

OFFICINE MACCAFERRI S.P.A.

Consolidated financial statements as of December 31, 2016

FINANCIAL STATEMENTS AND NOTES THERETO

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OFFICINE MACCAFERRI S.P.A.

NOTES TO THE MAIN ITEMS OF THE CONSOLIDATED BALANCE SHEET

The consolidated balance sheet for the years ended December 31, 2016 are presented below.

CONSOLIDATED BALANCE SHEET

	December 31, 2016	December 31, 2015
<i>(Euro/000)</i>		
Intangible assets	29,834	31,338
<i>of which goodwill</i>	19,457	21,089
Property, plant and equipment	123,048	121,855
Investment in subsidiaries, associates, joint ventures and other companies	441	317
Other non-current assets	25,696	23,743
<i>of which deferred tax assets</i>	21,781	20,590
Total non-current assets	179,019	177,253
Cash and cash equivalents	46,619	49,198
Other current financial assets	29,000	30,000
Trade receivables	109,654	106,733
Inventories	85,238	76,975
Current tax receivables	15,112	9,213
Other current non-financial assets	16,434	18,608
Total current assets	302,057	290,726
Total assets	481,076	467,979
Shareholders' equity and liabilities		
Share capital	33,400	33,400
Reserves	37,572	21,678
Profit / (Loss) for the Year Group	47	4,126
Equity attributable to equity holders of the parent	71,019	59,204
Equity attributable to non-controlling interests	37,286	38,019
Total shareholders' equity	108,305	97,223
Non-current portion of banks loans and other financial liabilities	8,155	11,099
Non-current bonds	190,000	190,000
Employees' termination indemnity	1,463	1,624
Provisions for risks and charges	7,018	9,350
Deferred tax liabilities	6,908	6,848
Total non-current liabilities	213,543	218,922
Current portion of banks loans and other financial liabilities	23,394	19,100
Advance from customers	3,134	3,772
Trade payables	71,507	71,409
Current tax payables	6,405	8,384
Other current non-financial liabilities	54,787	49,170
Total current liabilities	159,227	151,834
Total liabilities	372,770	370,756
Total shareholders' equity and liabilities	481,076	467,979

OFFICINE MACCAFERRI S.P.A.
CONSOLIDATED INCOME STATEMENT

For the year ended December 31,

<i>(Euro/000)</i>	Notes	2016	2015
Revenue from sales and services	25	451,353	493,837
Other revenue	26	14,140	9,188
Total revenue		465,493	503,024
Costs of materials and consumables	27	(248,696)	(272,834)
Costs of services and use of third party assets	28	(100,885)	(101,907)
Costs of personnel	29	(75,262)	(76,423)
Other operating costs	30	(788)	(1,382)
Total Operating costs		(425,630)	(452,546)
EBITDA		39,863	50,478
Amortization, depreciation and write downs	31	(17,514)	(20,149)
Accrual to provision for risks and charges		(784)	(505)
Total Amortization, depreciation, write downs and provisions		(18,297)	(20,654)
Operating income		21,566	29,824
Financial income	32	3,337	3,649
Financial expenses	32	(16,862)	(18,600)
Gains/(losses) on exchange rate	32	(1,858)	168
Net expenses and losses from financial activities		(15,383)	(14,784)
Net non-recurring expenses and charges	33	(3,048)	(3,774)
Profit/Losses before taxes		3,134	11,266
(Income taxes)/tax benefit	34	(1,675)	(4,843)
Net profit / (losses) for the period		1,459	6,424
Attributable to non-controlling interests		(1,412)	(2,298)
Attributable to equity holders of the parent		47	4,126

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

	Share capital	Reserves	Current year results	Reserves for hedging of expected cash flows	Equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total Shareholders' equity
<i>(Euro/000)</i>							
December 31,2015	33,400	21,678	4,126	-	59,204	38,019	97,223
Allocation of prior year results	-	4,126	(4,126)	-	-	0	0
Dividends paid	-	(750)	-	-	(750)	(1,858)	(2,608)
Movements deriving from consolidation process	-	12,539	-	(22)	12,518	(287)	12,230
Current year result	-	-	47	-	47	1,412	1,459
December 31,2016	33,400	37,593	47	(22)	71,019	37,285	108,304

OFFICINE MACCAFERRI S.P.A.
CONSOLIDATED CASH FLOW STATEMENT

	For the year ended December 31	
(Euro/000)	2016	2015
A. Financial flows deriving from operating activities		
Net Income / (Loss) for the period	1,459	6,424
Income tax for the year	2,198	4,843
Financial expenses / (financial income)	13,306	14,207
Losses / (gains) on exchange rate	1,858	-168
(Dividends)	-10	0
(Gains) / Losses due to assets disposal	-521	-1,254
1. Profit (loss) before income taxes, interest, dividends and capital gains / losses on assets disposal	18,290	24,052
<i>Adjustments for non-cash items that had no counterpart in net working capital</i>	<i>0</i>	
Accrual to provision for risk and charges	3,588	5,633
Depreciation and Amortization	15,470	16,128
Impairment on assets	146	583
Other accrual for non-cash items	-3,046	-985
Total adjustment for non-cash items	16,158	21,359
2. Financial flows before changes in Net Working Capital	34,448	45,411
<i>Changes in Net Working Capital</i>	<i>0</i>	
Decrease / (increase) of inventories	-3,919	1,907
Decrease / (increase) of trade receivables	-1,157	-6,356
Increase / (decrease) of trade payables	-1,614	8,792
Decrease / (increase) of other credits	2,929	5,707
Increase / (decrease) of other debts	5,417	-878
Decrease / (increase) of Prepayments and accrued income	-475	-280
Increase / (decrease) of Prepaid income	47	-883
Other Changes in Net Working Capital	-4,200	-872
Total changes in Net Working Capital	-2,972	7,137
3. Financial flows after changes in Net Working Capital	31,476	52,548
<i>Other Changes</i>	<i>0</i>	
Interests paid	-13,594	-14,875
(Realised Losses) / realised gains on exchange rate	-1,858	168
Income taxes paid	-6,018	-5,871
Dividends received	10	0
Utilization of funds	-3,426	-2,421
4. Financial flows before changes in Net Working Capital	-24,886	-22,999
Net cash flow from operating activities (A)	6,590	29,549
B. Financial flows deriving from investment activities		
<i>Tangible assets</i>	<i>0</i>	
(Investments)	-10,254	-14,954
Sales price of disposal of assets	2,500	3,891
<i>Intangible assets</i>	<i>0</i>	
(Investments)	-2,909	-2,460
Sales price of disposal of assets	311	133
<i>Investments</i>	<i>0</i>	
(Investments)	-1,081	-1,026
Sales price of disposal of assets	9	1,465
<i>Current financial activities</i>	<i>0</i>	
(Investments)	-629	-61
Sales price of disposal of assets	226	212
<i>Acquisition or disposal of subsidiaries or branches of businesses, net of cash acquired</i>	<i>-1,068</i>	<i>0</i>
Net cash flow used in investing activities (B)	-12,895	-12,800
C. Financial flows deriving from financing activities		
<i>Third parties</i>	<i>0</i>	
Increase / (decrease) short terms debts vs banks	14,074	-253
Proceeds from borrowing	0	0
Reimbursement of borrowing	-3,264	-2,975
Proceeds from / (reimbursement of) Bond	0	-9,400
(Increase) / Decrease short terms credits vs shareholders for financing	1,000	2,000
Increase / (Decrease) debts vs other financial institution	-9,163	2,518
<i>Equity</i>	<i>0</i>	
Subscription of equity upon payment / (Equity reimbursement)	1,108	2,640
Dividends paid (and advance on dividends) paid	-2,714	-3,741
Total Financial flows deriving from financing activities (C)	1,041	-9,211
Net effect of foreign currencies exchange rate and other variations	2,686	-1,475
Change in cash and cash equivalent (A ± B ± C)	-2,578	6,063
Cash and cash equivalent at the beginning of the period	49,198	43,135
Cash and cash equivalent at the end of the period	46,619	49,198

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 over 135 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 30 production facilities and 2,804 employees (as of December 31, 2016).

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 four 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.

