



# REPORT TO SHAREHOLDERS

18 JUNE 2013





# Report to Shareholders

## 1 Introduction

### 1.1 Accountability

In this Report, we, the Board of Management and the Supervisory Board of Royal Imtech, account for the events leading up to and following Royal Imtech's press release of 4 February 2013. The events that have come to light are serious and worrying. We are fully aware that Royal Imtech's shareholders have been severely affected by the financial impact of these events. We deeply regret that these events have occurred. The purpose of this Report is to provide shareholders with an open and transparent picture of these events. This Report also describes all actions we have taken in relation to these events and the further actions we aim to take to reduce Imtech's risk profile going forward.

In its press release of 4 February 2013, Royal Imtech reported an unexpected write-off of at least EUR 100 million on projects carried out by Imtech in Poland, and possible irregularities in connection with Polish projects. Upon discovery of the events described in the press release, we immediately took actions to investigate those events in more detail, to limit the financial and operational impact of those events as much as possible and to avoid such events reoccurring in the future. In the course of those actions, it became clear that, in addition to the events affecting Polish projects, Imtech also faced considerable other issues. In its press release of 27 February 2013, Royal Imtech reported an increase of the write-off in relation to Imtech Poland to EUR 150 million as well as a preliminary write-off of EUR 150 million in relation to Imtech Germany. Royal Imtech further announced that it would strengthen its equity by a EUR 500 million rights issue. In its press release of 23 April 2013, Royal Imtech reported an increase of the write-off on German projects to about EUR 220 million. Mainly due to these write-offs, in its press release of 21 May 2013, Royal Imtech published preliminary financial information for its financial year 2012 including a loss of EUR 226 million and a restatement of its results for financial year 2011 by EUR 54.6 million on its income statement, and by EUR 54.7 million on its 2011 opening balance sheet. The aggregate write-offs for Imtech Poland and Imtech Germany were confirmed to be about EUR 370 million. Royal Imtech's 2012 annual financial statements, which are published on the date of this Report together with KPMG's auditor's opinion, confirm the preliminary financial information published on 21 May 2013. A summary overview of relevant press releases published by Royal Imtech since 4 February 2013 is attached to this Report as Annex 3.

## 1.2 **Outline**

This Report is structured as follows:

- Chapter 1 contains an introduction.
- Chapter 2 summarises our findings, conclusions and remedial actions.
- Chapter 3 describes the Corrective Actions (as defined in that chapter) we have taken, assisted by external expert advisers, in relation to the events described in this Report.
- Chapter 4 gives a general overview of the impact of the events described in this Report on Imtech.
- Chapter 5 describes governance, risk and compliance matters.
- Chapter 6 sets out the irregularities uncovered in the course of our investigations, including in Poland, Germany and the Netherlands.
- Chapter 7 summarises the further actions we intend to take.

A full table of contents is included in Annex 1.

## 1.3 **Interpretation**

### 1.3.1 *Definitions*

Certain terms used in this Report are defined in the Glossary attached to this Report as Annex 2.

In this report, in line with the terminology used in Royal Imtech's press release of 4 February 2013 and subsequent press releases, "write-off" has been used as an equivalent for the accounting term "adjustment".

### 1.3.2 *Amounts*

Amounts relating to Royal Imtech's 2012 financial information, or the impact of the events described in this Report on Royal Imtech's 2011 financial information, have been derived from Royal Imtech's 2012 annual financial statements which are published on the date of this Report together with KPMG's auditor's opinion, or underlying financial information.

Some amounts in this Report reported in euro reflect amounts actually denominated in other currencies, converted into euro at appropriate currency exchange rates.

Some amounts in this Report are rounded.

## **2 Summary findings, conclusions and remedial actions**

### **2.1 Introduction**

The investigations and other actions described in this Report were triggered when, following indications from Imtech's external auditor KPMG about possible irregularities in connection with the AWW Project, on 28 January 2013 the Board of Management was informed that potential losses in connection with the AWW Project amounted to about EUR 70 million. Ultimately, this discovery led to the termination of the AWW Project and a write-off by Royal Imtech of EUR 50 million in respect of the AWW Project, excluding write-offs in relation to entities affiliated with the AWW Director. Although that amount is substantial for Royal Imtech by any standard, the vast majority of the write-offs and other financial losses suffered by Royal Imtech in connection with the events described in this Report were caused elsewhere, in particular at Imtech Germany. In other words, the discovery of possible irregularities in connection with the AWW Project was a catalyst for the events described in this Report, but not the core of those events. On the basis of the investigations and other actions described in this Report, we have concluded that these events can predominantly be explained by fraudulent actions (as summarised in paragraph 2.2). However, in the course of the investigations it also became clear that Imtech's corporate culture was suboptimal in some respects (as summarised in paragraph 2.3) and that Imtech's business controls were not adequate and have not operated effectively in all respects (as summarised in paragraph 2.4).

### **2.2 Fraudulent actions**

The primary cause for the substantial financial loss which Royal Imtech has had to suffer, are fraudulent actions. The main matters uncovered through the investigations and other actions described in this Report are the following.

#### **2.2.1 *Inflated financial information***

In aggregate, Royal Imtech has written off about EUR 370 million on projects carried out by Imtech Germany and Imtech Poland (including the AWW Project). To a large extent, these write-offs are attributable to actions taken by the former management of Imtech Germany, which we consider fraudulent. As other Imtech operating entities, Imtech Germany enjoyed considerable independence into operating its business. The findings from the investigations and other actions initiated by us show that Imtech Germany knowingly produced considerably inflated financial information, which it presented to the Former Board of Management for reporting purposes and to KPMG for the purposes of its annual audit and its semi-annual reviews. According to the findings, at the beginning of each year financial information would be collected

from Imtech Germany's six operating regions (each with its own management consisting of two directors). For this purpose, regional management would produce information which it believed to be accurate. However, throughout the year, regional management was instructed by the former German central management, predominantly by the Former German CEO and the Former German Chief Controller, to make unjustified alterations to that financial information. This resulted in a separate set of financial information which was presented to the Former Board of Management and KPMG. The alterations were not visible to Royal Imtech because they were made on an IT-system which was accessible only for Imtech Germany. Alterations made consisted of aggressively optimistic valuations of work in progress, valuations of outstanding receivables without proper provisioning, incorrect cost allocations between projects and carrying over losses on finalised projects to new projects to avoid these losses having to be recognised.

We note that the Former German CEO and the Former German Chief Controller claim that the financial information presented to the Former Board of Management and KPMG was accurate and the first set reflected a "worst case" scenario, but the evidence to date does not support that claim. We also note that although there has been large scale cooperation between multiple regional managers and central management of Imtech Germany to produce inflated financial information for the respective regions, regional managers did not necessarily have the full picture of the inflation throughout Germany. However, the investigations conducted over the past months have produced no indications that any regional manager ever informed the Board of Management, the Supervisory Board, Royal Imtech's headquarters or KPMG of the alterations to their financial information, probably as a result of a highly hierarchic culture within Imtech Germany as well as fear of retaliation.

Over the years, the EBITA margin reported by Imtech Germany has been considerably higher than the EBITA margin reported by other Imtech operating entities and by competitors of Imtech Germany. By way of an example, the reported operational EBITA margin for Imtech Germany for 2011 was 8.3% compared to 6.1% for Royal Imtech as a whole. Arguably, the Former Board of Management could have been more sceptical about the results reported by Imtech Germany, although it has stated to have downwardly adjusted the annual budget of Imtech Germany for several consecutive years. However, the investigations and other actions have not revealed any indications that the Former Board of Management was involved in, or knowingly aware of, the inflation by Imtech Germany and Imtech Poland (under management of Imtech Germany) of their financial information.

### 2.2.2 AWW Project

The AWW Project in itself was not a bad project. Its failure and the related write-offs by Imtech Poland can be explained largely by the inability of AWW to secure financing for the project and by Imtech's decision to start the project even though financing had not been obtained. Following that start, Imtech Poland made considerable payments to third parties in relation to the project, including to entities related to AWW, even though considerable advance payments to be made by AWW had not been received. It is not customary for Imtech to start work on projects (other than some preparatory activities) before appropriate advance payments have been received, although exceptions do occur.

The fact that advance payments had not been received was obscured by different transactions set up by Imtech Poland and guided by the management of Imtech Germany and AWW. These transactions, which we believe to be irregular, can be summarised as follows:

- On 28 December 2011, when AWW and an affiliate entity of AWW were unable to make two advance payments of EUR 21 million and EUR 37.3 million, AWW, its affiliate, Imtech Poland and an Austrian bank set up a structure under which:
  - the Austrian bank made available to AWW and its affiliate a loan for the amount of the advance payments by transferring that amount to an account opened by Imtech Poland with the Austrian bank; and
  - Imtech Poland provided security for the loan to AWW and its affiliate in favour of the Austrian bank by creating a pledge over the amount credited to its account with the Austrian bank, which therefore was not available to Imtech.

The apparent thinking underlying this structure was that once AWW and its affiliate had obtained financing, the loan made by the Austrian bank would be repaid, so that Imtech Poland would be able to access the money held in the pledged account. As financing never materialised the Austrian bank claimed repayment of the loan made to AWW and its affiliate and satisfied that claim by enforcing its pledge, resulting in an amount of EUR 41 million being transferred out of the account. For the remainder of the loan, with an amount of EUR 17.3 million, Imtech Germany appears to have procured the issue for its account of two bank guarantees of which the Austrian bank subsequently became the beneficiary. These bank guarantees were ultimately called.

- In June 2012, again apparently to veil that AWW was unable to make an advance payment to Imtech Poland, AWW and Imtech Poland agreed that



the advance payment would be made by way of a promissory note for an amount of EUR 147.6 million. When on the termination date of the promissory note AWW was unable to pay up the amount of EUR 147.6 million, the promissory note was extended by the issue of a new promissory note for the same amount.

- In December 2012, when AWW still had not made the advance payment of EUR 147.6 million, AWW, Imtech Poland and the Austrian bank reverted to the pledged account structure referred to above. Consequently, the amount of EUR 147.6 million was paid into a pledged account opened by Imtech Poland with the same Austrian bank. At the time when this structure was set up, AWW indicated to the Former German CEO that financing for the AWW Project would become available in January 2013. However, as financing never materialised, the Austrian bank claimed repayment of the loan made to AWW on 5 February 2013 and satisfied that claim by enforcing its pledge over the account, resulting in the account being cleared out in full.

Taking into account the timing of these transactions, we believe that they were devised by Imtech Poland, guided by the management of Imtech Germany, to enable Imtech Poland and Imtech Germany to report that advance payments had been received from AWW. There is evidence that the Former German CEO was aware of, and involved in, setting up the respective transactions. At the time, on the basis of information provided by AWW, he may have believed that financing for AWW would be forthcoming shortly. There are no indications that the Former Board of Management was involved in setting up these transactions.

In Royal Imtech's 2012 semi-annual financial statements the pledged account and the promissory note were classified as "cash and cash equivalents". In Royal Imtech's 2011 annual financial statements, the pledged account was classified in the same way. In the course of its preliminary audit of Royal Imtech's 2012 financial information, KPMG raised questions about this classification. After further research, it was concluded that the pledged account and the promissory note should have been classified as "current financial assets", because the cash credited to the pledged account and represented by the promissory note was not readily available to Imtech Poland as a result of AWW's financial position. The findings indicate that the Former Board of Management only found out about the existence of the 2011 pledged account and its incorrect classification in Royal Imtech's 2011 financial statements after KPMG had notified Royal Imtech in the course of the audit of Royal Imtech's 2012 financial statements. The Former Board of Management did not disclose to the Supervisory Board and KPMG the extension of the promissory note, the irregular calling of the two bank guarantees with an aggregate amount of EUR 17.3 million referred to above and the resulting costs for Imtech, and AWW's

financial position generally. Such openness would have facilitated a discussion about these sizeable matters (also in financial terms) in the Supervisory Board and with KPMG.

### 2.2.3 *X Group*

In the course of the investigations and other actions described in this Report, it became clear that transactions occurred between Imtech Germany and the X Group which we believe to be fraudulent at least in part. As part of those transactions, among other things:

- Imtech Germany made payments for the benefit of entities within the X Group with an aggregate amount of EUR 29.7 million for which no legitimate business justification could be established;
- Imtech Germany may have accepted liability for obligations of entities within the X Group, or provided comfort in relation to such entities' ability to meet their debts, with a possible aggregate amount of EUR 14.2 million, for which no legitimate business justification could be established.

The transactions between Imtech Germany and the X Group were instigated by the Former German CEO, who has offered no explanation for his actions in this regard. There are no indications from the investigations and other actions described initiated by us that the Former Board of Management was aware of the existence of the X Group, let alone of the transactions with the X Group and persons connected with it.

## 2.3 **Corporate culture**

We believe that the fraudulent actions referred to in paragraph 2.2 might have been mitigated if Imtech's corporate culture had been more open and sceptical. It has become clear to us that over the past years the "tone from the top" from the Former Board of Management has been to focus on "good news". By way of an example, there is evidence that the Former Board of Management was not receptive to downward adjustments of forecasts compared to budgets as proposed by operational management, and that with the involvement of the Former Board of Management the management of Imtech Netherlands under pressure upwardly adjusted Imtech Netherlands' forecasts and interim results for 2012 to a level which the management of Imtech Netherlands considered overly optimistic. Risk management often seems to have been considered as being primarily driven by external compliance requirements and not as a source of competitive advantage. Internal control overrides, including by the Former Board of Management, or its members, were not uncommon. The Former Board of Management approved intra-group invoicing for reasons which we believe to be inadequate. The resulting culture was enforced by Imtech's focus on

revenue and EBITA growth and the direction of its management remuneration policies towards those goals of accounting triggers rather than cash triggers.

## 2.4 **Business controls**

We believe that the risk of the fraudulent actions referred to in paragraph 2.2 would have been mitigated if Imtech's Governance, risk and compliance (GRC) framework had been more developed, although we note that no such framework can rule out the risk of fraud. Shortly after the mishaps and irregularities described in this report first came to light, Royal Imtech's current CEO and CFO concluded that Imtech's GRC framework was not necessarily fit for Imtech's growth over the past decades and was no longer commensurate to the size of its business and the increased complexity of projects carried out by it. This conclusion was later reinforced by the findings from the investigations and other actions described in this Report. These findings also confirmed that existing risk management and internal control systems were not used to their full potential.

To remedy this situation, several actions have been taken and will continue to be taken to enforce our GRC framework, including:

- expanding the Board of Management to add two new members;
- setting up an internal audit department;
- appointing a Group Director GRC;
- enhancing Imtech's authorisation matrix;
- reinforcing Imtech's tender process; and
- introducing dual reporting lines for financial and legal disciplines.

We have engaged a reputable consultancy firm to assist us in further designing and developing our GRC framework.

## 2.5 **Remedial actions**

In reaction to the irregularities and fraudulent actions referred to above, we have taken several remedial actions. Individuals with a significant role in the irregularities have left Imtech. Imtech's Governance, risk and compliance (GRC) framework has been tightened (as summarised in more detail in paragraph 2.4). We will set up an extensive business ethics training programme, as referred to in chapter 7, for which participation will be mandatory. Also, we are in the process of preparing criminal complaints in relation to those irregularities that may have constituted criminal offences. We may seek to recoup damages from individuals and entities concerned. We will instigate additional investigations where necessary to support further remedial actions to be taken. We have asked the Former CEO and the Former CFO to return in full their short- and long-term variable income over 2010 and 2011. We

will take further steps in this regard where available. The Former CEO and the Former CFO have already agreed not to seek variable income for 2012.

Furthermore, we have taken and will continue to take the necessary actions to direct Imtech's culture towards a right mix of integrity, loyalty and critical thinking. The Board of Management will give a strong internal signal in this regard by publishing practical do's and don'ts. We will set up intensive training programmes for Imtech employees to encourage a high level of awareness within Imtech of Imtech's internal rules and regulations and the need for strict compliance, and to stimulate an appropriate company culture. Imtech's remuneration scheme will be adjusted, to include cash conversion targets for short term and long term variable remuneration.

### 3 Corrective Actions

#### 3.1 Actions taken

The investigations and other actions described in this Report were triggered following indications from KPMG about possible irregularities in connection with the AWW Project conducted by Imtech Poland. On 28 January 2013 the Board of Management was informed that potential losses in connection with the AWW Project amounted to about EUR 70 million. A detailed description of the AWW Project is included in paragraph 6.1. Following the first actions we took in relation to the AWW Project and Imtech Poland generally, financial derailments and irregularities were discovered at Imtech Germany. A detailed description of those derailments and irregularities is included in chapter 6.1 and 6.2. These derailments and irregularities led to a detailed review of the state of affairs within Imtech. Considerable work was done by Imtech staff, including new staff members engaged following the discovery of the events described in this Report (as set out in paragraph 4.2.3) and by the Board of Management and the Supervisory Board. The work done by Imtech internally was supported by, but also built on and provided input for, substantial external assistance from expert advisers. The work of external advisers has involved tens of thousands, and probably close to 100.000, man-hours. In addition, KPMG performed its audit of Royal Imtech's 2012 annual financial statements in accordance with applicable audit regulations and with the assistance of its forensic auditors. The various actions performed by external expert advisers and by Imtech internally are referred to in this Report as "Corrective Actions".

In particular, the following experts were engaged:

- *E&Y Risk Advisory Services (E&Y RAS), on De Brauw's instruction, performed an assessment of our risk and control framework.*  
This Risk and Control Framework Assessment (RCFA) confirmed and supported the initial findings of the Board of Management in relation to Imtech's Governance, risk and control (GRC) framework (as described in paragraph 4.2.1. The RCFA was commissioned to De Brauw, with E&Y RAS acting on De Brauw's instruction.
- *De Brauw and others have applied several forensic investigative measures.*

The work De Brauw performed is described in paragraphs 6.1, 6.2 and 6.3. Parts of the work assigned to De Brauw were performed by other external expert advisers on De Brauw's instruction:

- The German law firm Hengeler was engaged and provided German legal assistance.

- The Polish law firm SK&S was engaged and provided Polish legal assistance.
- E&Y Fraud Investigation and Dispute Services (E&Y FIDS) was engaged (i) to provide IT support necessary for the purpose of securing, storing and processing electronically stored information, and (ii) to apply the necessary accounting and financial forensic expertise required for the purpose of the forensic investigative measures in relation to Imtech Poland.
- Tax experts from Ernst & Young reviewed Imtech Poland's tax position.
- Fox IT B.V. was engaged to provide additional IT support.

In addition to its forensic investigative work, De Brauw has provided legal advice to Imtech on a variety of matters connected with the events described in this Report, including the AWW Settlement (as described in paragraph 6.1.1), corporate governance advice and the coordination of work performed by foreign legal advisers, including Hengeler and SK&S. Besides its forensic investigative work, Hengeler has provided German legal advice, including in relation to the dealings with the X Group (as described in paragraph 6.2.2). Alongside its forensic investigative work, SK&S has provided Polish legal advice. Further Polish legal advice has been provided by White & Case for specific matters, including in relation to the AWW Settlement (as described in paragraph 6.1.1).

- *A big four accounting firm provided financial expertise in Germany and Poland.*

The work the accounting firm performed is summarised in paragraphs 4.2.3 and 6.2.1. The work was done on a "loaned staff" basis, where experts from the accounting firm worked at Imtech as if they were Imtech employees.

Additional expert advisers have been engaged where appropriate.

### 3.2 **Priorities**

The challenges Imtech faced following the discovery of derailments and irregularities in Polish projects were considerable. These challenges are described in more detail in paragraph 4.1. The actions required from Imtech put a considerable strain on the Board of Management, the Supervisory Board and the staff and internal resources of Royal Imtech and Imtech generally. The need to instantaneously provide a range of external expert advisers with substantial amounts of information that was not readily available in all cases, posed an additional burden. To some extent, relief could be found by hiring additional

staff on a permanent or temporary basis (as described in paragraph 3.1). To ensure that clarity and a stable situation would be obtained within a reasonable timeframe, the actions to be taken needed to be prioritised as follows:

- *Financial information*

Our overall priority has been to produce reliable financial information for 2012 and to provide such information and assistance required by KPMG to enable it to provide its auditor's opinion in respect of Royal Imtech's 2012 annual financial statements. Producing reliable financial information for 2012 also required Royal Imtech to revisit its financial information for 2011 (including its opening balance sheet for 2011). Our efforts in this regard have resulted in Royal Imtech's press release of 21 May 2013, which included preliminary financial information for 2012 (including a consolidated profit & loss account and balance sheet). On the date of the Report, Royal Imtech has published its 2012 annual financial statements, which are fully in line with the preliminary financial information published on 21 May 2013, together with KPMG's auditor's opinion.

This priority was addressed primarily through a substantial internal review by Imtech staff of Imtech's financial information, in particular the financial information from Imtech Germany and Imtech Poland. The outcome of that review is described in more detail in paragraph 4.4. The review in Germany and Poland was supported by experts seconded by a big four accounting firm on a "loaned staff" basis (as set out in paragraph 3.1). The review ran parallel with KPMG's audit of Royal Imtech's 2012 annual financial statements in accordance with applicable audit regulations and with the assistance of its forensic auditors. KPMG's audit has been based partly on forensic investigative measures by De Brauw with Hengeler (in relation to Imtech Germany) and E&Y FIDS and SK&S (in relation to Imtech Poland).

- *Unwarranted cash outflows*

A clear priority was to avoid that, as a result of irregularities, cash outflows would occur without proper business justification. During the course of the Corrective Actions, it became clear that such unwarranted cash outflows had occurred in the past and, without proper action, might continue to occur, in particular in relation to:

- the AWW Project. The risk of further cash outflows in this regard is described in paragraph 6.1.1. The risk has been eliminated by the AWW Settlement (as described in paragraph 6.1.1);
- the dealings with two Estonian companies. These dealings, and the related investigation, are described in more detail in paragraph

6.1.3. We do not expect that further cash outflows will occur in this regard;

- the dealings with the X Group. These dealings, and the extensive investigation conducted in respect of them, are described in more detail in paragraph 6.2.2. As part of those dealings, Imtech Germany has engaged in actions which may lead to obligations to make certain payments to third parties. More detail is included in paragraph 6.2.2.

