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Bond holders Call YE 2018

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MACCAFERRI
Engineering a Better Solution

Gruppo Industriale Maccaferri

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Agenda

1. Introduction

2. Highlights

3. Segment Overview

4. Financials

5. Appendix

1. Introduction – 2022 plan guidelines

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- Officine Maccaferri developed the strategic plan “Growth towards Excellence” to set up the transformation and growth guidelines targeting the horizon 2022. The plan was approved by the Board of Directors of Officine Maccaferri on July 9th, 2018.

- The plan aims to ensure a profitable growth, both organic and through acquisitions, to deliver a total turnover of over € 750 M in 2022. By levering on specialty solutions, engineering and technical marketing, operational excellence and footprint rationalization, the EBITDA margin will grow together with a sizeable decrease of net leverage.

- The strategic plan is also targeting an enhancement of the financial performance through the refinancing of the outstanding bond.

- The plan is based on equity investment in Officine Maccaferri by a third-party investor and over € 200 M of new financing, that will be used to:
    1. reimburse the 2021 bond;
    2. complete the envisaged acquisition plan across 2019 and 2020, mainly in the geosynthetics segment.

- All together the acquisitions will bring additional over €150 M of revenues and relevant synergies deriving from operating cost and footprint rationalization. In addition to that, specific divestitures have been identified addressing lower margin / non-core products.

- All these activities will result in a change of the product mix towards higher value-added solutions, having a relevant impact on the enterprise value of Officine Maccaferri.

1. Introduction – 2018 extraordinary items

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- In 2018, as a consequence of the appointment of the new CEO, Officine Maccaferri thoroughly completed, with the support of top level advisors, a full due diligence of the Group (market, financial & tax and legal).

- As a consequence, Officine Maccaferri posted , as of December 31st, c. € 12 m of additional accruals to bad debt reserve and risk funds.

- Following the approval of the plan, SECI and Officine Maccaferri started the search for a partner to secure the achievement of the "Growth towards Excellence" strategy, both in terms of business development and financial support.

- An equity investor is currently in discussion with SECI for a potential transaction agreement, giving him a relevant stake of Officine Maccaferri.

- In preparation to this transaction, as of December 31st, 2018, Officine Maccaferri:
  1. delivered an extraordinary dividend to SECI of € 10 M;
  2. reimbursed a reverse factoring line, not IAS compliant, for c. € 12 M;
  3. purchased from SECI minority stakes in Maccaferri Tunneling and Maccaferri South Africa total cash considerations of c. € 4,6 M.

  The total cash out was about € 27 M.

1. Introduction – Subsequent events

- On May 27, 2019, the auditors of Officine Maccaferri (the "Company") issued the audit opinion on the Company's final financial statements for the year ended December 31, 2018 (the "2018 Financial Statements"). On the same date, the shareholders' meeting of the Company approved such 2018 financial statements.

- The 2018 Financial Statements are an amended version of the draft 2018 financial statements issued by the Company in April 2019. Following the issuance of such draft financial statements, the Company's Directors, together with the Company's statutory and independent auditors, determined that the financial position of the Company's parent SECI required a new assessment of the recoverability of the receivable due. The Company's directors evaluated a write-down of € 10 million, with a net impact of € 7.7 million on net result, based on the Company's assessment of the recovery on such receivables on the basis of the information currently available to the Company about SECI's financial condition and prospects.

- In preparing the Company's 2018 Financial Statements, the Company's directors were required, as usual, to make discretionary assessments, estimates and assumptions that affect the Company's reported results and the disclosures regarding them, as well as information on contingent matters outside of the Company's control, including the financial condition and prospects of the Company's parent, SECI. The uncertainty of these assumptions and estimates might give rise to results that will require adjustments to the Company's assets and/or liabilities in the future, some of which may be material.

1. Introduction - Q4 2018

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- Total revenue for Q4 2018, equal to € 138 M, decreased 4,5% vs. Q4 2017. Quarterly revenues are in line with Q4 2017 at constant F/X. Positive achievements of Central Europe and Middle East areas. In contrast, other APAC countries that overperformed vs Q4 2017 were India region, Malaysia and China (despite margin erosion due to fierce competence). Also LATAM recovered from 2017 mainly thanks to the come back of Brazil and geosynthetics sales in Bolivia. The negative performance has been driven by EMEA (mainly Turkey, Greece and South Africa) and, within APAC, by Indonesia, for the natural disasters that delayed all the on going projects.

- EBITDA of Q4 2018 decreased to a more “normal level” of € 15 M (-28,9% vs Q4 2017), mainly due to lower sales volumes and higher incidence of fixed costs. EBITDA margin decreased to 10,8% from 14,5% of Q4 2017.

- Operating cash flow generation was € 9,2 M vs € 65 M of 2017 mainly due to lower profit and the working capital adjustment mentioned in the previous page.

1. Introduction - YE 2018

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- Total revenue for whole Year 2018 totaled € 535 M, c. 8% increase vs. FY 2017. At constant F/X the growth would have been 15% to c. € 572 M. The increase was mainly due to an overall positive performance in all geographical areas and in particular thanks to the outstanding performance of the business units Defense & Security and Tunneling.

- EBITDA increased to € 46,7 M (€ 50,2 M net of F/X impact), with a 6,2% increase (+14,1% net of F/X impact) vs. FY 2017.

- Operating free cash flow generation (EBITDA € 46,7 M - Net Capex € 13,1 M - Change Working Capital € 3,2M) was equal to € 30,4.

- Net leverage was equal to € 177 M, or 3.8x EBITDA.

- General market conditions in key geographies can be summarized as follows:
  - EMEA: 2018 performance was positively affected by Italy (both geotechnical and tunnelling businesses), UK, Middle East (mainly Oman) and Central Europe (specifically Romania and Poland). Negative results occurred in Turkey (due to political and economical instability) and South Africa. Russia partially recovered in Q4 but not enough to be in line with 2017.
  - LATAM: Good performance of the region mainly attributable to recovery of core business in Brazil, good results of Argentina, despite a difficult economical situation, and important projects in Peru, mainly coming from mining sector. It's worth noting the 4th phase of geotextile project in Uyuni Salar for around € 6 M. Positive performance of Fish Farming products sold to a Chilean customer.
  - APAC: Positive performance driven from Malaysia, China (despite the erosion in marginality) and the good projects of Indonesia. Positive results in India despite the sales reduction of the Construction Services. Double torsion still struggling on volumes and marginality but partially offset by new value added solutions (i.e. Rockfall).
  - NAFTA: Higher performance than 2017 in US and Mexico, mainly thanks to development of Defence & Security business and the record sales of Rockfall products for Mexican highways.

