Financial instruments - Derivatives	23,705	23,705	0
Other current financial assets	6,457	6,457	0
Other current assets	185,262	185,262	0
Cash and cash equivalents	727,394	727,394	0
Total current assets	3,951,141	3,951,141	0
Non-current assets classified as held-for-sale	97,314	97,314	0
Elimination of assets to and from assets/liabilities held-for-sale	(17,988)	(17,988)	0
Total Assets	4,835,741	4,694,203	(141,537)

(In Euro thousands)	2019 Published	2019 Without IFRS 16	Effect of change
Shareholders' Equity			
Share capital	19,921	19,921	0
Share premium reserve	272,921	272,921	0
Other reserves	7,460	7,460	0
Valuation reserve	3,232	3,232	0
Total shareholders' equity & reserves	303,534	303,534	0
Retained earnings/(accumulated losses)	(7,968)	(7,968)	0
Net income for the year	112,981	115,093	2,112
Total Group Net Equity	408,547	410,659	2,112
Minorities	40,389	40,389	0
Total Net Equity	448,936	451,048	2,112
Non-current liabilities			
Financial debt - non-current portion	244,274	244,274	0
Provisions for risk and charges - beyond 12 months	23,256	23,256	0
Deferred tax liabilities	27,941	27,941	0
Post-employment & other employee benefits	10,926	10,926	0
Other non-current liabilities	82,194	82,194	0
Financial instruments - Derivatives	1	1	0
Other non-current financial liabilities	198,094	198,094	0
Non-current financial liabilities - Leasing	127,876	0	(127,876)
Total non-current liabilities	714,562	586,686	(127,876)

(In Euro thousands)	2019 Published	2019 Without IFRS 16	Effect of change
Current liabilities			
Short-term debt	342,468	342,468	0
Current financial liabilities - Leasing	22,208	0	(22,208)
Provisions for risks and charges - within 12 months	23,179	23,179	0
Tax payables	60,735	60,735	0
Financial instruments - Derivatives	7,909	7,909	0
Other current financial liabilities	330	330	0
Client advance payments	684,272	684,272	0
Contractual Liabilities	305,013	305,013	0
Trade payables	1,960,592	1,967,026	6,434
Other Current Liabilities	202,749	202,749	0
Total current liabilities	3,609,456	3,593,682	(15,774)
Liabilities directly associated with non-current assets classified as held-for-sale	80,775	80,775	0
Elimination of liabilities to and from assets/liabilities held-for-sale	(17,988)	(17,988)	0
Total Shareholders' Equity and Liabilities	4,835,741	4,694,203	(141,537)

The right-of-use at December 31, 2019 amounted to Euro 148,600 thousand and mainly concerns the right-of-use for the office use buildings hosting Group offices and also at various work sites, some key Group assets and also motor vehicles, as follows:

(In Euro thousands)	31-12-2019
Land	90
Buildings	138,806
Plant and machinery	530
Other assets	9,175
Total	148,600

The following table analyses the breakdown and maturities of lease liabilities carried as at December 31, 2019 presented according to future cash flows, inclusive of interest:

(In Euro thousands)	Due within 1 year	Due between 1 & 5 years	Due beyond 5 years	Total
Financial liabilities - Leasing	27,138	82,450	70,634	180,222
Total	27,138	82,450	70,634	180,222
<i>Of which Capital portion</i>				150,084



OTHER ACCOUNTING STANDARDS, APPLIED FROM JANUARY 1, 2019

The following amendments and interpretations applied from January 1, 2019 did not have a significant impact on the Group consolidated financial statements.

- 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.
- 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.
- Regulation No 2018/498, enacted by the European Commission on March 22, 2018, endorsed the provisions of the document “Prepayment features with negative compensation (Amendments to IFRS 9)” issued by the IASB on October 12, 2017. The document enables measurement at amortized cost or at fair value through other comprehensive income (FVTOCI) of financial assets with an early payment option through negative compensation.
- 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 amendment requires the entity to update its assumptions and to remeasure the net liability or asset resulting 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.
- 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.

IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EU, NOT YET MANDATORY AND NOT ADOPTED IN ADVANCE BY THE GROUP AT DECEMBER 31, 2019

- On October 31, 2018, the IASB published the document “Amendments to IAS 1 and IAS 8: Definition of Material”, the provisions are effective from periods beginning on, or subsequent to, January 1, 2020. 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. The directors do not expect these amendments to have a significant impact on the financial statements.

- The International Accounting Standards Board has modified certain hedge accounting requirements. The amendments are designed to support the disclosure of useful financial information by companies during the uncertain period resulting from the gradual elimination of interest rate benchmarks such as interbank offered rates (IBORs). The Board amended its new and old standards on financial instruments, IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement, in addition to the related standard IFRS 7 - Financial Instruments: Disclosures. The amendments concern certain specific requirements for accounting for hedging operations to provide solutions to the potential effects of the uncertainty caused by the reform of the interest rate benchmarks (IBORs). In addition, the amendments require companies to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties. The amendments will take effect on January 1, 2020, with an option for early adoption. The directors do not expect these amendments to have a significant impact on the financial statements.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION AT DECEMBER 31, 2019

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 financial expenses 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, 2022, 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.
- 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. The directors do not expect these amendments to have a significant impact on the 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 and the effective date. The directors do not expect these amendments to have a significant impact on the financial statements.

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, 2018 were as follows:

- On February 20, 2019, with regards to the Green Acceleration, Maire Tecnimont through the subsidiary NextChem joined the Circular Economy sector, investing in the development of its first advanced plastics mechanical recycling plant. The plant, located in Bedizzole, in the province of Brescia, is 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.
- Consolidation of Green Compound S.r.l., a vehicle company held 51% by MyReplast Industries S.r.l.

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 so-called Purchase Price Allocation (PPA); the PPA process, carried out on the date of acquiring majority and, therefore, control, identified the amount of net assets at approximately Euro 9.5 million and additional goodwill of approx. Euro 2.7 million. This figure is provisional since, in accordance with the revised IFRS 3, the valuation becomes definitive within 12 months from the acquisition date. For further details on the business acquired, reference should be made to the “Significant events in the Period” section of the Directors’ Report.

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:

(In Euro thousands)	Fair Value - Assets/Liabilities Acquired
Assets	
Property, plant & equipment	6,653
Financial assets	1,826
Inventories	1,094
Trade receivables:	1,436
Other receivables	144
Cash and cash equivalents	70
Total Assets	11,222
Post-employment benefits	93
Trade payables	1,497
Other payables	150
Total Liabilities	1,740
Fair Value of Net Assets Acquired	9,482
% pertaining to Group	100%
Fair Value pertaining to Maire Group	9,482
Acquisition price	12,168
Goodwill	2,686
Cash and cash equivalents acquired	70
Net acquisition price	12,098

- Also with regards to Green Acceleration project, an acquisition through the conferment in kind and subsequent inclusion in the consolidation scope of 100% of MDG Real Estate S.r.l., the company owning a property complex which already hosts the operating offices and laboratories of NextChem;
- and acquisition of 55% of the investment in Bio-P S.r.l., a company involved in a research initiative regarding the utilization of algae for the creation of bio-fuels.

As an integral part of the Green Acceleration project launched by the Maire Tecnimont Group, initiatives and activities were concentrated in 2019 through the Green Concentration Project, involving a dedicated vehicle, Nextchem S.r.l., already 56.67% controlled by the Maire Group, first through KT - Kinetics Technology S.p.A. and then in 2019, following an inter-company sale, directly by Maire Tecnimont S.p.A.

Nextchem S.r.l. had been 43.33% owned for a number of years by Maire Investments S.p.A., in turn controlled by G.L.V. Capital S.p.A., the controlling shareholder of Maire Tecnimont S.p.A.

Within this context, NextChem's ownership structure proved particularly appropriate for developing initiatives that require technological development skills, while also necessitating access to capital markets. Accordingly, Nextchem S.r.l. was identified as the corporate vehicle suited to rolling out the Project of green initiatives present within the Group and certain assets functional to the Project.

The Group's initiatives involved in the Green Concentration Project consist of licenses, patents, contracts and equity investments previously held by subsidiaries of Maire Tecnimont, with a total value of Euro 8.2 million (the "Group's Green Initiatives"), subject to contribution in kind following a capital increase by Nextchem S.r.l.;

The assets functional to the Project formerly owned by Maire Investments and subject to the Green Concentration consist of an equity interest in a company by held by the same subsidiary that owns a real-estate complex with a value of Euro 7.5 million formerly used as NextChem's operational offices and laboratories and the 55% equity interest held by that same company in Bio-P S.r.l.

- On July 18, 2019 - The Maire Tecnimont Group announced the acquisition through Stamicarbon, the Group licensing and innovation subsidiary, of the company Protomation. Protomation is a Dutch company specialized in Information Technology and particularly the development of cutting-edge software and simulators for plant operating training (OTS, operator training simulators), targeting the chemical processing industry and with a strong track record in collaborating with fertilizer producers. Stamicarbon has worked with Protomation for more than 10 years in developing software packages and training simulators for urea plant operators utilizing Stamicarbon's technology and design.

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 net assets at approximately Euro 0.5 million and additional goodwill of approx. Euro 1.7 million. This figure is provisional since, in accordance with the revised IFRS 3, the valuation becomes definitive within 12 months from the acquisition date. For further details on the business acquired, reference should be made to the "Significant events in the Period" section of the Directors' Report.

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:



(In Euro thousands)	Fair Value - Assets/Liabilities Acquired
Assets	
Intangible Assets	167
Property, plant & equipment	33
Contractual Assets	119
Trade receivables	123
Other receivables	188
Cash and cash equivalents	69
Total Assets	699
Trade payables	21
Tax payables	85
Other payables	61
Total Liabilities	166
Fair Value of Net Assets Acquired	533
% pertaining to Group	100%
Fair Value pertaining to Maire Group	533
Acquisition price	2,225
Goodwill	1,692
Cash and cash equivalents acquired	69
Net acquisition price	2,156

- Formation and inclusion in the consolidation scope of KT Angola in support of the Group's initiative in the Eni Angola Exploration B.V. project to modernize the refinery in Luanda, Angola on an LSTK (EPC) basis.
- Deconsolidation of Maire Engineering France SA and COAV S.c.a.r.l. following their liquidation;
- reverse merger of Maire Green Chemicals S.r.l. into the subsidiary MyReplast Industries S.r.l, a newly formed company acquired in 2019.

The acquisition values for the acquisition in the previous year (on December 31, 2018) of a 50.1% interest in U-Coat (Urea Coating) S.p.A. from Bio-on S.p.A. and additional commercial agreements became final pursuant to IFRS 3.

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:

(In Euro thousands)	Fair Value - Assets/Liabilities Acquired
Assets	
Intangible Assets	8
Tax receivables	1,323
Other receivables	1,335
Cash and cash equivalents	1,335
Total Assets	4,001
Trade payables	16
Other payables	2,500
Total Liabilities	2,516
Fair Value of Net Assets Acquired	1,485

(In Euro thousands)	Fair Value - Assets/Liabilities Acquired
% pertaining to Group	50.10%
Fair Value pertaining to Maire Group	744
Acquisition price	45
Recognition of result of acquisition	-699

It was only in the fourth quarter of 2019 that the Maire Group was able to verify, in concrete terms, the progress of the activity relating to the plant and marketability of the PHA fertilizer technology product and obtain concrete technical information following the acquisition at the end of December 2018, which had been undertaken on the basis of a limited technical data set and which had involved conditional, deferred payment steps for the very reason of allowing the Maire Group to verify the various states of progress of development of the technology.

The technical analyses concluded that adaptation of the PHA fertilizer technology to an industrial process in commercial quantities had yet to be completed. In any event, insofar as could be determined, it is a complex, costly process that at present does not cover the variable production costs and effectively excludes the existence of a market.

Finally, in December 2019 the Court of Bologna declared Bio-On bankrupt. Given this, it seems impossible for Bio-On to continue to carry out all the necessary activities, with the associated costs, to complete the development process for the coating and any other activity needed to bring this PHA fertilizer technology to market, effectively making it impossible for U-Coat to exploit it.

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:

- adoption of the line-by-line consolidation method, with the full recognition of assets, liabilities, costs and revenue, irrespective of the shareholding;
- adoption of the proportion consolidation method, recognizing the percentage held in the assets, liabilities, costs and revenue;
- 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;
- elimination of inter-company dividends and relative adjustment of opening equity reserves;
- 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;
- recognition, in separate equity and income statement accounts, of the share capital, reserves and income for the period of minorities;
- 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 '19	31.12.2019	January- December '18	31.12.2018
Euro/US Dollar	1.119500	1.123400	1.1810	1.1450
Euro/Brazilian Real	4.413400	4.515700	4.3085	4.4440
Euro/Indian Rupee	78.836100	80.187000	80.7332	79.7298
Euro/Nigeria Naira	343.051200	344.322100	360.9013	350.9425
Euro/Chilean Peso	786.890000	844.860000	756.94	794.37
Euro/Russian Ruble	72.455300	69.956300	74.0416	79.7153
Euro/Saudi Arabia Riyal	4.198000	4.212800	4.4286	4.2938
Euro/Polish Zloty	4.297600	4.256800	4.2615	4.3014
Euro/Malaysian Ringgit	4.637400	4.595300	4.7634	4.7317
Euro/Mexican Pesos	21.556500	21.220200	22.7054	22.4921
Euro/GBP	0.877770	0.850800	0.88471	0.89453
Euro/AED	4.111300	4.125700	4.337100	4.205000

The consolidation scope at December 31, 2019 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%
Met Dev 1 S.r.l.	Italy	EUR	30,413,000	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.	Italy	EUR	18,095,252	56.67%	Maire Tecnimont S.p.A.	56.67%
MyReplast S.r.l.	Italy	EUR	10,000	51%	Nextchem S.r.l.	51%
MyReplast Industries S.r.l.	Italy	EUR	100,000	51%	Nextchem S.r.l.	51%
Green Compound S.r.l.	Italy	EUR	100,000	100%	MyReplast Industries S.r.l.	100%
U-Coat S.p.a.	Italy	EUR	7,500,000	50.1%	Nextchem S.r.l.	50.1%
MDG Real Estate S.r.l.	Italy	EUR	50,000	100%	Nextchem S.r.l.	100%
Bio-P S.r.l.	Italy	EUR	102,000	85%	Nextchem S.r.l.	85%
Stamicarbon USA Inc	USA	USD	5,500,000	100%	Nextchem S.r.l.	100%
Stamicarbon B.V.	Holland	EUR	9,080,000	100%	Maire Tecnimont S.p.A.	100%
Protomation B.V.	Netherlands	EUR	23,250	100%	Stamicarbon B.V.	100%

Consolidated companies	Location	Currency	Share capital	% Group	Through:	
Vinxia Engineering a.s. in liquidation	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%
KT Angola lda	Angola	AOA	93,064,320	100%	KT S.p.A.	100%
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	63,488	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%
MT Russia LLC (previously Tecnimont Russia LLC)	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	28,536,679	100%	Tecnimont Private Limited	100%
Tecnimont do Brasil Ltda.	Brazil	Real	606,973,492	100%	Tecnimont S.p.A.	99.34%
					TPI Tecnimont Planung und Industrieanlagenbau GmbH	0.66%
					Tecnimont S.p.A.	99.518%
Tecnimont Chile Ltda.	Chile	Pesos	58,197,504,153	100.00%	Tecnimont do Brasil Ltda.	0.4809%
					T.P.I.	0.0004%
Consorcio ME Ivai	Brazil	Real	12,487,309	65%	Tecnimont do Brasil Ltda.	65%
Tecnimont Mexico SA de CV	Mexico	MXN	50,000	100%	Tecnimont S.p.A.	90.00%
					TWS S.A.	10.00%
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%
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%



Consolidated companies	Location	Currency	Share capital	% Group	Through:	
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%
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 Turbigo 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-Dodsal-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.

The accounting policies utilized in preparing the 2019 consolidated annual financial statements are the same as those adopted in preparing the 2018 consolidated financial statements, except for the changes resulting from the first-time adoption of the international accounting standard IFRS 16 - *Leases*, which entered into effect on January 1, 2019, as discussed above in the “Accounting standards applied from January 1, 2019” paragraph.

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 formalised 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.

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;
- It is probable that the asset will generate future economic benefits;
- There exists the technical, financial and other resources 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.

RIGHT-OF-USE - LEASING

IFRS 16 establishes a single model for accounting for lease contracts involving the recognition by the lessee of a right-of-use asset and a lease liability representing the obligation to make the payments required under the contract. At the commencement date (the date on which the asset is made available for use), the right of use is initially measured at cost as the sum of the following:

- the initial amount of the lease liability;
- the payments due for the lease made on or before the commencement date, net of any incentives received for the lease;
- the initial direct costs incurred by the lessee;
- the estimated costs that the lessee expects to pay to dismantle and remove the underlying asset and restore the site in which it is located or to restore the underlying asset to the conditions provided for in the terms and conditions indicated in the lease contract.

After initial recognition, the right of use is amortized, tested for impairment and adjusted to reflect any restatement of the lease liability. Amortization is applied on a straight-line basis according to the term of the contract, taking account of renewal/termination options that are highly likely to be exercised. Only if the lease provides for a reasonably certain purchase option is the right-of-use asset depreciated systematically over the entire useful life of the underlying asset.

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.

In addition, IFRS 16 requires that lessees test rights of use associated with leased assets for impairment in accordance with IAS 36, similarly to other owned company assets. Accordingly, when there are signs of impairment, it must be determined whether the right of use may be tested on a stand-alone basis or at the level of CGU.

When testing a right of use for impairment, the following must be considered: (i) upon first-time adoption, the maintenance of initial recognition values as a function of the absence (or presence) of provisions for onerous contracts relating to outstanding lease contracts; (ii) the allocation to the CGUs in question of the right-of-use assets for the leased assets; (iii) the term of the underlying lease contract with respect to the time horizon considered in determining the cash flows of the CGU; and (iv) the value in use of a CGU that includes a right of use.

After examining the various options currently available in the literature, the Group decided to include the right of use net of the related lease liability in the CGU being assessed and determine the value in use considering the outlays for lease rentals using a pre-IFRS 16 discounting rate.

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 under the category of claims held for collection (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. 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”).

FINANCIAL LIABILITIES - LEASING

Under IFRS 16, the lease liability is initially measured at the present value of the payments due for the lease not yet made at the commencement date, which include:

- the fixed payments that are reasonably certain to be paid, net of any lease incentives to be received;
- the variable payments due that depend on an index or a rate (variable payments such as rentals based on the use of the leased asset, are not included in the lease liability, but taken to the income statement as operating costs over the term of the lease contract);
- any amounts expected to be paid as security for the residual value granted to the lesser;
- the exercise price of the purchase option, if the lessee is reasonably certain to exercise it;
- the penalty payments for breaking the lease, if the lessee is reasonably certain to exercise this option.

The present value of these payments is calculated by adopting a discount rate equal to the implicit interest rate on the lease or, where this cannot be easily determined, using the lessee’s incremental financing rate. The lessee’s incremental financing rate is determined on the basis of the frequency and duration of the payments provided for in the lease contract, the currency in which they are denominated and the characteristics of the lessee’s economic environment.

Future cash flows are therefore discounted at the risk-free rate of the respective currencies, plus a spread for the specific risk of the Company, established as the difference between the yield on the listed Maire Tecnimont S.p.A. debt securities against an instrument with similar features but without risk. The marginal average weighted interest rate applied for the calculation of the financial liabilities at January 1, 2019 was 3.6%.

After initial recognition, the lease liability is measured at amortized cost (i.e., by increasing its carrying amount to take account of the interest on the liability and decreasing it to take account of the payments made) using the effective interest rate and is redetermined, with a balancing entry to the carrying amount of the related right of use, to reflect any modifications to the lease following contractual renegotiations, changes in indices or rates or modifications relating to the exercise of contractually established renewal, early termination or leased asset purchase options.

The new Standard eliminates the classification, for the lessee, of leases as operating or financial, with limited exceptions to the application of the accounting treatment (allocation of lease rentals to the income statement on an accrual basis for leases that qualify as “short-term” or “low-value”). For the financial statements of lessors, however, the separation is maintained between operating and financing leases.

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, 2019, the plans within this category included 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, 2019, the plan within this category was the 2017-2019 Restricted Stock Plan.

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 Group classifies exchange differences in the 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 2019 amounted to Euro 3,297,404 thousand, a decrease of Euro 316,178 thousand on the previous year as follows:

<i>(In Euro thousands)</i>	2019	2018
Revenues from sales and services	573,816	303,890
Changes in contract work-in-progress	2,723,588	3,309,692
Total	3,297,404	3,613,582

Specifically, the movement for the year is principally due to the Euro 586,104 thousand decrease in the account “change in contract work-in-progress”, reflecting the now conclusive phase reached in the main EPC orders from previous years.

“Revenues from sales and services” however reported an increase of Euro 269,926 thousand, mainly due to the higher revenues from orders completed in the year. The account includes also the revenues at the acquisition date of MyReplast Industries S.r.l., a plastics mechanical recycling enterprise, for Euro 12,600 thousand.

Volumes reflect the development of portfolio projects and their performance over time, depending upon the scheduling of the individual works. In particular, in 2019 production levels reflect the reaching of the conclusive stages of the main prior year EPC contracts, not yet fully offset by new acquisitions which are still in the initial engineering phases, and temporary phasing of several EPC projects recorded in the third quarter of 2019. The nature of recently acquired contracts mainly concerns Engineering, Procurement, Construction Management and Commissioning services, which by their nature present lower volumes.

Group core business revenues derived for 96.4% from the “Hydrocarbons Business Unit” (95.6% in 2018), essentially in line with the previous year as a percentage of consolidated volumes due to project progress.

The principal projects of the “Hydrocarbons” BU concerned Amur, Orpic, Borouge PP5, SOCAR’s Heydar refinery in Baku and the projects in Malaysia with Petronas.

Finally, the “Green Energy” BU accounted for approx. 3.6% of revenues (4.4% in 2018), decreasing approx. Euro 41.3 million following the conclusion of orders in portfolio in the large renewables plant sector and not yet replaced by new orders and by the concluding phase also of a hospital initiative. The subsidiary NextChem, active in the circular economy and energy transition sector, started up operations simultaneously, following the investment in the first advanced mechanical plastics recycling plant.

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 6.99% of Hydrocarbons BU contract values and approx. 6.53% of Green Energy BU contracts.



At December 31, 2019, the contractual obligations to be fulfilled by the Group (residual backlog) amounted to approx. Euro 6,374 million; the Group expects to recognize these amounts to revenues in future periods in line with the industrial plan forecasts.

27.2. Other operating revenues

“Other Operating Revenues” in 2019 amounted to Euro 40,961 thousand, up Euro 7,932 thousand on the previous year and relate to:

(In Euro thousands)		
	2019	2018
Prior year income	8,476	5,992
Use of doubtful debt provision	1,212	2,182
Use of other risk provisions	16	77
Revenues from material sales	396	0
Contract penalties	2,800	7,770
Gains on disposals	166	101
Currency derivative gains	9,517	7,138
Insurance indemnities	2,794	3,598
Other income	15,585	6,172
Total	40,961	33,029

Other operating revenues refer to revenues not directly connected to the Group core business. Other operating revenues mainly refer to:

- Prior year income of Euro 8,476 thousand, principally relating to payables no longer due and the reversal of costs accrued in previous years;
- Currency derivative gains, amounting to Euro 9,517 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 2,794 thousand, income recognized following an insurance payout made in the year;
- Contractual penalty income, equal to Euro 2,800 thousand principally relating to the enforcement of bonds following delays and other penalties applied to suppliers;
- utilization of the doubtful debt provision for Euro 1,212 thousand for trade receivables losses determined certain in 2019 and included in “Other Operating Costs”;
- the other accounts refer mainly to disposal gains, reimbursements for subsidized taxes and other income;

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: Hydrocarbons and Green Energy.

The BU figures are in line with the new 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. **‘Hydrocarbons’ 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. **“Green Energy” Business unit**, involved in Green Acceleration initiatives managed by NextChem and its subsidiaries, focused on the circular economy, undertaking mechanical plastics recycling and the promotion of recycled chemicals; 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. It also works on large-scale renewables sector plant (mainly solar and wind). The Group provides maintenance and facility management services, in addition to general services for temporary construction facilities and the design and construction of infrastructure.

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:

2019 SEGMENT REVENUES AND RESULT:

(In Euro thousands)				
	Revenues		Segment result (EBITDA)	
	2019	2018	2019	2018
Hydrocarbons	3,219,320	3,486,298	234,064	204,787
Green Energy	119,044	160,314	1,527	938
Total	3,338,364	3,646,612	235,592	205,723



2019 INCOME STATEMENT BY SEGMENT:

<i>(In Euro thousands)</i>			
	Hydrocarbons	Green Energy	Total
Segment revenues	3,219,320	119,044	3,338,364
Industrial margin (Business Profit)	309,848	7,140	316,988
Segment result (EBITDA)	234,064	1,527	235,592
Amortization, depreciation, write-downs and provisions	0		(46,690)
EBIT	234,064	1,527	188,902
Financial income/(expenses)			(21,895)
Income before taxes			167,007
Income taxes			(52,311)
Net income			114,695
Group net income			112,981
Minority interest net income			1,714

2018 INCOME STATEMENT BY SEGMENT:

<i>(In Euro thousands)</i>			
	Hydrocarbons	Green Energy	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

BALANCE SHEET AT 31.12.2019 BY SEGMENT:

<i>(In Euro thousands)</i>			
	Hydrocarbons	Green Energy	Total
Segment assets	3,397,889	477,861	3,875,750
Assets not allocated (**)			977,978
Total Assets			4,835,741
Segment liabilities	(3,031,597)	(341,209)	(3,372,805)
Liabilities not allocated (**)			(1,480,923)
Total Liabilities			(4,835,741)

(**) 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 31.12.2018 BY SEGMENT:

<i>(In Euro thousands)</i>			
	Hydrocarbons	Green Energy	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)

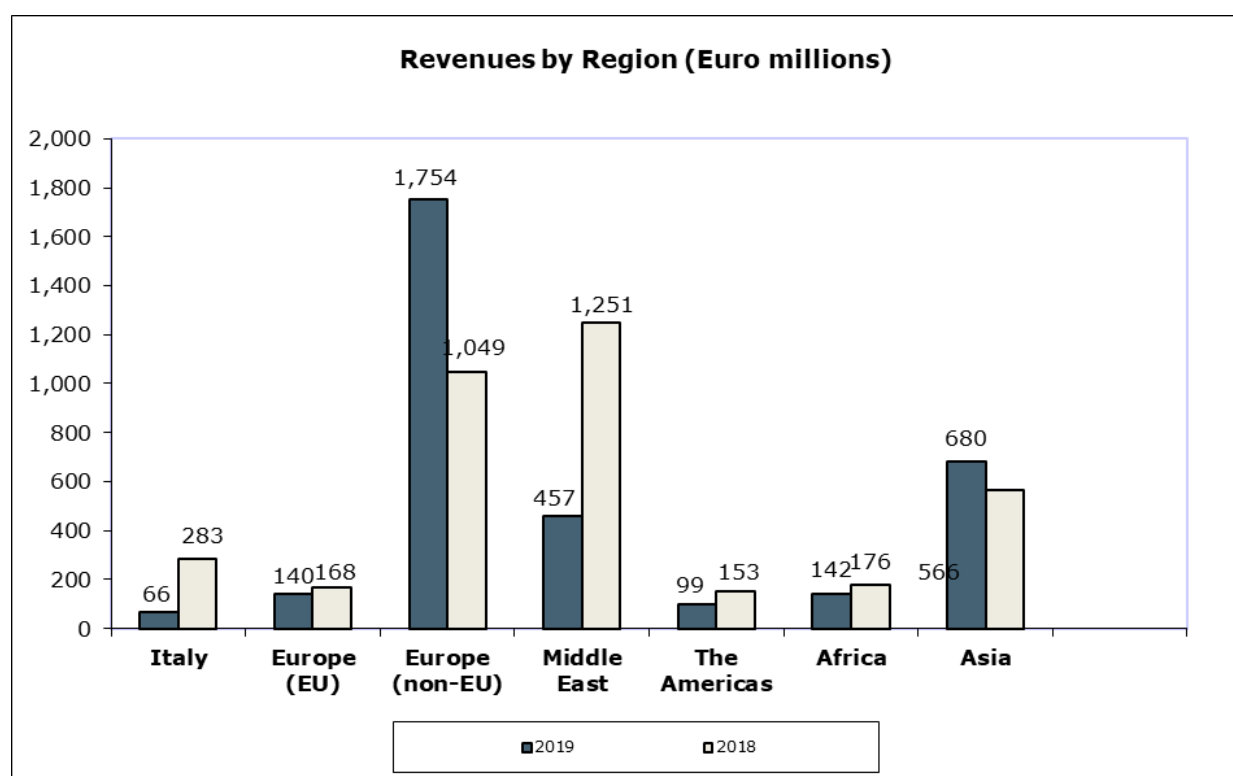
(**) The asset and liability accounts not allocated principally refer to treasury and tax assets and liabilities of the corporate entity and are not allocated to the segments as excluding operating activities.



REGIONAL SEGMENTS:

The regional breakdown of Revenues in 2019 compared to the previous year is illustrated below:

(In Euro thousands)		2019		2018		Change	
		Total	%	Total	%	Total	%
Italy		66,194	2.0%	282,579	7.7%	(216,385)	(76.6%)
Overseas							
· Europe (EU)		140,266	4.2%	168,072	4.6%	(27,805)	(16.5%)
· Europe (non-EU)		1,754,147	52.5%	1,048,783	28.8%	705,364	67.3%
· Middle East		456,658	13.7%	1,251,380	34.3%	(794,722)	(63.5%)
· The Americas		99,224	3.0%	153,238	4.2%	(54,015)	(35.2%)
· Africa		142,291	4.3%	176,205	4.8%	(33,914)	(19.2%)
· Asia		679,585	20.4%	566,190	15.5%	113,395	20.0%
· Other		0	0.0%	165	0.0%	(165)	na
Total Consolidated Revenues		3,338,364		3,646,612		(308,246)	(8.5%)



The main regional revenue sources were Europe - non-EU (52.5%), which reflects the development of operations in Russia. As apparent in the revenues table, a reduction was reported in the Middle East and in Italy following the completion of the main projects in the region.