This priority has been addressed primarily by legal assistance provided by De Brauw together with foreign law firms, including Hengeler and SK&S. For the purpose of their assistance, these legal advisers partly drew, and continue to draw, on the findings from the forensic investigative measures performed by De Brauw and other expert advisers.

- *Structural and personal shortcomings and appropriate action (including disciplinary action)*

The initial EUR 100 million write-off in relation to Polish projects, as announced in Royal Imtech's press release of 4 February 2013, raised doubts about the effectiveness of Imtech's financial and business control framework. In addition, the relevant facts and circumstances (as described in paragraphs 6.1.5 and 6.2.4) provided indications that individuals in Poland and Germany had failed to properly perform their duties and, in the case of some individuals, had engaged in improper and possibly criminal behaviour. A priority for us has been to identify structural and personal shortcomings to provide a basis for strengthening our financial and business controls (as described in detail in paragraph 4.2) and for taking disciplinary action, including dismissals of members of local management and employees involved in any wrongdoing (as set out in paragraph 4.3).

This priority has been addressed by a managerial review, including an assessment conducted by the Board of Management. The Board of Management's early assessment, as communicated in Royal Imtech's press release of 27 February 2013, was confirmed and supported by the Risk and Control Framework Assessment (RCFA) performed by E&Y RAS acting on the instruction of De Brauw (and described in paragraph 4.2.3).

In addition to these three main priorities, the Corrective Actions have been and will continue to be the basis of other actions in relation to the events and circumstances set out in this Report, in particular:



- *Recovery from third parties*

Based on the outcome of the investigations in relation to the X Group and two Estonian companies (as set out in paragraphs 6.2.2 and 6.1.3), Imtech may have claims against these entities, although further investigations may be necessary in this regard. Imtech also has a claim in relation to the AWW Project (as set out in paragraph 6.1.1). The chances of collection of these claims are not discussed in this Report. Royal Imtech is also considering recovery under insurance policies taken out by Imtech. In addition, based on the information available from the Corrective Actions, Imtech may have legitimate claims for damages against other companies or individuals involved in irregularities. However, substantiating such claims may require further extensive investigations, potentially at substantial cost. Whether such investigations are to be performed will be decided on a case-by-case basis, also taking into account the costs involved and the chances of recovery.

- *Criminal proceedings where appropriate and advisable*

The findings in the investigation performed in Poland and Germany (as set out in paragraphs 6.1.5 and 6.2.4) are sufficiently serious to support a preliminary conclusion that criminal offences may have been committed. On 6 May 2013 Royal Imtech notified the public prosecutor's office in Hamburg, Germany, that criminal offences may have been committed. On 16 May 2013, Imtech Poland made a similar notification to the public prosecutor's office in Warsaw, Poland. A legal adviser to the Former Polish CEO and the Former Polish Second Board Member has advised Imtech that the Former Polish CEO and the Former Polish Second Board Member have filed criminal complaints in Poland, although we are not aware of the nature and scope of the complaints. We have instructed German and Polish legal advisers to take all action necessary to ensure that Imtech is in a position to file criminal complaints in Germany and Poland at the appropriate time.

### **3.3 Scoping Corrective Actions**

The scope, focus and depth of the Corrective Actions have been determined according to these priorities. In particular, the focus of the forensic investigative work performed by De Brauw, E&Y FIDS, SK&S and Hengeler has been to provide the information which KPMG required for the purpose of its audit of Royal Imtech's 2012 annual financial statements. For this purpose, KPMG prepared so-called Forensic Work Lists, which identified matters that required the use of forensic investigative measures. For some of these matters the use of forensic investigative measures entailed a close to full forensic investigation.

For others, however, the application of one or more specific forensic investigative measures sufficed.

Over time, adjustments to the focus and depth of the Corrective Actions have been made, to take account of changes in circumstances. By way of an example, a detailed investigation into all aspects of the mishaps surrounding the AWW Project was no longer needed when the AWW Settlement was concluded (as described in paragraph 6.1.1). Appropriate adjustments have ensured that priorities could continue to be satisfied, that limited internal resources would not be burdened by activities with no immediate purpose and that costs of external expert advisers remained under control as much as possible. An overview of those costs is included in chapter 7.

#### 3.4 Restrictions

As indicated in paragraph 1.1, the purpose of this Report is to report in an open and transparent manner on the Corrective Actions, including the findings in the investigations, and the measures adopted. That reporting is based on our current knowledge, based exclusively on the findings from the Corrective Actions to date. Nonetheless, in doing so, we are restricted in three areas:

- The matters addressed in this Report involve not only Royal Imtech and several Imtech subsidiaries, but also entities outside Imtech. The matters also involve various individuals, including Imtech managers and employees and former Imtech managers and employees, and individuals outside Imtech. To avoid unnecessary harm to such outside entities, and to protect the privacy of individuals, as a starting point, this Report does not mention names or other details of companies and individuals. To respect limitations inherent to investigations such as those described in this Report (including the need to rely on documents available within Imtech, on the availability of individuals for interviews and on their truthfulness) findings are reported with appropriate restraint. Furthermore, some descriptions of events are reported on at an appropriately abstract level to avoid implying specific entities or individuals in case there would prove to be no basis for any allegations of wrongdoing by them.
- In some cases, claims Imtech may have against third parties are subject to legal uncertainties. Also, third parties have made or may potentially make claims against Imtech that we believe to be unfounded but which are also subject to legal uncertainties. Where appropriate, such claims have been included in Royal Imtech's preliminary 2012 financial information and will be accounted for in future annual or interim financial statements in accordance with IFRS. However, to protect Imtech's position in discussions and

potential litigation, legal uncertainties in this regard are not addressed in this Report, or are addressed in abstract terms only.

- In some cases, findings from the Corrective Actions might expose Imtech to civil, tax, administrative or criminal liability. To protect Imtech's position in this regard, some of those findings are not addressed in this Report, or are addressed in abstract terms only. However, we have not withheld any information that could be material to Royal Imtech's shareholders.

## **4 General overview**

### **4.1 Challenges and measures**

The events described in this Report, their consequences for Imtech's organisation and financial position and the need to address those consequences as a matter of the highest priority, posed considerable challenges for Royal Imtech and Imtech generally. The challenges can be distinguished in three categories:

- The events put a considerable strain on Royal Imtech's management and head office staff, on management and staff functions of Imtech Germany and Imtech Poland and, to a certain extent, on several functions within other subsidiaries of Royal Imtech. This impact and the steps taken in this regard are described in paragraphs 4.2 and 4.3.
- The events made it clear that Imtech's existing financial information, in particular the financial information for Imtech Germany and Imtech Poland, was not reliable in all respects. As closely related matters, there was a clear need within Imtech to set up a system to produce reliable short-term cash flow forecasts, and to come to a revised budget and revised forecasts for future periods. The steps taken in this regard are described in paragraph 4.4.2.
- The events had an immediate and foreseeable future impact on Imtech's equity and debt financing. This impact and the steps taken in this regard are described in paragraph 4.5.

### **4.2 Implications for strategy, business model and governance**

At an early stage, it was already clear to us that the events described in this Report made it inevitable to make substantial changes to Imtech's business and its Governance, risk and control framework (GRC), which did not stay on an equal footing with the increasing size and complexity of Imtech's organisation. In that regard, the following actions were taken.

#### **4.2.1 *Growth strategy***

Imtech expanded rapidly starting in 2001, through organic growth and acquisitions. Since 2010, Imtech's announced strategy had been to almost double its revenue from EUR 4.5 billion in 2010 to EUR 8 billion with an operational EBITA margin between 6% and 7% in 2015 and to achieve about half of that growth through acquisitions. The implementation of this strategy had substantially increased the risks to which Imtech was exposed (as set out in

paragraph 5.2.2). To enable Imtech to take necessary actions to mitigate this risk and because future acquisitions will require financial resources that are unlikely to be available in the coming years, the Board of Management and the Supervisory Board decided to abandon the target revenue growth to EUR 8 billion in 2015 and the related acquisition strategy. This was announced in Royal Imtech's press release of 27 February 2013. Instead, Imtech's focus was redirected to operational excellence (as described under "Business focus and remuneration policies" below). Currently, Royal Imtech does not foresee making acquisitions up to and including 2015, although after that year Royal Imtech expects to actively revive its acquisition strategy. The still fragmented growth markets in which Imtech operates offer attractive growth opportunities through acquisitions in addition to room for organic growth.

#### 4.2.2 *Focus on operational excellence reinforced by remuneration policies*

Imtech will continue to operate its existing decentralised management model with a focus on local entrepreneurship in accordance with its history, and on an optimal relationship with customers and other stakeholders. We believe this model best serves the growth and strength of the company. However, with the changed strategy (as described in paragraph 4.2.1), comes a changed business focus. In 2013 and 2014 Imtech's priority will be to sharpen the operational excellence of business processes in all parts of the organisation to optimise use of Imtech's resources and to plan matters better. We are in the process of assessing the best practices of operational excellence that currently exist within Imtech and intend to implement them across Imtech, while still taking into account the differences among the various operating entities. Imtech's operational excellence focus can be divided into the following six main components:

- *Project management and project execution*  
We will continue to focus on improving project management and project execution, and will reinforce project management programmes. Furthermore, we will continue to assess and roll out best practices across Imtech, also with a view to the increased need of customers for more complex projects in the areas in which Imtech operates. Imtech already started a programme for developing and training senior project managers in early 2012.
- *Cash and working capital management*  
We are in the process of enhancing Imtech's working capital and cash management with particular attention to customer billing and invoice payment procedures to control Imtech's working capital requirements that have increased since 2011. To support this, we have strengthened monthly cash and working capital reporting and forecasting, with increased

monitoring by Royal Imtech at holding level. In addition, we will revise Imtech's treasury policies and procedures, implement a comprehensive treasury management system and restructure Imtech's existing cash management and cash pooling arrangements.

- *Procurement processes*  
In late 2011, Imtech started improving its procurement strategy by focusing on cross-divisional cooperation to realise more value and synergies. We will continue this process.
- *Tender procedures*  
We have reinforced Imtech's tender procedures as described in more detail under "Governance, risk and compliance (GRC)" below.
- *Risk management*  
We have taken a range of various measures to upgrade Imtech's risk management and internal control practice, as described under "Governance, risk and compliance (GRC)" below.
- *Governance and control*  
We have taken a range of measures to enforce Imtech's governance and controls, as also described under "Governance, risk and compliance (GRC)" below.

To support the revised business focus and these various measures, management targets and the related variable remuneration component for management will be changed, giving more attention to the operational execution of business processes with the same special focus areas referred to above. The revised remuneration policy for the Board of Management is on the agenda of Royal Imtech's Annual General Meeting of Shareholders to be held on 28 June 2013 (which agenda includes the changes Royal Imtech wishes to make to its remuneration policy for the Board of Management and is available on Royal Imtech's website [www.imtech.com](http://www.imtech.com); Royal Imtech's current remuneration policy is also available on Royal Imtech's website [www.imtech.com](http://www.imtech.com)).

#### 4.2.3 *Governance, risk and compliance (GRC)*

It was clear from the events that arose in Poland and Germany that Imtech's business controls were not sufficiently effective. To better assess shortcomings and possible improvements, we engaged De Brauw, with E&Y RAS acting on its instruction, to perform a Risk and Control Framework Assessment (RCFA). The results of this RCFA confirmed our own initial conclusions, as included in Royal Imtech's press release of 27 February 2013, that reinforcement of the

quality and effectiveness of Imtech's business controls was called for. To enhance Imtech's Governance, risk and compliance (GRC) framework, as set out already in Royal Imtech's press release of 23 April 2013, we have taken or will take the following measures:

- The Board of Management will be expanded to add two new members. It is intended that following that expansion the members of the Board of Management will have the following focus areas:
  - CEO: will have direct operational responsibility and focus on the operating clusters (i) UK & Ireland (ii) the Benelux and (iii) the Nordic;
  - CFO: will primarily have an internal focus, including on management of working capital and cash flow, management of Imtech's financing structure, the implementation of the enhanced GRC policies, and the control and treasury departments of Royal Imtech;
  - A third member of the Board of Management will focus on the operating cluster Germany & Eastern Europe and will be the CEO of Imtech Germany;
  - A fourth member of the Board of Management will focus on the operating clusters ICT, Traffic and Marine and Spain & Turkey.

This enlargement should ensure a more operational focus of the Board of Management suitable for Imtech at this stage of its existence. The Board of Management will remain collectively responsible for the management of Imtech as a whole.
- Rules have been introduced governing the functioning of the Board of Management. These rules will be made available on Royal Imtech's website [www.imtech.com](http://www.imtech.com).
- An internal audit department has been set up. The audit department reports to the Group Director GRC but has direct access to the Board of Management and the Supervisory Board where it considers such access desirable. The internal audit department will oversee compliance with Imtech's GRC policies and review valuation of work in progress and overdue receivables. On the instruction of the Board of Management, the internal audit department will conduct special investigations for the Board of Management. A chartered accountant has been brought in from outside Imtech to lead the department. He started with Imtech on 1 April 2013.
- A Group Director GRC has been appointed. The Group Director GRC is responsible for the enhancement of Imtech's GRC policies and performs the tasks set out in the bullets above and below.
- A dual reporting line has been introduced for the financial discipline and the dual reporting line for the legal discipline has been reinforced:
  - Divisional controllers are required to report not only to their divisional manager but also to Royal Imtech's CFO. Decisions regarding hiring, appraisals, terms of employment and dismissal

will be taken by the relevant manager together with Royal Imtech's CFO.

- Divisional in-house counsel are required to report not only to their own divisional manager but also to the Group Director GRC. Decisions regarding hiring, appraisals, terms of employment and dismissal will be taken by the relevant manager together with the Group Director GRC.
- The Audit Committee's charter was changed to more accurately reflect its risk monitoring function. This charter will be made available on Royal Imtech's website [www.imtech.com](http://www.imtech.com).
- Internal controls have been reinforced by enhancing Imtech's authorisation matrix, including a refined system of approvals for specific categories of business decisions (including financing, guarantees, payments and projects). The authorisation matrix will also be made available on Royal Imtech's website [www.imtech.com](http://www.imtech.com).
- The tender process has and will be reinforced by the following measures:
  - A new Tender Review Board will be set up, which will oversee the tender procedures for new projects. The Tender Review Board will consist of a member of the Board of Management, the Group Director GRC, a seasoned project manager, a seasoned engineer and an in-house legal counsel. All projects with a contract value above EUR 15 million, or a high-risk profile (determined by the Group Director GRC as set out in the previous bullet) will require Tender Review Board approval. Projects with a value above EUR 75 million will require approval by the Board of Management and the Supervisory Board. The Tender Review Board may submit projects with a lower value to the Board of Management for their approval, for example if the project has an unusually high risk profile. Also, the Tender Review Board will evaluate projects after completion.
  - As an interim measure, until the new Tender Review Board is fully operational, all projects with a contract value above EUR 15 million, or with a lower value but with a high risk profile, require the prior written approval of the CEO or the CFO or, for projects with a contract value above EUR 75 million, of the Board of Management and the Supervisory Board. The assessment of whether a project is considered to have a high risk profile is made by the Group Director GRC and based on among other things Imtech's risk analysis software tool "Riskmaster", as described in paragraph 5.3.2 or an assessment by a divisional risk manager of Imtech.
- An expert consultancy firm has been engaged to assist with the further design and implementation of Imtech's GRC framework. To encourage a high level of GRC-awareness within Imtech, including internal rules and regulations and the need for strict compliance, and to stimulate an



appropriate company culture, intensive training programmes for Imtech employees on these topics will be set up. We believe that Imtech's culture should develop towards the right balance of integrity, loyalty and critical thinking. The Board of Management will give a strong internal signal in this regard by publishing practical do's and don'ts, leading by example and providing strong and visible support for Imtech's GRC framework. Also, the financial and legal function as well as the internal audit department within Imtech will monitor compliance with revised internal policies, guidelines, procedures and instructions.

In addition, we have taken the following measures to improve Imtech's financial position:

- Management reporting obligations for all operating entities have been enforced and new reporting obligations have been introduced, and restrictions have been put on operating entities entering into their own credit and guarantee facilities, opening bank accounts and granting guarantees.
- Working capital management has been enhanced by:
  - imposing stricter rules relating to working capital and cash targets, including requirements on reporting cash flow forecasts on a weekly (13-week forecast) basis;
  - billing customers for work in progress at an earlier stage;
  - shortening terms of payment of customers;
  - enhancing Imtech's management of ageing debtor and creditor positions including targeting collecting outstanding invoices within a shorter time period; and
  - optimising supplies.
- Use of local cash and guarantee facilities has been restricted by imposing stricter rules relating to such use, including requirements on reporting such use fortnightly and monthly.

Going forward Imtech's control and reporting of use of cash and guarantees will be further improved by:

- introducing a daily cash balance system throughout Imtech;
- restructuring existing cash management and cash pool arrangements, including by reducing the number of cash pools and bank accounts. Imtech will develop a strategy for cash management at operating entity level;
- implementing a treasury management system. This will be a central system reflecting all cash positions within, and payments to and by Imtech, and will serve as a basis for cash flow forecasting; and
- introducing a guarantee management system. This will be a central system in which all outstanding bank guarantees and sureties will be recorded, also to ensure that necessary approvals have been granted in accordance with Imtech's enhanced authorisation matrix referred to above.

In addition to these structural changes to Imtech's organisation, there have been changes to individuals holding senior management and staff positions within Imtech. As of 27 February 2013, Royal Imtech is led by Gerard van de Aast as its new CEO. Gerard van de Aast was appointed as a member of the Board of Management effective 1 January 2013. Hans Turkesteen as Royal Imtech's new CFO seconds him. Hans Turkesteen was appointed as Royal Imtech's CFO effective 11 February 2013. His appointment to the Board of Management is on the agenda of Royal Imtech's Annual General Meeting of Shareholders to be held on 28 June 2013 (the agenda is available on Royal Imtech's website [www.imtech.com](http://www.imtech.com)). In addition, Royal Imtech's head office staff has been reinforced by the appointment of a Group Director Corporate Finance (responsible for the treasury, tax, M&A and investor relations departments of Imtech), a Group Director GRC (as referred to above), a Group Director Corporate Communications and Corporate Social Responsibility, the head of the new internal audit department (as described above), a new treasurer and an additional legal counsel.

#### **4.3 Imtech Poland and Imtech Germany**

As is clear from the findings from the Corrective Actions, the core of the events that have brought Imtech to where it is today, is found in Poland and Germany. Also for this reason, these two countries warrant separate attention.

##### **4.3.1 Imtech Poland**

Imtech Poland was founded in 1995 as a representative office of Rud. Otto Meyer, the company that later became Imtech Germany (as described under "Imtech Germany" below). It became a separate legal entity in 1996. The head office of Imtech Poland is situated in Warsaw. Imtech Poland has six regional offices spread across the country. Imtech Poland is a leading company in Poland in the delivery of technical infrastructural solutions for buildings of large capacity. The reported revenue of Imtech Poland was about EUR 102.5 million in 2011 accounting for 2 % of Imtech's reported revenues.

Following the discovery of derailments and possible irregularities at Imtech Poland during the last week of January 2013 (as described in paragraph 3.1), the Board of Management instructed the Former German CEO to suspend the Former Polish CEO and the Former Polish Second Board Member. The Former German CEO followed up on this instruction on 1 and 2 February 2013, although he decided to effect the suspensions as of 4 February 2013, followed by their dismissal for cause on 7 February 2013. On 4 February 2013, Royal Imtech received the Whistle-Blowers Letter, setting out several alleged irregularities (as described in paragraph 6.2.3) also in relation to Imtech

Poland, which aggravated the concerns about possible irregularities at Imtech Poland. An experienced manager from Imtech Germany was appointed as acting CEO of Imtech Poland. (It is noted that during the Corrective Actions no indications were found that this manager had been knowingly involved in any irregularities at Imtech Germany.) When the new CEO started at Imtech Poland on 5 February 2013, he was confronted with a serious and worrying situation as described below:

- During the weekend of 2-3 February 2013, the Former Polish CEO together with the Former Polish Second Board Member concluded termination agreements on behalf of Imtech Poland with 31 key staff members. These included all financial and IT staff and the majority of legal staff, although four employees voluntarily returned to Imtech Poland over time. The termination agreements were predated to 28 January 2013. As a result of the termination, the central business functions of Imtech Poland effectively ceased to operate. Pursuant to the termination agreement the employees concerned were immediately released from work but would continue to be employed and retain their salary until 30 April 2013, were awarded severance payments varying from 6 to 8 months gross salary, and were permitted to continue the use of company property such as cars, laptops, tablets and mobile phones until 31 December 2013. As part of the remedial actions taken in relation to Imtech Poland, almost all of these termination agreements were replaced by new termination agreements on terms substantially more favourable to Imtech Poland (for the reasons set out in paragraph 6.1.5).
- There is clear evidence that during the weekend of 2-3 February 2013, the Former Polish CEO and the Former Polish Second Board Member, together with some of the employees of Imtech Poland referred to above, had removed parts of Imtech Poland's physical books and records from Imtech Poland's premises. Although some of these books and records have been returned by one of the employees involved, to date, Imtech has been unable to retrieve these books and records in full.
- As passwords to Imtech Poland's central IT systems were known only to members of Imtech Poland's IT staff who had left Imtech Poland following the conclusion of termination agreements with them (as set out above), Imtech Poland's IT systems were inaccessible to a large extent. However, certain financial information that was (and is) not stored locally but at Imtech Germany in Hamburg remained available. Over time, when it became clear that Imtech Poland's IT staff could not be persuaded to provide necessary assistance and no other customary means of accessing the IT systems were available, Imtech Poland accessed the IT systems with the help of external experts.

