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Oggetto	:	Tesmec - The Board of Directors approved First Quarter 2016 results

Testo del comunicato

Vedi allegato.

TESMEC S.P.A.: THE BOARD OF DIRECTORS APPROVES THE INTERIM REPORT ON OPERATIONS AS AT 31 MARCH 2016, WHICH RECORDED AN INCREASE IN REVENUES AND MARGINS THANKS TO THE GOOD PERFORMANCE OF THE BUSINESS. ON THE NET PROFIT NEGATIVELY IMPACTS THE USD/EURO EXCHANGE RATE

Main consolidated results for the first quarter of 2016 (*vs.* the first quarter of 2015):

- **Revenues: Euro 40.5 million** (**+17.5%** compared to Euro 34.4 million as at 31 March 2015);
- **EBITDA[1]: Euro 5.4 million** (**+21.8%** compared to Euro 4.4 million as at 31 March 2015);
- **EBIT: Euro 2.5 million (+4.2%** compared to Euro 2.4 million as at 31 March 2015);
- **End-of-period exchange rate adjustment: negative for Euro 1.4 million** (compared to Euro 2.8 million positive as at 31 March 2015);
- **Net Profit: negative Euro 0.1 million** (compared to Euro 2.8 million as at 31 March 2015) mainly due to differences in exchange rates;
- **Net Financial Indebtedness:** amounted to Euro 107.1 million, compared to Euro 89.9 million as at 31 December 2015. If the effects of IAS 17 for the rental agreement of the Grassobbio premises are not considered, Net Financial Indebtedness as at 31 March 2016 would have been Euro 89.6 million and Euro 72.1 million as at 31 December 2015.
- **Total Order Backlog as at 31 March 2016:** Euro 68.5 million, compared to Euro 71.1 million as at 31 March 2015.

Grassobbio (Bergamo - Italy), 06 May 2016 – The Board of Directors of **Tesmec S.p.A.** (MTA, STAR: TES), at the head of a group leader in the market of infrastructures related to the transport and distribution of energy, data and materials, convened at today's meeting chaired by Ambrogio Caccia Dominioni, examined and approved the **Interim Consolidated Report on Operations as at 31 March 2016,** that recorded an increase in turnover (+17,5%) and margins (EBITDA +21,8%; EBIT +4,2%), while the variation of the net profit is mainly due to the different trend of USD/Euro exchange rate that lead to Euro 1.4 million of negative foreign exchange effects in the first quarter 2016 compared to Euro 2.8 million of positive foreign exchange effects in the first quarter 2015.

The **Chairman and CEO Ambrogio Caccia Dominioni** commented as follows *"The results achieved in the first quarter 2016, in terms of growth and profitability, confirmed a good start of the year. The strategic decision to offer integrated technological platforms for the transport of energy and fiber optic infrastructure is appropriate in a market open to investments in the field of smart grids and telecommunications networks. The net result was affected by the volatility of exchange rates. The order backlog is well distributed both in the business segments and at geographic level and, therefore, we expect further improvements during the second half of the year. The recent acquisitions had an impact on the debt and the structure is, therefore, committed to activities aimed at optimizing the new entities part of the Group."*

[1] The EBITDA is represented by the operating income before amortisation/depreciation. The EBITDA thus defined represents a measurement used by Company management to monitor and assess the company's operating performance. EBITDA is not recognised as a measure of performance by the IFRS and therefore is not to be considered an alternative measurement for assessing the performance of the Group's operating income. As the composition of EBITDA is not governed by the reference accounting standards, the criterion for determination applied by the Group may not be in line with the criterion adopted by others and therefore not comparable.

MAIN CONSOLIDATED RESULTS AS AT 31 MARCH 2016

As at **31 March 2016** Tesmec Group recorded consolidated **Revenues** of **Euro 40.5 million**, **with an increase of 17.5%** compared to Euro 34.4 million recorded in first quarter of 2015. In line with expectations, the three business segments contributed in different way to these results, with particularly relevant growth of revenues of Trenchers segment.