Significant events pertaining to the Group's business activities

The reporting periods ended December 31, 2016 was characterized by the followings significant events:

- As of January 1, 2016, the Italian distribution business has been contributed from the Parent Company “Officine Maccaferri S.p.A.” into “Elas” company, now named “Officine Maccaferri Italia”. “Officine Maccaferri S.p.A.” is focused from the beginning of the year on its role of holding company of the Group, providing mainly intercompany services.
- Start up of the production in the new manufacturing and supply chain hub in Senica (Slovakia), as part of the industrial footprint rationalization project in the EMEA region. Operations started early march and full fledged status has been achieved on Q4.
- Completion of the shut down of the manufacturing plant in Sacramento (USA). As of April Williamsport (USA) is feeding the US market (Double Torsion and Rockfall solutions).
- Acquisition of the 30% of minorities of Maccaferri Balkans for about € 1 M. At the same time sale of the plant to the minority for € 1 M who now rents it to Maccaferri Balkans.

- New guarantors appointment: Maccaferri Manufacturing Europe Sro (spin off of the production of Maccaferri Central Europe) and Officine Maccaferri Italia Srl (spin off of the trading activities of Officine Maccaferri Spa).

2. BASIS OF PRESENTATION

The consolidated financial statements of Officine Maccaferri S.p.A. as of December 31, 2016 and 2015, 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"). In this regard, it should be noted the following main changes in 2016 have been applied to the consolidated financial statements:

- accounting principles OIC 3 concerning information on financial instruments and OIC 22 on memorandum accounts were abrogated;
- 19 principles were reviewed in order to take account of the EU law developments transposed into the Italian Civil Code. The main provision introduced under Article 2426, paragraph 1, no. 8, concerns the method of accounting for receivables and payables in the application of the amortised cost method, according to which transaction costs that are paid on a one-off basis, if significant, and any difference between initial and final values of the receivable or payable, are included in the calculation of the effective rate of interest and are accounted for over the expected maturity of the same according to a financial approach. Amortised cost is applied only in the event that receivables

or payables have a multi-year term and was only applied from 1 January 2016 to any receivables and payables that arose after that date. Any receivables and payables that arose before 1 January 2016 remain subject to the principles previously in force. The reclassified items of 2015 have been reported for comparative purposes only;

- a new accounting principle, OIC 32 “Derivative financial instruments”, was also approved, which is also applicable to derivatives embedded in other contracts according to which any and all derivatives must be measured at fair value, as from the date of execution of the contract, pursuant to Article 2426, paragraph 1, no. 11-bis;
- as from 1 January 2016 “dividends” are accounted for during the year in which a resolution is passed for their distribution.

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.

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. 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, 2016, 2015 are as follows:

<i>Currency</i>	<i>Exchange rate 2016</i>		<i>Exchange rate 2016</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	3.8696	4.063441	3.99662	4.07334
ALL	135.6310	137.316615	137.02000	139.68200
ARS	16.7488	16.342012	14.09720	10.25990
BOB	7.2838	7.648700	7.52292	7.66673
BRL	3.4305	3.856143	4.31170	3.70044
BWP	11.2437	12.048037	12.17410	11.23550
CAD	1.4188	1.465878	1.51160	1.41856
COP	3,169.4900	3,376.933171	3,456.01000	3,048.53000
CRC	580.8090	601.952326	585.63500	593.12600
DOP	49.1860	50.897019	49.50220	49.85027
GBP	0.8562	0.819483	0.73395	0.72585
GTQ	7.9338	8.416294	8.31054	8.49565
HKD	8.1751	8.592190	8.43760	8.60141
HUF	309.8300	311.437898	315.98000	309.99600
INR	71.5935	74.371691	72.02150	71.19560
KGS	73.0653	77.551709	82.96890	71.44380
KRW	1,269.3600	1,284.181128	1,280.78000	1,256.54000
MXN	21.7719	20.667305	18.91450	17.61570
MYR	4.7287	4.583548	4.69590	4.33733
NGN	332.3050	285.446874	216.70300	219.51500
NPR	114.5500	117.196528	107.00800	109.05400
PEN	3.5402	3.735626	3.70833	3.53237
PHP	52.2680	52.555548	50.99900	50.52170
PLN	4.4103	4.363207	4.26390	4.18412
RMB	7.3202	7.352221	7.06080	6.97333
RON	4.5390	4.490426	4.52400	4.44541
RSD	123.4030	123.106152	121.45100	120.68700
RUB	64.3000	74.144565	80.67360	68.07200
TRY	3.7072	3.343253	3.17650	3.02546
USD	1.0541	1.106903	1.08870	1.10951
VEF	10.5278	10.329491	6.85021	6.98117
ZAR	14.4570	16.264484	16.95300	14.17230

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, 2016 are the followings:

NAME	HQ	SHARE CAPITAL	SHAREHOLDING QUOTA %	
			Direct	Indirect
- A. Bianchini Ingegniero S.A.	Spain	€ 6,500,000	53.957	
- BMD Texteis Ltda	Brazil	BRL 26,928,244		99.98
- Double Twist Products Pty Ltd	Botswana	BWP 3,796,000	70	
- Epitropic Fibres Ltd	UK	GBP 1		100
- Fator Ambiental Ltda	Brazil	BRL 1,135,000		99.9803
- Linear Composites Ltd.	South Africa	GBP 2		100
- Maccaferri (Changsha) Enviro-tech Co. Ltd	China	CNY 56,491,585		80
- Maccaferri (IRL) Ltd.	Ireland	€ 1		100
- Maccaferri (Tianjin) Enviro-tech Co. Ltd	China	CNY 38,657,490		50.01
- Maccaferri (Tianjin) Fibers Co. Ltd.	China	CNY 52,329,975		62.51
- Maccaferri (Tianjin) Geosyntetics Co. Ltd.	China	CNY 19,485,766		50.01
- Maccaferri Asia Ltd.	China	HKD 124,160,000	62.51	
- Maccaferri b.v.b.a.	Belgium	€ 100,000	99.9	0.1
- Maccaferri Balkans Sh. P.K.	Albania	ALL 306,000,000	81	
- Maccaferri Central Europe S.RO.	Slovakia	€ 1,040,132	100	
- Maccaferri China (Hong Kong)	China	HKD 90,436,800	80	
- Maccaferri Construction Ltd	UK	GBP 2		100
- Maccaferri Construction S.A. C.	Perù	PEN 500,000		100
- Maccaferri de Bolivia LTDA	Bolivia	BOB 21,915,054	99.9995	0.0005
- Maccaferri de Colombia Ltda	Colombia	COP 3,081,836,546	99.9995	0.0005
- Maccaferri de Ecuador	Ecuador	USD 95,000		100
- Maccaferri de El Salvador S. A. de C.V.	El Salvador	USD 102,000		100
- Maccaferri de Guatemala S.A.	Guatemala	GTQ 703,000		99.998
- Officine Maccaferri S.p.A.	Italy	-		--
- Maccaferri SA PTY LTD	South Africa	ZAR 58,207,900	56.2	
- 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	
- Maccaferri Nepal PVT LTD	Nepal	NPR 70,196,000	70	
- Maccaferri de Argentina S.A	Argentina	ARS 4,337,691	98	2
- Maccaferri de Centro America Ltda	Costarica	CRC 502,391,898	100	
- Maccaferri LTD	UK	GBP 1,020,000	100	
- Partecipazione a mezzo SIFIR S.r.l	Italy	€ 119,000	80	
- Maccaferri Environmental Solutions PVT Ltd	India	INR 1,190,765,700	90	
- Maccaferri de Perù S.A.C.	Perù	PEN 2,774,348	75	
- SUN-B Maccaferri Co. Ltd	South Korea	KRW 1,865,500,000	50	
- Maccaferri de Mexico S.A. De C.V.	Messico	MXN 27,369,000	99.998	0.002