- As a result of these developments, the new Polish CEO was faced with considerable operational challenges. His first task was to ensure that Imtech Poland, with a reported annual turnover of about EUR 100 million and about 450 employees, could and would continue to carry out its projects and service its customers uninterrupted. As the departure of 31 key staff members (4 of whom returned over time) following the conclusion of the termination agreements (as described in paragraph 6.1.5) effectively decapitated Imtech Poland, the new Polish CEO's first priority was to rebuild Imtech Poland's central functions and information sources to the minimum necessary to operate as a going concern. In addition, as an equally high priority, the new Polish CEO needed to arrange for the production of reliable financial information reflecting Imtech Poland's actual financial position and results of operations. The actions taken in this regard are described in more detail in paragraph 6.1.5.

#### 4.3.2 *Imtech Germany*

Imtech Germany started when in 1858 Rudolph Otto Meyer set up a heating construction company in Hamburg specialised in the building of greenhouses. In a few decades this company grew out to be one of the largest German providers of technological building solutions. In 1997, Royal Imtech acquired the company built by Mr Meyer and his successors. This acquisition, together with the acquisition of Rheinelektra Technik in 2001, made Imtech one of the strongest players in the German energy and technical building equipment sector. Imtech Germany serves customers through its six regional offices in Germany: North (Hamburg), West (Düsseldorf), Centre (Frankfurt), East (Berlin), South-West (Stuttgart) and South-East (Munich). The revenue of Imtech Germany and the Eastern European countries for which it bears managerial responsibility (including Austria, Hungary, Poland, Romania and Russia) was EUR 1.5 billion in 2011, accounting for about 30% of Imtech's revenues.

Following the discovery of derailments and possible irregularities at Imtech Poland during the last week of January 2013, the suspension of the Former Polish CEO and the Former Polish Second Board Member on 1 and 2 February 2013 and the receipt of the Whistle-Blowers Letter which also contained allegations about possible irregularities at Imtech Germany, the Former German CEO stepped down on 5 February 2013 because of the problems at Imtech Poland and the Former German CFO also left Imtech Germany. Both the Former German CEO and the Former German CFO had direct management responsibility for Imtech Poland. A third board member of Imtech Germany resigned on 6 February 2013. On the same date, the Former German Chief Controller was suspended. The Board of Management appointed two

experienced Imtech managers from Imtech in the Netherlands as acting CEO and acting CFO of Imtech Germany.

#### **4.4 Financial information**

##### **4.4.1 Financial reporting**

It was clear from the first moment when the events described in this Report came to light that Imtech's existing financial information was not reliable in all respects. For that reason, as announced in Royal Imtech's press release of 4 February 2013, the publication of Royal Imtech's 2012 preliminary financial figures scheduled for 5 February 2013 was postponed. Initially, after only derailments and possible irregularities at Imtech Poland had come to the surface, the issue was assumed to be contained to Imtech Poland. After the new German management started at Imtech Germany, it became clear that financial information from Imtech Germany had been considerably inflated (as set out in paragraph 6.2.1). It also became clear that the issue might have spread more widely within countries for which Imtech Germany bore managerial responsibility. To remedy the situation, as part of the Corrective Actions and as our primary priority (as set out in paragraph 3.2), we immediately dedicated substantial resources to review and correct available financial information and produce a set of financial information which could be reliably reported on in Royal Imtech's 2012 financial statements. The actions taken in this regard in relation to Imtech Poland and Imtech Germany are set out in paragraph 3.1. In relation to the other countries in which Imtech operates, Imtech applied additional review procedures to the 2012 closing of its books, which had already been completed earlier in 2013. These additional procedures covered all financial statement captions which could potentially be susceptible to irregularities. Imtech also required all local managers to reconfirm their representations made in relation to their local 2012 financial information as reported on earlier. It was made clear to all local managers that if any corrections were to be made, or anything new needed to be reported, this was the one and only opportunity for them to do so. Also, although the accounting policies continued to be applied on a basis consistent with prior periods, appropriate conservatism has been observed. The additional procedures were performed in relation to the Netherlands, the United Kingdom, Ireland, Spain, Turkey, Sweden and other European countries including Austria, Hungary, Romania and Russia. The actions taken ran parallel with an intensified audit by KPMG in accordance with applicable audit guidelines.

On the basis of these and other actions Royal Imtech prepared its preliminary financial information for its financial year 2012, and assessed the impact of the events described in this report on its 2011 financial information, as published in Royal Imtech's press release of 21 May 2013. In that press release, Royal

Imtech announced a net loss for 2012 of EUR 226 million and an adjustment to the net profit for 2011 of EUR 54.6 million from EUR 154.1 million to EUR 99.5 million. These losses were caused predominantly by write-offs resulting from irregularities at Imtech Poland, Imtech Germany and Imtech Netherlands. The write-offs for Imtech Poland with an aggregate amount of EUR 153.7 are detailed in paragraph 6.1.2. The write-offs for Imtech Germany with an aggregate amount of EUR 216.4 are detailed in paragraph 6.2.1. Write-offs for Imtech Netherlands with an aggregate amount of EUR 26 million are explained in paragraph 6.3. Additional write-offs resulting from irregularities were made in relation to certain other matters, the most material of which involve Imtech's operating entities in Spain and Turkey and can be explained as follows.

- *Imtech Spain*

In April 2013, the local management of Imtech's Spanish subsidiary (Imtech Spain) informed Royal Imtech that irregularities had occurred at one of its local business units. These irregularities had come to light initially at the beginning of 2012. Local Spanish management had investigated the matter and taken appropriate action but failed to inform the Former Board of Management. When Spanish management informed the current Board of Management in April 2013, Royal Imtech immediately engaged a team of external forensic experts to further investigate the irregularities and ordered a substantive audit of the financial statements of Imtech Spain. The findings from these actions were that the suspected business unit of Imtech Spain had sought to disguise declining results as a consequence of weak market circumstances by overstating results and understating operating expenses for an aggregate amount of about EUR 6 million, of which EUR 5 million was attributable to 2011 and the remainder to 2012.

- *Imtech Turkey*

In April 2012, Royal Imtech acquired 80% of AE Arma-Electropanc (Arma), a Turkish company active in Turkey as well as in former USSR republics including Russia and in Arab countries including the United Arab Emirates. During the preparation of Arma's 2012 financial statements, after KPMG had encountered difficulties in completing its audit, Arma management informed the Board of Management that irregularities had been identified which might result in an additional exposure for Royal Imtech of EUR 4.7 million in relation to the period following the acquisition of Arma by Royal Imtech. It is uncertain whether the sellers of Arma are under an obligation to indemnify Royal Imtech to the extent that the exposure is related to that period.

Other write-offs made by Royal Imtech result from normal accounting adjustments, unrelated to irregularities. All write-offs are included in Royal

Imtech's 2012 annual financial statements, which are published on the date of this Report.

#### 4.4.2 *Cash flow forecasts*

At the time when, during the last week of January 2013, the events described in this Report first came to light, Imtech had drawn about EUR 1.1 billion under central cash financing arrangements with an aggregate amount of about EUR 1.4 billion available to Royal Imtech. In addition, limited amounts had been drawn by subsidiaries of Royal Imtech under local cash financing arrangements available to them. As per 28 February 2013, the amounts drawn were about EUR 1.2 billion for the central, and about EUR 31 million for the local cash financing arrangements. These financing arrangements for Royal Imtech and its subsidiaries are described in more detail in paragraph 4.5.2. At the same time, it was clear that, in line with Imtech's seasonal cash flow pattern, Imtech would need to make additional drawings under those financing arrangements. Imtech's seasonal cash flow pattern is described in more detail in paragraph 4.5.3. Although the Former Board of Management, in consultation with the Supervisory Board, had implemented a system to assess cash flows for the coming three months, this system did not reliably predict Imtech's short-term cash flow and, on that basis, the size and timing of its future financing needs.

To remedy this situation, Royal Imtech immediately put substantial efforts into setting up a short-term cash flow forecasting system, assisted by E&Y Accountants. As a result of these efforts, by the date of this Report, Imtech has reached a stage where it can produce weekly cash flow forecasts for 13-week periods (as described in paragraph 4.2.3). Royal Imtech will continue to improve its cash flow system. The quality of these forecasts is tested and validated by regularly comparing forecasts to actual cash flow over the relevant period.

### 4.5 **Financing**

#### 4.5.1 *Introduction*

The events that unfolded immediately preceding and following Royal Imtech's press release of 4 February 2013 severely impacted Imtech's equity and debt financing, as follows:

- The events resulted in foreseeable events of default under most of Imtech's existing debt financing arrangements. The impact of the events on those arrangements and the steps taken in that regard are described in paragraph 4.5.2.

- The events, together with increased financing needs as a result of the growth of Imtech's business (from acquisitions and autonomous growth) and market circumstances, resulted in a foreseeable shortfall of the financing available to Imtech under its existing debt financing arrangements compared to Imtech's financing needs. The steps taken in that regard are described in paragraph 4.5.3.
- The write-offs made in respect of Polish and German projects with an amount of EUR 370 million in aggregate, and additional write-offs in respect of Royal Imtech subsidiaries outside Germany and Poland that were necessitated by findings from the Corrective Actions, substantially reduced Royal Imtech's shareholders' equity relative to its debt to a level which would not be sustainable in the long term. The steps taken in that regard are described in paragraph 4.5.4.

#### 4.5.2 *Existing debt financing*

At the time when the derailments and possible irregularities at Imtech Poland came to light during the last week of January 2013, Imtech had a complex set of debt financing arrangements. On the date of this Report, these arrangements continue to be in place (with the change from uncommitted to committed arrangements set out below and a few exceptions that do not materially impact Imtech's overall funding plan). In addition, on the date of this Report, Royal Imtech also has available the EUR 500 million temporary bridge facility described in paragraph 4.5.3. The arrangements include:

- committed cash financing at the level of Royal Imtech in the form of:
  - a EUR 700 million revolving credit facility with a syndicate of 11 banks;
  - an aggregate of EUR 125 million, USD 186 million and GBP 50 million "United States private placement" or "USPP" notes, held by 20 investors;
  - an aggregate amount of EUR 228 million bilateral cash facilities at the level of Royal Imtech with several banks, in some cases also available at the level of subsidiaries of Royal Imtech. Originally, these arrangements were uncommitted. They were changed to committed arrangements under the Waiver and Amendment Agreements (as described under "Impact on financing negotiations with financiers below").
- uncommitted cash financing in the form of:
  - an aggregate amount of EUR 122 million bilateral cash facilities at the level of Royal Imtech with several banks and which cash facilities, in some cases, are also available at the level of subsidiaries of Royal Imtech;



- an aggregate amount of EUR 76 million equivalent (in several currencies) local bilateral cash facilities at the level of subsidiaries of Royal Imtech with over 30 banks.
- uncommitted bank guarantee and credit insurance facilities in the form of:
  - an aggregate amount of EUR 720 million guarantee and credit insurance facilities at the level of Royal Imtech with nine banks and credit insurers which facilities are, in some cases, also available at the level of subsidiaries of Royal Imtech; and
  - an aggregate amount of EUR 703 million local guarantee and insurance facilities at the level of subsidiaries of Royal Imtech with about 35 banks.

In all, Imtech attracts financing from about 80 financiers – banks providing syndicated or bilateral cash and bank guarantee facilities, USPP investors, credit insurers – located in the Netherlands and other countries including Austria, Belgium, Canada, China, Finland, Germany, Hungary, Luxembourg, Norway, Romania, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States of America.

*Impact on financing – threatened events of default*

The events described in this Report affected Imtech's existing financing arrangements as described above in three ways:

- The main financing arrangements referred to above (measured by amount) include financial covenants. At the time when on 4 February 2013 Royal Imtech announced that derailments and possible irregularities had occurred at Imtech Poland, under these financial covenants, Royal Imtech was required to maintain, on a consolidated and rolling twelve months basis:
  - an "average net debt to EBITDA ratio" of 3.0 at maximum; and
  - an "interest coverage ratio" of 4.0 at minimum.

The impact of the events described in this Report on Royal Imtech's financial figures for 2012 (as summarised in paragraph 4.4) resulted in a foreseeable breach of both financial covenants when Royal Imtech's 2012 annual financial statements would become available.

- In addition, Imtech's financing arrangements included various representations and other covenants. The main financing arrangements include a provision to the effect that Royal Imtech's annual and semi-annual financial statements must fairly represent its financial position and results of operations at the end of, and for, the relevant financial period in accordance with IFRS.

As a result of the findings from the Corrective Actions, Royal Imtech's 2012 semi-annual financial statements needed to be adjusted to account for the reclassification in Royal Imtech's 2012 semi-annual financial statements of a promissory note and a pledged account from "cash and cash equivalents" to "current financial assets" (as described in paragraph 6.1.1). This resulted in a breach of these representations and obligations in relation to those financial statements. However, this breach was remedied before an event of default under the relevant financing arrangements occurred. Other breaches resulting from adjustments to Royal Imtech's 2011 financial statements and its 2012 semi-annual financial statements were waived under the Waiver and Amendment Agreements.

In addition to this breach of representation, the events described in this Report resulted or, if not remedied, could result in certain other breaches of representations and undertakings under Imtech's financing arrangements. However, these breaches generally are of a more technical nature. They have also been waived in the Waiver and Amendment Agreements.

It should be noted that to the extent that financing arrangements are uncommitted, the relevant financiers generally may terminate their agreements at their discretion, irrespective of the occurrence of any breaches of those agreements by Imtech.

#### *Impact on financing – negotiations with financiers*

The announcement in Royal Imtech's press release of 4 February 2013, of an expected write-off of at least EUR 100 million on projects carried out by Imtech in Poland, and possible irregularities in connection with Polish projects, and subsequently in Royal Imtech's press release of 27 February 2013 of an expected additional write-off of around EUR 50 million in respect of Polish projects and an expected write-off of around EUR 150 million in relation to German projects, caused acute and understandable concern with Imtech's financiers. Some financiers froze the undrawn part of their facilities. Some financiers considered refusing standard roll-overs of maturing drawdowns under their facilities into new drawdowns. Some financiers providing uncommitted facilities also considered terminating those facilities altogether. One of our first priorities following the publication of that press release was to give comfort to all financiers that Imtech's future was not in jeopardy and to ensure the continued availability of the funding required by Imtech to operate its business. The extensive negotiations with financiers were conducted as part of a two-step process, outlined as follows:

- As announced in Royal Imtech's press release of 20 March 2013, as a first step Royal Imtech on 19 March 2013 concluded an agreement with its main

financiers on the provisional continuation of their outstanding facilities. The parties to this Continuation Agreement include the eleven banks that form the syndicate of the EUR 700 million revolving credit facility, the holders of the USPP notes, the main bilateral lenders and the main guarantee providers referred to in this paragraph 4.5.2, as well as Imtech's main cash pool providers and hedging counterparties. Pursuant to the Continuation Agreement, the relevant financiers agreed not to terminate or suspend their financing arrangements on the basis of events related to Imtech Germany or Imtech Poland and to continue to keep these financing arrangements open up to the amounts outstanding on 28 February 2013, provided that the aggregate write-off concerned would not exceed EUR 375 million and certain other conditions (including compliance with additional information obligations and operational restrictions) would be satisfied.

- On 17 June 2013, Royal Imtech issued a press release in which it announced that it has concluded Waiver and Amendment Agreements with its main financiers. Pursuant to these Waiver and Amendment Agreements, the relevant financiers have agreed to waive all events of default which have occurred as a result of the events described in this Report provided certain conditions are satisfied. The Waiver and Amendment Agreements secured the continued availability of Imtech's main financing arrangements, subject to their terms and provided that the expected rights issue referred to in paragraph 4.5.4 takes place no later than 31 October 2013 (subject to the uncommitted character of those arrangements where applicable). For details of the Waiver and Amendment Agreements reference is made to the press release referred to above.

#### 4.5.3 *Additional bridge debt financing*

Imtech has a seasonal cash flow pattern resulting in an increase of its financing needs during the first and second half of each calendar year with fluctuations up to EUR 300 million, with a drop in June and in December. Imtech's overall increase in financing needs results from the growth of Imtech's business (including acquisitions and autonomous growth), changes in working capital and market circumstances.

When reviewing Imtech's financial position following the discovery of the derailments and possible irregularities in Poland and subsequently in Germany, we concluded that there was a distinct possibility that Imtech's existing financing arrangement, also taking into account the foreseeable breach of financial covenants, the freezing of certain financing arrangements and the uncommitted nature of some financing arrangements (all as described in paragraph 4.5.2), would be insufficient to cater for Imtech's normal seasonal financing needs resulting from its ordinary operations in 2013. To cater for this

possibility, as announced in Royal Imtech's press release of 27 February 2013, Royal Imtech secured a temporary bridge facility of EUR 500 million for 2013 from ING Bank N.V. (ING Bank) and Coöperatieve Centrale-Raiffeisen Boerenleenbank B.A. (Rabobank). The bridge facility contains a EUR 350 million cash facility and a EUR 150 million guarantee facility. Of the bridge facility, EUR 300 million (being the EUR 150 million guarantee facility and EUR 150 million from the cash facility) was immediately available. The remaining EUR 200 million of the cash facility became available upon conclusion of the continuation agreement referred to in paragraph 4.5.2.

#### 4.5.4 *Expected rights issue*

As a result of the loss incurred by Royal Imtech in 2012 and the adjustments made to Royal Imtech's 2011 financial information (as included in Royal Imtech's preliminary financial information for 2012 and set out in its press release of 21 May 2013), its shareholders' equity has been reduced from EUR 926 million on 31 December 2011 (as reported in Royal Imtech's 2011 annual financial statements, before taking account of the adjustments made to those financial statements referred to in paragraph 4.4) to EUR 547 million on 31 December 2012. This amount of equity is insufficient in relation to Imtech's debt to safeguard a solid foundation for Imtech's financial future. To enhance its capital base and enable it to reduce its debt financing, as announced in Royal Imtech's press release of 27 February 2013, Royal Imtech will strengthen its equity by attracting additional capital through a EUR 500 million rights issue. The expected rights issue is led by ING Bank and Rabobank as joint global coordinators and joint book runners and guaranteed by these banks by means of a volume underwriting commitment on usual terms. One of Royal Imtech's major shareholders, ING AM Insurance Companies B.V. acting as manager of ING Dochterfonds, has irrevocably committed to vote in favour of the expected rights issue in the Annual General Meeting of Shareholders of Royal Imtech (to be held on 28 June 2013) and to subscribe for the shares issued in the expected rights issue in proportion to its 5.19% shareholding in Royal Imtech. The full net proceeds of the expected rights issue will be used to reduce debt. The temporary bridge facility referred to in paragraph 4.5.3 will be repaid first.

More details about the expected rights issue are included in the "Annex to Agenda item 7 – Rights offering" published by Royal Imtech as an annex to the agenda for its Annual General Meeting of Shareholders to be held on 28 June 2013 (and available on Royal Imtech's website [www.imtech.com](http://www.imtech.com)). A prospectus for the expected rights issue is expected to be published as soon as possible after the General Meeting (and will be available on the same website).

## **5 Governance, risk and compliance**

### **5.1 Introduction**

This chapter 5 gives an overview of the development of Imtech's strategy and the development of its project portfolio over time. It also outlines how these developments impacted the company's overall risk profile and how this was addressed.

### **5.2 Business model and risk profile**

#### **5.2.1 *Business model***

Imtech has always operated a highly decentralised business. As confirmed in Royal Imtech's press release of 27 February 2013, the Board of Management and the Supervisory Board continue to believe that, in accordance with Imtech's history, a decentralised business model stimulates local entrepreneurship and an optimal relationship with customers and other stakeholders, and hence the overall performance (including financial performance) of Imtech.

#### **5.2.2 *Increase in risk profile***

Over the years, Imtech's inherent risk profile has increased, predominantly as a result of two developments.

- ***Growth***

Imtech has grown considerably over the past decades. From 2001 to 2011 Royal Imtech's revenues increased from about EUR 2 billion in 2001 to about EUR 5.1 billion in 2011 (2012 has been ignored here because of the severe write-offs in that year, as described in paragraph 4.4). About half this growth resulted from organic growth and about half from acquisitions. Each acquisition was evaluated by the Supervisory Board on an annual basis, also to determine to what extent each acquisition had contributed to Imtech's growth.

A significant part of the revenue growth resulting from acquisitions was realised through the acquisition of a large number of relatively small privately and often family-owned businesses. Between 2001 and 2013, Royal Imtech acquired an aggregate of 86 companies. The purchase price for the acquisitions often consisted of a base purchase price and an earn-out arrangement giving the seller the right to an additional purchase price dependent on the acquired business's financial performance during an agreed period following completion of the acquisition. In those cases, the former owners would customarily continue to hold senior management positions in the acquired company. Acquired businesses were mostly not

required to comply with centrally determined Imtech policies and procedures promptly following their acquisition, to avoid discussions that the earn-out was impacted by centrally imposed measures.

Combined with Imtech's decentralised business model (as described in paragraph 5.2.1), this growth and the way in which it was achieved, Imtech's organisational structure was not that of a centrally controlled group of closely aligned operational units. Per year-end 2012, Imtech resembled a collection of various more or less independent operating entities. Because the vast majority of Imtech's projects are relatively small, and the level of synergy its operating entities can reach in this regard is inherently limited, Royal Imtech had consciously kept its corporate head office small with only a minimum of central management and staff functions. The Executive Council (as described in paragraph 5.3.1), in which all of Imtech's divisions are represented, was established among other things to support synergies within Imtech, particularly on Imtech's EUR 20 million plus projects.

- *Projects*

Traditionally, a significant part of Imtech's order book consists of a large number of small and often recurring projects (sometimes simply referred to as "jobs"). The vast majority of these projects rely on proven designs and technology and are inherently low-risk. The risks, including financial risks, involved in operating a large portfolio of small, recurring and low risk projects are relatively limited. Typically, these risks can most effectively be managed at operating entity level. Organisational performance, including financial performance, can be adequately monitored at group, divisional and operating cluster level by observing key performance and risk indicators such as the overall development of working capital, comparisons of actual performance to budgets, as well as the number of claims outstanding. Generally, the cost / benefit ratio of implementing additional internal controls at group level aimed at centrally and directly monitoring risks on a project by project basis, is low to negative.

