OFFICINE MACCAFERRI S.p.A.

First Quarter report to the bondholders

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following is a discussion and analysis of the Group's results of operations and financial condition based on interim condensed consolidated financial statements of the Company for the three month ended March 31, 2017 and 2016 (the "**Unaudited Interim Condensed Consolidated Financial Statements**") and other sources of Company data. The Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with Italian GAAP. We have, however, reclassified the Italian GAAP line items in a manner that makes them more easily comparable to the financial information of other business who do not use Italian GAAP.*

Some of the measures used in this first quarter-year report to the bondholders are not measurements of financial performance under Italian-GAAP, IFRS or any other generally accepted accounting principles and should not be considered an alternative to cash flow from operating activities, as a measure of liquidity or an alternative to operating income/(loss) or income/(loss) for the period, as indicators of the Company's operating performance or any other measures of performance derived in accordance with Italian-GAAP, IFRS or any other generally accepted accounting principles.

Overview

We are a global leader in the design, manufacture and provision of engineered products and solutions that are used in a broad array of end markets, including environmental protection, civil and urban infrastructure, hydraulic and coastal works and certain other industrial applications, such as, mining, oil and gas, agriculture and aquaculture among others. Within these markets our products are used for critical applications including: retaining walls, reinforced soils, road stabilization and support, tunneling, erosion and coastal protection, river training works, hydraulic structures, natural hazard mitigation, drainage and landfills, among others.
Our leadership position in key solutions is underpinned by engineering expertise acquired over 135 years of industry experience.
We operate an integrated business model (design, manufacture, supply and after-sale support) through a network of about 70 companies and 30 production facilities strategically located in key markets, and a presence in more than 100 countries across five continents. In order to support the sale of our individual products, and strengthen our market position, a key part of our business model is to offer integrated solutions to the engineering issues faced by our clients, incorporating multiple products and solutions and providing advice and support in design, installation and maintenance.

We broadly classify our versatile products into four main categories:

• *Double twist mesh:* our "*Gabions*", "*Reno Mattresses*" and other products are steel-wire mesh baskets filled with rock, sand or other materials to form flexible, durable and permeable building blocks from which a broad range of structures can be built to prevent soil erosion, support unstable ground and strengthen soils within excavation and land-design works in mining, construction and other civil engineering projects;

• *Geosynthetics:* our geogrids, mats, drainage geocomposites, geomembranes and textiles are made from synthetic fibers and other components (such as steel) for construction engineering uses from soil reinforcement and erosion protection to landfill membranes and drainage;

• *Rockfall protection and snow net structures:* our light-weight and flexible structures are designed to protect assets and infrastructure from hydro-geotechnical hazards such as debris flows, rockfalls and avalanches; and

• *Other products and services:* we offer a range of products and services to address our clients' specific project needs, including *tunneling & flooring*, *vertical concrete retaining walls*, *engineering support services* and *wire manufacturing*.

Our expertise in each of our product areas allows us to offer clients integrated, engineered solutions, combining a range of products and technical expertise and know-how to address each client's specific requirements. Our vertically integrated business model covers the full value chain, allowing us to offer bespoke solutions to our clients through our involvement in each step of the process: (i) we design and engineer the ideal solution for the end user foreseeing the utilization of our products; (ii) we manufacture our products in our own facilities around the world; (iii) we deliver our products to our clients' project sites (with transportation costs typically passed through to clients); and (iv) we can supervise installation and provide expert technical assistance through our local teams on the ground when our clients require it. Our comprehensive product offering and global infrastructure, along with our extensive relationships with customers and end-users, provide us with access to attractive markets worldwide, visibility into upcoming projects and the flexibility to serve

customers regardless of geographic location. Furthermore, our extensive geographical footprint allows us to respond quickly and efficiently to new orders, which serves as a key competitive advantage relative to our peers.
We are active both in mature markets, like Western Europe and the United States, and emerging markets like Latin America, Russia, the Middle East, Africa, China and countries throughout Southeast Asia. In addition to our geographic diversification, we have a broad client base diversified across products and geographies with limited client concentration.

Results of operations

Results of Operation for the three month period ended March 31, 2017 and 2016

The unaudited interim condensed consolidated financial statements reported in this report to the bondholders have been reclassified as described below:

- Consolidated balance sheet presented herein classifies assets and liabilities on the basis of their liquidity, where (i) non-current assets comprise those assets realizable after twelve months from the date and include mainly property, plant and equipment, intangible assets and investments; (ii) current assets comprise those assets realizable within twelve months from the reporting date; (iii) non-current liabilities comprise the payables due after twelve months from the reporting date, including financial liabilities, provisions for risks and charges and employee termination indemnities; and (iv) current liabilities comprise the payables due within twelve months of the reporting date, including the current portion of medium and long term loans, provisions for risks and charges and of employee termination indemnities;
- Consolidated income statement classifies costs by nature. Furthermore in order ensure the full comparability with the past years, the income statement separates the recurring income and expenses from the non-recurring income and expenses even if, this separation have been eliminated from the income statement schedule by the Italian General Accounting Principles;
- Consolidated statements of cash flows have been prepared on the basis of the indirect method distinguishing between cash flows from operating, investing and financing activities.

The following table sets forth the interim unaudited condensed consolidated income statement of the Company for the three month period ended March 31, 2017 and 2016.

