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Bond holders Report Q3 2019

Date *November, 2019*
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Agenda

MACCAFERRI

1. Introduction
2. Highlights
3. Segment Overview
4. Financials
5. Appendix

Update on Officine Maccaferri financial situation

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During Q3 about € 20 mln of credit lines (between factoring and cash lines) have been put “on hold”, following SECI “concordato”. The discussion about the reactivation of those financial lines is taking more time than expected

Furthermore, during Q3 emerged negative impacts in some key subsidiaries (besides Italy) such as Brazil, India and UK

Advance payments or shorter payment terms (requested by suppliers or implied by decreased financial lines) are required to ensure business continuation. YTD impact on cash has been negative for about € 7mln

Weak cash position in Italy due to the situation impacting every day business, with trade off between maximization of performance (also not to lose market share) and optimization of available cash in the short term, managing delivery delays and risk to lose market share

During November, a committed financial facility has been renewed on an uncommitted basis

The Board of Directors of Officine Maccaferri appointed Rothschild & Co. and Bonelli Erede Pappalardo as financial and legal advisors to support the Company in the relaunch process

2023 plan implementation going faster than planned:

- **Divestment opportunities:** closed sales of BMUS shares for a price of € 9.5 mln (about € 8.6 mln of cash considerations)
- **Cost rightsizing and break-even point improvement:** deployed a global cost cut plan that led to run-rate **savings of € 7.7 mln in 2019:** headquarter (€ 1.8 mln of savings in human resources costs), LATAM dismissed 60 people (€ 2 mln), India released more than 50 people (€ 0,6 mln), US dismissed over 10 people (€ 1,6 mln), EMEAR a total of 40 people (€ 1,7 mln)
- **Inventory reduction: over € 16 mln** decrease since March 2019, **€ 8.3 mln** less than September 2018

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LTM Figures

- **Total revenue for LTM September 2019** equal to **€ 512,5 mln** (or -4,2%) vs FY 2018, mainly due to the negative variance in inventory.
- **LTM EBITDA** equal to **€ 36,5 mln**, was lower than FY 2018 (€ 46,7 mln) with a decrease of marginality from 8,7% to 7,1%.

2019 9M Figures

- **9M 2019 total revenues are lower than 9M 2018 by -5,6%** (- 5,2% at constant FX rate), whilst Revenues from sales and services are almost in line with the same period of 2018. The shortfall of revenues is mainly due to delay in the Defense & Security business and Latin America (partially due to FX rate), partially offset by good performance in APAC (China and Malaysia). Italy in line with previous year.
- **9M 2019 EBITDA** equal to **€ 21,6 mln**, decreased from 8,0% to 5,8% of revenue, due to volume effect and unfavorable product mix.
- Working capital is increasing compared to the same period of 2018, mainly for shorter payment terms and limited recourse to reverse factoring, partially offset by decrease in trade receivables and inventory reduction.
9M 2019 Net CAPEX decrease of €1,4 million compared to same period of previous year.
9M 2019 Net Cash flow from operating activities of € -46,9 mln (€ -37,8 mln in 9M 2018).
- Net Debt equal to € 235,6 mln (including about € 10 mln write down of financial credit) vs the € 172,9 mln of the previous year.

Q3 2019 Figures

- **Total revenue** equal to € **127,0 mln**, lower than Q3 2018 by € 9,2 mln (mainly for inventory consumption).
- **ITALY:** performed better than previous year, mainly thanks to the Rockfall and Geosyntethis business. Tunneling performance below expectation due to the delay of new railway deliveries contracted in Italy (over 35 mln by 2021) postponed to the last quarter and next year.
- **EMEA:** total revenue are 11.3% lower in comparison to Q3 2018 as for lower performances of Central Europe Area and Middle East (non repeatable projects) and UK (Brexit). Very good performance of France, in particular in the Rockfall business, positive performance of Spain, also thanks to the investments made to increase production capacity.
- **NAFTA:** The revenue decrease of 35.8 % in the region is mostly related to the Mexican underperformance due to the delays in financing of public infrastructure following the current political scenario and to the Defence business of the US subsidiary far below expectations.
- **LATAM:** revenue is affected by a negative forex exchange rate of € 2 million mainly due to Argentinian Pesos devaluation. The decrease is primarily due to Bolivia, for lower sales of geosynthetic products sold in 2018 for the salt lithium mine project, and Costa Rica. Brazil and Argentina performed better than previous year at constant exchange rate.
- **APAC:** revenue increased by 23,7% mainly thanks to China performance in the Double Twist and fibres business. India and South East Area in line with in line previous year.
- **EBITDA**, equal to € **11,5 mln**, is € 1,3 mln lower than the previous year with a decrease of marginality from 9,4% to 9,0%.
- Q3 2019 Net CAPEX €1,3 mln lower than previous year.
- Q3 2019 **Net Cash flow from operating activities** of € **-4,1 mln** (€ -4,2 mln in Q3 2018).

2. Highlights

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Millions €	Q3 2018	Q3 2019	9M 2018	9M 2019	YE 2018	LTM
Total revenue	136,2	127,0	396,7	374,5	534,7	512,5
<i>growth (%)</i>		-6,7%		-5,6%		-4,2%
Opex	(123,3)	(115,6)	(364,9)	(352,9)	(487,9)	(476,0)
EBITDA	12,8	11,5	31,8	21,6	46,7	36,5
<i>margin (%)</i>	9,4%	9,0%	8,0%	5,8%	8,7%	7,1%
<i>growth (%)</i>		-10,8%		-32,1%		-21,8%
Total net capex	(3,3)	(2,0)	(6,4)	(5,0)	(13,1)	(11,7)
<i>incidence on total revenue (%)</i>	-2,4%	-1,6%	-1,6%	-1,3%	-2,5%	-2,3%
Net cash flow from operating activities	(4,2)	(4,1)	(37,8)	(46,9)	(28,6)	(37,7)
<i>growth (%)</i>		2,3%		-24,1%		31,9%

Millions €	September 30, 2018	September 30, 2019	Δ 2019 vs 2018
Total net working capital	85,1	102,8	17,7
Inventories	110,2	102,0	(8,3)
Trade receivables	134,0	124,3	(9,7)
Advance from customers	(7,0)	(7,4)	(0,3)
Trade payables	(96,7)	(82,3)	14,3
Other net working capital items	(55,5)	(33,8)	21,7

