

**OFFICINE MACCAFERRI S.P.A.**

**Consolidated financial statements as of December 31, 2018**

**FINANCIAL STATEMENTS AND NOTES THERETO**

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# OFFICINE MACCAFERRI S.P.A.

## NOTES TO THE MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet for the years ended December 31, 2018 are presented below.

### CONSOLIDATED BALANCE SHEET

	December 31, 2018	December 31, 2017
<i>(Euro/000)</i>		
Intangible assets	33.879	33.373
<i>of which goodwill</i>	19.588	19.705
Property, plant and equipment	98.735	103.542
Investment in subsidiaries, associates, joint ventures and other companies	477	1.204
Other non-current assets	38.007	30.738
<i>of which deferred tax assets</i>	33.686	26.657
<b>Total non-current assets</b>	<b>171.098</b>	<b>168.857</b>
Cash and cash equivalents	56.121	65.406
Other current financial assets	22.505	32.000
Trade receivables	113.317	119.816
Inventories	101.833	89.195
Current tax receivables	21.274	17.259
Other current non-financial assets	16.663	17.870
<b>Total current assets</b>	<b>331.713</b>	<b>341.545</b>
<b>Total assets</b>	<b>502.812</b>	<b>510.402</b>
<b>Shareholders' equity and liabilities</b>		
Share capital	33.400	33.400
Reserves	3.481	21.778
Profit / (Loss) for the Year Group	(25.407)	218
<b>Equity attributable to equity holders of the parent</b>	<b>11.474</b>	<b>55.396</b>
<b>Equity attributable to non-controlling interests</b>	<b>31.338</b>	<b>35.400</b>
<b>Total shareholders' equity</b>	<b>42.812</b>	<b>90.796</b>
Non-current portion of banks loans and other financial liabilities	16.289	13.626
Non-current bonds	190.000	190.000
Employees' termination indemnity	1.165	1.252
Provisions for risks and charges	11.434	7.038
Deferred tax liabilities	6.454	7.341
<b>Total non-current liabilities</b>	<b>225.342</b>	<b>219.257</b>
Current portion of banks loans and other financial liabilities	49.100	16.116
Advance from customers	4.727	11.502
Trade payables	98.676	96.497
Current tax payables	12.590	8.568
Other current non-financial liabilities	69.565	67.666
<b>Total current liabilities</b>	<b>234.657</b>	<b>200.350</b>
<b>Total liabilities</b>	<b>460.000</b>	<b>419.607</b>
<b>Total shareholders' equity and liabilities</b>	<b>502.812</b>	<b>510.402</b>

**OFFICINE MACCAFERRI S.P.A.**  
**CONSOLIDATED INCOME STATEMENT**

	<b>For the year ended December 31,</b>		
	<b>NOTES</b>	<b>2018</b>	<b>2017</b>
<i>(Euro/000)</i>			
Revenue from sales and services	<b>25</b>	520.569	478.699
Other revenue	<b>26</b>	14.131	17.842
<b>Total revenue</b>		<b>534.700</b>	<b>496.541</b>
Costs of materials and consumables	<b>27</b>	(293.234)	(265.136)
Costs of services and use of third party assets	<b>28</b>	(108.636)	(104.918)
Costs of personnel	<b>29</b>	(84.778)	(81.348)
Other operating costs	<b>30</b>	(1.302)	(1.124)
<b>Total Operating costs</b>		<b>(487.950)</b>	<b>(452.526)</b>
<b>EBITDA</b>		<b>46.750</b>	<b>44.015</b>
Amortization, depreciation and write downs	<b>31</b>	(20.033)	(19.168)
Accrual to provision for risks and charges	<b>31</b>	(992)	(872)
<b>Total Amortization, depreciation, write downs and provisions</b>		<b>(21.025)</b>	<b>(20.041)</b>
<b>Operating income</b>		<b>25.725</b>	<b>23.975</b>
Financial income	<b>32</b>	4.483	4.431
Financial expenses	<b>32</b>	(19.128)	(17.749)
Gains/(losses) from forex management*	<b>32</b>	(4.198)	(4.271)
Gains/(losses) on participation**	<b>32</b>	(627)	(213)
<b>Net expenses and losses from financial activities</b>		<b>(19.471)</b>	<b>(17.802)</b>
Net non-recurring expenses and charges	<b>33</b>	(36.304)	(2.265)
<b>Profit/losses before taxes</b>		<b>(30.049)</b>	<b>3.909</b>
(Income taxes)/tax benefit	<b>34</b>	2.459	(2.256)
<b>Net Income / (Losses) for the period</b>		<b>(27.590)</b>	<b>1.653</b>
Attributable to non-controlling interests		(2.183)	1.435
Attributable to equity holders of the parent		(25.407)	218

\* Up to Q2 2018 it was named "gain/(losses) on exchange rate". Starting from Q3 2018 it includes also revaluation and devaluation of hedging financial instruments previously included in Financial income or Financial expenses.

\*\* New item created starting from Q3 2018. It includes dividend revenues and gain and losses on participation previously included in Financial income or Financial expenses.

**OFFICINE MACCAFERRI S.P.A.**  
**STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY**

	Share capital	Reserves	Current year results	Equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total Shareholders' equity
<i>(Euro/000)</i>						
<b>December 31, 2017</b>	<b>33.400</b>	<b>21.778</b>	<b>218</b>	<b>55.396</b>	<b>35.400</b>	<b>90.796</b>
Allocation of prior year results	-	218	(218)		(963)	(11.713)
Dividends paid	-	(10.750)	-	(10.750)	(917)	
Movements deriving from consolidation process	-	(7.765)	-	(7.765)		(8.683)
Current year result	-		(25.407)	(25.407)	(2.182)	(27.589)
<b>December 31, 2018</b>	<b>33.400</b>	<b>3.481</b>	<b>(25.407)</b>	<b>11.473</b>	<b>31.338</b>	<b>42.812</b>

# OFFICINE MACCAFERRI S.P.A.

## CONSOLIDATED CASH FLOW STATEMENT

For the twelve month period  
ended December 31,

CONSOLIDATED CASH FLOW	2018	2017
<i>(Euro/000)</i>		
<b>A. Financial flows deriving from operating activities</b>		
<b>Net Income / (Loss) for the period</b>	<b>(27.590)</b>	<b>1.653</b>
Income tax for the year	(1.783)	1.320
Financial expenses / (financial income)	14.695	13.318
Losses / (gains) on exchange rate	3.110	3.727
(Dividends)	(63)	(9)
(Gains) / Losses due to assets disposal	(389)	(2.541)
<b>1. Profit (loss) before income taxes, interest, dividends and capital gains / losses on assets disposal</b>	<b>(12.020)</b>	<b>17.468</b>
<i>Adjustments for non-cash items that had no counterpart in net working capital</i>	<i>0</i>	<i>0</i>
Accrual to provision for risk and charges	16.122	4.542
Depreciation and Amortization	15.937	16.452
Impairment on assets	254	(147)
Other accrual for non-cash items	2.299	(1.955)
<b>Total adjustment for non-cash items</b>	<b>34.611</b>	<b>18.892</b>
<b>2. Financial flows before changes in Net Working Capital</b>	<b>22.591</b>	<b>36.360</b>
<b>Changes in Net Working Capital</b>	<b>0</b>	<b>0</b>
Decrease / (increase) of inventories	(16.291)	(11.131)
Decrease / (increase) of trade receivables	(12.181)	(19.288)
Increase / (decrease) of trade payables	4.229	36.999
Decrease / (increase) of other credits	(183)	(4.366)
Increase / (decrease) of other debts	(5.800)	14.758
Decrease / (increase) of Prepayments and accrued income	651	536
Increase / (decrease) of Prepaid income and accrued expenses	1.925	938
Other Changes in Net Working Capital	(2.561)	1.120
<b>Total changes in Net Working Capital</b>	<b>(30.212)</b>	<b>19.566</b>
<b>3. Financial flows after changes in Net Working Capital</b>	<b>(7.621)</b>	<b>55.926</b>
<b>Other Changes</b>	<b>0</b>	<b>0</b>
Interests cashed/(paid)	(13.966)	(14.002)
(Losses) / gains on exchange rate	(3.110)	(3.727)
Income taxes paid	419	(4.872)
Dividends received	63	9
Utilization of funds	(4.356)	(1.333)
<b>4. Total other changes</b>	<b>(20.949)</b>	<b>(23.925)</b>
<b>Net cash flow from operating activities (A)</b>	<b>(28.570)</b>	<b>32.001</b>
<b>B. Financial flows deriving from investment activities</b>	<b>0</b>	<b>0</b>
<i>Tangible assets</i>	<i>0</i>	<i>0</i>
(Investments)	(10.754)	(13.239)
Sales price of disposal of assets	2.606	17.141
<i>Intangible assets</i>	<i>0</i>	<i>0</i>
(Investments)	(4.578)	(7.154)
Sales price of disposal of assets	0	103
<i>Investments</i>	<i>0</i>	<i>0</i>
(Investments)	(5.541)	(3.008)
Sales price of disposal of assets	0	0
<i>Current financial activities</i>	<i>0</i>	<i>0</i>
(Investments)	15	(28)
Sales price of disposal of assets	0	0
<i>Acquisition or disposal of subsidiaries or branches of businesses, net of cash acquired</i>	<i>0</i>	<i>0</i>
<b>Net cash flow used in investing activities (B)</b>	<b>(18.251)</b>	<b>(6.185)</b>
<b>C. Financial flows deriving from financing activities</b>	<b>0</b>	<b>0</b>
<i>Third parties</i>	<i>0</i>	<i>0</i>
Increase /(decrease) short terms debts vs banks	33.634	(6.918)
Proceeds from borrowing	10.044	10.918
Reimbursement of borrowing	(8.844)	(5.075)
(Increase) / Decrease short terms credits vs shareholders for financing	9.495	(3.000)
Increase / (Decrease) debts vs other financial institution	1.046	216
<i>Equity</i>	<i>0</i>	<i>0</i>
Subscription of equity upon payment / (Equity reimbursement)	2.750	0
Dividends paid	(11.951)	(2.026)
<b>Total Financial flows deriving from financing activities (C)</b>	<b>36.174</b>	<b>(5.885)</b>
<b>Net effect of foreign currencies exchange rate and other variations</b>	<b>1.362</b>	<b>(1.144)</b>
<b>Change in cash and cash equivalent (A ± B ± C)</b>	<b>(9.285)</b>	<b>18.787</b>
<b>Cash and cash equivalent at the beginning of the period</b>	<b>65.406</b>	<b>46.619</b>
<b>Cash and cash equivalent at the end of the period</b>	<b>56.121</b>	<b>65.406</b>

**OFFICINE MACCAFERRI S.P.A.**  
**EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. INTRODUCTION**

***History***

Officine Maccaferri S.p.A. (the “Company” or the “Parent Company”) is the largest company in the Officine Maccaferri Group (the “OM Group” or the “Group”), active in the civil engineering sector. The Maccaferri family founded our company near Bologna, Italy in 1879 and has remained our controlling shareholder for 140 years. Today, through a combination of organic growth and successful integration of bolt-on acquisitions, we now operate in more than 100 countries on five continents, with over 30 production facilities and over 3,000 employees.

The most recent phase of our history has been marked by growth aimed at expanding our business internationally and diversifying our product offerings. We have achieved this, in part, through research and development of new products and organic growth into new markets. We also recognized the opportunities of expanding into emerging markets where governments have invested significantly in infrastructure development and are likely to continue to do so in the future. We have expanded into emerging markets both by opening new Officine Maccaferri offices in those markets as well as through targeted acquisitions of other established companies in those markets that enable us to expand our product offerings and areas of expertise without straying from our core market strength.

***Products***

We offer over 60 different product lines, which we generally divide into five categories: double twist mesh, geosynthetics, rockfall protection and snow net structures and other products. These products can be offered individually to help customers and end-users meet their needs, but our true strength lies in provision of products package which aims at rendering “integrated solution” to every facet of a customer’s engineering challenge.

***Double-twist mesh***

Our double twist mesh products are used in retaining structures, erosion protection, slope stabilization, pavement reinforcement and rockfall mitigation. These products have applications in end markets including mining, infrastructure, environmental protection, hydraulic and coastal works.

### *Geosynthetics*

Our geosynthetics are polymeric products manufactured in various forms and used to reinforce soils, protect exposed areas from the erosive effects of rainfall and wind, waterproof reservoirs and provide safe, impermeable barriers and draining systems for landfills and other soil contaminators. These products are applied in end-markets including mining, infrastructure, urban infrastructure, environmental protection and marine and coastal works.

### *Rockfall protection and Snow net structures*

Our rockfall protection and snow net structures are light-weight, high-performance flexible wire mesh catch fences, barriers, and soil nailing systems that are installed to protect assets, roads and people from rockfalls, avalanches, debris flows or other hydro-geotechnical hazards. They are applied in end-markets that include mining, civil infrastructure and urban infrastructure.

### *Other products and services*

Our other products and services include tunneling solutions, vertical concrete retaining walls, project-specific construction and engineering services.

### *Defence & Security*

Our force and infrastructure protection systems are specifically developed to protect buildings, infrastructure and other installations at risk from attack. Our offer includes aesthetically pleasing and unobtrusive solutions against hostile vehicle intrusion and easy-to-deploy defensive modular barriers to provide ballistic protection and blast mitigation.

### ***Significant events pertaining to the Group's business activities***

The reporting periods ended December 31, 2018 was characterized by the following significant events:

- acquisition of the last 20% of share capital of Maccaferri Tunneling S.r.l. and Partecipazione a mezzo SIFIR S.r.l. respectively for Euro 2,013 thousand and Euro 135 thousand;
- acquisition of the minority stake of the subsidiary Maccaferri SA PTY LTD;
- Euro 6,3 million due to a cyber fraud that hit the US subsidiary, which caused transfers of funds to an imaginary company. The details are reported in the net non-recurring expenses and charges of the Profit and Loss.