2. Highlights

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Millions €	Q4 2017	Q4 2018	YE 2017	YE 2018
Total revenues	**144,6**	**138,0**	**496,5**	**534,7**
growth (%)		*-4,5%*		*7,7%*
Opex	**(123,5)**	**(123,1)**	**(452,5)**	**(487,9)**
EBITDA	**21,0**	**15,0**	**44,0**	**46,7**
margin (%)	*14,5%*	*10,8%*	*8,9%*	*8,7%*
growth (%)		*-28,9%*		*6,2%*
Total net capex	**(9,3)**	**(6,7)**	**0,1**	**(13,1)**
incidence on total revenues (%)	*-6,4%*	*-4,9%*	*0,0%*	*-2,5%*
Net cash flow from operating activities	**65,3**	**9,2**	**32,0**	**(28,6)**
growth (%)		*-85,8%*		*-189,3%*

Millions €	December 31, 2017	December 31, 2018	Δ 2018 vs 2017
Total net working capital	**52,9**	**56,1**	**3,2**
Inventories	89,2	101,8	12,6
Trade receivables	119,8	113,3	(6,5)
Advance from customers	(11,5)	(4,7)	6,8
Trade payables	(96,5)	(98,7)	(2,2)
Other net working capital items	(48,1)	(55,7)	(7,5)

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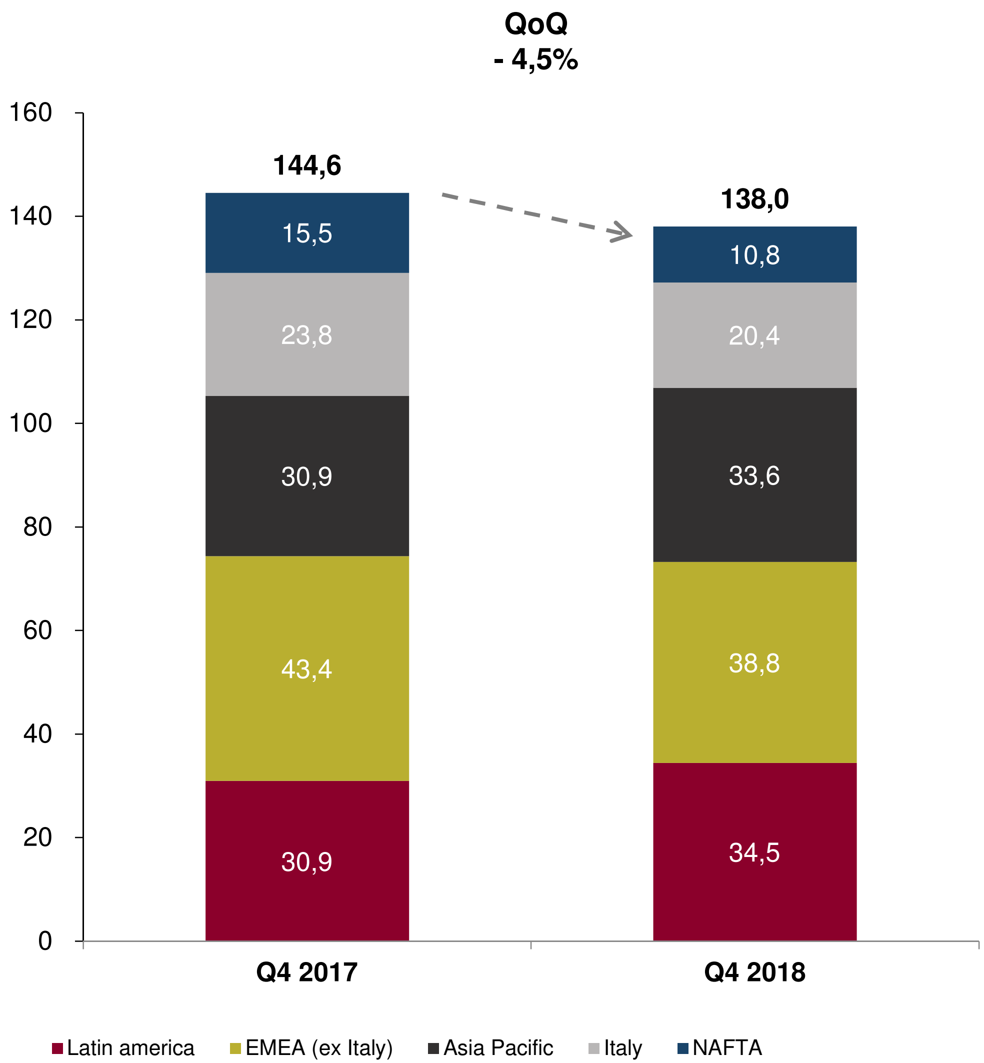
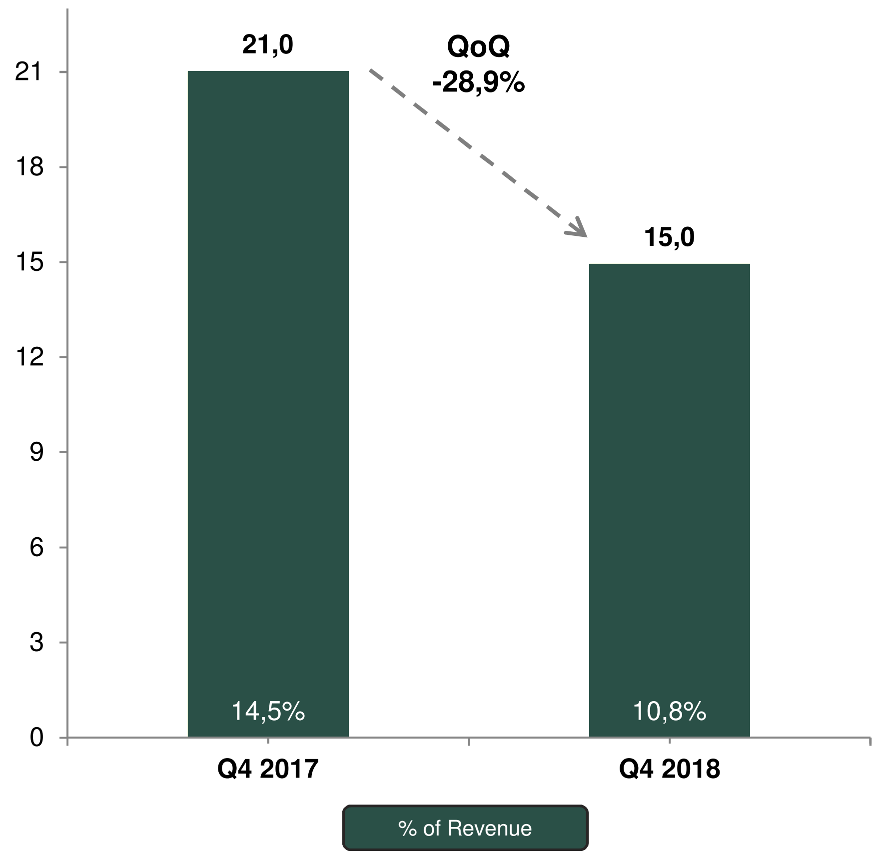
QUARTER PERFORMANCE