Results as at 31 March	Revenues from sales and services		
(Euro in thousands)	**2016**	**2015**	**Variation**
Stringing equipment	**10,408**	**19,505**	***(46.6%)***
Effect on Consolidated Revenues	*25.7%*	*56.6%*	
Trencher	**29,231**	**14,342**	***103.8%***
Effect on Consolidated Revenues	*72.3%*	*41.6%*	
Railway	**819**	**595**	***37.6%***
Effect on Consolidated Revenues	*2.0%*	*1.7%*	
Consolidated	**40,458**	**34,442**	***17.5%***

In detail, the revenues of the **Trencher segment** as at 31 March 2016 were **Euro 29.2 million**, **with an increase of 103.8%** compared to Euro 14.3 million recorded in first quarter of 2015, mainly thanks to the impact of the Marais Group and the sales in the African continent. The revenues of the **Railway segment** as at 31 March 2016 were **Euro 0.8 million**, **with an increase of 37.6%** compared to Euro 0.6 million recorded at 31 March 2015. Please note that for this business segment, the results are still very low and therefore they can generate significant fluctuations when analyzed quarter on quarter. It is confirmed, however, that important commercial activities are carried out in the quarter for new possible orders whose potential revenue could lead to a definitive development for the Group. Finally, the **Stringing segment** recorded **revenues** of **Euro 10.4 million** compared to Euro 19.5 million recorded at 31 March 2015, that however benefited from a major contract which affected revenues of the first six months of 2015. We also point out that that the Energy Automation segment, with the consolidation of recent developments in technologies for power grids, is increasingly contributing to the Group's results.

In geographic terms, in the first quarter of 2016, the Tesmec Group continued to grow in foreign markets, with particular impact of the African markets.

As at 31 March 2016, the consolidated **EBITDA** amounted to **Euro 5.4 million, with an increase of 21.8%** compared to Euro 4.4 million recorded at 31 March 2015. The EBITDA grew more than proportionally with respect to revenues and it was positively influenced by Stringing segment, which benefited from a better customer mix, with fewer sales but with higher margins, and by Trencher segment, thanks to a better absorption of fixed costs resulting from the increase in sales volumes.

The **EBIT** of Tesmec Group as at 31 March 2016 was **Euro 2.5 million, up 4.2%** compared to Euro 2.4 million recorded at 31 March 2015.

In first quarter of 2016, the **net financial income and expenses** of the Tesmec Group were negative of Euro 2.5 million (affected by Euro 1.4 million of negative foreign exchange effects) compared to Euro 1.8 million recorded at 31 March 2015 (affected by Euro 2.8 million of positive foreign exchange effects).

Consolidated **Net Profit** of the Tesmec Group as at 31 March 2016 was negative of **Euro 0.1 million** compared to Euro 2.8 million recorded at 31 March 2015 mainly due to the different trend of USD/Euro exchange rate that lead to Euro 1.4 million of negative foreign exchange effects in the first quarter 2016 compared to Euro 2.8 million of positive foreign exchange effects in the first quarter 2015.

The **net working capital** of the Tesmec Group as at 31 March 2016 was **Euro 80.5 million**, compared to Euro 63.5 million as at 31 December 2015. This was mainly due to the increase of "Trade receivables" as a result of sales in the first quarter of the year and the decrease in the trade payable.

The **Net Financial Indebtedness** of the Tesmec Group as at 31 March 2016 was **Euro 107.1 million** compared to Euro 89.9 million as at 31 December 2015. If the effects of IAS 17 for the rental agreement of the Grassobbio premises are not considered, it would have been Euro 89.6 million as at 31 March 2016 compared to Euro 72.1 million as at 31 December 2015. The variation is mainly due to the traditional seasonality of the business in this period of the year, to changes in the scope of consolidation with the acquisition of 100% of the subsidiary Bertel and to typical business of the subsidiary Marais active in the jobsite management.

As at 31 March 2016, **Total Order Backlog** of the Tesmec Group amounted to **Euro 68.5 million**, Euro 21.5 million of which refers to the Stringing equipment segment, Euro 38.8 million to the Trencher segment and Euro 8.2 million to the Rail segment, compared to Euro 71.1 million as at 31 March 2015, that however benefited from a major contract in the Stringing segment.