NAME	HQ	SHARE CAPITAL	SHAREHOLDING QUOTA %	
			Direct	Indirect
- Maccaferri de Venezuela S.A	Venezuela	VEF 221,374	100	
- Maccaferri Deutschland GmbH	Germany	€ 200,000		100
- Maccaferri do Brasil Holding Participacoes Empresariais e Imobiliaras LTDA	Brazil	BRL 19,410,000	51.126	
- Maccaferri Environmental Solution D.O.O.	Serbia	RSD 16,650,000	100	
- Maccaferri Gabions Central Asia	Kirghizistan	KGS 450,000		83.216
- Maccaferri Hellas Sole Partner LLC.	Greece	€ 330,000	100	
- Maccaferri Middle East LLC	Un. Arab Emir.	AED 300,000	49	
- Maccaferri Philippines Inc.	Philippines	PHP 25,000,000	75	
- Maccaferri Polska Sp Z.O.O.	Poland	PLN 90,000		100
- Maccaferri Servicios S.A. de C.V.	Mexico	MXN 50,000	99.8	0.2
- Macservice Servicios de Engenharia LTDA	Brazil	BRL 1,936,998	0.077	99.903
- Officine Maccaferri Italia S.r.l.	Italy	€ 1,000,000	100	
- Officine Maccaferri Nigeria Ltd.	Nigeria	NGN 40,000,000	100	
- Partecipazione tramite SIFIR S.r.l	France	€ 37,000	80	
- Partecipazione tramite SIFIR S.r.l	France	€ 64,000		80
- Servicios de Ingenieria Maccaferri SA	Costarica	CRC 1,000,000		99.998
- Tekno Maccaferri Cerve Teknolojileri	Turkey	TRY 6,000,000	50	
-Maccaferri (Hangzhou) Metal works Innov-Tech Co. Ltd	China	CNY 27,000,000		56
-Maccaferri de Caribe SAS	Santo Domingo	DOP 3,810,000		100
-Maccaferri de Panama S.A.	Panama	USD 10,000		100
-Maccaferri do Brasil Incorporacoes Imobiliaras Ltda	Philippines	BRL 100,000	99.955	
-Maccaferri Industria e Comercio de Artefatos Plasticos Ltda	Brazil	BRL 13,692,099		33.619
-Maccaferri Innovation Center Srl	Italy	EUR 10,000	100	
-Maccaferri Magyarorszag Kft	Hungary	HUF 21,000,000		100
-Maccaferri Manufacturing Europe S.R.O.	Slovakia	EUR 2,525,000	99	1
-Maccaferri Philippine Manufacturing Inc.	Philippines	PHP 148,254,001	53.701	
-Maccaferri Romania Srl	Romania	RON 500,000		65
-Santos Mouta Porto Ltda	Portugal	€ 250,000		53.957

The following entity is consolidated using the proportionate consolidation method as of December 31, 2016:

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 2016:

- With effect from 1 January 2016, the business unit consisting of the sales operations of parent company Officine Maccaferri S.p.A. in the Italian market was contributed to Elas Geotecnica S.r.l., which then changed its name to Officine Maccaferri Italia S.r.l., which performs sales operations in the Italian market for the entire range of Maccaferri products.

- There was the inclusion of Maccaferri de Caribe Sas, which is 99.9974%-owned by Maccaferri de Centro America Ltda and 0.0026%-owned by Maccaferri do Brasil Ltda, a company responsible for the sales of products in the sectors of “Double Twist” and “Geosynthetics”, in the scope of consolidation.
- The 2016 financial year also saw an increase in the investment held in the Albanian investee Maccaferri Balkans Sh P.K. whose shareholding passed from 51% in 2015 to the present 81%.
- There was the deconsolidation of the Portuguese company Bianchini Unipessoal Lda and of the South African company Land Rehabilitation System Pty Ltd, which were wound up during 2016.

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:

<i>Category</i>	<i>Rate</i>
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 that however, from the 1 January 2016, as per requirement of Italian legislation, may not exceed ten years. 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, 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.

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 accruals 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, 2016:

<i>(Euro/000)</i>	Set up and expansion costs	Development costs	Industrial patent rights and rights to use intellectual properties	Concessions, licenses, trademarks and similar rights	Goodwill	Intangible assets under development and downpayments	Other	Total intangible assets
Historical costs	926	2,357	759	9,255	30,032	873	7,930	52,131
Cumulated amortization	(850)	(1,951)	(305)	(6,372)	(8,943)	-	(2,371)	(20,793)
Carrying amount as of December, 2015	76	405	454	2,883	21,089	873	5,559	31,338
Net Variation of the consolidation Area and acquisition of additional share in controlled entities	-	-	-	-	0	-	11	10
Increase for acquisition and internal constructions	-	-	12	884	300	1,688	288	3,173
Decrease due to sale	-	(3)	(12)	(15)	-	(232)	0	(262)
Reclassification and other movements	(36)	(4)	-	426	-	(426)	66	25
Current period amortization	(1)	(204)	(112)	(1,045)	(1,932)	-	(1,116)	(4,410)
Exchange rate differences	(1)	1	(15)	(12)	0	1	(16)	(41)
Total current year variation	(38)	(210)	(126)	238	(1,632)	1,031	(767)	(1,504)
Historical costs	866	2,309	736	13,107	30,335	1,904	8,817	58,074
Cumulated amortization	(829)	(2,114)	(408)	(9,986)	(10,878)	-	(4,026)	(28,240)
Carrying amount as of December, 2016	37	196	328	3,121	19,457	1,904	4,791	29,834

Goodwill

As of December 31, 2016, the goodwill amounted to Euro 19,457 thousand, showing a decrease of Euro 1,632 thousand compared to December 31, 2015 (Euro 21,089 thousand) mainly due to the amortization of the year (Euro 1,932 thousand), partially offset by an increase of Euro 300 thousand due to the acquisition of 30% of the share capital of Maccaferri Balkans Sh. P.K.

Development costs

As of 31 December 2016 development costs amounted to Euro 196 thousand, showing a decrease of Euro 209 thousand compared to December 31, 2015 (Euro 405 thousand); such change was mainly due to the amortization of the year.

Industrial patent rights and rights to use intellectual property

As of 31 December 2016 Industrial patent rights and rights to use intellectual property amounted to Euro 328 thousand, showing a decrease of Euro 126 thousand compared to December 31, 2015 (Euro 454 thousand) mainly due to the amortization of the year (Euro 112 thousand).

Concessions, licenses, trademarks and similar rights

Concessions, licenses, trademarks and other similar rights amounted to Euro 3,121 thousand as of December 31, 2016, showing an increase of Euro 238 thousand compared to December 31, 2015 (Euro 2,883 thousand). Such increase, net of the amortization of the year, was mainly due to the capitalisation of rights for the use of software and related implementation costs mainly incurred by the companies in the NAFTA area for CRM software.

Other

The remaining categories “Other” amounted to Euro 4,791 thousand as of December 31, 2016, showing a decrease of Euro 768 thousand compared to December 31, 2015 (Euro 5,559 thousand). Such decrease was mainly due the yearly amortization (Euro 1,116 thousand) in particular of the cost for issuance of the Senior Notes.

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, 2016:

<i>(Euro/000)</i>	Lands and buildings	Plant and machinery	Industrial and commercial equipment	Other fixed assets	Fixed assets in progress and advances	Total property, plant and equipment
Historical costs	78,753	103,582	7,844	14,134	2,869	207,182
Cumulated amortization	(14,798)	(56,577)	(4,033)	(9,920)	-	(85,327)
Carrying amount as of December, 2014	63,956	47,005	3,811	4,214	2,869	121,855
Increase for acquisition and internal constructions	548	3,801	508	863	2,288	8,009
Net Variation of the consolidation Area and acquisition of additional share in controlled entities	0	-	-	2	-	2
Decrease due to sale	(1,365)	(294)	(30)	(130)	(123)	(1,941)
Reclassification and other movements	758	2,456	(788)	(189)	(2,175)	62
Current period depreciation and write-down	(2,408)	(6,748)	(633)	(1,271)	-	(11,060)
Exchange rate differences	3,507	2,431	21	73	90	6,122
Total current period variation	1,041	1,647	(922)	(653)	81	1,193
Historical costs	82,924	113,011	7,497	13,757	2,950	220,139
Cumulated amortization	(17,927)	(64,360)	(4,608)	(10,196)	0	(97,092)
Carrying amount as of December, 2016	64,996	48,652	2,890	3,561	2,950	123,048