3. Segment Overview

YoY and LTM Performance

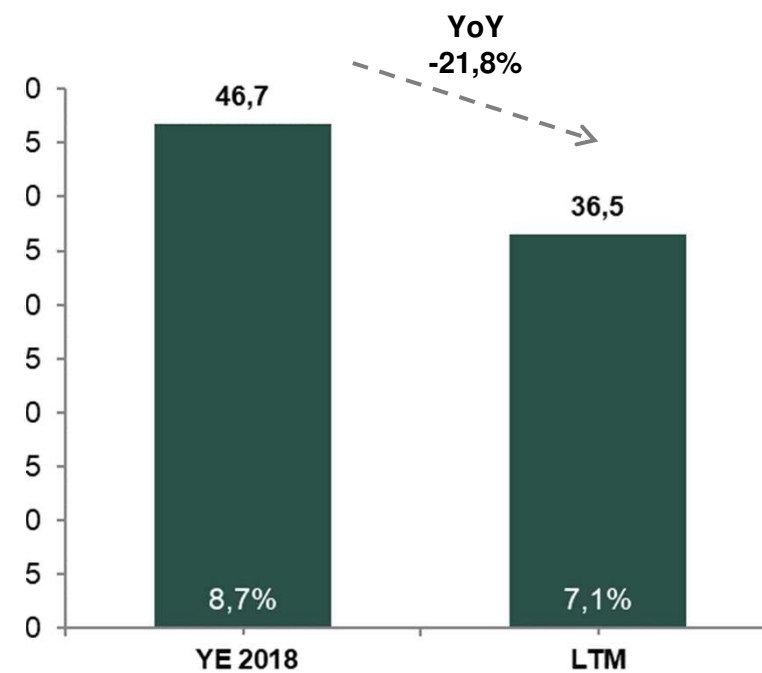
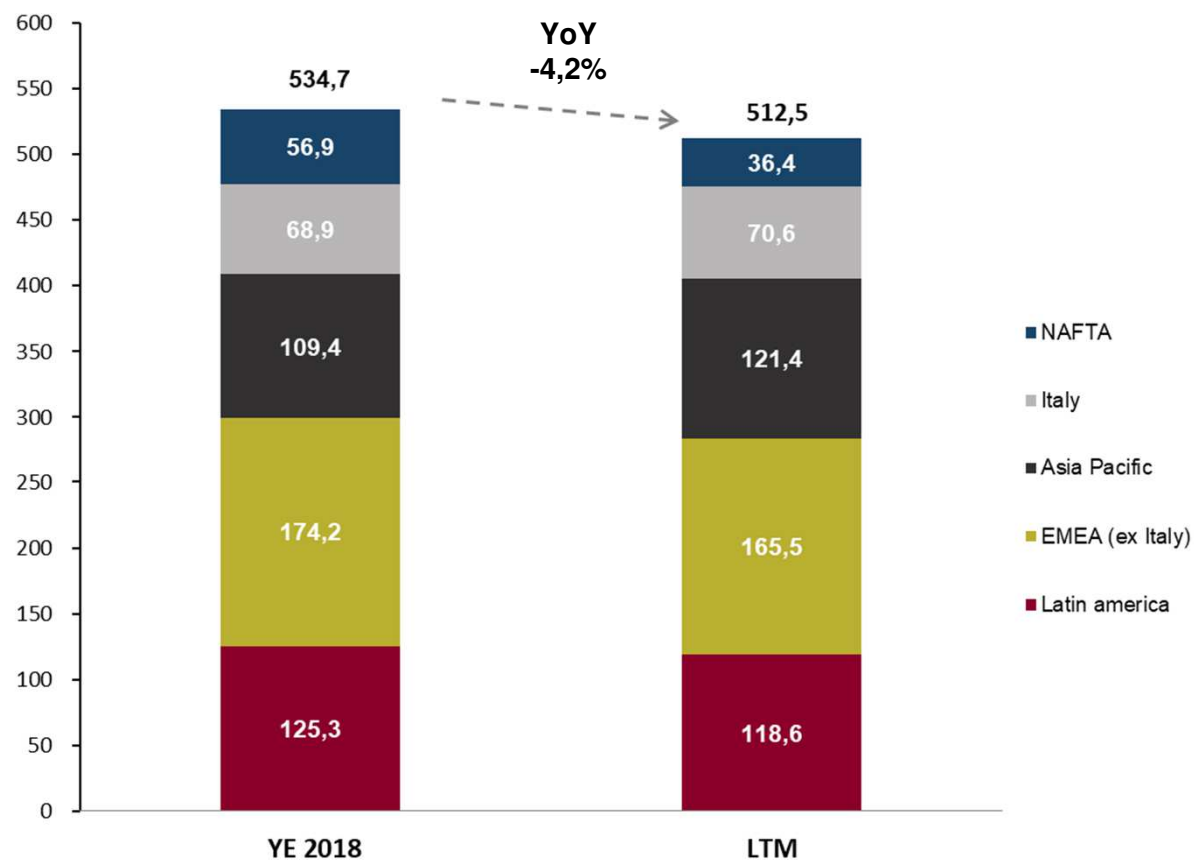
MACCAFERRI