27.4. Raw materials and consumables

Raw materials and consumables for the year 2019 amount to Euro 951,086 thousand, a decrease of Euro 144,137 thousand compared to the previous year.

The breakdown of the account is as follows:

<i>(In Euro thousands)</i>	2019	2018
Raw material purchases	(942,754)	(1,079,403)
Consumables	(6,553)	(13,657)
Fuel	(1,899)	(1,930)
Change in inventories	119	(232)
Total	(951,086)	(1,095,223)

In particular, “Raw material purchases” in 2019 decreased Euro 136,650 thousand, due to the reduced material procurement needs for orders acquired in prior years, for which the issue and execution phase of the main order equipment had been completed, and which reached a conclusive phase during the year. New orders are in the initial phases while awaiting the issue of the main equipment orders; the progress is in line with project planning. The nature of recently acquired contracts mainly concerns Engineering, Procurement, Construction Management and Commissioning services, which by their nature present lower raw material purchasing volumes.

“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 2019 amounted to Euro 1,607,531 thousand, a decrease of Euro 203,501 thousand on the previous year.

The breakdown of the account is as follows:

<i>(In Euro thousands)</i>	2019	2018
Sub-contractors	(1,070,932)	(1,372,168)
Turnkey design	(205,017)	(195,233)
Cost recharges	(1,650)	(4,047)
Utilities	(12,168)	(10,954)
Transport Costs	(103,289)	(51,679)
Maintenance	(10,042)	(9,006)
Consultants and related services	(29,833)	(26,497)
Increase in internal work capitalized	9,180	8,729
Bank expenses and sureties	(43,497)	(34,748)
Selling & advertising costs	(10,633)	(11,717)
Accessory personnel costs	(55,019)	(50,221)
Post & telephone and similar	(836)	(672)



(In Euro thousands)	2019	2018
Insurance	(11,567)	(8,946)
Other	(62,228)	(43,872)
Total	(1,607,531)	(1,811,032)

The general movement in “services costs” reflects the development of projects in the order portfolio and the uneven performance over time depends on the scheduling of the individual works in the various activities. In particular, in 2019 production levels reflect the reaching of the conclusive stages of the main prior year EPC contracts, not yet fully offset by new acquisitions which are still in the initial engineering phases, and temporary phasing of several EPC projects recorded in the third quarter of 2019. The nature of recently acquired contracts mainly concerns Engineering, Procurement, Construction Management and Commissioning services, which by their nature present lower volumes.

“Sub-contractors” reported the largest decrease compared to the previous year (Euro 301,237 thousand), mainly due to construction phase sub-contract costs and the main projects, which reached a conclusive phase during the year.

“Turnkey design” reports however an increase related to the initial research and design phase of the main newly acquired orders and also the nature of the recently acquired contracts regarding Engineering services and Procurement services.

“Accessory Personnel costs” increased, principally due to a higher average number of personnel compared to 2019.

“Transport costs” increased on the previous year, also due to a different operational mix, with significant acquisitions and deliveries in 2019 to sites of raw materials and equipment.

“Consultants and related services” rose due to a small increase in “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” include the costs for the services provided by banks and other financial companies other than true and proper financial expenses and commissions and accessory expenses to loans which are included under financial expenses; 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.

All the other costs are substantially in line with the previous year.

27.6. Personnel expense

Personnel expense in 2019 amounts to Euro 455,447 thousand, an increase of Euro 39,613 thousand compared to the previous year.

The breakdown of the account is as follows:

<i>(In Euro thousands)</i>	2019	2018
Wages and salaries	(363,231)	(330,626)
Social security charges	(71,355)	(62,024)
Post-employment benefits	(15,144)	(14,078)
Other costs	(5,716)	(9,106)
Total	(455,447)	(415,834)

As at December 31, 2019 there was an increase in headcount of 207 on the end of 2018, resulting in a Group headcount of 6,347, due to the 1,610 new hires and 1,403 departures in the period. The increase involved, in particular, the following geographical areas:

- the “India Region” with an increase of 165;
- “Italy & Rest of Europe” (+107), where the greatest number of hires was due to the subsidiaries Tecnimont S.p.A. (+64) and NextChem Srl (formerly Processi Innovativi Srl). In February 2019 the Company entered the circular economy sector as part of the Green Acceleration project, investing in the development of its first advanced plastics mechanical recycling plant, located in Bedizzole (BS) and managed by MyReplast Industries, a recently incorporated subsidiary of NextChem Srl; in the same geographical area, mention should also be made of the acquisition, through the Dutch subsidiary Stamicarbon, of Promomation B.V., a company engaged in digital innovation;
- “Russia & Caspian Region”, with an average increase in headcount of 256 attributable to the development of the projects AMUR in Russia and HAOR in Azerbaijan. There is also a significant plan in progress to enhance local skills and facilities, in addition to rationalizing the Group’s legal entities present in the area. The purpose of this rationalization process is to facilitate: i) the achievement of economic and operating synergies; ii) an approach to the local market based on a single commercial platform; and iii) the pursuit of cost optimization, leveraging simplification and process efficiency gains;
- “North America Region”, where the increase in headcount bears witness to the Group’s continuing process of penetration into the US market, in order to provide even better support to its clients, such as Exxon Mobil and Motiva, and projects, through the consolidation of the Houston engineering hub;
- “North Africa & Sub-Saharan Africa Region”, with an increase in headcount of 23% on the end of 2018, attributable to the Group’s first project in Algeria - ZCINA, Hassi Messaoud - which lays the foundation for penetration of a country where oil and gas now represents a key sector of the economy. Mention should also be made of the launch of activity in Angola on the new NNHP (New Naphta Hydrotreating and Platforming units) unit of the Luanda refinery.

On the other hand, the decrease in headcount of 115 in the “Middle East Region” is primarily attributable to the partial demobilization of resources operating on the ADCO and ADGAS projects, where, however, warranty activities and additional work agreed with the clients continue.

Graduates at the Maire Tecnimont Group at December 31, 2019 accounted for 67.6% of the workforce; the average age was approx. 41.7.

In terms of gender breakdown, females - further increasing on 2018 - represent 19.6% of the total Group 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 31/12/2019 of the Maire Tecnimont Group, with movements (by qualification and region) on 31/12/2018 (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 31/12/2019 and 31/12/2018, with the relative movements:



Changes in workforce by category (31/12/2018-30/09/2019):

Category	Workforce 31/12/2018	Hires	Departures	Reclassification employee category (*)	Workforce 31/12/2019	Cge. Workforce 31/12/2019 vs. 31/12/2018
Executives	639	40	(35)	16	660	21
Managers	2,132	355	(317)	121	2,291	159
White-collar	3,151	1,081	(962)	(133)	3,137	(14)
Blue-collar	218	134	(89)	(4)	259	41
Total	6,140	1,610	(1,403)	0	6,347	207
Average headcount	5,846				6,363	

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

The classification of the qualifications above does not necessarily reflect the contractual classification under Italian employment law, but corresponds to the identification criteria adopted by the Group on the basis of roles, responsibilities and duties.

Changes in workforce by region (31/12/2018-31/12/2019):

Region	Workforce 31/12/2018	Hires	Departures	Reclassification employee category (*)	Workforce 31/12/2019	Cge. Workforce 31/12/2019 vs. 31/12/2018
Italy & Rest of Europe	2,857	479	(336)	(36)	2,964	107
India Region	1,872	309	(164)	20	2,037	165
South East Asia and Australian Region	2	5	0	(1)	6	4
Rest of Asia	190	61	(94)	14	171	(19)
Russia & Caspian Region	552	471	(438)	(1)	584	32
North America Region	4	17	(3)	3	21	17
Central and South America Region	23	2	(2)	(2)	21	(2)
Middle East Region	561	217	(335)	3	446	(115)
North Africa Region & Sub-Saharan Africa Region	79	49	(31)	0	97	18
Total	6,140	1,610	(1,403)	0	6,347	207

Changes in workforce by operational region (31/12/2018 - 31/12/2019):

Region	Workforce 31/12/2018	Workforce 31/12/2019	Cge. Workforce 31/12/2019 vs. 31/12/2018
Italy & Rest of Europe	2,439	2,654	215
India Region	1,605	1,831	226
South East Asia and Australian Region	3	23	20
Rest of Asia	280	221	(59)
Russia & Caspian Region	794	782	(12)
North America Region	4	24	20

Region	Workforce 31/12/2018	Workforce 31/12/2019	Cge. Workforce 31/12/2019 vs. 31/12/2018
Central and South America Region	98	82	(16)
Middle East Region	760	564	(196)
North Africa Region & Sub-Saharan Africa Region	157	166	9
Total	6,140	6,347	207

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 Group's 2017-2019 Restricted Stock Plan is 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 this plan for the year amounted to Euro 1,979 thousand, also based on a fair value of the equity instruments equal of Euro 4.682 per share for the Restricted Stock Plan.

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".

During the year, the shares relating to the Third Cycle (2018) of the Employee Share Ownership Plan were awarded to the over 4,000 beneficiaries, and this Plan has thus effectively been concluded. In addition, the conclusion of the 2016-2018 Performance Share Plan was announced.

The account "Personnel expense" also includes the annual share of the new long-term incentive plan dedicated to the Chief Executive Officer and selected senior executives (LTI) approved by Maire Tecnimont's Board of Directors in July 2019; the accrued share of the severance benefits for Maire Tecnimont's Chief Executive Officer approved by the same Board of Directors; and the additional charges of the employee flexible benefits plans ("Maire4You"), the participation bonus and the estimated accrued share of the Management by Objectives (MBO) Plans for executives.

27.7. Other operating costs

Other operating costs in 2019 amount to Euro 88,709 thousand, a decrease of Euro 30,091 thousand compared to the previous year. The breakdown of the account is as follows:



(In Euro thousands)		
	2019	2018
Contractual penalties	(9,755)	(111)
Rental	(22,189)	(47,046)
Hire	(28,788)	(32,032)
Losses on receivables	(2,236)	(1,845)
Operating currency losses	(2,956)	(10,111)
Other costs	(22,784)	(27,654)
Total	(88,709)	(118,800)

The general reduction in the “Rental” account and the performance of the Hire account is due to the application from January 1, 2019 of the new standard IFRS 16.

Adoption of the new standard to identified contracts have determined that: • In the balance sheet: the initial recognition (i) of an activity, representative of the right-of-use 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 leasee 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 gross operating profit due to the elimination of rental and registration cost (i) the depreciation of the right-of-use and (ii) financial expenses on debt.

The residual account “Rental” mainly refers both to the cost of property and apartment rentals, also at various work sites with short-term duration and therefore excluded from the application of IFRS 16, in addition to accessory office use property costs for the Group offices and also at the various sites.

The account “Hire”, also down due to the application of IFRS 16, refers mainly to Group plant hire charges, with short-term duration and therefore excluded from the application of IFRS 16, software application hire and other rental services, mainly due to the share of the operating rentals.

“Contractual penalties” essentially related to the Mainka dispute; in February 2019, Mainka obtained from the Milan Court of Appeal provisional enforceability of the award, although the appeal against the award’s recognition is still pending.

“Operating exchange differences” reflect the net loss between currency gains and losses; the reduction follows currency market movements and those on foreign currencies regarding ongoing projects;

“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; this relates to the purchase of licenses and patents for a number of new orders acquired in the previous year.

27.8. Amortization, depreciation & write-downs

Amortization, depreciation and write-down of fixed assets in 2019 amount to Euro 43,663 thousand, an increase of Euro 24,319 thousand compared to the previous year.

The breakdown of the account is as follows:

(In Euro thousands)		
	2019	2018
Amortization	(16,393)	(15,849)
Depreciation	(4,668)	(3,496)
Depreciation of right-of-use - Leasing	(22,488)	0
Other fixed asset write-downs	(115)	0
Total	(43,663)	(19,344)

Amortization and depreciation significantly increased on the preceding year following the application from January 1, 2019 of the new IFRS 16 and the initiation of amortization and depreciation on new Group operating assets - mainly software and other applications.

The adoption of the new standard for identified contracts resulted in therefore:

- In the balance sheet: the initial recognition (i) of an asset, representative of the right-of-use 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 leasee 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 right-of-use and (ii) the financial expenses on the recorded payable.

Amortization of intangible assets principally refers to:

- the amortization of development costs of Euro 56 thousand, relating to the development of software and simulators for plants of the recently acquired Protomation;
- amortization of patent rights, amounting to Euro 1,349 thousand, principally relating to urea licenses patented by Stamicarbon and the other licenses developed by the Group also in relation to the Nextchem Group;
- amortization of concessions and licenses, amounting to Euro 1,578 thousand and principally relating to Group software license applications;
- amortization of other intangible assets of Euro 4,116 thousand. This account increased 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.
- the amortization of the contractual costs, equal to Euro 9,294 thousand; "Contractual costs" include costs for the obtaining of contracts and contract fulfillment costs; IFRS 15 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.

Depreciation on plant and machinery increased mainly due to the change in the consolidation scope as a consequence of the acquisition in 2019 by Nextchem S.r.l. of MyReplast Industries S.r.l., a company that manages an advanced mechanical plastics recycling plant located in Bedizzole, in the Province of Brescia.



Depreciation of property, plant and equipment principally refers to:

- depreciation of own buildings for Euro 561 thousand, principally in relation to the buildings of the Indian subsidiary Tecnimont Private Limited for Euro 77 thousand as a consequence of the acquisition by Nextchem of MyReplast Industries S.r.l. and residually on the Group's other owned assets;
- depreciation on plant and machinery for Euro 756 thousand and industrial equipment for Euro 221 thousand (assets supporting site operations); these accounts significantly increased on the previous year following the acquisition by Nextchem S.r.l. in 2019 of MyReplast Industries S.r.l. (the company that manages an advanced mechanical plastics recycling facility located in Bedizzole, in the province of Brescia);
- for Euro 3,130 thousand depreciation of other assets, office furniture, leasehold improvements, EDP, motor vehicles and industrial transport vehicles.

The depreciation of the right-of-use - leasing of Euro 22,488 thousand was recognized following the introduction of the new standard IFRS 16 and mainly concerns the right-of-use recognized on the buildings hosting the Group offices and at various worksites, in addition to number of key Group assets and also motor vehicles.

Other write-downs of Euro 115 thousand were made amid impairments on some Group assets.

27.9. Doubtful debt provision and risk provisions

The doubtful debt provision and risk provisions for 2019 amount to Euro 3,027 thousand, an increase of Euro 2,160 thousand compared to the previous year.

The breakdown of the account is as follows:

(In Euro thousands)	2019	2018
Doubtful debt provision	(2,817)	(706)
Risk provision	(209)	(161)
Total	(3,027)	(867)

The doubtful debt provision in the year amounts to Euro 2,817 thousand, increasing on the previous year, in which additional provisions were not made after the initial application of IFRS 9 from the beginning of 2018.

However, the account in 2019 reported greater provisions as a consequence of a greater amount receivable than in the previous year, which for some positions was also affected by a deterioration of counterparty risk; the provisions account was also affected by write-downs of receivable due to risks related to old infrastructure initiatives.

For IFRS 9, the impairment requirements are based on an expected credit loss (ECL) model utilizing supporting information, available without unreasonable charges or effort, which includes historic, current and projected figures.

Provisions for risks and charges amount to Euro 209 thousand and include the provisions for charges relating to legal cases and other disputes.

27.10. Financial income

(In Euro thousands)		
	2019	2018
Income from associates	29	8
Income from group companies	123	264
Other income	9,311	11,436
Income on derivatives	9,776	9,384
Total	19,239	21,092

Financial income amounted to Euro 19,239 thousand and decreased Euro 1,853 thousand compared to the previous year, mainly due to the lesser interest income recorded on lower average cash balances than in the previous year.

“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 associates”, for Euro 63 thousand mainly concerns interest from the company Società Siluria Technologies Inc and for Euro 60 thousand from Pursell Agri-Tech, LLC, a US start-up specialized in the development and distribution of polymer-coated controlled release fertilizers.

“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. Interest income decreased on the previous year due to lower levels of liquidity held.

Income on derivatives for Euro 9,776 thousand refer specifically to:

- for Euro 4,129 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 major orders exposed to the Russian Ruble;
- for Euro 4,674 thousand the positive mark-to-market change in some hedging instruments to hedge the exposure to changes in the price of raw materials (principally copper, palladium and platinum); 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 34 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 422 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, and for Euro 517 thousand the increase in the mark-to-market of a TRES instrument in existence as at December 31, 2019 relating essentially to existing personnel incentive plans.



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. The contract for approximately two million units is set to expire on December 31, 2020. For accounting purposes, the TRES is measured in accordance with IFRS 9 as a fair value derivative through P&L.

27.11. Financial expenses

(Euro thousands)	2019	2018
Charges from group companies	(2)	(2)
Other charges	(18,523)	(17,821)
Interest/Other Bond Charges	(6,806)	(5,360)
Charges on derivatives	(6,471)	(13,015)
Financial expenses right-of-use - Leasing	(5,859)	0
Total	(37,660)	(36,198)

Financial expenses amounted to Euro 37,660 thousand and increased Euro 1,462 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”, amounting to Euro 18,523 thousand, 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 and reported an increase on the previous year, primarily due to the effect of increases in the negative balances of the current account for the use of lines of credit granted to manage short-term commercial requirements and the use of working capital lines in support of short-term needs within the framework of working capital management for certain projects.

The “Interest Bond” charges, amounting to Euro 6,806 thousand, specifically refer to:

- for Euro 2,170 thousand the monetary and non-monetary component of the interest on the non-convertible bonds 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. In 2019 Maire Tecnimont redeemed a tranche of these bonds with a nominal amount of Euro 20 million in advance.
- for Euro 4,636 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..

The increase in the bond interest charges on the previous year was primarily due to the fact that the bond of Euro 165 million had only accrued in eight months of 2018.

Charges on derivatives for Euro 3,214 thousand refer specifically to:

- for Euro 3,432 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 increased on the previous year 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 major Russian orders exposed to the Russian Ruble;
- for Euro 121 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, palladium and platinum); 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 2,918 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 essentially tied to the personnel incentive plans in place. The residual portions of the instruments as at December 31, 2019 hedged the risk relating to approx. 3.6 million shares.

The two 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. The contracts for approximately two million units are set to expire in the first half of 2020 and the remainder by December 31, 2020. For accounting purposes, the TRES is measured in accordance with IFRS 9 as a fair value derivative through P&L.

Right-of-use - Leasing financial expense at Euro 5,859 thousand concerns the financial expense matured in 2019 on finance lease liabilities recognized following the introduction of the new IFRS 16.

27.12. Investment income/(expenses)

(In Euro thousands)		
	2019	2018
Income from investments in associates	3,525	1,500
Income from investments in other companies	544	198
Revaluations/(Write-downs) associates	(1,985)	610
Revaluations/(Write-downs) other companies	(0)	(2)
Revaluations/(Write-downs) financial assets	(5,558)	0
Total	(3,474)	2,305

Net investment expense amounted to Euro 3,474 thousand, a decrease of Euro 5,779 thousand compared to the previous year, essentially due to the write-down of the convertible bond issued by Siluria Technologies Inc.

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.



Write-downs of associates concern their valuation at equity; in particular, net charges of Euro 1,985 thousand refer to:

- the equity investment in Biolevano S.r.l. for Euro 1,899 thousand;
- the equity investment in Gulf Compound Blending Ind Ltd of Euro 52 thousand;
- the equity investment in G.C.B. General Trading Ltd, which declined by Euro 11 thousand;
- equity investment in the Kazakhstan Tecnimont-KTR LLP JV for Euro 37 thousand;
- the investment in Studio Geotecnico S.r.l. recorded income of Euro 15 thousand following its valuation at equity;

The balance of charges for the write-down of financial assets of Euro 5,558 thousand refers to the write-down of the convertible bond, inclusive of accrued, unpaid interest, issued by the investee Siluria Technologies Inc.

In the case of the equity investment in Siluria Technologies Inc, in 2019, in view of the Company's difficult financial situation, the process of selling Siluria was commenced to protect the interests of all the company's creditors ("assignment for the benefit of the creditors"). In this procedure, the fund responsible had been authorized to sell Siluria to a third-party purchaser, including through a new special-purpose vehicle to which to contribute Siluria's assets. In the second half of 2019 the Group became aware that a third party had purchased certain of Siluria's assets; however, information is not available regarding when this purchase was closed, the price of sale or the assets sold.

With the support of a major US law firm, the Group took legal action in the United States to protect its interests, both as shareholder of Siluria and those of a commercial nature relating to the licensing agreement for the Siluria technology, potentially damaged by an irregular and/or flawed procedure for the sale of Siluria's assets.

27.13. Income taxes

(In Euro thousands)		
	2019	2018
Current income taxes	(40,996)	(51,135)
Prior year taxes	2,471	(1,202)
Deferred tax income	(7,602)	3,627
Deferred tax charges	(6,184)	(6,599)
Total	(52,311)	(55,309)

Estimated income taxes amount to Euro 52,311 thousand, a decrease of Euro 2,998 thousand, mainly due to lower pre-tax income compared to the previous year, net of an improvement in the effective tax rate.

The effective tax rate for 2019 was approx. 31.3%, in line with the adjusted average tax rate reported for the quarters of 2019 but an improvement on the previous year (32%), based on the various countries in which Group operations are carried out.

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 2019.

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 2019 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, 2019. The basic earnings per share was Euro 0.344;

(in Euro)	2019	2018
Number of shares in circulation	328,640,432	328,640,432
(Treasury shares)	0	0
Number of shares to calculate earnings per share	328,640,432	328,640,432
Group net income	112,980,860	110,575,125
Earnings per share (Euro)		
Group basic earnings per share	0.344	0.336
Group diluted earnings per share	0.344	0.336

Diluted earnings equate to basic earnings in the absence of dilutive elements.



28. Notes to the Balance Sheet

28.1. Property, plant and equipment

(In Euro thousands)			
	2018	Changes in the year	2019
Land	4,017	94	4,111
Buildings	20,242	1,917	22,160
Plant and machinery	221	5,489	5,710
Assets in progress and advances	181	(149)	32
Industrial and commercial equipment	1,138	(39)	1,100
Other assets	7,900	1,561	9,460
Total	33,700	8,873	42,573

The following table illustrates the changes in the historical cost, accumulated depreciation and net book values for the year 2019:

(In Euro thousands)							
	Land	Buildings	Plant and Machinery	Industrial and commercial equipment	Other assets	Assets in progress and advances	Total
Net book value at December 31, 2018	4,017	20,242	221	1,138	7,900	181	33,700
Increases	0	0	0	0	3,723	0	3,723
Disposals	0	0	0	(174)	0	0	(174)
Depreciation	0	(561)	(756)	(221)	(3,130)	0	(4,668)
Cost reclassification/adjustments	0	0	0	0	414	(149)	265
Change in consolidation scope	100	2,482	6,265	254	150	0	9,250
Revaluations/(Write-downs)	0	0	0	0	0	0	0
Other changes	(6)	(2)	(19)	103	403	0	479
Net book value at December 31, 2019	4,111	22,160	5,710	1,100	9,460	32	42,573
Historic cost	4,111	30,324	10,606	3,588	47,347	32	96,008
Accumulated depreciation	0	(8,164)	(4,896)	(2,489)	(37,887)	0	(53,435)

The changes mainly refer to depreciation in the year, net of acquisitions and the change in the scope of consolidation.

The main increases in the “Land”, “Buildings” and Plant and Machinery accounts relate to the acquisition in 2019 by Nextchem S.r.l of MyReplast Industries s.r.l., which manages an advanced plastics mechanical recycling plant located in Bedizzole in the province of Brescia; the plant is based on an economically-sustainable business model without relying on any type of public incentive, is currently among the largest in Europe and can produce when fully operational approx. 40 thousand tons per year of recycled polymers. The complex can process various types of incoming plastics waste, both industrial production and post-consumption residue - materials therefore from separated waste collection and the recycled

polymer is of high quality, with recycling efficiency of approx. 95%. The MyReplast Industries plant manufactures a top-quality product, which permits extensive reuse for high added value products.

The principal changes in the year related to:

- Land, reporting a net increase of Euro 94 thousand, for Euro 100 thousand following the acquisition by Nextchem of MyReplast Industries s.r.l and for the residual amounts from the conversion of items in foreign currencies;
- Buildings, with a net increase of Euro 1,917 thousand, for Euro 2,482 thousand following the acquisition by Nextchem of MyReplast Industries s.r.l.. The other decreases mainly refer to the translation effect of amounts in foreign currencies and depreciation in the year;
- Plant and machinery, with a net increase of Euro 5,489 thousand, for Euro 6,265 thousand as a result of the acquisition by Nextchem of MyReplast Industries s.r.l.. The other changes mainly refer to the depreciation for the year and the conversion of items in foreign currencies;
- Industrial and commercial equipment, with a net decrease of Euro 39 thousand, principally due to the depreciation in the year and certain disposals, net of the change in the scope of consolidation relating to MyReplast Industries S.r.l.;
- Other assets, with a net increase of Euro 1.561 thousand, for Euro 150 thousand due to the acquisition by Nextchem of MyReplast Industries s.r.l., with the other increases mainly concerning leasehold improvements, office furniture, EDP and depreciation in the year. The increases are related to the Group's growth, 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.

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	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 in 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)



(In Euro thousands)							
	Land	Buildings	Plant and Machinery	Industrial and commercial equipment	Other assets	Assets in progress and advances	Total
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)

28.2. Goodwill

(In Euro thousands)			
	2018	Changes in the year	2019
Goodwill	291,754	4,379	296,132
Total	291,754	4,379	296,132

This account, amounting to Euro 296,132 thousand, increased by Euro 4,379 thousand in 2019, 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 by Maire Engineering of other construction and engineering companies;
- 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.

Increases in 2019:

- for Euro 2,686 thousand concerning the acquisition of MyReplast Industries S.r.l; on February 20, 2019, with regards to the Green Acceleration, Maire Tecnimont through the subsidiary NextChem joined the Circular Economy sector, investing in the development of its first advanced plastics mechanical recycling plant. The plant, located in Bedizzole, in the province of Brescia, is 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. 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 so-called Purchase Price Allocation (PPA); the PPA process, carried out on the date of acquiring majority and, therefore, control, identified the amount of net assets at approximately Euro 9.5 million and additional goodwill of

approx. Euro 2.7 million. This figure is provisional since, in accordance with the revised IFRS 3, the valuation becomes definitive within 12 months from the acquisition date. For further details on the business acquired, reference should be made to the “Significant events in the Year” section of the Directors’ Report.

- For Euro 1,692 thousand the acquisition of Protomation B.V.; on July 18, 2019 - The Group announced the acquisition through Stamicarbon, the Group licensing and innovation subsidiary, of the company Protomation. Protomation is a Dutch company specialized in Information Technology and particularly the development of cutting-edge software and simulators for plant operating training (OTS, operator training simulators), targeting the chemical processing industry and with a strong track record in collaborating with fertilizer producers. Stamicarbon has worked with Protomation for more than 10 years in developing software packages and training simulators for urea plant operators utilizing Stamicarbon’s technology and design. 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 net assets at approximately Euro 0.5 million and additional goodwill of approx. Euro 1.7 million. This figure is provisional since, in accordance with the revised IFRS 3, the valuation becomes definitive within 12 months from the acquisition date. For further details on the business acquired, reference should be made to the “Significant events in the Year” section of the Directors’ Report.

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 CGUs were identified with similar criteria to the previous year, albeit with different names, also in line with the representation of the operating segments, with the exception of the formation of a new Green Energy CGU, which includes the acquisition of MyReplast Industries S.r.l. and the activities relating to the Green Acceleration project through the subsidiary NextChem.

The table below summarizes the value of goodwill allocated by sector:

<i>(In Euro thousands)</i>	2018	Changes in the year	2019
Hydrocarbons	254.0	0	254.0
Renewables & Infrastructure	35.6	0	35.6
Green Energy	0.0	2.7	2.7
Licensing	2.2	1.7	3.9



The features of these CGUs are outlined below:

- I. **'Hydrocarbons' CGU** - 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. 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. **'Licensing' CGU**, in the fertilisers sectors, licenses patented technology and know-how for use by current and potential urea producers.
- III. **'Renewables & Infrastructure' CGU**, active in large-scale renewables sector plant (mainly solar and wind). The Group provides maintenance and facility management services, in addition to general services for temporary construction facilities and the design and construction of infrastructure.
- IV. **“Green Energy” CGU**, involved in Green Acceleration initiatives managed by NextChem and its subsidiaries, focused on the circular economy, undertaking mechanical plastics recycling and the promotion of recycled chemicals; 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.

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 2020 Budget and the 2020-2024 Business Plan approved by the Board of Directors on March 11, 2020.

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 2020 Budget and the Industrial Plan take account of the significant backlog at the end of 2019 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 2020.

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% for the "Hydrocarbons" CGU, between 0% and 3.5% for the "Licensing" CGU, between 0% and 2% for the "Renewables & Infrastructure" CGU and between 0% and 1.1% for the "Green Energy" 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 "Renewables & Infrastructure" 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 "Hydrocarbons", by 3.4 percentage points for the "Licensing" units and by 5.2 percentage points for the "Renewables & Infrastructure" CGU, also considering the prospects of the two CGUs following the redefinition of the operating structure, the commercial repositioning as well as the strengthening of synergies and know-how, and by 5.2 percentage points for the "Green Energy" CGU, considering the start-up phase of the new scope created in 2019.

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 "Hydrocarbons" CGU amounts to approx. Euro 1,432.2 million, that of the "Licensing" CGU to approx. Euro 163.6 million, that of the "Renewables & Infrastructure" CGU to approx. Euro 166 million and that of the "Green Energy" CGU to approx. Euro 33.4 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.

A further deterioration in this analysis was incorporated of one percentage point for all CGUs and of two percentage points for the Licensing CGU was added in view of the Covid-19 (coronavirus) risk.



Discount rate (WACC post tax)	Lower extreme	Higher extreme
Hydrocarbons CGU	10.3%	12.3%
Renewables & Infrastructure CGU	7.9%	9.9%
Green Energy CGU	12.3%	14.3%
Licensing CGU	11.6%	13.6%

Growth rate beyond plan period	Lower extreme	Higher extreme
Hydrocarbons CGU	0%	2%
Renewables & Infrastructure CGU	0%	2%
Green Energy CGU	0%	1.1%
Licensing CGU	0%	3.5%

The results of these sensitivity analyses did not highlight any impacts on the values recorded by the Hydrocarbons, Licensing and Renewables & Infrastructure CGU's. With reference to the new Green Energy CGU, under the assumption of a higher discount rate and a lower growth rate, an insignificant write-down would occur.