Land and buildings

As of December 31, 2016 the carrying amount of land and buildings increased by Euro 1,040 thousand, from Euro 63,956 thousand as of December 31, 2015 to Euro 64,996 thousand; such increase was mainly due to the combined effect of the followings: (i) the positive exchange rate differences for an amount of Euro 3,507 thousand, (ii) the reclassification from other asset categories for Euro 758 thousand, (iii) the Euro 548 thousand additions of which Euro 200 thousand due to the purchase of the land and related expansion of the parking area of the office located in Zola Predosa – Bologna (Italy), realized by Officine Maccaferri S.p.A., (iv) the depreciation of the year for Euro 2,408 thousand, (v) the disposal of assets for Euro 1,365 thousand related for Euro 1.1 million to the sale of the production plant and offices of Maccaferri Balkans Sh. P.K., which are currently leased, and for Euro 0.2 million to the sale of a flat for office use located in Milan on the part of Officine Maccaferri S.r.l.,

Plant and machinery

Plant and machinery as of December 31, 2016 amounted to Euro 48,652 thousand, increased by Euro 1,647 thousand compared to December 31, 2015 (Euro 47,005 thousand). Such increase was mainly due to the combined effect of the followings: (i) the additions for Euro 3,801 thousand mainly related to the purchase of specific systems for the production of geosynthetics products by Maccaferri Environmental Solutions PVT Ltd for about Euro 1,100 thousand, the purchase of a spiral machine for double twist and a drawing machine for the production of metal fibres by

Maccaferri de Peru S.A.C for about Euro 300 thousand, the upgrading of DT 8x10 line and the purchase of an extruder by Maccaferri Manufacturing Europe S.R.O for about Euro 200 thousand, the improvements to DT lines by Maccaferri Changsha for Euro 200 thousand, the purchase of various accessories for the DT line by Officine Maccaferri S.p.A for Euro 200 thousand, the improvements made to the wire drawing by Maccaferri Maccaferri do Brasil Ltda for about Euro 100 thousand (ii) the reclassification from other asset categories for Euro 2,456 thousand, (iii) the positive exchange rate differences for an amount of 2,431 thousand, (iv) depreciation of the year for Euro 6,748 thousand,

Industrial and commercial equipment

Plant and machinery as of December 31, 2016 amounted to Euro 2,890 thousand, decreasing by Euro 921 thousand compared to December 31, 2014 (Euro 3,811 thousand). Such decrease was mainly due to the combined effect of the followings: (i) the reclassification to other asset categories for Euro 788 thousand, (ii) the effect of the current year depreciation for Euro 633 thousand, (iii) the additions for Euro 508 thousand mainly related to industrial equipment of which Euro 200 thousand for the purchase of equipment required for the execution of projects (mainly Rockfall and Erosion Control) on the part of Maccaferri Environmental Solutions PVT Ltd and about Euro 100 thousand mainly relating to the purchase of equipment required for the execution of projects of vertical walls on the part of Maccaferri Construction S.A. C. (Peru).

Assets in progress and advances

Assets in progress and advances as of December 31, 2016 amounted to Euro 2,950 thousand, increase by Euro 81 thousand compared to December 31, 2015 (Euro 2,869 thousand). Such increase was mainly due to the combined effect of the followings: (i) the additions for Euro 2,288 thousand related for Euro 1,000 thousand to the implementation of automated systems to control galvanisation and to monitor wire changers, as well as other improvements to the wire galvanisation equipment and the purchase of a new colouring system for the wire used for the production of cages for champagne bottles by A. Bianchini Ingegniero S.A., for about Euro 200 thousand to the construction of a prototype of the “Kikkonet” line, aimed at the production of super small-mesh cages for fish farming by Maccaferri Innovation Center, for about Euro 200 thousand to improvements made to the new factory of Maccaferri Changsha, for about Euro 200 thousand to the purchase of an X-ray volume control system on the part of Maccaferri Industria e Comercio de Artefatos Plasticos Ltda and for about Euro 100 thousand to the construction and installation of an

electric cooling system on the part of Maccaferri do Brasil Ltda., (ii) the reclassification to the proper assets category for Euro 2,175 thousand, (iii) the disposal for Euro 123 thousand,

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, 2016 and 2015:

	As of December, 2016			As of December, 2015		
	Historical Costs	Cumulated depreciation	Carrying amount	Historical Costs	Cumulated depreciation	Carrying amount
<i>(Euro/000)</i>						
Lands and Buildings	320	(70)	249	305	(55)	250
Plant and machinery	2,641	(2,202)	439	3,355	(2,307)	1,048
Other	1,882	(930)	953	1,895	(755)	1,140
Total property, plant and equipment under financial lease	4,844	(3,203)	1,641	5,555	(3,117)	2,438

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, 2016 and 2015:

<i>(Euro/000)</i>	As of December 31,	
	2016	2015
Partecipations in subsidiaries	182	92
Investment in associates and joint ventures	110	101
Partecipations in other companies	149	124
Total Investment in subsidiaries, associates, joint ventures and other companies	441	317

Investments in subsidiaries, associates, joint-ventures and other companies amounted to Euro 441 thousand as of December 31, 2016, showing an increase of Euro 124 thousand compared to December 31, 2015 (Euro 317 thousand).

The increase in investment in subsidiaries of Euro 90 thousand was attributable for Euro 156 thousand to the recapitalisation of Maccaferri de Chile Ltda, for Euro 20 thousand to the acquisition

of Maccaferri Manifattura Italia S.r.l., which was partially offset by the inclusion of Maccaferri Caribe Ltda in the consolidation area for Euro 86 thousand.

The increase in investment in associates of Euro 9 thousand was mainly attributable to the recapitalisation of Bekaert Maccaferri Underground Solutions S.r.l., a company established with the Belgian group Bekaert for operations on “underground” products.

The increase in investments in Other Companies of Euro 25 thousand was attributable for Euro 3 thousand to the acquisition of Emilbanca shares and for Euro 12 thousand to the acquisition of 20% of AEV S.r.l., while the remainder of the change was due to the translation into Euro of the investments held through the consolidated companies which have an accounting currency other than Euro.

Below it is reported the breakdown of investments in subsidiaries, associates, joint ventures and other companies as of December 31, 2016:

As of December 31, 2016					
Investment Name	Country	Share capital (/000)		Ownership %	Carrying amount €
		Currency	Amount in local currency		
Investments in subsidiaries					
Maccaferri Manifattura Italia S.r.l.	Italy	EUR	20	100.00	20
Maccaferri Tunisie	Tunisie	TND	1,148	100.00	1
Uzbekistan-Russian Joint Venture Maccaferri-Fergana LLC	Uzbekistan	USD	300	51.00	-
Maccaferri Kazakhstan LLC	Kazakhstan	KZT	6,200	100.00	-
Maccaferri Ukraine LLC	Ukraine	UAH	1	100.00	-
Maccaferri Georgia LLC	Georgia	GEL	30	100.00	-
Maccaferri Honduras	Honduras	HNL	50	90.00	1
Maccaferri Nicaragua	Nicaragua	NIO	25	90.00	2
Maccaferri de Chile S.p.A.	Chile	CLP	72,598	100.00	156
Maccaferri du Maroc	Morocco	MAD	10	100.00	3
Total Investments in subsidiaries					182
Investments in associated					
Bekaert Maccaferri Underground Solutions S.r.l.	Italy	EUR	10	50.00	15
Consorzio tutela gabbioni	Italy	EUR	5	50.00	3
Maccaferri Tunnelling S.r.l. (ex High Tech Green)	Italy	EUR	50	49.00	35
Philippines Gabions Inc.	Philippines	PHP	265	40.00	-
Infratex Environmental Services Inc	Philippines	PHP	3,045	40.00	57
Total Investments in associated					110
Other counterparties					149
Total Investment in subsidiaries, associates, joint ventures and other companies					441

9. OTHER NON-CURRENT ASSETS

The table below sets forth the changes in other non-current assets for the year ended 31 December 2016 and 2015:

<i>(Euro/000)</i>	As of December 31,	
	2016	2015
Due from others	3,915	3,154
Deferred tax assets	21,781	20,590
Total Other non-current assets	25,696	23,743

Other non-current assets amounted to Euro 25,696 thousand as of December 31, 2016, showing an increase of Euro 1,953 thousand compared to December 31, 2015 (Euro 23,743 thousand). This increase was mainly due to the increase of the following: (i) "Other non-current assets due from other" for Euro 761 thousand mainly due to higher guarantee deposit, (ii) "Deferred tax assets" for Euro 1,191 thousand, as a consequence of the 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 1,368 thousand) and to the higher temporary difference resulting from the consolidation entries (Euro 272 thousand), partially offset by lower amount recognized in connection with the temporary differences between the carrying amounts in the financial statements items and the corresponding values determined for tax purposes (Euro 449 thousand).