## **2. BASIS OF PRESENTATION**

The consolidated financial statements of Officine Maccaferri S.p.A. as of December 31, 2018 and 2017, are comprised of the consolidated balance sheet, consolidated income statement, statement of changes in consolidated shareholders' equity, consolidated statement of cash flow and explanatory notes and have been prepared pursuant to the Italian legal and statutory requirements, set forth by the Articles 2423 and ff. of Italian Civil Code, governing the preparation of financial statements, as interpreted by and integrated with the accounting principles published by the "Organismo Italiano di Contabilità - OIC" (the "Italian Accounting Board"). Such rules, together with the various principles, pronouncements and interpretations of the Italian Accounting Board, are collectively referred to as Italian Generally Accepted Accounting Principles ("Italian GAAP").

On 1 January 2016 the new accounting Directive 2013/347/EU was applied, which has been transposed into the Italian legal system under Legislative Decree 139/2015, which amended Articles 2423 and ff. of the Italian Civil Code; the new provisions are applicable to the financial statements for financial years commencing on or after 1 January 2016 and are interpreted by the accounting principles published by the above mentioned "Organismo Italiano di Contabilità - OIC" (the "Italian Accounting Board").

These consolidated financial statements have been prepared in Euro and all values are rounded to the nearest thousand Euro, unless otherwise indicated. Furthermore, the consolidated financial statements presented herein have been presented classified as described below solely for the requirements stated in the description of Notes of the Offering Memorandum:

- 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 month from the date and include mainly property, plant and equipment, intangible assets and investments; (ii) current assets comprise those assets realizable within twelve month from the reporting date; (iii) non-current liabilities comprise the payables due after twelve month 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 month 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.

### ***Going-concern principle and outlook***

Following an initial approval of the draft 2018 financial statements, information was received about the financial position of the parent company S.E.C.I. S.p.A. (hereinafter also referred to as the "Parent Company"), which was such as to require new assessments of the actual recoverability of the receivables from the Parent Company recognised in the financial statements at 31<sup>st</sup> December 2018, as a result of reporting impairment indicators that were worse than those observed at the time of previous assessments. These receivables amount to:

- Euro 31.9 million of financial items, which were generated at the time of the bond issue launched during 2014 and which have been stated under non-current financial assets as interest-bearing financial receivables;
- Euro 7.3 million of items stated under current assets among tax "receivables from parent company". Tax receivables from parent company mainly include withholding tax credits of Euro 3.4 million and receivables arising from cumulative tax losses of Euro 3.1 million for previous years.

The Directors calculated a write-down of Euro 10 million, taking account of both the possible alternative solutions that the Parent Company is currently considering and the operations to allow third-party industrial partners to acquire capital interests aimed at strengthening the Group's growth. This write-down concerned financial receivables from Parent Company for Euro 9.4 million and tax receivables from Parent Company for Euro 0.6 million.

Since the process of analysing the outstanding debt position is still in progress on the part of S.E.C.I. S.p.A., the write-down concerned has been recognised in the accounts according to the principle of prudence inherent in their preparation and has been prepared on the basis of the best estimate made according to the information made available by the Parent Company.

In consideration of the write-down carried out for prudential purposes, the Officine Maccaferri Group reported a loss of Euro 27.6 million at 31 December 2018, which was fully attributable to

the non-recurring events that are detailed in this document and to the write-down referred to above, as well as a total shareholders' equity of Euro 42.8 million.

Despite the result recorded in the 2018 financial year, it should be noted that:

- The performance of Officine Maccaferri in terms of results of operations and financial position was always positive and the Group always honoured its financial commitments on the scheduled due dates, as confirmed during 2019. A highly satisfactory operating performance was reported during 2018, with total revenues of Euro 520.6 million, up by 9% compared to 2017 and consolidated EBITDA of Euro 46.8 million, showing a significant improvement compared to the previous year;
- As already noted in this document, the final net loss recorded at the end of 2018 was due to non-recurring events that occurred during the year, in relation to which it is therefore reasonable to believe that, as such, they will not occur again in subsequent years;
- The 2018-2022 business plan, which was approved by the Board of Directors in the previous year, envisages a scenario based on the Group's internal development, as well as possible alternatives for speeding up growth through M&A operations. The performance forecast expected under the organic growth plan, which is more prudent than other development alternatives, envisages a return to profits in the short term.

As in previous years and on the basis of the information provided above, the Directors have prepared these draft financial statements on a going-concern basis, since there are no significant uncertainties in relation to this principle, after having adequately considered the risks associated with the actual occurrence of the expected future performance.

### **3. CONSOLIDATION AREA AND BASIS OF CONSOLIDATION**

#### ***Basis of consolidation***

The consolidated financial statements are prepared in accordance with the provisions of the Italian Legislative Decree 127/1991 and those of the accounting standard OIC 17. For the financial statements of consolidated companies, we used the full consolidation method, which consists in

aggregating all items for their full amount on a line-by-line basis, accounting for the non-controlling interests in the proper line item in the shareholders' equity and in the consolidated income statement. For the jointly controlled company Bekaert Maccaferri Underground Solutions BVBA we used the proportionate consolidation method. With the proportional consolidation method, the assets and liabilities, revenues and costs of the jointly controlled company are attributed to the group only in proportion to its percentage of participation in the joint venture. The companies which balance sheet values, individually or cumulatively, are considered irrelevant with regard to the consolidated financial statements have been excluded from the consolidation area, and they have been evaluated at cost and recognized as "investment in subsidiaries, associates, joint-ventures and other companies". The main consolidation criteria, consistently applied over the period described herein, are as follows:

- the carrying amount of investments in consolidated companies is eliminated against the corresponding assets and liabilities of subsidiaries, positive differences are allocated, where possible, to the subsidiaries' assets. Any non-attributable residual amount, calculated at the date of acquisition, represents goodwill (the excess of the price paid over the fair value of the net assets acquired) and is recognized as intangible asset and amortized over its estimated useful life;
- all payables, receivables, revenue and costs, including any unrealized profits and losses, deriving from transactions between companies included in the consolidation area are eliminated;
- the balance sheets of foreign subsidiaries expressed in currencies other than the Euro are converted at year-end exchange rates, and their revenue and expenses at the average exchange rates of the year. Exchange differences between the initial conversion of the net assets and the net assets translated using the year-end exchange rates, and differences between average exchange rates and year-end exchange rates for the income statement are accounted to "currency translation reserve".

Foreign exchange rates used for the conversion of financial statements as of December 31, 2018, 2017 are as follows:

<i>Currency</i>	<i>Exchange rate 2018</i>		<i>Exchange rate 2017</i>	
	<i>As of December 31</i>	<i>Average exchange rate for the year</i>	<i>As of December 31</i>	<i>Average exchange rate for the year</i>
AED	4,2050	4,3371	4,4044	4,1475
ALL	123,5300	127,6200	133,5800	134,1140
ARS	43,1593	32,9094	22,9310	18,7408
BOB	7,9120	8,1604	8,2872	7,8061
BRL	4,4440	4,3085	3,9729	3,6054
BWP	12,2591	12,0301	11,8158	11,6838
CAD	1,5605	1,5294	1,5039	1,4647
COP	3.721,8100	3.486,7400	3.580,1900	3.336,1675
CRC	694,7746	681,4441	682,8454	641,2340
DOP	57,5242	58,3906	57,7931	53,6286
GBP	0,8945	0,8847	0,8872	0,8767
GTQ	8,8523	8,8793	8,8106	8,3037
HKD	8,9675	9,2559	9,3720	8,8045
HUF	320,9800	318,8897	310,3300	309,1933
INR	79,7298	80,7332	76,6055	73,5324
KGS	79,9770	81,2745	83,0486	77,8627
KRW	1.277,9300	1.299,0700	1.279,6100	1.276,7400
MXN	22,4921	22,7054	23,6612	21,3286
MYR	4,7317	4,7634	4,8536	4,8527
NGN	350,9425	360,9013	367,0458	350,9375
NPR	127,5677	129,1767	122,5688	117,6518
PEN	3,8630	3,8793	3,8854	3,6833
PHP	60,1130	62,2101	59,7950	56,9734
PLN	4,3014	4,2615	4,1770	4,2570
RMB	7,8751	7,8081	7,8044	7,6290
RON	4,6635	4,6540	4,6585	4,5688
RSD	118,3109	118,2365	118,6386	121,3561
RUB	79,7153	74,0416	69,3920	65,9383
TRY	6,0588	5,7077	4,5464	4,1206
USD	1,1450	1,1810	1,1993	1,1297
VES	729,8027	56.933,4791	11,9780	11,2827
ZAR	16,4594	15,6186	14,8054	15,0490

### ***Consolidation area***

The consolidated financial statements include the financial statements of the Parent Company and those of the entities included in the consolidation area. The reporting date is December 31; There are no differences in the reporting dates of the accounts of the Group companies. If the end date of the financial year of a consolidated company is different from the reporting date of the consolidated financial statements, this company is consolidated based on an interim annual report, relating to the

date of the consolidated annual financial statements. The entities consolidated using the line-by-line method as of December 31, 2018 are the following:

NAME	HQ	SHARE CAPITAL		SHAREHOLDING QUOTA %	
				Direct	Indirect
- Officine Maccaferri S.p.A.	Italy				
- Maccaferri SA PTY LTD	South Africa	ZAR	58.207.900	56,20	
- Maccaferri (Malaysia) SDN BHD	Malaysia	MYR	7.620.000	100	
- S.A.S. France Maccaferri	France	€	1.000.000	100	
- Maccaferri do Brasil Ltda	Brazil	BRL	120.387.988	99,98	
- Maccaferri Inc.	USA	USD	8.813.725	100	
- Maccaferri Canada LTD	Canada	CAD	2.262.125		100
- Maccaferri Gabions CIS	Russia	RUB	490.923.807	83,216	
- Maccaferri Indonesia P.T.	Indonesia	USD	4.000.000	80,00	
- Maccaferri Nepal PVT LTD	Nepal	NPR	70.196.000	70,00	
- Maccaferri de Argentina S.A	Argentina	ARS	4.337.691	98,00	2
- Maccaferri de Centro America Ltda	Costarica	CRC	502.391.898	100	
- Maccaferri LTD	UK	GBP	1.020.000	100	
- Participation through SIFIR S.r.l	Italy	€	119.000	80,00	
- Maccaferri Environmental Solutions PVT Ltd	India	INR	1.190.765.700	90,00	
- Maccaferri de Perú S.A.C.	Perù	PEN	2.774.348	75,00	
- Maccaferri de Mexico S.A. De C.V.	Messico	MXN	27.369.000	99,998	0,002
- Maccaferri de Venezuela S.A	Venezuela	VEF	221,374	100	
- Double Twist Products Pty Ltd	Botswana	BWP	3.796.000	70,00	
- Maccaferri Gabions Central Asia	Kirghizistan	KGS	450.000		83,216
- Maccaferri Central Europe S.R.O.	Slovakia	€	1.040.132	100	
- Linear Composites Ltd.	UK	GBP	2		100
- Maccaferri (Changsha) Enviro-tech Co. Ltd	China	CNY	56.626.246		80,00
- Maccaferri (Tianjin) Enviro-tech Co. Ltd	China	CNY	58.143.256		50,01
- Maccaferri (Tianjin) Fibers Co. Ltd.	China	CNY	52.329.975		62,51
- Maccaferri China (Hong Kong)	China	HKD	90.436.800	80,00	
- Maccaferri Asia Ltd.	China	HKD	124.160.000	62,51	
- Maccaferri Servicios S.A. de C.V.	Mexico	MXN	50.000	99,80	0,2
- Maccaferri (IRL) Ltd.	Ireland	€	1		100
- BMD Texteis Ltda	Brazil	BRL	26.928.244		99,98
- Maccaferri de Guatemala S.A.	Guatemala	GTQ	703.000		99,998
- A. Bianchini Ingeniero S.A.	Spain	€	6.500.000	53,957	
- Maccaferri Balkans Sh. P.K.	Albania	ALL	306.000.000	81,00	
- Maccaferri Hellas Sole Partner LLC.	Greece	€	330.000	100	
- Maccaferri Middle East LLC	Un. Arab Emir.	AED	300.000	49,00	
- Officine Maccaferri Nigeria Ltd.	Nigeria	NGN	40.000.000	100	
- Maccaferri de Colombia Ltda	Colombia	COP	3.081.836.546	99,9995	0,0005
- Maccaferri de El Salvador S. A. de C.V.	El Salvador	USD	12.000		100
- Maccaferri Construction S.A. C.	Perù	PEN	500.000		100

NAME	HQ	SHARE CAPITAL	SHAREHOLDING QUOTA %	
			Direct	Indirect
- Officine Maccaferri Italia S.r.l.	Italy	€ 1.000.000	100	
- Partecipazione tramite SIFIR S.r.l	France	€ 37.000	80	
- Partecipazione tramite SIFIR S.r.l	France	€ 64.000		80
- Maccaferri Philippines Inc.	Philippines	PHP 25.000.000	75,00	
- Maccaferri de Bolivia LTDA	Bolivia	BOB 21.915.054	99,9995	0,0005
- Macservice Servicios de Engenharia LTDA	Brazil	BRL 1.936.998	0,077	100
- Maccaferri de Ecuador	Ecuador	USD 95.000		100
- Servicios de Ingenieria Maccaferri SA	Costarica	CRC 1.000.000		100
- Maccaferri do Brasil Holding Participacoes Empresariais e Imobiliaras LTDA	Brazil	BRL 19.410.000	51	
- Maccaferri Deutschland GmbH	Germany	€ 200.000		100
- Maccaferri Polska Sp Z.O.O.	Poland	PLN 90.000		100
- Tekno Maccaferri Cerve Teknolojileri	Turkey	TRY 6.000.000	50,00	
-Maccaferri Philippine Manufacturing Inc.	Philippines	PHP 148.254.001	54	
-Maccaferri do Brasil Incorporacoes Imobiliaras Ltda	Brazil	BRL 100.000	100	
-Maccaferri Industria e Comercio de Artefatos Plasticos Ltda	Brazil	BRL 19.612.899		34
- Maccaferri Environmental Solution D.O.O.	Serbia	RSD 16.650.000	100	
-Maccaferri Magyarorszag Kft	Hungary	HUF 21.000.000		100
-Maccaferri Romania Srl	Romania	RON 500.000		65
-Maccaferri de Panama S.A.	Panama	USD 10.000		100
-Bekaert Maccaferri Underground Solutions BVBA	Belgium	EUR 9.400.000	50	
-Maccaferri Innovation Center Srl	Italy	EUR 10.000	100	
-Maccaferri (Hangzhou) Metal works Innov-Tech Co. Ltd	China	CNY 27.000.000		56
-Maccaferri Manufacturing Europe S.R.O.	Slovakia	EUR 4.025.000	99	1
-Maccaferri de Caribe SAS	Santo Domingo	DOP 3.810.000		100
Maccaferri Manifattura Italia S.r.l.	Italy	€ 10.000		100
Maccaferri Tunneling Srl	Italy	EUR 50.000		100

