



GIMA TT S.p.A.

Financial statements at December 31, 2017

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated January 27, 2010, and article 10 of EU Regulation n. 537/2014

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(Translation from the original Italian text)

To the Shareholders of
GIMA TT S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of GIMA TT S.p.A. (the "Company"), which comprise the statement of financial position at December 31, 2017, and the income statement, the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows 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 at December 31, 2017, and 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 and with the regulations issued to implement article 9 of Legislative Decree n. 38/2005.

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 our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. 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.

We identified the following key audit matter:

Key Audit Matter	Audit Response
<p data-bbox="164 472 627 533">Revenue recognition and valuation of construction contracts</p> <p data-bbox="164 566 695 757">The financial statements report €116.9 million revenue from construction contracts in addition to assets and liabilities related to the completed portion of such contracts of €24.0 million and €1.0 million, respectively at the reporting date.</p> <p data-bbox="164 759 703 981">Revenue and margins from construction contracts are recognized on the stage-of-completion basis applying the "cost-to-cost method" which is based on the proportion of costs incurred on work performed to date with respect to the estimated total costs to complete the contract.</p> <p data-bbox="164 983 703 1458">The procedures for revenue recognition and for the valuation of construction contracts in certain cases depend on complex assumptions, which require management's judgment, in particular with reference to the estimated costs to complete each project and changes in estimates compared to the previous year, if any. These changes could be influenced by multiple factors such as, for example, the time frame required to develop and complete the projects, the high technological and innovative content, the performance guarantees of the machines, the possible presence of price variances and price adjustments, including the estimation of contractual risks, where applicable.</p> <p data-bbox="164 1460 715 1682">We considered that this item represents a key audit matter based on the economic and financial importance of construction contracts and on the complexity of the assumptions used in forecasting total costs of the contracts, in addition to the potential impact of the changes in estimates.</p> <p data-bbox="164 1715 724 1966"><i>The disclosure relating to revenues recognition and valuation of construction contracts is included in Note 6. Trade and other receivables of the financial statements, as well as in section C) "Measurement criteria and accounting principles adopted" in paragraph "Construction contracts" and in the specific paragraph "Use of estimates and assumptions".</i></p>	<p data-bbox="778 566 1307 627">Our audit procedures in response to the key matter included:</p> <ul data-bbox="778 629 1366 1503" style="list-style-type: none"> <li data-bbox="778 629 1366 790">• the assessment of the procedures and controls performed by the Company during the planning and monitoring of construction contracts, including the verification of the criteria for revenue recognition; <li data-bbox="778 792 1366 1014">• the analysis, with reference to key projects, of the main assumptions used in forecasting total costs to complete the contracts and to determine total revenue, review of the project progress reports, interview of the project managers and review of the contractual documentation; <li data-bbox="778 1016 1366 1144">• the comparative analysis of the main changes in contract results compared to the original estimate or compared to the previous year; <li data-bbox="778 1146 1366 1335">• the critical review of the assumptions that required significant management judgments, such as, for example, those relating to the forecasting of costs related to projects with high technological and innovative content; <li data-bbox="778 1337 1366 1397">• the execution of substantive procedures on contract costs on a sample basis; <li data-bbox="778 1400 1366 1503">• the verification of the mathematical accuracy of the calculation of the project's percentage of completion. <p data-bbox="826 1536 1339 1688">Further, we verified the adequacy of the disclosures provided in the notes to the financial statements in relation to revenue recognition and to the evaluation of construction contracts.</p>

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38/2005, and, within the terms provided by the 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.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Statutory Auditors ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; designed and performed audit procedures responsive to those risks, and 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 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 identify during our audit.

We provided those charged with governance with a statement that we complied with the ethical and independence requirements applicable in Italy, and we communicated to them any circumstances 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 Information Pursuant to Article 10 of EU Regulation n. 537/14

The shareholder of GIMA TT S.p.A., in the general meeting held on June 26, 2017, engaged us to perform the audits of the financial statements of each year ending December 31, 2017 to December 31, 2025.

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

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the Board of Statutory Auditors (Collegio Sindacale) in its capacity as audit committee, prepared in accordance with article 11 of the EU Regulation n. 537/2014.

Report on Compliance with Other Legal and Regulatory Requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998

The Directors of GIMA TT S.p.A. are responsible for the preparation of the Report on Operation and of the Report on Corporate Governance and Ownership Structure of GIMA TT S.p.A. at December 31, 2017, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of GIMA TT S.p.A. at December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operation and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of GIMA TT S.p.A. at December 31, 2017 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Bologna, March 28, 2018

EY S.p.A.

Signed by: Alberto Rosa, partner

This report has been translated into the English language solely for the convenience of international readers.