The table below sets forth the detail of the deferred tax assets for the year ended 31 December 2016, and 2015:

<i>(Euro/000)</i>	As of December 31,	
	2016	2015
Deferred tax assets from time differences between statutory and fiscal financial statements	15,351	15,800
Deferred tax assets from the adjustments to the local financial statements to the accounting principles of the Group	3,846	2,478
Deferred tax assets from differences of the consolidation inclusions	2,583	2,311
Total deferred tax assets	21,781	20,590

10. CASH AND CASH EQUIVALENTS

The table below sets forth the breakdown of cash and cash equivalents as of December 31, 2016 and 2015:

<i>(Euro/000)</i>	As of December 31,	
	2016	2015
Bank and postal deposits	46,467	48,827
Cheques	17	57
Cash on hand	135	315
Total Cash and cash equivalents	46,619	49,198

In 2016 Cash and Cash equivalents recorded a decrease of Euro 2,579 thousand, from Euro 49,198 thousand as of December 31, 2015 to Euro 46,619 thousand as of December 31, 2016.

11. OTHER CURRENT FINANCIAL ASSETS

The following table includes the details of the breakdown of other current financial assets as of December 31, 2016 and 2015:

<i>(Euro/000)</i>	As of December 31,	
	2016	2015
Other securities	-	-
Interest-bearing financial account due from SECI	29,000	30,000
Total Other current financial assets	29,000	30,000

Other current financial assets amounted to Euro 29,000 thousand as of December 31, 2016, showing a decrease of Euro 1,000 thousand compared to December 31, 2015: such decrease is due to the decrease in the outstanding amount of the interest-bearing loan due from S.E.C.I. S.p.A for Euro 1,000 thousand. 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..

12. TRADE RECEIVABLES

The following table sets forth the breakdown of the trade receivables as of December 31, 2016, and 2015:

<i>(Euro/000)</i>	As of December 31,	
	2016	2015
Trade receivables	120,028	122,749
Trade receivables from SECI	940	576
Trade receivables from subsidiaries	823	447
Trade receivables from associates	-	-
Trade receivables from company subject to the control of the parent company	347	165
Allowance for doubtful accounts	(12,484)	(17,204)
Total Trade receivables	109,654	106,733

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, 2016, increase by Euro 2,919 thousand. The increase is mainly due to the increase in collection days partially compensated by the decrease in turnover.

The allowance for doubtful accounts as of December 31, 2016, and 2015 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:

<i>(Euro/000)</i>	2016	2015
Balance as of January 1,	17,204	17,785
Accrual	1,896	3,826
Non-recurring accrual	(12)	8
Utilization	(5,484)	(2,579)
Reversal	(2,057)	(645)
Exchange rate adjustment	937	(1,173)
Reclassification	-	(19)
Balance as of December 31,	12,484	17,204

As of December 31, 2016, the allowance for doubtful accounts decreased by Euro 4,720 thousand, mainly as a result of the utilization of the allowance for Euro 5,484 thousand and the release of the allowance for Euro 2,057 thousand. Such decrease was partially offset by the provision accrued for the risks on accounts receivable from the Group clients for Euro 1,896 thousand (mainly attributable to Officine Maccaferri S.r.l. for Euro 534 thousand, to Maccaferri Inc. for Euro 294 thousand, to Maccaferri de Mexico S.A. De C.V. for Euro 243 thousand and to Maccaferri Environmental Solutions PVT Ltd for Euro 227 thousand) and the exchange rate adjustment for Euro 937 thousand, primarily attributable to the revaluation of the Brazilian Real.

13. INVENTORIES

The Group inventories accounted to Euro 85,238 thousand as of December 31, 2016:

	As of December 31,	
<i>(Euro/000)</i>	2016	2015
Raw Materials, secondary materials and consumables	30,949	26,255
Semi-finished goods	4,853	2,898
Work in progress	-	-
Finished products and goods	48,491	46,334
Advances paid to suppliers for purchase of goods	945	1,487
Total Inventories	85,238	76,975

As of December 31, 2016 the inventories increased by Euro 8,263 thousand compared to December 31, 2015 of which Euro 4,448 thousand of exchange rate mainly due to revaluation of Brazilian Real. The increase net of exchange rate effect of Euro 3,815 thousand was mainly due to the slow down in sales.

Inventories are shown net of the obsolescence reserve that amounted to Euro 2,233 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, 2016 and 2015:

<i>(Euro/000)</i>	As of December 31,	
	2016	2015
Receivable from tax authorities	9,802	7,575
Receivables from SECI for liquidation Group IRES	4,911	1,344
Receivables from SECI for liquidation Group VAT	399	294
Total Current tax receivables	15,112	9,213

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.

As of December 31, 2016 receivables from tax authorities increased by Euro 2,227 thousand compared to December 31, 2015 mainly due to some tax receivables of Maccaferri Indonesia and Maccaferri Bolivia.

Officine Maccaferri S.p.A., Officine Maccaferri S.r.l. and Maccaferri Innovation Center 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.

15. OTHER CURRENT NON-FINANCIAL ASSETS

The following table shows the breakdown of other current non-financial assets as of December 31, 2016 and 2015:

<i>(Euro/000)</i>	As of December 31,	
	2016	2015
Other current receivables	11,887	14,293
Accrued income	3,376	3,439
Prepaid expenses	1,171	876
Other receivables due from SECI	-	-
Total Other current non-financial assets	16,434	18,608

Other current non-financial assets decreased by Euro 2,174 thousand from Euro 18,608 thousand as of December 31, 2015 to Euro 16,434 thousand primarily due to Euro thousand the decrease in other current receivables for less use of Factoring with recourse.

16. SHARE CAPITAL AND RESERVES

Share capital

<i>(Euro/000)</i>	As of December 31,	
	2016	2015
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, 2016 totaled 417,500.

Reserves and retained earnings

The table below shows the movement in the shareholders' equity reserves as of December 31, 2016 and 2015:

<i>(Euro/000)</i>	Legal Reserve	Revaluation reserve	Other reserves	Reserves for hedging of expected cash flows	Retained earnings	Currency translation reserve	Total Reserves
As of January 1, 2016	2,975	10,641	4,155	-	43,476	(39,569)	21,678
Allocation of prior year results	128	-	2,247	-	1,751	-	4,126
Dividends paid	-	-	(750)	-	-	-	(750)
Movements deriving from consolidation process	-	-	-	(22)	(268)	12,807	12,518
Balance as of December 31, 2016	3,104	10,641	5,652	(22)	44,958	(26,762)	37,572

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 increased by Euro 1,497 thousand from Euro 4,155 thousand as of December 31, 2015 to Euro 5,652 thousand following to the allocation of the 2015 result partially reduced by the 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 2016.

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 increase in the reserve for currency translation for Euro 12.8 million and was mainly attributable to the revaluation of the Brazilian Real, the Russian Rouble, the South-African Rand, the Hong Kong Dollar, the US Dollar and the Peruvian Sol, which were only partially offset by a depreciation of the Chinese Yuan.

17. BANK LOANS AND OTHER FINANCIAL LIABILITIES

<i>(Euro/000)</i>	As of December 31, 2016				As of December 31, 2015			
	Total	<i>within 1 year</i>	<i>1 to 5 years</i>	<i>over 5 years</i>	Total	<i>within 1 year</i>	<i>1 to 5 years</i>	<i>over 5 years</i>
Overdrafts and other short-term debt	16,455	16,210	244	-	2,908	2,575	333	-
Long-term debts due to financial institutions	9,661	3,189	6,353	119	12,719	3,054	9,316	349
Other financial liabilities	5,433	3,994	1,439	-	14,572	13,471	923	178
Total Banks loans and other financial liabilities	31,549	23,394	8,036	119	30,199	19,100	10,573	527

As of December 31, 2016 bank loans and other financial liabilities increased by Euro 1,350 thousand, from Euro 30,199 thousand as of December 31, 2015 to Euro 31,549 thousand as of December 31, 2016. Such increase is mainly related to the increase in the "Overdrafts and other short-term debt" for Euro 13,547 thousand for Officine Maccaferri S.p.A. and Maccaferri

Environmental Solutions PVT Ltd partially compensated by the decrease of “Other financial liabilities” for Euro 9,133 thousand due to a lower recourse to reverse factoring (Euro 4.5 million) and factoring with recourse (Euro 4.2 million), as well as to higher lease repayments (Euro 1.2 million), which were partially offset by an increase in other loans (Euro 0.8 million).