The following entity is consolidated using the proportionate consolidation method as of December 31, 2018:

NAME	HQ	SHARE CAPITAL	SHAREHOLDING QUOTA %	
			Direct	Indirect
-Bekaert Maccaferri Underground Solutions BVBA	Belgium	EUR 9.400.000	50	

### *Changes in the consolidation area*

The following changes occurred in the course of 2018:

- Deconsolidation of the Portuguese company Santos Mouta Porto Ltda and of the Belgian company Maccaferri b.v.b.a. that during the 2018 were wound up;

- Increase from 80% to 100% in the shareholding held by Officine Maccaferri S.p.A. in the subsidiary Partecipazione a mezzo SIFIR S.r.l.;
- Increase from 80% to 100% in the shareholding held indirectly by Officine Maccaferri S.p.A., through Officine Maccaferri Italia S.r.l., in the company Maccaferri Tunneling S.r.l.;
- Increase from 56,2% to 100% in the shareholding held by Officine Maccaferri S.p.A. in the subsidiary Maccaferri SA PTY LTD. During the year, SIMEST (Italian Company for Foreign Companies) and the parent company, S.E.C.I. S.p.A., have mutually agreed to exercise the option right of selling (SIMEST) and of purchasing (S.E.C.I. S.p.A.) the 43,8% of Maccaferri SA PTY LTD share capital previously held by SIMEST. Subsequently, Officine Maccaferri S.p.A. have purchased the 43,8% of equity from its parent company, S.E.C.I. S.p.A..

In addition to the above, it should be noted that the Korean company, SUN-B Maccaferri Co. Ltd, was excluded from the scope of consolidation, given the impossibility of promptly obtaining the information necessary for consolidation (Article 28 of Legislative Decree No. 127).

## **4. ACCOUNTING STANDARDS AND POLICIES**

### ***Basis of preparation***

The evaluation criteria adopted in the preparation of these consolidated financial statements are those used by the Parent Company, and have been prepared in conformity with the criteria set forth by the relative legislation in force, integrated and interpreted on the basis of the Accounting Principles issued by the “Organismo Italiano di Contabilità – OIC” (the “Italian Accounting Board”).

As specified, in 2016 the Italian Accounting Board updated and/or reviewed some principles in order to bring them into line with the provisions of Legislative Decree 139/2015, which adopted Directive 34/2013/EU.

Items shown in the financial statements have been valued in accordance with the general criteria of prudence and competence, and accounts have been prepared on a going concern basis, in particular:

- the prudence criteria implies that gains not realized should not be recorded while losses, also if unrealized, must be recognized in the financial statements;
- the accrual basis requires that the effect of transactions and other events are accounted for in the period to which they refer rather than when they occurred (i.e. collections or payments);



Furthermore, in the preparation of the consolidated financial statements the accounting standards and main criteria were applied consistently to ensure comparability over the years.

### ***Exemptions***

No exemptions from the application of the evaluation criteria established by the legislation in force regarding the consolidated financial statements have been made in the current nor past financial years.

The most significant accounting policies adopted in the preparation of the consolidated financial statements are the following:

### ***Intangible assets***

Intangible assets are initially recognized at historical or production cost and stated net of the accumulated amortization.

Start-up and expansion costs are capitalized, when their useful life extends beyond one year, subject to the approval of the Statutory Auditors Board, and amortized over the period of their economic life, and however no longer than five years.

The development costs are capitalized when economic benefits for the Group are expected from the projects, they are recognized in a separate item of the intangible assets, and amortized the lower between three years and the expected useful life.

Industrial patent rights and the right to use intellectual property are amortized based on their estimated useful lives, and however no longer than the period stated by the licensing contract.

Concessions, licenses, trademarks and similar rights are amortized on the basis of their estimated useful life.

Amortization of the intangible assets is calculated on a straight-line basis over the estimated useful lives of the related assets, as it follows:

<b><i>Category</i></b>	<b><i>Rate</i></b>
Software	3 years
Goodwill	10 - 20 years
Trademarks	5 years
Patents	5 years
Concessions	5 years
Start-up costs	5 years
Development costs	3 years
Leasehold improvements	over the remaining life of the lease term

The value of intangible assets is amortized on a straight-line basis over their estimated useful lives. Intangible assets and the other assets-side components are impaired every time impairment loss is found; the original value is re-instated when the reason for the previous impairment have disappeared.

The goodwill arisen from the difference between cost paid for the acquisition and fair-value of assets and liabilities acquired inside a business combination, are amortized over a period which takes into account the estimated duration of the investments. Pursuant to Article 12, paragraph 2, of Legislative Decree 139/2015, the Company has opted for maintaining the criteria previously in force for the calculation of amortization for any goodwill that arose before 1 January 2016 (the useful life was generally estimated as twenty years in view of the lasting nature of business operations undertaken by the Group).

Intangible assets under development and advances include the costs related to project still to be completed at the reporting date and advances to suppliers for the acquisition of intangible assets. Intangible assets under development and advances are initially recognized at historical cost and not amortized until the completion of the project, when they are reclassified to the proper category within the intangible assets.

The intangible assets whose economic value on the reporting date is persistently lower than cost, amortized according to the above criteria, are written-down to the extent of their economic value. If the reason determining such write-down disappear, the cost is re-instated.

### ***Property, plant and equipment***

Property, plant and equipment are initially stated at cost net of depreciation. The initial recognition value is increased by directly attributable costs and decreased by any commercial and financial discounts.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful economic-technical lives of the related assets, as indicated below:

<i>Category</i>	<i>Rate</i>
Buildings	3%
Light constructions	10%
Plant and machinery	6,67% - 10% - 20%
Industrial and Commercial Equipment	10%

<i>Other:</i>	
Furniture and office equipment	10% - 12%
Electromechanical and electronic machines	33,33%
Motor vehicles and internal means of transport	10%
Cars	25%

The value of property, plant and equipment is amortized on a straight-line basis over their estimated useful lives. Property, plant and equipment and the other assets-side components are impaired every time impairment loss is found; the original value is re-instated when the reason for the previous impairment have disappeared.

Depreciation rates applied are consistent with those applied in prior years.

Property, plant and equipment with purchase cost lower than Euro 516,46 are directly expensed in the income statement in the year when the purchase occurs.

Maintenance costs, given their ordinary nature, are entirely expensed in the income statement when incurred. The costs relating to actions of an incremental nature are attributed to the asset they refer to and depreciated over their useful lives.

Assets in progress and advances include the costs related to project still to be completed at the reporting date and advances to suppliers for the acquisition of intangible assets. Fixed assets in progress and advances are initially recognized at historical cost and not amortized until the completion of the project, when they are reclassified to the proper category within the property, plant and equipment.

Whenever a permanent loss in value of property, plant and equipment is ascertained, the asset is written-down accordingly; if in subsequent years the conditions for the write-down no longer exist, the write-down is reversed, up to the carrying amount of the assets adjusted only for depreciation.

Property, plant and equipment used in force of financial lease contracts are accounted for according to the so-called “financial methods”: Since the Italian GAAP allows to apply the accounting policies as per IAS 17 that considers the finance lease as borrowings aimed to purchase non-current assets, the management choose to follow the rules provided by International Financial Reporting Standards. In accordance with this method the initial cost of assets under a finance lease is recognized as property, plant and equipment and depreciated in line with the related rates, and the liability related to the relative future payments is recognized as financial liabilities.

### ***Investments in subsidiaries associated companies and other investments***

Investment in subsidiaries that are not part of the consolidation area and other investments are valued at cost or underwriting cost, net of any loss considered permanent.

Investments in associates are valued at equity, except for the joint venture Bekaert Maccaferri Underground Solutions BVBA, which has been consolidated on a proportional basis.

Interests in non-current assets are recognized at the acquisition cost or underwriting cost, net of any impairment loss is the net realizable value is lower.

### ***Inventories***

Raw materials, semi-finished and finished products are recognized at the lower of the purchase or production cost and the estimated realizable market value. The Group measures inventories using the weighted-average method. Work in progress are measured at their realizable value, calculated in relation to the percentage of completion agreed with the customer. The related recognition of revenue are recorded using the stage completion method: the ratio between actual costs and total forecasted costs is applied to the total planned revenue.

Raw materials, semi-finished and finished products value is reduced by specific provisions to take into account any loss in value for obsolete or slow-moving products, and to not exceed the cost of replacement or the net realizable value, represented by the market value.

### ***Trade Receivables and other receivables***

Receivables are reported at nominal value and adjusted to their presumed realizable value through a specific allowance for doubtful accounts.

Long-term receivables, which arose after 1 January 2016, are initially entered at their face value, as reduced by issue premiums or discounts; this value is then increased or reduced by amortisation, calculated according to a financial approach on the basis of the amortised cost method, of transaction costs that are paid on a one-off basis and of the difference (if any) between the value upon initial recognition and face value at maturity. Amortised cost is not applied when its value is insignificant compared to the value upon initial recognition.

The Company assumes that the effects arising from the application of amortised cost and discounting-back are immaterial when receivables have a maturity of within 12 months, also taking account of all the contract and substantial terms and conditions in force upon the recognition of the receivable, and

that transaction costs and any difference between initial value and face value at maturity are of an insignificant amount.

### ***Cash and cash equivalent***

Cash and cash equivalents, that comprise bank deposits, cheques and cash on hands, are stated at their nominal value and represent the actual amount available at the reporting date.

### ***Accruals and deferrals***

Accruals and deferrals are recorded on a temporal basis of the costs and revenues which are attributable to more than one period.

### ***Provision for risks and charges***

Provisions for risk and charges are recorded against specific, certain or likely to be incurred losses or amounts payable which, at the date of the financial statements, are uncertain as to amount or to the date on which they will arise. Provisions reflect the best possible estimate on the basis of the information available. Contingencies whose likelihood is estimated to be only possible are disclosed in the explanatory notes, and no provision for risks and charges is recorded.

Provisions for pensions and similar provision related to certain foreign companies represent the liability related to post-retirement plans in accordance with local legislations.

### ***Employees' termination indemnity***

Employees' termination indemnity represents the amounts accrued for each employee at the end of the year, in compliance with Italian civil and labor laws and based on each employee's length of service, employment category and remuneration, then annually adjusted on the basis of the cost of living index provided by the Italian Government. It represents the amount that would have been paid to each employee, provided the employment would have been terminated at the reporting date.

### ***Trade payables and other payables***

Payables are recorded at nominal value, considered to be representative of their redemption value.

Long-term payables, which arose after 1 January 2016, are initially entered at their nominal value, as reduced by issue premiums or discounts; this value is then increased or reduced by amortisation, calculated according to a financial approach on the basis of the amortised cost method, of transaction costs that are paid on a one-off basis and of the difference (if any) between the value upon initial recognition and nominal value at maturity. Amortised cost is not applied when its value is insignificant compared to the value upon initial recognition.

The Company assumes that the effects arising from the application of amortised cost and discounting-back are immaterial when payables have a maturity of within 12 months, also taking account of all the contract and substantial terms and conditions in force upon the recognition of the payable, and that transaction costs and any difference between initial value and nominal value at maturity are of an insignificant amount.

### ***Derivatives***

Derivatives are entered at fair value corresponding to market value, if any, or to the value resulting from valuation models and techniques that are such as to ensure a reasonable approximation to market value. Financial instruments for which it has not been possible to use these methods are valued at their purchase price.

Current values are charged to balance sheet assets, under the specific item of non-current financial assets or current assets according to their allocation, or to liabilities under the specific item of provisions for risks and charges.

Cash flow hedge derivatives are stated against an entry under equity reserves, or, through profit or loss for any ineffective portion.

Any changes in the fair value of derivatives that are speculative and are used to hedge the price of an underlying (fair value hedge) are recognised through profit or loss.

The Parent Company entered into derivative contracts to hedge the risk of interest rate fluctuations. Additionally, some of the Group's subsidiaries has in place derivative contracts to hedge the risk of foreign currency exchange rate fluctuations on specific transactions.

### ***Recognition of revenues and expenses***

Revenues from sales of goods are recognised on an accruals basis when both the following conditions are fulfilled: the production process of goods or services is completed and the exchange has already

taken place, i.e. the title to ownership has been transferred substantially and not formally. In the case of the sale of goods, this moment coincides with the shipment or delivery of personal property. Revenues from services are recognised as at the date when the service are provided, or, as at the date of accrual of fees for those regulated by contracts subject to periodic payments.

Revenues from sales are recognised net of returned goods, discounts, rebates and premiums, as well as of any tax directly attributable to the sale of goods or the provision of services and any adjustments to revenues accrued during the year are taken as a direct reduction in revenues.

Purchase costs are recognised on an accrual basis. Costs for raw and secondary materials, consumables and goods for resale include any additional purchase costs (transport, insurance, loading and unloading, etc.) if they are included by the supplier in the purchase price of the same; otherwise, they are stated separately under costs for services according to their nature.

Revenues and income, costs and charges relating to transactions carried out in foreign currency are calculated at the exchange rate prevailing on the date on which the transaction has been completed, as adjusted by the coverage exchange rate, if applicable.

### ***Financial income and expenses***

Financial income and expenses are recognized based on their occurrence.