(Euro/000)	**Q1 2017**	**% of Total Revenue**	**Q1 2016**	**% of Total Revenue**
Revenue from sales and services	99,214	92.7%	90,547	94.8%
Other revenue	7,799	7.3%	4,945	5.2%
Total revenue	**107,012**	**100.0%**	**95,493**	**100.0%**
Costs of materials and consumables	(60,237)	(56.3%)	(50,942)	(53.3%)
Costs of services and use of third party assets	(24,666)	(23.0%)	(23,515)	(24.6%)
Costs of personnel	(19,900)	(18.6%)	(18,184)	(19.0%)
Other operating costs	(249)	(0.2%)	(322)	(0.3%)
Total Operating costs	**(105,053)**	**(98.2%)**	**(92,963)**	**(97.4%)**
EBITDA	**1,959**	**1.8%**	**2,530**	**2.6%**
Amortization, depreciation and write downs	(4,096)	(3.8%)	(4,204)	(4.4%)
Accrual to provision for risks and charges	(61)	(0.1%)	(96)	(0.1%)
Total Amortiz., deprec., write downs and prov.	**(4,157)**	**(3.9%)**	**(4,300)**	**(4.5%)**
Operating income	**(2,198)**	**(2.1%)**	**(1,770)**	**(1.9%)**
Financial income	772	0.7%	766	0.8%
Financial expenses	(4,222)	(3.9%)	(3,807)	(4.0%)
Gains/(losses) on exchange rate	(185)	(0.2%)	(1,108)	(1.2%)
Net expenses and losses from financial activitie	**(3,635)**	**(3.4%)**	**(4,149)**	**(4.3%)**
Net non-recurring expenses and charges	(814)	(0.8%)	(710)	(0.7%)
Income before taxes	**(6,646)**	**(6.2%)**	**(6,629)**	**(6.9%)**
(Income taxes)/tax benefit	1,068	1.0%	1,209	1.3%
Net Income / (Losses) for the period	**(5,578)**	**(5.2%)**	**(5,420)**	**(5.7%)**
Attributable to non-controlling interests	(61)		(217)	
Attributable to equity holders of the parent	(5,638)		(5,638)	

Consolidated Income statement

The following table sets forth the interim unaudited condensed consolidated income statement of the Company for the three month period ended March 31, 2017 and 2016 and for the twelve month ended March 31, 2017

(Euro/000)	Q1 2017	% of Total Revenue	Q1 2016	% of Total Revenue	LTM	% of Total Revenue	YE 2016	% of Total Revenue
Revenue from sales and services	99,214	92.7%	90,547	94.8%	460,019	96.4%	451,353	97.0%
Other revenue	7,799	7.3%	4,945	5.2%	16,993	3.6%	14,140	3.0%
Total revenue	**107,012**	**100.0%**	**95,493**	**100.0%**	**477,012**	**100.0%**	**465,493**	**100.0%**
Costs of materials and consumables	(60,237)	(56.3%)	(50,942)	(53.3%)	(257,992)	(54.1%)	(248,696)	(53.4%)
Costs of services and use of third party assets	(24,666)	(23.0%)	(23,515)	(24.6%)	(102,036)	(21.4%)	(100,885)	(21.7%)
Costs of personnel	(19,900)	(18.6%)	(18,184)	(19.0%)	(76,978)	(16.1%)	(75,262)	(16.2%)
Other operating costs	(249)	(0.2%)	(322)	(0.3%)	(715)	(0.1%)	(788)	(0.2%)
Total Operating costs	**(105,053)**	**(98.2%)**	**(92,963)**	**(97.4%)**	**(437,720)**	**(91.8%)**	**(425,630)**	**(91.4%)**
EBITDA	**1,959**	**1.8%**	**2,530**	**2.6%**	**39,292**	**8.2%**	**39,863**	**8.6%**
Amortization, depreciation and write downs	(4,096)	(3.8%)	(4,204)	(4.4%)	(17,405)	(3.6%)	(17,514)	(3.8%)
Accrual to provision for risks and charges	(61)	(0.1%)	(96)	(0.1%)	(749)	(0.2%)	(784)	(0.2%)
Total Amortiz., deprec., write downs and prov.	**(4,157)**	**(3.9%)**	**(4,300)**	**(4.5%)**	**(18,154)**	**(3.8%)**	**(18,297)**	**(3.9%)**
Operating income	**(2,198)**	**(2.1%)**	**(1,770)**	**(1.9%)**	**21,138**	**4.4%**	**21,566**	**4.6%**
Financial income	772	0.7%	766	0.8%	3,343	0.7%	3,337	0.7%
Financial expenses	(4,222)	(3.9%)	(3,807)	(4.0%)	(17,277)	(3.6%)	(16,862)	(3.6%)
Gains/(losses) on exchange rate	(185)	(0.2%)	(1,108)	(1.2%)	(935)	(0.2%)	(1,858)	(0.4%)
Net expenses and losses from financial activitie	**(3,635)**	**(3.4%)**	**(4,149)**	**(4.3%)**	**(14,869)**	**(3.1%)**	**(15,383)**	**(3.3%)**
Net non-recurring expenses and charges	(814)	(0.8%)	(710)	(0.7%)	(3,152)	(0.7%)	(3,048)	(0.7%)
Income before taxes	**(6,646)**	**(6.2%)**	**(6,629)**	**(6.9%)**	**3,117**	**0.7%**	**3,134**	**0.7%**
(Income taxes)/tax benefit	1,068	1.0%	1,209	1.3%	(1,816)	(0.4%)	(1,675)	(0.4%)
Net Income / (Losses) for the period	**(5,578)**	**(5.2%)**	**(5,420)**	**(5.7%)**	**1,301**	**0.3%**	**1,459**	**0.3%**
Attributable to non-controlling interests	(61)		(217)		(1,255)		(1,412)	
Attributable to equity holders of the parent	(5,638)		(5,638)		47		47	

Revenue from sale of goods and services

Revenue from sale of goods and services for the three month period ended March 31, 2017, increased 9.6% to €99.2 million from €90.6 million for the comparable period of 2016.

The following table shows our total revenue from sale of goods and services by geographic area for the three month period ended March 31, 2017 and 2016.

(Euro/000)	2017	2016
Revenues from sales of goods	93,994	85,033
Revenues from services	5,220	5,515
Total revenues from sales and services	**99,214**	**90,547**

			For the three month period ended March 31,	
(Euro/000)	**3 Month 2017**	**3 Month 2016**	**Amount**	**%**
EMEA (Ex Italy)	32,817	29,694	3,123	10.5%
Latin America	26,195	24,163	2,031	8.4%
Asia Pacific	20,021	17,980	2,041	11.3%
Italy	12,035	10,459	1,576	15.1%
NAFTA	8,147	8,251	(104)	(1.3%)
Total	**99,214**	**90,547**	**8,666**	**9.6%**

The decrease of €11.4 million in revenue from sale of goods and services was primarily attributable to a combination of the following:

- in EMEA, increase of 10,5% in sales thanks mainly to positive performance in particular in Spain and Russia. The overall trend in EMEA has been affected by the positive performance of the fibers business of the JV with Bekaert.