Millions €
TOTAL REVENUE BY GEOGRAPHICAL AREA



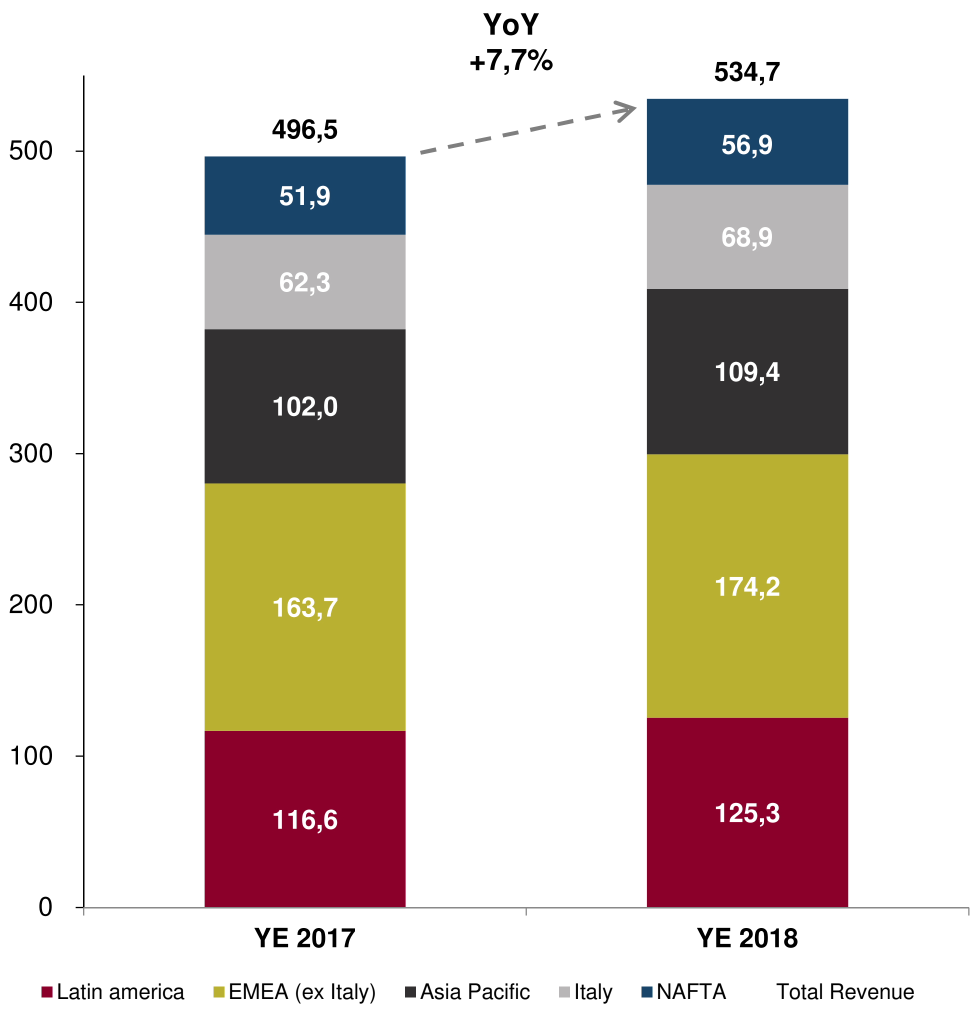
Millions €
EBITDA



YEARLY PERFORMANCE

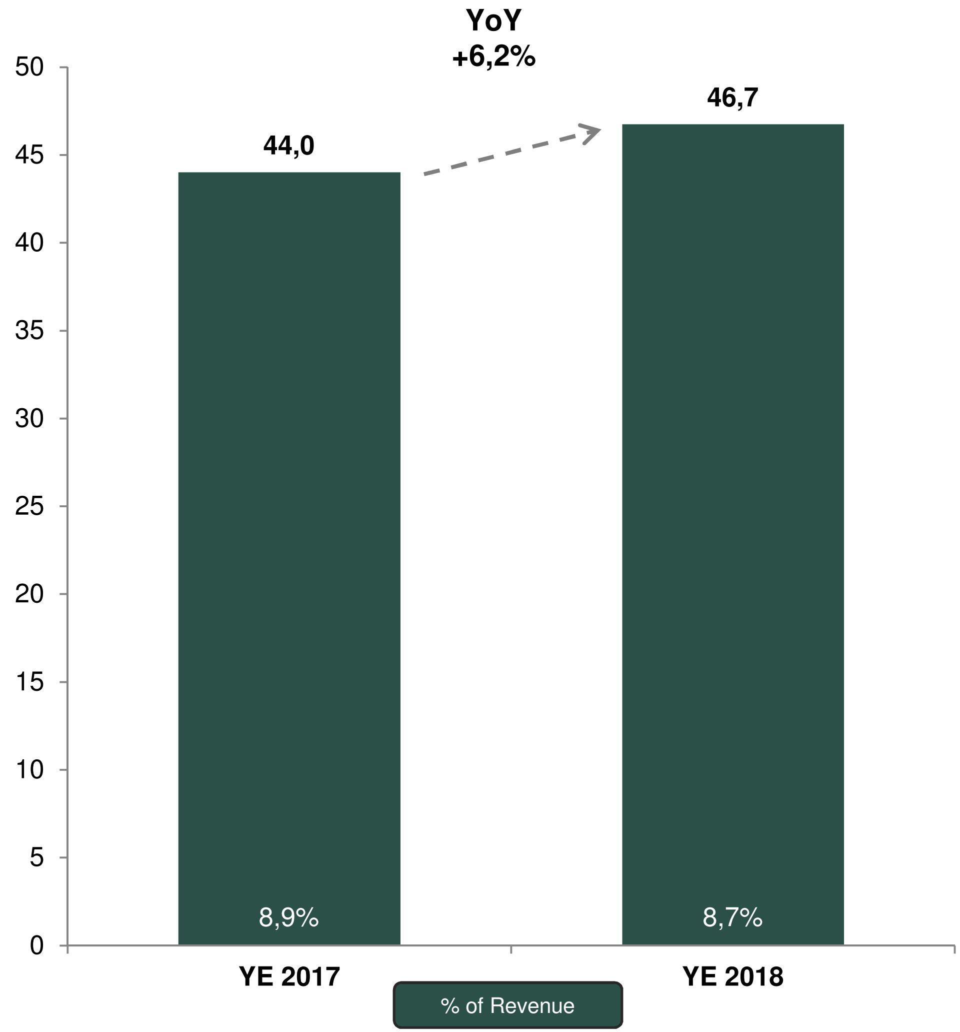
Millions €

TOTAL REVENUE BY GEOGRAPHICAL AREA



Millions €

EBITDA



Total Revenue and EBITDA – Exchange Rate Effect

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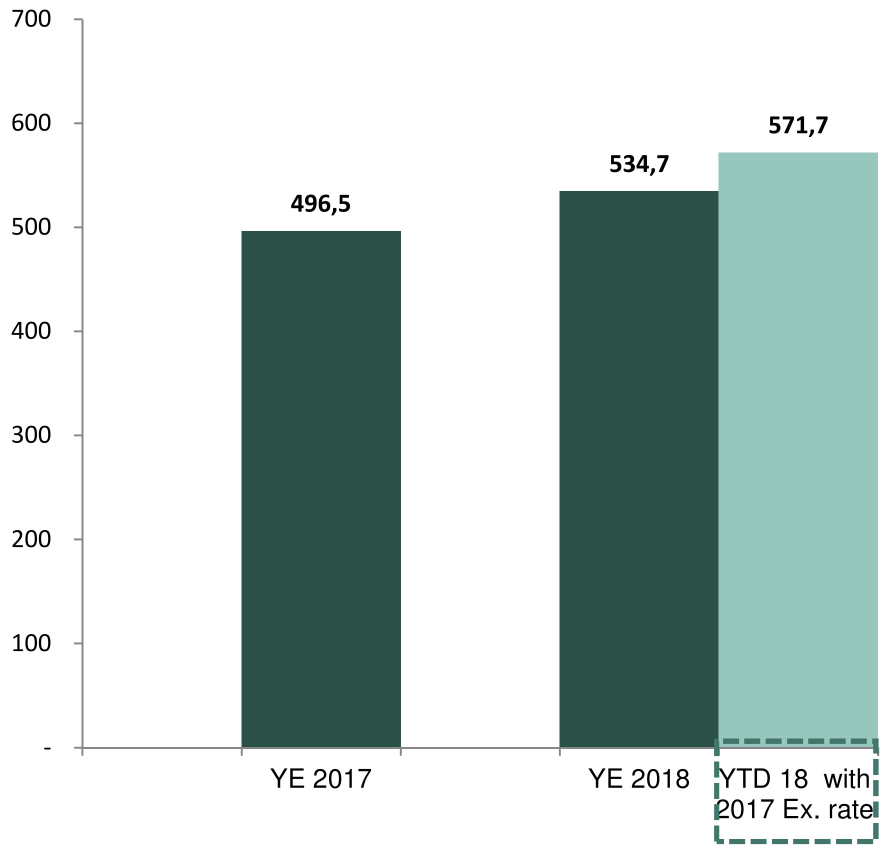