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)	2018	Changes in the year	2019
Development Costs	0	136	136
Patent rights	26,635	(4,325)	22,311
Concessions, licenses, trademarks & similar rights	3,274	43	3,317
Other	13,384	8,408	21,792
Assets in progress and advances	6,440	5,205	11,645
Contractual costs	14,500	(966)	13,534
Total	64,232	8,502	72,734

The following table illustrates the changes in the historical cost, accumulated amortization and net book values for the year 2019:

<i>(In Euro thousands)</i>							
	Development costs	Patents	Concessions, licenses, trademarks & others	Others	Work in progress & advances	Contractual costs	Total
Net book value at December 31, 2018	0	26,635	3,274	13,384	6,440	14,500	64,232
Increases	0	3,139	1,562	176	7,284	8,328	20,489
Disposals	0	0	0	0	0	0	0
Amortization	(56)	(1,349)	(1,578)	(4,116)	0	(9,294)	(16,393)
Cost reclassification/adjustments	0	0	0	1,814	(2,079)	0	(265)
Change in consolidation scope	191	0	57	0	0	0	248
Revaluations/(Write-downs)	0	(115)	0	0	0	0	(115)
Other changes	0	(6,000)	1	10,534	0	0	4,535
Net book value at December 31, 2019	136	22,311	3,317	21,792	11,645	13,534	72,734
Historic cost	585	36,014	16,034	52,627	11,645	52,775	169,680
Accumulated amortization	(449)	(13,703)	(12,717)	(30,836)	0	(39,241)	(96,946)

The value of the other intangible assets at December 31, 2019 amounted to Euro 72,734 thousand, with an increase of Euro 8,502 thousand compared to December 31, 2018; this increase mainly derives from the combined effect of acquisitions and investments in technology, new software and reclassification of the "Florence Campus" concession initiative, net of the value of the PHA fertilizer technology and amortization for the year.

The principal changes in the year related to:

- Development costs, with a net increase of Euro 136 thousand, of which Euro 191 thousand attributable to the acquisition through Stamicarbon, the Group licensing and innovation subsidiary, of the company Protomation. Protomation is a Dutch company specialized in Information Technology and particularly the development of cutting-edge software and simulators for plant operating training (OTS, operator training simulators), targeting the chemical processing industry and with a strong track record in collaborating with fertilizer producers.
- Patent rights with a net decrease of Euro 4,325 thousand:
 - for Euro 6,000 thousand the reduction in the account is due to the elimination of 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. The acquisition values of the acquisition undertaken in the previous year became final pursuant to IFRS 3. It was only in the fourth quarter of 2019 that the Maire Group was able to verify, in concrete terms, the progress of the activity relating to the plant and marketability of the PHA fertilizer technology product and obtain concrete technical information following the acquisition at the end of December 2018, which had been undertaken on the basis of a limited technical data set and which had involved conditional, deferred payment steps for the very reason of allowing the Maire Group to verify the various states of progress of development of the technology. The technical analyses concluded that adaptation of the PHA fertilizer technology to an industrial process in commercial quantities had yet to be completed. In any event, insofar as could be determined, it is a complex, costly process that at present does not cover the variable production costs and effectively excludes the existence of a market. Finally, in December 2019 the Court of Bologna declared Bio-On



bankrupt. Given this, it seems impossible for Bio-On to continue to carry out all the necessary activities, with the associated costs, to complete the development process for the coating and any other activity needed to bring this PHA fertilizer technology to market effectively making it impossible for U-Coat to exploit it.

- The other changes mainly refer to the new technologies and intellectual property rights (patents and licenses) developed by the Maire Tecnimont Group (primarily Stamicarbon B.V and the Nextchem Group), net of decreases due to amortization in the year.
- Concessions, licenses and trademarks, with a net increase of Euro 43 thousand, of which Euro 57 thousand due to the acquisition, through Stamicarbon, of Protomation; the additional increases mainly refer 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. The decreases mainly related to the amortization in the year;
- Other Intangible assets, with a net increase of Euro 8,408 thousand:
 - for Euro 10,534 the increase due to the reclassification of the “Florence Campus” concession initiative from the “Inventories” account; the value refers to the intangible concession rights recognized following the construction of the “Birillo” University Campus of the University of Florence by the subsidiary Birillo 2007 Scarl; the initiative was financed in part through a grant obtained from the client in return for receiving surface rights for 75 years. Management activity for the portion already completed commenced in September;
 - the other changes relate to the reclassification from assets in progress and advances, net of the amortization for the year. During 2019 new application software and relative installations entered into use which were recorded as assets in progress in the previous year.
- The account “assets in progress and on account” recorded a net increase of Euro 5,205; 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 programme undertaken by the Group; in fact, a number of project streams were launched for the digitalization of EPC activities and the development of an integrated range of digital services for customers and activities relating to the SAP environment; for further details, see the section of the Report on Operations entitled “Information and communications technology”.
- “Contractual costs” equal to Euro 13,534 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’). 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	Work 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)

28.4. Right-of-use - Leasing

<i>(In Euro thousands)</i>	2018	IFRS 16 Effect	Increases	Decreases	Depreciation in the year	Other changes	2019
Right-of-use - Leasing - Historical cost	0	151,526	23,050	(3,811)	0	0	170,765
(Right-of-use - Leasing - Accumulated depreciation)	0	0	0	324	(22,488)	0	(22,165)
Total	0	151,526	23,050	(3,487)	(22,488)	0	148,600

The value of Right-of-use at December 31, 2019 is Euro 148,600 thousand, with an initial recognition value of Euro 151,526 thousand and a subsequent movement relating mainly to amortization in the year, net of new contracts.

The rules introduced by IFRS 16 were 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 were excluded from the measurement; following the finalization of all the contracts, the impact of the first application on the representative activity of the right-of-use and on the financial payables amounts to approximately Euro 158.8 million.

The account “Right-of-use - Leasing” has been recognized following the introduction of the new accounting standard IFRS 16. The adoption of the new Standard for identified contracts therefore resulted in:

- In the balance sheet: the initial recognition (i) of an asset, representative of the right-of-use 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 leasee 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 right-of-use and (ii) the financial expenses on the recorded payable.

The right-of-use - leasing account mainly concerns the right-of-use for the office use buildings hosting Group offices and also at various work sites, some key Group assets and also motor vehicles, as follows:

(In Euro thousands)	
31-12-2019	
Land	90
Buildings	138,806
Plant and machinery	530
Other assets	9,175
Total	148,600

28.5. Investments in associates and Joint Ventures

(In Euro thousands)	2018	Changes in the year	2019
Investments in associates:			
• Studio Geotecnico Italiano	1,150	15	1,165
• MCM servizi Roma S.c.a.r.l. in liquidation	4	0	4
• Desimont Contracting Nigeria (*)	0	0	0
• JV TSJ Limited	679	(300)	379
• 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.	19	(19)	0
• Biolevano S.r.l.	15,786	(1,899)	13,887
• Kazakhstan JV Tecnimont-KTR LLP	54	(37)	17
• JV Volgafert LLC	2,618	(2,618)	0
• Gulf Compound Blending Ind Ltd	87	196	283
• G.C.B. General Trading Ltd	25	(11)	14
Total	20,449	(4,672)	15,777

(*) The investment was completely written down and a provision for accumulated losses is recorded under provisions for risks and charges.

During 2019 the following changes took place in the investments held in associates:

- the investment in the company Bio-P S.r.l. reduced following the acquisition of control and subsequent inclusion in the consolidation scope;

- the investment in the company Biolevano S.r.l. decreased Euro 1,899 thousand following the measurement at equity, the dividends distributed and the results reported;
- the equity investment in Gulf Compound Blending Ind Ltd recorded an increase due to a capital increase of Euro 248 thousand and a reduction of Euro 52 thousand due to measurement at equity;
- the equity investment in G.C.B. General Trading Ltd declined by Euro 11 thousand due to measurement at equity;
- the investment in the JV Kazakhstan Tecnimont-KTR LLP decreased Euro 37 thousand following its valuation at equity;
- the investment in the JV TSJ Limited decreased Euro 300 thousand following its valuation at equity;
- the investment in Studio Geotecnico S.r.l. increased Euro 15 thousand following its valuation at equity;
- 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; in 2019, following the signing of additional agreements between the partners establishing pre-determined remuneration for the Maire Tecnimont Group throughout the duration of the initiative, a sales right on the shares and a guaranteed return of the amount invested in the vehicle; for a better presentation of the substance of the transaction, the amount paid by the Group was reclassified to the account "other financial assets - non-current".

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%
Kazakhstan JV Tecnimont-KTR LLP	KZT	KZT	193,000,000	50.00%	Tecnimont S.p.A.	50.00%
Gulf Compound Blending Ind Ltd	UAE	AED	3,672,000	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:



2019 KEY FINANCIAL HIGHLIGHTS

(In Euro thousands)	Studio Geotecnico	TSJ Limited	Biolevano S.r.l.
NON-CURRENT ASSETS	140	0	45,938
CURRENT ASSETS	5,979	189	17,707
FINANCIAL ASSETS	486	3,820	6,146
TOTAL ASSETS	6,605	4,010	69,791
NET EQUITY	2,594	689	37,090
NON-CURRENT LIABILITIES	855	0	1,528
CURRENT LIABILITIES	2,991	3,321	4,142
FINANCIAL LIABILITIES (current and non-current)	165	0	27,031
TOTAL NET EQUITY AND LIABILITIES	6,605	4,010	69,791
REVENUES	2,786	0	31,582
EBITDA	64	-570	13,983
TOTAL COMPREHENSIVE INCOME	34.0	-570	4,058

RECONCILIATION WITH THE BOOK VALUE OF THE INVESTMENT

(in Euro thousands)	Studio Geotecnico	TSJ Limited	Biolevano S.r.l.
GROUP SHARE	44%	55%	30%
EQUITY SHARE	1,141	379	11,127
OTHER ADJUSTMENTS (*)	24	0	2,760
BOOK VALUE OF THE INVESTMENTS	1,165	379	13,887

(*) 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.

28.6. Financial instruments - Non-current Derivatives

(In Euro thousands)	2018	Changes in the year	2019
Financial instruments - Currency hedging derivatives	1,084	4,416	5,500
Total	1,084	4,416	5,500

The account Non-current derivative financial instruments at December 31, 2019 amounts to Euro 5,500 thousand, an increase of Euro 4,416 thousand compared to December 31, 2018.

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, principally concerning the US Dollar and the Ruble; 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.

28.7. Other non-current financial assets

(In Euro thousands)	2018	Changes in the year	2019
Equity investments:			
Non-consolidated subsidiaries	129	(8)	121
Other companies	18,901	(8,228)	10,673
Total Investments	19,030	(8,238)	10,793
Financial receivables from associates	18	109	127
Financial receivables from group companies	4,367	(4,367)	0
Other receivables	4,378	32,851	37,229
Total Financial Receivables	8,763	28,593	37,356
Total	27,792	20,354	48,148

The value of non-current financial assets included in the calculation of the net financial position is Euro 42,726 thousand and does not include the value of the strategic investment in Pursell Agri-Tech, LLC.

INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES

(In Euro thousands)	2018	Changes in the year	2019
Investments in non-consolidated subsidiaries:			
• Svincolo Taccone S.c.a.r.l. in liquidation	8	0	8
• Exportadora de Ingeniería y Servicios TCM SpA	68	0	68
• Tecnimont Illinois Llc.	8	(8)	0
• 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.	9	0	9
Total	129	(8)	121

In 2019 the only decrease was due to the striking-off of Tecnimont Illinois Llc. - a company that had been formed for a potential project that was not launched - in the United States.

Tecnimont Exportadora de Ingeniería y Servicios TCM SpA in Chile, Consorzio Stabile MST S.c.a.r.l. and Tecnimont Iberia are still not operational and were therefore not included in the consolidation.



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 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

(In Euro thousands)			
	2018	Changes in the year	2019
• Finenergia S.p.A. in liquidation	26	0	26
• Società Interporto Campano S.p.A.	1,920	0	1,920
• Penta Domus S.p.A in liquidation (*)	0	0	0
• Cavtomi consortium	150	0	150
• Cavet consortium	434	0	434
• Lotto 5A S.c.a.r.l.	2	0	2
• Metro B1 S.c.a.r.l.	467	0	467
• RI.MA.TI. S.c.a.r.l.	6	0	6
• Sirio consortium	0.3	0	0.3
• Lybian Joint Company	9	0	9
• Kafco L.T.D.	1,556	378	1,934
• Cisfi S.p.a.	230	0	230
• Fondazione ITS	10	0	10
• Contratto di programma Aquila consortium (*)	0	0	0
• Consorzio parco scientifico e tecnologico Abruzzo (*)	0	0	0

(In Euro thousands)			
	2018	Changes in the year	2019
• Tecnosanità S.c.a.r.l.	22	0	22
• Tecnoenergia Nord S.c.a.r.l. consortium	35	0	35
• Tecnoenergia Sud S.c.a.r.l. consortium	7	0	7
• Siluria Technologies Inc.	9,232	(9,232)	0
• Pursell Agri-Tech LLC	4,799	623	5,422
Total	18,904	(8,231)	10,673

(*) The holdings were entirely written down

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 2019 the main increases were related to the increase in the equity investment in Kafco L.T.D. following the revaluation of the current value and the increase of Euro 623 thousand relating to the further subscription of a capital increase in Pursell Agri-Tech, LLC, a US start-up specialized in the development and sale of controlled release polymer-coated fertilisers.

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.

In the case of Siluria Technologies Inc, the decrease concerns the write-down in the investment; in 2019, in view of the Company's difficult financial situation, the process of selling Siluria was commenced to protect the interests of all the company's creditors ("assignment for the benefit of the creditors"). In this procedure, the fund responsible had been authorized to sell Siluria to a third-party purchaser, including through a new special-purpose vehicle to which to contribute Siluria's assets.

In the second half of 2019 the Group became aware that a third party had purchased certain of Siluria's assets; however, information is not available regarding when this purchase was closed, the price of sale or the assets sold.

With the support of a major US law firm, the Group took legal action in the United States to protect its interests, both as shareholder of Siluria and those of a commercial nature relating to the licensing agreement for the Siluria technology, potentially damaged by an irregular and/or flawed procedure for the sale of Siluria's assets.

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%
Tecnosanità S.c.a.r.l.	ITA	EUR	17%	MST S.r.l	17%
Cavtom 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%



Company	Location	Currency	% Group	Through:	%
Metro B1 S.c.a.r.l.	ITA	EUR	19.30%	Neosia S.p.A.	19.30%
Penta Domus S.p.A	ITA	EUR	13.01%	Neosia S.p.A.	13.01%
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 127 thousand and relate to the financial receivable from the associate HIDROGENO CADEREYTA - S.A.P.I. de C.V.; the loan is interest-bearing and matures in 2022.

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 decrease during the year is related to the write-down of the instrument as a consequence of the events concerning Siluria Technologies and its inability to repay the sums in question. For further information, see the section "Equity investments in other companies".

OTHER FINANCIAL ASSETS

Non-current financial assets for Euro 4,451 thousand relate to the restoration of the amount involved in the fraudulent actions perpetuated in 2018 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 Group 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.

The non-current financial assets for Euro 32,774 thousand include the accounting representation in the Volgafert LLC initiative of the Group. 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; in 2019, following the signing of additional agreements between the partners establishing pre-determined remuneration for the Maire Tecnimont Group throughout the duration of the initiative, a sales right on the shares and a guaranteed return of the amount invested in the vehicle; for a better presentation of the substance of the transaction, the amount paid by the Group was reclassified to the account "other financial assets - non-current" from "Investments in associates and JV".

28.8. Other non-current assets

<i>(In Euro thousands)</i>			
	2018	Changes in the year	2019
Trade receivables beyond 12 months	49,074	62,745	111,820
Other trade receivables beyond 12 months	13,327	(667)	12,661
Other assets beyond one year	16,245	311	16,557
Tax Receivables beyond 12 months	4,038	(3,527)	510
Prepayments beyond 12 months	2,748	(906)	1,841
Total	85,432	57,957	143,389

Other non-current assets amount to Euro 143,389 thousand, increasing Euro 57,957 thousand compared to December 31, 2018.

Trade receivables due beyond 12 months mainly relate to receivables of Tecnimont S.p.A., MT Russia 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 62,745 thousand is the net effect of lower releases of withholding guarantees in 2019 than those matured, principally in relation to the Amursky gas treatment project (AGPP).

Other trade receivables beyond 12 months amount to Euro 12,661 thousand and decreased Euro 667 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 16,557 thousand concern the restoration of the amount involved in the fraudulent actions perpetuated in 2018 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 510 thousand concern those of the subsidiary KT - Kinetics Technology S.p.A., expected to be reimbursed by the Treasury beyond 12 months.

Prepayments beyond twelve months amount to Euro 1,841 thousand and mainly comprise advance payments on bank guarantee commissions relating to new large projects acquired.



28.9. Deferred tax assets and liabilities

(In Euro thousands)			
	2018	Changes in the year	2019
Deferred tax assets	44,801	(12,381)	32,420
Deferred tax liabilities	(21,623)	(6,317)	(27,941)
Total	23,178	(18,699)	4,479

Deferred tax assets and liabilities present a positive net balance of Euro 4,479 thousand, decreasing Euro 18,699 thousand compared to December 31, 2018, as a combined effect of the reduction in deferred tax assets and increase in deferred tax liabilities.

The main changes in deferred tax assets are as a combined effect of the release of deferred tax assets on excess interest expenses non-deductible in previous years and on risks provisions following utilization in the period, and the reduction of the negative market to market of derivative instruments undertaken to hedge the currency risk exposure of the future revenues and costs of the orders gained in the period, only partially offset by the deferred tax assets arising on temporary charges deductible in future years.

Deferred tax liabilities recorded a net increase of Euro 6,317 thousand; the increase was mainly due to temporary differences taxable in future periods in respect of the subsidiary MT Russia as a consequence of deferred taxation and local taxes, only in part offset by utilizations on temporary differences which were taxable during the year.

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 was renewed and valid for the years 2019-2021.

The Group reports theoretical tax benefits for tax losses which may be carried forward for an unlimited amount of approx. Euro 63.2 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.

28.10. Inventories and Advances to Suppliers

(In Euro thousands)			
	2018	Changes in the year	2019
Products in work-in-progress and semi-processed	4,810	(4,810)	0
Finished products and goods for resale	2,157	581	2,738
Advances to suppliers	338,146	101,213	439,358
Total	345,114	96,983	442,097

The account “Work-in-progress and semi-finished goods” of Euro 4,810 thousand related to the “Florence Campus” initiative, which, in the interest of a better representation of the substance of the transaction, it was decided to reclassify during the year to the account “other intangible assets”; the account refers to the intangible concession rights recognized on the construction of the “Birillo” University Campus of the University of Florence by the subsidiary Birillo 2007 Scarl.

“Finished products and goods”, amounting to Euro 2,738 thousand, relate to consumable materials and finished products 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; the increase in the period concerns the inventory of finished goods of MyReplast Industries, a company that manages an advanced mechanical plastics recycling plant located in Bedizzole, in the province of Brescia, acquired in February 2019 from the Nextchem Group.

Advance payments to suppliers, amounting to Euro 439,358 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 and subcontractors is a direct consequence of the advancement of the projects acquired in previous years and for which significant numbers of principal equipment orders were made, resulting in advance payments to suppliers and subcontractors, primarily in respect of the Amursky Gas Treatment Plant (AGPP).

28.11. Contractual Assets

(In Euro thousands)			
	2018	Changes in the year	2019
Works-in-progress	14,732,172	3,028,658	17,760,830
(Advances received on work-in-progress)	(13,216,193)	(2,652,271)	(15,868,464)
Total	1,515,979	376,387	1,892,365

“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 376,387 thousand is essentially due to the decrease in invoicing during the year against the economic progress of the projects, which are in very advanced stages and therefore present invoicing terms that do not reflect progress in a linear manner but that are essentially related to achievement of the final project milestones. In the fourth quarter of 2019 the trend was reversed, with an increase in sales due to the achievement of several important milestones for certain projects.

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.



28.12. Trade receivables

(In Euro thousands)			
	2018	Changes in the year	2019
Trade receivables - within 12 months	416,025	112,628	528,653
Subsidiaries - within 12 months	0	17,988	17,988
Associates - within 12 months	2,872	(1,248)	1,624
Parent companies - within 12 months	0	1	1
Group companies - within 12 months	6,871	149	7,020
Total	425,768	129,518	555,286

Trade receivables at December 31, 2019 amount to Euro 555,286 thousand, an increase of Euro 129,518 thousand compared to December 31, 2018. The movement of trade receivables was due to the contractual terms of the main projects, as discussed above; the main projects, since they are in very advanced stages and therefore present invoicing terms that do not reflect economic progress in a linear manner, are essentially related to achievement of the final project milestones. In the fourth quarter of 2019 the trend was reversed, with an increase in sales due to the achievement of several important milestones for certain projects.

The account “trade receivables” of Euro 38,273 thousand includes several accounts receivable for completed activities relating to a facility that has already been started up and brought on stream, in relation to which the client has requested very significant modifications involving the extension of the terms of repayment, nonetheless expected to occur by the end of March 2020.

Trade receivables from subsidiaries relate to accounts receivable from the company held for sale, and in particular the account receivable claimed by Neosia S.p.A. from MGR Verduno S.r.l. as an accounting representation of the effect of the reclassification of the “Alba-Bra Hospital concession” initiative to the account “Assets held for sale”.

Receivables from associates amount to Euro 1,624 thousand and mainly refer for Euro 9 thousand from Biolevano S.r.l. for services at the Biomass plant, for Euro 1,537 thousand to recharges and services undertaken on behalf of Desimont Contracting Ltd for the activity in progress in Nigeria, for Euro 41 thousand receivables from the JV Tecnimont-KTR LLP and for Euro 37 thousand from Gulf Compound Blending Ind Ltd.

Receivables from parent companies amount to Euro 1 thousand and refer to receivables from GLV Capital S.p.A.

Trade receivables from group companies primarily relate to engineering services provided and/or recharged and concern Metro B1 for Euro 1,897 thousand, the Cavtomi Consortium for Euro 2,587 thousand, Interporto Campano for Euro 1,751 thousand, the Cavet Consortium for Euro 14 thousand and residually for Euro 771 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 10,864 thousand at December 31, 2019 (Euro 11,383 thousand at December 31, 2018).

(In Euro thousands)						
	2018	Provisions	Utilizations	Change in consolidation scope	Other changes	2019
Doubtful debt provision - customers	11,383	2,817	(2,851)	64	(549)	10,864
Total	11,383	2,817	(2,851)	64	(549)	10,864

For IFRS 9, the impairment requirements are based on an expected credit loss (ECL) model utilizing supporting information, available without unreasonable charges or effort, which includes historic, current and projected figures.

Overdue trade receivables principally refer to the Green Energy Business Unit and concern Italian public sector entities for Infrastructure and Civil Engineering activities; in relation to the Hydrocarbons 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.

28.13. Current tax assets

(In Euro thousands)			
	2018	Changes in the year	2019
Current tax receivables	32,004	18,880	50,884
Other tax assets	62,897	4,796	67,693
Total	94,901	23,676	118,577

Tax receivables amount to Euro 118,577 thousand, an increase of Euro 23,676 thousand compared to December 31, 2018. The account mainly refers to VAT for Euro 67,693 thousand and other tax receivables of Euro 50,884 thousand.

The VAT receivables relate to the balance of the tax consolidation executed by the Parent Company Maire Tecnimont S.p.A of Euro 28,038 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 11,060 thousand, foreign companies amounting to Euro 9,179 thousand (of which approx. Euro 4,284 thousand relating to Tecnimont Private Limited and Euro 3,714 thousand relating to TCM-KT JV Azerbaijan LLC) and for Euro 19,415 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 50,884 thousand principally refer to:

- tax receivables of foreign companies for Euro 19,491 thousand, mainly related to the tax receivables of the Dutch subsidiary Stamicarbon BV, MT Russia and the Indian Tecnimont Private Limited;
- IRES income tax receivables for Euro 7,397 thousand on the Group's tax consolidation by the Parent Company Maire Tecnimont S.p.A. as a consequence of the greater payments made on account in the second half of 2019, compared with the estimated tax charge in 2019.
- residual tax receivables of Euro 23,995 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., Neosia Renewables 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 National Tax Consolidation is valid for the years 2019-2021.

The companies Tecnimont S.p.A., Neosia S.p.A., Neosia Renewables 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.

28.14. Financial instruments - Derivatives

(In Euro thousands)			
	2018	Changes in the year	2019
Financial instruments - Currency hedging derivatives	4,196	15,526	19,723
Financial instruments - Raw material hedging derivatives	2,841	624	3,465
Financial instruments - Total Return Equity SWAP (TRES) derivatives	33	484	517
Total	7,071	16,634	23,705

Derivative financial instruments at December 31, 2019 amount to Euro 23,705 thousand, with an increase of Euro 16,634 thousand compared to December 31, 2018 and concern the fair value measurement of the derivative contracts in force.

The account for Euro 19,723 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 3,465 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 2019.

The account for Euro 517 thousand relates to the positive fair value of a cash-settled Total Return Equity Swap (TRES) derivative instrument to hedge against movements in the Maire Tecnimont share price, essentially tied to existing personnel incentive plans. The residual portions of the instruments at December 31, 2019 hedged the risk relating to approx. 2 million shares. The derivative contract (TRES) was underwritten with a financial intermediary and with no obligation for Maire Tecnimont to acquire the treasury shares, but only the obligation for settlement between the parties of the differential between the exercise price and the Maire Tecnimont share price on the maturity of the instrument. The contract is expected to mature at the end of 2020.

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.

28.15. Other current financial assets

<i>(In Euro thousands)</i>			
	2018	Changes in the year	2019
Financial receivables within 12 months:			
Associates	282	375	657
Group companies	362	419	781
Other securities	0	211	211
Others	5,707	(900)	4,807
Total	6,351	106	6,457

Other current financial assets at December 31, 2019 amount to Euro 6,457 thousand, an increase of Euro 106 thousand compared to December 31, 2018.

Financial receivables from associates concern Villaggio Olimpico Moi for Euro 69 thousand, for Euro 14 thousand G.C.B. General Trading Ltd, for Euro 1 thousand from Gulf Compound Blending Ind Ltd and for Euro 573 thousand the JV Kazakhstan Tecnimont-KTR LLP, whose increase in the period relates to the funding requirements to develop initiatives in the country.

Financial receivables from Group companies concerned Euro 187 thousand from the CAVET Consortium and Euro 594 thousand from Pursell Agri-Tech, LLC, a US start-up specialized in the development and sale of controlled release polymer-coated fertilizers.

“Other securities” concern subscriptions to units of the 360 Capital Partners managed 360-PoliMI investment fund; the fund specializes in the advanced manufacturing sector (high-technological content industrial solutions); the Milan Polytechnic, an initiative partner, supports the manager in the scouting, selection and assessment of initiatives invested in by the fund; this investment is valued as a financial asset at fair value with impact on the income statement.

Other receivables amount to Euro 4,807 thousand, increasing Euro 900 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.

28.16. Other current assets

<i>(In Euro thousands)</i>			
	2018	Changes in the year	2019
Others receivables within 12 months	120,548	53,821	174,369
Commercial prepayments	15,001	(4,108)	10,893
Total	135,548	49,713	185,262

Other current assets at December 31, 2019 amount to Euro 77,915 thousand, an increase of Euro 49,713 thousand compared to December 31, 2018.



The increase in the account is mainly due to the increased receivables from suppliers and subcontractors for contractual penalties charged, net of the reduction in the account “Alba-Bra’ Hospital concession” as a consequence of the reclassification of the MGR Verduno S.p.A. equity investment involved in the same initiative to the account assets and liabilities held for sale (“Assets held for sale”).

The account therefore mainly comprises receivables from suppliers and subcontractors for contractual penalties charged as accrued to them in the course of supplying materials and/or providing services, under tender and otherwise, due to delays, production flaws and/or costs incurred on their account, including as a result of additional work, and then subsequently recharged.

The account also comprises commercial discounts, employee receivables, social security and tax receivables, VAT and taxes of foreign companies and other various receivables, in addition to receivables from the other shareholders of the consolidated consortium companies.

The breakdown of other receivables due within 12 months is shown in the table below:

(In Euro thousands)			
	2018	Changes in the year	2019
Alba-Bra’ Hospital Concession	62,373	(62,373)	0
Receivables from consortiums and JV’s	7,727	(466)	7,261
Other debtors	32,254	109,967	142,221
Taxes, VAT and levies (foreign companies)	13,041	5,727	18,767
Guarantee deposits	1,216	446	1,662
Other prepayments (rental, commissions, assistance)	15,001	(4,109)	10,893
Employee receivables	1,304	313	1,616
Social security institutions	1,886	225	2,111
Receivables for unpaid contributions from other shareholders	748	(17)	730
Total	135,548	49,712	185,262

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, 2019 were at a very advanced stage and the works were almost concluded.

All current assets in the accounts substantially approximate fair value.

28.17. Cash and cash equivalents

(In Euro thousands)			
	2018	Changes in the year	2019
Bank deposits	649,710	77,434	727,144
Cash in hand and similar	299	(49)	250
Total	650,008	77,385	727,394

Cash and cash equivalents at December 31, 2019 amount to Euro 727,394 thousand, an increase of Euro 77,386 thousand compared to December 31, 2018.

Operating cash flow was negative Euro 17,029 thousand in 2019, while improving Euro 162,948 thousand in the fourth quarter of 2019. The fourth quarter of 2019 saw the trend reversed, with an increase in sales and subsequent collections due to the achievement of several important milestones for certain projects. Operating cash flow was negative for the first nine months, mainly attributable to the expected working capital changes in line with the normal development of projects, in particular the EPC projects substantially concluding in the period, although ahead of final invoicing related to the achievement of the final project milestones, in addition to the nature of the recently acquired contracts.

Cash flows from operating activities include also income tax payments, which in 2019 totaled Euro 52,954 thousand.

Investment activities absorbed cash totaling Euro 21,883 thousand, mainly for the acquisition of MyReplast Industries S.r.l, a NextChem subsidiary which manages an advanced mechanical plastics recycling plant, with the overall value of the transaction amounting to approx. Euro 12.1 million. A payment of approx. Euro 2.2 million was made for the acquisition of the Dutch company Protomation, specialized in Information Technology and further costs were 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.