Millions €

TOTAL REVENUE BY GEOGRAPHICAL AREA

Millions €

EBITDA



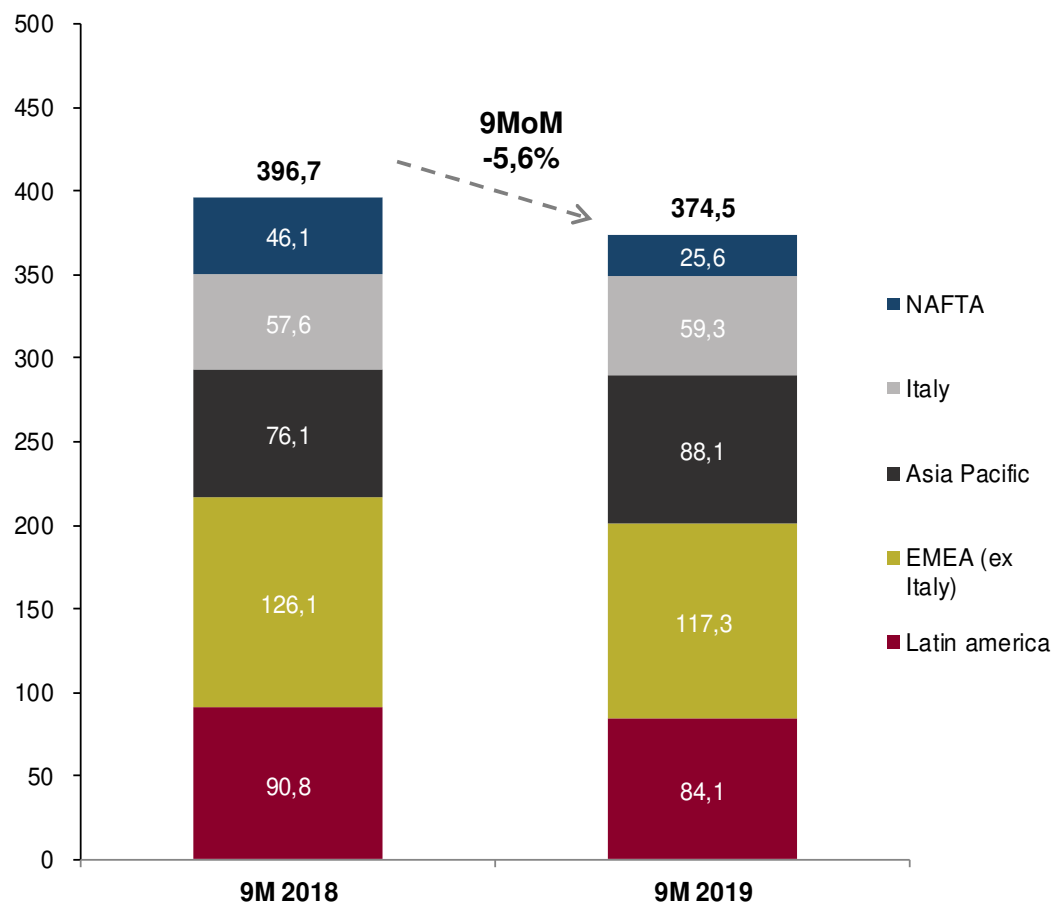
% of Revenue

3. Segment Overview

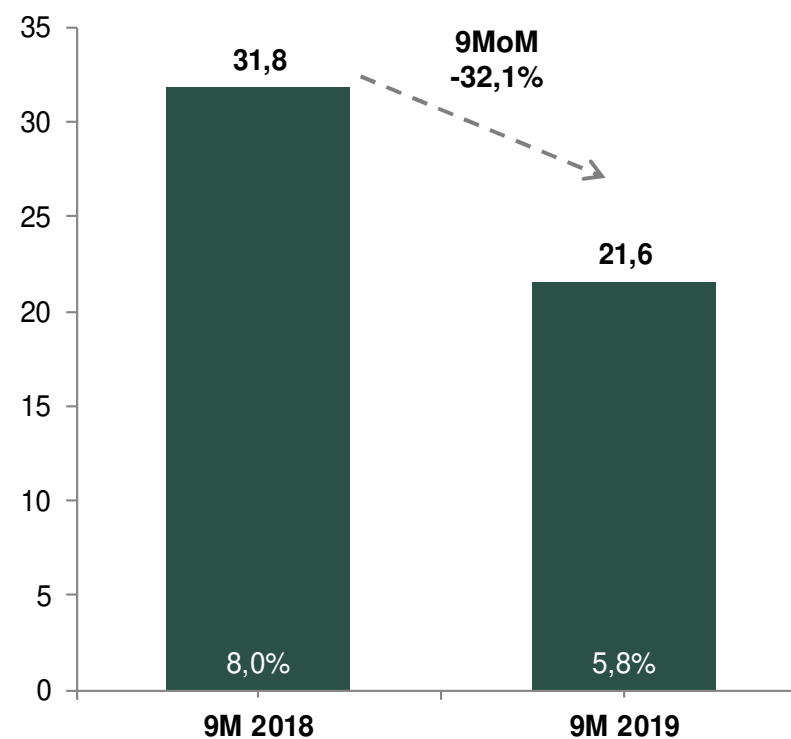
9M Performance

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Millions €
TOTAL REVENUE BY GEOGRAPHICAL AREA



