

# 5. Discretionary measurements and significant accounting estimates

The preparation of the consolidated financial statements and accompanying explanatory notes in accordance with IFRS requires the management to make estimates and assumptions based on subjective opinions, past experience and reasonable and realistic assumptions in view of the information known at the time of the estimate. These estimates have an impact on the values of the assets and

liabilities and information relating to contingent assets and liabilities at the reporting date, as well as on the amount of revenues and costs for the period under review. The actual amounts could be significantly different, following possible changes in the factors used to determine such estimates. Estimates are periodically reviewed.

The estimates and assumptions used in the preparation of these consolidated financial statements are set out below:

Accounting area	Accounting estimates
Provision for impairment losses on receivables	The recoverability of receivables is measured by taking into account the risk of non-payment, ageing and bad debts recognised in the past for similar types of receivables.
Intangible assets and Equity investments	The recoverability of the amount recognised in the statement of financial position is evaluated through impairment tests to detect if there are any indicators of impairment. See Note 19 and 20 for details on the assumptions used.
Provisions, contingent liabilities and employee benefits	Provisions linked to legal disputes, arbitration and tax disputes are the result of a complex estimation process which is partly based on the probability of losing the case. Provisions linked to employee benefits, particularly termination benefits, are determined based on actuarial assumptions; changes in these assumptions could have a material impact on these provisions.
Revenues from work in progress	A significant part of the Group's activities is typically carried out on the basis of contracts that involve a payment determined when the contract is awarded. This means that the margins on contracts of this type could change compared with the original estimates, depending on the recoverability or otherwise of the additional expenses and/or costs that the Group could incur during the performance of the contracts.
Income tax	Income tax (current and deferred) is calculated in each country in which the Group operates based on a prudent interpretation of the prevailing tax legislation. This process at times involves complex estimates to determine taxable income and deductible and taxable temporary differences between carrying amounts and taxable amounts. In particular, prepaid tax assets are recognised insofar as it is probable that a future taxable income will be available against which they can be recovered. The measurement of the recoverability of prepaid tax assets, recognised in relation both to tax losses that can be used in subsequent periods and deductible temporary differences, takes into account the estimate of future taxable income and is based on conservative tax planning.
Derivatives and equity instruments	The fair value of derivatives and equity instruments is determined both on the basis of values recognised on regulated markets or quotations supplied by financial counterparties, and based on valuation models that also take into account subjective valuations such as estimated cash flows, expected price volatility, etc.
Goodwill	See Note 6 for details of the estimates used to measure the recoverability of goodwill and any evidence of impairment.

In the absence of a standard or interpretation specifically applicable to a certain transaction, the management defines, through subjective weighted assessments, the accounting policies to be adopted with a view to providing a set of financial statements

that give a true and fair view of the financial position, results from operations and cash flows of the Group; reflect the economic substance of the transactions; and are neutral, prepared on a prudent basis and complete in all material respects.