Financing activities generated cash totaling Euro 117,955 thousand, mainly due to the utilization of current account overdrafts and use of working capital lines in support of short-term needs as part of the management of the working capital on a number of projects and the drawdown of a non-recourse loan of approx. Euro 8 million from Intesa Sanpaolo, through the new fund dedicated to the Circular Economy established for structured support for these type of industrial initiatives, for the acquisition of MyReplast Industries S.r.l, in addition to a working capital line to support requirements for Euro 2 million and the finalization by Maire Tecnimont of an ESG-linked Schuldschein loan with a nominal value of Euro 62.5.

These effects were partially offset by the payment of the dividend approved by the Shareholders' Meeting of Euro 39,108 thousand and by the residual purchases of treasury shares for approx. Euro 3.2 million, in addition to interest paid in 2019.

Cash and cash equivalents at December 31, 2019 include a restricted amount of Euro 19,450 thousand in relation to the payments received but still subject to a number of documentary checks by the bank.

The estimate of the "fair value" of bank and postal deposits at December 31, 2019 approximates their book value.

28.18. Non-current assets classified as held-for-sale

(In Euro thousands)			
	2018	Changes in the year	2019
Assets held-for-sale	0	97,314	97,314
Elimination assets to and from discontinued operations	0	(17,988)	(17,988)
Total Assets	0	79,327	79,327
Liabilities directly associated with assets classified as held-for-sale	0	(80,775)	(80,775)
Elimination liabilities to and from discontinued operations	0	17,988	17,988
Total Liabilities	0	(62,788)	(62,788)
Total	0	16,539	16,539



The assets and liabilities held-for-sale reported a net positive value of Euro 16,539 thousand and concerned the project company MGR Verduno S.p.A. involved in the “Alba-Bra Hospital concession” initiative regarding the contract for the “construction and management” of the structure signed with ASL CN2, whose end of works certificate was issued on September 21, 2019.

With regards to the disposal of this company, on December 31, 2019 such was considered “highly probable” on the basis of the advanced status of negotiations with the interested counterparty, following the receipt of the binding offer for the company’s acquisition and with closing expected in the coming months. The net assets regarding the project company MGR Verduno S.p.A. were valued at the lesser between the carrying amount and the fair value, net of selling costs, as per negotiations in progress, in accordance with IFRS 5. In the income statement the relative income flows are not classified separately from continuing operations as the disposal does not concern a major line of business.

A table summarizing the account is provided below:

ASSETS AND LIABILITIES HELD FOR SALE		
(Euro thousands)		
	31-12-2019	of which, in respect of continuing operations
NON-CURRENT ASSETS	1,023	
CURRENT ASSETS	94,635	
FINANCIAL ASSETS	1,656	
TOTAL ASSETS HELD FOR SALE	97,314	0
NON-CURRENT LIABILITIES	10,254	
CURRENT LIABILITIES	20,754	17,988
FINANCIAL LIABILITIES	49,766	
TOTAL LIABILITIES HELD FOR SALE	80,775	17,988

Financial liabilities of Euro 49,766 thousand includes both the no-recourse project financing obtained in the previous financial year by the company for the finalization of the “Alba-Bra Hospital concession” initiative, and the value of the mark to market of the derivative instruments Interest Rate Swaps (IRS) entered into to hedge exposure to the risk of variable interest rate fluctuations on the loan.

28.19. Shareholders’ Equity

Group Shareholders’ equity at December 31, 2019 amounts to Euro 408,547 thousand, a net increase of Euro 98,935 thousand compared to December 31, 2018 (Euro 309,612 thousand).

Total consolidated Shareholders’ Equity, considering minority interests, at December 31, 2019 amounts to Euro 448,936 thousand, an increase of Euro 106,303 thousand compared to December 31, 2018. 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 overall increase in Group Shareholders’ Equity is mainly due to the net income for the period for Euro 112,981 thousand together with the positive change in the Cash Flow Hedge reserve of the derivative instruments, which mainly relates to the mark-to-market gains of the derivative instruments to hedge the currency risk of the revenues and costs from the projects, net of the relative tax effect and of the reserve for the translation of items in foreign currencies.

The main reductions in Group Shareholders’ Equity concerned the payment of the dividend approved by the Shareholders’ AGM of Euro 39,108 thousand and the decrease in the Valuation Reserve in relation to the valuation at fair value of certain financial assets.

SHARE CAPITAL

The Share capital at December 31, 2019 was Euro 19,920,679 and was comprised of 328,640,432 shares without par value and with normal rights.

SHARE PREMIUM RESERVE

The Share Premium Reserve at December 31, 2019 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, 2019 amount to Euro 7,460 thousand and comprise:

- Legal Reserve of the Parent Company Maire Tecnimont S.p.A. at December 31, 2019 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, 2019 of a negative Euro 20,863 thousand and comprising the temporary translation differences of the financial statements in foreign currencies; the change in the year was an increase of Euro 7,024 thousand, impacted by currency movements;
- Statutory reserves, which at December 31, 2019 amount to Euro 27,532 thousand;
- Other reserves, which at December 31, 2019 amounted to a negative Euro 20,063;
- IFRS 2 Reserve for Euro 5,803 thousand, which includes the valuation of an employee share plan (the 2017-2019 Restricted Stock Plan) offered to employees as an additional benefit. The above plan is accounted for according to 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 reported a net decrease of Euro 2,417 thousand; the movements in the year refer to accruals in 2019 of Euro 1,979 thousand, net of utilizations following completion of the third and final cycle - of the general employee share ownership plan for Euro 4,396 thousand.



VALUATION RESERVE

The valuation reserve, which at December 31, 2019 was positive for Euro 3,232 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>(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, 2018	(14,609)	(1,096)	152	(15,553)
Actuarial gain/(losses)	0	(669)	0	(669)
Relative tax effect	0	160	0	160
Valuation derivative instruments	37,339	0	0	37,339
Relative tax effect	(8,961)	0	0	(8,961)
Fair value changes of investments with OCI effects	0	0	(9,084)	(9,084)
Net book value at December 31, 2019	13,768	(1,604)	(8,932)	3,232

The increase in the Cash Flow Hedge reserve of the derivative instruments, as previously illustrated, mainly relates to the mark-to-market gains of the derivative instruments to hedge the currency risk on project revenues and costs, net of the relative tax effect.

The decrease in the reserve for financial assets measured at fair value relates essentially to the write-down of the equity investment in Siluria Technologies Inc; for further information, see the section "Equity investments in other companies".

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>		
	2018	2019
Maire Tecnimont S.p.A. net income	39,466	30,727
Inter-company dividends eliminated in consolidated financial statements	(62,964)	(69,770)
Result reported by subsidiaries	134,195	143,232
Elimination of inter-company profits and write-downs	(456)	1,998
Other consolidation adjustments	0	6,511
Current and deferred taxes	334	282
Group net income	110,575	112,981

RECONCILIATION BETWEEN NET EQUITY OF MAIRE TECNIMONT S.p.A. AND GROUP NET EQUITY

<i>(In Euro thousands)</i>	2018	2019
Maire Tecnimont S.p.A. shareholders' equity	463,394	452,828
Elimination of the book value of consolidated investments	(763,224)	(767,710)
Recognition of net equity of the consolidated investments	447,965	570,102
Other consolidation adjustments	161,477	153,326
Group Shareholders' equity	309,612	408,547
Minority interest	33,021	40,389
Consolidated Shareholders' equity	342,633	448,936

28.20. Financial payables - non-current portion

<i>(In Euro thousands)</i>	2018	Changes in the year	2019
Bank payables beyond 12 months	206,410	37,864	244,274
Total	206,410	37,864	244,274

The non-current portion of financial debt amounted to Euro 244,274 thousand, up by Euro 37,864 thousand on December 31, 2018, primarily due to the finalization by Maire Tecnimont of an ESG-linked Schuldschein loan with a nominal value of Euro 62.5 million, a non-recourse loan of approximately Euro 8 million for the acquisition of MyReplast Industries S.r.l., and Euro 19 million of new medium-to-long-term Creval and Pasha Bank loans; net of the reclassification of Euro 29.5 million of the project-financing loan in no-recourse form for the special-purpose vehicle MGR Verduno S.p.A., involved in the "Alba-Bra Hospital initiative" in the item assets and liabilities held for sale ("Assets held-for-sale"); the value of the loan outstanding as at December 31, 2019 amounted, in any event, to Euro 44.9 million, in addition to the further reclassification to short term of a portion of the medium-to-long-term loan with a nominal value of Euro 185 million of the subsidiary Tecnimont S.p.A. in the amount of approximately Euro 20.7 million.

At December 31, 2019 financial debt net of the current portion was composed as follows:

- For Euro 156,231 thousand of the medium/long term loan attributable to Tecnimont, net of the related additional charges, with a nominal value of Euro 185 million.

In 2018, the subsidiary Tecnimont S.p.A. agreed a medium/long-term cash loan for a total amount of Euro 285 million. The operation stipulated 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 loan agreement made it possible to further reduce the applicable margin of the Group's medium to long-term bank debt from 1.95% to 1.70%, extending the repayment period from March 2022 to June 30, 2023, and remodeling the repayment plan. The loan agreement thus has a duration of 5 years, with repayment beginning in June 2020 and the last instalment due on June 30, 2023.



The 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 on a half-yearly basis, with next measurement on the FY 2019 figures.

- For Euro 61,906 thousand of the ESG-linked Schuldschein loan attributable to Maire Tecnimont, net of the related additional charges, with a nominal value of Euro 62.5 million.

Maire Tecnimont made a further commitment to its Green Acceleration project, launched in 2018, by taking out a loan to support Group investments in green technologies. The instrument is divided in two tranches with an average duration of approximately 5 years, total repayment at maturity, and an average rate of approximately 2.3%. The cost of the instrument envisages both positive and negative variations linked to the achievement of the Group's CO2 reduction targets. A portion of the loan, equal to Euro 20 million, has been used to refinance an existing bond, with a consequent cost reduction of more than 110 basis points and an extension to the deadline of approximately three years.

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 EBITDA on a yearly basis, with next measured on the December 31, 2019 figures.

- For Euro 6,924 thousand to the non-recourse loan of approx. Euro 8 million for the acquisition of MyReplast Industries S.r.l., net of the related additional charges.

In 2019, the Group, through the subsidiary Maire Green Chemicals S.r.l, subsequently merged into MyReplast Industries S.r.l., drew down a non-recourse loan of approx. Euro 8 million issued by Intesa Sanpaolo through the new fund dedicated to the circular economy to provide structured support to this type of industrial initiative, for the acquisition of MyReplast Industries S.r.l, in addition to a working capital line to support requirements for Euro 2 million. The Loan Contract has an applicable margin on the medium/long-term bank debt of 1.5% and a duration of 5 years, with repayment beginning August 2020 and final instalment due on February 18, 2024.

The 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 EBITDA on an annual basis, in addition to the achievement of specific KPI's concerning the number of tons of recycled plastic material and that reintroduced into the production cycle, improvement to the product quality and relative waste efficiencies. The next measurement will take place on the December 31, 2019 figures.

- For Euro 19,213 thousand to two new medium/long-term loans with Creval and Pasha Bank.

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

28.21. Provisions for charges - beyond 12 months

(In Euro thousands)			
	2018	Changes in the year	2019
Provisions for charges - beyond 12 months	16,436	6,820	23,256
Total	16,436	6,820	23,256

The provision for charges amounts to Euro 23,256 thousand, an increase of Euro 6,820 thousand compared to December 31, 2018.

The account mainly includes provisions for charges relating to remuneration and incentive policies with maturity beyond 12 months, 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 main increases relate to provisions for remuneration policies for portions due beyond 12 months, principally in relation to the MBO Plan, including the deferred component and the new long-term incentive (LTI) plan dedicated to the Company's Chief Executive Officer and several of the Group's senior managers.

The composition and changes in the year are shown below:

<i>(In Euro thousands)</i>					
	2018	Provisions	Util.	Reclass./Chane in consolidation scope	2019
Provision for personnel charges	2,830	5,981	(1)	0	8,810
Other provisions	2,630	5,981	0	0	8,611
Disputes provision	200	0	(1)	0	199
Provision for fiscal risks	5,805	744	0	0	6,549
Provision for other charges:	7,802	226	(131)	0	7,897
Legal, contract and other risks	6,407	226	(131)	0	6,502
Coverage for losses in associates	1,395	0	0	0	1,395
Total	16,436	6,951	(132)	0	23,256

The additional increases relate to an increase in the provision for new tax risks.

28.22. Post-employment & other employee benefits

<i>(In Euro thousands)</i>			
	2018	Changes in the year	2019
Post-employment & other employee benefits	11,005	(79)	10,926
Total	11,005	(79)	10,926

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, 2019; the changes in the year are shown below:



(In Euro thousands)			
	POST-EMPLOYMENT BENEFIT PROVISION	OTHER PLANS	Total
Balance at December 31st 2018	10,869	135	11,005
Changes in the year	31	(110)	(79)
Balance at December 31, 2019	10,900	25	10,926

The change in the post-employment benefit provision was due to the net effect of the decreases relating to departures of employees and the increase following the actuarial losses deriving from the change in the technical assumptions utilized for the present valuation compared to the previous, in addition to the change in the demographic and financial assumptions of the previous calculation model compared to that which effectively occurred during the valuation period.

The changes in 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 “2019 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, 2019.
- 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, 2019, a change of +0.5% in the discount rate applied to the calculation would produce a positive effect equal to Euro 0.3 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 0.4 million and in the same manner a change of -0.5% would produce a positive effect of Euro 0.3 million. A change of +0.5% in the salaries applied to the calculation would produce a negative effect of Euro 0.4 million and in the same manner a change of -0.5% would produce a positive effect of Euro 0.3 million. A change of +0.5% in the probability of the termination of employment applied to the calculation would produce a positive effect of Euro 0.3 million and in the same manner a change of -0.5% would produce a negative effect of Euro 0.3 million.

28.23. Other non-current liabilities

<i>(in Euro thousands)</i>	2018	Changes in the year	2019
Trade payables beyond 12 months	127,355	(45,184)	82,170
Tax payables beyond 12 months	45	(21)	24
Other payables beyond 12 months	8,091	(8,091)	0
Total	135,490	(53,296)	82,194

Other non-current other liabilities at December 31, 2019 amount to Euro 82,194 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 lower than December 31, 2019, due in part to the completion of the main orders.

The reduction in the account other payables beyond 12 months for Euro 4,406 thousand is a result of a reclassification to the account "Other non-current financial liabilities" and related to the valuation of the repurchase obligation for the minority interest held by SIMEST Spa in Met Dev 1 S.r.l.

The further reduction in 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 S.p.A. by the Maire Group from Bio-on S.p.A. The acquisition values of the acquisition undertaken in the previous year became final pursuant to IFRS 3. It was only in the fourth quarter of 2019 that the Maire Group was able to verify, in concrete terms, the progress of the activity relating to the plant and marketability of the PHA fertilizer technology product and obtain concrete technical information following the acquisition at the end of December 2018, which had been undertaken on the basis of a limited technical data set and which had involved conditional, deferred payment steps for the very reason of allowing the Maire Group to verify the various states of progress of development of the technology.

The technical analyses concluded that adaptation of the PHA fertilizer technology to an industrial process in commercial quantities had yet to be completed. In any event, insofar as could be determined, it is a complex, costly process that at present does not cover the variable production costs and effectively excludes the existence of a market.

Finally, in December 2019 the Court of Bologna declared Bio-On bankrupt. Given this, it seems impossible for Bio-On to continue to carry out all the necessary activities, with the associated costs, to complete the development process for the coating and any other activity needed to bring this PHA fertilizer technology to market effectively making it impossible for U-Coat to exploit it.

28.24. Financial instruments - Derivatives - Non-current

<i>(in Euro thousands)</i>	2018	Changes in the year	2019
Financial instruments - Currency hedging derivatives	4,420	(4,419)	1
Financial instruments - Interest rate hedging derivatives	1,151	(1,151)	0
Financial instruments - Raw material hedging derivatives	568	(568)	0
Total	6,139	(6,138)	1



Derivative financial instruments at December 31, 2019 amount to Euro 1 thousand, with a decrease of Euro 6,138 thousand compared to December 31, 2018 and concern the fair value measurement of the derivative contracts in force.

The account for Euro 1 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 decreased on the previous year due to both the unwinding of several outstanding instruments and the reclassification to short-term in accordance with the progress of the hedged projects.

The interest rate derivatives account referred to the measurement of Interest Rate Swap (IRS) derivatives to hedge its exposure to the risk of fluctuating interest rates on the no-recourse loan of the project company MGR Verduno S.p.A. involved in the “Alba-Bra Hospital concession” initiative; the account was reduced to zero following the classification of the equity investment to the item of assets and liabilities held for sale (“Assets held-for-sale”); the value of the instruments in place at December 31, 2019 was nonetheless Euro 2,788 thousand.

For further information and analysis of the Fair Value Hierarchy, reference should be made to the “FINANCIAL RISKS” section.

28.25. Other non-current financial liabilities

<i>(In Euro thousands)</i>			
	2018	Changes in the year	2019
Payables to other lenders - Bonds	202,634	(19,482)	183,152
Other financial liabilities	0	14,933	14,933
Payables to other shareholders	0	9	9
Total	202,634	(4,540)	198,094

“Other non-current financial liabilities” include Bond payables:

- For Euro 19,909 thousand, the non-convertible bonds, net of accessory charges, subscribed in 2017 through private placement by the pan-European fund managed by Amundi Group companies.

The bonds 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.. The bonds 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, on a half-yearly basis, next measured on the December 31, 2019 figures.

In 2019 Maire Tecnimont redeemed a tranche of these bonds with a nominal amount of Euro 20 million in advance.

- For Euro 163,244 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 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 next measured on the December 31, 2019 figures.

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

“Other non-current financial liabilities” include other financial payables:

- Other financial payables beyond 12 months for Euro 14,933 thousand (the balance at December 31, 2018 was Euro 4,406, classified to other payables due beyond 12 months) 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.

“Payables to other shareholders” include payables for loans of other shareholders outside of the Maire Tecnimont Group received by BIO-P S.r.l.

28.26. Financial liabilities - Leasing

(In Euro thousands)	2018	IFRS 16 Effect	Increases	Decreases	Interest	Payments	2019
Financial liabilities - Leasing	0	158,807	15,491	(3,588)	5,848	(26,474)	150,084
Total	0	158,807	15,491	(3,588)	5,848	(26,474)	150,084
of which:							
Non-current financial liabilities - Leasing							127,876
Current financial liabilities - Leasing							22,208
Total							150,084



The value of current and non-current financial leasing liabilities related to Rights-of-Use at December 31, 2019 was Euro 150,084 thousand, of which Euro 22,208 thousand short term and Euro 127,876 thousand beyond 12 months.

The rules introduced by IFRS 16 were 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 were excluded from the measurement; following the finalization of all the contracts, the impact of the first application on the representative activity of the right-of-use and on the financial payables amounts to approximately Euro 158.8 million.

The lease liabilities are valued on recognition, discounting all future payments due for leases utilizing the implied lease rate, where this may easily be determined or alternatively utilizing its debt rate. Future cash flows are therefore discounted at the risk-free rate of the respective currencies, plus a spread for the specific risk of the Group, established as the difference between the yield on listed Group debt securities against an instrument with similar features but without risk. The marginal average weighted interest rate applied for the calculation of the financial liabilities at January 1, 2019 was 3.6%.

The changes after initial recognition are primarily linked to lease payments made in 2019, interest accrued and new contracts entered into during the year.

The account was recognized following the introduction of the new standard IFRS 16 and mainly concerns the financial liabilities related to the right-of-use for the office use buildings hosting Group offices and also at various work sites, some key Group assets and also motor vehicles.

The adoption of the new standard for identified contracts resulted in therefore:

- In the balance sheet: the initial recognition (i) of an asset, representative of the right-of-use 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 leasee 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 right-of-use and (ii) the financial expenses on the recorded payable.

The following table analyses the breakdown and maturities of lease liabilities carried as at December 31, 2019 presented according to future cash flows, inclusive of interest:

(In Euro thousands)				
	Due within 1 year	Due between 1 & 5 years	Due beyond 5 years	Total
Financial liabilities - Leasing	27,138	82,450	70,634	180,222
Total	27,138	82,450	70,634	180,222
<i>Of which Capital portion</i>				150,084

28.27. Short-term financial payables

<i>(In Euro thousands)</i>	2018	Changes in the year	2019
Bank payables	187,960	52,375	240,335
Other lenders	6,240	94,731	100,970
Accrued liabilities	1,711	(549)	1,162
Total	195,911	146,557	342,468

Short-term financial payables amount to Euro 342,468 thousand, increasing Euro 146,557 thousand on December 31, 2018, principally due to increases in current account overdrafts relating to the use of credit lines to manage current commercial requirements and the use of working capital lines in support of short-term requirements within the framework of working capital management for several projects, in addition to the reclassification to short-term of a portion of the medium-long-term loan of a nominal Euro 185 million by the subsidiary Tecnimont S.p.A.

At December 31, 2019, 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 the previous year;
- for Euro 22,858 thousand the current capital portion of the nominal Euro 185 million loan of the subsidiary Tecnimont S.p.A.;
- for Euro 40,000 thousand the uncommitted line granted to the subsidiary Tecnimont S.p.A.;
- for Euro 10,000 thousand the additional uncommitted line granted to the subsidiary Tecnimont S.p.A.;
- for Euro 20,000 thousand the revolving line granted to the subsidiary Tecnimont S.p.A.;
- for Euro 6,195 thousand the import line granted to Maire Tecnimont S.p.A.;
- for Euro 1,800 thousand the working capital line in support of requirements related to the subsidiary MyReplast Industries S.r.l. and for Euro 950 thousand for the short-term principal amount of the non-recourse loan for the acquisition of MyReplast Industries S.r.l.;
- for Euro 38,532 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 100,970 thousand, increasing Euro 94,731 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 1,162 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, 2019 and December 31, 2018, in line with Consob communication No. DEM/6064293/2006 of July 28, 2006:



NET FINANCIAL DEBT MAIRE TECNIMONT GROUP

	<i>In Euro thousands</i>	<i>(*) 31/12/2019</i>	<i>31/12/2018</i>
A.	Cash	(250)	(299)
B.	Bank and postal deposits	(727,144)	(649,710)
C.	Securities	(211)	-
D.	Liquidity (A+B+C)	(727,604)	(650,008)
E.	Current financial receivables	(29,951)	(13,422)
F.	Current bank payables	318,659	195,191
G.	Current portion of non-current debt	23,808	720
H.	Other current financial payables	30,447	25,823
I.	Current financial debt (F+G+H)	372,915	221,734
J.	Net current financial debt (I-E-D)	(384,640)	(441,697)
K.	Non-current bank payables	244,274	206,410
L.	Bonds issued	183,152	202,634
M.	Other non-current payables	142,819	6,139
N.	Non-current financial debt (K+L+M)	570,245	415,183
O.	Net financial debt (J+N)	185,605	(26,514)

(*) the situation at December 31, 2019 also includes the effects deriving from the application of IFRS 16 for an amount of Euro 150,084, not present in the situation at December 31, 2018.

The following table presents the reconciliation between the net financial debt and the net financial position of the Group at December 31, 2019 and December 31, 2018:

RECONCILIATION NFD & NFP

	<i>In Euro thousands</i>	<i>31/12/2019</i>	<i>31/12/2018</i>
O.	Net financial position	185,605	(26,514)
	Net financial debt of discontinued operations	48,111	-
	Other non-current financial assets	(42,726)	(13,761)
	Financial instruments - Non-current derivatives	(5,500)	(1,084)
	"Project Financing - Non-Recourse"	(59,441)	(36,270)
	Other non-current assets - Expected repayments	(16,557)	(16,245)
	Trade Receivables - Admissible Financial Assets	(38,273)	-
	Finance lease payables IFRS 16	(150,084)	-
	Adjusted Net Financial Position	(78,864)	(93,874)

The adjusted net financial position at December 31, 2019 was a Net Cash position of Euro 78.9 million, reducing slightly on December 31, 2018, although altering in composition.

Cash and cash equivalents at December 31, 2019 amount to Euro 727,394 thousand, an increase of Euro 77,386 thousand compared to December 31, 2018.

Against the increase in cash and cash equivalents, as discussed above, the gross debt rose following an increase in short-term debt due to the utilization of factoring transactions as part of working capital management on a number of projects and increases in overdrafts due to the use of lines of credit granted for the management of short-term trading activity; and of long-term financial payables, principally following the finalization by Maire Tecnimont of an ESG-linked Schuldschein loan of a nominal amount of Euro 62.5 million, a non-recourse loan of approx. Euro 8 million for the acquisition of MyReplast Industries S.r.l. and Euro 19 million of new medium-to-long-term loans.

The increase in the mark to market of derivative instruments was Euro 44,770 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 in 2019.

The “Non-Recourse” financial payables account concerns the loan by the project company MGR Verduno S.p.A., engaged in the “Alba-Bra Hospital concession” construction and management contract agreed with ASL CN2 (initiative presented in the item assets and liabilities held for sale) and the loan for the acquisition of MyReplast Industries S.r.l. The above financial payables are on a no-recourse basis, i.e. a type of financing dedicated to these initiatives which is not guaranteed by the Parent Company, but rather by the cash flows from the development of these initiatives of the Vehicle Companies. For these reasons, they were excluded from the calculation of the adjusted net financial position.

The “adjusted net financial position” includes both 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 28.8), and several accounts receivable for completed activities relating to a facility that has already been started up and brought on stream, in relation to which the client has requested very significant modifications involving the extension of the repayment terms. It excludes financial payables under IFRS 16 Leasing of Euro 150,084 thousand, which have only been recognized in view of the application of the new accounting standard IFRS 16.

The estimate of the “fair value” of these financial instruments, calculated as indicated in the accounting policies section, at December 31, 2019 substantially approximated their book value. The breakdown by maturity of the gross financial debt is reported in the financial risks section.

28.28. Provisions for charges - within 12 months

(In Euro thousands)			
	2018	Changes in the year	2019
Provisions for charges - within 12 months	40,707	(17,528)	23,179
Total	40,707	(17,528)	23,179

The provision for charges within 12 months amounts to Euro 23,179 thousand and concerns the estimated costs for remuneration and incentive policies due within 12 months.

The net decrease in the year essentially relates to the payment in 2019 on the concluded Phantom Stock incentive plan for the Chief Executive Officer of the company and some Senior Managers of the Group, in addition to the portions of the MBO Plan, inclusive of the deferred component, which had accrued in previous years, and the 2018 production bonus; overall, they exceeded the amount accrued in 2019.



28.29. Tax payables

<i>(In Euro thousands)</i>	2018	Changes in the year	2019
Current income tax payables	11,505	2,999	14,504
Other tax payables	15,493	30,738	46,231
Total	26,998	33,737	60,735

Tax payables were Euro 60,735 thousand, increasing Euro 33,737 thousand on December 31, 2018, primarily due to the increase in the amount payable to the Treasury for VAT due from certain overseas entities.

The account primarily refers to the IRES income tax payables of companies not participating in tax consolidation and the IRAP tax payables of Italian companies of Euro 9,655 thousand; in contrast, as disclosed above in the note "Current tax assets", the Group's tax consolidation of the Parent Company Maire Tecnimont S.p.A. recorded a receivable of Euro 7,397 thousand as a consequence of the greater payments on account made in the second half of 2019, compared with the estimated tax charge in 2019.

The account in addition includes for Euro 4,849 thousand income tax liabilities for overseas companies, mainly concerning TPI, Stamicarbon BV and Tecnimont Arabia Ltd.

Other tax payables relate to VAT payables of Euro 36,281 thousand, primarily attributable to the Russian subsidiary MT Russia (Euro 30,110 thousand), and, to a residual extent, to the VAT of several international and Italian entities not participating in Group VAT consolidation.

The other residual tax payables includes IRPEF personnel withholding tax payables and withholding taxes on account for third party compensation and other tax payables.

At December 31, 2019, tax payables were as follows:

<i>(In Euro thousands)</i>	2018	Changes in the year	2019
Current income tax payables - Ires/Irap	4,848	4,807	9,655
Current income taxes payable - Overseas Tax	6,657	(1,808)	4,849
VAT payables	5,623	30,658	36,281
Substitute taxes payable	6,801	721	7,522
Other tax payables	3,069	(640)	2,428
Total	26,998	33,737	60,735

28.30. Financial instruments - Derivatives

(in Euro thousands)			
	2018	Changes in the year	2019
Financial instruments - Currency hedging derivatives	20,495	(19,205)	1,290
Financial instruments - Interest rate hedging derivatives	613	(613)	0
Financial instruments - Raw material hedging derivatives	2,382	(650)	1,733
Financial instruments - Total Return Equity SWAP (TRES) derivatives	2,002	2,885	4,887
Total	25,493	(17,584)	7,909

Derivative financial instruments at December 31, 2019 amount to Euro 7,909 thousand, with a decrease of Euro 17,584 thousand compared to December 31, 2018 and concern the fair value measurement of the derivative contracts in force.

The account for Euro 1,290 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 change during the year was due to both the unwinding of several instruments in keeping with the progress of the projects hedged and exchange rate performance in 2019.

The interest rate derivatives account referred to the measurement of Interest Rate Swap (IRS) derivatives to hedge its exposure to the risk of fluctuating interest rates on the no-recourse loan of the project company MGR Verduno S.p.A. involved in the "Alba-Bra Hospital concession" initiative; the account was reduced to zero following the classification of the equity investment to the item of assets and liabilities held for sale ("Assets held-for-sale"); the value of the instruments in place at December 31, 2019 was nonetheless Euro 637 thousand.

The account derivative financial instruments for Euro 1,733 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 4,887 thousand relates to the negative fair value of two cash-settled Total Return Equity Swap derivative instruments (TRES) to hedge against movements in the Maire Tecnimont share price, essentially tied to existing personnel incentive plans. The residual portions of the instruments December 31, 2019 hedged the risk relating to approx. 3.6 million shares.

The two 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. The contracts for approximately two million units are set to expire in the first half of 2020 and the remainder by December 31, 2020.

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.



28.31. Other current financial liabilities

<i>(in Euro thousands)</i>	2018	Changes in the year	2019
Other current financial liabilities	330	0	330
Total	330	0	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.