Millions €
EBITDA



% of Revenue

3. Segment Overview

Q3 Performance

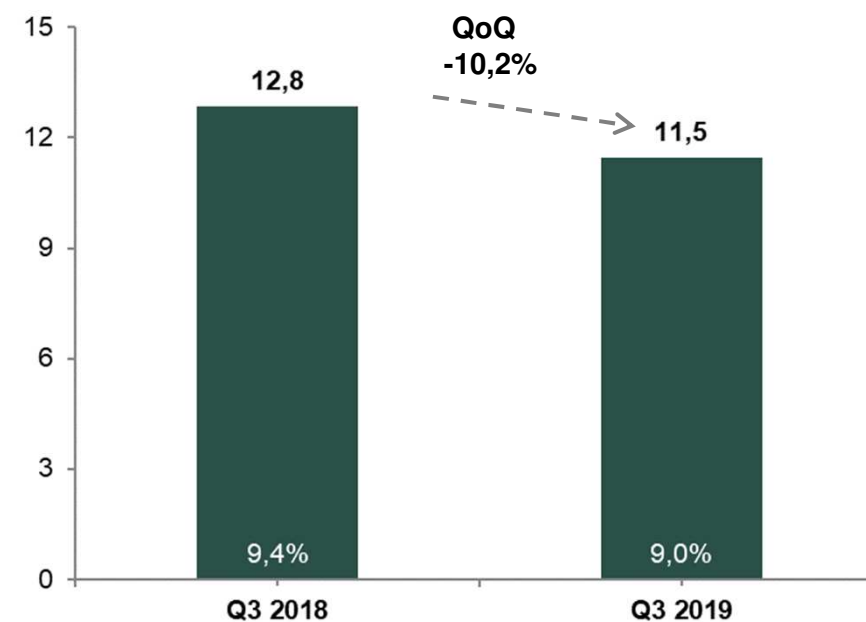
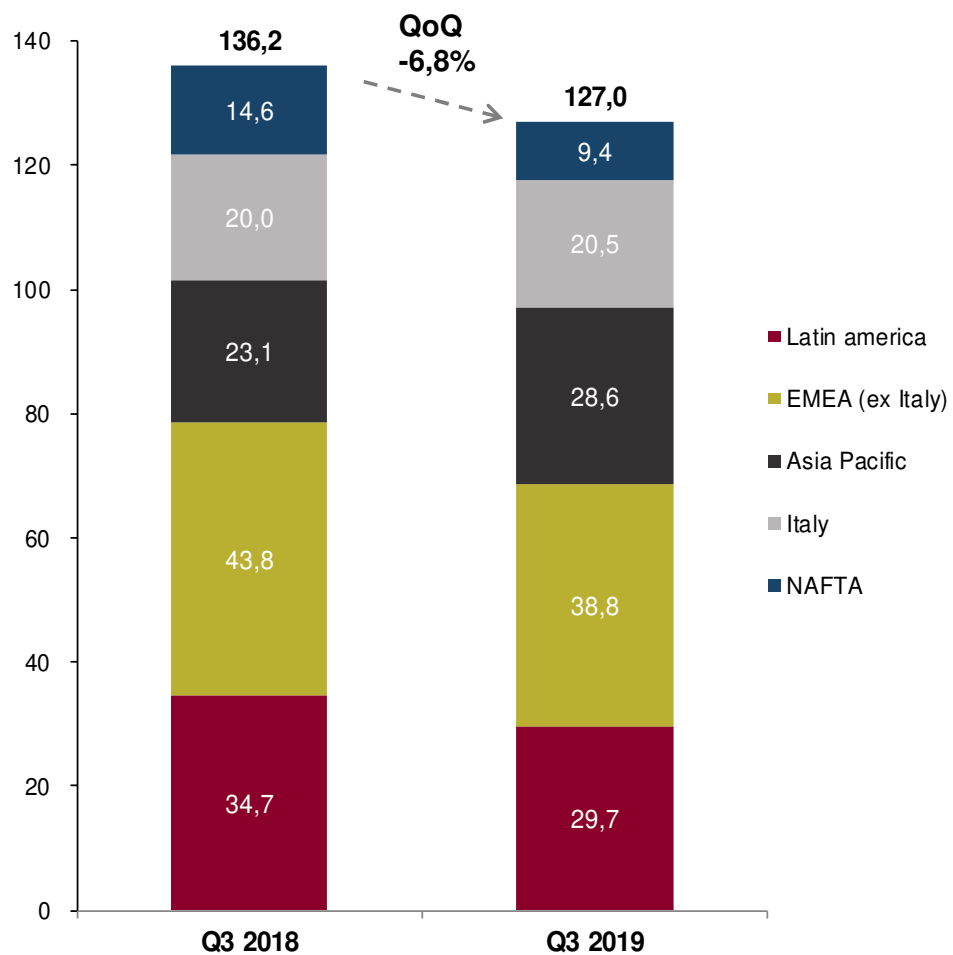
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Millions €

TOTAL REVENUE BY GEOGRAPHICAL AREA

Millions €

EBITDA



% of Revenue

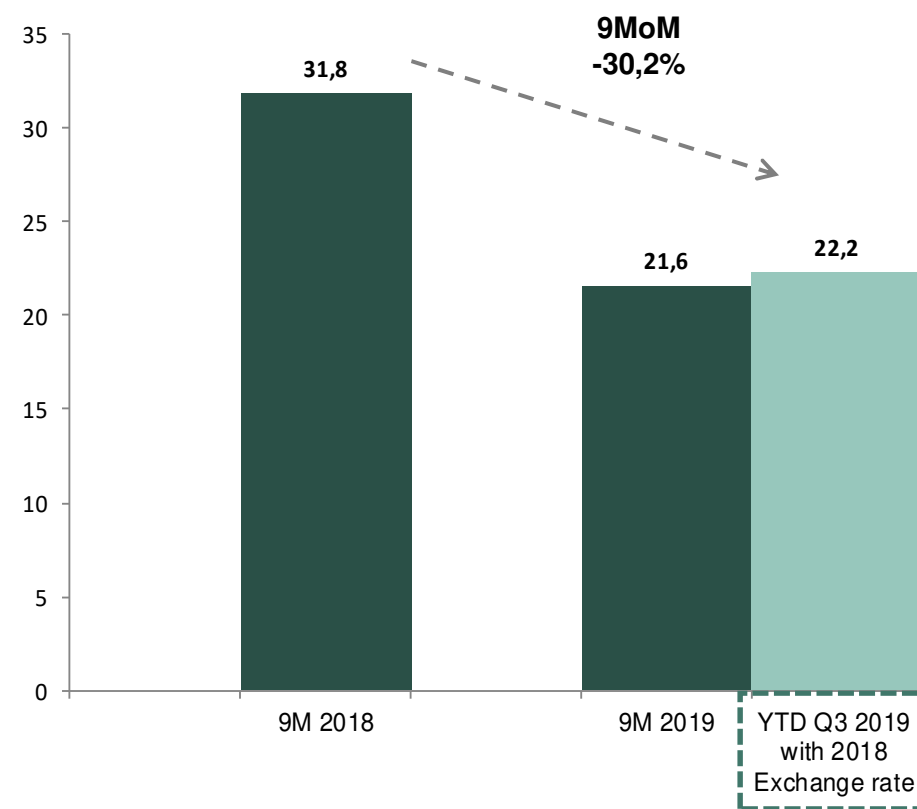
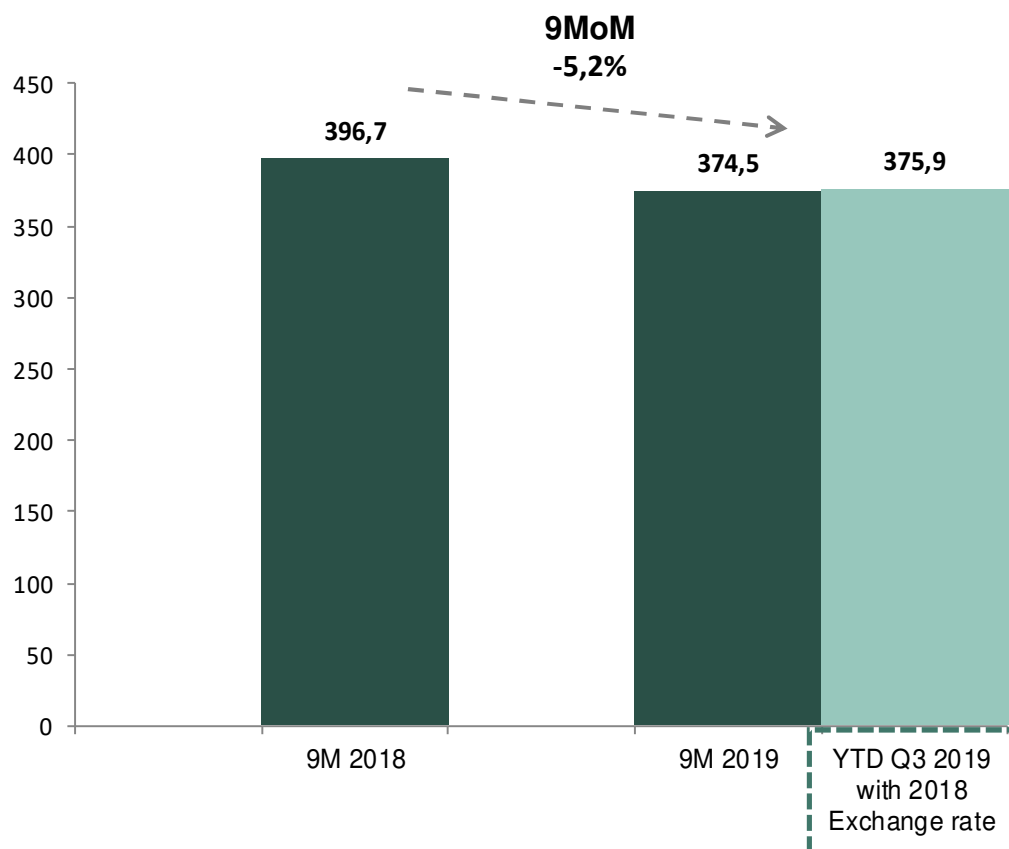
9M 2019 Revenue and EBITDA – Exchange Rate Effect