BUSINESS OUTLOOK

The Group confirms the outlook of growth in the telecom and in the transport of energy sectors: the need of convergence between the power grids and fiber optic infrastructure offers, in fact, important development opportunities. The Group is, therefore, focusing more and more in the supply of services and high value-added solutions for customers and, thanks to synergies with its subsidiary Marais, Tesmec is now able to offer integrated systems for the complete management of the jobsite with advantages recognized by major international groups in terms of cost, working efficiency and environmental impact. Moreover, in the field of technologies for smart grids, the Group is developing an integration strategy to face the new challenges related to renewable energy sources and to the distributed generation. In the coming quarters we expect normalization of the results in the railway segment and interesting developments may come from the participation in important national and international tenders. Despite a complex economic situation of the world's major economies, the growth of business volume is expected to increase the Group's profitability, a better absorption of fixed costs and a cash generation.

Significant events after 31 March 2016

On **20 April 2016**, Tesmec S.p.A. signed the agreement for the acquisition of 100% of the company **CPT Engineering S.r.l.**, specialized in the design and development of solutions for monitoring, protection and industrial automation, that offers advanced systems for the power grids technologies. More specifically, the Transaction involves the acquisition of the entire share capital of CPT at a maximum price of Euro 1.1 million, split in a fixed amount of Euro 300 thousand and a variable amount of maximum Euro 800 thousand, consisting in an earn-out related to the achievement of certain target revenues by CPT and to its economic balance ("**Earn Out**").

On **28 April 2016**, the controlled company SGE S.r.l. finalized the acquisition from R&S Laboratorio S.r.l. of the going concern, already for rent since 2014, active in technological research, design, manufacturing and sales of sensors and devices for faults locator and for measurement of the main electrical parameters in substations and in distribution medium voltage power lines. The transaction value is Euro 1,383,734 million and will be paid Euro 902,145 simultaneously with the contract and the remaining part (Euro 481,589) in successive deadlines. The going concern recorded Revenues of approximately Euro 3.64 million in 2015 financial period. The completion of the operation is expected within the end of May 2016.

Massimo Gentili, who has significant experience in leading companies in the sector, has been appointed responsible for the management and coordination of all activities related to the Energy Automation.

Treasury Shares

At the time of this press release, the Company holds 4,450,497 treasury shares, equal to the 4.16% of Share capital.

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At 8:30 AM(CET) – 7:30 AM BST, Monday 9th May 2016 Ambrogio Caccia Dominioni, Chairman and CEO of Tesmec S.p.A., and the Top Management of the Company will present the consolidated results of the first quarter 2016 to the financial community during a conference call.

To participate, you are kindly requested to call this number:

from Italy: **+39 02 805 88 11**
from UK: **+44 121 281 8003**
from Germany: **+49 69 255 11 4451**
from France: **+33 170918703**
from Switzerland: **+41 225954727**

The presentation to analysts and investors is available in the Investors section of the website: http://investor.tesmec.com/Investors/Presentations.aspx

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The manager responsible for the preparation of the corporate accounting documents, Andrea Bramani, declares, pursuant to article 154-bis, paragraph 2, of Legislative Decree No. 58/1998 ("Consolidated Law on Finance") that the information contained in this press release corresponds to the document results, books and accounting records.
Note that in this press release, in addition to financial indicators required by IFRS, there are also some alternative performance indicators (e.g. EBITDA) in order to allow a better understanding of the economic and financial management. These indicators are calculated according to the usual market practice.

The Interim Consolidated Report on Operations as at 31 March 2016 will be available to the public at the administrative office, in Grassobbio (Bergamo) Italy, Via Zanica n. 17/O, through the system NIS-Storage, at www.emarketstorage.com, through publication on the company website www.tesmec.com, according to law.