In addition to this large portfolio of smaller projects, over the years Imtech has attracted an increasing number of larger and more complex projects. More often, the contracts underlying these projects are performance contracts or "design & construct" contracts or Engineering, Procurement and Construction (EPC) contracts where Imtech acts as a technology partner. There is also a trend towards participation in consortia, construction partnerships or other forms of joint venture. As a result, Imtech increasingly accepted roles and responsibilities from its customers. As such, these types of projects and contracts carry an increasing degree of risk for Imtech, thus escalating its overall risk profile. By year end 2012,

Imtech's order book included about 27.000 projects, of which 99% had a contract value below EUR 5 million and only 10 projects had a contract value above EUR 50 million, with the largest project (including scope changes and additional work) having a contract value of about EUR 309 million (excluding the AWW Project). The combined contract value of these projects amounted to EUR 6.4 billion (excluding the AWW Project). The average contract value amounted to about EUR 260,000 or EUR 225,000 if projects with a contract value above EUR 50 million are excluded.

### 5.2.3 *Communicating increases in risk profile*

Through the years Royal Imtech has very actively externally communicated its belief in the merits of a decentralised management model, its strong growth ambitions, the importance of acquisitions in achieving those ambitions as well as the key elements of its management performance measurement and reward systems. Royal Imtech has also been clear to the outside world about the increase of its risk profile as a result of the increasing number of large and complex projects that are more often in the form of performance contracts. By way of an example, Royal Imtech's 2011 annual report stated:

"Acquisitions, like continuous organic growth, are an important component of Imtech's strategy. Imtech has sufficient financial means to finance these acquisitions, including a 'war chest' of around 500 million euro. In addition, the technical services market is very fragmented with many medium-sized and smaller technical companies that are good performers. This makes an active acquisition policy possible. Over the past decade Imtech has 'metamorphosed' into an acquisition specialist: In total nearly 75 larger, medium-sized or smaller companies have been acquired and successfully integrated into the organisation."

"Compared with traditional specification-based projects, these market trends (whereby Imtech takes over responsibility from its customers) are leading to increasing legal complexity when accepting and executing projects and a higher risk profile".

"Imtech SWOT analysis - threats:

- Forward integration by suppliers
- Increasing (international) competition
- Rising risk profile due to project size and complexity
- Increasing legal complexity of co-operation agreements
- Dependence on co-makers
- A shortfall of qualified technical staff at every level of expertise

- Insufficient internal co-operation, which sometimes means market opportunities are not grasped optimally"

Imtech "SWOT analysis – weaknesses:

- Optimum domain knowledge in (sub) markets and of specific situations related to some customers
- Development of knowledge potential in relation to the speed of technological developments
- Internal co-operation as a result of the decentralized business model
- Co-operation in the chain"

"Due to the organisation's decentralized formation (partly through acquisitions) and structure, a number of different systems for supporting the business processes are being used. The objective is to arrive at a more limited selection of these systems and thus to reduce possible risks."

### 5.3 Addressing increase in risk profile

As set out in paragraph 5.2.2, the increase in Imtech's risk profile over time has been caused predominantly by two factors: Royal Imtech's acquisitive growth strategy and the changing composition and nature of Imtech's project portfolio. To mitigate the risk increase resulting from Royal Imtech's acquisitive growth strategy, Royal Imtech has abandoned that strategy for the coming years (as set out in paragraph 4.2.1). To mitigate the risk increase resulting from the development of Imtech's project portfolio, various remedial actions have been taken (as also set out in paragraph 4.2.1). In relation to the way in which Imtech has addressed the latter risk increase in the past, the findings from the Corrective Actions can be summarised as follows.

#### 5.3.1 *Adjustments in governance model 2010-2012*

By 2010, particularly among Royal Imtech's head office staff, there was an increasing awareness of the risk that, as a result of its acquisition strategy and the development of its project portfolio, the situation might "grow out of control". To address the situation, by the end of 2010, Royal Imtech started implementing a "new governance model for strategic control and management" with the objective of retaining decentralised entrepreneurship while raising risk management and compliance to a higher level. The blueprint for this new governance model, which was created with the support of a Dutch management consultancy firm, contained the following key elements:

- An Executive Council was set up to become Imtech's key decision-making platform. The Executive Council was composed of Royal Imtech's CEO and CFO, the managers of Imtech's eight divisions (Benelux, Germany &



Eastern Europe, UK & Ireland, Spain & Turkey, Nordic, ICT, Traffic and Marine) and certain key staff members. However, final decision-making authority remained with the Board of Management. This was considered necessary to avoid deadlock situations within the Executive Council and to maintain clear accountability for certain decisions.

- Functional Councils were set up to support the Executive Council in developing functional strategies for Human Resources, Health, Safety and Environment (HSE), Control, Information Management, Information Technology, Corporate Social Responsibility (CSR), Risk & Insurance and Procurement.
- Royal Imtech's central staff functions in Gouda were repositioned to have stronger mandates in line with the "strategic control model" with a focus on the dual questions of whether Imtech's strategy was being implemented as planned and the results produced by the strategy were those intended.
- Royal Imtech's central risk management would focus on setting project risk management policies and monitoring compliance with those policies. Imtech's operating companies would do their own commercial project risk assessments. Royal Imtech's head office would be involved only in very large projects.
- Commercial Task Forces were created to drive business development across divisions and operating companies.

It was decided that implementation of the modified governance model was to be achieved through a gradual development process, rather than through what was believed would be a disruptive, swift change process.

In early 2013, Royal Imtech evaluated the development of the Functional Councils together with the management consultancy firm that assisted in setting up the new governance model described above. A key conclusion was that, although the Functional Council model had laid a good foundation to strengthen controls and capture synergies, its full potential had not been realised.

Royal Imtech also considered setting up an internal audit function. However, on the basis of an evaluation by the Audit Committee in 2011, the Supervisory Board concluded that for the time being there was no need to do so on the basis that adequate controls and management systems were in place. Also it was considered that setting up a group-wide internal audit function would have required considerable international resources with appropriate skills and seniority. Finally, the scope of Royal Imtech's external auditors' audit was considered sufficiently broad. The broad scope of the audit was confirmed in 2010, when potential cost reductions in relation to the audit were discussed but rejected for risk management reasons.

### 5.3.2 *Project risk management*

Since the creation of the Functional Councils late 2010, Royal Imtech's Corporate Risk Management department had focused on setting project risk management policies and monitoring compliance. On a project level, the department was involved in very large and complex projects only. The customary periodic operational project audits performed by the department virtually ended, also because divisional risk managers regularly posed a barrier to entry. Project risk management at the level of Imtech's divisions and operating entities was coordinated by the Risk Management Council. To support its project risk management, Imtech used (and continues to use) its own project risk analysis method, an in-house software tool to assess the overall risk profile of a project during the bid phase "Riskmaster". According to the agendas for three of the aggregate of four 2011 and 2012 monitoring visits by the CFO and Group Control, risk management was to be discussed at the relevant meetings. The In-Control Statement from the In-Control Statement Survey (as described under "Compliance" below) was on the agenda for all four visits.

In January 2012, at a meeting of the Executive Council, the chair of the Risk Management Council reported that the latter council's task was to start from scratch. A lot of information was available at Imtech's headquarters in Gouda, but not within Imtech's divisions. Several of the former divisional risk managers were considered to have insufficient background or expertise in project risk management. Actions to be taken included:

- the appointment of divisional risk managers who meet the requirements of the job description. It was noted that ICT was not able to provide a risk manager with the required ten years of experience;
- the implementation of high quality risk management in all divisions (although the Executive Council advised to keep this simple and start gradually);
- exchanging best practices between divisions; and
- the start of a pilot for the development of a system for cross-divisional project auditing.

At the same meeting, it was agreed that each division would formulate its own risk appetite as a guideline for its project bid philosophy that would then be locally developed and maintained.

In February 2012, at a meeting of the Supervisory Board, possible improvements of Imtech's risk management and internal control systems were discussed given "significant deficiencies" noted by KPMG at Imtech Netherlands and Imtech's Marine and Nordic divisions.

In May 2012, at a meeting of the Audit Committee, several developments relating to risk management were discussed, including the following:

- The Audit Committee voiced concerns about the rapid growth of Imtech's order book and revenue, particularly in Germany. The rapid growth required a lot from Imtech's staff and systems.
- The chair of the Risk Management Council gave a presentation on Imtech's risk management and stated that in line with expectations voiced mid-nineties – Imtech's risk exposure had intensified because Imtech gained bigger and more complex projects. The fact that Imtech centrally had three FTE staff concerned with risk management made it a front-runner in this domain. Going forward, the risk management organisation would be decentralised and audits would be performed also during project execution.
- The CFO presented Imtech's risk profile, subdivided for each of Imtech's divisions. Among others heightened risks were signalled for Germany related to big projects.
- It was observed that Imtech lacked an explicit aggregated portfolio view of its project risks.
- It was noted that the division Nordic lacked clear control guidance around delivering projects. The CFO stated that a new project management system was in the process of being implemented.

In June 2012, at a meeting of the Risk Management Council, several matters were discussed, including the following:

- The chair remarked that the quality of the "Approval to Proceed" advice given by divisional risk managers should improve. An "Approval to Proceed" was required when an Imtech operating entity intends to tender for a project that exceeds a certain value or level of complexity.
- It was observed that the new version of Imtech's risk management software tool Riskmaster was not used very much.
- It was noted that project risk management requirements were documented in different guidelines and that a single guideline would be helpful. It was agreed that each divisional risk manager would prepare a risk management manual for his division. The overall structure of these manuals should be the same but each division could adapt it to its own needs. The Risk Management Council was to approve the manuals.

During the second half of 2012 and the beginning of 2013 risk management manuals were developed for all divisions with the exception of the Netherlands and Turkey. Although some were available in draft form only, they included important aspects of project risk management (including scope and objectives, risk appetite, risk assessment, roles and responsibilities, authorisations, procedures, tools and monitoring).

In December 2012, at a meeting of the Executive Council the chair of the Risk Management Council announced that the roadmap for 2013 and onwards was to include the development of "quality gates" and "Approvals to Proceed" procedures for all large projects, the introduction of an "early warning system", the start of cross-border project reviews aimed at sharing lessons learned, and the documentation of Imtech's risk appetite.

In Imtech's 2012 In-Control Statement Survey (as explained under "Controls and compliance" below), 48% of the participating operating entities agreed with the statement: "All complex projects are subject to a bid review procedure and are reported in Riskmaster". Of the participating operating entities, 33% agreed with the statement: "Deficiencies in the risk management and internal control systems are documented and communicated with the management of Imtech N.V.". Also, in the 2012 In-Control Statement Report, it was noted that Riskmaster was known but often seen as an obligation just to get a "go-ahead" and not as an evaluation tool to assess risks and achieve better control. The use of Riskmaster was rather incident driven and not part of a well-established management process.

### 5.3.3 *Controls and compliance*

Imtech's operations were conducted under its "Business Principles" published on its intranet. Infringements of these principles could be reported under Imtech's "Rules for whistleblowers on irregularities" (which were relied upon for the purpose of the Whistle-Blowers Letter as described in paragraph 6.2.3). Imtech also has established a Commission for Handling Complaints.

However, in Imtech's 2012 In-Control Statement Survey (as described below), only 43% of the participating operating entities agreed with the statement: "All relevant internal regulations of Royal Imtech N.V. are communicated and applied within your organisation". Of the participating operating entities, only 40% agreed with the statement: "Compliance with legislation and internal regulations is part of the annual performance appraisal of all employees". In addition, Imtech's remuneration policy was stated to be "long-term performance driven". Generally, the short-term annual cash bonus was based on (a) the achievement of annual EBITA growth (50%), (b) the achievement of turnover growth (30%) and (c) the achievement of annually agreed personal targets or aimed at special areas of attention (20%). The long-term bonus in shares after three years was based on (a) the achievement of strategic goals after three years (50%) and (b) being one of the better performing businesses in terms of value creation (50%). However these strategic objectives themselves were also largely set in financial metrics.

Imtech conducts an annual In-Control Statement Survey among its operating entities. In this survey, Imtech's operating entities self-assess the effectiveness of their risk management and control processes. To verify the quality of the self-assessments these are reviewed by an independent adviser, whose conclusions are set out in his In-Control Statement Report. The In-Control Statement Reports for 2011 and 2012 state that the In-Control Statement Surveys had been partly filled in too positively and partly too negatively by the participating operating entities. These reports also state that there was a risk that operating entities that were familiar with the In-Control Statement Survey were copying and pasting their responses from prior years rather than objectively answering the questions based on current information. In addition, the reports state that, as was already noted in 2009 and 2010, several operating entities felt that the In-Control Statement Survey is too extensive and sometimes less applicable to their situation. The In-Control Statement Report for 2012 states that the average level of control of the 24 operating entities visited in 2012 seems lower than that of the 24 operating entities visited in 2011 and that "a learning curve could not be noticed". Also, the report stated that evidence of the existence or execution of documented control measures was rather weak in many operating entities.

In February 2012, at a meeting of the Audit Committee, the In-Control Statement Survey for 2011 and the Review Report 2011 on the In-Control Statements were discussed by an independent external adviser. In the Review Report 2011 it was concluded that the most important operational risks were sufficiently controlled by the operating companies. At the same meeting KPMG reported on its findings with respect to internal control as part of its audit. KPMG noted "significant deficiencies" in internal control relating to Imtech Netherlands and Imtech's Marine and Nordic divisions (as set out in paragraph 5.3.2).

#### 5.3.4 *Working capital*

Working capital was one of the variables on which the short term variable income of the Former CFO for 2010, 2011 and 2012 was based. Also, the short term variable income of the Former CEO for 2011 was partly based on a working capital target.

In February 2012, at a meeting of the Audit Committee several developments were discussed, including the following:

- Current claims against Imtech related to Imtech Germany for 80-90%. Furthermore, it was noted that Imtech Germany accounted for 30% of Imtech's revenue, 40% of its EBITA and 70% of its working capital.
- It was noted that the central provisions were at the lower side of the range given the size of Imtech and its project risks.

- The Audit Committee expressed concerns about Imtech's tight financing.
- The CFO stated that the quality of the internal reporting had improved over the last years.
- The report of KPMG over 2011 was discussed, including financial statement items with an elevated risk. These items included the receivables overdue for more than one year in Germany. Among other things, KPMG reported that the monitoring of those overdue receivables should be improved.
- The view of KPMG on the level of prudence of estimates in the annual financial statements, as included in its report, was discussed. KPMG's view was that overall the "degree of prudence" had decreased with respect to 2010. More specifically, the valuation of receivables (including receivables overdue for more than one year) and the provisions for warranty and claims were rated to be on the more optimistic side within the acceptable range in this respect.

In March 2012, at a meeting of the Executive Council, the Former CFO reported that Imtech's working capital position had reached "a new actual record". About 47% of trade receivables were overdue, 22% of them more than two months. During its regional visits, the Former Board of Management had paid attention to a "Plan B" aimed at making the divisions aware that they had to be prepared to reduce costs.

In May 2012, at a meeting of the Executive Council, the CFO presented Imtech's working capital position. Despite all efforts dedicated to it, the position had not improved materially. The CFO suggested looking for other options including charging financing costs to projects and linking performance remuneration to cash flow rather than to revenue growth and EBITA.

In July 2012, at a meeting of the Executive Council, the CFO concluded that in relation to its working capital challenge Imtech had been "saved by the bell". However, there still was considerable room for improvement. The CFO stated that the situation differed per country as well as per type of work. Accountability for working capital in some cases would be with the project manager, but in other cases with the controller. According to the CFO, the differences had to do with culture, focus and procedures.

Also in July 2012, at a meeting of the Audit Committee, several developments were discussed, including the following:

- It was noted that the 20% yearly growth of Imtech Germany was not sustainable. (As set out under "Project risk management" in paragraph 5.3.2), the Audit Committee had already voiced concerns about the rapid growth of Imtech's order book and revenue, particularly in Germany, at its meeting in May 2012.)

- The Audit Committee expressed concern about the persistent challenge to control Imtech's working capital. Imtech's cash-generating capabilities were discussed extensively. They were considered too low to finance Imtech's growth ambitions, with the effect that these were effectively financed externally.
- It was noted that the EUR 150 million prepayment related to the AWW Project had a positive influence on the working capital.
- KPMG mentioned that the overdue receivables in Germany had increased.
- KPMG also observed that the little "flesh on the bones" that Imtech had, had been used and also that many non-recurring gains had been recognised.

In July 2012, at a meeting of the Supervisory Board, the Supervisory Board suggested that the Former Board of Management include working capital parameters in the earn-out calculations for acquisitions.

In October 2012, at a meeting of the Executive Council, the CFO presented Imtech's working capital position. The main concerns were trade receivables overdue for more than 181 days or for more than one year.

In October 2012, at a meeting of the Supervisory Board, it was noted that a trend had been set where Imtech operating entities effectively acted as financiers of their customers, and a discussion was held about the most appropriate response, for instance by taking a general provision or by charging financing costs to the relevant customers. The CFO stated that this was being looked into. The Supervisory Board also discussed the possibility of other "negative surprises", like questionable debtors and insolvencies, but these were considered unlikely.

In December 2012, at a meeting of the Executive Council, the CFO stated that Imtech was "living on its reputation" and that "everybody is waiting for the figures for 2012". The CEO, supported by the CFO, reiterated that it was very important that Imtech reached its forecasted numbers, including its EBITA, by 2014.

In December 2012, at a meeting of the Supervisory Board, the Former Board of Management gave comfort that payments regarding the Polish stadiums (as referred to in paragraph 6.1.2) would be forthcoming and that Imtech's legal position in this regard was strong.

#### 5.4 **Conclusions**

On the basis of these and other findings from the Corrective Actions, we conclude the following in relation to Imtech's project risk management:

- Risk management and internal control was on the agenda within Imtech. The Former Board of Management and the Supervisory Board were aware of Imtech's increasing risk profile. A basic framework for risk management was in place and in the process of being developed further.
- There are indications that the Former Board of Management, as well as lower management levels within Imtech considered risk management as a matter primarily driven by external compliance requirements and not as a source of competitive advantage. Management reactions to findings and recommendations regarding risk management and internal control were limited and belated in some cases at least. The culture within Imtech, driven by the "tone from the top" from the Former Board of Management, predominantly was one of sharing positive information about business activities and projects. There is evidence that the Former Board of Management was not receptive to downwards adjustments of budgets, and would emphasise that forecasted results should be achieved. Also, there is evidence that under pressure from the former controller of Royal Imtech with the involvement of the Former Board of Management, the management of Imtech Netherlands upwardly adjusted Imtech Netherlands' forecasts for 2012, and its interim results for that year, to a level which that management considered overly optimistic.
- Existing risk management and internal control systems were used only partially. Compliance with existing policies and procedures fell short of what could and should have been expected. Decision making by the Board of Management, appears not to have been governed by strict procedures. By way of an example, meetings of the Board of Management customarily were not minuted. Management overrides of existing internal controls, including by the Former Board of Management and in particular the CEO, were not uncommon. Non-compliance was not the focus of attention and was not addressed timely and appropriately in all cases. Management performance measurement and reward systems were directed towards Imtech's financial growth rather than towards its further professional development.

In relation to working capital development, we conclude the following:

- The negative development of Imtech's working capital, in particular in Germany, did not escape the attention of the Former Board of Management and the Supervisory Board, but was discussed during almost every Supervisory Board and Audit Committee meeting since 2011.
- Measures were taken to redress the increases in working capital, including hiring support from specialised consultants. These did not produce the required result, to a large extent because they focused on reducing working capital as perceived by the Former Board of Management and the Supervisory Board rather than on challenging and validating the assumptions underlying that perception. In hindsight, working capital was



significantly deflated due to manipulation of financial information, in particular at Imtech Germany (as described in paragraph 6.2.4).

- Concerns raised by the Supervisory Board about the development of working capital, and other issues and potential issues noted by the Supervisory Board were often rebutted by a reply from the Former Board of Management that matters were under control or being addressed.

## 6 Irregularities

### 6.1 Poland

In the course of the Corrective Actions, several irregularities were uncovered at Imtech Poland, including in relation to:

- the AWW Project. Matters relevant in this regard are set out in paragraph 6.1.1 and 6.1.2;
- projects conducted by Imtech Poland generally (including the AWW Project). Matters relevant in this regard are set out in paragraph 6.1.2; and
- dealings with two Estonian companies. These dealings are set out in paragraph 6.1.3.

Some irregularities were referred to in the Whistle-Blowers Letter which was delivered to Royal Imtech on 4 February 2013. The findings in relation to that letter are described in paragraph 6.2.3. In addition, Imtech Poland has made suspected irregular payments involving the X Group. These payments are described in paragraph 6.2.3. Also, operational irregularities occurred at Imtech Poland. Those irregularities are set out in more detail in paragraph 4.3.

#### 6.1.1 AWW Project

##### *Project contracts*

The events described in this Report were triggered by the discovery of derailments and subsequently irregularities in the AWW Project conducted by Imtech Poland.

For Imtech, the AWW Project originated from contacts between Imtech in the Netherlands and the AWW Director (as set out in paragraph 6.3). Imtech referred the project to Imtech Germany, to be carried out by Imtech Poland, where the AWW Project was to be developed.