### ***Non-recurring income and expenses***

Non-recurring income and expenses relate to transaction for which the source of income or expense is related to the non-core activities of the Company. They mainly refer to gains and losses and non-recurring income and expenses deriving from transactions not related to the core-business of the company, income and expenses related to previous periods, restructuring costs and the economic effects of any variation in the accounting principles applied.

### ***Income and deferred taxes***

Income taxes are recorded according to the accrual principle, being the income taxes paid or to be paid during the reporting period, determined based on the rates and legal provisions in force at the reporting date.

Deferred tax assets and liabilities are calculated using the average theoretical tax rate at the reporting period in which the related temporary differences will be reversed.

The assessment of expected future taxable income, for the purpose of recognizing deferred tax assets depends on factors which may vary over time and may have significant effects on the recognition of deferred tax assets.

Deferred tax assets are recognized to the extent that there is a reasonable certainty of their recoverability.

### ***Accounting of items denominated in foreign currency***

Receivables and payables denominated in currencies other than the Euro are recorded on the basis of the exchange rates at the date of the transaction was realized and are then adjusted at year-end exchange rates. Exchange gains and losses are recorded in the income statement under the figure “gains /(losses) on exchange rate”.

Gains and losses realized at the time of the collection of the receivables or at the payment of payables of items denominated in foreign currency are recognized in the income statement.

### ***Commitment, guarantees and risks***

In accordance with Article 2427, paragraph 1, no. 9, of the Italian Civil Code, the commitments, guarantees and potential liabilities, which do not result from the balance sheet, are disclosed with the most important details regarding their nature and breakdown.

For risks out of which it is certain or likely that a liability will arise proper allocations to provisions for risks and charges are made.

Risks out of which the likelihood that a liability may arise is possible are disclosed in the notes to the consolidated financial statements, without recording any provision.

## **5. FINANCIAL RISK MANAGEMENT**

### ***Exchange rate risk***

A significant part of the Group's transactions are in currencies other than Euro. To mitigate the risk the Group entered into some currency forward contracts, and opened current accounts in currencies other than Euro that the Group aims to hedge. The overall exposure to exchange rate risks is limited thanks to the geographical presence of Officine Maccaferri subsidiaries that are “naturally” hedged,



since their financial flows in foreign currencies are locally offset. Details on contracts undersigned, including the notional value of currency hedged and the relative fair value at the reporting date are disclosed in the Commitment, guarantees and risks section.

### ***Credit risk***

The Group is exposed to credit risk, especially in Italy, the credit risk is managed through the sale of trade receivable to factoring companies or through specific guarantees received on the supplies delivered.

The Group minimizes credit risk through controls implemented and constantly monitoring of receivables, with specific personnel dedicated to this matter.

### ***Commodity price risks***

The Group is exposed to commodity price risks, mainly in connection with the purchase of steel and its derivatives; to mitigate this risk the Group aims to the optimization of the purchase and the inventory.

### ***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.

## **6. INTANGIBLE ASSETS**

The following table sets forth the breakdown and the movements of the intangible assets as of and for the year ended December 31, 2018:

	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
<i>(Euro/000)</i>								
Historical costs	1.796	2.395	695	12.702	32.745	3.251	10.827	64.411
Cumulated amortization	(825)	(2.244)	(487)	(9.128)	(13.041)	-	(5.314)	(31.037)
<b>Carrying amount as of December, 2017</b>	<b>971</b>	<b>151</b>	<b>209</b>	<b>3.574</b>	<b>19.705</b>	<b>3.251</b>	<b>5.514</b>	<b>33.373</b>
Net Variation of the consolidation Area and acquisition of additional share in controlled entities	-	-	-	-	-	-	-	-
Increase for acquisition and internal constructions	-	11	36	742	2.149	3.285	504	6.727
Decrease due to sale	-	-	-	-	-	-	-	-
Reclassification and other movements	1	781	(66)	779	-	(1.804)	220	(89)
Current period amortization	(312)	(220)	(37)	(1.510)	(2.288)	-	(1.700)	(6.067)
Exchange rate differences	5	1	(1)	(30)	23	(29)	(33)	(65)
<b>Total current year variation</b>	<b>(307)</b>	<b>574</b>	<b>(68)</b>	<b>(20)</b>	<b>(116)</b>	<b>1.452</b>	<b>(1.009)</b>	<b>506</b>
Historical costs	1.802	3.178	727	14.056	34.920	4.702	10.890	70.275
Cumulated amortization	(1.137)	(2.453)	(586)	(10.502)	(15.331)	-	(6.386)	(36.395)
<b>Carrying amount as of December, 2018</b>	<b>664</b>	<b>725</b>	<b>141</b>	<b>3.555</b>	<b>19.588</b>	<b>4.702</b>	<b>4.504</b>	<b>33.879</b>

### ***Set up and expansion costs***

As of December 31, 2018, the set up and expansion costs amounted to Euro 664 thousand, showing a decrease of Euro 307 thousand compared to December 31, 2017 (Euro 971 thousand) mainly due to the amortizations of the year (Euro 312).

### ***Development costs***

As of 31 December 2018, development costs amounted to Euro 725 thousand, showing an increase of Euro 574 thousand compared to December 31, 2017 (Euro 151 thousand); such change was mainly due reclassification from other asset categories for Euro 781 thousand, partially compensated by the amortization of the year (Euro 220 thousand).

### ***Industrial patent rights and rights to use intellectual property***

As of 31 December 2018, industrial patent rights and rights to use intellectual property amounted to Euro 141 thousand, showing a decrease of Euro 68 thousand compared to December 31, 2017 (Euro 209 thousand) mainly due to the amortization of the year (Euro 37 thousand).

### ***Concessions, licenses, trademarks and similar rights***

Concessions, licenses, trademarks and other similar rights amounted to Euro 3,555 thousand as of December 31, 2018, showing a decrease of Euro 20 thousand compared to December 31, 2017 (Euro 3,574 thousand). The change was the combined effect of the following: (i) the increase of Euro 779 thousand due to reclassification from other asset categories (ii) the increase of Euro 742 thousand mainly due to the capitalization of software usage rights and related implementation costs mainly incurred by Officine Maccaferri S.p.A. (Euro 200 thousand) and CRM costs incurred by the subsidiary S.A.S. France Maccaferri (Euro 200 thousand), (iii) the decrease of Euro 1,510 thousand due to the amortization of the year.

### ***Goodwill***

As of December 31, 2018, the goodwill amounted to Euro 19,588 thousand, showing a decrease of Euro 116 thousand compared to December 31, 2017 (Euro 19,705 thousand) mainly due to the amortization of the year (Euro 2,288 thousand) partially compensated by the increase of Euro 2,149 thousand, related to the acquisition of additional 20% of share capital of Maccaferri Tunneling S.r.l. and Partecipazione a mezzo SIFIR S.r.l respectively for Euro 2,014 thousand and Euro 135 thousand.

### ***Intangible assets under development and down-payments***

Intangible assets under development and down-payments amounted to Euro 4,702 thousand as of December 31, 2018 showing an increase of Euro 1,452 thousand compared to December 31, 2017 (Euro 3,251 thousand). The increase was the combined effect of the followings: (i) increase of Euro 3,285 mainly related to the capitalization of development costs (about Euro 1,500 thousand) and to the SAP and CRM projects being implemented by Officine Maccaferri S.p.A., (ii) decrease of Euro 1,804 thousand for reclassification to other asset categories.

### ***Other***

The remaining categories “Other” amounted to Euro 4,504 thousand as of December 31, 2018, showing a decrease of Euro 1,009 thousand compared to December 31, 2017 (Euro 5,514 thousand). Such decrease was due to the amortization of the year (Euro 1,700 thousand) partially offset by increase of Euro 504 thousand, that for Euro 200 thousand refers to the improvement in third party

building by Maccaferri Tunneling S.r.l., and by reclassification of Euro 220 thousand from other asset categories.

## 7. PROPERTY, PLANT AND EQUIPMENT

The following table sets forth the breakdown and the movements of property, plant and equipment as of and for the year ended December 31, 2018:

<i>(Euro/000)</i>	<b>Lands and buildings</b>	<b>Plant and machinery</b>	<b>Industrial and commercial equipment</b>	<b>Other fixed assets</b>	<b>Fixed assets in progress and advances</b>	<b>Total property, plant and equipment</b>
Historical costs	63.288	107.356	9.056	12.326	4.998	197.023
Cumulated amortization	(16.748)	(61.678)	(5.320)	(9.736)	-	(93.482)
<b>Carrying amount as of December, 2016</b>	<b>46.540</b>	<b>45.678</b>	<b>3.737</b>	<b>2.590</b>	<b>4.998</b>	<b>103.542</b>
Increase for acquisition and internal constructions	139	4.300	219	1.144	4.972	10.774
Net Variation of the consolidation Area and acquisition of additional share in controlled entities	-	-	-	-	-	-
Decrease due to sale	(1.474)	(190)	(18)	(33)	(502)	(2.217)
Reclassification and other movements	1.159	2.009	712	(22)	(3.769)	89
Current period depreciation and write-down	(1.800)	(6.577)	(672)	(820)	(146)	(10.015)
Exchange rate differences	(1.755)	(1.408)	(105)	(46)	(122)	(3.437)
<b>Total current period variation</b>	<b>(3.732)</b>	<b>(1.865)</b>	<b>135</b>	<b>222</b>	<b>434</b>	<b>(4.807)</b>
Historical costs	59.909	109.517	9.624	12.864	5.431	197.345
Cumulated amortization	(17.101)	(65.705)	(5.752)	(10.053)	-	(98.610)
<b>Carrying amount as of December, 2018</b>	<b>42.808</b>	<b>43.813</b>	<b>3.871</b>	<b>2.812</b>	<b>5.431</b>	<b>98.735</b>

### *Land and buildings*

As of December 31, 2018 the carrying amount of land and buildings decreased by Euro 3.732 thousand, from Euro 46,540 thousand as of December 31, 2017 to Euro 42,808 thousand; such decrease was mainly due to the combined effect of the following: (i) the decrease for Euro 1.474 thousand mainly due to the sale of the plant and building of the subsidiary Partecipazione a mezzo Sifir S.r.l. (Italy) whose net book value was Euro 1,439 thousand (ii) the negative exchange rate differences for an amount of Euro 1,755 thousand, (iii) the depreciation of the year for Euro 1,800 thousand (iv) the increase of Euro 1,159 thousand for reclassification from other asset categories (v) the increase of Euro 139 thousands mainly refers to the improvements on buildings made by the Indian subsidiary Maccaferri Environmental Solutions PVT Ltd and by the Latin American companies.

### ***Plant and machinery***

Plant and machinery as of December 31, 2018 amounted to Euro 43,813 thousand, decreased by Euro 1,865 thousand compared to December 31, 2017 (Euro 45.678 thousand). Such decrease was mainly due to the combined effect of the followings: (i) depreciation of the year for Euro 6,577 thousand, (ii) the negative exchange rate differences for an amount of Euro 1,408 thousand, (iii) additions for Euro 4,300 thousand related for Euro 1,157 to the purchase made by Maccaferri Environmental Solutions PVT Ltd mainly for specific equipment for the production of geosynthetics in the Ranjangaon plant (about Euro 500 thousand) and for a new Double Twist line (about Euro 300 thousand), for Euro 865 thousand to the purchase of specific machinery for the tunneling business made by Maccaferri Tunneling S.r.l., for Euro 630 thousand for the purchase of specific machinery (Polimac extruders) made by Maccaferri de Mexico S.A. De C.V. and Maccaferri Inc ., Euro 429 thousand for the purchase of machineries used to control the galvanizing line and to the purchase of specific accessories for the Double Twist production line made by Maccaferri do Brasil Ltda, for Euro 203 thousand for the purchase of a new machine, and related installation costs, for Kikkonet production line made by Maccaferri (Malaysia) SDN BHD, (iv) reclassification from other asset categories for Euro 2,009 thousand.

### ***Industrial and commercial equipment***

Industrial and commercial equipment as of December 31, 2018 amounted to Euro 3,871 thousand, increasing by Euro 135 thousand compared to December 31, 2017 (Euro 3,737 thousand). Such increase was mainly due to the combined effect of the following: (i) the reclassification from other asset categories for Euro 712 thousand, (ii) additions for Euro 219 thousand mainly related to the purchase of industrial equipment in particular for the production of Defencell (modular protection gabions in welded mesh) made by Maccaferri Manifattura Italia S.r.l. and the purchase of accessories to support the productions related to the tunneling business by Maccaferri Tunneling S.r.l., (iii) the effect of the current year depreciation for Euro 672 thousand.

### ***Other fixed assets***

Other fixed asset as of December 31, 2018 amounted to Euro 2,812 thousand, increasing by Euro 222 thousand compared to December 31, 2017 (Euro 2,590 thousand). Such increase was mainly related to the purchase of logistic equipments, office equipments and company cars. The main purchases were done by Asian Are and by Officine Maccaferri S.p.A.

### *Assets in progress and advances*

Assets in progress and advances as of December 31, 2018 amounted to Euro 5,431 thousand, increased by Euro 434 thousand compared to December 31, 2017 (Euro 4,998 thousand). Such increase was mainly due to the combined effect of the following: (i) additions for Euro 4,972 thousand related for Euro 2,294 thousand to investments aimed to increase the production capacity of the galvanized wire production line of A. Bianchini Ingegniero S.A., and for Euro 1,194 thousand to production machineries purchased by Officine Maccaferri S.p.A. to be resold to other companies of the Group after proper refurbishment, (ii) reclassification to other asset categories for Euro 3,769 thousand, (iii) disposal for Euro 502 thousand entirely related to the sale of a machine by the parent company Officine Maccaferri S.p.A., (iv) Euro 146 thousand for the write-downs of the advance paid by Officine Maccaferri S.p.A. for activities planned on Bellizzi plant (Italy) that were considered not achievable.

In the previous years the Group used to finance the acquisition of some assets under property, plant and equipment through the underwriting of financial lease contracts.