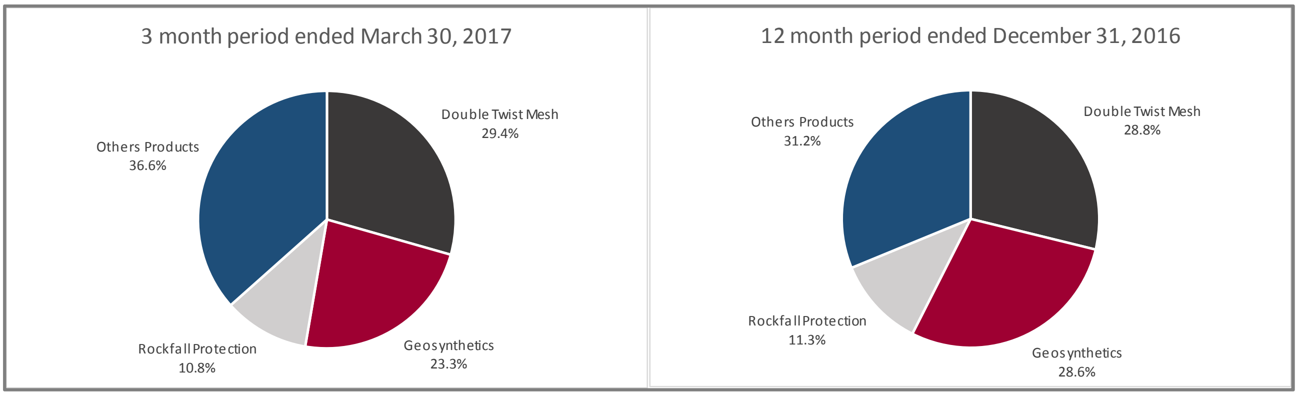
- in Latin America despite the still critical political situation in Brazil, revenues are higher than previous year thanks also to a positive effect for revalutaion of Brl exchange. The remaining Latin America countries are quite in line with previous year, except for Perù where some projects have been delayed because of particular adverse weather conditions in the first months of the year.

- in Asia Pacific, first quarter performance better than previous year thanks to Indonesia, Malaysia and China with a positive outlook for next quarters. India in line with previous year notwithstanding a slow departure because of adverse weather conditions that have deferred some projects, to be recovered in the next quarters

- Italy performs positively in the first quarter with signals of a recovery vs previous year.

- revenues in Nafta area almost in line with previous year thanks to the positive performance of of the US subsidiary after some years of poor performance. Mexico in delay compared to 2016 due to projects rescheduling to Q2/Q3.

The chart below shows our total revenue by product category for the three month period ended March 31, 2017 compared to the twelve month period ended December 31, 2016:



The difference in the product mix, compared to previous year, is mainly due to the increase, in the first quarter, of Others product sales, in particular Wire and Fibers in the Emea area and Wire in Brazil.

Other revenues

Other revenues for the three month period ended March 31, 2017, increased 57.7% to €7.8 million from €4.9 million for the comparable period of 2016. The increase of €2.9 million was primarily due to higher increase of stock for semi-finished and finished products mainlt because, in Q1 2017, the new production hub in Seniza (Slovaky) has reached the full operation while in Q1 2016 it was in the start up phase.

Cost of materials and consumables

Cost of materials and consumables for the three month period ended March 31, 2017, increased 18.2% to €60.2 million from €50.9 million for the comparable period of 2016. The increase of €9.3 million was primarily due to the higher activities of the Group as showed by the 12.1% increase in total revenues. The incidence of the costs of materials and consumables on total revenues increased from 53.3% of the same period of the previous year to 56.3% due to a different mix of products sold.

Costs of services and use of third party assets

The following table shows our costs for services and use of third party assets for the three and three month period ended March 31, 2017 and 2016.

	For the three month period ended March 31,			
(Euro/000)	**2017**	**2016**	**Amount**	**%**
Transport expenses	3,274	3,237	37	1.1%
Accessory purchase expenses	639	-	639	-
Technical, legal, fiscal and consulting expenses	2,514	2,472	43	1.7%
Remuneration of directors, Board of auditors	185	251	(66)	(26.5%)
Advertising expenses	601	718	(117)	(16.3%)
Commissions	1,626	1,593	33	2.1%
Utilities expenses	1,665	1,662	4	0.2%
Travel expenses	1,613	1,570	42	2.7%
Banking service expenses	249	128	121	94.4%
Insurance expenses	334	362	(28)	(7.8%)
External manufacturing	573	954	(382)	(40.0%)
External maintenance	346	295	51	17.2%
IT consulting	739	495	244	49.3%
Information on client and debt collection	314	325	(11)	(3.3%)
Telephone and other communication expenses	357	354	3	0.9%
Audit Costs	286	188	98	52.0%
Other services	7,812	7,616	195	2.6%
Total cost of services	**23,127**	**22,220**	**906**	**4.1%**
Plant and equipment rents	592	420	172	40.9%
Selling and marketing rents	479	465	15	3.2%
Technical rents	117	106	11	10.3%
General and administrative rents	352	304	47	15.5%
Total cost for use of third parties assets	**1,540**	**1,295**	**245**	**18.9%**
Costs of services and use of third party assets	**24,666**	**23,515**	**1,151**	**4.9%**

Costs of services and use of third party assets for the three month period ended March 31, 2017, increased 4.9% to €24.7 million from €23.5 million for the comparable period of 2016. The increase of € 0.9 million of the cost of services is mainly due to the increase of €0.3 million in consulting expenses and the new item "accessory purchase expenses" of €0.7 million as a result of a different classification of these costs previously classified in the cost of material and consumables. The increase of €0.2 million of cost for use of third parties assets is mainly due to the higher rents paid by the Indian subsidiary for machinery used for the construction business, previously included in other service cost, and for the rent of the new production factory in Shirur (India), as well as the rent paid by the US subsidiary for a new office in Rockville (Washington) and new temporary warehouses in California and New Mexico.

Cost of personnel

Cost of personnel for the three month period ended March 31, 2017, increased 9.4% to €19.9 million from €18.2 million for the comparable period of 2016. The increase of €1.7 million includes a negative exchange rate effect of about €1.1 million of which €0.9 million coming from the strengthening of the Brazilian Real. The remaining increase is mainly due to the new hiring of sales managers and sector specialists made by the US and Mexican subsidiaries in order to better exploit the potential market and new sectors like mining, and the new hiring made by Maccaferri Manufacturing Europe S.R.O because in Q1 2017 the new production hub in Seniza (Slovaky) has reached the full operation. The incidence of the costs of personnel on total revenues remained substantially stable at 19%.