28.32. Client advance payments

<i>(In Euro thousands)</i>	2018	Changes in the year	2019
Client advance payments	637,837	46,435	684,272
Total	637,837	46,435	684,272

They concern contractual advances from clients on the signing of construction contracts. Client advance payments at December 31, 2019 were Euro 684,272 thousand, increasing Euro 46,435 thousand on December 31, 2018, principally following the collection of two further advances in relation to the construction phase of the Amursky Gas Treatment Plant (AGPP), that was then paid on as an advance to the main subcontractor; during the year, additional advances were also collected in relation to the ZCina Sonatrach and Lotos orders and the new orders acquired from the Port Harcourt Refinery, the Volgafert urea facility in Russia and the Midor refinery in Egypt, which collectively exceeded the absorption, through invoicing on account, of advances collected in preceding years.

28.33. Contractual Liabilities

<i>(In Euro thousands)</i>	2018	Changes in the year	2019
(Works-in-progress)	(13,221,284)	(2,841,598)	(16,062,882)
Advances received on work-in-progress	13,556,882	2,811,013	16,367,895
Total	335,598	(30,585)	305,013

“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 30,585 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 due to projects that had a negative balance in the previous 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.

28.34. Trade payables

(In Euro thousands)			
	2018	Changes in the year	2019
Suppliers - within 12 months	1,473,258	482,856	1,956,114
Subsidiaries - within 12 months	677	13	690
Associates - within 12 months	646	(363)	281
Parent companies - within 12 months	72	79	151
Group companies - within 12 months	3,649	(294)	3,355
Total	1,478,301	482,291	1,960,592

Trade payables at December 31, 2019 amount to Euro 1,960,592 thousand, an increase of Euro 482,291 thousand compared to December 31, 2018. The account includes also accruals at period-end for invoices to be received. This change was essentially due to the general working capital performance of the main orders, which similarly to the contract with the client influences the contractual terms of the goods and services provided by supplier and subcontractors, payment of which is essentially tied to the final project milestones.

Trade payables to non-consolidated subsidiaries and those in liquidation amounted to Euro 690 thousand, of which Euro 677 thousand were due to the Metrofiera consortium., with the remainder due to Coav S.c.a.r.l. in liquidation.

Trade payables to associates amount to Euro 281 thousand and principally concern Studio Geotecnico Italiano for Euro 68 thousand, MCM Servizi Roma for Euro 95 thousand, TSJ Limited for Euro 109 thousand and Villaggio Olimpico Moi for Euro 9 thousand.

Payables to parent companies amount to Euro 151 thousand and concern GLV Capital S.p.A., for Euro 71 thousand for the leasing of office spaces, the use of brands and for Euro 80 thousand to balances for the Group tax and VAT consolidation accrued in the previous year by MDG Real Estate S.r.l., when it was controlled by Maire Investments S.p.A.

Payables to group companies of Euro 3,355 thousand principally concern payables to consortia and infrastructure initiatives, mainly relating to the Metro B1 Consortium for Euro 2,843 thousand, the Cavtomi consortium for Euro 366 thousand and Cavet for Euro 138 thousand. The decrease is related to the substantial completion of the activities and settlement of the reciprocal positions.



28.35. Other current liabilities

<i>(In Euro thousands)</i>			
	2018	Changes in the year	2019
Matured by personnel, not yet settled	29,734	1,224	30,958
Payables due to social security institutions	12,196	1,285	13,481
Expropriation payables	4,195	(267)	3,928
Tax payables (overseas states)	6,418	3,570	9,989
Accrued liabilities and deferred income	4,014	(2,256)	1,759
Other payables (other creditors)	9,881	132,753	142,634
Total	66,439	136,310	202,749

Other current liabilities at December 31, 2019 amount to Euro 202,749 thousand, increasing Euro 136,310 thousand on December 31, 2018.

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 2019.

“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 remaining other current liabilities concern expropriation payables and other various payables including deferred income.

The increase in other payables was due to the representation in the accounts of third-party counterparties that purchased the right to the reserves of the doubling of the Fiumetorto Cefalù rail line. It bears recalling that the sale involves an initial price already paid on a definitive basis, regardless of the course of the negotiations, and a deferred price on the portion in excess of the amount already paid. In view of this deferred amount, the portion deemed highly probable affects the variability of the residual cash flows and therefore did not permit the assets to be fully derecognized. The value of the debt presented and the contractual asset of like amount also include the portion attributable to the third-party counterparties of approximately Euro 137.5 million.

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 amended by Article 35 of Decree-Law No. 34/2019 ("Growth Decree"), published in Italy's Official Journal no. 100 of April 30, 2019, the Maire Tecnimont Group analyzed its situation and decided to present in this paragraph the amounts received in 2019 in the form of contributions and grants:

- As part of funded training plans, Euro 221 thousand was received from Fondimpresa and Euro 101 thousand from Fondirigenti;
- Public grants were received in relation to technological research and innovation projects funded by the Ministry for Economic Development for Euro 24 thousand, by Lazio Innova S.p.A for Euro 30 thousand, by the European Community (ENEA) for Euro 1,825 thousand and by the Ministry for Education, Universities and Research for Euro 32 thousand;
- Subsidized loan contributions were received from the Ministry for Economic Development for Euro 10 thousand and contributions of Euro 11 thousand previously received from the Ministry for Universities and Research repaid;

See the National register of State Aid for the de minimis state aid included for Maire Tecnimont Group companies.



29. Commitments and contingent liabilities

The Maire Tecnimont Group's financial guarantees at December 31, 2019 and December 31, 2018 were as follows:

MAIRE TECNIMONT GROUP FINANCIAL GUARANTEES		
(in Euro thousands)		
	31/12/2019	31/12/2018
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>	1,553,521	1,499,227
<i>Advance Bonds (banks and insurance)</i>	1,147,360	933,858
<i>Others</i>	164,364	231,607
TOTAL GAURANTEES	2,865,245	2,664,692

"Guarantees issued in the interest of the Group" of Euro 2,865,245 thousand concern guarantees issued by Banks or Insurance companies in the interest of Group operating companies in relation to commitments undertaken upon core operations. Specifically:

- "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 12,645 million (Euro 11,896 million at December 31, 2018), including works already executed and the residual backlog at December 31, 2019.

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, 2019 the company's receivables/payables (including financial) and cost/revenue transactions with related parties for the period are presented in the tables below.

31/12/2019 (in Euro thousands)	Trade Receivables	Trade Payables	Financial Receivables	Financial Payables	Costs	Revenues
G.L.V. Capital S.p.A	0	(151)	0	0	(728)	0
Maire Investments Group	16	(15)	0	(33)	(77)	125
Cyber Partners S.r.l.	0	(117)	0	0	(199)	0
Total	16	(283)	0	(33)	(1,003)	125

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 administrative services and the purchase of flight hours used by the Group; an IT consulting agreement is in place with Cyber Partners, a company controlled by a director of Maire Tecnimont. The Maire Tecnimont Group's contracts with clients involve facility management services and other residual services connected to the execution of civil works.

Transactions with other non-consolidated and/or associated Group companies, or subsidiaries over which another related party exercises a significant influence (Nextchem, Bio-P, MDG Real Estate, MyReplast Industries and Stamicabon, US) are purely commercial and relate to specific activities linked to contracts or commercial development initiatives; in addition, certain consortiums, having substantially concluded operations, are in liquidation:

31/12/2019 (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	(176)	0	0	(769)	0
Villaggio Olimpico MOI S.c.a.r.l. in liquidation	0	(9)	69	0	(5)	0
Desimont Contracting Nigeria Limited	1,173	0	0	0	0	0
Biolevano S.r.l	9	0	0	0	0	10
Nextchem S.r.l.	546	(382)	1,500	0	(80)	268
BIO P S.r.l	7	(7)	51	0	(33)	14
Mdg Real Estate S.r.l.	0	(206)	0	(109)	(270)	0
UCOAT S.p.A.	2	0	0	0	0	0
My Replast Industries	33	0	1,500	0	0	33
TCM KTR LLP	42	0	573	0	0	29
Exportadora de Ingenieria y Servicios Tcm Spa	0	0	0	(67)	0	0
Volgafert LLC	0	0	0	0	0	12,058
GCB General trading	0	0	14	0	0	0
Stamicarbon US	3	0	1,102	0	0	3
Total	1,814	(876)	4,810	(176)	(1,158)	12,415



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

31/12/2019 (in Euro thousands)	Remuneration
Directors	5,073
Statutory Auditors	287
Total	5,360

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 2019 Corporate Governance and Ownership Structure Report and the 2019 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 2019 for audit services and other services carried out by the Audit Firm.

Type of service (in Euro thousands)	Provider	Recipient	2019 Fees
Audit	Pricewaterhousecoopers S.p.A.	Parent Company - Maire Tecnimont	229
	Pricewaterhousecoopers S.p.A.	Maire Tecnimont Group	1,762
	Pricewaterhousecoopers Network	Maire Tecnimont Group	397
Certification services (*)	Pricewaterhousecoopers S.p.A.	Parent Company - Maire Tecnimont	4
	Pricewaterhousecoopers S.p.A.	Maire Tecnimont Group	22
Other services **	Pricewaterhousecoopers S.p.A.	Parent Company - Maire Tecnimont	60
	Pricewaterhousecoopers Network	Parent Company - Maire Tecnimont	195
	Pricewaterhousecoopers S.p.A.	Maire Tecnimont Group	98
	Pricewaterhousecoopers Network	Maire Tecnimont Group	7

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 audit fee for the Sustainability Report - containing the Non-Financial Statement as per Legislative Decree 254/2016 and the fee for support with development of the in-country value method. 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, 2019 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, 2019 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, the impairment requirements are based on an expected credit loss (ECL) model utilizing supporting information, available without unreasonable charges or effort, which includes historic, current and projected figures.

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, 2019, Trade receivables from third parties due within and beyond 12 months, respectively totaled Euro 528,653 thousand (Euro 416,025 thousand at December 31, 2018) and Euro 111,820 thousand (Euro 49,074 thousand at December 31, 2018), net of the doubtful debt provision of Euro 10,864 thousand (Euro 11,383 thousand at December 31, 2018).

Trade receivables from third parties by maturity and business unit are summarized below:

(In Euro thousands)	Overdue at 31/12/2019					
	Not overdue	From 0 to 90 days	From 91 to 365 days	From 365 to 731 days	Over 731 days	Total
Hydrocarbons	399,705	41,808	33,383	28,226	98,695	601,817
Green Energy	24,275	4,257	1,591	701	4,408	35,232
Other	1,734	1,373	144	0	172	3,423
Total trade receivables - third parties	425,714	47,438	35,118	28,927	103,275	640,473
<i>Of which:</i>						
<i>Trade receivables due within 12 months Report note 28.12</i>						528,653
<i>Trade receivables beyond 12 months Report note 28.8</i>						111,820

For comparative purposes, the prior year amounts are presented below:

(In Euro thousands)	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
Hydrocarbons	212,083	39,965	30,240	37,867	98,532	418,687
Green Energy	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 28.12</i>						416,025
<i>Trade receivables beyond 12 months Report note 28.8</i>						49,074

Trade receivables are recorded net of the doubtful debt provision of Euro 10,864 thousand at December 31, 2019 (Euro 11,383 thousand at December 31, 2018).

(In Euro thousands)	2018	Provisions	Utilizations	Change in consolidation scope	Other changes	2019
Doubtful debt provision - customers	11,383	2,817	(2,851)	64	(549)	10,864
Total	11,383	2,817	(2,851)	64	(549)	10,864



For IFRS 9, the impairment requirements are based on an expected credit loss (ECL) model utilizing supporting information, available without unreasonable charges or effort, which includes historic, current and projected figures.

Overdue trade receivables principally refer to the Green Energy Business Unit and concern Italian public sector entities for Infrastructure and Civil Engineering activities; in relation to the Hydrocarbons 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.

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, 2019 amount to Euro 727,394 thousand, an increase of Euro 77,385 thousand compared to December 31, 2018.

Operating cash flow was negative Euro 17,029 thousand in 2019, while improving Euro 162,948 thousand in the fourth quarter of 2019. The fourth quarter of 2019 saw the trend reversed, with an increase in sales and subsequent collections due to the achievement of several important milestones for certain projects. Operating cash flow was negative for the first nine months, mainly attributable to the expected working capital changes in line with the normal development of projects, in particular the EPC projects substantially concluding in the period, although ahead of final invoicing related to the achievement of the final project milestones, in addition to the nature of the recently acquired contracts.

The following table analyses the breakdown and maturities of financial liabilities according to non-discounted future cash flows:

31.12.2019 (in Euro thousands)	Due within 1 year	Due between 1 & 5 years	Due beyond 5 years	TOTAL
Financial debt - non-current portion	2,012	259,958	0	261,970
Other non-current financial liabilities	5,634	203,349	15,481	224,464
Short-term debt	351,548			351,548
Other current financial liabilities	332			332
Finance lease liabilities - current and non-current	27,138	82,450	70,634	180,222
Financial instruments - Current and non-current derivatives	7,910			7,910
Total financial liabilities (current and non-current)	394,574	545,756	86,115	1,026,446

Future interest is estimated on the basis of existing market conditions at the preparation date of the financial statements.

The portion of other non-current financial liabilities “Due beyond 5 years” refers to the valuation of the repurchase obligation of the minority interest in SIMEST Spa in Met Dev 1 S.r.l, a Maire Tecnimont Group company which incorporated the Volgafert LLC joint venture together with PJSC KuibyshevAzot (a Russian chemical sector leader).

The portion of leasing financial liabilities “Beyond 5 years” is the value of the financial liability relating to the Right-of-use assets recognized, primarily attributable to the properties in which the Group’s offices are located.

For comparative purposes, the prior year amounts are presented below:

31/12/2018 (In Euro thousands)	Due within 1 year	Due between 1 & 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

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 uses Interest Rate Swap (IRS) derivatives to hedge its exposure to the risk of fluctuating interest rates on the no-recourse loan of MGR Verduno SpA, which is involved in the Alba-Bra Hospital concession reclassified under the item of assets and liabilities held for sale.

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, 2019, 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 49,621 thousand, net of the tax effect.

Financial instrument (In Euro thousands)	Book value at 31/12/2019	Income statement impact	Shareholders' equity impact	Income statement impact	Shareholders' equity impact
Net Financial Assets/Liabilities		+10%		-10%	
Currency Option (*)	22,383		(72,093)		72,469
Currency Forward (*)	1,548	(334)	6,801	461	(9,152)
Commodity (*)	1,733	1,576	0	(1,576)	0
Tres (*)	(4,370)	1,377		(1,377)	
Impact on financial assets/liabilities before tax effect		2,620	(65,291)	(2,493)	63,317
Tax rate		24.00%	24.00%	24.00%	24.00%
Impact on financial assets/liabilities, net of tax effect		1,991	(49,621)	(1,895)	48,121
Total increase (decrease)		1,991	(49,621)	(1,895)	48,121

(*) "Level 2" of Fair-Value

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 (In Euro thousands)	Total	Hedged portion	Non-hedged portion
Short-term debt	342,798	0	342,798
Medium/long-term debt	442,368	0	442,368
Total debt (*)	785,166	0	785,166
Total Cash and Cash Equivalents	(727,394)	0	(727,394)

(*) The account does not include the IFRS 16 - Leasing financial liability.



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).

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 2018, the subsidiary Tecnimont S.p.A. agreed a medium/long-term cash loan for a total amount of Euro 285 million. The operation stipulated 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 loan agreement made it possible to further reduce the applicable margin of the Group’s medium to long-term bank debt from 1.95% to 1.70%, extending the repayment period from March 2022 to June 30, 2023, and remodeling the repayment plan. The loan agreement thus has a duration of 5 years, with repayment beginning in June 2020 and the last instalment due on June 30, 2023.

The 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 on a half-yearly basis, with next measurement on the FY 2019 figures.

Maire Tecnimont made a further commitment to its Green Acceleration project, launched in 2018, by taking out a loan to support Group investments in green technologies. The instrument is divided in two tranches with an average duration of approximately 5 years, total repayment at maturity, and an average rate of approximately 2.3%. The cost of the instrument envisages both positive and negative variations linked to the achievement of the Group’s CO2 reduction targets. A portion of the loan, equal to Euro 20 million, has been used to refinance an existing bond, with a consequent cost reduction of more than 110 basis points and an extension to the deadline of approximately three years.

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 EBITDA on a yearly basis, with next measured on the December 31, 2019 figures.

In 2019, the Group, through the subsidiary Maire Green S.r.l, subsequently merged into MyReplast Industries S.r.l., drew down a non-recourse loan of approx. Euro 8 million issued by Intesa Sanpaolo through the new fund dedicated to the circular economy to provide structured support to this type of industrial initiative, for the acquisition of MyReplast Industries S.r.l, in addition to a working capital line to support requirements for Euro 2 million. The Loan Contract has an applicable margin on the medium/long-term bank debt of 1.5% and a duration of 5 years, with repayment beginning August 2020 and final instalment due on February 18, 2024.

The 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 EBITDA on an annual basis, in addition to the achievement of specific KPI’s concerning the number of tons of recycled plastic material and that reintroduced into the production cycle, improvement to the product quality and relative waste efficiencies. The next measurement will take place on the December 31, 2019 figures.

The Group holds non-convertible bonds subscribed on a private placement basis by the pan-European fund managed by companies of the Amundi group.

The bonds 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.. The bonds 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, on a half-yearly basis, next measured on the December 31, 2019 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 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 next measured on the December 31, 2019 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. Specifically:

- 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, 2019

The table below shows the outstanding amounts of derivatives in place at the reporting date, analyzed by maturity:



(In Euro thousands)	Book value at 31/12/2019	Notional			
		Projected cash flows	Within 1 year	Between 2 and 5 years	Over 5 years
	MTM				
Currency Option (*)	22,383	265,891	131,707	39,567	
Currency Forward (*)	1,549	177,145	130,071	47,074	
Commodity (*)	1,733	13,963	13,963		
Tres (*)	(4,370)	18,191	18,191		

(*) "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 31.12.2019
Forward purchases CNY against EUR sales	CNY	665,000,000	81,717,121	2,297,440
Forward purchases JPY against EUR sales	JPY	370,000,000	3,034,764	(4,746)
Forward purchases RUB against EUR sales	RUB	12,088,316,997	170,286,205	20,621,951
Forward purchases USD against EUR sales	USD	43,700,000	37,027,382	1,583,038
Forward purchases USD against EUR sales	USD	172,704,000	151,680,467	(565,863)
Total guarantees			443,745,940	23,931,821

The Group has the following forward contracts on raw materials:

Description	Commodity	Tons	Notional in Euro	Fair value at 31.12.2019
Forward purchases	Copper	120	615,061	44,359
Forward purchases	Palladium	6,218	646,144	1,583,282
Forward purchases	Platinum	5,038	7,319	104,894
Total guarantees			1,268,525	1,732,535

The Group has the following Total Return Equity Swap (TRES) contracts on the share price:

Description	Shares	Pieces	Notional in Euro	Fair value at 31.12.2019
TRES 3	Maire Tecnimont	2,067,800	8,687,345	(3,550,559)
TRES 4	Maire Tecnimont	1,500,000	5,064,750	(1,336,303)
TRES 5	Maire Tecnimont	2,000,000	4,439,400	517,252
Total guarantees			18,191,495	(4,369,611)

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, 2019, 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.



31.12.2019 (in Euro thousands)	Loans and Receivables - Amortized Cost	Derivative Instruments - Fair value (*)	Derivative Instruments - Hedge Accounting - Fair Value (*)	Capital instruments - Fair Value OCI (**)	Capital instruments - Fair Value to PL(**)	Total
Other non-current financial assets	37,356	-		10,792	-	48,148
Other non-current assets	143,389	-	-	-	-	143,389
Trade receivables	555,286	-	-	-	-	555,286
Financial instruments - Current and non-current derivatives	-	3,465	25,223	-	-	28,688
Other current financial assets	6,246	-	-	-	211	6,457
Other current assets	185,262	-	-	-	-	185,262
Cash and cash equivalents	727,394	-	-	-	-	727,394
Total Financial Assets	1,654,931	3,465	25,223	10,792	211	1,694,622

(*) "Level 2" of the Fair-Value

(**) "Level 3" of Fair-Value

31.12.2018 (in Euro thousands)	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

31.12.2019	Financial Liabilities - Amortized Cost	Derivative Instruments - Fair value (*)	Derivative Instruments - Hedge Accounting - Fair Value (*)	Total
(in Euro thousands)				
Financial debt - non-current portion	244,274			244,274
Other non-current financial liabilities	198,094			198,094
Short-term debt	342,468			342,468
Other current financial liabilities	330			330
Finance lease liabilities - current and non-current	150,084			150,084
Financial instruments - Current and non-current derivatives		6,619	1,291	7,910
Trade payables	1,960,592			1,960,592
Other Current Liabilities	202,749			202,749
Total Financial Liabilities	3,098,592	6,619	1,291	3,106,502

(*) "Level 2" of the Fair-Value

31.12.2018	Financial Liabilities - Amortized Cost	Derivative Instruments - Fair value (*)	Derivative Instruments - Hedge Accounting - Fair Value (*)	Total
(in Euro thousands)				
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 2019, 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, 2019

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 2019.
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 11, 2020

The Chief Executive Officer

Pierroberto Folgiero

The Executive Officer
for Financial Reporting

Dario Michelangeli



Financial Statements and Explanatory Notes

at December 31, 2019

37. Financial Statements

37.1. Income Statement

(in Euro)	Note	2019	2018
Revenues	41.1	91,689,512	93,166,712
Other operating income	41.2	4,029,097	3,596,429
Total Revenues		95,718,610	96,763,142
Raw materials and consumables	41.3	(26,659)	(46,953)
Service costs	41.4	(20,547,793)	(18,308,344)
Personnel expenses	41.5	(27,827,552)	(29,413,389)
Other operating expenses	41.6	(1,441,056)	(2,537,466)
Total Costs		(49,843,061)	(50,306,153)
EBITDA		45,875,549	46,456,989
Amortization, depreciation and write-downs	41.7	(962,617)	(258,066)
EBIT		44,912,932	46,198,923
Financial income	41.8	7,994,261	2,944,108
Financial expenses	41.9	(18,252,646)	(14,074,235)
Investment income/(expense)	41.10	(10,000,000)	0
Income before taxes		24,654,547	35,068,796
Income taxes	41.11	6,072,921	4,397,413
Net income for the year		30,727,468	39,466,209
Basic earnings per share	41.12	0.09	0.12
Diluted earnings per share	41.12	0.09	0.12

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	2019	2018
Net income for the year		30,727,468	39,466,209
Other comprehensive income/(expense) which may not be subsequently reclassified to income/(loss) for the year:			
Actuarial gains/(losses)	42.13	(38,868)	(497)
Relative tax effect	42.13	10,689	137
Total other comprehensive income/(expense) which may not be subsequently reclassified to income/(loss) for the year:		(28,179)	(360)
Total comprehensive income		30,699,289	39,465,849

37.3. Balance Sheet

(in Euro)	Note	2019	2018
Assets			
Non-current assets			
Property, plant and equipment	42.1	511,912	670,680
Other intangible assets	42.2	3,643,878	3,601,943
Right-of-use - Leasing	42.3	3,182,517	0
Investments in subsidiaries	42.4	767,709,713	763,223,927
Other non-current assets	42.5	1,100,000	1,165,282
Deferred tax assets	42.6	1,554,889	3,685,197
Total non-current assets		777,702,909	772,347,030
Current assets			
Trade receivables	42.7	28,081,918	48,879,375
Current tax assets	42.8	38,593,658	3,563,714
Financial instruments - Derivatives	42.9	517,252	33,419
Other current financial assets	42.10	145,486,582	135,277,218
Other current assets	42.11	507,562	2,495,005
Cash and cash equivalents	42.12	102,463,347	41,993,341
Total current assets		315,650,320	232,242,072
Total Assets		1,093,353,229	1,004,589,101

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	2019	2018
Shareholders' Equity & Liabilities			
Shareholders' Equity			
Share capital	42.13	19,920,679	19,920,679
Share premium reserve	42.13	272,921,086	272,921,086
Other reserves	42.13	112,618,788	114,775,533
Valuation reserve	42.13	(88,900)	(60,721)
Total shareholders' equity & reserves	42.13	405,371,653	407,556,577
Retained earnings (accumulated losses)	42.13	16,728,905	16,370,907
Net income for the year	42.13	30,727,468	39,466,209
Total Shareholders' Equity		452,828,026	463,393,694
Non-current liabilities			
Financial debt - non-current portion	42.14	61,905,553	0
Provisions for risks and charges - beyond 12 months	42.15	719,749	1,043,838
Deferred tax liabilities	42.7	581,609	607,521
Post-employment & other employee benefits	42.16	502,449	502,017
Other non-current financial liabilities	42.17	183,152,246	202,633,763
Non-current financial liabilities - Leasing	42.18	2,548,347	0
Total non-current liabilities		249,409,953	204,787,138
Current liabilities			
Short-term debt	42.19	7,217,005	989,151
Current financial liabilities - Leasing	42.18	667,731	0
Provisions for risks and charges - within 12 months	42.20	5,017,618	16,620,997
Tax payables	42.21	614,913	2,063,939
Financial instruments - Derivatives	42.22	4,886,862	2,001,949
Other current financial liabilities	42.23	323,210,898	296,130,549
Trade payables	42.24	15,174,929	15,498,354
Other Current Liabilities	42.25	34,325,294	3,103,329
Total current liabilities		391,115,250	336,408,269
Total Shareholders' Equity and Liabilities		1,093,353,229	1,004,589,101

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

(in Euro)	Share capital	Share premium reserve	Legal reserve	Other reserves	Valuation reserve	Retained earnings/accum. losses	Income for year	Shareholders' Equity
December 31, 2017	19,689,550	224,698,265	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 changes				29,651				29,651
Comprehensive income for the year					(360)		39,466,209	39,465,849
December 31, 2018	19,920,679	272,921,087	5,328,333	109,447,200	(60,721)	16,370,908	39,466,209	463,393,695
December 31, 2018	19,920,679	272,921,086	5,328,333	109,447,200	(60,721)	16,370,907	39,466,209	463,393,694
Allocation of the result						39,466,209	(39,466,209)	0
Distribution dividends						(39,108,211)		(39,108,211)
IFRS 2 (Employee share plans)				(2,156,745)				(2,156,745)
Acquisition of Treasury Shares 2019				(3,162,443)				(3,162,443)
Utilization Treasury Shares 2019 for PAD 2018				3,162,443				3,162,443
Comprehensive income/(loss) for the year					(28,179)		30,727,468	30,699,289
December 31, 2019	19,920,679	272,921,086	5,328,333	107,290,455	(88,900)	16,728,906	30,727,468	452,828,026



39. Cash Flow Statement (indirect method)

(in Euro)		
	31 December 2019	31 December 2018
Cash and cash equivalents at the beginning of the year (A)	41,993,341	2,124,112
Net Income	30,727,468	39,466,209
Adjusted for:		
- Amortisation of intangible assets	92,065	111,110
- Depreciation of non-current tangible assets	158,768	146,955
- Depreciation of Right-of-use - Leasing	711,784	-
- (Revaluations)/Write-downs on investments	10,000,000	-
- Financial charges	18,252,646	14,074,235
- Financial (income)	(7,994,261)	(2,944,108)
- Income and derred taxes	(6,072,921)	(4,397,413)
(Increase) / Decrease in trade receivables	23,811,134	8,483,356
Increase / (Decrease) in other liabilities	31,221,965	(3,130,898)
(Increase) / Decrease in other assets	2,046,021	1,375,940
Increase / (Decrease) in deferred tax	(16,974,567)	-
Increase / (Decrease) in trade payables	(323,425)	(4,999,583)
Increase/(Decrease) in provisions (including post-employment benefits)	(10,576,981)	5,755,328
Income taxes paid	(11,327,086)	(36,469,847)
Cash Flow from operating activities (B)	63,752,610	17,471,285
(Investment) / Disposal in non-current tangible assets	-	(250,000)
(Investment) / Disposal in intangible assets	(134,000)	-
Increase / (Decrease) in other investment assets	(12,344,642)	(2,275,000)
Cash Flow from investment activities (C)	(12,478,642)	(2,525,000)
Repayments of principal of financial Leasing liabilities	(671,520)	-
Payments of financial charges on financial Leasing liabilities	(113,263)	-
Change in financial liabilities and Interest paid	(6,318,348)	(11,863,576)
Proceeds from long-term debt	61,905,553	-
Change in other financial assets and liabilities	16,664,270	(56,116,665)
Increase/(Decrease) bonds	(20,000,000)	162,674,000
Dividends	(39,108,211)	(42,063,896)
Treasury Shares-Buyback	(3,162,443)	(27,706,918)
Cash flow from financing (D)	9,196,038	24,922,945
Increase/(Decrease) in Cash and Cash Equivalents (B+C+D)	60,470,006	39,869,230
Cash and cash equivalents at year end (A+B+C+D)	102,463,347	41,993,341

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 at December 31, 2019

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, 2019.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLICABLE FROM JANUARY 2019

- **Standard 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.

Meanwhile, the standard does not include any significant changes for lessors. This standard is effective as of January 1, 2019.

The rules introduced by IFRS 16 were 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 were excluded from the measurement; following the finalization of all the contracts, the impact of



the first application on the representative activity of the right-of-use and on the financial payables amounts to approximately Euro 3.4 million.

The Company Recognized a right-of-use asset at an amount corresponding to the lease liability adjusted, where necessary, to take account of any prepayments for advances and accrued liabilities and without considering the initial direct costs incurred in years prior to January 1, 2019.

The value of current and non-current financial leasing liabilities related to Right-of-Use at December 31, 2019 was Euro 3,216 thousand, of which Euro 668 thousand short term and Euro 2,548 thousand beyond 12 months; the changes after initial recognition are primarily linked to lease payments made in 2019, interest accrued and new contracts entered into during the year.

The value of Right-of-use assets at December 31, 2019 is Euro 3,183 thousand, with an initial recognition value of Euro 3,399 thousand and a subsequent movement relating mainly to amortization in the year, net of new contracts.

The lease liabilities are valued on recognition, discounting all future payments due for leases utilizing the implied lease rate, where this may easily be determined or alternatively utilizing its debt rate. Future cash flows are therefore discounted at the risk-free rate of the respective currencies, plus a spread for the specific risk of the Group, established as the difference between the yield on listed Group debt securities against an instrument with similar features but without risk. The marginal average weighted interest rate applied for the calculation of the financial liabilities at January 1, 2019 was 3.6%.