The table below sets forth the detail of historical cost, cumulated depreciation and carrying amount of such assets as of December 31, 2018 and 2017:

	As of December, 2018			As of December, 2017		
	Historical Costs	Cumulated depreciation	Carrying amount	Historical Costs	Cumulated depreciation	Carrying amount
<i>(Euro/000)</i>						
<b>Lands and Buildings</b>	-	-	-	291	(75)	216
<b>Plant and machinery</b>	3.050	(2.528)	521	2.708	(2.467)	242
<b>Other</b>	1.754	(1.197)	557	1.834	(1.073)	760
<b>Total property, plant and equipment under financial lease</b>	<b>4.804</b>	<b>(3.725)</b>	<b>1.079</b>	<b>4.833</b>	<b>(3.615)</b>	<b>1.218</b>

## **8. INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT-VENTURES AND OTHER COMPANIES**

The table below sets forth the details of non-current financial assets as of December 31, 2018 and 2017:

	<b>As of December 31,</b>	
<i>(Euro/000)</i>	<b>2018</b>	<b>2017</b>
Participations in subsidiaries	289	300
Investment in associates and joint ventures	67	769
Participations in other companies	121	135
<b>Total Investment in subsidiaries, associates, joint ventures and other companies</b>	<b>477</b>	<b>1.204</b>

Investments in subsidiaries, associates, joint-ventures and other companies amounted to Euro 477 thousand as of December 31, 2018, showing a decrease of Euro 727 thousand compared to December 31, 2017 (Euro 1,204 thousand).

The value of investments in subsidiaries of Euro 289 thousand is substantially in line with previous year; the decrease of Euro 11 thousand is attributable for Euro 21 thousand to a negative effect due to the translation into Euro of the investments held through the consolidated companies which have an accounting currency other than Euro.

The decrease in investment in associates of Euro 702 thousand was attributable to the full write down of the participation in SUN-B Maccaferri Co. Ltd (South Korea), which in 2017 was consolidated with the equity method and deconsolidated in 2018.

The decrease in investments in other companies of Euro 14 thousand was due to the sale of minor investments.

Below it is reported the breakdown of investments in subsidiaries, associates, joint ventures and other companies as of December 31, 2018:

Investment Name	Country	Share capital (/000)	Ownership %	Carrying amount €/000	
<u>Investments in subsidiaries</u>					
Maccaferri Tunisie	Tunisie	TND	1.148	100	1
Uzbekistan-Russian Joint Venture Maccaferri-Fergana LLC	Uzbekistan	USD	300	51	-
Maccaferri Kazakhstan LLC	Kazakhstan	KZT	6.200	100	-
Maccaferri Ukraine LLC	Ukraine	UAH	1	100	-
Maccaferri Georgia LLC	Georgia	GEL	30	100	-
Maccaferri Honduras	Honduras	HNL	1.954	100	69
Maccaferri Nicaragua	Nicaragua	NIO	1.572	100	43
Maccaferri de Chile Ltda	Chile	CLP	161.629	100	164
Maccaferri du Maroc	Morocco	MAD	10	100	3
Marita Maccaferri Morocco Sarl	Morocco	MAD	100	55	10
					<div>289</div>
Consorzio tutela gabbioni	Italy	EUR	5	25	3
Bekaert Maccaferri Underground Solutions S.r.l.	Italia	EUR	10	50	15
Infratex Environmental Services Inc	Other	PHP	3.045	40	50
Other counterparties		EUR	-	0	121
					<div>188</div>
<b>Total</b>					<div>477</div>

## 9. OTHER NON-CURRENT ASSETS

The table below sets forth the changes in other non-current assets for the year ended 31 December 2018 and 2017:

	<b>As of December 31,</b>	
<i>(Euro/000)</i>	<b>2018</b>	<b>2017</b>
Due from others	4.320	4.081
Deferred tax assets	33.686	26.657
<b>Total Other non-current assets</b>	<b>38.007</b>	<b>30.738</b>

Other non-current assets amounted to Euro 38,007 thousand as of December 31, 2018, showing an increase of Euro 7,269 thousand compared to December 31, 2017 (Euro 30,738 thousand). This increase was mainly due to the increase of the following: (i) higher “Other non-current assets due from other” for Euro 240 thousand mainly due to higher guarantee deposit. It is important to remind that this item for both the year 2018 and 2017 was also including a receivable of Euro 1,772 thousand of Officine Maccaferri S.p.A. to the minority shareholder of the Indian subsidiary Maccaferri Environmental Solution PVT Ltd, for the sale of a 10% minority interest of the share capital, the collection of which is expected beyond the next financial year (ii) higher “Deferred tax assets” for Euro 7,029 thousand, as a consequence of higher temporary differences between the carrying amounts in the financial statements items and the corresponding values determined for tax purposes (Euro



5,796 thousand), higher amount recognized in connection to the temporary difference generated from the adjustments to the local financial statements to the accounting principles of the Group (Euro 902 thousand) and to the higher temporary difference resulting from the consolidation entries (Euro 331 thousand).

The table below sets forth the detail of the deferred tax assets for the year ended 31 December 2018, and 2017:

<i>(Euro/000)</i>	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
Deferred tax assets from time differences between statutory and fiscal financial statements	22.957	17.161
Deferred tax assets from the adjustments to the local financial statements to the accounting principles of the Group	5.968	5.067
Deferred tax assets from differences of the consolidation inclusions	4.761	4.429
<b>Total deferred tax assets</b>	<b>33.686</b>	<b>26.657</b>

## 10. CASH AND CASH EQUIVALENTS

The table below sets forth the breakdown of cash and cash equivalents as of December 31, 2018 and 2017:

<i>(Euro/000)</i>	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
Bank and postal deposits	55.854	64.125
Cheques	202	17
Cash on hand	66	1.264
<b>Total Cash and cash equivalents</b>	<b>56.121</b>	<b>65.406</b>

In 2018 Cash and Cash equivalents recorded a decrease of Euro 9,285 thousand, from Euro 65,406 thousand as of December 31, 2017 to Euro 56,121 thousand as of December 31, 2017.

## 11. OTHER CURRENT FINANCIAL ASSETS

The following table includes the details of the breakdown of other current financial assets as of December 31, 2018 and 2017:

<i>(Euro/000)</i>	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
Other securities	-	-
Interest-bearing financial account due from SECI	22.505	32.000
<b>Total Other current financial assets</b>	<b>22.505</b>	<b>32.000</b>

Other current financial assets amounted to Euro 22,505 thousand as of December 31, 2018, showing a decrease of Euro 9,495 thousand compared to December 31, 2017. The interest-bearing loan due from S.E.C.I. S.p.A is a financial account on which Officine Maccaferri transfer cash in excess to its parent S.E.C.I. S.p.A. which, as reported in the introduction (*Going-concern principle and outlook*), was written-down for Euro 9,400.

## 12. TRADE RECEIVABLES

The following table sets forth the breakdown of the trade receivables as of December 31, 2018, and 2017:

	As of December 31,	
(Euro/000)	2018	2017
Trade receivables	126.014	130.069
Trade receivables from parent company	183	346
Trade receivables from subsidiaries	695	772
Trade receivables from associates	-	-
Trade receivables from company subject to the control of the parent company	1.713	248
Allowance for doubtful accounts	(15.288)	(11.619)
<b>Total Trade receivables</b>	<b>113.317</b>	<b>119.816</b>

Trade receivables include amounts due from customers arising from sale of goods and services, and are presented in the consolidated financial statements net of the allowance for doubtful accounts.

Trade receivable as of December 31, 2018, decreased by Euro 6,499 thousand. The decrease, notwithstanding the increase in revenues from sales and services was mainly due to a reduction in Days Sales Outstanding (DSO).

The allowance for doubtful accounts as of December 31, 2018, and 2017 reflects the considerations made by the Group on specific position to align gross receivables value to the estimated recoverable amount. The following table sets forth the movements of the allowance for doubtful accounts occurred in the year:

(Euro/000)	2018	2017
<b>Balance as of January 1,</b>	<b>11.619</b>	<b>12.484</b>
Accrual	2.990	2.468
Non- recurring accrual	5.214	(15)
Utilization	(3.289)	(1.733)
Reversal	(691)	(628)
Exchange rate adjustment	(513)	(957)
Reclassification	(42)	
<b>Balance as of December 31,</b>	<b>15.288</b>	<b>11.619</b>

As of December 31, 2018, the allowance for doubtful accounts receivables increased by Euro 3,669 thousand, mainly as a result of accruals of the year for Euro 8,204 thousand of which Euro 5,214 thousand non-recurring for which a comment is reported in the net non-recurring expenses and charges of the Profit & Loss. The total accruals of the year for risk on account receivable from Group clients are mainly related to Maccaferri Changsha for Euro 3,330 thousand, Tekno Maccaferri Cerve Teknolojileri for Euro 1,702 thousand, Officine Maccaferri S.p.A. for Euro 700 thousand, Maccaferri do Brasil Ltda for Euro 592 thousand and Officine Maccaferri Italia S.r.l. for Euro 566 thousand. Such increase was partially offset by the utilization of the allowance for Euro 3,289 reversal of the allowance for Euro 691 thousand and a negative exchange rate differences for Euro 513 thousand.

### 13.INVENTORIES

The Group inventories accounted to Euro 101,833 thousand as of December 31, 2018:

	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
Raw Materials, secondary materials and consumables	30.969	29.573
Semi-finished goods	9.414	5.226
Work in progress	-	-
Finished products and goods	56.512	51.722
Advances paid to suppliers for purchase of goods	4.939	2.674
<b>Total Inventories</b>	<b>101.833</b>	<b>89.195</b>

As of December 31, 2018 the inventories increased by Euro 12,638 thousand compared to December 31, 2017. Within such increase Euro 3,534 was related to Maccaferri Environmental Solutions PVT Ltd (India) mainly due to advance payments to suppliers (Euro 2,327 thousand) and Euro 2,544 thousand was related to the Spanish subsidiary A. Bianchini Ingegnieri S.A. that increased the level of raw material and semi-finished products (about Euro 1,600 thousand) following to the revamping of its the galvanized wire production line (Galva-38) which will provide an important increase of capacity and made an advance payment of about Euro 900 thousand to a supplier following to the acquisition of a relevant geosynthetic project.

Inventories are shown net of the obsolescence reserve that amounted to Euro 1,727 thousand prudentially allocated to take into account the physiological obsolescence of certain types of products and raw materials.

## 14. CURRENT TAX RECEIVABLES

The table below sets forth the breakdown of current tax receivables as of December 31, 2018 and 2017:

<i>(Euro/000)</i>	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
Receivable from tax authorities	14.616	11.603
Receivables from SECI for liquidation Group IRES	6.459	4.444
Receivables from SECI for liquidation Group VAT	198	1.212
<b>Total Current tax receivables</b>	<b>21.274</b>	<b>17.259</b>

As of December 31, 2018 receivables from tax authorities increased by Euro 4,015 thousand compared to December 31, 2017.

Receivables from tax authorities mainly include the amount of income taxes advances paid by Group companies to the local tax authorities, and amount of VAT and withholding taxes owed to Group companies for advances paid.

All the subsidiaries based in Italy (Officine Maccaferri S.p.A., Officine Maccaferri Italia S.r.l., Maccaferri Manifattura Italia S.r.l., Maccaferri Innovation Center S.r.l., Maccaferri Tunneling S.r.l. Partecipazione a mezzo Sifir S.r.l.) take part to the national tax consolidation agreement in connection with IRES (income tax) and VAT. Based on the agreement the IRES and VAT balances pertaining to the above mentioned companies are transferred to S.E.C.I. S.p.A. (the ultimate parent company) against the recognition of a credit/debit with the nominated parent, the balance of the accounts arise as part of this agreement are timely paid/collected.

Receivables from SECI for liquidation Group IRES includes income tax credit on the result of the year and withholding taxes to be recovered through the tax consolidation agreement with the Parent Company. The amount as of December 31, 2018 increased of Euro 2,015 thousand and is mainly due the higher receivables of Officine Maccaferri S.p.A. but as reported in the introduction (*Going-concern principle and outlook*), was written-down for Euro 600 thousand.

## 15. OTHER CURRENT NON-FINANCIAL ASSETS

The following table shows the breakdown of other current non-financial assets as of December 31, 2018 and 2017:

	<b>As of December 31,</b>	
<i>(Euro/000)</i>	<b>2018</b>	<b>2017</b>
Other current receivables	12.784	13.269
Accrued income	2.867	2.759
Prepaid expenses	1.013	1.828
Other receivables due from parent company	-	14
<b>Total Other current non-financial assets</b>	<b>16.663</b>	<b>17.870</b>

Other current non-financial assets decreased by Euro 1,207 thousand from Euro 17,870 thousand as of December 31, 2017 to Euro 16,663 thousand primarily due to the decrease of Euro 1.135 in other current receivables.

The Accrued income, equal to Euro 2,867 thousand, mainly consists of income accrued but not yet invoiced at the end of the year relating to the construction business of Maccaferri Ltd (UK) for Euro 2,287 thousand.

The item prepaid expenses amounting to Euro 1,013 thousand, mainly refers to the rents of factories (Euro 469 thousand) and insurance premiums (Euro 114 thousand).

## 16. SHARE CAPITAL AND RESERVES

### Share capital

	<b>As of December 31,</b>	
<i>(Euro/000)</i>	<b>2018</b>	<b>2017</b>
Share capital	33.400	33.400

Ordinary shares have a nominal value of Euro 80,00 each.

The ordinary shares of Officine Maccaferri S.p.A., issued and fully paid up as of December 31, 2018 totaled 417,500.