The AWW Project effectively consisted of four projects of Imtech Poland, two for Adventure World Warsaw and two for biological waste treatment plants. According to its website ([www.adventureworldwarsaw.com](http://www.adventureworldwarsaw.com)), Adventure World Warsaw:

*"will provide a unique guest experience combining a World-Class Destination Resort with over 50 guest experiences including surprising Outdoor Theme Park attractions and Winter Zone area covering 70% of*

*the complex, Poland's largest one-of-a-kind indoor Water Park – the Aqua Dome, as well as an exciting urban center – the Entertainment Village, incorporating large-scale, well known branded shopping and dining, and top tier entertainment offerings. Also included on the property will be two spectacular Themed Hotels hosting over 630 well-appointed rooms with over 2070 beds, elaborate culinary delights and full conference and meeting facilities."*

The four projects were awarded to Imtech Poland by virtue of four separate contracts concluded in the course of 2011 and 2012 as follows:

- On 20 July 2011, a Contract for Mechanical and Electrical Works was concluded with AWW commissioning the complete mechanical and electrical works for Adventure World Warsaw. The project value of this contract was EUR 155 million.
- On 26 November 2011, a Turnkey Construction Works Contract for the Mechanical Biological Waste Treatment Plant in Zielonka was concluded with an affiliate entity of AWW for the turnkey delivery of a mechanical biological waste treatment plant in Zielonka. This contract was terminated on 13 March 2012 and replaced by a new contract on 30 April 2012 with another affiliate entity of AWW. The project value of this contract was EUR 102 million.
- On 13 March 2012, a Turnkey Construction Works Contract for the Mechanical Biological Waste Treatment Plant in Grodzisk Mazowiecki was concluded with an affiliate entity of AWW, for the turnkey delivery of a mechanical biological waste treatment plant in Grodzisk Mazowiecki. The project value of this contract was EUR 77 million.
- On 28 March 2012, a Construction Works Contract was concluded with AWW commissioning the construction of works for Adventure World Warsaw. This contract did not include the mechanical and electrical works commissioned under the Contract for Mechanical and Electrical Works referred to above. The project value of this contract was EUR 480 million.

The aggregated contract value of these four contracts and thus the overall value of the AWW Project was EUR 814 million. (This amount is higher than the amount of EUR 757 million mentioned in Royal Imtech's press release of 4 February 2013. The difference can be explained by increases of the contract values agreed after the contracts were first concluded. These amounts were not included in the press release of 4 February 2013.) The AWW Project was the largest project ever contracted by Imtech. Pursuant to the Construction Works Contract, Imtech Poland was to act as general contractor for the AWW Project by providing the complete project management for the entire Adventure World Warsaw, thereby stepping up from Imtech's usual role as contractor for the technical services it specialises in.

At the level of Royal Imtech, the AWW Project was subject to limited scrutiny under risk and control procedures:

- On 5 April 2011, Imtech Germany reported the part of the AWW Project constituted by the Contract for Mechanical and Electrical Works in Imtech's risk analysis tool "Riskmaster" (as described in paragraph 5.3.2). No other parts of the AWW Project (including the work under the Construction Works Contract) were reported in Riskmaster.
- On 6 April 2011, Royal Imtech's Group Risk Manager requested Imtech Germany to supply contract and risk documentation because authorisation of the Former Board of Management for the project was needed.
- On the same day, Imtech Germany sent an email with Polish language documentation. A translation was never received by Royal Imtech's Group Risk Manager.
- In November 2011, the part of the AWW Project constituted by the Turnkey Construction Works Contract for the Mechanical Biological Waste Treatment Plant in Zielonka was approved by the Former Board of Management during a budget meeting with Imtech Germany.
- On 2 April 2012, Royal Imtech's Group Risk Manager received from the Group Director Legal, Risk & Insurance, the Construction Works Contract that had been signed on 28 March 2012. Royal Imtech's Group Risk Manager reviewed the contract and advised the Group Director Legal, Risk & Insurance that tight project management would be required.
- On 5 April 2012, Royal Imtech's Group Risk Manager received from the Former German CEO a presentation to the Board of Management with regard to the AWW Project.
- On 10 April 2012, Royal Imtech's Group Risk Manager received from Imtech Germany basic project information regarding the AWW Project.
- On 10 April 2012 the Former CEO sent a signed approval for the Construction Works Contract to the Former German CEO.

Royal Imtech first announced its participation in the first phase of the AWW Project in a press release of 25 July 2011. A year later, on 20 July 2012, Royal Imtech announced its participation in the full project. The Former Board of Management informed the Audit Committee about the AWW Project at its meeting on 30 July 2012. The Former Board of Management confirmed to the Audit Committee that Imtech would be paid for its services in advance. On 24 October 2012 the Supervisory Board was informed that Imtech's exposure in case of failure of the AWW Project would be limited and could be estimated at EUR 10 million.

#### *Discovery of derailments and irregularities*

The discovery of the derailment of the AWW Project can be attributed to the combined impact of the following two factors:

- Its role as principal contractor required Imtech Poland to make considerable upfront investments in relation to various planning, engineering and design activities. Certain of these activities were subcontracted to third parties, which resulted in substantial costs for which Imtech Poland was primarily liable (although under the contracts for the AWW Project, AWW was to reimburse Imtech Poland for those costs).
- To cover the costs to be incurred by Imtech Poland in relation to the AWW Project, the contracts constituting the AWW Project required AWW and its relevant affiliates to make considerable advance payments to Imtech Poland. However, in order to make sufficient advance payments, AWW first needed to obtain sufficient financing, which it never did.

The advance payments to be made by AWW included an advance payment of EUR 147.6 million (being EUR 120 million plus 23% VAT at EUR 27.6 million). By the time this advance payment was to be made, AWW had not been able to secure sufficient financing and accordingly was unable to make the payment in freely available cash. In June 2012, the management of Imtech Poland and Imtech Germany and AWW agreed that the payment would be made by way of a promissory note (as described under "Promissory notes" below). When payment under the promissory note did not materialise, in December 2012, it was agreed that the advance payment would be made on a pledged account (as described under "Further pledged accounts" below). In December 2012, in the course of its audit of Royal Imtech's 2012 annual financial information, KPMG raised concerns about the classification of the promissory note (as described under "Accounting treatment of promissory notes") and subsequently in January 2013 on a pledged account (as described under "Accounting treatment of first pledged account" below) as "cash and cash equivalents" in Royal Imtech's 2012 semi-annual financial statements.

Subsequently, at a meeting of the Audit Committee on 25 January 2013 KPMG advised that the amount of EUR 147.6 million on the pledged account did not qualify as "cash and cash equivalents" either. KPMG also raised the question whether the work in progress recorded in relation to the AWW Project should be written off in whole or in part. As Royal Imtech did not have a detailed overview of the costs booked on the AWW Project (which costs were booked at Imtech Poland), it took measures to collect the information necessary to make an accurate estimate of the costs involved. On 28 January 2013, it became clear that the estimated costs to that date amounted to about EUR 70 million. This amount considerably exceeded expectations. KPMG had estimated Imtech Poland's exposure to be about EUR 30 million, including the EUR 7 million cheque referred to below. However, this estimate was based on the assumption that advance payments of EUR 21 million and EUR 37.3 million had been

received, which assumption proved incorrect because those advance payments too had been received on pledged accounts (as described under "Pledged accounts" below) of which KPMG was unaware at the time when the estimate was made.

The unexpectedly high amount of EUR 70 million caused Royal Imtech's current CEO Gerard van de Aast to break off his introductory tour of Imtech's subsidiaries across Europe and stay at Royal Imtech's head office in Gouda. In addition to the amount, the overview of costs produced was a cause for concern in three respects:

- A considerable number of project cost items seemed inconsistent with the phase the AWW Project was in.
- Three subcontractors had invoiced an aggregate amount of about EUR 12 million to Imtech Poland although the nature and scope of the services provided by them were unclear.
- Project costs included charges from Imtech entities other than Imtech Poland for which there was no obvious explanation.

In addition to the overview, it was confirmed that Imtech Poland had provided a loan of EUR 7 million to AWW, which was not included in the amount of EUR 70 million. KPMG had mentioned the cheque related to this loan and referred to under "Cheque" below at the meeting of the Audit Committee on 25 January 2013.

Following the assessment that costs booked on the AWW Project were considerably higher than expected, in the period between 28 January 2013 and 12 March 2013, the date on which the AWW Settlement was concluded, the following events unfolded.

On 29 January 2013, the Board of Management summoned the Former German CEO, the Former German CFO and the Former German Chief Controller to Royal Imtech's head office in Gouda to clarify and explain the cost overview. Imtech Germany bore (and continues to bear) managerial responsibility for Imtech Poland.

On 30 January 2013, Gerard van de Aast, the Former CEO and the Former CFO met with the AWW Director and the AWW Investor at Royal Imtech's head office. During the meeting, it became clear that:

- AWW had not been able to secure financing for the AWW Project because it had not been able to obtain a building permit. AWW expected to obtain a building permit by the end of February 2013;
- the three subcontractors that had invoiced an aggregate amount of about EUR 12 million to Imtech Poland were owned by the AWW Director. The AWW Director admitted that no substantive services had been provided to

Imtech Poland by these three subcontractors. According to the AWW Director, the amount invoiced in fact constituted a "loan" for the purpose of financing the start-up phase of the AWW Project. There are no indications from the Corrective Actions that the Former Board of Management had been involved in engaging the three subcontractors or the approval or payment of the invoices; and

- the loan of EUR 7 million made by Imtech Poland to AWW had been used for the purpose of acquiring land on which Adventure World Warsaw would be built. There are no indications from the Corrective Actions that the Former Board of Management had been involved in the making of the loan.

During the meeting, the AWW Director undertook to repay the alleged "loan" of about EUR 12 million allegedly made to the three subcontractors referred to above, as well as the loan of EUR 7 million provided to AWW. The AWW Director furthermore undertook to make a first repayment to Imtech Poland of EUR 6 million on 1 February 2013 and also to provide Royal Imtech with a schedule for repayment of the remainder of the "loans" on that date.

After the meeting, on 30 January 2013, AWW entered into an additional loan agreement with Imtech Poland for a loan of EUR 6 million to cover bank fees and other related fees in connection with the construction of Adventure World Warsaw. On the same day, Imtech Poland and a Polish law firm entered into a "Legal Service Agreement". Under the agreement, Imtech Poland would pay an amount of EUR 12 million into an account of the Polish law firm. Under a separate instruction given by Imtech Poland on 30 January 2013 on the basis of the agreement, the Polish law firm released EUR 6 million out of the EUR 12 million to AWW, thereby making the loan available to AWW. The loan agreement was entered into, and the instruction to the Polish law firm was given, on behalf of Imtech Poland by the Former Polish CEO and the Former Polish Second Board Member. There are no indications from the Corrective Actions that the Former Board of Management was involved in the making of the loan or the agreement with the Polish law firm. The EUR 6 million remaining in the account of the law firm after the release of EUR 6 million to AWW was repaid to Imtech Poland on 30 January 2013.

By email of 31 January 2013 to Royal Imtech, the AWW Director emphasised his continuous and on-going attempts to raise financing for the AWW Project and at the same time expressed that AWW was ready to discuss termination of the co-operation on the AWW Project at the request of Royal Imtech. By email of 1 February 2013 to Royal Imtech, the AWW Director stated that he had decided not to make the repayment of EUR 6 million agreed at the meeting on 30 January 2013 because he wanted to know first whether Royal Imtech would be prepared to continue with the AWW Project or on what terms the AWW Project would be terminated.

### *Bank guarantees*

On 14 January 2013, on the instruction (and for the account) of Imtech Germany, two German banks issued two bank guarantees to AWW for an aggregate amount of EUR 120 million. The Corrective Actions have not revealed when the Former Board of Management became aware of the existence of the bank guarantees. KPMG informed Royal Imtech's current CEO of the existence of the bank guarantees on 2 February 2013, in view of the developments relating to Imtech Poland. The current CEO subsequently informed the Supervisory Board.

The bank guarantees had been issued under two credit facilities entered into between Imtech Germany and the respective banks in June 2012 (as described under "Promissory notes" below). Their purpose was to secure advance payments to be made by AWW in relation to the AWW Project (as described under "Advance payments" below). The obligations of Imtech Germany under the credit facilities were secured by guarantees from Royal Imtech. Although the bank guarantees had been provided as security for the return of any unused portions of advance payments that AWW was required to make to Imtech Poland under the Construction Works Contract and did contain a reference to such advance payments, legally they were considered to be payable on demand.

As AWW had failed to make any advance payments to Imtech Poland as required under the Construction Works Contract, on 4 February 2013, Imtech Germany formally demanded from AWW the immediate return of the bank guarantees. Also on 4 February 2013, the AWW Director on behalf of AWW informed Imtech Germany that he saw no reason for AWW to return the bank guarantees as long as the Construction Works Contract was in effect or, if it were ultimately terminated, as long as Imtech Poland had not satisfied all its obligations arising from such termination. Also on 4 February 2013, Imtech Germany requested both issuing banks of the bank guarantees to refuse payment under the guarantees if a request for payment were to be made as AWW had not made any of the advance payments that the bank guarantees were intended to secure. In the weeks following 4 February 2013, De Brauw and German and Polish legal advisers investigated options to avoid the bank guarantees being drawn. De Brauw and the German legal advisers on behalf of Imtech also conducted discussions with the issuing banks about their legal position in respect of the bank guarantees. In the course of these discussions, the banks indicated that they saw little or no room to refuse honouring the bank guarantees if a request for payment was made in accordance with their terms. Taking into account the financial impact which payment under the bank guarantees, potentially up to an amount of EUR 120 million, would have for



Imtech, the banks' position resulted in a need to avoid a drawdown under the bank guarantees by AWW as an absolute priority.

Royal Imtech's cautious approach in this regard was not unfounded. In April and September 2012, Imtech Germany had already procured the issue by a Dutch bank of two bank guarantees in favour of an affiliate of AWW with an aggregate amount of EUR 17.3 million. Both bank guarantees were expressed to be payable on demand and transferable. The resulting risks materialised when in December 2012 a third party beneficiary to which the bank guarantees had been transferred claimed payment of their full amount. Although Imtech Germany believed the claim to be irregular, it did not succeed in obtaining a judgment which relieved the Dutch bank from its payment obligation under the bank guarantees. It did obtain a judgment preventing the Dutch bank from charging amounts paid under the guarantees to Imtech Germany, but the Former Board of Management, when made aware of the issue, ultimately decided to reimburse the Dutch bank anyway in order to maintain a good relationship with an important financier. The Former CFO did not inform the Supervisory Board or KPMG of the reimbursement or the judgment relating to it, including not at the meeting of the Audit Committee held on 18 December 2012. According to the Former CFO, he did not withhold this information intentionally.

#### *Settlement negotiations*

Between 6 February and 28 February 2013, the AWW Director alleged that Imtech Poland had committed breaches of the four contracts constituting the AWW Project, contradicted the statements relating to AWW in Royal Imtech's press release of 4 February 2013, and alleged that the press release had affected adversely the AWW Director's attempts to obtain financing for the AWW Project, thereby causing AWW to suffer damages. Royal Imtech denied the allegations and emphasized that the AWW Director should not only return the alleged "loan" of about EUR 12 million and the loan of EUR 7 million, but also the EUR 6 million loan made on 30 January 2013. Simultaneously, Royal Imtech obtained advice on the possibilities to terminate the AWW Project and to require the return of the bank guarantees.

On 28 February 2013, Royal Imtech met with the AWW Director on behalf of AWW to discuss a possible termination of the four contracts constituting the AWW Project. These discussions were continued and evolved into negotiations leading to the conclusion of the AWW Settlement on 12 March 2013, in which also the AWW Investor was involved. During the discussions and negotiations, the AWW Investor alleged having a claim against Imtech Poland of EUR 10.5 million. The AWW Investor also claimed considerable amounts from AWW.

### *AWW Settlement*

On 12 March 2013 Imtech, AWW, the AWW Investor and the AWW Director and relevant entities and individuals affiliated with him or AWW entered into the AWW Settlement. The AWW Settlement provided for the following settlement:

- AWW returned the two bank guarantees with an aggregate amount of EUR 120 million.
- All four contracts constituting the AWW Project were terminated.
- AWW, the AWW Investor and the AWW Director and his or AWW's relevant affiliated entities and individuals waived all claims they had or might have against Imtech.
- Imtech waived all claims which it had or might have against AWW, the AWW Investor and the AWW Director and his or AWW's relevant affiliated entities and individuals, except for a claim against AWW for repayment of an amount of EUR 22 million (recovery of which amount is subject to a sharing arrangement with the AWW Investor). This amount fell short of the aggregate amount of the alleged "loan" of about EUR 12 million and the two loans of EUR 7 million and EUR 6 million made to AWW, but ultimately was the outcome of the settlement negotiations between Imtech and the AWW Director.
- AWW and its affiliated entities (but not the AWW Director and certain individuals affiliated with him) accepted joint and several liability for the EUR 22 million claim against AWW referred to above.

Imtech Poland has had to write-off an amount of EUR 50 million, excluding write-offs in relation to entities affiliated with the AWW Director, on the AWW Project. Although an argument can be made that AWW and possibly the AWW Director or entities or individuals affiliated with him or AWW might be held liable for part of this amount, investigations showed that the financial position of AWW and other potentially liable parties is such that any substantial claim is unlikely to be recoverable in practice. More importantly, by their terms the bank guarantees issued in respect of the Construction Works Contract were payable on demand. Therefore, it could not be excluded that if a drawing was made under the bank guarantees (which according to legal advice Imtech Germany would likely not be able to prevent), the issuing banks of the guarantees would be legally required to pay even in circumstances where the drawing could be considered fraudulent. In that case, the banks would turn to Royal Imtech for reimbursement of the amount paid by them. If the bank guarantees were drawn in full, the amount involved would be EUR 120 million. At the time, Imtech did not have sufficient financial resources to pay that amount. Failure by Imtech to reimburse the banks would have resulted in an event of default under most of Imtech's financing arrangements. As Imtech was already in the process of conducting delicate discussions to secure continued financing (as described in paragraph 4.5.2), drawing under the bank guarantees might have resulted in an

uncontrollable course of events putting the continued existence of Imtech at considerable risk. For these reasons, we believe that the conclusion of the AWW Settlement was in the best interest of Royal Imtech and Imtech generally. We note that the AWW Settlement does not restrict Imtech in instigating criminal investigations or proceedings against AWW, the AWW Director or the other parties to the AWW Settlement.

#### *Advance payments*

In hindsight, a primary reason for the failure of the AWW Project and the damage that failure has caused to Imtech was AWW's inability to obtain financing for the AWW Project. The absence of financing prevented AWW and its relevant affiliates from making considerable advance payments required to be made by them under the four contracts constituting the AWW Project, although over time AWW did make some advance payments. Presumably to gain time, the management of Imtech Poland and Imtech Germany and AWW set up two structures which could create an impression that advance payments had been made: one structure involving promissory notes (as described under "Promissory notes" below) and one involving a pledged account (as described under "First pledged accounts" below). In addition, AWW provided to Imtech Poland a cheque which could not be collected (as described under "Cheque" below).

At the same time, AWW continuously maintained that financing would be forthcoming. To substantiate AWW's efforts, among other things, in January 2013 AWW presented Imtech Germany with two letters from a reputable British bank which could suggest that the bank might be involved in underwriting financing for AWW. There is evidence from the Corrective Actions that these letters may have been falsified. In the interviews that were conducted as part of the Corrective Actions, the Former CEO stated that he believed for a long time that financing would be obtained by AWW. According to the Former CEO, the AWW Director had indicated that a bank from the Middle East would make financing available in July 2012. The Former CEO began to doubt the viability of the AWW Project when in August 2012 financing still had not been obtained. On his request, the Former German CEO produced an overview of the financial loss which Imtech would suffer if the AWW Project were abandoned. The Former German CEO estimated this loss to be about EUR 20-25 million, including invoices made out by Imtech Netherlands to Imtech Germany and Imtech Poland in an aggregated amount of EUR 14 million, as explained in paragraph 6.3.

At a meeting of the Supervisory Board on 24 October 2012, the Former Board of Management noted that problems with payments by AWW were not expected. He also stated that AWW had acquired all land and had obtained all

licences. However, he explained that, as there was an unresolved discussion about bank guarantees to be granted by Imtech Germany, works on the AWW Project had been stopped. At the meeting the possibility of terminating the AWW Project was discussed. According to the Former Board of Management, in case of termination Imtech would be entitled to receive an amount of EUR 10 million. The Former Board of Management stated that before the end of 2012 either the promissory note (as described under "Promissory notes" below) would need to be renewed or the AWW Project would need to be terminated.

- *First pledged accounts*

Under the Contract for Mechanical and Electrical Works and the Turnkey Construction Works Contract for the Mechanical Biological Waste Treatment Plant in Zielonka (as described under "Project contracts" above), AWW and an affiliate entity of AWW were required to make advance payments of EUR 21 million and EUR 37.3 million to AWW in December 2011. At the time when the payments were due, AWW had been unable to secure the financing it required to make them. Imtech Poland, possibly guided by the Former German CEO, AWW, the AWW affiliate and an Austrian bank, then set up the following structure:

- The Austrian bank would grant loans to AWW and its affiliate for the amounts of the advance payments to be made by AWW and its affiliate to Imtech Poland, with a maturity date of 30 November 2012.
- Imtech Poland would open a bank account with the Austrian bank.
- Imtech Poland would create a pledge over the account in favour of the Austrian bank to secure the loans made by the Austrian bank to AWW and its affiliate.
- The loans would be made available by the Austrian bank to AWW and its affiliate by crediting their principal amount to the pledged bank account, where they would not be available to Imtech Poland. Under the pledge only the Austrian bank and not Imtech Poland would be permitted to withdraw any money from the account.

This structure was implemented on 28 December 2011. The Corrective Actions have not produced indications that the Former Board of Management or Royal Imtech was involved in setting up the structure, or was aware that Imtech Poland's bank account with the Austrian bank was pledged at the time Royal Imtech published its 2011 financial statements. The accounting treatment of this structure is described under "Accounting treatment of first pledged account" below.