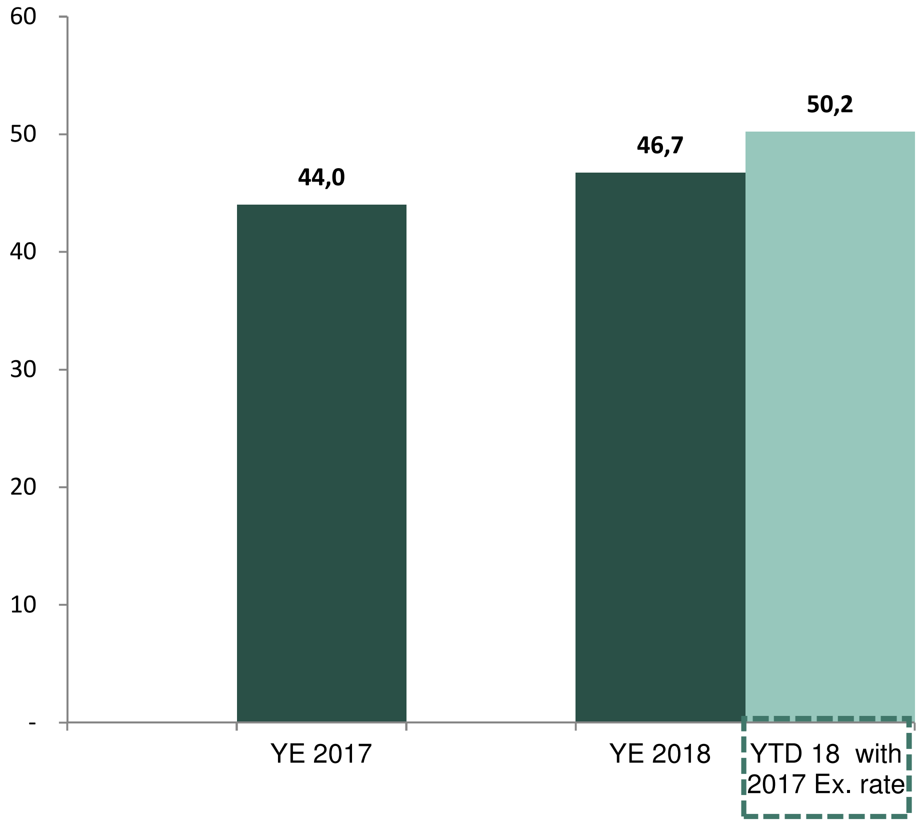
Millions € - TOTAL REVENEUS 2018 adj for F/X rate 2017



Millions € - EBITDA 2018 adj for F/X rate 2017



Negative contribution to the exchange rate effect has been generated mainly by Brazialian Real, Argentinian Peso, Indian Rupie and Turkish Lira.