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 expenses 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 right-of-use 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 right-of-use and (ii) the financial expenses on the recorded payable.
- In the cash flow statement: the following effects result: a) a change in the net cash flow from operations, which no longer includes lease rental payments; and b) a change in the net cash flow from financing, which will include the outlays to repay the lease liabilities and outlays for interest expense on the lease liability.

The Company applied the new IFRS 16 provisions retrospectively, recording the cumulative effect of first-time application of the new standard as an adjustment to the opening 2019 balance, without therefore restating - as permitted - the comparative prior year figures.

The following tables indicate the effects of the adoption of IFRS 16 on the consolidated financial statements at December 31, 2019:

<i>(In Euro thousands)</i>	December 31, 2019 Published	2019 Without IFRS 16	Effect of change
Revenues	91,690	91,690	0
Other operating revenues	4,029	4,029	0
Total Revenues	95,719	95,719	0
Raw materials and consumables	(27)	(27)	0
Service costs	(20,548)	(21,339)	(791)
Personnel expense	(27,828)	(27,828)	0
Other operating costs	(1,441)	(1,441)	0
Total Costs	(49,843)	(50,634)	(791)
EBITDA	45,876	45,085	(791)
Amortization, depreciation and write-downs	(963)	(251)	712
EBIT	44,913	44,834	(79)
Financial income	7,994	7,994	0
Financial expenses	(18,253)	(18,140)	113
Investment income/(expense)	(10,000)	(10,000)	0
Income before tax	24,655	34,689	34
Income taxes, current and deferred	6,073	6,069	(4)
Net income for the year	30,727	30,758	30
Basic earnings per share	0.09	0.09	0
Diluted earnings per share	0.09	0.09	0



(In Euro thousands)	2019 Published	2019 Without IFRS 16	Effect of change
Assets			
Non-current assets			
Property, plant and equipment	512	512	0
Other intangible assets	3,644	3,644	0
Right-of-use - Leasing	3,183	0	(3,183)
Investments in subsidiaries	767,710	767,710	0
Other non-current assets	1,100	1,100	0
Deferred tax assets	1,555	1,551	(4)
Total non-current assets	777,703	774,517	(3,186)
Current assets			
Trade receivables	28,082	28,082	0
Current tax assets	38,594	38,594	0
Financial instruments - Derivatives	517	517	0
Other current financial assets	145,486	145,486	0
Other current assets	508	508	0
Cash and cash equivalents	102,463	102,463	0
Total current assets	315,650	315,650	0
Total Assets	1,093,353	1,090,167	(3,186)

(In Euro thousands)	2019 Published	2019 Without IFRS 16	Effect of change
Shareholders' Equity			
Share capital	19,921	19,921	0
Share premium reserve	272,921	272,921	0
Other reserves	112,619	112,619	0
Valuation reserve	(89)	(89)	0
Total shareholders' equity & reserves	405,372	405,372	0
Retained earnings	16,729	16,729	0
Net income for the year	30,727	30,758	30
Total Net Equity	452,828	452,858	30

(In Euro thousands)	2019 Published	2019 Without IFRS 16	Effect of change
Non-current liabilities			
Financial debt - non-current portion	61,906	61,906	0
Provisions for risk and charges - beyond 12 months	720	720	0
Deferred tax liabilities	582	582	0
Post-employment & other employee benefits	502	502	0
Other non-current financial liabilities	183,152	183,152	0
Non-current financial liabilities - Leasing	2,548	0	(2,548)
Total non-current liabilities	249,410	246,862	(2,548)
Current liabilities			
Short-term debt	7,217	7,217	0
Current financial liabilities - Leasing	668	0	(668)
Provisions for risks and charges - within 12 months	5,017	5,017	0
Tax payables	615	615	0
Financial instruments - Derivatives	4,887	4,887	0
Other current financial liabilities	323,211	323,211	0
Trade payables	15,175	15,175	0
Other Current Liabilities	34,325	34,325	0
Total current liabilities	391,115	390,447	(668)
Total Shareholders' Equity and Liabilities	1,093,353	1,090,167	(3,186)

The Right-of-use at December 31, 2019 amounted to Euro 3,183 thousand and mainly concerns the right-of-use for the office use buildings and motor vehicles, as follows:

(In Euro thousands)	31.12.2019
Buildings	2,675
Other assets	508
Total	3,183

The following table analyses the breakdown and maturities of lease liabilities carried as at December 31, 2019 presented according to future cash flows, inclusive of interest:

(In Euro thousands)	Due within 1 year	Due between 1 & 5 years	Due beyond 5 years	Total
Financial liabilities - Leasing	750	2,181	4,939	7,869
Total	750	2,181	4,939	7,869
<i>Of which Capital portion</i>				3,216



OTHER ACCOUNTING STANDARDS, APPLIED FROM JANUARY 1, 2019

The following amendments and interpretations applied from January 1, 2019 did not have a significant impact on the company financial statements.

- 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.
- 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.
- Regulation No 2018/498, enacted by the European Commission on March 22, 2018, endorsed the provisions of the document “Prepayment features with negative compensation (Amendments to IFRS 9)” issued by the IASB on October 12, 2017. The document enables measurement at amortized cost or at fair value through other comprehensive income (FVTOCI) of financial assets with an early payment option through negative compensation.
- 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 amendment requires the entity to update its assumptions and to remeasure the net liability or asset resulting 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.
- 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.

IFRS AND IFRIC STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION, NOT YET MANDATORY AND NOT ADOPTED IN ADVANCE BY THE COMPANY AT DECEMBER 31, 2019

- On October 31, 2018, the IASB published the document “Amendments to IAS 1 and IAS 8: Definition of Material”, the provisions are effective from periods beginning on, or subsequent to, January 1, 2020. 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. The directors do not expect these amendments to have a significant impact on the financial statements.

- The International Accounting Standards Board has modified certain hedge accounting requirements. The amendments are designed to support the disclosure of useful financial information by companies during the uncertain period resulting from the gradual elimination of interest rate benchmarks such as interbank offered rates (IBORs). The Board amended its new and old standards on financial instruments, IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement, in addition to the related standard IFRS 7 - Financial Instruments: Disclosures. The amendments concern certain specific requirements for accounting for hedging operations to provide solutions to the potential effects of the uncertainty caused by the reform of the interest rate benchmarks (IBORs). In addition, the amendments require companies to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties. The amendments will take effect on January 1, 2020, with an option for early adoption. The directors do not expect these amendments to have a significant impact on the financial statements.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION AT DECEMBER 31, 2019

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 financial expenses 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, 2022, 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.
- 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. The directors do not expect these amendments to have a significant impact on the 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 and the effective date. The directors do not expect these amendments to have a significant impact on the financial statements.



40.1.Accounting policies

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

The accounting policies utilized in preparing the 2019 separate annual financial statements are the same as those adopted in preparing the 2018 separate financial statements, except for the changes resulting from the first-time adoption of the international accounting standard IFRS 16 - Leases, which entered into effect on January 1, 2019, as discussed above in the “Accounting standards applied from January 1, 2019” paragraph.

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.

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;
- There exists the technical, financial and other resources 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.

RIGHT-OF-USE - LEASING

IFRS 16 establishes a single model for accounting for lease contracts involving the recognition by the lessee of a right-of-use asset and a lease liability representing the obligation to make the payments required under the contract. At the commencement date (the date on which the asset is made available for use), the right of use is initially measured at cost as the sum of the following:

- the initial amount of the lease liability;
- the payments due for the lease made on or before the commencement date, net of any incentives received for the lease;
- the initial direct costs incurred by the lessee;
- the estimated costs that the lessee expects to pay to dismantle and remove the underlying asset and restore the site in which it is located or to restore the underlying asset to the conditions provided for in the terms and conditions indicated in the lease contract.

After initial recognition, the right of use is amortized, tested for impairment and adjusted to reflect any restatement of the lease liability. Amortization is applied on a straight-line basis according to the term of the contract, taking account of renewal/termination options that are highly likely to be exercised. Only if the lease provides for a reasonably certain purchase option is the right-of-use asset amortized systematically over the entire useful life of the underlying asset.

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.

In addition, IFRS 16 requires that lessees test rights of use associated with leased assets for impairment in accordance with IAS 36, similarly to other owned company assets. Accordingly, when there are signs of impairment, it must be determined whether the right of use may be tested on a stand-alone basis or at the level of CGU.

When testing a right-of-use for impairment, the following must be considered: (i) upon first-time adoption, the maintenance of initial recognition values as a function of the absence (or presence) of provisions for onerous contracts relating to outstanding lease contracts; (ii) the allocation to the CGUs in question of the right-of-use assets for the leased assets; (iii) the term of the underlying lease contract with respect to the time horizon considered in determining the cash flows of the CGU; and (iv) the value in use of a CGU that includes a right of use.

After examining the various options currently available in the literature, the Company decided to include the right of use net of the related lease liability in the CGU being assessed and determine the value in use considering the outlays for lease rentals using a pre-IFRS 16 discounting rate.



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 under the category of claims held for collection (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”).

FINANCIAL LIABILITIES - LEASING

Under IFRS 16, the lease liability is initially measured at the present value of the payments due for the lease not yet made at the commencement date, which include:

- the fixed payments that are reasonably certain to be paid, net of any lease incentives to be received;
- the variable payments due that depend on an index or a rate (variable payments such as rentals based on the use of the leased asset, are not included in the lease liability, but taken to the income statement as operating costs over the term of the lease contract);
- any amounts expected to be paid as security for the residual value granted to the lesser;
- the exercise price of the purchase option, if the lessee is reasonably certain to exercise it;
- the penalty payments for breaking the lease, if the lessee is reasonably certain to exercise this option.

The present value of these payments is calculated by adopting a discount rate equal to the implicit interest rate on the lease or, where this cannot be easily determined, using the lessee’s incremental financing rate. The lessee’s incremental financing rate is determined on the basis of the frequency and duration of the payments provided for in the lease contract, the currency in which they are denominated and the characteristics of the lessee’s economic environment.

Future cash flows are therefore discounted at the risk-free rate of the respective currencies, plus a spread for the specific risk of the Company, established as the difference between the yield on the listed Maire Tecnimont S.p.A. debt securities against an instrument with similar features but without risk. The marginal average weighted interest rate applied for the calculation of the financial liabilities at January 1, 2019 was 3.6%.

After initial recognition, the lease liability is measured at amortized cost (i.e., by increasing its carrying amount to take account of the interest on the liability and decreasing it to take account of the payments made) using the effective interest rate and is redetermined, with a balancing entry to the carrying amount of the related right of use, to reflect any modifications to the lease following contractual renegotiations, changes in indices or rates or modifications relating to the exercise of contractually established renewal, early termination or leased asset purchase options.

The new Standard eliminates the classification, for the lessee, of leases as operating or financial, with limited exceptions to the application of the accounting treatment (allocation of lease rentals to the income statement on an accrual basis for leases that qualify as “short-term” or “low-value”). For the financial statements of lessors, however, the separation is maintained between operating and financing leases.

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 2019 amounted to Euro 91,690 thousand, a decrease of Euro 1,477 thousand compared to the previous year and broken down as follows:

(In Euro thousands)	2019	2018
Revenues from sales and services	21,920	30,202
Dividends from subsidiaries	69,770	62,964
Total	91,690	93,167

Revenues from subsidiary dividends amounted to Euro 69,770 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 14,770 thousand and Stamicarbon B.V. for Euro 15,000 thousand.

Revenues from sales and services were Euro 21,920 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

(In Euro thousands)	2019	2018
Cost recoveries	2	2
Exchange rate differences	0	357
Other income	4,027	3,237
Total	4,029	3,596

Other operating revenues in the year amounted to Euro 4,027 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 Development S.p.A.).

41.3. Raw materials and consumables

Raw materials and consumables costs for the year were Euro 27 thousand.

The breakdown of the account is as follows:

<i>(In Euro thousands)</i>	2019	2018
Raw material purchases	0	(1)
Consumables	(11)	(32)
Fuel	(16)	(14)
Total	(27)	(47)

The account principally concerns the purchase of stationary for Euro 11 thousand and fuel consumption for Euro 16 thousand for company vehicles.

41.4. Service costs

Service costs for the year amount to Euro 20,548 thousand, an increase of Euro 2,240 thousand on the previous year.

The breakdown of the account is as follows:

<i>(In Euro thousands)</i>	2019	2018
Utilities	(257)	(302)
Maintenance	(91)	(95)
Consultants and related services	(4,787)	(3,835)
Director and Statutory Auditor Remuneration	(2,626)	(2,460)
Bank expenses and sureties	(180)	(133)
Selling & advertising costs	(655)	(310)
Accessory personnel costs	(4,629)	(4,478)
Post & telephone and similar	(8)	(14)
Insurance	(374)	(297)
Increase in internal work capitalized	120	0
Other	(7,061)	(6,383)
Total	(20,548)	(18,308)

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 2019.



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 expense amounts to Euro 27,828 thousand, a decrease of Euro 1,585 thousand compared to the previous year.

(In Euro thousands)		
	2019	2018
Wages and salaries	(20,879)	(23,369)
Social security charges	(5,517)	(4,589)
Post-employment benefits	(1,407)	(1,423)
Other costs	(25)	(32)
Total	(27,828)	(29,413)

The breakdown of the account is as follows: The workforce at December 31, 2019 numbered 146, increasing 10 on the previous year; the average headcount increased from 132 to 141.

The movement in the company's workforce by category is as follows:

Category	Workforce 31/12/2018	Hires	Departures	Infra-group transfers	Promotions	Workforce 31/12/2019
Executives	49	1	(1)	0	0	49
Managers	43	8	(6)	0	6	51
White-collar	44	8	(1)	1	(6)	46
Blue-collar	0	0	0	0	0	0
Total	136	17	(8)	1	0	146
Average headcount	132					141

In 2019, there was a decrease in the cost of personnel due to a lower burden of variable remuneration policies and incentives to employees, which had a greater impact in the previous year. This effect was partially offset by the increase in the average number of employees, as discussed above.

In application of IFRS 2 Share-based payments, 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 this plan for the year amounted to Euro 1,350 thousand,

also based on an average fair value of the equity instruments equal of Euro 4.682 per share for the Restricted Stock Plan.

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".

During the year, the shares relating to the Third Cycle (2018) of the Employee Share Ownership Plan were awarded to all beneficiaries, and this Plan has thus effectively been concluded. In addition, the conclusion of the 2016-2018 Performance Share Plan was announced.

The account "Personnel expense" also includes the annual share of the new long-term incentive plan dedicated to the Selected senior executives (LTI) approved by Maire Tecnimont's Board of Directors in July 2019; the accrued share of the severance benefits for Maire Tecnimont's Chief Executive Officer approved by the same Board of Directors; and the additional charges of the employee flexible benefits plans ("Maire4You"), the participation bonus and the estimated accrued share of the Management by Objectives (MBO) Plans for executives.

41.6. Other operating costs

Other operating costs for the year amount to Euro 1,441 thousand, a decrease of Euro 1,096 thousand compared to the previous year, due to the application of the new accounting standard IFRS 16.

The breakdown of the account is as follows:

(In Euro thousands)		
	2019	2018
Hire	(375)	(599)
Rental	(28)	(532)
Exchange rate differences	(159)	(368)
Other costs	(879)	(1,038)
Total	(1,441)	(2,537)

Hire principally concerns the application packages and motor vehicles, mainly for the operating rental portion.

Rental charges concern the additional expenses associated with 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 879 thousand principally concern membership fees, sales representative costs and other general costs. It includes a contribution to the association “Siamo Europei” of Euro 50 thousand.

41.7. Amortization, depreciation & write-downs

Amortization, depreciation and write-down of fixed assets amount to Euro 963 thousand, an increase of Euro 705 thousand compared to the previous year.

Amortization and depreciation significantly increased on the preceding year following the application from January 1, 2019 of the new IFRS 16 and the initiation of amortization and depreciation on new Company operating assets - mainly buildings and motor vehicles.

The adoption of the new standard for identified contracts resulted in therefore:

- In the balance sheet: the initial recognition (i) of an asset, representative of the right-of-use 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 leasee 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 right-of-use and (ii) the financial expenses on the recorded payable.

This item may be analyzed as follows:

(In Euro thousands)	2019	2018
Amortization	(92)	(111)
Depreciation	(159)	(147)
Depreciation of right-of-use - Leasing	(712)	0
Total	(963)	(258)

Amortization of intangible assets of Euro 92 thousand relates to concessions and licenses (company software applications) and other intangible assets, principally concerning consultancy costs for the installation and launch of these applications.

Depreciation increased to Euro 159 thousand and concerns EDP, miscellaneous equipment and improvements at the Rome offices in Piazzale Flaminio.

The depreciation of right-of-use - leasing of Euro 712 thousand was recognized following the introduction of the new standard IFRS 16 and mainly concerns the right-of-use recognized on the buildings and motor vehicles.

41.8. Financial income

<i>(In Euro thousands)</i>		
	2019	2018
Income from subsidiaries	6,881	2,512
Other income	140	33
Income on derivatives	973	398
Total	7,994	2,944

Income from subsidiaries of Euro 6,881 thousand concerns interest matured on loans, financial instruments classified as loans and receivables at amortized cost, granted to Neosia S.p.A., Neosia Renewables S.p.A., Met Development S.p.A., Met Dev 1 S.r.l., Nexchem S.r.l., M.s.t. S.r.l., Tecnimont Nigeria, MET T&S and Tecnimont Philippines, and interest income accrued on current accounts; in the previous year, 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 expenses and other costs.

Income on derivatives for Euro 973 thousand refer specifically to:

- for Euro 34 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 422 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 and
- for Euro 517 thousand the increase in the mark-to-market of a TRES instrument in existence as at December 31, 2019 relating essentially to existing personnel incentive plans.

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. The contract for approximately two million units is set to expire on December 31, 2020. 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

<i>(In Euro thousands)</i>		
	2019	2018
Charges from group companies	(7,426)	(5,829)
Other charges	(989)	(883)
Equity Linked Bond interest & other charges	(6,806)	(5,360)
Charges on derivatives	(2,918)	(2,002)
Financial expenses on right-of-use	(113)	0
Total	(18,253)	(14,074)



Financial expenses were Euro 18,253 thousand and concern for Euro 7,426 thousand interest charges on loans received from Stamicarbon B.V., KT-Kinetics Technology S.p.A., Tecnimont S.p.A. and Tecnimont-KT JV S.r.l.. These charges are measured at amortized cost using the effective interest rate method and financial expenses 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” charges, amounting to Euro 6,806 thousand, specifically refer to:

- for Euro 2,170 thousand the monetary and non-monetary component of the interest on the non-convertible bonds 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. In 2019 Maire Tecnimont redeemed a tranche of these bonds with a nominal amount of Euro 20 million in advance.
- for Euro 4,636 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..

The increase in the bond interest charges on the previous year was primarily due to the fact that the bond of Euro 165 million had only accrued in eight months of 2018.

The charges on derivatives equal to Euro 2,918 thousand refer to 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 essentially tied to the personnel incentive plans in place. The residual portions of the instruments as at December 31, 2019 hedged the risk relating to approx. 3.6 million shares.

The two 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. The contracts for approximately two million units are set to expire in the first half of 2020 and the remainder by December 31, 2020. For accounting purposes the TRES is measured in accordance with IFRS 9 as a fair value derivative through P&L.

Right-of-use - Leasing financial expense at Euro 113 thousand concerns the financial expense matured in 2019 on finance lease liabilities recognized following the introduction of the new IFRS 16.

41.10. Investment income/(expenses)

Write-downs on equity investments of Euro 10 million refer to the write-down of the equity investment in MET Gas Processing Technologies S.p.A. During the year the subsidiary MET Gas Processing Technologies S.p.A. wrote down all assets relating to Siluria Technologies Inc. on its books, in addition to recording a slowdown in the operating activities relating to the application of the “OCM” technology for the conversion of natural gas into olefins and its marketing as provided for in the agreement entered into with Siluria Technologies (the owner of the technology in question).

In the case of the equity investment in Siluria Technologies Inc, in 2019, in view of the Company’s difficult financial situation, the process of selling Siluria was commenced to protect the interests of all the company’s creditors (“assignment for the benefit of the creditors”). In this procedure, the fund responsible had been authorized to sell Siluria to a third-party purchaser, including through a new special-purpose vehicle to which to contribute Siluria’s assets. In the second half of 2019 the Group became aware that a third party had purchased certain of Siluria’s assets; however, information is not available regarding when this purchase was closed, the price of sale or the assets sold.

With the support of a major US law firm, the Company took legal action in the United States to protect its interests, both as shareholder of Siluria and those of a commercial nature relating to the licensing agreement for the Siluria technology, potentially damaged by an irregular and/or flawed procedure for the sale of Siluria's assets.

41.11. Income taxes

(In Euro thousands)		2019	2018
Current income taxes		8,773	3,787
Prior year taxes		(587)	(354)
Deferred tax income		(2,139)	1,100
Deferred tax charges		26	(136)
Total		6,073	4,397

Income taxes amount to Euro 6,073 thousand, an increase of Euro 1,676 thousand on the previous year, mainly due to lower pre-tax income compared to the previous year, net of a worsening of the effective tax rate.

The current income taxes account presents income of Euro 8,773 thousand and concerns the remuneration of the tax loss and the interest charges transferred to the consolidated company CNM for FY 2019 and utilized in the calculation of the assessable income for the tax consolidation.

Prior year taxes amount to Euro 587 thousand and relate to the income tax allocation difference calculated at December 31, 2018 against that arising from the income transferred to CNM for FY 2018.

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., Neosia Renewables 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 income for Euro 2,139 thousand principally relate to releases due to utilizations during the period and accrual differences compared to the previous year, net of the recognition of deferred tax assets relating to charges for personnel incentive plans which will be deductible in future years.

Deferred tax charges of Euro 26 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	31/12/2019
Income before tax	24,655
Theoretical Rate (*)	24.0%
Theoretical tax charge	5,917
Temporary differences deductible in future years	6,846
Temporary differences assessable in future years	(286)
Reversal of temporary differences from previous years:	
Deductible temporary differences	(12,300)
Taxable temporary differences	2
Total	(12,298)
Non-reversing differences in future years:	
Increases	15,717
Decreases (**)	(66,281)
Total	(50,564)
Total changes	(56,302)
Tax loss	(31,647)
Current taxes (A)	(7,595)
Effective IRES rate	N/A
Effect tax consolidation	
Temporary differences deductible in future years	(6,134)
Income from tax consolidation (B)	(1,472)
Tax consolidation charges (C)	294
Current income taxes (A)+(B)+(C)	8,773

(*) 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 2019) 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 2019 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, 2019.

The basic earnings per share was Euro 0.09.

(in Euro)	2019	2018
Number of shares in circulation	328,640,432	328,640,432
(Treasury shares)	0	0
Number of shares to calculate earnings per share	328,640,432	328,640,432
Net income	30,727,468	39,466,209
Earnings per share (Euro)		
Earnings per share - basic (in euro)	0.09	0.12
Earnings per share - basic (in euro)	0.09	0.12

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>			
	2018	Changes in the year	2019
Other assets	611	(99)	512
Assets in progress and advances	60	(60)	0
Total	671	(159)	512

The following table illustrates the changes in the historical cost, accumulated amortization and net book values for the year 2019:

<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, 2018	0	0	60	611	671
Increases	0	0	0	60	60
Depreciation & write-downs	0	0	0	(159)	(159)
Other movements	0	0	(60)	0	(60)
Net book value at December 31, 2019	0	0	0	512	512
Historic cost	2	20	0	1,262	1,284
Accumulated depreciation	(2)	(20)	0	(750)	(772)

The main decreases concerned depreciation in the year.

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>					
	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)

42.2. Other intangible assets

<i>(In Euro thousands)</i>			
	2018	Changes in the year	2019
Concessions, licenses, trademarks & similar rights	3,181	(31)	3,150
Other	184	(61)	123
Assets under construction and payments on account	237	134	371
Total	3,602	42	3,644

The following table illustrates the changes in the historical cost, accumulated amortization and net book values for the year 2019:

<i>(In Euro thousands)</i>				
	Concessions, licenses, trademarks & similar rights	Others	Assets in progress and advances	Total
Net book value at December 31, 2018	3,181	184	237	3,602
Amortization & write-downs	(31)	(61)	0	(92)
Other changes	0	0	134	134
Net book value at December 31, 2019	3,150	123	371	3,644
Historic cost	4,486	4,815	371	9,672
Accumulated amortization	(1,336)	(4,692)	0	(6,028)

The breakdown of the trademarks with indefinite useful lives is shown in the table below.

<i>(in Euro thousands)</i>	
	2019
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	Other	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)

42.3. Right-of-use - Leasing

<i>(In Euro thousands)</i>	2018	Effect IFRS 16	Increases	Decreases	Depreciation in the year	Other changes	2019
Right-of-use - Leasing - Historical cost	0	3,399	496	0	0	0	3,894
(Right-of-use - Leasing - Accumulated depreciation)	0	0	0	0	(712)	0	(712)
Total	0	3,399	496	0	(712)	0	3,183

The value of rights-of-use at December 31, 2019 is Euro 3,183 thousand, with an initial recognition value of Euro 3,399 thousand and a subsequent movement relating mainly to amortization in the period, net of new contracts. The account "Right-of-use - Leasing" has been recognized following the introduction of the new accounting standard IFRS 16. The adoption of the new Standard for identified contracts therefore resulted in:

- In the balance sheet: the initial recognition (i) of an asset, representative of the right-of-use 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 right-of-use and (ii) the financial expenses on the recorded payable.

The account right-of-use - leasing mainly refers to rights of use recognized for office use buildings and motor vehicles, as follows:

(In Euro thousands)	31.12.2019
Buildings	2,675
Other assets	508
Total	3,183

42.4. Investments in subsidiaries

(In Euro thousands)	2018	Changes in the year	2019
Subsidiary companies:			
Investment in Tecnimont S.p.A.	612,826	(2,709)	610,117
Investment in Neosia S.p.A.	26,511	(76)	26,435
Investment in Neosia Renewables S.p.A.	35,195	(26)	35,169
Investment in Met Development S.p.A.	10,031	(26)	10,005
Investment in K.T. S.p.A.	27,718	(415)	27,303
Investment in MET GAS Processing Technologies S.p.A.	10,684	(2,504)	8,180
Investment in Stamicarbon B.V.	40,259	(130)	40,129
Investment in Nextchem S.r.l.	0	10,372	10,372
Total	763,224	4,486	767,710

The value of equity investments in subsidiaries amounts to Euro 767,710 thousand, an increase of Euro 4,486 thousand on the previous year.

The main increase relates to the equity investment in Nextchem S.r.l., as an integral part of the Green Acceleration project launched by the Maire Tecnimont Group, initiatives and activities were concentrated in 2019 through the Green Concentration Project, involving a dedicated vehicle, Nextchem S.r.l., already 56.67% controlled by the Maire Group, first through KT - Kinetics Technology S.p.A. and then in 2019, following an inter-company sale, directly by Maire Tecnimont S.p.A. Nextchem S.r.l. had been 43.33% owned for a number of years by Maire Investments S.p.A., in turn controlled by G.L.V. Capital S.p.A., the controlling shareholder of Maire Tecnimont S.p.A.

Within this context, NextChem's ownership structure proved particularly appropriate for developing initiatives that require technological development skills, while also necessitating access to capital markets. Accordingly, Nextchem S.r.l. was identified as the corporate vehicle suited to rolling out the Project of green initiatives present within the Group and certain assets functional to the Project. The Group's initiatives involved in the Green Concentration Project consist of licenses, patents, contracts and equity investments previously held by subsidiaries of Maire Tecnimont, with a total value of Euro 8.2 million (the "Group's Green Initiatives"), subject to contribution in kind following a capital increase by Nextchem S.r.l. with the relevant share of equity investments then sold to the parent company Maire Tecnimont. The assets functional to the Project formerly owned by Maire Investments and subject to the Green Concentration consist of an equity interest in a company by held by the same subsidiary that owns a real-estate complex with a value of Euro 7.5 million formerly used as NextChem's operational offices.



The main decrease relates to the equity investment in MET Gas Processing Technologies S.p.A.. During the year, the equity investment first increased in value following the waiver of Euro 7,500 thousand of financial receivables claimed from the company and the simultaneous share capital increase, net of a subsequent write-down of the investment of Euro 10,000 thousand following an impairment test on the investments.

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	387,881 (*)	100%	387,881	610,117	-222,236
Neosia S.p.A.	Via G. De Castillia 6/A (MI)	6,000	Euro	46,114 (*)	100%	46,114	26,435	19,679
Neosia Renewables S.p.A.	Via G. De Castillia 6/A (MI)	50	Euro	8,666 (*)	100%	8,666	35,169	-26,503
MET Development S.p.A.	Via G. De Castillia 6/A (MI)	10,005	Euro	8,894 (**)	100%	8,894	10,005	-1,111
KT S.p.A.	Viale Castello Della Malian (RM)	6,000	Euro	42,153 (*)	100%	42,153	27,303	14,850
MET Gas Processing Technologies S.p.A.	Via G. De Castillia 6/A (MI)	4,000	Euro	809 (**)	100%	809	8,180	-7,371
Stamicarbon B.V.	Sittard-The Netherlands	9,080	Euro	54,579 (*)	100%	54,579	40,129	14,450
Nextchem S.r.l.	Via Guido Polidoro 1 (AQ)	18,095	Euro	17,727 (*)	56.67%	10,046	10,372	-326

(*) 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.

During the year the subsidiary MET Gas Processing Technologies S.p.A. wrote down all assets relating to Siluria Technologies Inc. on its books, in addition to recording a slowdown in the operating activities relating to the application of the “OCM” technology for the conversion of natural gas into olefins and its marketing as provided for in the agreement entered into with Siluria Technologies (the owner of the technology in question).

In the case of the equity investment in Siluria Technologies Inc, in 2019, in view of the Company's difficult financial situation, the process of selling Siluria was commenced to protect the interests of all the company's creditors ("assignment for the benefit of the creditors"). In this procedure, the fund responsible had been authorized to sell Siluria to a third-party purchaser, including through a new special-purpose vehicle to which to contribute Siluria's assets. In the second half of 2019 the Group became aware that a third party had purchased certain of Siluria's assets; however, information is not available regarding when this purchase was closed, the price of sale or the assets sold.