Other operating costs

Other operating costs for the three month period ended March 31, 2017, decreased of 22.6% to €0.2 million from €0.3 million of the comparable period of 2016. Its incidence on total revenues remained substantially stable at 0.2%.

Amortization, depreciation and write-downs

The following table shows our amortization, depreciation and write-downs for the three month period ended March 31, 2017 and 2016.

	For the three month period ended March 31,			
(Euro/000)	**2017**	**2016**	**Amount**	**%**
Amortization of intangible assets	1,151	1,079	71	6.6%
Depreciation of property, plant and equipment	2,674	2,664	10	0.4%
Accrual to allowance for doubtful accounts	271	460	(189)	(41.1%)
Total Amortization, depreciation and write downs	**4,096**	**4,204**	**(108)**	**(2.6%)**

Amortization, depreciation and accrual to allowances for bad debt provision for the three month period ended March 31, 2017, decreased 2.6% to €4.1 million from €4.2 million for the comparable period of 2016. The decrease of €0.1 million was primarily attributable to lower accrual to bad debt provision.

Income/(Losses) from financial activities

The following table shows our net expenses and losses from financial activities for the three month period ended March 31, 2017 and 2016.

	For the three month period ended March 31,			
(Euro/000)	**2017**	**2016**	**Amount**	**%**
Financial income	772	766	6	0.8%
Financial expenses	(4,222)	(3,807)	(415)	10.9%
Gain/(losses) on exchange rates	(185)	(1,108)	922	(83.3%)
Net income/(losses) from financial activities	**(3,635)**	**(4,149)**	**514**	**(12.4%)**

Net expenses and losses from financial activities for the three month period ended March 31, 2017 decreased 12.4% from the €4.1 million to €3.6 million from the comparable period of 2016. The decrease is mainly due to lower unrealized losses on exchange rate partially offset by higher interests and other financial expenses due to higher use of forward exchange contracts.

Net non-recurring expenses and charges

Net non-recurring expenses and charges for the three month period ended March 31, 2017, increased 14.6% to €0.8 million from €0.7 million for the comparable period of 2016. The amount of the current year is primarily attributable to cost incurred for the reorganization of Officine Maccaferri S.p.A.

Income taxes

Income taxes for the three month period ended March 31, 2017 decreased to a revenue of €1.1 million from €1.2 million for the comparable period of 2016 mainly thanks to the different taxable income mix in relation to the single tax jurisdiction which apply to the single companies in the consolidation area.

Consolidated balance sheet

The following table sets forth the interim unaudited condensed consolidated balance sheet of the Company for the three month period ended March 31, 2017 and December 31, 2016.

	March 31, 2017	December 31, 2016
(Euro/000)		
Intangible assets	28,819	29,834
of which goodwill	*18,976*	*19,457*
Property, plant and equipment	121,913	123,048
Investment in subsidiaries, associates, joint ventures and other companies	421	441
Other non-current assets	29,422	25,696
of which deferred tax assets	*25,106*	*21,781*
Total non-current assets	**180,575**	**179,019**
Cash and cash equivalents	30,883	46,619
Other current financial assets	32,000	29,000
Trade receivables	114,488	109,654
Inventories	99,490	85,238
Current tax receivables	17,447	15,112
Other current non-financial assets	24,124	16,434
Total current assets	**318,431**	**302,057**
Total assets	**499,006**	**481,076**
Shareholders' equity and liabilities		
Share capital	33,400	33,400
Reserves	39,203	37,572
Profit / (Loss) for the Year Group	(5,638)	47
Equity attributable to equity holders of the parent	**66,965**	**71,019**
Equity attributable to non-controlling interests	37,349	37,286
Total shareholders' equity	**104,314**	**108,305**
Non-current portion of banks loans and other financial liabilities	7,673	8,155
Non-current bonds	190,000	190,000
Employees' termination indemnity	1,022	1,463
Provisions for risks and charges	7,097	7,018
Deferred tax liabilities	7,096	6,908
Total non-current liabilities	**212,888**	**213,543**
Current portion of banks loans and other financial liabilities	49,815	23,394
Advance from customers	4,040	3,134
Trade payables	77,159	71,507
Current tax payables	8,440	6,405
Other current non-financial liabilities	42,350	54,787
Total current liabilities	**181,804**	**159,227**
Total liabilities	**394,692**	**372,770**
Total shareholders' equity and liabilities	**499,006**	**481,076**

Liquidity and Capital Resources

Cash flows

The following table summarizes our consolidated statements of cash flows for the three month period ended March 31, 2017 and 2016.

(Euro/000)	March 31, 2017	March 31, 2016
Net cash flow from operating activities	(36,899)	(30,656)
Net cash flow used in investing activities	(1,183)	(2,850)
Net cash flow from/(used in) financing activities	21,984	14,515
Net effect of foreign currencies exchange rate variation and of movement in Equity attributable to non-controlling interests	362	357
Cash and cash equivalent at the beginning of the period	**46,619**	**49,198**
Changes in cash and cash equivalent	(15,736)	(18,634)
Cash and cash equivalent at the end of the period	**30,883**	**30,564**

Net cash flow from operating activities

Three month ended March 31, 2017 and 2016

Our operating activities used a net cash of €36.9 million in the three month ended March 31, 2017, compared to net cash consumed of €30.7 million in the three month ended March 31, 2016. The €6.2 million increase in net cash from operating activities is primarily due to the worsening in working capital €6.6 million due to the combined effect of increase in turnover and higher stock level due to the fact in Q1 2017 the new production hub in Seniza (Slovaky) has reached the full operation.

Net cash flow used in investing activities

Three month ended March 31, 2017 and 2016

Our investing activities absorbed net cash for €1.2 million in the three month ended March 31, 2017, compared to absorption for €2.9 million in the first quarter of 2016. The cash used in the first quarter of 2017 is primarily due to investments in intangible and tangible assets for an amount of €1.0 million. The cash used in the first quarter of 2016 was primarily due to the payments of debts for the purchase of asset for €2.3 million.

Net cash flow from financing activities

Three month ended March 31, 2017 and 2016

Our financing activities produced net cash of €22 million in the three month ended March 31, 2017, compared to €14.5 million produced in the comparable period in 2016. This €7.5 million increase in net cash produced by financing activities was primarily due to the higher recourse of indebtedness to other financial institutions for €6.9 million and higher short terms banks debts for €3.2 million partially offset by an increase in the outstanding amount of the interest-bearing loan due from S.E.C.I. S.p.A for €1.0 million, lower share capital increase injection for €1.0 million and higher dividend payment for €0.5 million.