### Reserves and retained earnings

The table below shows the movement in the shareholders' equity reserves as of December 31, 2018 and 2017:

<i>(Euro/000)</i>	<b>Legal Reserve</b>	<b>Revaluation reserve</b>	<b>Other reserves</b>	<b>Reserves for hedging of expected cash flows</b>	<b>Retained earnings</b>	<b>Currency translation reserve</b>	<b>Total Reserves</b>
<b>As of January 1, 2018</b>	<b>3.285</b>	<b>10.641</b>	<b>8.064</b>	<b>(11)</b>	<b>38.271</b>	<b>(38.473)</b>	<b>21.778</b>
Allocation of prior year results	209	-	3.978	-	(3.969)	-	218
Dividends paid	-	-	(10.750)	-	-	-	(10.750)
Movements deriving from consolidation process	-	-	(101)	7	105	(7.776)	(7.765)
<b>Balance as of December 31, 2018</b>	<b>3.494</b>	<b>10.641</b>	<b>1.191</b>	<b>(5)</b>	<b>34.407</b>	<b>(46.248)</b>	<b>3.481</b>

The Revaluation reserve refers to the revaluation of Land and Buildings in accordance with the Law Decree 185/2008, converted into law on January 28, 2009.

The Other reserves decreased by Euro 6,873 thousand from Euro 8,064 thousand as of December 31, 2017 to Euro 1,191 thousand following to the allocation of the 2017 result reduced by the extraordinary distribution of dividend, declared the 31<sup>st</sup> of December 2018, together with distribution of fees to the Board of Directors for Euro 750 thousand, as per the resolution passed by the Parent Company's Shareholders' Meeting on 26th of April 2018.

The Reserve for expected cash flow hedge relates to the measurement of the interest rate risk hedging operation for the Caricento loan, net of related tax effect, which was carried out by parent company Officine Maccaferri S.p.A..

The decrease of reserves due to the increase of negative currency translation reserve for Euro 7,776 thousand was mainly attributable to the devaluation of the Brazilian Real, the Indian Rupee, the Russian Ruble, the Chinese Yuan and the Argentinian Peso.

## 17. BANK LOANS AND OTHER FINANCIAL LIABILITIES

<i>(Euro/000)</i>	<b>As of December 31, 2018</b>				<b>As of December 31 2017</b>			
	<b>Total</b>	<i>within 1</i>	<i>1 to 5</i>	<i>over 5</i>	<b>Total</b>	<i>within 1</i>	<i>1 to 5</i>	<i>over 5</i>
		<i>year</i>	<i>years</i>	<i>years</i>		<i>year</i>	<i>years</i>	<i>years</i>
Overdrafts and other short-term debt	37.852	37.852	-	-	5.911	5.906	5	-
Long-term debts due to financial institutions	21.320	7.577	13.743	-	18.507	5.968	12.538	-
Other financial liabilities	6.217	3.671	2.546	-	5.325	4.242	1.083	-
<b>Total Banks loans and other financial liabilities</b>	<b>65.389</b>	<b>49.100</b>	<b>16.289</b>	<b>-</b>	<b>29.742</b>	<b>16.116</b>	<b>13.626</b>	<b>-</b>

As of December 31, 2018 bank loans and other financial liabilities increased by Euro 35,647 thousand, from Euro 29,742 thousand as of December 31, 2017 to Euro 65,389 thousand as of December 31, 2018. Such increase was mainly related to the increase in the "Overdrafts and other short-term debt" for Euro 31,941 thousand and increase in "Long-term debt due to financial

institutions” for Euro 2,813 thousand mainly related to new loans subscribed by Maccaferri Manufacturing Europe S.R.O and Officine Maccaferri S.p.A. for Euro 5,000 thousand each.

The table below shows the detail of the Long-term debts due to financial institutions as of December 31, 2018

Bank	Entity	Currency	Original amount in thousand of Euro	As of December 31, 2018	Terms	Maturity date
Banca Popolare di Milano	Officine Maccaferri	Euro	1.086	782	6-months Euribor plus spread	2022
Cassa di Risparmio di Bologna	Officine Maccaferri	Euro	7.600	1.511	6-months Euribor plus spread	2019
Cassa di Risparmio di Cento	Officine Maccaferri	Euro	1.500	494	3-months Euribor plus spread in pre-amortization	2020
Banco Popolare di Vicenza	Officine Maccaferri	Euro	2.000	555	3-months Euribor plus 0,1 plus spread in pre-amortization	2020
Interbanca	Officine Maccaferri	Euro	5.000	3.094	3-months Euribor plus spread	2021
Cassa di Risparmio di Ravenna	Maccaferri Tunneling S.r.l.	Euro	3.700	1.601	6-months Euribor plus spread	2020
Slovenska' sporitel'na s.a.	Maccaferri Manufacturing Europe S.R.O	Euro	5.000	4.500	1-months Euribor plus spread	2028
Banca Ifis	Maccaferri Manufacturing Europe S.R.O	Euro	5.000	5.000	Fixed rate 3,50%	2020
Banca di Bologna	Officine Maccaferri	Euro	5.000	3.782	Fixed rate 3,50%	2020

## 18. NON-CURRENT BONDS

The table below shows the detail of the non-current bonds as of December 31, 2018 and 2017:

	As of December 31,	
(Euro/000)	2018	2017
Bond issued	190.000	190.000

At the beginning of June 2014 the Company issued a Senior Notes of Euro 200,000 thousand bearing an interest of 5.75% with due date first of June 2021. The decrease in non-current bond for the amount of Euro 10 million was due to the repurchase and cancellation made by Officine Maccaferri S.p.A. between November and December 2015.

## 19. EMPLOYEES' TERMINATION INDEMNITY

The employee termination indemnity is calculated in accordance with the national contract of employment.

The table below sets forth the movements occurred during the years ended December 31, 2018 and 2017:

	<b>As of December 31,</b>	
<i>(Euro/000)</i>	<b>2018</b>	<b>2017</b>
<b>Balance as of January 1,</b>	<b>1.252</b>	<b>1.463</b>
Change in area of consolidation	-	11
Accrual for the period	666	572
Utilization for the period (resignation and advances)	(638)	(476)
Payment of current year portion to pension fund and INPS treasury fund	(114)	(316)
Withholding tax on revaluation	(1)	(3)
<b>Balance as of December 31,</b>	<b>1.165</b>	<b>1.252</b>

Employees' termination indemnity decreased by Euro 87 thousand as of December 31, 2018, from Euro 1,252 thousand as of December 31, 2017 to Euro 1,165 thousand. Such decrease was mainly due to the payment of the current-year portion to pension fund and INPS treasury fund, to the utilization for the period related to the leaving indemnity to the employees for resignations and advances, which accounted a total amount for Euro 752 thousand, which were partially compensated by the accrual of the year.

## 20. PROVISIONS FOR RISKS AND CHARGES

The breakdown and movements in the provision for risks and charges occurred in the year 2018 and 2017 are shown below:

<i>(Euro/000)</i>	<b>Pension and similar provision</b>	<b>Tax litigation provision</b>	<b>Other provisions</b>	<b>Total</b>
<b>Balance as of January 1,</b>	<b>2.790</b>	<b>288</b>	<b>3.961</b>	<b>7.038</b>
Accrual for the year	180	10	1.878	2.068
Non-recurring accrual	(51)	815	5.268	6.032
Reversal	(34)	-	(249)	(283)
Decrease for use	(320)	-	(3.301)	(3.621)
Exchange rate adjustment	89	(7)	(162)	(80)
Reclassification	(41)	-	41	-
Change in the consolidation area	-	-	280	280
<b>Balance as of December 31,</b>	<b>2.612</b>	<b>1.106</b>	<b>7.716</b>	<b>11.434</b>

### *Pension and similar provision*

The item, amounted to Euro 2,612 thousand as of December 31, 2018 includes the estimation of the severance indemnity to be paid to the agents subject to the termination of their work relations with the Group, and includes the liabilities related to the pension fund of some foreign subsidiaries. The accrual for pension fund of the year is recognized in the income statement as "pension and similar costs" within the "cost of personnel".



### ***Tax litigation provision***

The item amounted to Euro 1,106 thousand as of December 31, 2018 includes the estimation of costs for withholding tax liabilities and risks related to tax litigation. The accrual of the year is recognized in the income statement as “fiscal contingencies” within the “other operating costs”, when related to indirect taxes, within “income taxes” for direct taxes”.

### ***Other provision***

This item, amounting to Euro 7,716 thousand as of December 31, 2018 includes mainly the provision booked in order to cover risks linked to the business activity, risks arisen from litigations with third parties and provision related to Group companies restructuring process. The accrual of the year is recognized in the income statement as “accrual to provision for risks and charges”; should the cost incurred be considered exceptional, the accrual is recognized as “non-recurring expenses and charges”.

The item includes also the Fund for Financial Instruments Derivate, amounting to Euro 953 thousand, that consist of the measurement of derivatives with a negative fair value in place as at 31 December 2018.

The main disputes and litigations as of December 31, 2018 are detailed below:

### ***Litigation Re: COIM construction consortium***

Officine Maccaferri S.p.A. was part of a lawsuit with a construction consortium (“COIM”) alleging that certain of our geosynthetic products used to line and waterproof an underpass in northern Italy were manufactured and/or installed improperly. We had argued that the product was not defective and that any leakage was caused by improper installation and by design flaws in the project itself. An initial trial was decided in our favor. However, on appeal, the Italian appellate court ruled against us and ordered us to pay total damages (including costs, fees and interest) of approximately €4.0 million. We had appealed this decision to the Italian Court of Cassation but with its final decision took place in June 2018 and Officine Maccaferri was obliged to pay about €4.0 million plus legal fees.

### ***Cave Pedogna litigation***

The operator of rock and gravel quarry in Italy (“Cave Pedogna”) has brought a claim against us alleging that imperfections in our products and/or project design used to line and protect a portion of the quarry are defective and, as a result, a portion of the quarry is unusable. Cave Pedogna’s claim seeks restitution for damages and lost profits. This claim is still in the early stages of petition as the lawsuit was started by the counterpart only in 2015 and we cannot yet estimate potential damages or lost profits, if any. We intend to vigorously defend our interests in this case and, in any case, we estimate that, with regard to this litigation, no ruling in the case will be issued in the medium term. The Group has booked a specific provision of Euro 665 thousand during the year 2012, increased of Euro 1,220 thousand in the year 2018 to consider all potential liabilities that might arise.

## **21.DEFERRED TAX LIABILITIES**

The table below sets forth the detail and movements of the item as of and for the years ended December 31, 2018 and 2017:

<i>(Euro/000)</i>	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
Deferred tax liabilities from time differences between statutory and fiscal financial statements	1.982	2.402
Deferred tax liabilities from adjustments to the local financial statements to the accounting principles of the Group	2.448	3.381
Deferred tax liabilities from time differences of the consolidation inclusions	2.024	1.558
<b>Total</b>	<b>6.454</b>	<b>7.341</b>

The item amounted to Euro 6,454 thousand as of December 31, 2018, decreased by Euro 887 thousand compared to December 31, 2017 (Euro 7,341 thousand); the decrease is due to lower amount recognized in connection to the temporary difference generated from the adjustments to the local financial statements to the accounting principles of the Group (Euro 933 thousand) and lower deferred tax liabilities calculated as difference by the carrying amounts in the financial statements items and the corresponding values determined for tax purposes (Euro 420 thousand) partially offset by higher amount from temporary difference resulting from the consolidation entries (Euro 466 thousand).

## **22. TRADE PAYABLES AND ADVANCE FROM CUSTOMERS**

The table below sets forth the breakdown of trade receivables as of December 31, 2018 and 2017:

	<b>As of December 31,</b>	
<i>(Euro/000)</i>	<b>2018</b>	<b>2017</b>
Trade payables due to third parties	96.056	93.914
Trade payables due to parent company	360	1.249
Trade payables due to company subject to the control of the parent company	2.260	1.334
<b>Total trade payables</b>	<b>98.676</b>	<b>96.497</b>
Advance from customers	4.727	11.502
<b>Total Trade payables and advance from customers</b>	<b>103.403</b>	<b>108.000</b>

As of December 31, 2018 trade payables increased by Euro 2,179 thousand to Euro 98,676 thousand compared to December 31, 2017 (Euro 96,497 thousand). Such increase is due to the increase in the Group sales.

### **23.CURRENT TAX PAYABLES**

The table below shows the movements of current tax payables as of December 31, 2018 and 2017:

	<b>As of December 31,</b>	
<i>(Euro/000)</i>	<b>2018</b>	<b>2017</b>
Payable to tax authorities	10.334	8.337
Payables to parent companies for liquidation Group IRES	1.479	15
Payables to parent companies for liquidation Group VAT	778	216
<b>Total current tax payables</b>	<b>12.590</b>	<b>8.568</b>

As of December 31, 2018 current tax payables increased by Euro 4,022 thousand to Euro 12,590 thousand compared to December 31, 2017 (Euro 8,568 thousand). The increase is due to higher debts for income taxes (for Euro 1,997 thousand), higher payables to parent company for liquidation of Group VAT (for Euro 562 thousand) and higher payables to parent company for liquidation of Group IRES (for Euro 1,464 thousand). The latter one is mainly due to the higher payables of Maccaferri Tunneling S.r.l. and Officine Maccaferri Italia S.r.l.

### **24.OTHER CURRENT NON-FINANCIAL LIABILITIES**

The table below sets forth the breakdown of other current non-financial liabilities as of December 31, 2018 and 2017:

	<b>As of December 31,</b>	
<i>(Euro/000)</i>	<b>2018</b>	<b>2017</b>
Social security payables	2.002	1.581
Accrued expenses	7.055	5.914
Deferred income	2.059	1.589
Due to personnel	7.096	4.006
Payables to factoring	43.190	46.328
Other payables	8.163	8.249
<b>Total Other current non-financial liabilities</b>	<b>69.565</b>	<b>67.666</b>

As of December 31, 2018 other current non-financial liabilities increased by Euro 1,899 thousand to Euro 69,565 thousand compared to December 31, 2017 (Euro 67,666 thousand). The increase was mainly due to the combined effect of the following: (i) higher “Payables to personnel” for Euro 3,090 thousand (ii) higher “Accrued expenses” for Euro 1,141 thousand which includes the interest on medium and long-term loans and interest expense on the bond accrued in December 2018 by Officine Maccaferri S.p.A. (Euro 965 thousand), (iii) lower “Payable to factoring” for Euro 3.138 thousand due to lower amount of payables sold by our supplier to factoring companies partially.