With the support of a major US law firm, the Company took legal action in the United States to protect its interests, both as shareholder of Siluria and those of a commercial nature relating to the licensing agreement for the Siluria technology, potentially damaged by an irregular and/or flawed procedure for the sale of Siluria's assets.

Accordingly, the Company conducted an impairment test as the book value of the investment in MET Gas Processing Technologies S.p.A. was significantly higher than the share of equity at December 31, 2019.

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, 2019, as was the case also in the previous year.

An impairment test was carried out on the investment in Neosia Renewables S.p.A. as the book value of the investment was significantly higher than the pro-quota net equity at December 31, 2019, as was the case also in the previous year and in addition, during 2019 there was a delay in the process of acquiring new contracts compared to the plan.

Events occurred during the year indicative of a decline in value, and thus the possibility that the carrying amount of the investment in Neosia S.p.A. might not be recoverable. A delay was reported in 2019 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 2020 Budget and the 2020-2024 Business Plan approved by the Board of Directors on March 11, 2020.

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 2020 Budget and the Industrial Plan take account of the significant backlog at the end of 2019 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 2020.

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 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 5.2 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 indicated an impairment loss of Euro 10 million on the equity investment in MET Gas Processing Technologies S.p.A.; moreover, for the latter, since it is not a company listed on an active market and the Group has not received proposals for purchase from third parties, the “fair value less costs of disposal” cannot be directly determined, but is in fact similar to the value in use and in any case not higher, given the operating nature of the company.

The recoverable value in relation to the investment Tecnimont S.p.A. amounts to approx. Euro 1757.4 million, that of the investment in Neosia S.p.A amounts to approx. Euro 41.7 million and in Neosia Renewables S.p.A. amounting to approx. Euro 69.8 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.

A further deterioration in this analysis was incorporated of one percentage point for all CGUs and of one percentage point for all the investments.

Discount rate (WACC post tax)	Lower extreme	Higher extreme
Investment in Tecnimont S.p.A.	10.1%	12.1%
Investment in Neosia S.p.A.	8.4%	10.4%
Investment in Renewables S.p.A.	7.6%	9.6%
Investment in Met Gas Processing Technologies S.p.A.	11.6%	13.6%

Growth rate beyond plan period	Lower extreme	Higher extreme
Investment in Tecnimont S.p.A.	0%	2.2%
Investment in Neosia S.p.A.	0%	0.6%
Investment in Renewables S.p.A.	0%	2.6%
Investment in Met Gas Processing Technologies S.p.A.	0%	1.8%

The results of the sensitivity analysis did not highlight any impacts on the investments. In relation to the investment in MET Gas Processing Technologies S.p.A., in consideration of the alignment of the investment with the value in use on the basis of the test, the sensitivity analysis would therefore result in an adjustment of an insignificant amount amid an increased discount rate and lower growth rate.

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.

42.5. Other non-current assets

(In Euro thousands)	2018	Change in the year	2019
Trade receivables beyond 12 months	1,100	0	1,100
Commercial prepayments beyond 12 months	65	(65)	0
Total	1,165	(65)	1,100

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 in the previous year concerns long-term prepayments, specifically commissions-expenses on insurance sureties.

42.6. Deferred tax assets and liabilities

(In Euro thousands)	2018	Change in the year	2019
Deferred tax assets	3,685	(2,130)	1,555
Deferred tax liabilities	(608)	26	(582)
Total	3,078	(2,104)	973

Deferred tax assets and liabilities report a positive balance of Euro 973 thousand, reducing Euro 2,104 thousand on the previous year and comprising deferred tax assets for Euro 1,555 thousand and deferred tax liabilities for Euro 582 thousand.

Maire Tecnimont S.p.A. and the subsidiaries Tecnimont S.p.A., MET Gas Processing Technologies S.p.A., Neosia S.p.A., Neosia Renewables 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 decrease in deferred tax assets is due principally to the combined effect of the temporary differences deductible in future years and the reversal of temporary differences from previous years in the year relating to remuneration policies and personnel bonuses.

Deferred tax liabilities of Euro 582 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:

(In Euro thousands)	2018	Provisions	Utilizations	Reclassifications /reversals	2019
Deferred tax assets					
Charges related to remuneration policies and personnel bonuses	3,490	1,888	(4,063)	0	1,315
Other	179	204	(168)	0	215
Post-employment benefits	16	9	0	0	25
Total deferred tax assets	3,685	2,101	(4,231)	0	1,555

(In Euro thousands)	2018	Provisions	Utilizations	Reclassifications /reversals	2019
Deferred tax liabilities					
Difference in intangible asset values (Trademarks)	(523)	(51)	19	0	(555)
Unrealized exchange gains	(85)	(27)	85	0	(27)
Total deferred tax liabilities	(608)	(78)	104	0	(582)
Total	3,077	2,023	(4,127)	0	973

42.7. Trade receivables

(In Euro thousands)	2018	Changes in the year	2019
Trade receivables - within 12 months	0	4	4
Subsidiaries - within 12 months	48,879	(20,801)	28,078
Total	48,879	(20,797)	28,082

Receivables from subsidiaries were Euro 28,078 thousand, of which Euro 1,285 thousand from Tecnimont S.p.A. for coordination and control and for the tax, financial and legal service and other recharges, Euro 3,550 thousand from KT-Kinetics Technology S.p.A. for coordination and control, Euro 235 thousand from Neosia S.p.A. for coordination and control and Euro 671 thousand from Stamicarbon B.V. for the tax service and recharges for seconded personnel.

Finally, Euro 20,636 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

(In Euro thousands)	2018	Changes in the year	2019
Current tax receivables	3,162	7,393	10,555
Other tax assets	402	27,637	28,038
Total	3,564	35,030	38,594

Current tax assets at December 31, 2019 amount to Euro 38,594 thousand, reducing on the previous year. This change was mainly due to the increase in the Group VAT receivable and IRES income tax receivables on the Group's tax consolidation as a consequence of the greater payments made on account in the second half of 2019, compared with the estimated tax charge in 2019.



Current tax receivables principally refer to:

- Receivables for excess IRES payments on account of Euro 7,361 thousand in relation to the Group's tax consolidation;
- Receivables for excess IREAP payment on account for Euro 227 thousand;
- Tax receivables for withholdings on account Euro 36 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 Group VAT paid as tax consolidating company for Euro 28,038 thousand.

In 2019, 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

(In Euro thousands)			
	2018	Change in the year	2019
Derivative financial instruments - TRES	33	484	517
Total	33	484	517

The account for Euro 517 thousand relates to the positive fair value of a cash-settled Total Return Equity Swap (TRES) derivative instrument to hedge against movements in the Maire Tecnimont share price, essentially tied to existing personnel incentive plans. The residual portions of the instruments at December 31, 2019 hedged the risk relating to approx. 2 million shares. The derivative contract (TRES) was underwritten with a financial intermediary and with no obligation for Maire Tecnimont to acquire the treasury shares, but only the obligation for settlement between the parties of the differential between the exercise price and the Maire Tecnimont share price on the maturity of the instrument. The contract is expected to mature at the end of 2020.

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

(In Euro thousands)			
	2018	Changes in the year	2019
Financial receivables within 12 months:			
Subsidiaries	135,277	10,209	145,487
Total	135,277	10,209	145,487

Other current financial assets amount to Euro 145,487 thousand; other non-current financial assets were reclassified to current, relating to financial receivables claimed from Neosia S.p.A., Neosia Renewables S.p.A., MST S.r.l., Tecnimont Nigeria Ltd., Met Development S.p.A., Met T&S Ltd, Nextchem S.r.l., Met Dev 1 S.r.l. and Tecnimont Philippines Inc, in addition to current account receivables from subsidiaries.

In the previous year, 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 expenses. 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>	2018	Changes in the year	2019
Other receivables - within 12 months	1,530	(1,117)	413
Commercial prepayments	965	(870)	94
Total	2,495	(1,987)	508

Other current assets at December 31, 2019 amounted to Euro 508 thousand and principally concern prepayments for costs incurred in advance and deposits; the decrease of Euro 1,987 thousand compared to the previous year is due to the reduction in the VAT receivable from parent companies in respect of the Group's consolidated VAT.

Again in 2019 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>	2018	Changes in the year	2019
Bank and postal deposits	41,983	60,470	102,453
Cash in hand and similar	11	(0)	11
Total	41,993	60,470	102,463

Cash and cash equivalents at December 31, 2019 amount to Euro 102,463 thousand, an increase of Euro 60,470 thousand compared to December 31, 2018.

Operating cash flow generated Euro 63,753 thousand, increasing on 2018 which reported the generation of Euro 17,471 thousand. Cash flows from operating activities include the dividends received from the subsidiaries, net of outlays for tax payments, which in 2019 totaled Euro 11,327 thousand.

Investing activity on the other hand absorbed cash for Euro 12,479 thousand, mainly due to the acquisition of the investment in Nextchem S.r.l., with a transaction value of Euro 10.3 million, and capital contributions in Met Gas Processing Technologies S.p.A.



Financing activity generated total cash of Euro 9,196 thousand, mainly due to the finalization of the ESG-linked Schuldschein loan with a nominal value of Euro 62.5 million.

This effect were partially offset by the payment of the dividend approved by the Shareholders' Meeting of Euro 39,108 thousand and by the residual purchases of treasury shares for approx. Euro 3.2 million, in addition to interest paid in 2019.

The estimate of the "fair value" of bank and postal deposits at December 31, 2019 approximates their book value.

42.13. Shareholders' Equity

SHAREHOLDERS' EQUITY

Shareholders' Equity at December 31, 2019 was Euro 452,828 thousand, a net decrease on the previous year of Euro 10,566 thousand.

SHARE CAPITAL

The Share Capital of Euro 19,920,679 thousand comprises 328,640,432 shares, without nominal value and with full rights.

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, 2019 amount to Euro 112,619 thousand and comprise:

- Legal Reserve which at December 31, 2019 amounts to Euro 5,328 thousand.
- Statutory reserves, which at December 31, 2019 amounted to Euro 121,550 thousand, and did not change in the year.
- IFRS 2 Reserve for Euro 5,803 thousand, which includes the valuation of an employee share plan (the 2017-2019 Restricted Stock Plan) offered to employees as an additional benefit. The above plan is accounted for according to 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 reported a net decrease of Euro 2,417 thousand; the movements in the year refer to accruals in 2019 of Euro 1,979 thousand, net of utilizations following completion of the third and final cycle - of the general employee share ownership plan for Euro 4,396 thousand.

- Other reserves, which at December 31, 2019 were negative for Euro 20,063; the change in the year of Euro 46 thousand related to the difference resulting from the assignment of the Company's shares for the employee share ownership plan in 2019 compared to the fair value used in the allocation phase in 2018;

VALUATION RESERVE

The valuation reserve at December 31, 2019 was negative for Euro 89 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, 2018	(61)	(61)
Actuarial gain/ (losses)	(39)	(39)
Relative tax effect	11	11
Net book value at December 31, 2019	(89)	(89)

RETAINED EARNINGS/(ACCUMULATED LOSSES)

This amounts to Euro 16,729 thousand following the Shareholders' Meeting decision to carry forward the 2018 profit.

In relation to the equity reserves the following is noted:

AVAILABILITY OF RESERVES FOR DISTRIBUTION

(Euro thousands)	2019	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 - IFRS 2 (*)	5,803	B	-
Other reserves	(20,063)		-
Valuation reserve	(89)		-
Retained earnings/(accumulated losses)	16,729		-

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-mentioned 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. Financial payables - non-current portion

(In Euro thousands)	2018	Changes in the year	2019
Bank payables beyond 12 months	0	61,906	61,906
Total	0	61,906	61,906

At December 31, 2019 financial payables - non-current portion amount to Euro 61,906 thousand, an increase compared to December 31, 2018, principally following the finalization by Maire Tecnimont of an ESG-linked Schuldschein loan with a nominal value of Euro 62.5 million.

Maire Tecnimont made a further commitment to its Green Acceleration project, launched in 2018, by taking out a loan to support Group investments in green technologies. The instrument is divided in two tranches with an average duration of approximately 5 years, total repayment at maturity, and an average rate of approximately 2.3%. The cost of the instrument envisages both positive and negative variations linked to the achievement of the Group's CO2 reduction targets. A portion of the loan, equal to Euro 20 million, has been used to refinance an existing bond, with a consequent cost reduction of more than 110 basis points and an extension to the deadline of approximately three years.

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 EBITDA on a yearly basis, with next measured on the December 31, 2019 figures.

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

42.15. Provisions for risks and charges - beyond 12 months

<i>(In Euro thousands)</i>	2018	Changes in the year	2019
Provisions for risks and charges - beyond 12 months	1,044	(324)	720
Total	1,044	(324)	720

The decreases in the provisions relate to the release during the year of the sums accrued in the previous year, partially offset by the provisions recognized in 2019. The account includes the annual share of the new long-term incentive plan dedicated to the Chief Executive Officer and selected senior executives (LTI) approved by Maire Tecnimont's Board of Directors in July 2019; the accrued share of the severance benefits for Maire Tecnimont's Chief Executive Officer approved by the same Board of Directors.

The following table indicates the movements in provisions in 2019:

<i>(In Euro thousands)</i>	Balance at December 31, 2018	Provisions	Utilizations	Reclassification / releases	Balance at December 31, 2019
Fund for personnel charges	1,044	720	0	(1,044)	720
Total	1,044	720	(0)	(1,044)	720

42.16. Post-employment & other employee benefits

<i>Euro thousands</i>	2018	Change in the year	2019
Post-employment & other employee benefits	502	0	502
Total	502	0	502

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, 2019.

The changes in this liability in 2019 are shown below:



(In Euro thousands)		
	Post-employment benefit provision	Total
Balance at December 31, 2018	502	502
+ costs relating to current employee services	0	0
+ net actuarial losses/(profits)	37	37
+ financial expenses on obligations undertaken	(1)	(1)
+ other changes	0	0
- utilizations	(36)	(36)
Balance at December 31, 2019	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 primarily relate to departures of employees.

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, 2017.
- Workforce reference: for the internal workforce subject to analysis of Maire Tecnimont S.p.A., the average age and length of service were respectively 43.2 and 8.9 years.

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, 2019, a change of +0.5% in the discount rate applied to the calculation would produce a positive effect equal to Euro 22 thousand and in the same manner a change of -0.5% would produce a negative effect of Euro 23 thousand. A change of +0.5% in the inflation rate applied to the calculation would produce a negative effect of Euro 14 million and in the same manner a change of -0.5% would produce a positive effect of Euro 14 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 employee turnover rate would produce a positive effect of Euro 3 thousand and in the same manner a change of -0.5% would produce a negative effect of Euro 3 thousand.

42.17. Other non-current financial liabilities

(In Euro thousands)			
	31.12.18	Changes in the year	31.12.19
Ordinary bonds within one year	202,634	(19,482)	183,152
Total	202,634	(19,482)	183,152

“Other non-current financial liabilities” include Bond payables:

- For Euro 19,909 thousand, the non-convertible bonds, net of accessory charges, subscribed in 2017 through private placement by the pan-European fund managed by Amundi Group companies.

The bonds 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.. The bonds 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, on a half-yearly basis, next measured on the December 31, 2019 figures.

In 2019 Maire Tecnimont redeemed a tranche of these bonds with a nominal amount of Euro 20 million in advance.

- For Euro 163,244 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 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 next measured on the December 31, 2019 figures.

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



42.18. Financial liabilities - Leasing

<i>(In Euro thousands)</i>	2018	IFRS 16 Effect	Increases	Decreases	Interest	Payments	2019
Financial liabilities - Leasing	0	3,392	496	0	113	-785	3,216
Total	0	3,392	496	0	113	-785	3,216
<i>of which:</i>							
<i>Non-current financial liabilities - Leasing (Report note 42.18)</i>							2,548
<i>Current financial liabilities - Leasing (Report note 42.20)</i>							668
Total							3,216

The value of current and non-current financial leasing liabilities related to Rights-of-Use at December 31, 2019 was Euro 3,216 thousand, of which Euro 668 thousand short term and Euro 2,548 thousand beyond 12 months.

The rules introduced by IFRS 16 were 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 were excluded from the measurement; following the finalization of all the contracts, the impact of the first application on the representative activity of the right-of-use and on the financial payables amounts to approximately Euro 3.4 million.

The lease liabilities are valued on recognition, discounting all future payments due for leases utilizing the implied lease rate, where this may easily be determined or alternatively utilizing its debt rate. Future cash flows are therefore discounted at the risk-free rate of the respective currencies, plus a spread for the specific risk of the Group, established as the difference between the yield on listed Group debt securities against an instrument with similar features but without risk. The marginal average weighted interest rate applied for the calculation of the financial liabilities at January 1, 2019 was 3.6%.

The changes after initial recognition are primarily linked to lease payments made in 2019, interest accrued and new contracts entered into during the year.

The account was recognized following the introduction of the new standard IFRS 16 and mainly concerns the financial liabilities related to the right-of-use for the office use buildings and motor vehicles.

The adoption of the new standard for identified contracts resulted in therefore:

- In the balance sheet: the initial recognition (i) of an asset, representative of the right-of-use 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 right-of-use and (ii) the financial expenses on the recorded payable.

The following table analyses the breakdown and maturities of lease liabilities carried as at December 31, 2019 presented according to future cash flows, inclusive of interest:

<i>(In Euro thousands)</i>	Due within 1 year	Due between 1 & 5 years	Due beyond 5 years	Total
Financial liabilities - Leasing	750	2,181	4,939	7,869
Total	750	2,181	4,939	7,869
<i>Of which Capital portion</i>				3,216

42.19. Short-term financial payables

<i>Euro thousands</i>	2018	Changes in the year	2019
Bank payables	989	6,228	7,217
Total	989	6,228	7,217

Short-term financial payables amount to Euro 7,217 thousand and refer to a line of import credit granted to Maire Tecnimont S.p.A. maturing in 2020 for Euro 6,195 thousand and to accrued liabilities on loans and bonds accrued but not yet paid or Euro 1,022 thousand.

The estimate of the “fair value” of these financial instruments, calculated as indicated in the accounting policies section, at December 31, 2019 substantially approximated their book value. The breakdown by maturity of the gross financial debt is reported in the financial risks section.

42.20. Provisions for risks & charges - within 12 months

<i>Euro thousands</i>	2018	Changes in the year	2019
Provisions for charges - within 12 months	16,621	(11,603)	5,018
Total	16,621	(11,603)	5,018

The provision for charges within 12 months amounts to Euro 5,018 thousand and concerns the estimated costs for remuneration and incentive policies due within 12 months.

The net decrease in the year essentially relates to the payment in 2019 on the concluded Phantom Stock incentive plan for the Chief Executive Officer of the company and some Senior Managers of the Group, in addition to the portions of the MBO Plan, inclusive of the deferred component, which had accrued in previous years, and the 2018 production bonus; overall, they exceeded the amount accrued in 2019.



42.21. Tax payables

(In Euro thousands)			
	2018	Changes in the year	2019
Tax Payables	2,064	(1,449)	615
Total	2,064	(1,449)	615

Tax payables amount to Euro 615 thousand and mainly concern employee IRPEF.

Tax payables are shown in the table below:

(In Euro thousands)		
	2019	2018
Current income tax payables - Ires/Irap	0	1,527
Substitute taxes payable	615	537
Total	615	2,064

42.22. Financial instruments - Derivatives

(In Euro thousands)			
	2018	Change in the year	2019
Derivative financial instruments - TRES	2,002	2,885	4,887
Total	2,002	2,885	4,887

The account for Euro 4,887 thousand relates to the negative fair value of two cash-settled Total Return Equity Swap derivative instruments (TRES) to hedge against movements in the Maire Tecnimont share price, essentially tied to existing personnel incentive plans. The residual portions of the instruments as at December 31, 2019 hedged the risk relating to approx. 3.6 million shares.

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. The contracts for approximately two million units are set to expire in the first half of 2020 and the remainder by December 31, 2020.

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.

42.23. Other current financial liabilities

<i>(In Euro thousands)</i>			
	31.12.2018	Changes in the year	31.12.2019
Other current financial liabilities	153,801	48,410	202,211
Payable to subsidiaries	142,329	(21,329)	121,000
Total	296,130	27,081	323,211

Other current financial liabilities of Euro 202,211 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 expenses.

The cash pooling account receivables are interest bearing, in accordance with market rates.

Payables to subsidiaries for inter-company loans amount to Euro 121 million and refer to payables to Tecnimont S.p.A. for Euro 45 million, payables to TCM-KT JV S.r.l. for Euro 70 million, payables to KT S.p.A. for Euro 5 million and payables to Stamicarbon B.V. for Euro 1 million.

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, 2019 and December 31, 2018, 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>	31.12.2019	31.12.2018
A. Cash	(11)	(11)
B. Bank and postal deposits	(102,453)	(41,983)
C. Securities	-	-
D. Liquidity (A+B+C)	(102,463)	(41,993)
E. Current financial receivables	(146,004)	(135,311)
F. Current bank payables	7,217	989
G. Current portion of non-current debt	-	-
H. Other current financial payables	328,765	298,132
I. Current financial debt (F+G+H)	335,982	299,122
J. Net current financial debt (I-E-D)	87,515	121,818
K. Non-current bank payables	61,906	-
L. Bonds issued	183,152	202,634
M. Other non-current payables	2,548	0
N. Non-current financial debt (K+L+M)	247,606	202,634
O. Net financial debt (J+N)	335,121	324,451



The following table presents the reconciliation between the net financial debt and the net financial position of the company at December 31, 2019 and December 31, 2018:

RECONCILIATION NFD & NFP		
<i>In Euro thousands</i>	31.12.2019	31.12.2018
O. Net financial debt	335,121	324,451
Finance lease payables IFRS 16	(3,216)	-
Adjusted Net Financial Debt	331,905	324,451

42.24. Trade payables

This account amounts to Euro 15,175 thousand and decreased on the previous year Euro 323 thousand.

<i>Euro thousands</i>	2018	Changes in the year	2019
Suppliers - within 12 months	4,736	219	4,955
Subsidiaries - within 12 months	10,690	(541)	10,149
Parent companies - within 12 months	72	(1)	71
Total	15,498	(323)	15,175

Payables to suppliers of Euro 4,955 thousand concern trade payables for ordinary operations.

Payables to subsidiaries amount to Euro 10,149 thousand, decreasing on the previous year and relate to interest expense on loans received from subsidiaries, in particular, Tecnimont S.p.A and Tecnimont-KT JV S.r.l. 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 71 thousand relate to the payable to G.L.V. Capital S.p.A..

42.25. Other current liabilities*(In Euro thousands)*

	2018	Changes in the year	2019
Payables to social security institutions	827	(36)	791
Matured by personnel, not yet settled	369	368	737
Other payables	1,907	30,888	32,795
Commercial accrued liabilities and deferred income	1	2	3
Total	3,103	31,222	34,325

Other current liabilities at December 31, 2019 amount to Euro 34,325 thousand, increasing Euro 31,222 thousand on December 31, 2018.

The account concerns Social Security Institution payables, those matured by personnel and other various payables. Other payables for Euro 32,795 thousand concern payables to subsidiaries for Group VAT. Again in 2019 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 amended by Article 35 of Decree-Law No. 34/2019 ("Growth Decree"), published in Italy's Official Journal no. 100 of April 30, 2019, the Maire Tecnimont Group analyzed its situation and decided to present in this paragraph the amounts received in 2019 in the form of contributions and grants:

- As part of funded training plans, Euro 1 thousand was received from Fondimpresa;

See the National register of State Aid for the de minimis state aid included for the Company Maire Tecnimont.



43. Commitments and contingent liabilities

Maire Tecnimont S.p.A financial guarantees at December 31, 2019 and December 2018 were as follows:

(in Euro thousands)		
	31.12.2019	31.12.2018
Guarantees granted in the interest of the company		
Sureties issued by third parties in favor of third parties	157,918	138,459
Total guarantees	157,918	138,459

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., MT 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 12,321,999,485 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, 2019.

“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 2019, 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, OOO MT Russia, TPI, 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 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., Neosia Renewables S.p.A., Met Development S.p.A. Met Dev 1 S.r.l., M.S.T S.r.l ,Met T&S Limited, Nextchem S.r.l., TCM Nigeria, TCM Philippines) 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 the previous year 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., Neosia Renewables 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., Neosia Renewables 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., TCM-KT JV S.r.l., 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) 31/12/2019	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.	1,285	(4,748)		(45,000)	(24,091)	16,666	39,885	19,023	(4,625)	2,890	(3,131)
KT S.p.A.	3,550	(878)		(5,000)		5,947	(107,173)	5,759	(385)	500	(577)
Neosia S.p.A.	236	(317)	44,713		(304)	(1,303)	1,537	587		1,680	(436)
Neosia Renewables S.p.A.	215	(192)	25,330		(26)	(456)	10,006			1,121	(266)
Stamicarbon B.V.	671	(201)		(1,000)				221			(201)
Met Gas Processing Technologies S.p.A.	(39)				(455)	(403)	482	10		133	
G.L.V Capital S.p.A.		(71)							(725)		
Mdg Real Estate S.r.l.				(109)					(8)		
MST S.r.l.	18	(1)	3,000		(88)	122			(149)	26	
Met Development S.p.A.	8		2,000		(62)	63	12,908	54		142	
Met Dev 1			100								
OOO MT Russia	231							5		129	
TPI	76	(795)						5			
TCM France	14	(678)								14	
MET T&S LIMITED	359		1,800					7		40	
Cefalu S.c.a.r.l.	2				(117)					3	
Tecnimont Private Limited	20							5		20	
TCM Do Brasil	18							5			
Tecnimont Cile	18							5			
Tecnimont México	2							5			
Tecnimont USA Inc.	1							5			
Tecnimont Arabia Ltd	18							5			
TecnimontHQC Sdn. Bhd.	18							5			
Met Newen Mexico S.A. de C.V.	356									3	
Biolevano S.r.l.								10			
Cosorzio Turbigo 800								1			
Nextchem S.r.l.	297		1,500							41	
TCM Nigeria	49		2,136							49	
TCM Philippines	1		89							1	
TCM-KT JV S.r.l.	13	(2,339)		(70,000)	(7,617)		(95,038)			83	(2,816)
Mgr Verduno	4									4	
kt india	1										
Myreplast	1									1	
Esperia									(51)		
U-Coat S.p.A	2										
Total	7,443	(10,220)	80,668	(121,109)	(32,760)	20,636	(137,393)	25,718	(5,942)	6,881	(7,426)

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

31/12/2019 (in Euro thousands)	Remuneration
Directors	5,073
Statutory Auditors	200
Total	5,273

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 2019 Corporate Governance and Ownership Structure Report and the 2019 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. 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, 2019 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, 2019, Trade receivables within and beyond 12 months respectively were Euro 28,082 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

(in Euro thousands)	Overdue at 31/12/2019				Total
	Not overdue	Up to 365 days	From 365 to 731 days	Over 731 days	
TRADE RECEIVABLES	1,471	25,816	795	0	28,082
OTHER NON-CURRENT ASSETS	0	0	0	1,100	1,100
Total trade receivables	1,471	25,816	795	1,100	29,182
of which:					
Within 12 months (Note 42.5, 42.7)					28,082
					1,100

(in Euro thousands)	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 42.5, 42.7)					48,879
					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, the impairment requirements are based on an expected credit loss (ECL) 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 and found to be immaterial.

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.

The cash and cash equivalents of Maire Tecnimont S.p.A at December 31, 2019 amounted to Euro 102,643 thousand, an increase of Euro 41,993 thousand on December 31, 2018.

The following table analyses the breakdown and maturities of financial liabilities according to non-discounted future cash flows:

31.12.2019 (in Euro thousands)	Due within 1 year	Due between 1 & 5 years	Due beyond 5 years	Total
Financial debt - non-current portion	1,415	67,860	0	69,275
Other non-current financial liabilities	5,011	201,024	0	206,035
Short-term debt	7,226	0	0	7,226
Other current financial liabilities	327,247	0	0	327,247
Finance lease liabilities - current and non-current	750	2,181	4,939	7,870
Financial instruments - Current and non-current derivatives	4,886	0	0	4,886
Total financial liabilities (current and non-current)	346,535	271,065	4,939	622,540

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 expenses. The maturity dates and the interest estimates are based on the residual contractual duration or the earliest date when payment may be demanded.

The portion of leasing financial liabilities "Beyond 5 years" is the value of the financial liability relating to the Right-of-use assets recognized, primarily attributable to the properties in which the Company's offices are located.

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 2019 Maire Tecnimont finalizing a loan intended primarily to support the Group's investments in green technologies. The instrument is divided in two tranches with an average duration of approximately 5 years, total repayment at maturity, and an average rate of approximately 2.3%. The cost of the instrument envisages both positive and negative variations linked to the achievement of the Group's CO2 reduction targets. A portion of the loan, equal to Euro 20 million, has been used to refinance an existing bond, with a consequent cost reduction of more than 110 basis points and an extension to the deadline of approximately three years.

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 EBITDA on a yearly basis, with next measured on the December 31, 2019 figures.

The Company holds non-convertible bonds subscribed in 2017 on a private placement basis by the pan-European fund managed by companies of the Amundi group.

The bonds 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.. The bonds 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, on a half-yearly basis, next measured on the December 31, 2019 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 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 next measured on the December 31, 2019 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"); 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.



At 31/12/2019 (Euro thousands)	Loans and Receivables - Amortized Cost	Derivative Instrument s - Fair value	Derivative Instruments - Hedge Accounting - Fair Value	Capital instruments - Fair Value OCI	Total
Other non-current assets	1,100				1,100
Trade receivables	28,082				28,082
Financial instruments - Derivatives		*517			517
Other financial assets	145,486				145,486
Other current assets	507				507
Cash and cash equivalents	102,463				102,463
Total	277,638	517	0	0	278,155

*"Level 2" of Fair-Value

At 31/12/2018 (Euro thousands)	Loans and Receivables - Amortized Cost	Derivative Instruments - Fair value	Derivative Instruments - Hedge Accounting - Fair Value	Capital instrument s - 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

Values at 31/12/2019 (in Euro thousands)	Financial Liabilities - Amortized Cost	Derivative Instruments - Fair value	Derivative Instruments - Hedge Accounting - Fair Value	Total
Financial debt - non-current portion	61,906			61,906
Other non-current financial liabilities	183,152			183,152
Current loans and borrowings	7,217			7,217
Finance lease liabilities - current and non-current	3,216			3,216
Financial instruments - Derivatives	0	*4.886		4,886
Other current financial liabilities	323,211			323,211
Trade payables	15,174			15,174
Other current liabilities	34,325			34,325
Total	628,201	4,886		633,087

*"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	202,634			344,963
Current loans and borrowings	989			989
Financial instruments - Derivatives	0	*2,002		2,002
Other current financial liabilities	296,130			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

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 2019 for services carried out by the audit firm.