Net financial Indebtedness

The following table presents a reconciliation of our net financial indebtedness to line items of our balance sheet as of March 31, 2017 and December 31, 2016:

(Euro/000)	March 31, 2017	December 31, 2016
Non-current portion of banks loans and other financial liabilities	(7,673)	(8,155)
Non-current bonds	(190,000)	(190,000)
Current portion of banks loans and other financial liabilities	(49,815)	(23,394)
Gross Financial Indebtness	**(247,488)**	**(221,549)**
Other current financial assets (1)	32,000	29,000
Cash and cash equivalents	30,883	46,619
Net Financial Indebtness	**(184,605)**	**(145,930)**

(1) Refers primarily to receivables due to the Issuer from SECI by OM.

“Net financial indebtedness” is calculated as the sum of current and non-current bank loans and other financial liabilities and non-current bonds, less other current financial assets and cash and cash equivalents. Net financial indebtedness is not a measure of financial liquidity under Italian GAAP, IFRS or any other generally accepted accounting principles and should not be considered as an alternative to any other measures of performance derived in accordance with Italian GAAP.

Over the periods presented, we increased our Gross Financial Indebtedness mainly due to the increase in the current portion of bank loans and other financial liabilities; such increase is mainly due to the seasonal factors affecting our business, primarily the tendency for projects utilizing our products to be suspended during the winter months at the beginning of the year. As a result, we rely on short-term debt to a greater extent at the beginning of the year, but this debt is reduced during the course of the autumn and winter as our cash generation increases.

Net working capital

Our working capital and trade working capital levels vary as a result of several factors, including the impact of raw material prices and selling prices, the improvement in efficiency of production of process, the variability of working capital related to production stoppages and maintenance works, changes in payment terms in the case of key suppliers, foreign exchange rates, our decisions to hold inventories, the operating level of our business and cyclicality of the industries that we supply.

Historically, we have financed our working capital requirements out of available cash balances, cash earnings and active working capital management. Our operating cash flows, together with the cash reserves and the Ifitalia Factoring Facility, will be more than sufficient to fund our working capital requirements, anticipated capital expenditures and debt service requirements as they become due, although we cannot assure you that this will be the case.

The following table summarizes our net working capital as of March 31, 2017 and December 31, 2016.

Working capital		
(Euro/000)	**March 31, 2017**	**December 31, 2016**
Inventories	99,490	85,238
Trade receivables	114,488	109,654
Advances from customers	(4,040)	(3,134)
Trade payables	(77,159)	(71,507)
Other element of net working capital	(16,316)	(36,664)
Net working capital	**116,462**	**83,587**

The table below provides the breakdown of the other elements of working capital as of March, 2017:

Other elements of net working capital		
(Euro/000)	**March 31, 2017**	**December 31, 2016**
Current Tax Receivables	17,447	15,112
Other current non-financial assets	24,124	16,434
Current tax payables	(8,440)	(6,405)
Other current non-financial liabilities	(42,350)	(54,787)
Provisions for risks and charges	(7,097)	(7,018)
Other elements of net working capital	**(16,316)**	**(36,664)**

The increase of working capital from €83.6 million to €116.5 million as of March, 2017 is primarily due followings: (i) the increase of €14.3 million in inventory due to the seasonality of our business and the fact that the new production hub in Seniza (Slovaky) has reached the full operation in Q1 2017 (ii) the increase of €7.7 million in other current non-financial assets mainly due to the increase of other credits with recourse factoring (iii) the decrease of €12.4 million in the other current non-financial liabilities mainly due to less use of reverse factoring.

Capital Expenditures

The following table summarizes our net capital expenditures for the three month period ended March 31, 2017 and 2016:

Net capital expenditures

(Euro/000)	March 31, 2017	March 31, 2016
Investment in property, plant, equipment and intang. assets	977	898
Disposal and dismission of property, plant, equipment and intang. assets	(314)	(108)
Net capital expenditures	**663**	**790**

(Euro/000)	Lands and buildings	Plant and machinery	Indutrial and commercial equipment	Other fixed assets	Fixed assets in progress and advances	Total property, plant and equipment
Historical costs	82,924	113,011	7,497	13,757	2,950	220,139
Cumulated amortization	(17,927)	(64,360)	(4,608)	(10,196)	-	(97,092)
Carrying amount as of December, 2016	**64,996**	**48,652**	**2,890**	**3,561**	**2,950**	**123,048**
Increase for acquisition and internal constructions	-	134	60	93	395	683
Decrease due to sale	-	(2)	()	(1)	(98)	(102)
Reclassification and other movements	50	(163)	509	(8)	(423)	(34)
Current period depreciation and write-down	(591)	(1,670)	(112)	(302)	-	(2,674)
Exchange rate differences	568	344	42	24	14	992
Total current period variation	**27**	**(1,357)**	**500**	**(193)**	**(111)**	**(1,135)**
Historical costs	83,692	109,895	8,660	13,747	2,839	218,831
Cumulated amortization	(18,668)	(62,600)	(5,271)	(10,379)	0	(96,919)
Carrying amount as of March, 2017	**65,023.3**	**47,294**	**3,389**	**3,367**	**2,839**	**121,913**

(Euro/000)	Set up and expansion costs	Development costs	Industrial patent rights and rights to use intellectual properties	Concessions, licenses, trademarks and similar rights	Goodwill	Intangible assets under development and downpayments	Other	Total intangible assets
Historical costs	866	2,309	736	13,107	30,335	1,904	8,817	58,074
Cumulated amortization	(829)	(2,114)	(408)	(9,986)	(10,878)	-	(4,026)	(28,240)
Carrying amount as of December, 2016	**37**	**196**	**328**	**3,121**	**19,457**	**1,904**	**4,791**	**29,834**
Net Variation of the consolidation Area and acquisition of additional share in controlled entities	5	-	-	-	-	-	-	5
Increase for acquisition and internal constructions	-	-	-	198	-	6	116	320
Decrease due to sale	-	-	-	(89)	-	(123)	-	(212)
Reclassification and other movements	-	-		100	-	(89)	(2)	9
Current period amortization	(7)	(35)	(32)	(319)	(479)	-	(280)	(1,151)
Exchange rate differences	-	(1)	(2)	5	(2)	15	(1)	15
Total current year variation	**(2)**	**(35)**	**(33)**	**(105)**	**(481)**	**(191)**	**(167)**	**(1,015)**
Historical costs	871	2,308	733	13,349	30,332	1,712	8,924	58,231
Cumulated amortization	(836)	(2,148)	(438)	(10,334)	(11,356)	-	(4,300)	(29,412)
Carrying amount as of March, 2017	**35**	**160**	**295**	**3,016**	**18,976**	**1,712**	**4,624**	**28,819**