It should be noted that some of the supplier uses to sell to factor companies the Group’s payables. The Group maintains the recognition of these payables in the other current non-financial liabilities until the original due date of the sold invoices (45 days on average), subsequently the related amounts are reclassified to bank loans and other financial liabilities, from which moment they bear interests.

## **NOTES TO THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT**

### **25. REVENUE FROM SALES AND SERVICES**

The table below sets forth the breakdown of the revenues from sales and services for the years ended December 31, 2018 and 2017:

	<b>For the year ended December 31,</b>	
<i>(Euro/000)</i>	<b>2018</b>	<b>2017</b>
Revenues from sales of goods	(491.202)	(442.710)
Revenues from services	(29.367)	(35.990)
<b>Total revenues from sales and services</b>	<b>(520.569)</b>	<b>(478.699)</b>

The breakdown of revenue from sales and services by geographical area is as follows:

<b>(Euro/000)</b>	<b>2018</b>	<b>2017</b>	<b>For the year ended December 31,</b>	
			<b>Amount</b>	<b>%</b>
Latin America	121.743	116.506	5.237	4,5%
EMEA (Ex Italy)	168.088	158.276	9.812	6,2%
Asia Pacific	107.333	100.289	7.044	7,0%
Italy	69.326	55.302	14.024	25,4%
NAFTA	54.078	48.327	5.752	11,9%
<b>Total</b>	<b>520.569</b>	<b>478.699</b>	<b>41.869</b>	<b>8,7%</b>

For the year ended December 31, 2018 the revenues increased by Euro 41,869 thousand of which Euro 14,024 thousand in the Italian markets, Euro 9,812 thousand in the EMEA markets, Euro 7,044 thousand in the Asian Pacific market, Euro 5,752 thousand in the Nafta market and Euro 5,237 thousand in the Latin America markets.

## 26. OTHER REVENUE

The table below sets forth the breakdown and movements of the other revenue for the years ended December 31, 2018 and 2017:

<b>(Euro/000)</b>	<b>For the year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Repayment of transport costs	3.925	3.311
Revenues from services rendered	1.454	1.527
Gain in disposal of assests	804	2.749
Release of provision for risks and charges and allowance for doubtful accounts	1.206	1.225
Other revenue	4.175	5.381
Change in inventory of semi-finished, finished products and work in progress	1.620	2.401
Increase in fixed assets from in-house works	947	1.248
<b>Total Other revenue</b>	<b>14.131</b>	<b>17.842</b>

For the year ended December 31, 2018, other revenue decreased by Euro 3,711 thousand from Euro 17,842 thousand for the year ended December 31, 2017 to Euro 14,131 thousand. Such decrease was mainly due to the combined effect of the following: (i) lower gain on disposal of tangible assets for Euro 1,945 compared to previous 2017 that was effected for Euro 1,489 thousand from the sale of the plant of Maccaferri Inc. located in Williamsport (MD), (ii) lower other revenues for Euro 1,206 thousand mainly due to fact that the year 2017 was effected by an out of period revenue of Euro 635 thousand (iii) lower change in inventory of semi-finished, finished goods and work in progress for Euro 781 thousand, (iv) lower increase in fixed asset from in-house works for Euro 301 thousand, (v) higher repayment of transport costs for Euro 614 thousand mainly due to increase in revenue from sales and services.

## 27. COST OF MATERIALS AND CONSUMABLES

The table below sets forth the breakdown of costs of raw materials and consumables for the years ended 31 December 2018 and 2017:

<i>(Euro/000)</i>	<b>For the year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Raw materials and marketing	298.923	268.584
Secondary materials and consumables	6.369	4.357
Change in inventories of raw materials, consumables and goods	(12.058)	(7.806)
<b>Costs of materials and consumables</b>	<b>293.234</b>	<b>265.136</b>

For the year ended December 31, 2018, cost of materials and consumables increased by Euro 28,098 thousand to Euro 293,234 thousand from Euro 265,136 thousand for the year ended December 31, 2017. Such increase was mainly due to increase in the total revenue of the year. The incidence of the costs of materials and consumables on total revenues increased to 54,8% from the 53,4% of the same period of the previous year mainly because of the different mix of products sold.

## 28. COST OF SERVICES AND USE OF THIRD PARTY ASSETS

The table below sets forth the breakdown of the item for the years ended 31 December 2018 and 2017:

(Euro/000)	For the year ended December 31,			
	2018	2017	Amount	%
Transport expenses	17.317	15.446	1.872	12,1%
Accessory purchase expenses	6.805	3.674	3.131	100%
Technical, legal, fiscal and consulting expenses	8.929	6.989	1.940	27,8%
Remuneration of directors, Board of auditors	795	679	116	17,1%
Advertising expenses	2.383	2.212	171	7,7%
Commissions	7.533	6.807	726	10,7%
Utilities expenses	6.313	6.325	(12)	(0,2%)
Travel expenses	7.031	7.233	(202)	(2,8%)
Banking service expenses	1.413	1.202	211	17,6%
Insurance expenses	1.833	1.556	277	17,8%
External manufacturing	1.526	2.744	(1.218)	(44,4%)
External maintenance	2.177	1.445	732	50,7%
IT consulting	2.357	2.667	(310)	(11,6%)
Information on client and debt collection	1.298	1.009	289	28,7%
Telephone and other communication expenses	1.341	1.480	(139)	(9,4%)
Audit Costs	932	879	53	6,1%
Other services	31.868	35.890	(4.022)	(11,2%)
<b>Total cost of services</b>	<b>101.852</b>	<b>98.237</b>	<b>3.615</b>	<b>3,7%</b>
Plant and equipment rents	2.927	2.928	(1)	(0,0%)
Selling and marketing rents	1.829	1.863	(34)	(1,8%)
Technical rents	427	314	112	35,7%
General and administrative rents	1.601	1.576	25	1,6%
<b>Total cost for use of third parties assets</b>	<b>6.783</b>	<b>6.681</b>	<b>103</b>	<b>1,5%</b>
<b>Costs of services and use of third party assets</b>	<b>108.636</b>	<b>104.918</b>	<b>3.718</b>	<b>3,5%</b>

For the year ended December 31, 2018 cost of services and use of third parties assets increased by Euro 3,718 thousand from Euro 104,918 thousand for the year ended December 31, 2017 to Euro 108,636 thousand. The increase was primarily the combined effect of the following: (i) higher “accessory purchase expenses” and higher transport costs for a total amount of Euro 5,002 thousand mainly as a consequence of the increase in the Group sales, (ii) higher technical, legal and fiscal costs for Euro 1,940 thousand; (iii) higher commission for Euro 726 thousand mainly in Maccaferri Inc (USA) and Officine Maccaferri Italia S.r.l. primarily related to the sales of the Defence and Security products (iv) lower other services costs for Euro 4,022 mainly related to the construction costs services caused by the shrinking of the construction business primarily in India, Peru, France and Turkey.

## 29.COST OF PERSONNEL

The table below sets forth the breakdown of cost of personnel for the years ended December 31, 2018 and 2017:

	<b>For the year ended December 31,</b>	
<i>(Euro/000)</i>	<b>2018</b>	<b>2017</b>
Wages, salaries and social security contributions	77.322	73.531
Employees severance indemnity	666	572
Pension and similar costs	839	853
Other personnel costs	5.951	6.393
<b>Cost of personnel</b>	<b>84.778</b>	<b>81.348</b>

For the year ended December 31, 2018 the cost of personnel increased by Euro 3,430 thousand from Euro 81,348 thousand for the year ended December 31, 2017 to Euro 84,778 thousand. The increase was mainly due to the higher number of personnel (the average number of personnel was about 3,455 compared to the 3,207 of the previous year). The higher increase was registered in the EMEA area and in particular in Officine Maccaferri S.p.A., with new hiring to strengthen the Headquarter organization, in Maccaferri Tunneling and in Maccaferri Manifattura Italia S.r.l. that hired new personnel in order to face respectively the higher sales of tunneling and defense and security products. The incidence of the cost of personnel on the total revenues decreased from the 16,4% of the year 2017 to the 15,9% of the current year.

The table below sets forth the breakdown of number of personnel for category for the years 2018 and 2017:

	<b>31/12/2018</b>	<b>Average for the year 2018</b>	<b>31/12/2017</b>	<b>Average for the year 2017</b>
<b>Executives</b>	77	80	83	85
<b>White collar</b>	1.563	1.541	1.520	1.487
<b>Blue collar</b>	1.367	1.384	1.401	1.332
<b>Temporary staff</b>	545	450	356	303
<b>Total</b>	<b>3.551</b>	<b>3.455</b>	<b>3.359</b>	<b>3.207</b>

### 30. OTHER OPERATING COSTS

The table below sets forth the breakdown of the operating costs for the years ended December 31, 2018 and 2017:

	<b>For the year ended December 31,</b>	
<i>(Euro/000)</i>	<b>2018</b>	<b>2017</b>
Losses on trade receivables	464	102
Losses on disposal of assets	5	156
Fiscal contingencies	10	19
Other expenses from recurring operations	823	847
<b>Total</b>	<b>1.302</b>	<b>1.124</b>



For the year ended December 31, 2018 other operating costs increased by Euro 178 thousand compared to the year ended December 31, 2017. This increase was mainly attributable to the higher losses on trade receivables for Euro 362 thousand partially offset by lower losses on disposal of assets for Euro 151 thousand.

### 31. AMORTISATION, DEPRECIATION AND WRITE-DOWNS

The table below sets forth the breakdown of the items for the years ended December 31, 2018 and 2017:

<i>(Euro/000)</i>	<b>For the year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Amortization of intangible assets	6.067	5.731
Depreciation of property, plant and equipment	9.870	10.722
Other write-back of property, plant, equipment and intangible assets	146	-
Accrual to allowance for doubtful accounts	3.951	2.716
<b>Total Amortization, depreciation and write downs</b>	<b>20.033</b>	<b>19.168</b>

For the year ended December 31, 2018 amortization, depreciation and write-downs increased by Euro 865 thousand compared to the year ended December 31, 2017. Such increase was primarily due to the following: (i) higher amortization of intangible assets for Euro 336 thousand of which Euro 114 thousand related to amortization of goodwill whose gross value increased of Euro 2,284 thousand after the acquisition of additional 20% of share capital of Maccaferri Tunneling S.r.l. and Partecipazione a mezzo SIFIR S.r.l., (ii) higher write-downs of assets for Euro 146 thousand related to an advance paid by Officine Maccaferri S.p.A. for activities planned on Bellizzi plant (Italy) that were considered not achievable, (iii) higher accrual to allowance for doubtful accounts for Euro 1,235 thousand which for Euro 600 thousands is related to the write down of the Receivables from SECI for liquidation Group IRES.

### 32. FINANCIAL INCOME, EXPENSES AND GAINS / (LOSSES) ON EXCHANGE RATES

The table below sets forth the breakdown and the movements of the items for the years ended December 31, 2018 and 2017:

	<b>For the year ended December 31,</b>	
<i>(Euro/000)</i>	<b>2018</b>	<b>2017</b>
Financial income	4.483	4.431
Financial expenses	(19.128)	(17.749)
Gain/(losses) from forex management	(4.198)	(4.271)
Gain/(losses) on participation	(627)	(213)
<b>Net income/( losses) from financial activities</b>	<b>(19.471)</b>	<b>(17.802)</b>

For the year ended December 31, 2018 the financial income amounted to Euro 4,483 thousand and remained substantially stable compared to the Euro 4,431 of the year ended December 31, 2017.

The financial expenses increased of Euro 1,379 thousand; such increase was mainly due to higher interest on banks for Euro 758 thousand, higher interest on other debts (vs tax authorities, vs suppliers, usufruct right due to Simest, etc.) for Euro 509 thousand, higher interest charges on factoring for Euro 295 thousand, higher interest on mortgage for Euro 87 thousand, partially offset by other financial charges for Euro 261 thousand and lower interest charges vs other financing body Euro 24 thousand.

The loss from forex management of the year 2018 amounted to Euro 4,198 thousand and remained substantially stable compared to the Euro 4,271 thousand of the year ended December 31, 2017. The loss of the year 2018 arose mainly from an average depreciation of all currencies against the Euro, in particular the Turkish Lira, the Argentinian Peso, the Brazilian Real and the Indian Rupee.

The gain on participation amounted to euro 627 thousand and increased of Euro 414 thousand compared to the Euro 213 thousand of the year ended December 31, 2017. The amount of the year 2018 was the combined effect of what follow: (i) the full write-down of the investment in the associated company SUN-B Maccaferri Co. Ltd (Korea) previously consolidated with the equity method (Euro 533 thousand), (ii) the write-down made by Maccaferri Gabions CIS of its non-consolidated subsidiaries Maccaferri Georgia LLC, Maccaferri Kazakhstan LLC Maccaferri Ukraine LLC respectively for Euro 96 thousand, Euro 11 thousand and Euro 1 thousand (ii) a dividend revenue of Euro 63 thousand received from the not consolidated subsidiary Infratex Environmental Services Inc, based in Philippines.

### **33. NET NON-RECURRING EXPENSES AND CHARGES**

The table below sets forth the breakdown of the item for the years ended December 31, 2018 and 2017:

	For the year ended December 31,	
(Euro/000)	2018	2017
Reversal of probable accrual to tax litigation fund	(168)	-
Decrease in previous year tax payables	6	933
Gain on sales of business and on discontinued business	20	-
Gain from sales	(17)	-
Non recurring reversal of provision for risk and charges	31	-
Other	592	161
<b>Total non recurring income</b>	<b>465</b>	<b>1.095</b>
Restructuring costs	(1.827)	(1.850)
Non-recurring accrual to provision for risks and charges	(5.561)	(105)
Losses on sales	(413)	(52)
Previous year tax	(682)	2
Other	(18.885)	(1.355)
Devaluation of financial credit from parent company	(9.400)	-
<b>Total non recurring expenses</b>	<b>(36.768)</b>	<b>(3.360)</b>
<b>Net non-recurring expenses and charges</b>	<b>(36.304)</b>	<b>(2.265)</b>

For the year ended December 31, 2018 the non-recurring income decreased by Euro 630 thousand compared to the year ended December 31, 2017. Such decrease was mainly due to lower decrease in previous year tax payables (Euro 927 thousand) due to the fact that the year 2017 was affected by a refund of previous year tax payables for Euro 924 thousand mainly related to Maccaferri Indonesia after the won of tax litigation case.