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Millions €

TOTAL REVENUE 2019 adj for FX rate 2018

Millions €

EBITDA 2019 adj for FX rate 2018

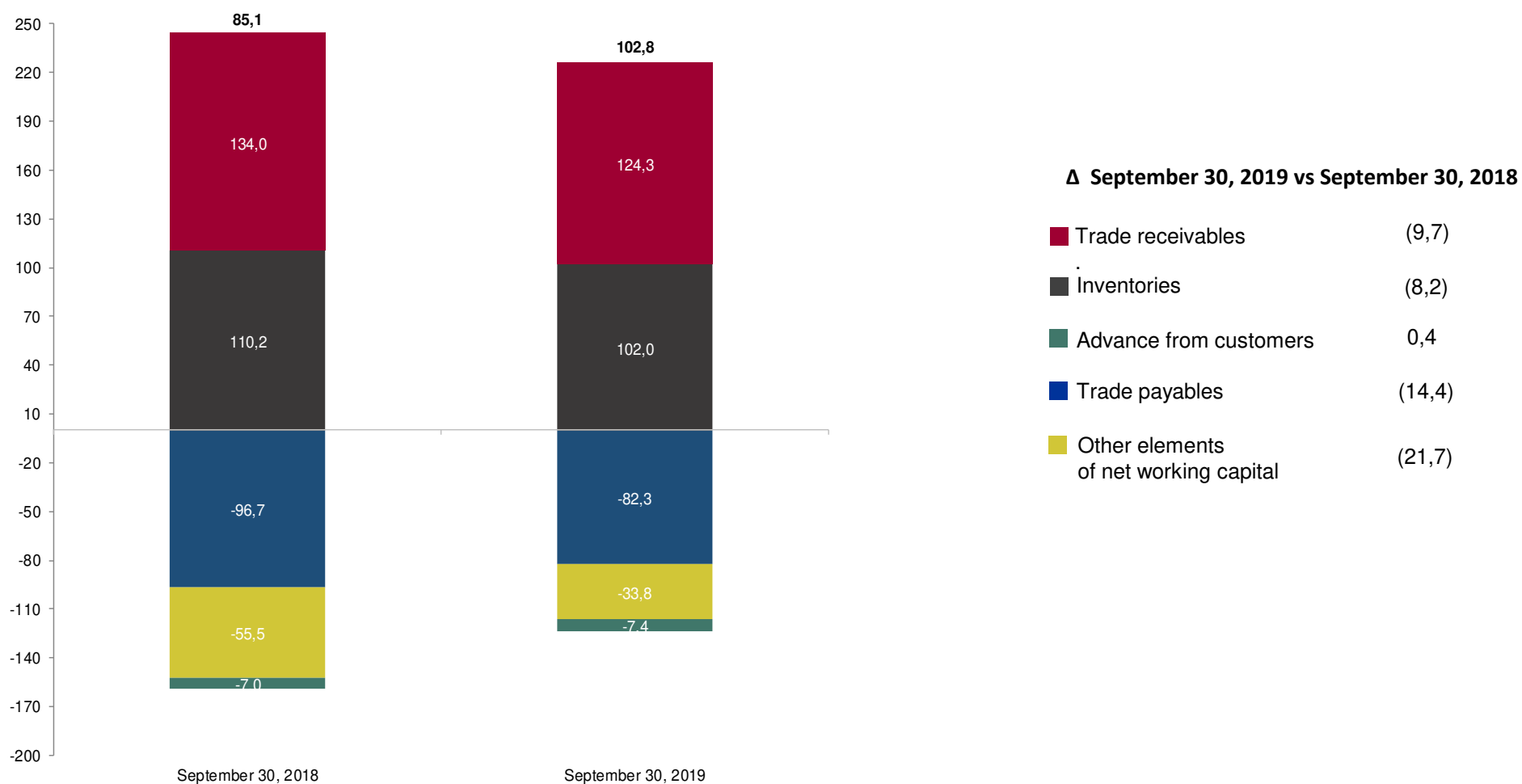
Negative impact of exchange rate on revenues (€ -1,4 mln) has been generated mainly by Argentina Pesos (€ -4,2 mln), Brazilian Real (€ - 1,0 mln), Turkish Lira (€ - 0,8 mln), partially offset by positive impact of US Dollar (€ +1,4 mln) and Philippine Peso (€ +0,6 mln).

4. Financials

Working Capital

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Millions €



Inventory decrease vs Q3 of previous year mainly thanks to inventory control action plan started in March 2019

Net balance between receivables and payables almost in line with previous year, despite shorter payment terms / advance payments.

Variance in other element of working capital mainly due lower reverse factoring in Q3 2019.