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http://investor.tesmec.com/Investors/Notices.aspx

Tesmec Group
Tesmec Group is leader in designing, manufacturing and selling of systems, technologies and integrated solutions for the construction, maintenance and efficiency of infrastructures related to the transport and distribution of energy, data and material. In details, the Group is active in the following sectors: 1) **transmission and distribution power lines** (stringing equipment for the installation of conductors and the underground cable laying, electronic devices and sensors for the management, monitoring and energy automation); 2) **underground civil infrastructures** (high powered tracked trenchers for linear excavation of oil, gas and water pipelines, telecommunication networks and drainage operations; surface miners for bulk excavation, quarries and site preparation; specialized digging services); 3) **railway lines** (railway equipment for the installation and maintenance of the catenary and for special applications, e.g. snow removal from track; new generation power unit).
The Group, established in 1951 and led by Chairman & CEO Ambrogio Caccia Dominioni, relies on more than 500 employees and has six production plants: four in Italy, in Grassobbio (Bergamo), Endine Gaiano (Bergamo), Sirone (Lecco), Monopoli (Bari), one in the USA, in Alvarado (Texas) and one in France, in Durtal. The Group also has a global commercial presence through foreign subsidiaries and sales offices in USA, South Africa, Russia, Qatar, Bulgaria, China and France.
The know-how achieved in the development of specific technologies and solutions, and the presence of engineering teams and highly skilled technicians, allow Tesmec to directly manage the entire production chain: from the design, production and sale of machinery, to all pre-sales and post-sales. All product lines are developed in accordance with the ISEQ (Innovation, Safety, Efficiency and Quality) philosophy, with environmental sustainability and energy conservation in mind.

Below are the reclassified statements of Tesmec Group[2].

[2] Not subject to verification by the auditors

Tesmec Group reclassified consolidated income statements

(€ in thousands)	31 March	
	2016	**2015**
Revenues	**40,458**	**34,442**
Total operating costs	(37,989)	(32,026)
Operating Income	**2,469**	**2,416**
Proventi / (Oneri) finanziari netti	(1,079)	(1,007)
Foreign exchange gains/losses	(1,379)	2,786
Share of profit / (loss) of associates and joint ventures	(93)	(101)
Income before tax	**(82)**	**4,094**
Net income for the period	**(51)**	**2,756**
EBITDA	**5,367**	**4,407**
EBITDA (% on Revenues)	**13.3%**	**12.8%**

Tesmec Group reclassified consolidated statements of financial position

(€ in thousands)	**31 March 2016**	**31 December 2015**
Non-current assets	94,745	93,353
Current assets	157,473	151,535
Total assets	**252,218**	**244,888**
Non-current liabilities	86,904	88,864
Current liabilities	111,198	100,147
Total liabilities	**198,102**	**189,011**
Equity	54,116	55,877
Total equity and liabilities	**252,218**	**244,888**

Tesmec Group reclassified consolidated cash flow statements

(€ in thousands)	31 March	
	2016	**2015**
Net cash provided/(used) by operating activities (A)	(16,590)	(3,082)
Net cash provided/(used) by investing activities (B)	2,797	(3,186)
Net cash provided/(used) by financing activities (C)	11,272	15,178
Increase / (decrease) in cash and cash equivalents (D=A+B+C)	**(2,521)**	**(8,910)**
Cash and cash equivalents at the beginning of the period (F)	**21,204**	**18,665**
Net effect of conversion of foreign currency on cash and cash equivalents (E)	(118)	247
Total cash and cash equivalents at end of the period (G=D+E+F)	**18,565**	**27,822**

Tesmec Group other consolidated financial information

(€ in thousands)	31 March 2016	31 December 2015
Net working capital[3]	80,598	63,505
Non current assets	81,755	83,945
Other Non current assets and liabilities	(1,163)	(1,697)
Net invested capital[4]	**161,190**	**145,753**
Net financial indebtedness[5]	107,074	89,876
Equity	54,116	55,877
Total equity and net financial indebtedness	**161,190**	**145,753**

[3] We have calculated net working capital as trade receivables, inventories and other current assets (excluding cash and cash equivalents) less trade payables and other current payables. Net working capital is not a recognized measure of financial performance or liquidity under IFRS. No undue reliance should be placed on the net working capital data contained in this Press Release.

[4] We have calculated net invested capital as net working capital plus non-current assets less non-current liabilities excluding non-current financial liabilities. Net invested capital is not a recognized measure of financial performance or liquidity under IFRS. No undue reliance should be placed on the net working capital data contained in this Press Release.

[5] We have calculated net financial indebtedness as short-term borrowings, current portion of long-term debt and long-term debt less cash and cash equivalents. Net financial indebtedness is not a recognized measure of financial performance or liquidity under IFRS. No undue reliance should be placed on the net working capital data contained in this Press Release.

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