The table below shows the detail of the Long-term debts due to financial institutions as of December 31, 2016

Bank	Entity	Currency	Original amount in thousand of Euro	As of December 31, 2016	Terms	Maturity date
Banca Popolare di Milano	Officine Maccaferri	Euro	1,086	1,086	6-months Euribor plus spread	2022
Caripama	Officine Maccaferri	Euro	4,100	1,640	6-months Euribor plus spread	2018
Simest	Officine Maccaferri	Euro	253	51	subsidized fixed rate	2017
Cassa di Risparmio di Bologna	Officine Maccaferri	Euro	7,600	4,350	6-months Euribor plus spread	2019
Cassa di Risparmio di Cento	Officine Maccaferri	Euro	1,500	1,093	3-months Euribor plus spread in pre-amortization	2020
Banco Popolare di Vicenza	Officine Maccaferri	Euro	2,000	1,238	3-months Euribor plus 0,1 plus spread in pre-amortization	2020
Banco do Brasil	Officine Maccaferri	Euro	1,020	204	0,88% fixed rate	2017

18. NON-CURRENT BONDS

The table below shows the detail of the non-current bonds as of December 31, 2016 and 2015:

<i>(Euro/000)</i>	As of December 31,	
	2016	2015
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 is 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, 2016 and 2015:

<i>(Euro/000)</i>	As of December 31,	
	2016	2015
Balance as of January 1,	1,624	2,097
Change in area of consolidation	-	-
Accrual for the period	542	544
Utilization for the period (resignation and advances)	(333)	(545)
Payment of current year portion to pension fund and INPS treasury fund	(368)	(476)
Withholding tax on revaluation	(2)	4
Balance as of December 31,	1,463	1,624

Employees' termination indemnity decreased by Euro 161 thousand as of December 31, 2016, from Euro 1,624 thousand as of December 31, 2015 to Euro 1,463 thousand. Such decrease is 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 701 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 2016 and 2015 are shown below:

<i>(Euro/000)</i>	Pension and similar provision	Tax litigation provision	Other provisions	Total
Balance as of January 1, 2016	3,238	414	5,699	9,350
Accrual for the year	359	-	812	1,172
Non-recurring accrual	94	-	38	132
Reversal	(527)	-	(456)	(983)
Decrease for use	(67)	(24)	(2,789)	(2,880)
Exchange rate adjustment	53	10	211	274
Reclassification	(147)	-	100	(47)
Change in the consolidation area	-	-	-	-
Balance as of December 31, 2016	3,003	400	3,615	7,018

Pension and similar provision

The item, amounted to Euro 3,003 thousand as of December 31, 2016 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 400 thousand as of December 31, 2016 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 VAT, within “income taxes” for withholding tax, otherwise it is recognized in the income statement within the item “accrual to provision for risks and charges”.

Other provision

This item, amounting to Euro 3,615 thousand as of December 31, 2016 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 items includes also the Fund for Financial Instruments Derivate, amounting to Euro 118 thousand, that consist of the measurement of derivatives with a negative fair value in place as at 31 December 2016.

The main disputes and litigations as of December 31, 2016 are detailed below:

Litigation Re: COIM construction consortium

We are party to a proceeding brought by 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 have 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 have appealed this decision to the Italian Court of Cassation and are awaiting this appeal to be heard by such court. In addition, we have been granted to stay our payment obligations pursuant to the appellate decision pending the outcome of the further appeal; for these purposes, we have posted a payment bond with the court that will be enforced in the event our ultimate appeal is

unsuccessful. In connection with this litigation, the specific provision booked within “other provisions” amounts to Euro 871 thousand, net of the utilization of the year.

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, which was unchanged as of December 31, 2016.

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, 2016 and 2015:

<i>(Euro/000)</i>	As of December 31,	
	2016	2015
Deferred tax liabilities from time differences between statutory and fiscal financial statements	2,345	3,342
Deferred tax liabilities from adjustments to the local financial statements to the accounting principles of the Group	3,038	2,303
Deferred tax liabilities from time differences of the consolidation inclusions	1,524	1,203
Total	6,908	6,848

The item amounted to Euro 6,908 thousand as of December 31, 2016, increased by Euro 60 thousand compared to December 31, 2015 (Euro 6,848 thousand); the increase is mainly to the higher amount recognized in connection with the adjustments to the local financial statements to the accounting principles of the Group (Euro 735 thousand) and higher deferred tax liabilities recorded on consolidation purposes (Euro 321 thousand) almost compensated by the lower temporary differences between the carrying amounts in the financial statements items and the corresponding values determined for tax purposes (Euro 996 thousand).

22. TRADE PAYABLES AND ADVANCE FROM CUSTOMERS

The table below sets forth the breakdown of trade receivables as of December 31, 2016 and 2015:

<i>(Euro/000)</i>	As of December 31,	
	2016	2015
Trade payables due to third parties	70,109	70,482
Trade payables due to SECI	1,012	772
Trade payables due to company subject to the control of the parent company	386	155
Total trade payables	71,507	71,409
Advance from customers	3,134	3,772
Total Trade payables and advance from customers	74,641	75,181

As of December 31, 2016 trade payables increased by Euro 98 thousand to Euro 71,507 thousand compared to December 31, 2015 (Euro 71,409 thousand). Such increase is due to higher trade payables to SECI and to companies subject to its control for a total amount of Euro 471 thousand almost offset by lower trade payables due to third parties for Euro 373 thousand. It should be noted that despite the decrease in Group sales the amount of trade payable is almost in line with previous year thanks to a longer payment terms. The lower amount of advance from customers for Euro 638 thousand is primarily due to lower advances received from the Chinese subsidiary Maccaferri Changsha (Euro 1,245 thousand) partially offset by higher advanced received by Maccaferri de Argentina (Euro 583 thousand).

23. CURRENT TAX PAYABLES

The table below shows the movements of current tax payables as of December 31, 2016 and 2015:

<i>(Euro/000)</i>	As of December 31,	
	2016	2015
Current tax payables	6,405	8,384

As of December 31, 2016 current tax payables decreased by Euro 1,979 thousand to Euro 6,405 thousand compared to December 31, 2015 (Euro 8,384 thousand). The decrease is mainly due to lower accrual for income taxes (for Euro 1,323 thousand) as a consequence of the lower income before taxes for the year and of VAT payables (for Euro 1,034 thousand).

24. OTHER CURRENT NON-FINANCIAL LIABILITIES

The table below sets forth the breakdown of other current non-financial liabilities as of December 31, 2016 and 2015:

<i>(Euro/000)</i>	As of December 31,	
	2016	2015
Social security payables	1,291	1,261
Accrued expenses	6,116	6,132
Deferred income	573	370
Due to personnel	4,891	4,571
Payables to factoring	30,407	25,419
Other payables	11,508	11,416
Total Other current non-financial liabilities	54,787	49,170

As of December 31, 2016 other current non-financial liabilities increased by Euro 5,617 thousand to Euro 54,787 thousand compared to December 31, 2015 (Euro 49,170 thousand). The increase is mainly due to the higher “Payable to factoring” (Euro 4,988 thousand) due to higher amount of payables sold by our supplier to factoring companies.

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, 2016 and 2015:

(Euro/000)	For the year ended December 31,	
	2016	2015
Revenues from sales of goods	415,881	462,265
Revenues from services	35,472	31,572
Total revenues from sales and services	451,353	493,837

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

(Euro/000)	For the year ended December 31,			
	2016	2015	Amount	%
EMEA (Ex Italy)	154,948	168,824	(13,876)	(8.2%)
Latin America	129,621	144,148	(14,528)	(10.1%)
Asia Pacific	81,767	86,223	(4,457)	(5.2%)
Italy	47,337	52,794	(5,457)	(10.3%)
NAFTA	37,680	41,847	(4,166)	(10.0%)
Total	451,353	493,837	(42,484)	(8.6%)

For the year ended December 31, 2016 the revenues decreased by Euro 42,484 thousand; revenues decreased in all markets in particular by Euro 14,528 thousand in Latin America markets, by Euro 13,876 thousand in EMEA markets, by Euro 5,457 thousand in the Italian market, by Euro 4,457 thousand in Asia Pacific markets and Euro 4,166 thousand in NAFTA markets.