For the three month period ended March 31, 2016 and 2017, our total net capital expenditures remained substantially stable at €0.7 million as a result of the completion of expansion investment program in the past years.
The investment in tangible assets are mainly attributable to fixed assets in progress in particular to a galvanization line purchased by Bianchini Ingeniero S.A. and production machineries purchased by Officine Maccaferri S.p.A.to be resold to other company after proper refurbishment.
The investments in intangible assets are primarily attributable to capitalization of rights for the use of software and related implementation costs mainly for CRM project.

Since the completion of this expansion investment cycle, we believe that our well-invested manufacturing base will require limited maintenance expenditures.

Off-Balance Sheet Arrangements

The f ollowing table summarizes our off balance sheet arrangements as of and March 31, 2017 and December 31, 2016:

Commitment, guaranties and potencial liabilities not resulting from the balance sheet

Euro/000	**March 31, 2017**	**December 31, 2016**
Guarantees and performance bonds issued for the benefit of third parties (1)	19,137	13,693
Pledged securities (2)	-	-
Guarantees issued to third parties as deposits (3)	-	-
Commitments for currency forward contracts (4)	5,324	3,946
Trade Receivables sold on recourse basis (5)	-	-
Obligations to SIMEST	-	-
Total commitment, guaranties and potencial liabilities not resulting from the balance sheet	**24,462**	**17,640**

(1) Guarantees and performance bonds given primarily to clients as a guarantee of supply and guarantees in support of subsidiaries of the Issuer.

(2) Refers to Senior Notes held by a third party.

(3) Refers to security deposits and guarantees provided to subsidiaries in connection with property rental agreements in certain jurisdictions.

(4) This item refers to the notional value of the Group's obligations under derivative contracts entered into to hedge currency exchange rate risk on commercial receivables and payables, and financial receivables and payables.

(5) This item refers to receivables sold pursuant to the Ifitalia Factoring Facility on a recourse basis.

Subsequent events

There have been no significant subsequent events after March 31, 2017.

Quantitative and qualitative disclosure of market risk

Upon completion of the Transactions, we are principally exposed to market risk from changes in foreign currency exchange rates, credit risk and, to a lesser extent, liquidity risk and changes in the prices of raw materials. We monitor and manage those risks as an integral part of our overall risk management which recognizes the unpredictability of financial markets and seeks to reduce their potentially adverse effects on our results.

Currency risk

This risk relates to the effect of fluctuations in exchange rates on sales, purchases and loans in currencies other than the functional currencies of the various Group entities. The Group is exposed to currency risk, particularly in relation to fluctuations of Brazilian Reals, Indian rupees, Pounds Sterling and U.S. dollars.

The risk of exchange rate fluctuations is managed using exchange rate hedges when significant differences are noted between cost and revenue in foreign currency. If that is the case, such differences are hedged through forward purchase and sales contracts. These provide for the purchase/sale of agreed amounts in foreign currency at a set exchange rate against the euro or the different subsidiaries' functional currencies. However, such hedging activities have not been and may not be in the future always be sufficient to protect us against the consequences of a significant fluctuation in exchange rates on our results of operations.

Credit risk

This is the risk that a customer or the counterparty to a financial instrument will be unable to meet an obligation, leading to a financial loss. These risks arise mainly in relation to trade receivables and financial investments. The Group's exposure to credit risk depends largely on each customer's specific characteristics. The demographics of the Group's customer portfolio, including the segment insolvency risk and the country risk, have an impact on the credit risk. The Group accrues an allowance for doubtful accounts equal to the estimated losses on trade and other loans and receivables. It comprises both the recognition of impairment losses for material individual amounts and the recognition of collective impairment for similar groups of assets to cover losses already incurred but not yet identified. The collective impairment losses are calculated on the basis of historical payment statistics. Many of the Group's trade receivables are due from leading operators in our various markets and/or from longstanding customers. The Group's historical figures indicate a modest amount of bad debts. The risk is fully covered by the corresponding allowance for impairment recognized in the financial statements. There are no cases of very concentrated credit risk in geographical terms.

Liquidity risk

This risk relates to the Group's ability to meet its obligations arising from financial liabilities. The Group's approach to liquidity management is to ensure adequate funds are always available to cover its obligations at the expiration dates, both in normal conditions and at times of financial difficulty, without incurring borrowing expense at terms higher than market conditions. The Group generally ensures there is sufficient cash and cash equivalents to cover forecast short-term operating expenses, including those related to financial liabilities. Contingent effects following extreme situations that cannot reasonably be forecast, such as natural disasters, are excluded from the above. Historically, the Group has always met its obligations on time.

Raw material price risk

As a result of the nature of its activities, the Group is exposed to the risk of fluctuations in the purchase price of raw materials, particularly steel wire, steel wire rod, ingots for zinc coating, aluminum, polymeric compounds, yarns and monofilaments and plastic. We typically manage to pass increases in raw materials prices through to our customers; however, volatility in the prices of our core raw materials could ultimately affect our operating income and results of operations. Raw material shortages or significant increases in the price of raw materials could increase our costs and may reduce our operating income if we are not able to pass through all of the increases to our customers.

Critical accounting Estimates and judgement

Our significant accounting policies, which we have applied consistently, are fully described in our annual consolidated financial statements.

We believe that the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations and require subjective judgments by management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Estimates are based on past experience and other factors considered reasonable in the circumstances. Actual amounts could differ from these estimates, based on different assumptions or different operating conditions.