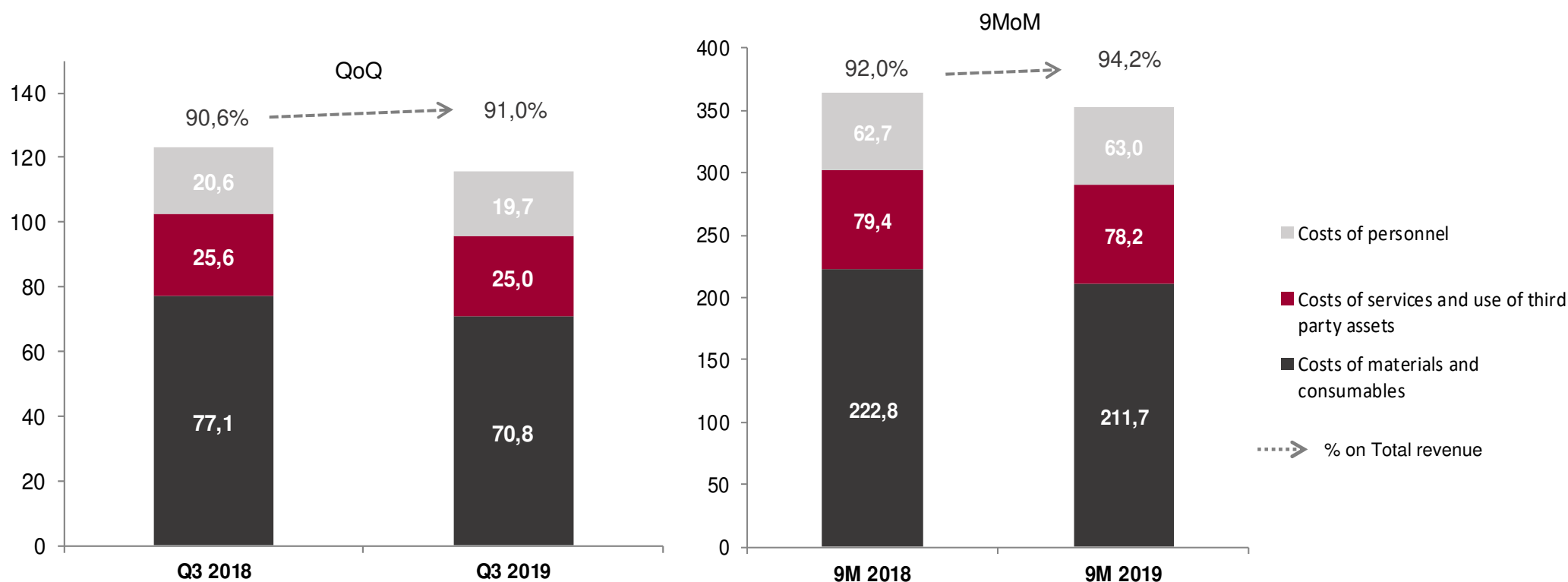
4. Financials

Operative Expenses (OPEX)

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Millions €

Millions €



Opex in Q3 2019 are decreasing by 7,7 mln compared to Q3 2018, also thanks to rightsizing programs globally implemented, and are almost in line percentage-wise on total revenues (from 90,6% to 91,0%). The same trend applies to 9M 2019 vs 9M 2018.

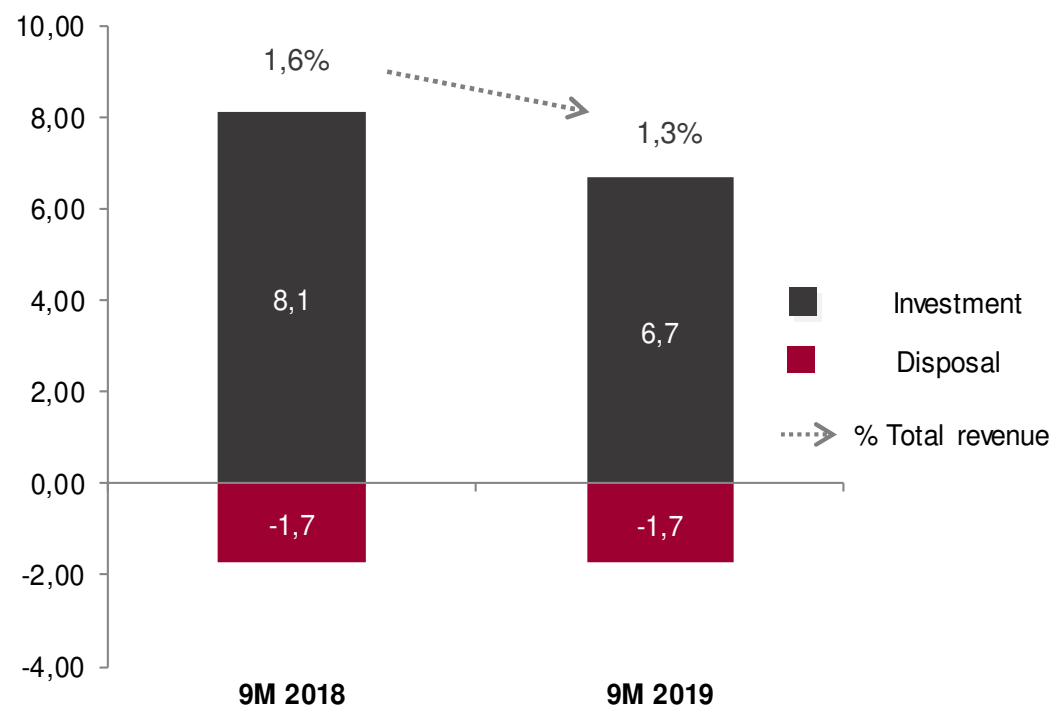
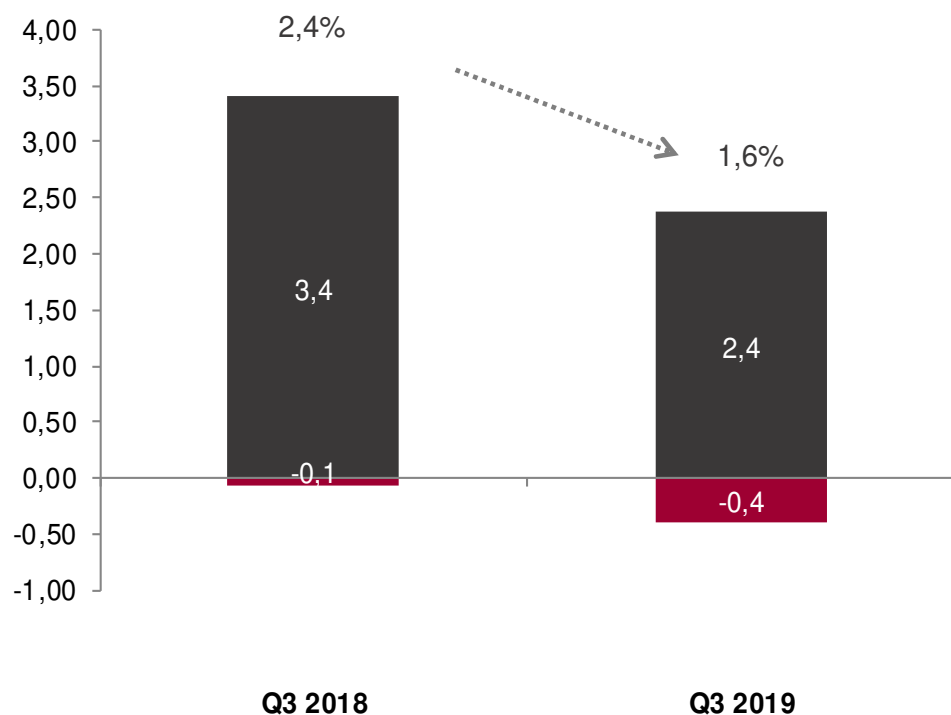
Decrease of costs for materials is mainly due to lower level of sales, despite a higher incidence on total revenues due to different product mix.