The effect of this structure was that, although in form AWW and its affiliate appeared to have made advance payments to Imtech Poland with an amount of EUR 21 million and EUR 37.3 million (or EUR 58.3 million in aggregate), in substance no advance payments had been made or

received, as the amounts paid were not accessible to Imtech Poland and carried the risk of being reclaimed by the Austrian bank to satisfy its claims against AWW and its affiliate.

Following the payment of the aggregate amount of EUR 58.3 million into the pledged account, on 10 April 2012 and 6 September 2012, Imtech Germany procured the issue of two advance payment bank guarantees with an aggregate amount of EUR 17.3 million in favour of the AWW affiliate. The AWW affiliate subsequently transferred these bank guarantees to the Austrian bank, presumably as security for the EUR 37.3 million loan from the Austrian bank to the AWW affiliate. Subsequently, the Austrian bank transferred the bank guarantees to a third party. The bank guarantees were called in December 2012, following which Imtech Germany reimbursed the issuing bank of the guarantees in full (as described under "Bank guarantees" above).

Following the first transfer of the bank guarantees, an amount of EUR 17.3 million was transferred out of the EUR 58.3 million held in the pledged account. EUR 16.8 million was transferred to bank accounts held by Imtech Poland. EUR 0.5 million was partly used to cover legal fees incurred by the Austrian bank presumably in connection with the loans granted by it to the AWW affiliate, and partly transferred to the AWW affiliate. After these transfers, an amount of EUR 41 million remained in the pledged account. On 2 November 2012, that amount was transferred to two other pledged accounts held by Imtech Poland with the Austrian Bank. On the maturity date of the loans made to AWW and its affiliate (being 30 November 2012), the Austrian bank reclaimed the then remaining amount of those loans, being EUR 41 million. On 6 December 2012, the Austrian bank satisfied its claim by enforcing its pledge over the pledged accounts, resulting in the accounts being cleared out in full.

- *Promissory notes*

Under the Construction Works Contract, AWW was required to pay Imtech Poland the aggregate construction price of EUR 480 million by way of advance payments in several instalments. As security for these advance payments, Imtech Poland was required to arrange for the issuance to AWW of corresponding advance payment guarantees. The first advance payment tranche was set at EUR 147.6 million and was to be guaranteed by bank guarantees for the same amount.

On 29 June 2012, Imtech Germany entered into credit facility agreements with the two German banks referred to under "Bank guarantees" above. The purpose of these credit facility agreements was to enable Imtech

Germany to provide for the issuance of the advance payment bank guarantees referred to above.

However, AWW did not succeed in securing the financing it needed to make the advance payment required from it, although it did suggest that it was close to finalising a financing arrangement with a specified bank. Also, there was a debate about the text of the bank guarantees required from Imtech Germany. Most importantly, AWW insisted that the bank guarantees should be unconditionally payable on demand and transferable. Such bank guarantees carried risks about which one of the banks involved had warned Royal Imtech. All together, the legal department of Royal Imtech advised the Former Board of Management that it did not consider the bank guarantees to be acceptable in their current form because of the risk involved. The Former Board of Management then urged Imtech Germany to continue negotiations with AWW.

To solve the issue, on 29 June 2012, an amendment to the Construction Works Contract was concluded providing that the prepayment of EUR 147.6 million was to be paid by way of a promissory note. On the same day, AWW issued the promissory note to Imtech Poland. Under the promissory note, AWW was required to pay the amount of EUR 147.6 million to Imtech Poland before the maturity date of the promissory note, being 19 July 2012. According to the Former CEO, the idea of a promissory note had been introduced by the Former German CEO, possibly at the suggestion of AWW. The promissory note was reviewed by external legal advisers to Imtech Poland and by Royal Imtech's Finance and Control department. The Former Board of Management informed the Audit Committee that a prepayment had been received on the basis of a "wissel" in its meeting of 30 July 2012 (as described under "Accounting treatment of promissory notes" below). The Supervisory Board was informed of the discussions relating to the bank guarantee and a possible renewal of the promissory note expired on 19 August 2012 at its meeting of 24 October 2012.

On 9 July 2012, AWW advised the Former German CEO that purchasing land required for the AWW Project from a farmer had been delayed and that AWW was unable to pay under the promissory note before its maturity date because due to this delay AWW had not been able to secure the necessary financing. AWW proposed that the promissory note be extended. On 26 July 2012, AWW extended the term of the promissory note by issuing to Imtech Poland a new promissory note to replace the existing promissory note and with a termination date of 16 August 2012. There is evidence that in July 2012 the Former CEO and the Former CFO at least could have been aware of the inability of AWW to secure financing and the extension of the promissory note. According to the Former Board of Management, it was not involved in discussions about the extension of the promissory note.

### *Accounting treatment of promissory notes*

On 31 July 2012, Royal Imtech published its 2012 semi-annual financial statements. In those accounts, the promissory note, which had been issued on 29 June 2012 just before the end of Royal Imtech's first financial half year 2012, was classified as "cash and cash equivalents". In its press release of 4 February 2013, Royal Imtech announced that under IFRS the promissory note needed to be reclassified as "current financial assets". This reclassification had been preceded by the following events.

On 30 July 2012, at a meeting of the Audit Committee, the Former Board of Management informed the Audit Committee and KPMG that the first advance payment of AWW with an amount of about EUR 150 million by way of a "wissel" was recorded in the semi-annual financial statements. Although legally a "wissel" is a bill of exchange, it is clear from the context that the information related to the promissory note. The Former Board of Management did not inform the Audit Committee and KPMG that the reasons for opting for a promissory note had been that AWW had been unable to make cash advance payments because it had not been able to obtain financing. Also, the Former Board of Management did not inform the Audit Committee and KPMG that the termination date of the promissory note had been extended because AWW had been unable to pay under the promissory note due to a lack of financing. No discussions were conducted in the Audit Committee or with KPMG about the accounting treatment of the promissory note. It is noted that Royal Imtech's 2012 semi-annual financial statements were neither audited nor reviewed by KPMG. The practice to have Royal Imtech's semi-annual financial statements audited was abandoned in 2012.

On 5 December 2012, KPMG informed the Former CFO that KPMG Poland had found during its preliminary audit of Imtech Poland's 2012 financial information that the promissory note from AWW remained outstanding and had been classified as "cash and cash equivalents" in Royal Imtech's 2012 semi-annual financial statements. KPMG questioned whether this classification and the same classification of the promissory note in Royal Imtech's 2012 semi-annual financial statements were correct. On 12 December 2012, KPMG informed the Former CFO that it had serious concerns about the classification and that a meeting of the Audit Committee should be convened at short notice to discuss the matter. The Former CEO asked KPMG to discuss the matter with him and the Former CEO on 14 December 2012, at which meeting KPMG reiterated its message.

On 14 December 2012, Imtech received two legal analyses from law firms to the effect that the promissory note was valid and enforceable under Polish law, and an advice from an external expert accounting adviser that under IFRS

accounting principles the promissory notes could be classified as "cash and cash equivalents".

On 18 December 2012, at an extra meeting of the Audit Committee held at the request of KPMG, KPMG expressed serious concerns about the classification of the promissory note in the 2012 semi-annual financial statements. KPMG questioned whether the promissory notes had been "readily convertible to cash" as required by IFRS. According to the Former CEO, when interviewed in the course of the Corrective Actions, at the time when the 2012 semi-annual financial statements were prepared, he believed that the promissory note satisfied that test. The Audit Committee questioned KPMG's analysis. It believed that KPMG's concerns were based on a degree of over-cautiousness and interpretations and unfounded suspicions. However, to accommodate KPMG's concerns, Royal Imtech engaged a big four accounting firm to advice on the classification of the promissory note. At the meeting the Former Board of Management did not inform the Audit Committee and KPMG of the fact that two bank guarantees issued for the benefit of the affiliate entity of AWW had been drawn and that the Former Board of Management had resolved to reimburse the issuing bank accordingly, although a judgment to the contrary was available (as described under "Bank guarantees" above).

On 23 January 2013, the accounting firm issued its report to Royal Imtech. In the report, the accounting firm concluded that the promissory note should not have been classified as "cash and cash equivalents" in the 2012 semi-annual financial statements. The accounting firm concluded that, based on the information provided it seemed Royal Imtech had researched the applicable guidance and subsequently asked for input from third parties substantiating its conclusion.

#### *Accounting treatment of first pledged account*

Royal Imtech's press release of 4 February 2013 included that in Royal Imtech's 2012 semi-annual financial statements not only the promissory note needed to be reclassified under IFRS from "cash and cash equivalents" to "current financial assets" (as described under "Accounting treatment of promissory note" above), but also that the same applied to the amounts booked on the first pledged account (as described under "First pledged accounts" above). The need to so reclassify the amounts booked on the first pledged account became apparent when this account was investigated as part of the first Corrective Actions in relation to the AWW Project and Imtech Poland generally. It was concluded that those amounts did not qualify as "cash and cash equivalents" because they were not available to Imtech Poland.



During KPMG's intensified audit of Royal Imtech's 2012 annual financial statements, KPMG became aware that the first pledged account, that had been classified as "cash and cash equivalents" in the 2011 annual financial statements, was pledged and consequently needed to be reclassified. KPMG subsequently notified Royal Imtech. There are no indications that the Former Board of Management was aware of the pledge before it was notified by KPMG.

- *Further pledged accounts*

When the second promissory note referred to above lapsed on 16 August 2012, AWW still had been unable to secure the financing it required to effect the EUR 147.6 million first advance payment under the Construction Works Contract. To replace the promissory note, the management of Imtech Germany and Imtech Poland, AWW and an Austrian bank returned to the pledged account structure, so that:

- The Austrian bank would grant a loan to AWW for the amount of the advance payment, with a maturity date of 31 January 2013.
- Imtech Poland would open a bank account with the Austrian bank and would create a pledge over that account in favour of the Austrian bank to secure the loan made by the Austrian bank to AWW.
- The loan would be made available by the Austrian bank to AWW by crediting its principal amount to the pledged bank account, where it would not be available to Imtech because only the Austrian bank and not Imtech Poland would be permitted to withdraw any money from the account.

The findings from the Corrective Actions suggest that at the time when this structure was set up, AWW indicated to the Former German CEO that financing for the AWW Project would become available in January 2013. The loan made by the Austrian bank would then be repaid, so that Imtech Poland would be able to access the money held in the pledged account.

This structure was implemented on 28 December 2012 for the EUR 147.6 million advance payment to be made by AWW under the Construction Works Contract. On 27 December 2012, a similar structure was implemented for the amount of EUR 37.3 million to be paid by the affiliate entity of AWW under the Turnkey Construction Contract for the Mechanical Biological Waste Treatment Plant in Zielonka and for the amount of EUR 21 million to be paid by AWW under the Contract for Mechanical and Electrical Works. These structures were identical to the structures implemented on 28 December 2011 (as described under "First pledged accounts" above). The Corrective Actions have not produced indications that the Former Board of Management or Royal Imtech was involved in setting up these structures. Royal Imtech's legal department was not involved either.

On the maturity date of the loans forming part of the structure with the Austrian bank (being 31 January 2013), the Austrian bank reclaimed the loans. On 5 February 2013, the Austrian bank accordingly claimed immediate repayment of the EUR 147.6 million, EUR 21 million and EUR 37.3 million loans granted to AWW and its affiliate entity and satisfied that claim by enforcing its pledge over the accounts of Imtech Poland, resulting in the accounts being cleared out in full.

The classification of the pledged account of EUR 147.6 million was discussed between the Former CFO and Royal Imtech's group controller and KPMG on several occasions in January 2013. Royal Imtech's view was that the amount credited to the pledged account could be classified as "cash and cash equivalents". KPMG's view was that the pledged account could not be so classified, and reiterated that view at the meeting of the Audit Committee on 25 January 2013.

- *Cheque*

On 28 December 2012, AWW wrote a check for EUR 7.2 million for the benefit of Imtech Poland. Allegedly, this cheque was intended as repayment of the EUR 7 million loans provided by Imtech Poland to AWW and referred to under "Discovery of derailments and irregularities" above. The findings from the Corrective Actions indicate that the Former German CEO considered this cheque sufficient to account for its amount as "cash" on Imtech Poland's balance sheet. However, the Corrective Actions also provided evidence that Imtech Poland could never have cashed the cheque, on the one hand because it had a copy of the cheque only and not the original, and on the other hand because pursuant to a side-letter agreed between Imtech Poland and AWW the cheque could be collected only with AWW's consent. The Corrective Actions did not produce indications that the Former Board of Management was involved in the writing and acceptance of the cheque or the way it was accounted for. The findings from the Corrective Actions indicate that Royal Imtech learned about the cheque for the first time at the Audit Committee meeting of 25 January 2013, at which meeting the existence of the cheque was mentioned by KPMG.

#### 6.1.2 *Projects generally*

On 29 January 2013, following the discovery of possible irregularities in relation to the AWW Project, KPMG informed the Board of Management that it had signals about peculiar transactions with two Estonian companies (as described in paragraph 6.1.3), and also that it had doubts about the substance of a project carried out by Imtech Poland (other than the AWW Project), and that it encountered difficulties in obtaining information from Imtech Poland. It was

decided that KPMG, as part of its audit, would follow up these matters with a review with the help of its forensic auditors. KPMG reported to the Board of Management and the Supervisory Board its preliminary findings from its preliminary review on 3 February 2013.

The findings of KPMG were confirmed when after the arrival of new management at Imtech Poland (as described in paragraph 4.3), it became clear to new management that Imtech Poland's financial information, as reported to Royal Imtech's head office in Gouda, did not reflect the actual situation correctly. Some projects on Imtech Poland's order book appeared to be non-existent. Other projects carried costs which had not been incurred for the purpose of the relevant project. However, as a large part of the contract documentation in respect of completed and on-going projects was missing (as a result of the events described in paragraph 4.3), it was difficult to correctly assess liabilities and contingent liabilities of Imtech Poland. Losses on finalised projects had been carried over to new projects to avoid having to be recognised. In addition, receivables on several projects were considerably overstated. To come to a reliable set of financial information for Imtech Poland, the following actions were taken.

#### *Actions by new management*

Imtech Poland's new management discussed all projects on Imtech Poland's order book with the responsible project managers to assess:

- whether the project was an actual project;
- whether costs booked on the project were related to the project;
- at what amount, on the basis of a correct and prudent valuation, work in progress on the project should be set; and
- at what amount, on a correct and prudent basis, profits or losses on the project should be estimated.

These discussions were held with clear instructions to the project managers involved that this was the one and only opportunity to clear their projects from all unwarranted cost and expectations. Whenever relevant, E&Y FIDS participated in these discussions.

On the basis of all information available to it, Imtech Poland's new management also assessed all outstanding claims payable and claims receivable by Imtech Poland. The new management discovered that since December 2012 at Imtech Poland, no invoices had been booked and claims payable and claims receivable had not been processed.

### *Actions by E&Y FIDS*

E&Y FIDS performed the following activities as part of the forensic investigative measures applied by them on De Brauw's instruction.

- E&Y FIDS conducted a detailed review of 16 projects of Imtech Poland selected in accordance with criteria submitted by KPMG for the purpose of its audit of Royal Imtech's 2012 financial statements. This review included, amongst other things:
  - identifying major cost items recorded in work in progress and prepayments received in the fourth financial quarter of 2012;
  - analysing the substance of major expenses recorded in work in progress;
  - reviewing all individual cost items in excess of EUR 100,000 booked on work in progress as per 1 January 2011, 31 December 2011 and 31 December 2012;
  - providing documentation on these recorded expenses, consisting of among others contracts and invoices;
  - providing an overview of recorded expenses which relate to possible irregularities;
  - analysing projects with regard to substance and profitability;
  - analysing completion percentage of projects as 31 December 2012;
  - reviewing and analysing cost transfers between projects.
- E&Y FIDS analysed receivables recorded in connection with five projects selected by KPMG.
- E&Y FIDS analysed the accounting treatment of recorded guarantees.
- E&Y FIDS verified the appropriateness of payments in excess of EUR 100,000 made after 1 January 2013 and performed an analysis of movements in bank accounts held by Imtech Poland with an Austrian bank (which is also referred to in paragraph 6.2.3) between 1 January 2011 and 28 February 2013.
- E&Y FIDS analysed debit balances in accounts payable, selected in agreement with KPMG.
- E&Y FIDS conducted background checks on AWW and entities related to AWW or the AWW Director and certain other entities based on publicly held data.
- E&Y FIDS collected information and analysed certain expenses recorded in work in progress on certain projects.

### *Legal analysis by De Brauw and SK&S*

De Brauw, together with SK&S on the instruction of De Brauw, performed certain legal analyses, including:

- a review of material agreements and project minutes in connection with ten projects selected by KPMG; and
- a legal assessment of the validity and recoverability of receivables relating to five projects selected by KPMG.

In addition, De Brauw investigated the dealings between Imtech Poland and two Estonian companies (as described in paragraph 6.1.3).

Finally, De Brauw investigated certain possible irregularities referred to in the Whistle-Blowers Letter (as described in paragraph 6.2.3).

### *Conclusions*

The actions referred to above provided clear evidence that the financial information provided by Imtech Poland to Royal Imtech was materially incorrect. The actions confirmed that certain projects on Imtech Poland's order book did not exist, that projects carried costs which had not been incurred for the purpose of the relevant project and that losses on finalised projects had been carried over to new projects to avoid these losses having to be recognised. The actions furthermore confirmed that valuations of work in progress had been aggressively optimistic and that overdue and in some cases disputed receivables had been recognised as an asset without appropriate deductions for non-collectability. Necessary corrections to Imtech Poland's financial information for years prior to 2011, 2011 and 2012 ultimately resulted in a write-off in relation to Imtech Poland of EUR 153.7 million, which was included in Royal Imtech's preliminary financial information for 2012 as reported in its press release of 21 May 2013. The components of this aggregate write-off are set out in the table below.

### Write-offs at Imtech Poland

€m	Prior	FY11	FY12	Total
Invoices from companies related to the AWW Director	-	2.5	12.5	14.9
Invoices from vendors that did not perform work	-	3.2	13.0	16.2
Intercompany invoices from Germany	-	-	12.3	12.3
Other WIP	-	<u>3.3</u>	<u>45.2</u>	<u>48.5</u>
WIP	-	9.0	83.0	92.0
Receivables	1.8	-	42.5	44.3
X Group	-	-	4.6	4.6
Payables that no longer require payment & debit amounts	1.6	0.7	(2.7)	(0.3)
Cash and cash equivalents	-	-	7.2	7.2
Other*	-	<u>0.1</u>	<u>5.8</u>	<u>5.9</u>
<b>Total</b>	<b><u>3.5</u></b>	<b><u>9.9</u></b>	<b><u>140.3</u></b>	<b><u>153.7</u></b>

\* 'Other' primarily relates to the percentage of completion taken in previous years for non-existing projects, or projects which have a large amount of costs not belonging to this project.

#### 6.1.3 Two Estonian companies

In the course of the actions referred to in paragraph 4.3 invoices from two Estonian companies to Imtech Poland for an aggregate amount of approximately EUR 39 million came to light. On 29 January 2013, KPMG mentioned it had received signals of peculiar transactions with these two companies, following which these transactions were included in the Corrective Actions and were reviewed by De Brauw and E&Y FIDS on De Brauw's instruction. Taking into account De Brauw's findings, we conclude the following:

- The two companies were incorporated in the second half of 2012. Neither company had or has any substance in Estonia.
- One of the two companies submitted several invoices to Imtech Poland for an aggregate amount of about EUR 23 million. All these invoices were booked on the same day (3 January 2013) and were allocated to the several projects, one of which did not exist. Imtech Poland paid to this company an aggregate amount of about EUR 0.3 million in respect of these invoices.
- The other of the two companies submitted several invoices to Imtech Poland for an aggregate amount of about EUR 14.5 million. These invoices were all booked on the same day (2 January 2013) and allocated to projects which did not exist (as was confirmed by the actions referred to in paragraph 6.1.2). Imtech Poland made no payments to this company.
- Although purchase orders and delivery notes relating to invoices of the two companies exist, it appears that the companies have not delivered any

materials or rendered any services to Imtech Poland that could justify these invoices. There are indications that these purchase orders and delivery notes, and possibly certain invoices, are false and were prepared by employees of Imtech Poland, acting on the instruction of the Former Polish Second Board Member after the invoices from the companies had been received.

Since De Brauw's report, Imtech Poland received a document from the owner of the two companies which allegedly would evidence an agreement between Imtech Poland and the companies and form the basis for the invoices referred to above. Imtech Poland has also received a claim of EUR 1.9 million from one of the companies on the basis of the alleged agreement. We believe that no actual agreement has been concluded and that, accordingly, Imtech Poland has no obligation to pay any claim or invoice submitted by the companies. On the contrary, we believe that Imtech Poland has a claim against one of the companies for the amount of EUR 0.3 million already paid to it by Imtech Poland. We aim to seek to recover this amount from the company concerned, subject to a further analysis of the litigation costs involved and the recovery which the company is expected to offer once litigation has been successfully completed.

#### 6.1.4 *Other claims*

In the first half of May 2013, Imtech Poland received claims for an aggregate amount of about EUR 6.5 million from three companies for services allegedly taken out by Imtech Poland. Two of the companies have submitted a copy of a contract which should form the basis of its claim. Imtech Poland's available books and records do not contain any reference to services taken out from the three companies. The matter is currently under investigation.

#### 6.1.5 *Remedial actions*

The findings from the Corrective Actions referred to in this paragraph 6.1 have been the basis for the following specific remedial actions (in addition to the general remedial actions set out in paragraph 3.1):

- As set out in Royal Imtech's press release of 4 February 2013, the management of Imtech Poland was suspended following the discovery of the derailments and possible irregularities in relation to projects of Imtech Poland. On 7 February 2013 the Former Polish CEO and the Former Polish Second Board Member were dismissed for cause. Litigation about these dismissals is pending before the German courts.