CONSOLIDATED BALANCE SHEET	*March 31, 2017*	*December 31, 2016*
(Euro/000)		
ASSETS		
A) Subscribed capital, unpaid:		
B) Fixed assets:		
I – Intangible assets:		
1) set up and expansion costs	35	37
2) development costs	160	196
3) industrial patent rights and rights to use intellectual properties	295	328
4) concessions, licences, trademarks and similar rights	3,016	3,121
5) Goodwill	18,976	19,457
6) Intangible assets under development and downpayments	1,712	1,904
7) other	4,624	4,791
Total intangible assets	**28,819**	**29,834**
II – Property, plant and equipment:	-	-
1) land and buildings	65,023	64,996
2) plant and machinery	47,264	48,652
3) industrial and commercial equipment	3,389	2,890
4) other fixed assets	3,367	3,561
5) fixed assets in progress and advances	2,868	2,950
Total property, plant and equipment	**121,913**	**123,048**
III – Financial assets:	-	-
1) investments in:	-	-
a) subsidiaries	164	182
b) associated companies	109	110
d bis) other companies	148	149
Total investments	421	441
2) Long-term receivables:	-	-
a) subsidiaries;	54	50
d bis) due from others	-	-
- within 12 months	1,772	-
- beyond 12 months	2,491	3,865
Total due from others	**4,263**	**3,865**
Total Long-term receivables	**4,317**	**3,915**
Total financial assets	**4,738**	**4,357**
Total fixed assets	**155,469**	**157,238**
C) Current Assets:	-	-
I - Inventories:	-	-
1) raw materials, secondary materials, and consumables	36,222	30,949
2) semi-finished goods	5,207	4,853
3) Work in progress on order	-	-
4) finished products and goods	55,636	48,491
5) Advances paid to supplier	2,426	945
Total inventories	**99,490**	**85,238**
II – Receivables:	-	-
1) trade receivables	-	-
- within 12 months	112,768	107,544
- beyond 12 months	-	-
Total trade receivables;	**112,768**	**107,544**
2) receivables from subsidiaries	-	-
- within 12 months	843	823
- beyond 12 months	-	-
Total receivables from subsidiaries;	**843**	**823**

4) receivables from parent	-	-
- within 12 months	36,677	35,250
- beyond 12 months	-	-
Total receivables from parent;	**36,677**	**35,250**
5) receivables company subject to the control of the parent company	-	-
- within 12 months	107	347
- beyond 12 months	-	-
Total receivables company subject to the control of the parent company	**107**	**347**
5-bis) receivables from tax authorities	-	-
- within 12 months	13,540	9,802
- beyond 12 months	-	-
Total receivables from tax authorities;	**13,540**	**9,802**
5 ter) deferred tax assets	25,106	21,781
5 quater) receivables from other parties	-	-
- within 12 months	19,940	11,875
- beyond 12 months		
Total receivables from other parties	**19,940**	**11,875**
Total receivables	**208,980**	**187,422**
III – Financial assets not constituting fixed assets:	-	-
5) active financial instruments - derivates	8	12
6) other securities;	-	-
Total financial assets non constituting fixed assets	**8**	**12**
IV – Cash and cash equivalent:	**-**	**-**
1) bank and postal deposits	30,423	46,467
2) cheques	21	17
3) cash on hand	440	135
Total cash and cash equivalent	**30,883**	**46,619**
Total current assets	**339,361**	**319,291**
D) accrued income and prepaid expenses:	-	-
- accrued income	3,066	3,376
- prepaid expenses	1,110	1,171
Total accrued income and prepaid expenses	**4,176**	**4,547**
TOTAL ASSETS	**499,006**	**481,076**

L I A B IL I T I E S

A) Shareholders' equity:		
I – share capital	33,400	33,400
II - Share premium reserve	-	-
III – revaluation reserve	10,641	10,641
IV – Legal reserve	3,104	3,104
V - statutory reserve	-	-
VI - other reserves	22,133	23,849
VII - Reserves for hedging of expected cash flows	(18)	(22)
VIII - Profits (losses) carried forward	3,344	
IX – net income for the year	(5,638)	47
Total shareholders' equity of the Group	**66,965**	**71,019**
equity attributable to non-controlling interests	37,349	37,286
Total shareholders' equity	**104,314**	**108,305**
B) Provisions for risks and charges:	-	-
1) pension and similar provisions	3,058	3,003
2) Provision for tax litigation and for deferred tax liabilities	7,504	7,308
3) Fund Financial Instruments Derivatives	116	118
4) Other provisions	3,515	3,497
Total provisions for risks and charges	**14,193**	**13,926**
C) employees termination indemnity	1,022	1,463
D) payables	-	-
1) bond issued	-	-
- beyond 12 months	190,000	190,000
Total bond issued;	**190,000**	**190,000**
4) bank loan and overdraft	-	-
- within 12 months	44,087	19,400
- beyond 12 months	6,234	6,716
Total bank loan and overdraft	**50,321**	**26,116**
5) loans from other lenders	-	-
- within 12 months	5,728	3,994
- beyond 12 months	1,439	1,439
Total loans from other lenders	**7,167**	**5,433**
6) advances from customer	4,040	3,134
7) trade payables	-	-
- within 12 months	76,783	70,109
- beyond 12 months	-	-
Total trade payables;	**76,783**	**70,109**
11) payables due to parent	-	-
- within 12 months	381	1,012
- beyond 12 months	-	-
Total payables due to parent;	**381**	**1,012**
11 bis) payables due to company subject of the control of the parent company	-	-
- within 12 months	1	387
- beyond 12 months	-	-
Total payables due to company subject of the control of the parent company	**1**	**387**
12) tax payables	-	-
- within 12 months	8,434	6,405
- beyond 12 months	-	-
Total tax payables	**8,434**	**6,405**
13) social security payables	-	-
- within 12 months	1,211	1,291
- beyond 12 months	-	-
Total social security payables	**1,211**	**1,291**
14) other payables	-	-
- within 12 months	31,066	46,555
- beyond 12 months	191	250
Total other payables	**31,257**	**46,805**
Total payables	**369,595**	**350,693**
E) accrued expenses and deferred income:	-	-
- accrued expenses	9,090	6,116
- deferred income	792	573
Total accrued expenses and deferred income	**9,882**	**6,689**
TOTAL SHAREOLDERS' EQUITY AND LIABILITIES	**499,006**	**481,076**