It should be noted that the revenues decrease is partially due to the unfavorable exchange rate affecting mainly Latin American currencies and EMEA for GBP and Turkish Lira.

26. OTHER REVENUE

The table below sets forth the breakdown and movements of the other revenue for the years ended December 31, 2016 and 2015:

(Euro/000)	For the year ended December 31,	
	2016	2015
Repayment of transport costs	3,162	3,606
Income from services rendered	1,906	1,850
Gain in disposal of assests	739	1,083
Release of provision for risks and charges and allowance for doubtful accounts	3,252	1,093
Other revenue	3,443	3,139
Change in inventory of semi-finisshed and finished products	949	(1,583)
Change in inventory of work in progress	-	-
Increase in fixed assets from in-house works	689	-
Total Other revenue	14,140	9,188

For the year ended December 31, 2016, other revenue increased by Euro 4,952 thousand from Euro 9,188 thousand for the year ended December 31, 2015 to Euro 14,140 thousand. Such increase was mainly due to the combined effect of the following: (i) the higher increase in inventory variances of semi-finished and finished products for Euro 2,533 thousand, due to the slow down of the Group sales, (ii) the higher release of provision for risk and charges and allowance for doubtful accounts for Euro 2,158 thousand, (iii) the higher increase in fixed asset produced internally for Euro 689 thousand, (iv) the lower repayment of transport costs for Euro 443 thousand

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 2016 and 2015:

<i>(Euro/000)</i>	For the year ended December 31,	
	2016	2015
Raw materials and marketing	246,812	266,279
Secondary materials and consumables	5,609	7,062
Change in inventories of raw materials, consumables and goods	(3,724)	(507)
Costs of materials and consumables	248,696	272,834

For the year ended December 31, 2016, cost of materials and consumables decreased by Euro 24,138 thousand to Euro 248,696 thousand from Euro 272,834 thousand for the year ended December 31, 2015. Such decrease is mainly due to decrease in the total revenue of the year.

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 2016 and 2015:

	For the year ended December 31,	
<i>(Euro/000)</i>	2016	2015
Transport expenses	14,722	19,361
Technical, legal, fiscal and consulting expenses	8,878	8,032
Remuneration of directors, Board of auditors	804	977
Advertising expenses	2,849	3,167
Commissions	6,887	6,652
Utilities expenses	6,949	6,879
Travel expenses	7,126	7,169
Banking service expenses	627	737
Insurance expenses	1,242	1,262
External manufacturing	1,438	6,475
External maintenance	1,509	914
IT consulting	2,182	1,098
Information on client and debt collection	1,568	1,840
Telephone and other communication expenses	1,580	1,606
Audit Costs	865	866
Other services	35,605	29,253
Total cost of services	94,830	96,287
Plant and equipment rents	2,404	2,280
Selling and marketing rents	1,903	1,983
Technical rents	482	298
General and administrative rents	1,266	1,060
Total cost for use of third parties assets	6,055	5,620
Costs of services and use of third party assets	100,885	101,907

For the year ended December 31, 2016 cost of services and use of third parties assets decrease by Euro 1,022 thousand from Euro 101,907 thousand for the year ended December 31, 2015 to Euro 100,885 thousand. The decrease was primarily due to: (i) the decrease in transport expenses for Euro 4,639 thousand, as a consequence of the decrease in Group Sales, (ii) the higher consulting expenses for Euro 1,929 thousand, (iii) the increase of other services and external manufacturing summed together for Euro 1,315 thousand mainly due to the increase in construction turnover in Turkey, India, Perù (the decrease of the external manufacturing for Euro 5,037 thousand is in fact mainly due to reclassification of the construction costs in the other services).

29. COST OF PERSONNEL

The table below sets forth the breakdown of cost of personnel for the years ended December 31, 2016 and 2015:

<i>(Euro/000)</i>	For the year ended December 31,	
	2016	2015
Wages, salaries and social security contributions	67,663	68,679
Employees severance indemnity	542	544
Pension and similar costs	932	1,186
Other personnel costs	6,124	6,014
Cost of personnel	75,262	76,423

For the year ended December 31, 2016 the cost of personnel decrease by Euro 1,161 thousand from Euro 76,423 thousand for the year ended December 31, 2015 to Euro 75,262 thousand. Such decrease was primarily due the savings coming from the reorganization of the production facilities.

The table below sets forth the breakdown of number of personnel for category for the years 2016 and 2015:

	31/12/2016	Average for the year 2016	31/12/2015	Average for the year 2015
Executives	87	91	95	88
White collar	1,455	1,434	1,413	1,385
Blue collar	1,263	1,301	1,338	1,361
Temporary staff	250	234	218	109
Total	3,054	3,059	3,064	2,942

30. OTHER OPERATING COSTS

The table below sets forth the breakdown of the operating costs for the years ended December 31, 2016 and 2015:

<i>(Euro/000)</i>	For the year ended December 31,	
	2016	2015
Losses on trade receivables	192	481
Losses on disposal of assets	91	174
Fiscal contingencies		-
Other expenses from recurring operations	504	727
Total	788	1,382

For the year ended December 31, 2016 other operating costs decreased by Euro 594 thousand compared to the year ended December 31, 2015. This decrease was mainly attributable to the lower losses on trade receivable for Euro 289 thousands and other expenses from recurring operations for Euro 223 thousands.

31. AMORTISATION, DEPRECIATION AND WRITE-DOWNS

The table below sets forth the breakdown of the items for the years ended December 31, 2016 and 2015:

<i>(Euro/000)</i>	For the year ended December 31,	
	2016	2015
Amortization of intangible assets	4,410	4,443
Depreciation of property, plant and equipment	10,987	11,348
Other write-back of property, plant, equipment and intangible assets	73	338
Accrual to allowance for doubtful accounts	2,043	4,021
Total Amortization, depreciation and write downs	17,514	20,149

For the year ended December 31, 2016 amortization, depreciation and write-downs decreased by Euro 2,635 thousand compared to the year ended December 31, 2015; the decrease was primarily related to the lower accrual to allowance for doubtful accounts for Euro 1,978 thousand.

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, 2016 and 2015:

<i>(Euro/000)</i>	For the year ended December 31,	
	2016	2015
Financial income from investments	10	-
Other financial income	3,327	3,650
Financial income	3,337	3,650
Interests and other financial expenses	(16,592)	(17,856)
Write-down of investments	(270)	(568)
Losses on disposal of participations		(177)
Financial expenses	(16,862)	(18,600)
Gain/(losses) on exchange rates	(1,858)	169
Net income/losses from financial activities	(15,383)	(14,782)

For the year ended December 31, 2016 the financial income decreased by Euro 313 thousand compared to the year ended December 31, 2015. The reduction is mainly due to the lower bank interest and lower other interest income.

The financial expenses decreased of Euro 1,738 thousand primarily due to the reduction of the interest and other financial expenses for Euro 1,264 thousand. The reduction is mainly due to lower interest on Bond for Euro 520 thousand, thanks to the buy back of Euro 10 million of Senior Notes occurred in December 2015, lower bank charges of Euro 363 thousand, lower interests on banks including loan for Euro 214 thousand and lower interest charges on other debts for Euro 114 thousand.

The reduction of the financial expenses is also due to lower losses on disposal of participation for Euro 177 thousand and to the lower write-down of investments for Euro 298 thousand. The latest reduction is due to the lower write-downs made by Maccaferri Gabions CIS (Russia) of its non-consolidated subsidiaries for Euro 422 thousand partially offset the devaluation of hedging financial instruments for Euro 124 thousand.

Net foreign exchange losses of the year amounted to Euro 1,858 thousand and arose from an average depreciation of some currencies against the Euro, in particular the British Pound and the Nigerian Naira.