Type of service (in Euro thousands)	Provider	Recipient	2019 Fees
Audit	Pricewaterhousecoopers S.p.A.	Maire Tecnimont S.p.A.	229
Certification services (*)	Pricewaterhousecoopers S.p.A.	Maire Tecnimont S.p.A.	4
Other services **	Pricewaterhousecoopers Network	Maire Tecnimont S.p.A.	195
	Pricewaterhousecoopers S.p.A.	Maire Tecnimont S.p.A.	60

The fees do not include VAT, expenses and any Consob oversight contribution repayments

(*) Certification services include the signing of tax declarations.

(**) The other services include the audit fee for the Sustainability Report - containing the Non-Financial Statement as per Legislative Decree 254/2016 and the fee for support with development of the in-country value method.



47. Significant non-recurring events and operations

In 2019, 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, 2019

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, 2019.
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 11, 2020

The Chief Executive Officer

Pierroberto Folgiero

The Executive Officer
for Financial Reporting

Dario Michelangeli



51. Board of Directors proposal

Dear Shareholders,

We believe we have fully outlined the Financial Statements of the Company and we trust you will give your consent regarding the approach and criteria adopted in drawing up said Financial Statements for 2019, and invite you:

- to approve the Financial Statements of Maire Tecnimont S.p.A. at 31 December 2019, ended with a net profit of Euro 30.727.467,52, as well as the relevant Report by the Board of Directors on the Operations in all their parts and results, and
- to carry forward the year's profit amounting to Euro 30.727.467,52.

Milano, April 14, 2020

On behalf of the Board of Directors
The Chairman

The Board of Directors of Maire Tecnimont S.p.A. taking into account the continuous evolution of the global scenario resulting from the COVID-19 epidemiological emergency and the regulatory measures issued as a result of it, including the Decree-Law 8 April 2020 No. 23, effective from 9 April 2020, resolved - taking a prudent approach - to suspend the distribution of the 2019 dividends, reserving to put in place new evaluations regarding the future distribution of reserves by the end of the 2020 financial year.

52. Board of Statutory Auditors' Report

Board of Statutory Auditors' Report to the Shareholders'

Meeting called to approve the Financial Statements at

December 31, 2019 (Article 153, Legislative Decree No. 58/98)

Dear Shareholders,

the Board of Statutory Auditors of Maire Tecnimont S.p.A. (hereafter also "**Maire Tecnimont**" or the "**Company**") 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 on 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 the 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, also undertook the ongoing exchange of information with the Executive Officer for Financial Reporting, 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**"), 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 (the “**Non-financial disclosure**” or “**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 29, 2019 and comprises:

- Mr. Francesco Fallacara (Chairman);
- Ms. Antonia Di Bella (Statutory Auditor);
- Mr. Giorgio Loli (Statutory Auditor).

Mr. Massimiliano Leoni, Ms. Alessandra Conte and Mr. Andrea Lorenzatti are Alternate Auditors.

The mandate of the Board of Statutory Auditors concludes at the Shareholders’ Meeting called to approve the 2021 Annual Accounts.

The main offices held by the members of the Board of Statutory Auditors are also indicated in the “*Corporate Governance Ownership Structure Report 2019*” of the company, drawn up as per Article 123-bis of the CFA, made available to the public in accordance with law on the website www.mairetecnimont.com and according to the other means set out by the applicable regulation.

The Board of Statutory Auditors reports 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, 2019 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, 2019, 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, 2019 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, the Board of Directors, on November 12, 2010, approved the “*Related parties transactions policy*” (the “**Policy**”). In accordance with Consob regulation No. DEM/10078683 of September 24, 2010, the Policy is reviewed every three years. In this regard, it should be noted that on March 15, 2017, the Board of Directors - subject to the favourable opinion of the Related Parties Committee, which carried out the appropriate assessments taking into account, inter alia, any changes in the ownership structure and the effectiveness demonstrated by the Policy in practice - confirmed the current Policy.

The Policy adopted by the company and implemented for transactions undertaken in 2019, (i) complied with the principles contained in the stated Consob Regulation and (ii) was published on the company website (www.mairetecnimont.com).

We attended the meetings of the Related Parties Committee, during which we reviewed the related party transactions undertaken in 2019. In particular, the inter-company transactions were analysed, all of an ordinary nature, as essentially concerning the provision of inter-company administrative services and those regarding property and residual matters and therefore “Exempt” from the Policy. The Committee has therefore never been called upon to give an opinion on such. These inter-company transactions, in addition to being of an ordinary nature, were undertaken applying normal market conditions. They are periodically communicated to us by the company.

In addition to that stated above, the Committee also assessed the related party transactions which the Maire Tecnimont Group (the “**Group**”) undertook as part of the “Green Acceleration” Project, introduced by Maire Tecnimont to launch the new business unit headed by the subsidiary NextChem S.r.l., dedicated to the management of a range of technological initiatives in the energy transition field, responding as best as possible to emerging market demands.



The Related Parties Committee, after verifying and confirming the appropriateness and substantial fairness of the conditions underlying the related party transactions - both individually and, where necessary, on a collective basis - categorised them as "Less Significant Transactions", issuing, in accordance with the Policy, the non-binding reasoned opinions falling within its scope and expressing its reasoned favourable opinion to the Board of Directors with regards to the execution of the transactions, analysed also - where necessary - on a collective basis.

The Related Parties Committee also assessed the proposal to grant an end of mandate indemnity ("EMI") to the Executive Director, Mr. Pierroberto Folgiero, for the position of Chief Executive Officer of Maire Tecnimont.

In this regard, it should be noted that the Committee, after assessing the appropriateness and substantive fairness of the conditions and qualifying the transaction as a "Less Significant Transaction" pursuant to the Policy, expressed its non-binding favourable reasoned opinion to the Board of Directors on the proposal to assign an EMI in favour of the Executive Director, Mr. Pierroberto Folgiero, for the position of Chief Executive Officer of Maire Tecnimont, without prejudice to any resolutions of the Shareholders' Meeting to which the Remuneration Policy will be submitted pursuant to Article 123-*ter* of the CFA, as amended by Legislative Decree 49/2019 implementing Directive 2017/828/EC.

Finally, for the sake of completeness, it should be noted that in December 2019 the Related Parties Committee assessed the so-called "correlation profiles" of the proposal for the *"2020-2024 Long Term Investment Plan to support the Maire Tecnimont Group's Green Acceleration project, based on financial instruments of the subsidiary NextChem"* reserved for, among others, the CEO and General Manager of Maire Tecnimont, Mr. Pierroberto Folgiero (the **"NextChem Investment Plan"** or the **"Plan"**).

The Related Parties Committee has confirmed, to the extent of its scope, the applicability to the proposed NextChem Investment Plan of the exemption referred to in Article 2, paragraph 1, letter c) of the Policy, with the NextChem Investment Plan among the remuneration plans based on financial instruments to be submitted for approval by the Shareholders' Meeting pursuant to Article 114-*bis* of the CFA. In view of the above, the Committee, having analyzed the so-called "correlation profiles" of the NextChem Investment Plan and

highlighting that the individual executive transactions of the Plan can be qualified as of "Negligible Amount" or "Lesser Significance", contributing together to determine a maximum overall value of the Plan, for the part destined to the Chief Executive Officer of the Company, below the materiality threshold provided for the so-called "Significant Transactions", did not deem it necessary to issue its own non-binding opinion in relation in this regard.

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 5, 2020 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 "**Hydrocarbons**" (previously called "Technology, Engineering & Construction" or "TEC"), "**Renewables & Infrastructure**" or "R&I" (previously called "Infrastructure & Civil Engineering"), "**Licensing**" and "**Green Energy**" or "GE" cash generating units and on the carrying amount of the investments recognised 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.



Following this procedure, the investment in MET Gas Processing Technologies S.p.A. was written down for Euro 10 million.

The Board of Statutory Auditors considers that the impairment test policy adopted by the company is adequate.

Board of Statutory Auditors' activities in 2019

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 the Group companies, 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 organisation 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 organisational 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 (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 of the company and with the independent audit firm PricewaterhouseCoopers S.p.A., 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 organisation 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, 2019, 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), MT Russia LLC (Russia) (previously Tecnimont Russia LLC), Tecnimont Arabia Ltd (Saudi Arabia) and TCM-KT JV Azerbaijan LLC (Azerbaijan).
- 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 processes 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 authorisations;
- 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 processes 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.



Remuneration of the directors, of the general manager and of the senior executives

The Board of Statutory Auditors in 2019 expressed its opinion as required by Article 2389, paragraph 3 of the Civil Code concerning the proposal for the remuneration of senior executives.

In particular, the Board of Statutory Auditors, to the extent of its scope:

- at the meeting of the Board of Directors of May 9, 2019 - following the appointment of the new Board of Directors of the Company for the three-year period 2019-2021 by the Shareholders' Meeting of April 29, 2019 and the confirmation of Mr. Fabrizio Di Amato as Chairman of the Board of Directors of the Company, as well as the confirmation by the Board of Directors held on the same date of Mr. Pierroberto Folgiero as Chief Executive Officer and General Manager of Maire Tecnimont - expressed its favourable opinion on the remuneration proposals for the senior directors Mr. Fabrizio Di Amato and Mr. Pierroberto Folgiero;
- at the meeting of the Board of Directors of July 25, 2019, expressed its favourable opinion on the adoption of the *"2019-2021 Maire Tecnimont Group Long Term Incentive Plan"*, *inter alia*, for the Chief Executive Officer and General Manager of Maire Tecnimont Mr. Pierroberto Folgiero, and the proposal to allocate to Mr. Pierroberto Folgiero an *"End of Mandate Indemnity"*.

It should also be noted that the Board of Statutory Auditors, during the meeting of the Board of Directors held on March 11, 2020, expressed, to the extent of its remit, its favourable opinion on the following proposals for investment and incentive plans pursuant to Article 114-*bis* of the Consolidated Finance Act for, *inter alia*, the Chief Executive Officer and General Manager of Maire Tecnimont, Mr. Pierroberto Folgiero:

- i) conversion of the monetary incentive plan called the “2019-2021 *Maire Tecnimont Group Long Term Incentive Plan*”, already resolved by the Board of Directors on July 25, 2019, into the Maire Tecnimont S.p.A. Share-based Incentive Plan;
- ii) adoption of the “2020-2022 *Long Term Incentive Plan of the Maire Tecnimont Group*”;
- iii) adoption of the “2020-2022 *General Share Plan of the Maire Tecnimont Group*”;
- iv) adoption of the “2020-2024 *Long Term Investment Plan to support Maire Tecnimont Group's Green Acceleration project, based on financial instruments of the subsidiary NextChem*”.

Additional Board of Statutory Auditors opinions

During 2019, the Board of Statutory Auditors also expressed the following additional opinions, to the extent of its remit:

- at the meeting of the Board of Directors of March 14, 2019, its favourable opinion on the appointment of the new Internal Audit Manager, as well as on the adequacy of the resources that she has to fulfil her responsibilities, pursuant to Application Criterion 7.C.1., paragraph 2 of the Code;
- at the meeting of the Board of Directors of April 29, 2019, following the appointment of the Board of Directors of the Company for the 2019-2021 three-year period by the Shareholders' Meeting held on the same date, its favourable opinion on the confirmation of Mr. Dario Michelangeli as the Executive Officer for financial reporting, in accordance with Article 154-*bis* of the CFA and Ms. Erica Vasini as the Internal Audit Manager, in accordance with Application Criterion 7.C.1., paragraph 2 of the Code;
- at the Board of Directors' meeting of May 9, 2019, the favourable opinion on the remuneration proposals for Mr. Dario Michelangeli, as Executive Officer for Financial Reporting and of Ms. Erica Vasini as Internal Audit Manager;



- at the Board of Directors' meeting of June 12, 2019, its favourable opinion on the proposal to assign a variable remuneration component to Ms. Erica Vasini, Internal Audit Manager, exclusively based on the individual objectives of her role.

Finally, the Board of Statutory Auditors, at the meeting of the Board of Directors of March 11, 2020, expressed, on the basis of the results and checks carried out by the competent corporate boards, its favourable opinion on the proposal to recognise the variable portion of the remuneration of the Internal Audit Manager, Ms. Erica Vasini, in addition to the proposal to update the fixed components of her remuneration and to assess her contractual framework.

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 Independent Audit Firm, PricewaterhouseCoopers S.p.A., the Board of Statutory Auditors was informed in a timely manner on the other services assigned.

In 2019, the independent audit firm carried out the following activities on behalf of the Group:

Type of service	Provider	Company	2019 Fees (in Euro thousands)
Audit	PricewaterhouseCoopers S.p.A.	Parent Company Maire Tecnimont	229
Audit	PricewaterhouseCoopers S.p.A.	Maire Tecnimont Group	1,762
Audit	PricewaterhouseCoopers S.p.A. network	Maire Tecnimont Group	397
Certification services (*)	PricewaterhouseCoopers S.p.A.	Parent Company Maire Tecnimont	4
Certification services (*)	PricewaterhouseCoopers S.p.A.	Maire Tecnimont Group	22
Other services (**)	PricewaterhouseCoopers S.p.A.	Parent Company Maire Tecnimont	60
Other services (**)	PricewaterhouseCoopers network	Parent Company Maire Tecnimont	195
Other services (**)	PricewaterhouseCoopers S.p.A.	Maire Tecnimont Group	98
Other services (**)	PricewaterhouseCoopers network	Maire Tecnimont Group	7

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 audit fee for the Sustainability Report - containing the Non-Financial Statement as per Legislative Decree 254/2016 and the fee for support with development of the in-country value method. 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.



The Board of Statutory Auditors reports that the fees reported in the table are appropriate to the size, complexity and characteristics of the work carried out and that the other services assigned do not affect its independence.

It should also be noted that, since PricewaterhouseCoopers S.p.A., the company appointed to carry out the statutory audit of Maire Tecnimont, provided services other than the statutory audit to the Company and the Group during the three financial years prior to the financial year 2020, as from January 1, 2020, the Company's Board of Statutory Auditors, as Internal Control and Audit Committee, is required - pursuant to the European Union Regulation No. 537/2014 of April 16, 2014 - to monitor the non-audit appointments assigned to the Independent Audit Firm not only for the issue of the prior authorizations for which it is responsible, but also in order to verify that the fees paid for this purpose do not exceed for the financial year 2020 the so-called "70% limit", to be calculated on the average fees paid in the financial years 2017, 2018 and 2019 for the statutory audit activity performed. In order to allow the Board of Statutory Auditors to carry out the checks for which it is responsible, the Company has implemented specific internal procedures for monitoring the above fees, in line with the relevant regulations.

PricewaterhouseCoopers S.p.A. on March 26, 2020 issued:

- as **Appointed Auditor**, the reports as per Articles 14 of Legislative Decree 39/2010 and 10 of Regulation EC 537/2014, prepared as per the 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 separate and consolidated financial statements at December 31, 2019 and they provide a true and fair view of the financial statements of the company and of the Group at December 31, 2019, 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 "*2019 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 2019 Sustainability Report, concerning the year ended December 31, 2019, 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, 2019 report revenues of Euro 3,338,364,000, EBITDA of Euro 235,592,000 and net income of Euro 114,695,000;
- the Group Adjusted Net Financial Position at December 31, 2019 was a cash position of Euro 78,864,000;
- The parent company Maire Tecnimont reports net income of Euro 30,727,468 (Euro 39,466,209 in 2018).

Board of Statutory Auditors' annual self-assessment

In accordance with the "*Conduct rules for Boards of Statutory Auditors of listed companies*" of the Italian Accounting Profession (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*), which established that Boards of Statutory Auditors are required to carry out, following appointment and subsequently on an annual basis, an assessment of its functioning with regards to the overall planning of its activities, the suitability of its members, the adequate composition of the Board in terms of the requirements of professionalism, competence, good-standing and independence, as well as on the adequacy of the time and resources available with respect to the complexity of the assignment (the "**Self-Assessment**"), we inform that the Board of Statutory Auditors carried out the Self-Assessment for 2019, the result of which is outlined in the "*Corporate Governance and Ownership Structure Report 2019*" as per Article 123-bis of the CFA of the company, made



available to the public in accordance with law on the Maire Tecnimont website (www.mairetecnimont.com), and according to the means required by the applicable regulation.

Meetings of the Board of Statutory Auditors, of the Board of Directors and of the Board Committees

During 2019:

- 19 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 PricewaterhouseCoopers S.p.A., both as Appointed Auditor and Designated Auditor;
- 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 these latter, one is from the minority slate. Four Directors out of nine are female;
- in addition, the Control, Risks and Sustainability Committee met 9 times, the Remuneration Committee met 10 times and the Related Parties Transactions Committee met 7 times.

The Board of Statutory Auditors attended all meetings of the Board of Directors and of the Internal Committees.

Finally, the Board reports on its attendance at the Shareholders' Meeting of April 29, 2019.

The Board of Statutory Auditors cannot fail to highlight the particularly difficult times that many countries, including Italy, are experiencing at the preparation date of this report due to the ongoing health emergency caused by the Covid-19 contagion ("Coronavirus").

In this regard, the Board of Statutory Auditors - in addition to monitoring on an ongoing basis the developing regulatory framework and the measures issued, as a matter of urgency, by the competent authorities to deal with the current epidemiological emergency, to the extent of their interest with respect to the supervisory activities within its scope with reference to Maire Tecnimont - has been constantly informed by the competent Company functions of the assessments made by management, as well as of the actions taken to monitor the possible social, economic and financial effects of this emergency situation for the Group. This exchange of information will continue during financial year 2020 and, in any case, until the end of the state of emergency in progress at the approval date of this report.

Again with reference to the epidemiological emergency ongoing at the date of this report, it should be noted that the Board of Statutory Auditors has also constantly monitored, to the extent of its remit, the issuance of: *i)* recommendations by the competent European and national authorities that could have an impact on the operations of the Company and the Group and, in particular, on the periodic financial reporting process, and *ii)* guidelines from trade associations and the company appointed to audit the accounts, PricewaterhouseCoopers S.p.A., regarding the interpretation and consequent application of certain international accounting standards.

The Board of Statutory Auditors indicates that the 2019 Annual Report, approved by the Board of Directors of the Company on March 11, 2020 and made available to the public within the terms and in the manner provided for by current legislation, contains in the Directors' Report at December 31, 2019 (paragraph 20 - "*Subsequent events and outlook*") and in the notes to the consolidated financial statements (note 35 - "*Subsequent events*"), specific information on the assessments made, at that date, by the Board of Directors of the Company with reference to the health emergency in progress at domestic and international level, caused by the spread of Covid-19 (so-called "Coronavirus"), to which reference should be made.



With regard to the fraudulent events that occurred at the end of the 2018 financial year to the detriment of the Group and, in particular, the subsidiaries Tecnimont Private Limited (India) and Tecnimont Arabia Limited (Saudi Arabia), it should be noted that the Company, taking into account the specific manner in which these fraudulent events were perpetrated, decided to take certain actions to further strengthen its internal control and risk management system (the "**System**") and, in particular, the anti-fraud safeguards with which the Group is already equipped.

In fact, it should be noted that the fraudulent conduct that occurred, which may not be categorised as attacks of a technological nature ("cyber" attacks), can be considered "social engineering fraud", which to date is one of the principal ways in which fraudulent acts are perpetrated against complex industrial groups.

The analyses carried out by the Company, also with the assistance of external independent experts, confirmed that the application of procedural safeguards already in place at the time of the events would have allowed for the identification and neutralization of the fraudulent conduct mentioned above.

It should also be noted that the Board of Directors, taking into account the opinion expressed for this purpose by the Control, Risk and Sustainability Committee, has also assessed Maire Tecnimont's System for the 2019 financial year as adequate with respect to the Company's size and organisational and operational structure.

A broad plan of interventions and actions to further strengthen the Company's System has nevertheless been launched, covering the activities and business processes affected by these types of fraud. Particular attention was paid to the so-called "*End-to-End Procure-To-Pay*" processes.

On this occasion, specific initiatives were launched for the entire company population with the intention of increasing the level of awareness of the risks associated with this type of crime, while raising levels of internal security.

More generally, the analyses carried out on the internal processes underlying the management of payments, which are potentially subject to different fraud patterns, made it possible to determine the priorities for action, taking into account the risk levels of the various Group companies, also in view of the legal or organisational constraints applied in the various countries, as well as a series of specific risk drivers.

The action plan prepared covered the following areas: (i) processes, (ii) organisation and systems of delegations and proxies, (iii) ICT systems, and (iv) people and skills.

With regard to processes, a number of initiatives have been taken to further strengthen preventive controls, carried out centrally and on a systemic basis, on the payment transactions of Group companies and *branches* and to introduce additional controls within the outgoing and incoming invoicing processes.

In the organisational field, we highlight, among others, the establishment of a central operational unit with specialised expertise in the analysis and authorisation of payment arrangements, in order to prevent potential fraud.

The Group's Code of Ethics was also updated in order to introduce the so-called "anti-fraud principle" to the Code, in addition to the ethical principles and values on which Maire Tecnimont Group's identity and culture are based.

Special insurance policies have also been taken out to cover the specific risk.

The interventions also concerned the further strengthening of the Group's ICT systems through the introduction of the most advanced techniques for access protection and identification of risk behaviour, data loss prevention, authentication and data encryption systems.

The Group has also equipped itself with an anti-fraud system based on artificial intelligence derived from the banking sector that performs a multi-dimensional analysis on each payment generated by the SAP system in use at the Group to highlight transactions with risk elements.



It should also be noted that a "Cyber Assessment" was carried out with the support of specialised companies, which confirmed the robustness of the Group's ICT infrastructure; periodic monitoring processes were also introduced to the "cyber" area.

Lastly, the initiatives launched to support the training and awareness-raising of Group personnel should be noted, taking into account the methodology used to carry out the fraud that occurred.

These include simulated "phishing" campaigns for employees in order to increase their level of attention and develop targeted interventions, alongside the provision of continuous internal information on potential fraud on the web through periodic campaigns dedicated to the entire population on the behaviour to be adopted to prevent "fraud risk" and on the main issues including: cybercrime, social networks, social engineering, phishing, access credentials, e-mail.

Finally, we highlight the numerous events and workshops dedicated to the management of Group companies in which top management reiterated the existence of such risk and constantly underlined the conduct to which each employee must comply. This firstly concerns full compliance with company procedures, which constitute a strong protection against the risk associated with so-called "social engineering fraud".

It should be noted that the Board of Statutory Auditors was promptly informed by the Company of the requests for news, data and documents sent by CONSOB, as per Article 115 of the CFA, reporting that it was provided with the requested information according to the agreed terms.

The Chief Executive Officer and the Executive Officer for Financial Reporting issued on March 11, 2020 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 recognised 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 underlying records and accounting entries and provide a true and fair view of the financial position, financial performance and cash flow 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 further significant events subsequent to year-end occurred, with the exception of that reported by the Company with regard to the ongoing health emergency caused by the Covid-19 outbreak ("Coronavirus") in paragraph 20 - "*Subsequent events and outlook*" and in the notes to the consolidated financial statements (note 35 - "*Subsequent events*"), as indicated above in this Report.

The Board of Statutory Auditors expresses its favourable opinion on the approval of the Financial Statements at December 31, 2019 and agrees with the proposal presented by the Board of Directors to allocate the entire net income of Euro 30,727,467.52 and the use of retained earnings for Euro 7,394,822.59, for a total amount of Euro 38,122,290.11 to Shareholders through the recognition of a dividend of Euro 0.116, gross of withholding taxes, for each of the 328,640,432 ordinary shares without par value currently existing and with dividend rights.

Milan, March 26, 2020

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.



Separate note to the report of the Board of Statutory Auditors at the Shareholders' Meeting called to approve the Financial Statements of 31 December 2019, published pursuant to art. 153, Legislative Decree no. 58/98 dated 26 March 2020.

This separate note - issued following the update on April 14, 2020 by the Board of Directors, due to the continuous evolution of the global scenario resulting from the COVID-19 epidemiological emergency and the regulatory measures issued as a result of it, including the Decree Law 8 April 2020 No. 23 effective from 9 April 2020, of the "Proposal of the Board of Directors" contained on page 289 of the "Annual Financial Report 2019" published on March 26, 2020, and updated, with side documents, on April 1, 2020 and, by last, on April 14, 2020 - replaces the last period of page 21 of the Report of the Board of Statutory Auditors to the Shareholders' Meeting called to approve the Financial Statements of December 31, 2019 (pursuant to art. 153, Legislative Decree no. 58 / 98) which remains confirmed and valid in all its other parts.

The Board of Statutory Auditors agrees on the proposal of the Board of Directors, lastly modified on 14 April 2020, to carry forward the year's profit amounting to Euro 30.727.467,52.

Milan, April 14, 2020

Signed by

Mr. Francesco Fallacara (Chairman)

Ms. Antonia Di Bella

Mr. Giorgio Loli

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53. Independent Auditors' Report 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 2019**



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 2019, 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 2019, 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	
<i>Note 26 to the consolidated financial statements "Explanatory notes as of 31 December 2019" (paragraphs "Contractual assets and liabilities" and "Use of estimates"), note 27.1 to the consolidated financial statements "Revenues", note 28.11 to the consolidated financial statements "Contractual assets" and note 28.33 to the consolidated financial statements "Contractual liabilities".</i>	
Revenues of Maire Tecnimont Group are generated from engineering and construction services in the following fields:	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 analysed the design and the effectiveness of certain manual and automated relevant controls.
- Hydrocarbons; - Green Energy.	
Revenues generated during 2019 totalled Euro 3,297 million and refer for 96.4 per cent to the Hydrocarbons business and for the remainder to the Green Energy 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.	We selected a sample of construction contracts based on quantitative and qualitative elements that include:
Recognition of contract revenues takes place over the length of each project based on fulfilment of the performance obligation determined based on the percentage of completion of the project.	- 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;



<i>Key Audit Matters</i>	<i>Auditing procedures performed in response to key audit matters</i>
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	- 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: - analysing total contract costs, on a test basis, by meeting the project managers to assess the reasonableness of the amount booked; - investigating the key variances from the total costs included in the previous budget for the same contract; - analysing the additional payments booked (when applicable) in terms of reasonableness and compliance with corporate procedures, and verification of documentation supporting the Group's evaluations; - visiting the construction sites of some projects.



Key Audit Matters

Auditing procedures performed in response to 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 2019" (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 2019 include goodwill for Euro 296.1 million (6.1 per cent of Total Assets), allocated to four cash generating units ("CGUs"): Hydrocarbons; Renewables & Infrastructure; Green Energy 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 and from the acquisitions during the year 2019 of MyReplast Industries Srl and Protomation 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 2020 budget and in the business plan for the period

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 2020-2024 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 mix 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 2019 with the forecast for the same year included in the previous business plan (2019-2023).

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 2020-2024, and the reasonableness of the methodology used for the determination of



Key Audit Matters	Auditing procedures performed in response to key audit matters
2020-2024 approved by the Company's Board of Directors on 11 March 2020. 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 2020-2024. The Group also performed a sensitivity analysis based on changes to the discount rate and growth rate. The valuation of goodwill was considered a key audit matter because of both the magnitude of the balance and the complexity of the process of estimating the recoverable amount of goodwill, this being based on assumptions affected by economic and market conditions that are subject to uncertainties, referred in particular to the calculation of prospective cash flows and of the discount rate.	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 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 Group. Those activities were performed also with the help of experts in valuation models belonging to the PwC network. We verified the completeness and accuracy of disclosures in the notes to the consolidated financial statements.

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 2019, 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 2019 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 2019 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, 26 March 2020

PricewaterhouseCoopers SpA

Signed by

Carmine Elio Casalini
(Partner)

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

54. Independent Auditors' Report on the Statutory 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 2019



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 2019, 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 2019, 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"), note 41.10 to the financial statements "Investment income/(expenses)" and note 42.4 to the financial statements "Investments in subsidiaries".

The financial statements of Maire Tecnimont SpA as of 31 December 2019 include eight investments in subsidiaries for a total carrying amount of Euro 767.7 million (Tecnimont SpA, Neosia SpA, Neosia Renewables SpA, Met Development SpA, KT SpA, MET Gas Processing Technologies SpA, Stamicarbon BV and Nextchem Srl) corresponding to 70 per cent of Total Assets.

Investments in subsidiaries are measured at purchase cost inclusive of direct accessory costs. Where indicators of impairment are present, the recoverability of the carrying amounts of an investment is tested by comparing the carrying amount with the recoverable amount.

During the year 2019 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 2019 the acquisition of new orders was delayed compared with the assumptions reflected in the business plan.

Also with reference to the investments in Tecnimont SpA and MET Gas Processing Technologies SpA the Company identified possible impairment indicators, as the carrying amounts were significantly higher than the values of the proportionate shares of the subsidiaries' equity as of 31 December 2019, and therefore tested the investments for impairment.

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, Neosia Renewables SpA and MET Gas Processing Technologies SpA) we carried out auditing procedures, on a test basis, on the amounts included in the business plan for the period 2020-2024 in order to verify the reasonableness of the inputs with particular reference to estimated future revenues and cash flows. Our activities involved obtaining adequate information to understand the mix 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 2019 with the forecast for the same year included in the previous business plan (2019-2023).

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 2020-2024 and the reasonableness of the methodology used for the determination of the terminal value.



Key Audit Matters

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 (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 2020 budget and in the business plan for the period 2020-2024 approved by the Board of Directors on 11 March 2020.

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 2020-2024.

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

The analyses carried out by the Company through the determination of value in use identified an impairment loss on the investment in MET Gas Processing Technologies SpA. In the absence of an active market and of purchase offers from third parties, fair value less cost to sell was considered not to exceed value in use. This led to the recognition of an impairment loss on the investment of Euro 10 million in the financial statements as of 31 December 2019.

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

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.

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.

We verified the completeness and accuracy of disclosures in the notes to the financial statements.



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 2019, 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 2019 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 2019 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, 26 March 2020

PricewaterhouseCoopers SpA

Signed by

Carmine Elio Casalini
(Partner)

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