4. Financials Capital Expenses (CAPEX)

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Millions €

Millions €



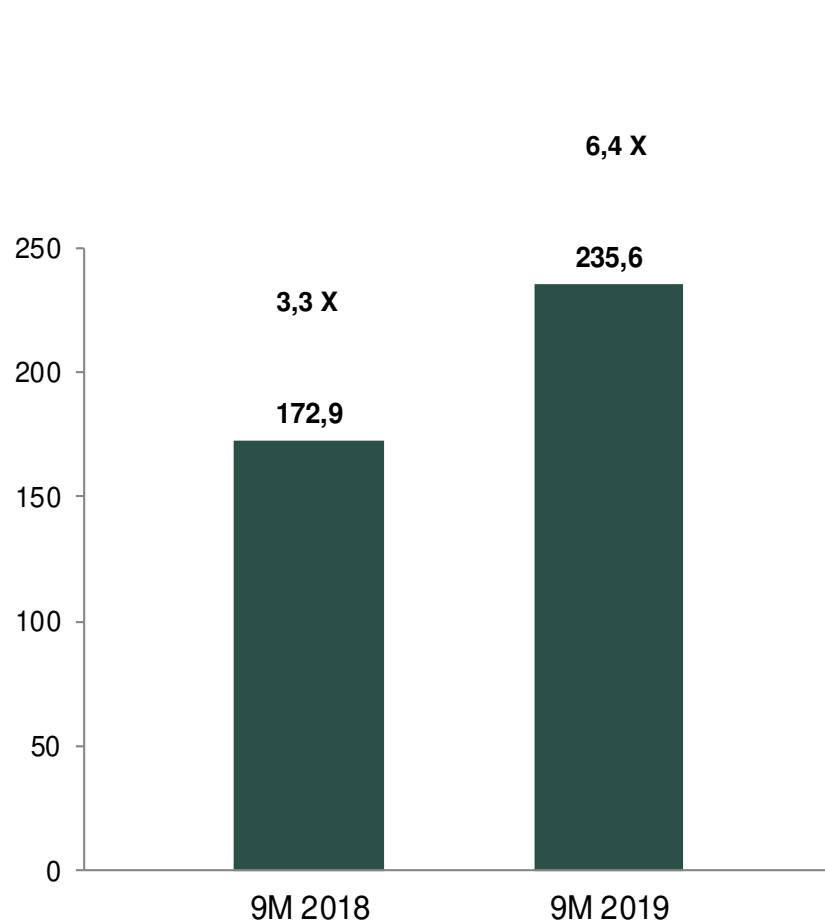
The Capex in 9M mainly refers to investments in Plant and Machineries, primarily in Italy for Tunnelling business and Spain for production capacity increase of zinc line, investments in R&D at HQ level and capitalization of rights for the use of software. CAPEX decrease mainly refers to disposal of land and building in Italy.

4. Financials

Net Debt

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Millions €



0,0 X **Net Leverage Ratio**
(Net Debt / EBITDA)

■ Net Debt

BANK CREDIT FACILITIES

values €/M

	30th Sep. 2019		30th Sep. 2018	
Area	Granted	Used	Granted	Used
Italy	27,4	20,5	40,8	18,2
Other	53,1	27,6	35,0	26,7
Total	80,6	48,1	75,8	44,8

CASH AND CASH EQUIVALENT DETAIL

values €/M

Area	September 30, 2019	September 30, 2018
EMEA	6,7	10,1
Latin America	8,5	12,0
Asia Pacific	8,0	6,0
NAFTA	1,6	2,6
Italy	3,2	29,7
Total	28,0	60,5

Main variances are the SECI financial credit write-down (€ 10 m), extraordinary outflows of the fourth quarter of 2018 (extraordinary dividend € 10 m, reimbursement of a reverse factoring lines € 13 m, purchased of minority stakes in Maccaferri South Africa € 2,5 m)

5. Appendix

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CONSOLIDATED INCOME STATEMENT