COMMITMENT, GUARANTEES AND POTENCIAL LIABILITIES NOT RESULTING FROM THE BALANCE SHEET	March 31, 2017	December 31, 2016
(Euro/000)		
Guarantees and performance bonds issued for the benefit of third parties	19,137	13,693
Commitments for currency forward contracts	5,324	3,946
Total commitment, guaranties and potencial liabilities not resulting from the balance sheet	**24,462**	**17,640**

CONSOLIDATED INCOME STATEMENT	March 31, 2017	March 31, 2016
(Euro/000)		
A) Value of production:		
1) revenues from sales and services	99,214	90,547
2) change in inventory of semi-finished and finished goods	5,786	3,002
3) Change in work in progress on orders	-	-
4) Increase in fixed assets from in-house works	-	-
5) other revenues	2,021	1,995
Total value of production	**107,020**	**95,545**
B) Costs of production:	-	-
6) Costs of raw materials, secondary materials and consumables	67,534	55,799
7) Costs for services	23,127	22,220
8) Costs for use of third parties assets	1,540	1,295
9) Costs of personnel:	-	-
a) wages and salaries	15,284	13,895
b) social security contributions	2,766	2,709
c) employees' termination indmenity	96	112
d) pension and similar costs	256	296
e) other personnel costs	2,148	1,172
Total costs of personnel	**20,550**	**18,184**
10) amortization, depreciations and write-down:	-	-
a) amortization of intangible assets	1,151	1,079
b) depreciation of property, plant and equipment	2,674	2,664
c) other write-down of intangible assets and property, plant and equipment	-	-
d) write-downs of receivables	271	460
Total amortization, depreciation and write-down	**4,096**	**4,204**
11) change in inventory of raw materials, secondary materials and consumables	(7,297)	(4,857)
12) Accrual of provision for risks and charges	61	26
13) other provisions	-	70
14) other operating costs	355	1,085
Total costs of production	**109,965**	**98,025**
Difference between value of production and costs of production	**(2,944)**	**(2,480)**

C) Financial income and charges:	-	-
15) income from investments:	-	-
16) other financial income:	-	-
a) from subsidiaries	6	6
b) from associated companies	-	-
c) from parent company	668	513
d) company subject to the control of the parent company	-	-
d bis) from other companies	98	248
Total other financial income	**772**	**766**
Total financial income	**772**	**766**
17) interest and other financial charges:	-	-
d bis) other companies	4,222	3,807
Total interest and other financial charges	**4,222**	**3,807**
17 bis) gain/(losses) on exchange rate	(185)	(1,108)
Total financial income and charges	**(3,635)**	**(4,149)**
D) adjustments to financial assets	-	-
18) Revaluation	-	-
19) write-down	-	-
Total adjsutments to financial assets	**-**	**-**
Profit/(Losses) before tax	**(6,579)**	**(6,629)**
22) income and deferred taxes	-	-
- current income taxes	2,117	562
- deferred tax liabilties	232	35
- deferred tax assets	(3,351)	(1,806)
Total income and deferred taxes	**(1,001)**	**(1,209)**
23) Net profit for the year	**(5,578)**	**(5,420)**
Attributable to non-controlling interests	(61)	(217)
24) attributable to equity holders of the parent	(5,638)	(5,638)

For the three month period ended March 31,		
INTERIM CONSOLIDATED CASH FLOW	**2017**	**2016**
(Euro/000)		
A. Financial flows deriving from operating activities		
Net Income / (Loss) for the period	**(5.578)**	**(5.420)**
Income tax for the year	(1.001)	(1.209)
Financial expenses / (financial income)	3.449	3.041
Losses / (gains) on exchange rate	185	1.108
(Gains) / Losses due to assets disposal	(36)	(79)
1. Profit (loss) before income taxes, interest, dividends and capital gains / losses on assets disposal	**(2.981)**	**(2.559)**
Accrual to provision for risk and charges	425	808
Depreciation and Amortization	3.825	3.744
Other accrual for non-cash items	(127)	(357)
Total adjustment for non-cash items	**4.123**	**4.195**
2. Financial flows before changes in Net Working Capital	**1.142**	**1.636**
Changes in Net Working Capital		
Decrease / (increase) of inventories	(13.728)	(7.807)
Decrease / (increase) of trade receivables	(4.885)	479
Increase / (decrease) of trade payables	6.780	(8.532)
Decrease / (increase) of other credits	(11.358)	(62)
Increase / (decrease) of other debts	(11.932)	(9.397)
Decrease / (increase) of Prepayments and accrued income	542	(936)
Increase / (decrease) of Prepaid income	293	(971)
Other Changes in Net Working Capital	832	(98)
Total changes in Net Working Capital	**(33.456)**	**(27.324)**
3. Financial flows after changes in Net Working Capital	**(32.314)**	**(25.688)**
Other Changes		
Interests paid	(738)	(96)
(Losses) / gains on exchange rate	(185)	(1.108)
Income taxes paid	(3.187)	(3.291)
Utilization of funds	(475)	(473)
4. Total other changes	**(4.585)**	**(4.968)**
Net cash flow from operating activities (A)	**(36.899)**	**(30.656)**
B. Financial flows deriving from investment activities		
Tangible assets		
(Investments)	(824)	(2.884)
Sales price of disposal of assets	138	253
Intangible assets		
(Investments)	(333)	(272)
Sales price of disposal of assets	212	6
Invesments		
(Investments)	(379)	(110)
Sales price of disposal of assets	0	0
Current financial activities		
(Investments)	3	0
Sales price of disposal of assets	0	157
Net cash flow used in investing activities (B)	**(1.183)**	**(2.850)**
C. Financial flows deriving from financing activities		
Third parties		
Increase /(decrease) short terms debts vs banks	24.502	21.263
Reimbursement of borrowing	(489)	(416)
Increase / (Decrease) short terms debts vs shareholders for financing	0	0
(Increase) / Decrease short terms credits vs shareholders for financing	(3.000)	(2.000)
Increase / (Decrease) debts vs other financial instituition	1.681	(5.192)
Equity		
Subscription of equity upon payment / (Equity reimbursement)	0	1.077
Dividends paid	(710)	(217)
Total Financial flows deriving from financing activities (C)	**21.984**	**14.515**
Net effect of foreign currencies exchange rate and other variations	362	357
Change in cash and cash equivalent (A ± B ± C)	**(15.736)**	**(18.634)**
Cash and cash equivalent at the beginning of the period	**46.619**	**49.198**
Cash and cash equivalent at the end of the period	**30.883**	**30.563**