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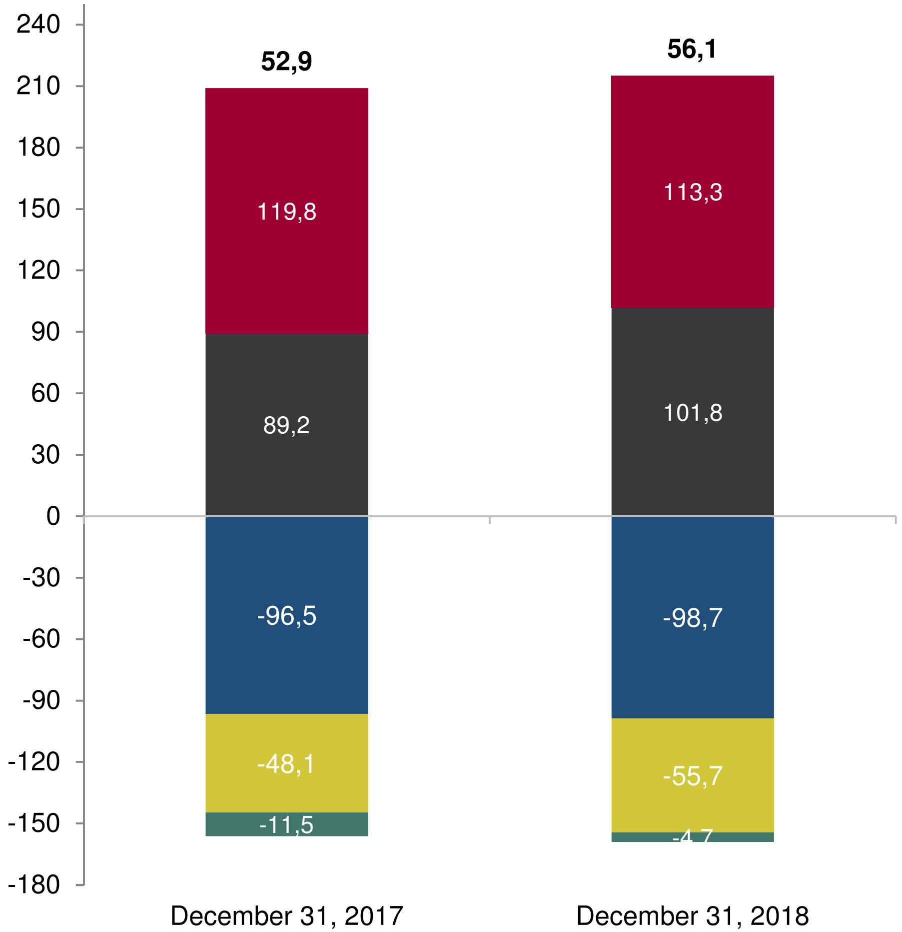
Working Capital

Millions €



Δ Dec 31, 2018 vs Dec 31, 2017

Trade receivables	- 6,5
Inventories	12,6
Advance from customers	6,8
Trade payables	- 2,2
Other elements of net working capital	- 7,5

Working capital significantly remained substantially stable from December 2017 notwithstanding the important increase in total revenues, mainly thanks to the tight control of trade receivables.

Operative Expenses (OPEX)

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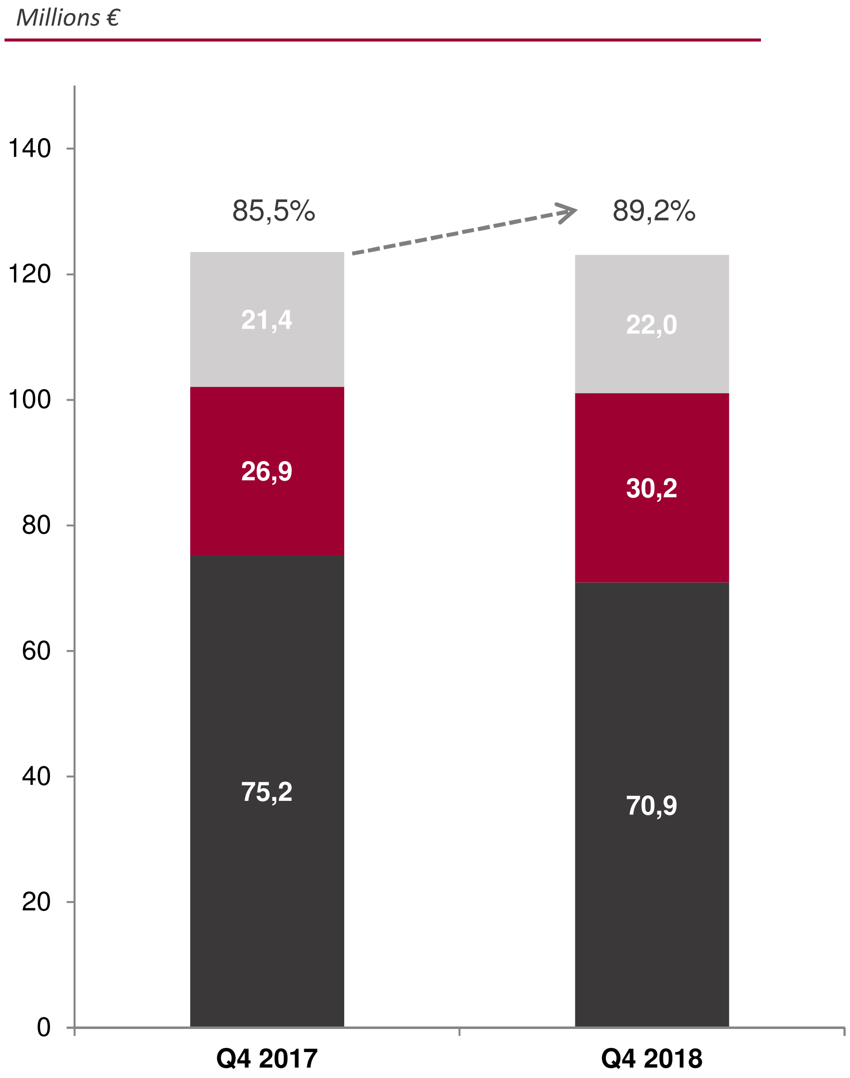