	2019	% of Total Revenue	2018	% of Total Revenue	LTM	% of Total Revenue	YE 2018	% of Total Revenue	Q3 2019	% of Total Revenue	Q3 2018	% of Total Revenue
<i>(Euro/000)</i>												
Revenue from sales and services	370.575	99,0%	374.436	94,4%	516.708	100,8%	520.569	97,4%	128.720	101,3%	126.787	93,1%
Other revenue	3.890	1,0%	22.220	5,6%	(4.199)	(0,8%)	14.131	2,6%	(1.702)	(1,3%)	9.379	6,9%
Total revenue	374.465	100,0 %	396.656	100,0 %	512.508	100,0 %	534.700	100,0 %	127.019	100,0 %	136.165	100,0 %
Costs of materials and consumables	(211.697)	(56,5%)	(222.758)	(56,2%)	(282.173)	(55,1%)	(293.234)	(54,8%)	(70.789)	(55,7%)	(77.108)	(56,6%)
Costs of services and use of third party assets	(77.702)	(20,8%)	(78.523)	(19,8%)	(107.815)	(21,0%)	(108.636)	(20,3%)	(25.073)	(19,7%)	(25.185)	(18,5%)
Costs of personnel	(62.951)	(16,8%)	(62.744)	(15,8%)	(84.985)	(16,6%)	(84.778)	(15,9%)	(19.728)	(15,5%)	(20.575)	(15,1%)
Other operating costs	(527)	(0,1%)	(835)	(0,2%)	(994)	(0,2%)	(1.302)	(0,2%)	31	0,0%	(452)	(0,3%)
Total Operating costs	(352.876)	(94,2 %)	(364.860)	(92,0 %)	(475.967)	(92,9 %)	(487.950)	(91,3 %)	(115.559)	(91,0 %)	(123.321)	(90,6 %)
EBITDA	21.588	5,8 %	31.797	8,0 %	36.542	7,1 %	46.750	8,7 %	11.460	9,0 %	12.845	9,4 %
Amortization, depreciation and write downs	(15.842)	(4,2%)	(14.194)	(3,6%)	(21.681)	(4,2%)	(20.033)	(3,7%)	(5.299)	(4,2%)	(5.020)	(3,7%)
Accrual to provision for risks and charges	(325)	(0,1%)	(725)	(0,2%)	(591)	(0,1%)	(992)	(0,2%)	(76)	(0,1%)	223	0,2%
Total Amortiz., deprec., write downs and prov.	(16.167)	(4,3 %)	(14.919)	(3,8 %)	(22.272)	(4,3 %)	(21.025)	(3,9 %)	(5.375)	(4,2 %)	(4.797)	(3,5 %)
Operating income	5.422	1,4 %	16.877	4,3 %	14.270	2,8 %	25.725	4,8 %	6.085	4,8 %	8.048	5,9 %
Financial income	1.390	0,4%	3.067	0,8%	2.806	0,5%	4.483	0,8%	109	0,1%	590	0,4%
Financial expenses	(14.363)	(3,8%)	(13.733)*	(3,5%)	(19.758)	(3,9%)	(19.128)	(3,6%)	(4.405)	(3,5%)	(4.621)	(3,4%)
Gains/(losses) from forex management	(871)	(0,2%)	(2.203)	(0,6%)	(2.866)	(0,6%)	(4.198)	(0,8%)	(169)	(0,1%)	231	0,2%
Gains/(losses) on participation	(2)	(0,0%)	(268)*	(0,1%)	(361)	(0,1%)	(627)	(0,1%)	(2)	(0,0%)	(152)	(0,1%)
Net expenses and losses from financial activities	(13.846)	(3,7 %)	(13.136)	(3,3 %)	(20.180)	(3,9 %)	(19.471)	(3,6 %)	(4.468)	(3,5 %)	(3.952)	(2,9 %)
Net non-recurring expenses and charges	(4.796)	(1,3%)	(12.997)	(3,3%)	(28.102)	(5,5%)	(36.304)	(6,8%)	(2.314)	(1,8%)	(1.714)	(1,3%)
Income before taxes	(13.220)	(3,5 %)	(9.256)	(2,3 %)	(34.012)	(6,6 %)	(30.049)	(5,6 %)	(697)	(0,5 %)	2.382	1,7 %
(Income taxes)/tax benefit	1.877	0,5%	(152)	(0,0%)	4.489	0,9%	2.459	0,5%	816	0,6%	(1.679)	(1,2%)
Net Income / (Losses) for the period	(11.342)	(3,0 %)	(9.409)	(2,4 %)	(29.523)	(5,8 %)	(27.590)	(5,2 %)	119	0,1 %	703	0,5 %
Attributable to non-controlling interests	407		660		(2.435)		(2.183)	(0,4%)	161	0,1%	358	0,3%
Attributable to equity holders of the parent	(11.750)		(10.068)		(27.088)		(25.407)	(4,8%)	(42)	(0,0%)	345	0,3%

* Restatement of Gains/losses on participation that contains the account "losses on disposal of participation" previously included in Financial expenses.

5. Appendix

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CONSOLIDATED BALANCE SHEET

	September 30, 2019	December 31, 2018
<i>(Euro/000)</i>		
Intangible assets	31.909	33.879
<i>of which goodwill</i>	<i>18.016</i>	<i>19.588</i>
Property, plant and equipment	97.538	98.735
Investment in subsidiaries, associates, joint ventures and other companies	542	477
Other non-current assets	42.067	38.007
<i>of which deferred tax assets</i>	<i>37.745</i>	<i>33.686</i>
Total non-current assets	172.056	171.098
Cash and cash equivalents	27.954	56.121
Other current financial assets	22.850	22.505
Trade receivables	124.344	113.317
Inventories	101.953	101.833
Current tax receivables	26.248	21.274
Other current non-financial assets	23.206	16.663
Total current assets	326.556	331.713
Total assets	498.612	502.812
Shareholders' equity and liabilities		
Share capital	33.400	33.400
Reserves	(20.596)	3.481
Profit / (Loss) for the Year Group	(11.750)	(25.407)
Equity attributable to equity holders of the parent	1.054	11.474
Equity attributable to non-controlling interests	29.470	31.338
Total shareholders' equity	30.524	42.812
Non-current portion of banks loans and other financial liabilities	14.841	16.289
Non-current bonds	190.000	190.000
Employees' termination indemnity	1.631	1.165
Provisions for risks and charges	9.199	11.434
Deferred tax liabilities	7.127	6.454
Total non-current liabilities	222.798	225.342
Current portion of banks loans and other financial liabilities	81.530	49.100
Advance from customers	7.371	4.727
Trade payables	82.347	98.676
Current tax payables	16.759	12.590
Other current non-financial liabilities	57.283	69.565
Total current liabilities	245.291	234.657
Total liabilities	468.088	460.000
Total shareholders' equity and liabilities	498.612	502.812

	For the nine month period ended September 30,		For the three month period from July to September 30,	
<i>(Euro/000)</i>	2019	2018	Q3 2019	Q3 2018
Net cash flow from operating activities	(46.932)	(37.814)	(4.079)	(4.175)
Net cash flow used in investing activities	(8.523)	(9.805)	(1.933)	(3.545)
Net cash flow from/(used in) financing activities	26.403	44.386	(105)	7.832
Net effect of foreign currencies exchange rate variation and of movement in Equity attributable to non-controlling interests	886	(1.674)	6	(1.069)
Cash and cash equivalent at the beginning of the period	56.121	65.406	34.065	61.454
Changes in cash and cash equivalent	(28.167)	(4.908)	(6.111)	(956)
Cash and cash equivalent at the end of the period	27.954	60.498	27.954	60.498