For the year ended December 31, 2018 the non-recurring expenses increased by Euro 33,408 thousand compared to the year ended December 31, 2017. The non-recurring expenses for the year ended December 31, 2018 are mainly related to the followings:

- Euro 9,4 million due to the devaluation of the financial credit from parent company reported in the introduction (*Going-concern principle and outlook*);
- Euro 6,3 million due to a cyber fraud that hit the US subsidiary, which caused transfers of funds to an imaginary company. Officine Maccaferri have actively collaborated with the competent judicial and investigative authorities (FBI in the United States and Hong Kong Police) to reconstruct the causes of the accident and identify those responsible. Up to date, it has been possible to recover only a small part of the sum subtracted but the case has not been closed yet. The incident is to be considered in a framework of international criminal offense, but also as a serious violation of all internal regulations. The top management of the US subsidiary has been removed and replaced the US subsidiary continues its activity in an ordinary way, with the coordination of the parent company. The company will protect its interests in terms of criminal

responsibility and compensation in any appropriate venue. Security parameters and procedures have been further strengthened in all company branches around the world. The above-mentioned amount includes the associated legal, investigation and restructuring fees for Euro 0,5 thousand partially offset by the recovery of Euro 0,8 million;

- Euro 3,8 million for accruals to bad debts reserve posted for Euro 3,1 million by Maccaferri Changsha (China) following to a specific audit on the recoverability of the receivables which led to a complete review of the credit granting and management procedures. The remaining part of the provision was posted by Officine Maccaferri S.p.A. on receivables arising prior to its transformation into a pure Holding company as from 1 January 2016.
- Euro 3,4 million relating to provisions and write-downs of receivables of the Turkish subsidiary Tekno Maccaferri, of which Euro 3 million relates to a long overdue receivable towards a foreign company and Euro 0,5 million relating to the risk provision for the credit vs the former shareholders (as reported in the subsequent events, in the first few months of 2019, the Officine Maccaferri Group acquired the 50% of share capital of the company from the local shareholder).
- Euro 3,3 million for a lawsuit by Officine Maccaferri S.p.A. (COIM construction consortium), with an unexpectedly negative outcome, linked to a dispute arising from a supply over ten years ago when sales process management was still not subject to the strict current procedures.
- Euro 3,1 million in personnel costs and provisions for litigation with employees, mainly resulting from a global restructuring project launched in the last quarter of 2018.
- Euro 1,9 million of accrual for risks linked to lawsuits in progress in Italy (Cave Pedogna) and in France which arose in previous years (before year 2010) in which, as noted above, the management of sales processes was not subject to the strict current procedures.
- Euro 1,4 million of taxes from previous years, of which Euro 0,9 million mainly due to differences in the calculation of income taxes of the various companies of the Group and Euro 0,5 million of provisions for tax risks on indirect taxes of Maccaferri Balkans sh. P.K . (Albania).
- Euro 1,6 million of write-down and provisions for risks related to the devaluation of value of projects work in progress of Maccaferri Environmental Solution PVT Ltd (India) and Tekno Maccaferri (Turkey).
- Euro 0,3 million in costs relating to the liquidation of Bianchini de Portugal Ltda in the first half

of 2019 and the future liquidation of Maccaferri de El Salvador S. A.

- Euro 0,3 million of costs of Maccaferri South Africa PTY LTD related to the reorganization of the South African market approach generated by the launch of the local government of the "Black Economic Empowerment (BEE)" program, aimed at reducing inequalities between white populations and black.

### 34. INCOME TAXES

The table below sets forth the breakdown of the item for the years ended December 31, 2017 and 2016:

<i>(Euro/000)</i>	<b>For the year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Current income taxes	5.786	7.059
Change in deferred tax assets	(8.034)	(5.572)
Change in deferred tax liabilities	(212)	768
<b>Total Income taxes</b>	<b>(2.459)</b>	<b>2.256</b>

The income tax for the year ended December 31, 2018 decreased to a revenue of Euro 2,459 thousand from a charge of Euro 2,256 million of the comparable period of 2017. Such decrease is primarily due to the loss before taxes and to the different taxable income mix in relation to the single tax jurisdiction which apply to the single companies in the consolidation area.

As previously described tax benefit/income taxes deriving from previous year adjustment are recognized in the income statement as non-recurring income or expenses and charges.

Current income taxes include the cost for taxes related to the Group companies calculated on the basis of tax rules applicable in any of the countries in which the Group operate.

The recognition of deferred tax assets has been made by each entity of the Group assessing the future ability of generating taxable income on the basis on the most updated future year projection.

### 35. COMMITMENTS, GUARANTEES AND POTENCIAL LIABILITES NOT RESULTING FROM THE BALANCE SHEET

In accordance with Article 2427, paragraph 1, no. 9, of the Italian Civil Code, the commitments, guarantees and potential liabilities, which do not result from the balance sheet, are listed below with the most important details regarding their nature and breakdown.

<i>Euro/000</i>	<b>For the year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Guarantees and performance bonds issued for the benefit of third parties	16.275	13.965
<b>Total Memorandum accounts</b>	<b>16.275</b>	<b>13.965</b>

### ***Guarantees and performance bonds issued for the benefit of third parties***

They mainly consist of guarantees given to clients as a guarantee of supply.

### ***Commitment for currency forward contracts***

The Group entered into derivative contracts designed to hedge the exchange rate risk on commercial receivables and payables, financial receivables and payables: below a detail of the contracts per currency, their notional value in Euro and their fair value as of 31 December 2018:

<i>Euro/000</i>	<b>Notional amount in currency</b>			<b>Mark to market as of December 31, 2018</b>	
	<b>Currency</b>	<b>Purchased</b>	<b>Sold</b>	<b>Notional in Euro</b>	
				<b>Assets</b>	<b>Liabilities</b>
	<i>EUR</i>	7.222	3.000	10.222	(937)
	<i>USD</i>	1.179		1.029	25
	<b>Total</b>	<b>8.400</b>	<b>3.000</b>	<b>11.251</b>	<b>25</b>
					<b>(953)</b>

Officine Maccaferri Group policy is to cover the exchange rate risk every time there is a cash inflow (trade receivables, financial receivables and other receivables) or cash outflows (trade payables, financial payables and other payables) in a foreign currency. The Group companies which mostly apply such a policy the most are Officine Maccaferri S.p.A., Officine Maccaferri Italia S.r.l., Maccaferri, Inc. (USA), Maccaferri Canada Ltd, Bekaert Maccaferri Underground Solutions (Belgium) and Maccaferri Environmental Solutions (India). The hedging contracts underwritten relate entirely to forward exchange rates, and they all have due date within the next financial year. In 2018 the parent company Officine Maccaferri S.p.A. has remained one interest rate swap, designed to cover the interest rate risk on the loan undersigned, and which is shown below:

*Euro/000*

Counterpart	Type of contract	Stipulation date	Expiration date	Rate	Notional	Mark To Market in Euro as of December 31, 2018
<i>Cassa di Risparmio di Cento</i>	Interest Rate Swap	March 27, 2013	June 27, 2020	1.07% per annum	1.500	(16)
<b>Total</b>						<b>(16)</b>

### 36. EXECUTIVE MANAGEMENT REMUNERATION

According to the Civil Code, article 2427, first paragraph, no. 16, the remunerations paid to Directors and Statutory Auditors, for the period ending December 31, 2018 and 2017 were as it follows:

<i>(Euro/000)</i>	For the year ended December 31,	
	2018	2017
Parent company's directors remuneration	579	513
Parent company's statutory auditors remuneration	44	44
Subsidiaries directors and statutory auditors remuneration	173	122
<b>Total</b>	<b>795</b>	<b>679</b>

### 37. INDEPENDENT AUDITORS FEES

The fees paid to the independent Group auditors are disclosed according to art. 2427, first paragraph, no. 16-bis, of the Civil Code:

<i>(Euro/000)</i>	For the year ended December 31,	
	2018	2017
Holding company's auditors	115	115
Subsidiaries' auditors	521	445
<b>Total</b>	<b>636</b>	<b>560</b>

### 38. RELATED-PARTIES TRANSACTIONS

The Group enters into transactions with certain related parties or affiliates from time to time and in the ordinary course of our business. Set forth below is a list of our related party transactions as of and for the year ended December 2018:

Related party	Year	Revenues	Costs	Financial Income	Financial Expenses	Trade Receivables and Other	Trade Payables and Other	Financial assets
<b>Parent company</b>								
S.E.C.I. Società Esercizi Commerciali Industriali spa	2018	145.126	752.634	3.687.271		6.840.733	2.616.562	22.505.024
	2017	154.283	1.754.047	2.967.363		6.016.053	1.479.759	32.000.000
<b>Associates</b>								
SAPABA SPA	2018	54.079	2.147.139	0	0	1.589.636	813.511	
SAPABA SPA	2017	0	1.730.291	0	0	1.767.074	635.602	
S.E.M. Sadam Engineering e Meccanica S.r.l.	2018	0	1.589.741	0	0	0	619.746	
S.E.M. Sadam Engineering e Meccanica S.r.l.	2017	0	1.336.037	0	0	0	673.116	
ENERRAY MEXICO	2018	202.490	0	0	0	26.152	0	
ENERRAY MEXICO	2017	212.857	0	0	0	22.612	0	
ENERRAY S.p.A.	2018	3.915	19.695	0	0	0	18.622	
ENERRAY S.p.A.	2017	0	17.157	0	0	0	0	
SECT ENERGIA S.p.A.	2018	0	8.000	0	0	0	6.040	
SECT ENERGIA S.p.A.	2017	280.314	3.000	0	0	13.883	6.089	
SECT REAL ESTATE S.p.A.	2018	0	0	0	0	0	0	
SECT REAL ESTATE S.p.A.	2017	0	7.000	0	0	0	7.000	
S.A.M.P. SPA	2018	0	0	0	0	0	0	
S.A.M.P. SPA	2017	12.118	0	0	0	0	0	
SADAM SPA	2018	0	0	0	0	0	373	
SADAM SPA	2017	0	0	0	0	0	0	
EXERGY S.p.A.	2018	276.936	8.157	0	0	62.390	0	
EXERGY S.p.A.	2017	459.339	0	0	0	140.392	0	
SSOLAR S.R.L.	2018	0	877	0	0	0	0	
SSOLAR S.R.L.	2017	0	10.172	0	0	0	3.094	
SAMPSISTEMI S.R.L.	2018	0	29	0	0	0	0	
SAMPSISTEMI S.R.L.	2017	0	0	0	0	0	0	
SAMPINGRANAGGI S.R.L.	2018	0	24.735	0	0	0	29.445	
SAMPINGRANAGGI S.R.L.	2017	0	0	0	0	0	0	
SAMPSISTEMI EXTRUSION S.R.L.	2018	0	0	0	0	0	772.309	
SAMPSISTEMI EXTRUSION S.R.L.	2017	0	0	0	0	0	0	
ENERRAY USINAS FOTOVOLTAICAS SPE	2018	0	0	0	0	360.254	0	
ENERRAY USINAS FOTOVOLTAICAS SPE	2017	43.884	0	0	0	39.825	0	
J CUBE SRL	2018	0	0	0	0	0	0	
J CUBE SRL	2017	0	5.000	0	0	0	6.100	
SEBIGAS S.R.L.	2018	122.636	0	0	0	83.120	0	
SEBIGAS S.R.L.	2017	0	0	0	0	0	0	
Union Transitoria (UTEs) Argentina	2018	64.931	0	0	0	15.018	0	
Union Transitoria (UTEs) Argentina	2017	0	0	0	0	0	0	
Infratex Environmental Services Inc	2018	34.611	0	0	0	0	0	
Infratex Environmental Services Inc	2017	0	0	0	0	0	0	
MANIFATTURE SIGARO TOSCANO SPA	2018	0	0	0	0	0	0	
MANIFATTURE SIGARO TOSCANO SPA	2017	0	2.795	0	0	0	2.795	

The main related-parties transactions with the Parent related mainly to charge for the services provided and to financial relations. The transactions with the other associates have general commercial nature.

All the related parties transactions are carried out at market conditions.

### 39. SUBSEQUENT EVENTS

As already detailed in the paragraph on the going-concern principle, to which reference should be made for more details, following an initial approval of the draft 2018 financial statements, information was received about the financial position of the parent company S.E.C.I. S.p.A. (hereinafter also referred to as the "Parent Company"); this information was such as to require new assessments of the actual recoverability of the receivables from the Parent Company recognised in the financial statements at 31 December 2018, as a result of reporting impairment indicators that were worse than those observed at the time of previous assessments.

The Directors calculated a write-down of Euro 10 million, taking account of both the possible alternative solutions that the Parent Company is currently considering and the operations to allow



third-party industrial partners to acquire capital interests aimed at strengthening the Group's growth. Since the process of analysing the outstanding debt position is still in progress on the part of S.E.C.I. S.p.A., the write-down concerned has been recognised in the accounts according to the principle of prudence inherent in their preparation and has been prepared on the basis of the best estimate made according to the information made available by the Parent Company.

In addition to the above, during the first quarter of 2019, following the approval by the Turkish local antitrust authority, the parent company Officine Maccaferri S.p.A. completed the acquisition of the remaining 50% of the investment held in the Turkish subsidiary "Tekno Maccaferri Cerve Teknolojileri", which subsequently changed its name to "Maccaferri Turkey". Again, during the first quarter of 2019, the Group completed the acquisition of a small group operating in the rockfall protection sector, mainly active in the Italian market.

Finally, on 10 May 2019 the Shareholders' Meeting of Officine Maccaferri S.p.A. appointed the members of the new Board of Directors. On that date, Paolo Ramadori, serving as Chief Executive Officer, left the leadership of the Group in agreement with the Company.