- 31 employees of Imtech Poland left Imtech Poland during the weekend of 2/3 February 2013 under the termination agreements concluded with them by the Former Polish CEO and the Former Polish Second Board Member, although four of them voluntarily returned to Imtech Poland at a later date (all as described in paragraph 4.3). Taking account of the possible involvement of certain of these employees in irregularities, we believe the terms of the termination agreements to be too generous for the employees. On our instruction, Imtech Poland has sought to replace these agreements by agreeing new termination agreements on terms considerably more favourable for Imtech Poland. These new termination agreements stipulate that (a) the employees will receive lower severance payments, (b) all property (including data) of Imtech Poland is to be returned to Imtech Poland immediately, and (c) the employees must remain available for interviews if so required by Imtech in connection with any investigations conducted by it or on its behalf. As of the date of this Report, out of the 27 termination agreements remaining following the return of the four employees referred to above, 21 have been replaced. Where there are indications that employees who have remained with Imtech Poland have been involved in irregularities appropriate remedial actions will continue to be taken, taking into account labour law restrictions.
- The findings referred to above are sufficient to support a preliminary conclusion that criminal offences may have been committed in Poland. On 16 May 2013, Imtech Poland notified the Polish prosecutor's office in Warsaw, that criminal offences may have been committed. In the meantime, Imtech will remain in contact with the Polish prosecutor's office as appropriate and will fully cooperate with the competent authorities. Imtech has been advised by a legal adviser to the Former Polish CEO and the Former Polish Second Board Member that the Former Polish CEO and the Former Polish Second Board Member have filed criminal complaints in Poland. To date, Polish authorities have not clarified the nature and scope of these complaints. At its request, Imtech Poland has been added as an injured party to the criminal notifications of the Former Polish CEO and the Former Polish Second Board Member. The status of an injured party should ensure that Imtech will be informed of the investigation into the criminal notifications of the Former Polish CEO and the Former Polish Second Board Member.
- The findings above show that companies and persons not related to Imtech played an important role in irregularities that may constitute criminal offences. Imtech aims to press charges in relation to those irregularities that may have constituted criminal offences.



- Although the findings from the Corrective Actions do not evidence a definite link between Imtech Poland and Imtech Germany in respect of each and every irregularity found in relation to Imtech Poland, and although it cannot be excluded that management or employees of Imtech Poland have acted alone in some respects, there are clear indications that the incidents in Germany and Poland have not occurred in isolation. In particular:
  - the actions to inflate financial information – projects carrying costs which had not been incurred for the purpose of the relevant project; losses on finalised projects being carried over to new projects to avoid these losses having to be recognised – occurred both at Imtech Germany and at Imtech Poland;
  - German management, including the Former German CEO who we believe must have been aware of the actions referred to above, bore responsibility for Poland too;
  - evidence shows that the Former German CEO was intimately involved in the AWW Project;
  - evidence shows that there are personal links between the Former German CEO and the Former Polish Second Board Member.

Remedial actions in relation to Imtech Germany and its management and employees are discussed in paragraph 6.2.4

#### 6.1.6 *Future of Imtech Poland*

During the course of the Corrective Actions, we have put considerable efforts into stabilising Imtech Poland and its business. Although further work needs to be done, we intend to continue the operations of Imtech Poland in the attractive market for technical service solutions in Poland.

## 6.2 **Germany**

In the course of the Corrective Actions, irregularities were uncovered at Imtech Germany, including in relation to:

- projects conducted by Imtech Germany. Matters relevant in this regard are set out in more detail in paragraph 6.2.1; and
- dealings with the X Group. These dealings are set out in more detail in paragraph 6.2.2.

In addition, on 4 February 2013 Royal Imtech received the Whistle-Blowers letter, including allegations of certain specific irregularities at Imtech Germany and Imtech Poland. The findings in relation to that letter are described in paragraph 6.2.3.

### 6.2.1 *Projects*

When new management started at Imtech Germany (as described in paragraph 3.1), as one of their first actions, new German management made a round of all German regional offices to discuss financial performance and operations generally. During those discussions, it became clear to management that financial information produced by Imtech Germany, as reported to Royal Imtech's headquarters in Gouda, had been substantially inflated. The findings of management during those discussions were the basis of Royal Imtech's press release of 27 February 2013, in which Royal Imtech announced a write-off on German projects of about EUR 150 million due to a write-off on overdue debtors, a lower estimate of work in progress and losses which were passed on to the future without proper justification.

It became clear during the first discussions conducted by new German management that it had been Imtech Germany's approach to knowingly produce considerably inflated financial information, which former German central management considered desirable. This inflated financial information was presented to Royal Imtech's headquarters in Gouda and to the Former Board of Management, and also to KPMG for the purpose of its audits and reviews. It became clear to new German management that in order to substantiate the inflated financial information, work in progress had been valued aggressively optimistically, outstanding receivables had been valued without proper provisioning, costs had been allocated incorrectly between projects and carrying on losses on finalised projects had been carried over to new projects to avoid these losses having to be recognised.

The initial findings of new German management were confirmed by the Corrective Actions. According to the findings from the Corrective Actions at the beginning of each year financial information would be collected from Imtech Germany's six operating regions (each with its own management consisting of two directors) which German regional managers believed to be accurate. However, throughout the year regional management was instructed by the former German central management, predominantly the Former German CEO and the Former German Chief Controller, to make unjustified alterations to that financial information. However, the Former German CEO and the Former German Chief Controller claimed that the second set of financial information was accurate and the first set reflected a "worst case" scenario.

The Former CEO has stated to have been aware that the valuations made by the Former German CEO tended to be aggressive. Also, the Former CFO has confirmed to be aware that a majority of Imtech's trade receivables overdue for more than one year came from Imtech Germany. The Former Board of Management has stated that it had adjusted the annual budget of Imtech

Germany downwardly for several consecutive years. However, there are no indications from the Corrective Actions that the Former Board of Management was aware that Imtech Germany deliberately produced inflated financial information to the Former Board of Management. Imtech Germany's monthly financial reporting to Royal Imtech always appeared accurate and punctual. The underlying financial information, and the adjustments made, were withheld and not otherwise accessible to Royal Imtech's headquarters as they were kept on an IT-system which was exclusive to Imtech Germany. Also, there are no indications that any regional manager ever informed the Former Board of Management, the Supervisory Board or Royal Imtech's headquarter of the alterations to their financial information. The findings from the Corrective Actions suggest that this may have been caused by a highly hierarchic culture within Imtech Germany as well as fear of retaliation. This culture prevented German regional managers from sidestepping the Former German CEO and also made implementing checks and balances difficult because the Former German CEO would have opposed them. In line with this hierarchic approach, the Former German CEO appears to have accepted the Former CEO as his only superior. Also, although there has been large scale cooperation between multiple regional managers and central management of Imtech Germany to produce inflated financial information for their respective regions, regional managers did not necessarily have the full picture of the inflation throughout Germany.

To produce a reliable set of financial information for Imtech Germany on a non-inflated basis, Imtech has undertaken a substantive review of the financial information for Germany. To assist with that review, we have engaged a big four accounting firm on a "loaned staff" basis (as explained in paragraph 3.1). Together with that accounting firm, the following actions were taken:

- As a first step, an initial analysis was made by new German management at a regional level together with regional management and controllers. This analysis was primarily performed by discussing outstanding work in progress, outstanding receivables and costs booked on projects. The discussions were conducted on the basis of a strict instruction to the regional managers and controllers involved that this was their one and only opportunity to clearly indicate any and all discrepancies in financial information of which they were aware.
- As a second step, potential issues identified in the first step were further substantiated and the level of impairment was determined. In order to provide an objective perspective and ensure a proper audit trail, these actions were taken by the accounting firm (on a "loaned staff" basis). The activities performed included identifying underlying invoices, bookings and communications about the identified items.

- To further support, test and supplement the findings in the first and second steps referred to above:
  - A reputable consultancy firm providing specialist consultancy services to international engineering and construction industries, was instructed to analyse the 17 largest projects in Germany, each with a project value of EUR 5 million or higher, from an operational cost perspective.
  - Imtech Germany central staff analysed all payments made from bank accounts of Imtech Germany between 1 January 2011 and 31 December 2012 above EUR 500,000;
  - The accounting firm (on a "loaned staff" basis) analysed all payments made from bank accounts of Imtech Germany between 1 January 2013 and 28 February 2013 above EUR 500,000; and
  - Imtech Germany's tax department, with support of the accounting firm (on a "loaned staff" basis) analysed the tax impact of identified potential impairments.

The actions set out above were supported by the findings from the forensic investigative measures applied by De Brauw and Hengeler, including the findings in relation to the X Group (as described in more detail below).

The actions referred to above provided clear evidence that the financial information provided by Imtech Germany to Royal Imtech had been substantially overstated. The actions confirmed that valuations of work in progress had been aggressively optimistic and that overdue and in some cases disputed receivables had been recognised as an asset without appropriate deductions for non-collectability. The actions furthermore confirmed that projects conducted by Imtech Germany carried costs which had not been incurred for the purpose of the relevant project and that losses on finalised projects had been carried over to new projects to avoid these losses having to be recognised. Necessary corrections to Imtech Germany's financial information for years prior to 2011, 2011 and 2012 ultimately resulted in a write-off in relation to Imtech Germany of EUR 216.5 million, which was included in Royal Imtech's preliminary financial information for 2012 as reported in its press release of 21 May 2013. This write-off included revisions to work in progress with an amount of EUR 106.9 million and to overdue receivables (including receivables overdue for more than one year with an amount of EUR 53.6 million). The components of this total write-off are set out in the table below.

### Pre-tax write-offs at Imtech Germany

€m	Prior	FY11	FY12	Total
WIP	23.0	30.3	53.7	106.9
Receivables	6.5	11.8	35.3	53.6
X Group	14.7	1.2	8.5	24.4
General provision for arbitrary items	-	-	13.6	13.6
Too low personnel related provisions	1.6	0.5	4.8	6.9
Other provisions (e.g. late expenses)	-	0.2	8.4	8.6
Other	<u>0.1</u>	<u>(0.3)</u>	<u>2.8</u>	<u>2.6</u>
Other	<u>1.7</u>	<u>0.4</u>	<u>29.5</u>	<u>31.6</u>
<b>Total</b>	<b><u>45.9</u></b>	<b><u>43.6</u></b>	<b><u>127.0</u></b>	<b><u>216.5</u></b>

#### 6.2.2 X Group

The X Group includes three companies which are active in the technical services industry. It is controlled by Mr X. Over the years, the X Group has occasionally cooperated with Imtech Germany on projects. Findings early in the Corrective Actions suggested that irregularities might have occurred in relation to the X Group and individuals connected with it. In accordance with the Forensic Works List for Germany provided by KPMG (as referred to in paragraph 3.3), De Brauw and Hengeler on its instruction applied extensive forensic investigative measures to uncover these irregularities. Based on the findings out of these measures and other Corrective Actions taken, we believe that the following irregularities have or may have occurred in dealings between Imtech Germany and Imtech Poland and the X Group or individuals connected with it.

The Corrective Actions have not uncovered any indications that the Former Board of Management was aware of the existence of the X Group or any dealings with it or with other persons referred to in this paragraph 6.2.2.

#### *Liquidity support – unwarranted payments*

Between 2007 and 2013, Imtech Germany and Imtech Poland made the following payments to entities within the X Group and individuals who appear to be connected to the X Group, including a former director of Imtech Germany, for which we have not been able to find a proper business justification:

- Imtech Germany made payments to entities within the X Group in an aggregate amount of about EUR 13 million;
- Imtech Germany made payments to creditors of entities within the X Group in an aggregate amount of close to EUR 8.6 million;

- Imtech Poland made payments to entities within the X Group in an aggregate amount of about EUR 2 million and to creditors of such entities in an aggregate amount of about EUR 4.6 million;
- Imtech Germany made payments to certain individuals who appear to be connected in some way to the X Group or who were formerly employed by Imtech Germany, including the former director of Imtech Germany and a relative, in an aggregate amount of about EUR 1.5 million.

Together, these payments amount to about EUR 29.7 million. In addition, payments in an aggregate amount of about EUR 3.3 million have been identified, which entities within the X Group made to Imtech Germany between 2008 and 2010. There are indications that some of these payments served as repayment of amounts paid by Imtech Germany in favour of entities within the X Group.

There is substantial evidence that the payments referred to above for the most part did not serve any business purpose, although certain payments might have related to advisory contracts with the former director of Imtech Germany referred to above.

We believe that Imtech Germany may have made other payments to third parties which might be connected in some way to the X Group or who were formerly employed by Imtech Germany, but on the basis of the information available we have no reason to assume that the amounts involved are material.

#### *Liquidity support – liability for obligations of X Group entities*

In addition to the payments referred to under "Liquidity support – unwarranted payments" above, Imtech Germany accepted liability for obligations incurred by entities within the X Group. Such acceptance of liability came in different forms, including guarantees, debt assumption and third party security.

- Between 2003 and 2013 several banks, on the instruction and for the account of Imtech Germany, issued more than twenty bank guarantees to secure financial and other obligations (such as performance, prepayment and guarantee obligations) of entities within the X Group, with an aggregate amount of about EUR 14.2 million. As of the date of this Report, Imtech Germany has made payments under these guarantees up to an aggregate amount of about EUR 2.4 million. Unclaimed guarantees with an aggregate amount of about EUR 11.8 million remain for the majority outstanding, as of the date of this Report.

We have not been able to establish that these guarantees were issued in relation to joint projects conducted by Imtech Germany and the X Group or otherwise with a proper business justification for Imtech Germany.

- In November 2012, Imtech Germany concluded a debt assumption agreement with an entity within the X Group and a German bank. Pursuant to the agreement, Imtech Germany assumed joint and several liability for claims under an overdraft facility of EUR 2 million granted by the German bank to the X Group entity. On 5 April 2013, the German bank exercised its rights under the agreement and demanded Imtech Germany to pay to it the amount of the overdraft facility (which allegedly was fully drawn) plus interest and additional costs. In the meantime, Imtech has paid the German bank in order to avoid litigation.

We have not been able to establish a clear reason for Imtech Germany's entry into the agreement, but some evidence suggests that the agreement may have been concluded in connection with a then contemplated acquisition of assets of the relevant X Group entity (as described under "Acquisition of assets of X Group entities" below) and was part of financing provided by Imtech Germany to entities within the X Group.

- In 2011 Mr X took out two loans with a German insurance company (and one of its affiliates) in an aggregate amount of about EUR 4.6 million to refinance existing secured loans. Imtech Germany was involved in providing security for these loans to Mr X and loans to a certain entity within the X Group and an individual who appears to be connected in some way to the X Group. Imtech Germany provided security for these loans as follows:
  - Imtech Germany assigned to the German insurance company and one of its affiliates claims under two accident insurances with a premium refund taken out with that German insurance company with a similar aggregate amount as the two loans.
  - In addition, Imtech Germany may have pledged to the German insurance company and one of its affiliates two fixed-term deposits of Imtech Germany with a German bank in an aggregate amount of about EUR 1.5 million. Imtech Germany provided an instruction to the German bank to make interest payments on the loans provided by the German insurance company to Mr X from the relevant deposits. The aggregate of those interest payments will consume the balance of the account in full.

There is evidence that the sole purpose of securing the loans to Mr X was to financially support Mr X and the X Group, without any proper business justification for Imtech Germany.

### *Liquidity comfort*

In addition to the different forms of acceptance of liability referred to under "Liquidity support – liability for obligations of X Group entities" above, Imtech Germany provided or may have provided the following comfort letters to third parties promising to secure liabilities of the X Group:

- On 1 June 2012 and 30 August 2012 Imtech Germany issued two comfort letters to a German bank with respect to three overdraft facilities of entities within the X Group with an aggregate amount of about EUR 7.3 million.
- On 16 October 2012 and on 22 January 2013, Imtech Germany issued two comfort letters to another German bank. While these letters neither explicitly refer to specific claims of that bank nor contain a maximum amount, we believe they have been issued with respect to loans to two entities within the X Group presumably with an aggregate amount of EUR 2 million.
- In addition, there is correspondence implying that Imtech Germany considered providing, or may have provided, comfort letters in relation to the liquidity of entities within the X Group to other German banks.

To what extent the comfort letters and correspondence may result in legal obligations for Imtech Germany to make payment to the German banks concerned if the relevant entities of the X Group suffer liquidity shortfalls, is the subject of continuing legal analysis.

### *Acquisition of assets of X Group entities*

There is evidence that at some time the liquidity support and comfort as described under "Liquidity support – unwarranted payments", "Liquidity support - liability for obligations of X Group entities" and "Liquidity comfort" had reached such substantial amounts that the Former German CEO apparently took the view that it was advisable to purchase all or part of the assets of an entity in the X Group in order to secure the repayment of the liquidity support granted to the X Group and also because the business of the X Group was considered to constitute a good fit for Imtech Germany. There is evidence that some discussions between Imtech Germany and Mr X took place in this regard and certain preparations for a possible acquisition were made.

The preparations included the preparation of a generic draft asset purchase agreement on behalf of Imtech Germany and possibly the preparation of a deal structure and a tax and legal due diligence by an adviser to the X Group. Also, in June 2012, Imtech Germany confirmed, and in August 2012 reconfirmed, a



commitment to take over assets from the relevant X Group entity to a German bank, apparently to convince that German bank to continue certain overdraft facilities (with an aggregate amount of about EUR 7.3 million) granted by it to entities within the X Group. In the context of providing a comfort letter to another German bank (as described under "Liquidity comfort" above) Imtech Germany confirmed to that German bank that it was intensively working on taking over activities of X Group entities by means of an asset deal which was intended to close on 1 January 2013. In January 2013, Imtech Germany confirmed to the German bank that two or three additional months would be needed to complete the acquisition. However, the Former German CEO and certain other employees of Imtech Germany have categorically stated that the discussions between Imtech Germany and Mr X never advanced to the stage of negotiation. In particular, they stated that no detailed discussions regarding the purchase price for the relevant assets took place.

There are no indications from the Corrective Actions that Imtech Germany informed the Former Board of Management or Royal Imtech's headquarters of any discussions about, or any preparations for, an acquisition of assets of an entity within the X Group.

There is evidence that, in addition to discussions about an acquisition of assets of an X Group entity referred to above, negotiations were conducted on the purchase by Imtech Germany from a third-party owner of certain business premises of an entity within the X Group. Apparently, the relevant X Group entity had sold the relevant business premises to the third party and then leased them back. Subsequently, the X Group entity bought the business premises back but failed to pay the purchase price. The third-party owner then annulled the repurchase contract and threatened to evict the X Group entity from the business premises. Although a draft letter of intent between Imtech Germany and the third party owner to purchase the business premises for a purchase price of EUR 1.7 million was prepared, it seems that that letter of intent was never signed.

#### *Additional risks*

As follows from the explanations above, the dealings between Imtech Germany and the X Group which should or possibly should be qualified as irregularities have been extensive. Although the Corrective Actions taken in this regard, including the forensic investigative measures applied by De Brauw and Hengeler on its instruction, have been equally extensive, we cannot provide assurance that no further irregularities will come to light. In particular, further irregularities may be uncovered by criminal law authorities applying instruments which are not available to private entities such as Royal Imtech or to any

external expert advisers engaged by it. Also, it cannot be excluded that Imtech Germany may be exposed to further financial risks in relation to the X Group.

### 6.2.3 *Whistle-Blowers Letter*

On 4 February 2013, Royal Imtech received a 'Report made under the rules for whistle-blowers on irregularity'. These rules do not permit Royal Imtech to disclose the identity of the whistle-blowers. The allegations made in the Whistle-Blowers Letter and the Corrective Actions performed in respect of them are the following.

- Imtech Poland allegedly made certain payments to third parties without consideration.

This allegation has been the subject of the following Corrective Actions:

- De Brauw investigated invoices submitted by two Estonian companies. The findings from this investigation are described in paragraph 6.1.3.
- E&Y FIDS investigated certain invoices from entities affiliated to AWW. These invoices are part of the AWW Settlement (as described in paragraph 6.1.1).
- E&Y FIDS has investigated payments made to certain questionable vendors. The results of this investigation have been reflected in the write-off for Imtech Poland (as described in paragraph 6.1.2).

- Two employees of Imtech Germany allegedly assisted in manipulation of Imtech Germany's balance sheet through manipulation of the electronic bookkeeping system at Imtech Germany's Hamburg offices.

This allegation has been the subject of the following Corrective Actions:

- De Brauw interviewed the employees mentioned in the Whistle-Blowers Letter. Both employees denied having been involved in any irregularities.
- E&Y FIDS investigated bookings made in Imtech Poland's accounting system. The relevant bookings investigated came from backups provided by Imtech Germany. Imtech Germany provided E&Y FIDS with back-ups from Imtech Poland's accounting system made on 31 October 2012, 31 December 2012, 31 January 2013 and 12 February 2013 respectively. In its investigation, E&Y FIDS identified 168 book entries which were originally made on 27 and 28 January 2013 and were subsequently backdated to 2011 or 2010. The electronic bookkeeping system did not contain information to establish who had been responsible for the

backdating. No other findings were made that support the allegations made in the Whistle-Blowers Letter in this regard.

- Bank statements, contracts, invoices and other documents at Imtech's Hamburg offices were allegedly manipulated.

This allegation was too vague to provide a basis for focused Corrective Actions.

- On the instruction of Imtech Germany's head office in Hamburg receivables in connection with the National Stadium project and the Wroclaw Stadium project in Poland were allegedly overstated.

The overstatement of receivables has been investigated as part of the Corrective Actions performed in relation to Polish projects generally, as described in paragraph 3.1.

- Imtech Germany allegedly secured debts owed by an entity within the X Group by way of a bank guarantee issued on the instructions of the Former German CEO and the Former German Chief Controller.

This transaction was investigated as part of the Corrective Actions performed in relation to Imtech Germany, as described in paragraph 6.2.3.

- On the instruction of the Former German CEO:
  - financial support was allegedly provided in connection with the AWW Project by payment of parts of financing costs and fees;
  - an amount of EUR 12 million was allegedly paid into an escrow account held by a Polish law firm to provide security for payment of financing costs for the AWW Project;
  - various loans were allegedly made to AWW without adequate security;

In addition, in relation to the AWW Project:

- three security rights were allegedly created in connection with the AWW Project to present a more positive image of Imtech Germany's 2012 year-end balance sheet.
- a side agreement was allegedly concluded in respect of a EUR 7.2 million cheque given by AWW.