33. NET NON-RECURRING EXPENSES AND CHARGES

The table below sets forth the breakdown of the item for the years ended December 31, 2016 and 2015:

<i>(Euro/000)</i>	For the year ended December 31,	
	2016	2015
Recognition of deferred tax assets previously not recognized	-	-
Reversal of probable accrual to tax litigation fund	-	1.303
Decrease in previous year tax payables	9	804
Gain on sales of business and on discontinued business	-	-
Gain from sales	-	521
Non recurring reversal of provision for risk and charges	-	617
Other	65	243
Total non recurring income	74	3.487
Restructuring costs	(1.866)	(3.010)
Non-recurring accrual to provision for risks and charges	(19)	-
Non-recurring accrual to allowances for doubtful account	-	-
Losses on sales	(127)	-
Previous year tax	(532)	(107)
Probable accrual to tax litigation fund	-	(950)
Expenses substained for production plant moving	-	(967)
Other	(578)	(2.227)
Total non recurring expenses	(3.123)	(7.261)
Net non-recurring expenses and charges	(3.048)	(3.774)

For the year ended December 31, 2016 the non-recurring income decreased by Euro 3,413 thousand compared to the year ended December 31, 2015. Such reduction is mainly due to fact that in 2015 the Group registered the following: (i) reversal of provision for tax litigation and of accrual of previous year taxes for a total amount of Euro 2,107 thousand, (ii) gain on sale of investments for Euro 521 thousand, (iii) reversal of non recurring provisions for risks for Euro 617 thousand.

For the year ended December 31, 2016 the non-recurring expenses and charges decreased by Euro 4,138 thousand compared to the year ended December 31, 2015. Such decrease is mainly related to the followings: (i) lower restructuring costs for Euro 1,144 thousand which in 2016 mainly refer to Officine Maccaferri S.r.l., (ii) lower probable accrual to tax litigation fund for Euro 950 thousand, (iii) lower expenses sustained for production plant moving for Euro 967 thousand, (iv) lower other expenses for Euro 1,649 thousand, v) higher taxes from previous years for Euro 425 thousand which in 2016 refer to Tekno Maccaferri Cerve Teknolojileri (Turkey).

34. INCOME TAXES

The table below sets forth the breakdown of the item for the years ended December 31, 2016 and 2015:

<i>(Euro/000)</i>	For the year ended December 31,	
	2016	2015
Current income taxes	2,945	7,645
Change in deferred tax assets	(1,026)	(2,816)
Change in deferred tax liabilities	(243)	14
Total Income taxes	1,675	4,843

For the year ended December 31, 2016 the effective tax rate of the Group was about 53%. The increase compared to the previous year is primarily due 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.

Deferred tax assets and liabilities recognized through profit or loss included for the Italian companies the effect of the reduction in the IRES tax rate from 27.5% to 24%, which is expected starting from 2017 on the basis of the 2016 stability act approved at the end of the year 2015.

35. COMMITMENTS, GUARANTEES AND POTENTIAL 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>	For the year ended December 31,	
	2016	2015
Guarantees and performance bonds issued for the benefit of third parties	13,693	13,661
Guarantees issued to third parties as deposits	-	
Commitments for currency forward contracts	3,946	7,030
Total Memorandum accounts	17,640	20,690

Guarantees and performance bonds issued for the benefit of third parties

They mainly consists 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 2016:

<i>Euro/000</i>	Notional amount in currency			Mark to market as of December 31,2016	
	Currency	Purchased	Sold	Notional in Euro	Assets
<i>EUR</i>	1,244	0	1,244	0	(69)
<i>USD</i>	3,045	444	3,310	8	(34)
<i>AUD</i>	0	700	480	9	0
<i>CHF</i>	22	0	20	0	0
Total	4,310	1,144	5,034	17	(102)

Officine Maccaferri Group policy is to cover the exchange rate risk every time there is a cash inflows (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), A. Bianchini Ingegniero S.A. (Spain), Maccaferri de Mexico S.A. de C.V. 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 2016 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:

<i>Euro/000</i>						
Counterpart	Type of contract	Stipulation date	Expiration date	Rate	Notional	Mark To Market in Euro as of December 31, 2016
<i>Cassa di Risparmio di Cento</i>	Interest Rate Swap	March 27, 2013	June 27, 2020	1.07% per annum	1.5	(28)
Total						(28)

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, 2016 and 2015 were as it follows:

<i>(Euro/000)</i>	For the year ended December 31,	
	2016	2015
Parent company's directors remuneration	560	548
Parent company's statutory auditors remuneration	44	50
Subsidiaries directors and statutory auditors remuneration	200	379
Total	804	977

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,	
	2016	2015
Holding company's auditors	121	108
Subsidiaries' auditors	381	381
Total	488	446

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 2016:

Related party	Year	Revenues		Costs		Financial		Financial		Trade Receivables and		Trade Payables and		Financial	
		Revenues	Costs	Financial Income	Financial Expenses	Trade Receivables and Other	Trade Payables and Other	assets	liabilities						
Parent company															
S.E.C.I. Società Esercizi Commerciali Industriali spa		70,936	1,679,297	2,345,531				6,249,780	1,012,081	29,000,000					
Associates															
ARENARIA S.r.l.	2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ARENARIA S.r.l.	2015	2,677	-	-	-	-	-	2,677	-	-	-	-	-	-	-
SAPABA SPA	2016	-	-	-	-	-	-	27,500	-	-	-	-	-	-	-
SAPABA SPA	2015	3,633	1,834	-	-	-	-	-	4,433	-	-	-	-	-	-
CA' DOMENICALI	2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CA' DOMENICALI	2015	5,070	-	-	-	-	-	-	-	-	-	-	-	-	-
SADAM MECCANICA S.p.A.	2016	-	451,332	-	-	-	-	-	340,936	-	-	-	-	-	-
SADAM MECCANICA S.p.A.	2015	-	96,750	-	-	-	-	-	97,099	-	-	-	-	-	-
ENERRAY MEXICO	2016	213,851	7,759	-	-	-	-	43,873	-	-	-	-	-	-	-
ENERRAY MEXICO	2015	230,470	7,692	-	-	-	-	22,642	-	-	-	-	-	-	-
ENERRAY S.p.A.	2016	-	19,089	-	-	-	-	-	2,400	-	-	-	-	-	-
ENERRAY S.p.A.	2015	-	33,735	-	-	-	-	1,645	1,645	-	-	-	-	-	-
SECI ENERGIA S.p.A.	2016	474,101	6,623	-	-	-	-	121,567	10,188	-	-	-	-	-	-
SECI ENERGIA S.p.A.	2015	148,792	14,944	-	-	-	-	137,716	70,275	-	-	-	-	-	-
SECI REAL ESTATE S.p.A.	2016	-	12,000	-	-	-	-	-	24,640	-	-	-	-	-	-
SECI REAL ESTATE S.p.A.	2015	-	-	-	-	-	-	-	33,703	-	-	-	-	-	-
S.A.M.P. SPA	2016	53,538	-	-	-	-	-	65,316	3,986	-	-	-	-	-	-
S.A.M.P. SPA	2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EXERGY S.p.A.	2016	113,059	-	-	-	-	-	86,937	-	-	-	-	-	-	-
EXERGY S.p.A.	2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SSOLAR S.R.L.	2016	-	4,604	-	-	-	-	-	3,778	-	-	-	-	-	-
SSOLAR S.R.L.	2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SAMPSISTEMI S.R.L.	2016	-	-	-	-	-	-	-	1,220	-	-	-	-	-	-
SAMPSISTEMI S.R.L.	2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OEF SCARL	2016	-	-	-	-	-	-	1,930	-	-	-	-	-	-	-
OEF SCARL	2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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 has general commercial nature except for SECI Energia Spa where the revenues referred to the rental paid to Officine Maccaferri S.p.A. for the building in Zola Predosa.

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

39. SUBSEQUENT EVENTS

On 22 December 2016 a sales deed was entered into for the disposal from Officine Maccaferri S.p.A. to subsidiary Maccaferri Manifattura Italia S.r.l., which was previously a non-operating company, of the manufacturing and technical business, involving operations carried out at the plant located in Bellizzi. The effects of this disposal will apply from 1 January 2017. No other significant subsequent events occurred which involved consolidated companies.