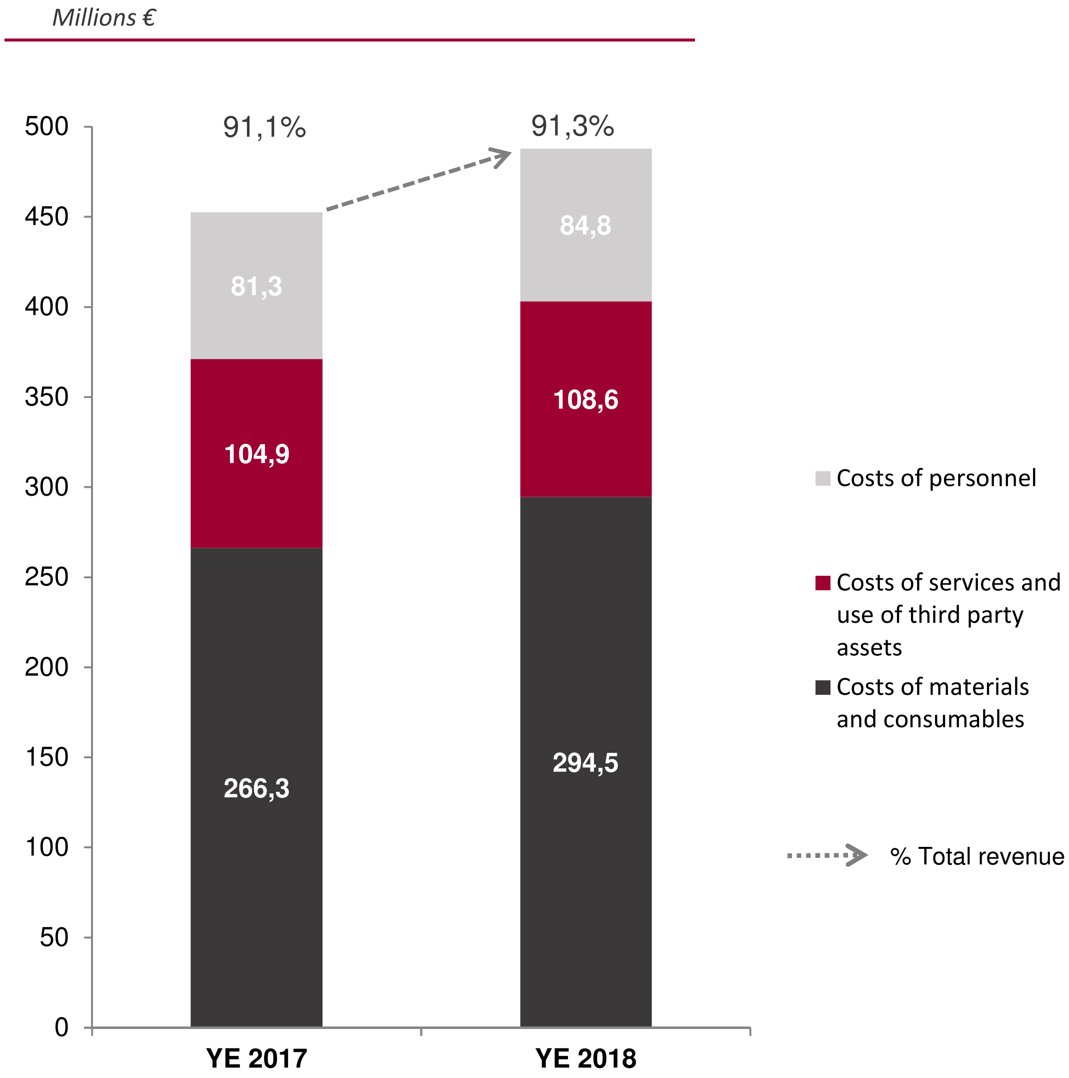

Q4 costs incidence slightly higher than previous year mainly due to lower sales volumes and higher incidence of fixed costs. Cost incidence on yearly basis was instead stable.

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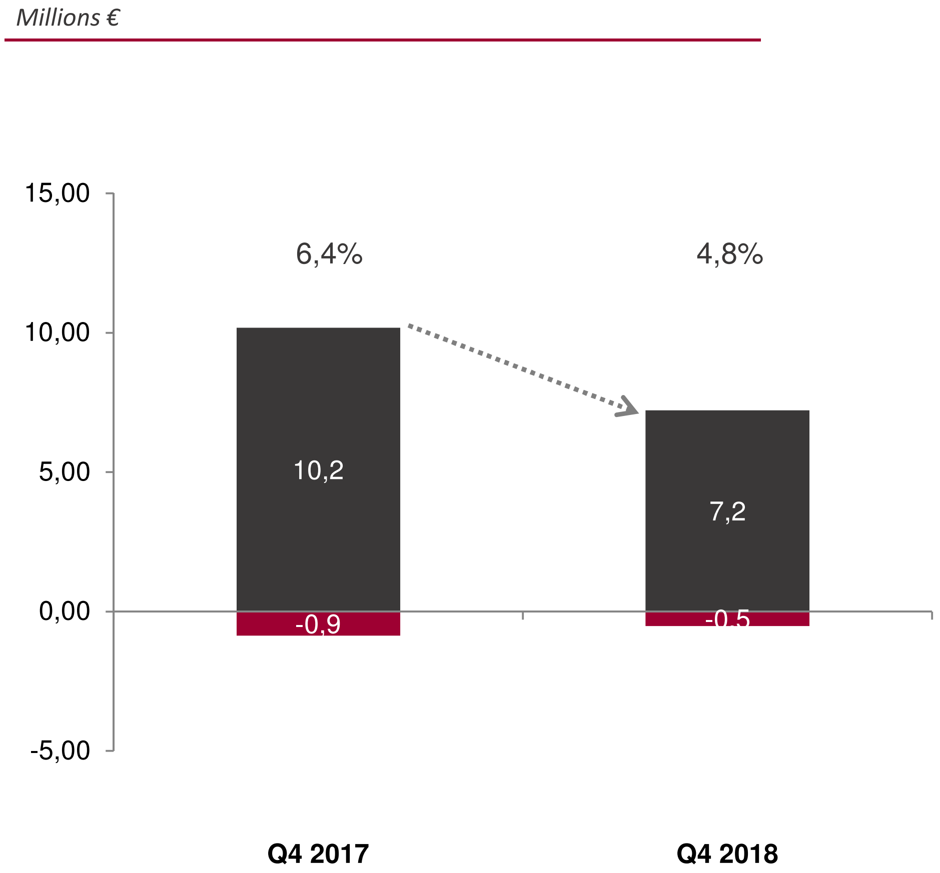
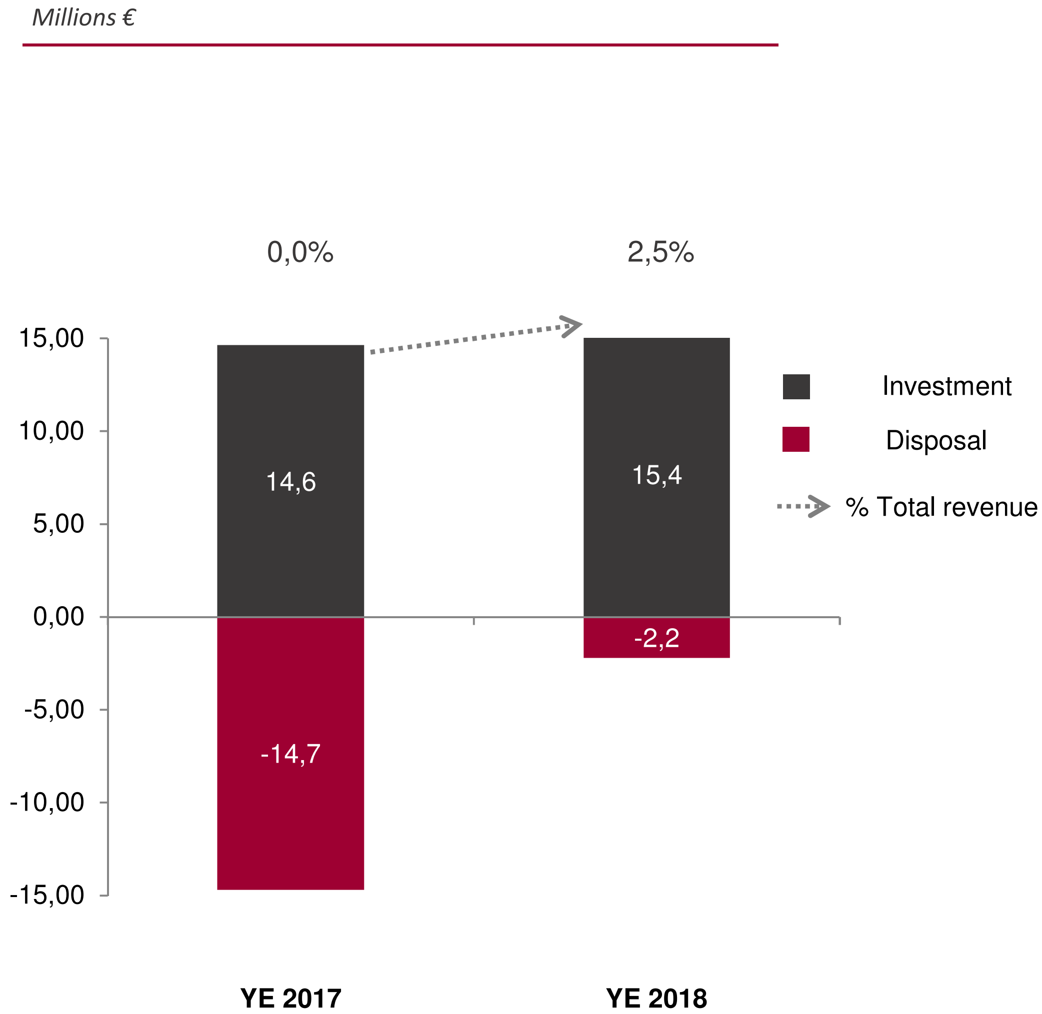
Capital Expenses (CAPEX)