These allegations were investigated as part of the Corrective Actions performed in relation to the AWW Project, as described in paragraph 6.1.1.

- Costs were allegedly moved between projects performed by Imtech Poland.

The moving of costs between projects was investigated as part of the Corrective Actions performed in relation to Polish projects generally, as described in paragraph 6.1.2.

#### 6.2.4 *Remedial actions*

The findings from the Corrective Actions referred to above in this paragraph 6.2 have been the basis for the following specific remedial actions (in addition to the general remedial actions set out in paragraph 3.1):

- As set out in Royal Imtech's press release of 5 February 2013 (and in paragraph 4.3 above), the Former German CEO and the Former German CFO stepped down on 5 February 2013. A third board member stepped down on 6 February 2013. The Former German Chief Controller was suspended on 6 February 2013. The fourth board member of Imtech Germany has continued in his office. During the Corrective Actions no indications were found that he has been involved in any irregularities.
- On the basis of the findings referred to above, on our instruction, Imtech Germany dismissed the Former German CEO, the Former German CFO and its third board member mentioned above for cause on 6 May 2013. On the same day, the Former German Chief Controller was also dismissed for cause. Litigation about these dismissals is pending before the German courts.
- The findings referred to above support that criminal offences may have been committed in Germany. On 6 May 2013, Royal Imtech notified the German prosecutor's office in Hamburg that criminal offences may have been committed. In the meantime, Imtech will remain in contact with the German prosecutor's office as appropriate and will fully cooperate with the competent authorities.

It is clear from the findings from the Corrective Actions that the production of inflated financial information for Imtech Germany was not an isolated action of the Former German CEO and other responsible members of Imtech Germany's central management, but that this happened on a large scale. Multiple members of German regional management were involved, as well as certain staff members, although their involvement and knowledge is likely to have been limited to certain aspects involving their respective areas of responsibility, without knowledge of its full scope and impact of the matter. To ensure that Imtech Germany's operation can be conducted in a controlled and uninterrupted manner, appropriate remedial actions in relation to these employees require a balanced approach also taking into account labour law restrictions. However, considerable steps have already been taken in this regard, including concluding

employment termination agreements and implementing changes in positions. An extensive business ethics training programme with mandatory participation is in the process of being set up. To the extent that managers and employees involved in, or aware of, certain irregularities continue to work with Imtech Germany (whether in their original or in a new position), we are confident that our tightened set of controls, combined with our shift in financial focus from revenue and EBITA growth to healthy working capital and cash generation, should avoid inflation of financial information and substantive further irregularities generally in the future.

### 6.3 **Netherlands**

It is customary for Imtech companies to work together and, where appropriate, to invoice each other for work performed. However, following the discovery of possible irregularities in relation to projects carried out by Imtech Germany and Imtech Poland, questions were raised about certain invoices made out by Imtech Netherlands to Imtech Germany and Imtech Poland. These invoices were investigated as part of the Corrective Actions. For some of the invoices investigated, a proper business justification could be established. Others, however, have been reversed for the following reasons.

- In 2009, 2010 and 2011, Imtech Netherlands made out several invoices to Imtech Germany in an aggregate amount of EUR 12 million. According to the findings from the Corrective Actions, this amount related to a project jointly performed by Imtech Germany and Imtech Netherlands. The project resulted in a profit for Imtech Germany, but a loss for Imtech Netherlands. The Former CEO argued that the loss for Imtech Netherlands was also, if not mainly, attributable to Imtech Germany because of its role in the execution of the project and because Imtech Germany participated in the main consortium for the project, and not Imtech Netherlands. For that reason, the Former CEO instructed Imtech Netherlands to charge on part of the loss to Imtech Germany in separate tranches in 2009, 2010 and 2011. According to the Former CEO, making this type of decision was not uncustomary and desirable to promote cooperation between operating entities within Imtech. However, parts of the invoices were made out with reference to another project, which Imtech Netherlands had not worked on. In addition, the amounts which the invoices related to were accounted for as revenues by Imtech Netherlands and recorded as work in progress (and not as costs) by Imtech Germany. These revenues and work in progress should have been eliminated for the purpose of Royal Imtech's consolidated financial statements. This however did not happen. As a result, the profits of Royal Imtech were inflated by the amount of the invoices, with EUR 2 million for 2009, EUR 7 million for 2010, EUR 3 million for 2011.

On the basis of the findings from the Corrective Actions, we accept that the Former CEO may have had business reasons for his decision to instruct Imtech Netherlands to invoice Imtech Germany for part of its loss, as there are indications that part of the loss for Imtech Netherlands was indeed attributable to Imtech Germany. However, we consider these reasons to be insufficient, as the amount of the invoices was not determined at arm's length. For these reasons, we have determined to reverse the decision. The Corrective Actions did not reveal evidence that at the time the Former Board of Management was aware that the invoices were partly made out in relation to another project or that the amounts concerned were not eliminated for the purpose of Royal Imtech's consolidated financial information. However, sometime in 2012 the Former German CEO informed the Former CEO that in September 2011 Imtech Germany had charged two of the invoices with an aggregate amount of EUR 3 million to a different project, as the project accounts for the project itself had been closed at the time. The Corrective Actions do not provide any indications that the Former CEO took any actions in this regard. The Supervisory Board was not made aware of the invoices or their accounting treatment.

- In 2011 and 2012, Imtech Netherlands made out several invoices to Imtech Germany and Imtech Poland in an aggregate amount of EUR 14 million. According to the findings from the Corrective Actions, this amount related to contracts which were part of the AWW Project. According to the Former CEO, the AWW Project was acquired by Imtech through Imtech Netherlands from contacts between Imtech Netherlands and the AWW Director. Although Imtech Netherlands initially intended to carry out the AWW Project itself, the Former CEO decided that it would be carried out by Imtech Germany through Imtech Poland but that as a compensation Imtech Netherlands could invoice an acquisition fee. Part of this fee was invoiced to Imtech Germany, and part of it was invoiced to Imtech Poland directly. Part of the documentation backing up the invoices was backdated. The Corrective Actions have not produced evidence that the Former Board of Management was aware of the back-dating. Also, in November 2012 two invoices with a total amount of EUR 5 million were made out with reference to another project, which Imtech Netherlands had not worked on. According to the Former CEO, by the time these invoices were to be made out, he no longer considered it prudent to charge the acquisition fee as the financing of the AWW Project had become uncertain (as set out in paragraph 6.1.1). However, according to the Former CEO, the Former German CEO insisted that the acquisition fee be paid and informed the Former CEO that the invoices were to be charged to another project. The Corrective Actions do not provide any indications that the Former CEO took any actions in this regard. According to the Former CEO this was an oversight on his part.

Also, the amounts which the invoices related to were accounted for as revenues by Imtech Netherlands and recorded as work in progress by Imtech Germany. These revenues and work in progress should have been eliminated for the purpose of Royal Imtech's consolidated financial information. This, however, did not happen. As a result, over the years the profits of Royal Imtech were inflated by the amount of the invoices, with EUR 4 million in 2011 and EUR 5 million for the first half year of 2012.

On the basis of the findings from the Corrective Actions, the Former CEO may have had business reasons for his decision to instruct Imtech Netherlands to charge an acquisition fee for the AWW Project to Imtech Germany and Imtech Poland, but we consider these reasons to be insufficient. In any event, to the extent that the fee was charged to another project, it is obvious that this needed to be corrected. More generally, taking into account that the AWW Project has failed, we have determined to reverse the decision in its entirety. The Corrective Actions have not produced indications that the Former Board of Management was aware that the amounts concerned were not eliminated for the purpose of Royal Imtech's consolidated financial information. The Supervisory Board was not aware of the invoices or the way they were accounted for.

The reversal of the invoices referred to above accounts for EUR 26 million of the write-offs made in relation to Imtech Netherlands. Other write-offs relate to normal accounting adjustments.

#### **6.4 Other matters**

In February 2011 Mr Y, on the instruction of the Former German CEO, started an investigation into possible irregularities, among others in connection with a specific project referred to as "Project Blue". On 31 May 2011, after partially completing his investigation, Mr Y wrote a letter to the Chairman of the Supervisory Board setting out that his findings did not lend themselves for discussion with the management of Imtech Germany and asked for a meeting with the Supervisory Board. Subsequently, Mr Y's investigation was terminated by the management of Imtech Germany, according to Mr Y because he had informed the German management of his letter to the Chairman of the Supervisory Board and the Former German CEO sought to prevent Mr Y from carrying out a more thorough investigation. In June 2011, Mr Y sent a preliminary report on his investigation to the Former CEO of Imtech Germany. The report lacked coherence and provided little substance or grounds to the allegations made.

Following receipt of the letter of 31 May 2011 from Mr Y, at the initiative of the Supervisory Board, Royal Imtech asked Imtech Germany to clarify if

irregularities concerning Project Blue had occurred. In July 2011 Imtech Germany instructed a big four accounting firm to further investigate alleged irregularities concerning "Project Blue". In October 2011 the accounting firm reported its findings. These findings included that Project Blue had been mismanaged by its internal and an external project manager, that one or more subcontractors of Imtech Germany had submitted incorrect invoices and that construction material had been thrown away or stolen and later resold to Imtech Germany.

By letter of 13 February 2013, a lawyer representing Mr Y informed the Chairman of the Supervisory Board that the press coverage at the time had alerted Mr Y to the situation Imtech found itself in and that based upon his investigation in 2011 Mr Y had more insight into possible irregularities at Imtech Germany. In the letter, Mr Y's lawyer requested an appointment with the Chairman of the Supervisory Board in order to discuss a possible cooperation between Imtech and Mr Y.

The meeting requested by Mr Y's lawyer took place on 23 April 2013. At that meeting, Mr Y alleged that irregularities not mentioned in his preliminary report had occurred at Imtech Germany. Mr Y also stated that after his dismissal the Former German CEO was kept informed about developments by employees within Imtech, which statement we believe to be true. At the meeting, Mr Y reiterated his offer to complete and expand his investigation. For that purpose, Imtech was to engage Mr Y as an adviser on financial and other terms to be agreed. As Royal Imtech already had the benefit of substantial reporting from external expert advisers, Mr Y's offer was declined.

Following the meeting, on 31 May 2013 a lawyer representing Mr Y sent two further letters, this time to Imtech Germany and to De Brauw as Royal Imtech's legal advisers. In his letter to De Brauw, Mr Y's legal adviser set out more allegations of irregularities, including unethical behaviour by employees of Imtech Germany, and again reiterated his offer to be engaged by Royal Imtech to conduct a further investigation. In his letter to Imtech Germany, the legal adviser to Mr Y alleges that the original instruction from February 2011 by Imtech Germany to Mr Y to conduct an investigation has not been properly terminated, and that therefore Mr Y continues to be entitled to remuneration.

Following these letters, Royal Imtech has invited Mr Y to meet in order for him to substantiate and elaborate on the alleged irregularities referred to by him. Mr Y has replied that he will consider the invitation.



## 7 Further actions

The discovery of derailments and possible irregularities at Imtech Poland was the beginning for Imtech of what can be described best as a rollercoaster of events. Imtech has faced substantial managerial, operational and financial challenges, although its core operations have remained largely the same. The Corrective Actions, and the events uncovered by them, have come at considerable cost. The expected directly related costs will amount to about EUR 110 million including costs of external expert advice, waiver and similar fees, underwriting fees and related costs for the expected rights issue (as described in paragraph 4.5.4), one off fees, an increase of the costs of KPMG as Royal Imtech's auditor and other miscellaneous costs. Increased interest costs are not included in this amount.

We have already taken important remedial actions in relation to the irregularities described in this Report. Individuals with a significant role in the irregularities have left Imtech (as described in paragraphs 6.1.5 and 6.2.4). We will continue to upgrade and train management and staff of Imtech as appropriate. We have adapted Imtech's strategy to the new situation, thereby reducing the Imtech's inherent risk profile (as described in paragraph 5.2). We have substantially tightened Imtech's Governance, risk and compliance framework including Imtech's financial and business controls, and refocused Imtech's incentive programmes in line with its new strategic and business focus (as described in paragraph 4.2). The Board of Management will give a strong internal signal about the need to comply with rules and regulations by publishing practical do's and don'ts which emphasise a right mix of integrity, loyalty and critical thinking. We are confident that the measures taken substantially reduce the risk of irregularities as described in this Report reoccurring in the future. We have asked the Former CEO and the Former CFO to return in full their short- and long-term variable income over 2010 and 2011 and we will take further steps in this regard where available. The Former CEO and the Former CFO have already agreed not to seek any variable income for 2012.

In addition to the remedial actions already taken, we will set up an extensive business ethics training programme for which participation will be mandatory. We are considering recovery under insurance policies taken out by Imtech. We aim to press charges in relation to those irregularities that may have constituted criminal offences. We may seek to recoup damages suffered from individuals and entities involved in irregularities, based on a cost-benefit analysis and taking into account that the outcome of legal proceedings is always uncertain.

Although some additional investigative measures may be necessary to support the remedial actions referred to above, we do not propose to conduct further

extensive investigations into derailments and irregularities within Imtech. It is sufficiently clear from the Corrective Actions that in some areas things went fundamentally and progressively wrong. However, the Corrective Actions did not reveal any indications that the Former Board of Management was involved in, or knowingly aware of, mishaps and wrongdoing in relation to Imtech Germany or Imtech Poland. The Former Board of Management was aware or could have been aware of certain matters relating to invoices sent by Imtech Netherlands to Imtech Germany as described in paragraph 6.3. Furthermore, the Former Board of Management did not disclose to the Supervisory Board and KPMG the extension of the promissory note, the irregular drawing of two bank guarantees with an aggregate amount of EUR 17.3 million issued to AWW and the resulting costs for Imtech, and AWW's financial position generally. Such openness would have facilitated a discussion about these sizeable matters (also in financial terms) in the Supervisory Board and with KPMG. Also, admittedly Imtech would have benefitted from a "tone from the top" from the Former Board of Management that more strongly reinforced respect for internal controls, both in their design and their adherence. Furthermore, with the added benefit of hindsight, a higher degree of professional scepticism could have been applied in respect of the processes for managing and monitoring the risks affecting Imtech and the financial performance of Imtech Germany. However, as should be clear from this Report, the events which have affected Imtech have been investigated, reviewed and analysed with a high level of detail with substantial support of various external expert advisers. Although further investigations could add more detail, they will most probably not significantly impact the findings from the investigative actions taken to date or the remedial actions taken to address them.

We, the Board of Management and the Supervisory Board, value the opportunity to account to Royal Imtech's shareholders for what went wrong at Imtech. The Board of Management and the Supervisory Board are confident that the Corrective Actions have revealed whatever material derailments and irregularities may have occurred at Imtech and that all necessary actions have been taken to minimise the risk of future mishaps. The Supervisory Board acknowledges that the events uncovered during the Corrective Actions occurred "on its watch". It deeply regrets that those events occurred and were not detected at an earlier and less progressed stage.

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## Annex 2 – Glossary

<b>Audit Committee</b>	The Audit Committee of the Supervisory Board
<b>AWW</b>	Adventure World Warsaw Sp. z o.o (formerly named Las Palm Sp. z o.o)
<b>AWW Director</b>	P.J. Mulder, an investor in and director of AWW
<b>AWW Investor</b>	An investor in AWW or the company through which he made his investment, and certain affiliated entities, as the context may require
<b>AWW Project</b>	The four projects awarded to Imtech Poland by AWW and an affiliate entity for construction work to be performed on Adventure World Warsaw and two waste treatment plants
<b>AWW Settlement</b>	The agreement between Imtech, AAW, the AWW Investor and the AWW Director and certain entities and individuals affiliated to him providing for the settlement of disputes between the parties in relation to the AWW Project
<b>Board of Management</b>	The Board of Management ( <i>Raad van Bestuur</i> ) of Royal Imtech
<b>Construction Works Contract</b>	The Construction Works Contract commissioning the construction of works for Adventure World Warsaw with a contract value for Imtech Poland of EUR 480 million
<b>Corrective Actions</b>	The actions summarised in chapter 3 of this Report
<b>De Brauw</b>	De Brauw Blackstone Westbroek N.V., a Dutch law firm
<b>E&amp;Y Accountants</b>	Ernst & Young Accountants LLP
<b>E&amp;Y FIDS</b>	Ernst & Young Fraud Investigation and Dispute Services, a part of E&Y Accountants
<b>E&amp;Y RAS</b>	Ernst & Young Risk Advisory Services, a part of E&Y Accountants
<b>Executive Council</b>	The Executive Council set up in 2010 as part of Royal Imtech's new governance model
<b>Former Board of Management</b>	The Board of Management composed of the Former CEO and the Former CFO
<b>Former CEO</b>	Mr R. van der Bruggen, the former CEO of Royal Imtech, who retired effective 3 April 2013
<b>Former CFO</b>	Mr B. Gerner, the former CFO of Royal Imtech, who laid down that function effective 8 February 2013
<b>Former German CEO</b>	The former CEO of Imtech Germany, who was dismissed for cause on 6 May 2013
<b>Former German CFO</b>	The former CFO of Imtech Germany, who was dismissed for cause on 6 May 2013
<b>Former German Chief Controller</b>	The former Chief Controller of Imtech Germany, who was dismissed for cause on 6 May 2013
<b>Former Polish CEO</b>	The former CEO of Imtech Poland, who was dismissed for

	cause on 7 February 2013
<b>Former Polish Second Board Member</b>	The former second board member of Imtech Poland (in addition to the Former Polish CEO), who was dismissed for cause on 7 February 2013
<b>Hengeler</b>	Hengeler Mueller, Partnerschaft von Rechtsanwälten
<b>Imtech Germany</b>	Imtech Germany GmbH & Co. KG, the principal German subsidiary of Royal Imtech
<b>Imtech Netherlands</b>	Imtech Nederland B.V.
<b>Imtech Poland</b>	Imtech Polska sp. z o.o., the principal Polish subsidiary of Royal Imtech
<b>Imtech</b>	The Imtech group, composed of Royal Imtech and its subsidiaries
<b>KPMG</b>	KPMG Accountants N.V. in its capacity as Royal Imtech's auditor or other firms of the international KPMG network, as applicable
<b>Mr X</b>	The person controlling the X Group
<b>Mr Y</b>	The individual referred to in paragraph 6.4
<b>Risk Management Council</b>	The Risk Management Council set up in 2010 as part of Royal Imtech's new governance model
<b>Royal Imtech</b>	Royal Imtech N.V.
<b>SK&amp;S</b>	Sołtysiński Kawecki & Szlęzak, a Polish law firm
<b>Supervisory Board</b>	The Supervisory Board ( <i>Raad van Commissarissen</i> ) of Royal Imtech
<b>Waiver and Amendment Agreements</b>	The waiver agreements concluded by Royal Imtech with Imtech's main financiers, providing for waivers of certain events of default relating to the events described in this Report
<b>Whistle-Blowers Letter</b>	The letter to Royal Imtech dated 4 February 2013 setting out several alleged irregularities in relation to Imtech Germany and Imtech Poland
<b>X Group</b>	The group of companies under the control of Mr X

## **Annex 3 – Press releases**

### **4 February 2013**

#### **Imtech investigates Polish projects and postpones publication of its 2012 financial statements**

- Substantial write-off of at least 100 million euro expected on Polish projects
- Board of Management orders forensic investigation into possible irregularities
- Local Polish management suspended
- Reclassification of cash and cash equivalents in 2012 half-yearly financial statements
- Write-off will lead to non-fulfillment of covenants with lenders
- EBITA for 2012, before write-off on Polish projects and extraordinary items, higher than in 2011
- No dividend distribution over 2012 expected
- Annual General Meeting of Shareholders on 3 April 2013 postponed

### **5 February 2013**

#### **CEO and CFO of Imtech Deutschland step down as a result of situation in Poland**

### **8 February 2013**

#### **Hans Turkesteen appointed as new CFO, Boudewijn Gerner steps down as CFO**

### **27 February 2013**

#### **Gerard van de Aast appointed CEO, René van der Bruggen retires**

### **27 February 2013**

#### **Imtech will strengthen equity through EUR 500 million rights issue**

- Rights issue will be completely used for debt reduction
- Measures to make financial structure more robust
- Write-off of EUR 150 million for Polish projects
- Write-off of EUR 150 million for German projects
- Strengthening management model

### **12 March 2013**

#### **Royal Imtech reaches out-of-court settlement with Adventure World Warsaw**

### **20 March 2013**

#### **Imtech reaches agreement with its main financiers**

### **23 April 2013**

#### **Imtech announces reorganisation**

- Imtech had a difficult first quarter
- Reorganisation costs EUR 80 million; a loss of 1,300 jobs
- Order book remains on level

- The investigations into Polish and German projects are reaching the final stages; write-off in Germany amounts to approximately EUR 220 million, Polish write-off remains approximately EUR 150 million
- Good progress towards implementing the new management model
- Finalisation of full-year 2012 annual accounts is taking more time
- Investigation results and full-year 2012 figures will be discussed during the Annual General Meeting of Shareholders on 28 June 2013

#### **17 May 2013**

##### **Imtech publishes agenda for Annual General Meeting of shareholders**

- Annual General Meeting of shareholders to take place on June 2013
- Publication of annual figures and report regarding events and observations to be released early June 2013

#### **21 May 2013**

##### **Imtech publishes preliminary Annual Figures for 2012**

- Publication of preliminary annual figures important next step in recovery plan
- Net loss of EUR 226 million in 2012
- Adjusted annual figures and opening balance sheet for 2011
- Annual report, definite annual figures and the audited annual accounts expected early June 2013
- Revenues in 2012 increased by 8% to EUR 5.5 billion

#### **17 June 2013**

##### **Imtech reaches final agreement with its main financiers**