Twelve months net CAPEX are € 13,1 M and are higher than previous year, that was effected for € 13,3 M by the sale of the HQ building complex. The twelve months increase in Capital Expenditure was mainly due investment in manufacturing and machinery (set up and expansion of new manufacturing lines in India, in Italy for the tunneling business and in Spain for capacity increase of the zinc line). The decrease was mainly due to disposal of a building in Italy, offset by an acquisition of a minority stake.

Net Debt

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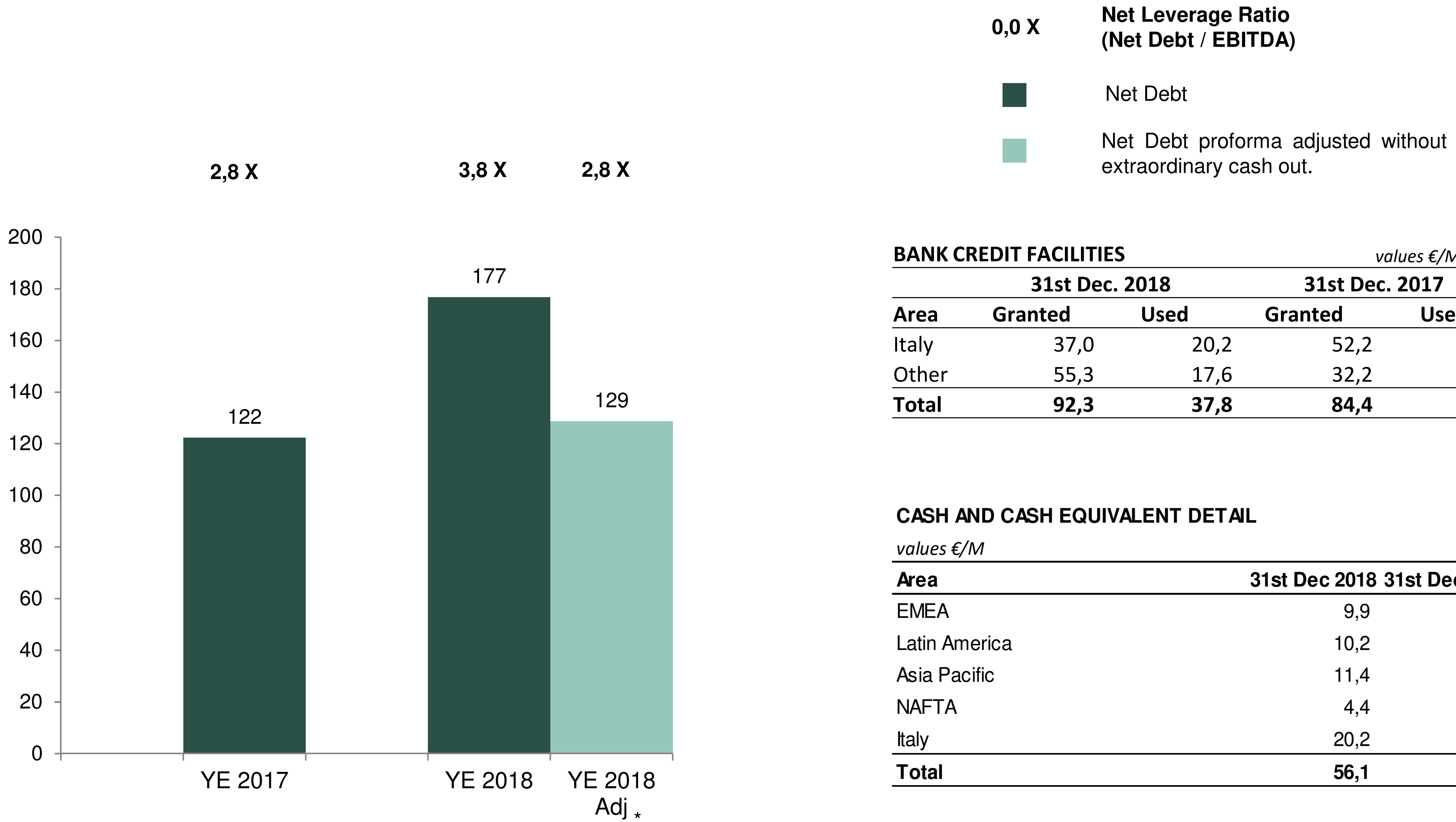
Millions €



BANK CREDIT FACILITIES *values €/M*

	31st Dec. 2018		31st Dec. 2017	
Area	**Granted**	**Used**	**Granted**	**Used**
Italy	37,0	20,2	52,2	2,5
Other	55,3	17,6	32,2	2,9
Total	**92,3**	**37,8**	**84,4**	**5,4**

CASH AND CASH EQUIVALENT DETAIL

values €/M

Area	31st Dec 2018	31st Dec 2017
EMEA	9,9	10,5
Latin America	10,2	11,5
Asia Pacific	11,4	6,0
NAFTA	4,4	6,7
Italy	20,2	30,7
Total	**56,1**	**65,4**

* Net Debt without cash out for extraordinary items of € 11 M, end of year outflows for € 27 M and write-down of the intragroup credit for €10

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Net Financial Debt

Thousand €

Net Financial Indebtedness		
(Euro/000)	**December 31, 2018**	**December 31, 2017**
Non-current portion of banks loans and other financial liabilities	(16.289)	(13.626)
Non-current bonds	(190.000)	(190.000)
Current portion of banks loans and other financial liabilities	(49.100)	(16.116)
Gross Financial Indebtness	**(255.389)**	**(219.742)**
Other current financial assets	22.505	32.000
Cash and cash equivalents	56.121	65.406
Net Financial Indebtness	**(176.763)**	**(122.336)**

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CONSOLIDATED INCOME STATEMENT

(Euro/000)	2018	% of Total Revenue	2017	% of Total Revenue	Q4 2018	% of Total Revenue	Q4 2017	% of Total Revenue
Revenue from sales and services	520.569	97,4%	478.699	96,4%	146.133	105,9%	139.085	96,2%
Other revenue	14.131	2,6%	17.842	3,6%	(8.089)	(5,9%)	5.477	3,8%
Total revenue	**534.700**	**100,0%**	**496.541**	**100,0%**	**138.044**	**100,0%**	**144.562**	**100,0%**
Costs of materials and consumables	(293.234)	(54,8%)	(265.136)	(53,4%)	(70.476)	(51,1%)	(74.886)	(51,8%)
Costs of services and use of third party assets	(108.636)	(20,3%)	(104.918)	(21,1%)	(30.113)	(21,8%)	(26.859)	(18,6%)
Costs of personnel	(84.778)	(15,9%)	(81.348)	(16,4%)	(22.034)	(16,0%)	(21.439)	(14,8%)
Other operating costs	(1.302)	(0,2%)	(1.124)	(0,2%)	(467)	(0,3%)	(355)	(0,2%)
Total Operating costs	**(487.950)**	**(91,3%)**	**(452.526)**	**(91,1%)**	**(123.090)**	**(89,2%)**	**(123.539)**	**(85,5%)**
EBITDA	**46.750**	**8,7%**	**44.015**	**8,9%**	**14.953**	**10,8%**	**21.023**	**14,5%**
Amortization, depreciation and write downs	(20.033)	(3,7%)	(19.168)	(3,9%)	(5.839)	(4,2%)	(7.042)	(4,9%)
Accrual to provision for risks and charges	(992)	(0,2%)	(872)	(0,2%)	(266)	(0,2%)	(726)	(0,5%)
Total Amortiz., deprec., write downs and prov.	**(21.025)**	**(3,9%)**	**(20.041)**	**(4,0%)**	**(6.105)**	**(4,4%)**	**(7.769)**	**(5,4%)**
Operating income	**25.725**	**4,8%**	**23.975**	**4,8%**	**8.848**	**6,4%**	**13.254**	**9,2%**
Financial income	4.483	0,8%	4.431	0,9%	1.415	1,0%	1.669	1,2%
Financial expenses	(19.128)	(3,6%)	(17.749)	(3,6%)	(5.395)	(3,9%)	(5.107)	(3,5%)
Gains/(losses) from forex management	(4.198)	(0,8%)	(4.271)	(0,9%)	(1.995)	(1,4%)	(839)	(0,6%)
Gains/(losses) on participation	(627)	(0,1%)	(213)	(0,0%)	(360)	(0,3%)	(222)	(0,2%)
Net expenses and losses from financial activities	**(19.471)**	**(3,6%)**	**(17.802)**	**(3,6%)**	**(6.335)**	**(4,6%)**	**(4.499)**	**(3,1%)**
Net non-recurring expenses and charges	(36.304)	(6,8%)	(2.265)	(0,5%)	(23.306)	(16,9%)	(431)	(0,3%)
Income before taxes	**(30.049)**	**(5,6%)**	**3.909**	**0,8%**	**(20.793)**	**(15,1%)**	**8.324**	**5,8%**
(Income taxes)/tax benefit	2.459	0,5%	(2.256)	(0,5%)	2.612	1,9%	(2.931)	(2,0%)
Net Income / (Losses) for the period	**(27.590)**	**(5,2%)**	**1.653**	**0,3%**	**(18.181)**	**(13,2%)**	**5.393**	**3,7%**
Attributable to non-controlling interests	(2.183)	(0,4%)	1.435	0,3%	(2.843)	(2,1%)	765	0,5%
Attributable to equity holders of the parent	(25.407)	(4,8%)	218	0,0%	(15.338)	(11,1%)	4.628	3,2%

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CONSOLIDATED BALANCE SHEET

(Euro/000)	December 31, 2018	December 31, 2017
Intangible assets	33.879	33.373
of which goodwill	*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
of which deferred tax assets	*33.686*	*26.657*
Total non-current assets	**171.098**	**168.857**
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
Total current assets	**331.713**	**341.545**
Total assets	**502.812**	**510.402**
Shareholders' equity and liabilities		
Share capital	33.400	33.400
Reserves	3.481	21.778
Profit / (Loss) for the Year Group	(25.407)	218
Equity attributable to equity holders of the parent	**11.474**	**55.396**
Equity attributable to non-controlling interests	31.338	35.400
Total shareholders' equity	**42.812**	**90.796**
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
Total non-current liabilities	**225.342**	**219.257**
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
Total current liabilities	**234.657**	**200.350**
Total liabilities	**460.000**	**419.607**
Total shareholders' equity and liabilities	**502.812**	**510.402**

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CONSOLIDATED CASH FLOW

(Euro/000)	***2018***	***2017***
Net cash flow from operating activities	(28.570)	32.001
Net cash flow used in investing activities	(18.251)	(6.185)
Net cash flow from/(used in) financing activities	36.174	(5.885)
Net effect of foreign currencies exchange rate variation and of movement in Equity attributable to non-controlling interests	1.362	(1.144)
Cash and cash equivalent at the beginning of the period	**65.406**	**46.619**
Changes in cash and cash equivalent	(9.285)	18.787
Cash and cash equivalent at the end of the period	**56.121**	**65.406**

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