Partner in a changing world

1H2016 results presentation

8th September 2016



Solutions partner for your world

Tesmec Group is leader in the market of the infrastructures related to the transport and distribution of energy, data and material.

We focus on strategic markets for the growth and modernization of every country.

ENERGY

RAILWAY

UNDERGROUND

Market overview & Strategic update

Market scenario evolution

Evolving strategy

Main achievement so far

RENTING VS BUYING EQUIPMENT BECOME A GROWING TREND

NEW BUSINESS MODEL:
FROM SALES TO VALUE ADDED SERVICES

Important wind farm projects performed by Marais in Australia offering specialized trenchers services

SAFETY, SUSTAINABILITY & CONNECTIVITY AS KEY DEVELOPMENT DRIVERS

NEW VALUE PROPOSITION:
MOVING FROM A GOODS SUPPLIER TO A SMART SOLUTION PROVIDER

Integrated solutions in the Automation business chosen by major Italian power authority

INVESTMENTS IN NEW INFRASTRUCTURES SENSITIVE TO ECONOMIC CYCLES

FOCUS ON NOT-CYCLICAL BUSINESS (MANAGEMENT & MAINTENANCE) TO GRANT RECURRENT REVENUES

First relevant award for full maintenance services in railway business in Italy

1H2016 Economic Results

GROUP (€ mln)	1H2016	1H2015	Delta %
Revenues	**74,0**	**85,1**	**-13,0%**
EBITDA	**7,4**	**14,2**	**-47,9%**
% on Revenues	10%	17%	
EBIT	**1,4**	**9,6**	**-85,4%**
% on Revenues	2%	11%	
Profit Before Taxes	**-1,3**	**8,9**	**-114,6%**
% on Revenues	-2%	10%	
NET INCOME	**-1,3**	**6,5**	**-120,0%**
% on Revenues	-2%	8%	

GROUP (€ mln)	1H2016	2015	Delta %
NFP (IAS17)	**104,8**	**89,9**	**16,6%**
NFP (without IAS17)	**87,6**	**72,1**	**21,5%**

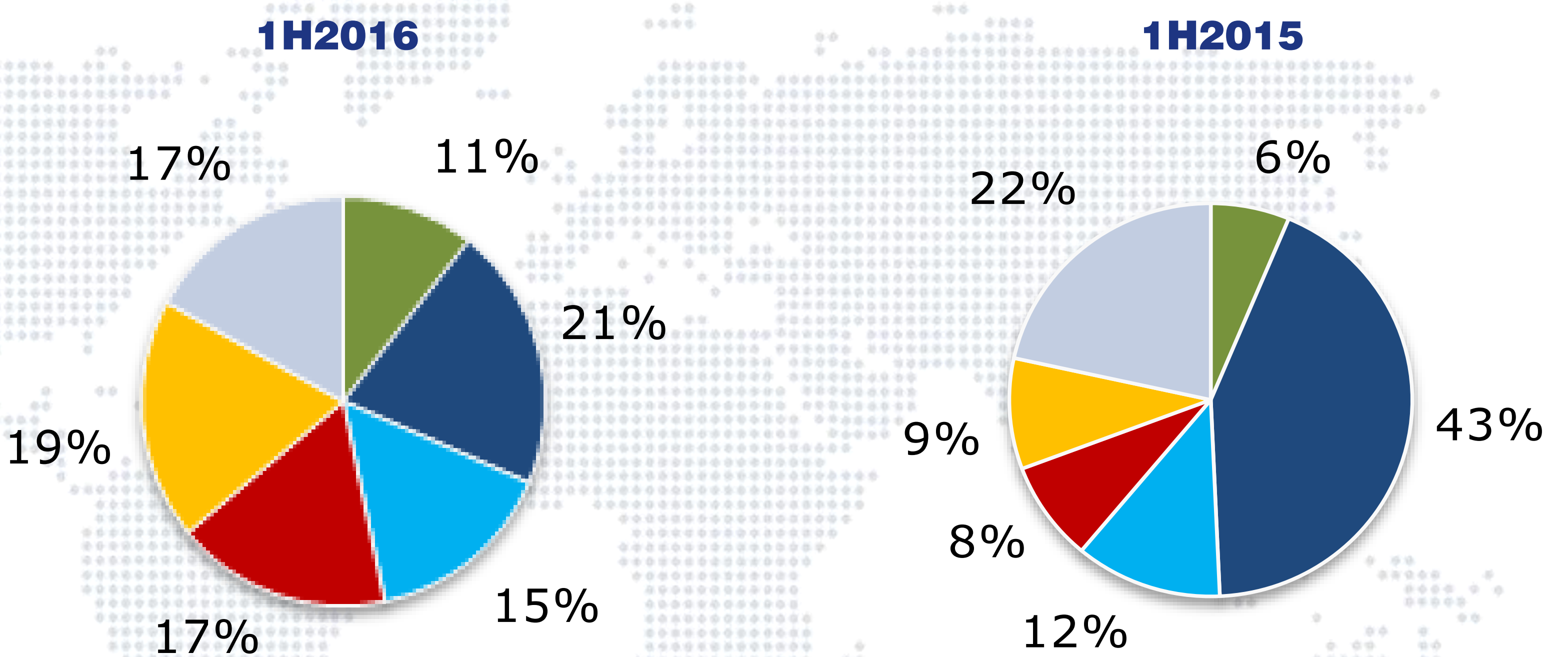
ENERGY	1H2016	1H2015	Delta %
Revenues	**22,2**	**45,9**	**-51,6%**
EBITDA	**2,5**	**8,2**	**-69,5%**
% on Revenues	11%	18%	

TRENCHERS	1H2016	1H2015	Delta %
Revenues	**49,4**	**38,6**	**28,0%**
EBITDA	**4,7**	**6,2**	**-24,2%**
% on Revenues	10%	16%	

RAILWAY	1H2016	1H2015	Delta %
Revenues	**2,4**	**0,6**	**284,0%**
EBITDA	**0,2**	**-0,2**	**200,0%**
% on Revenues	8%	-32%	

- REVENUES FROM SERVICES: +71,8% IN 1H2016
- 1H2015: POSITIVELY AFFECTED BY EXTRAORDINARY ORDER OF STRINGING EQUIPMENT AND BADWILL FROM MARAIS ACQUISITION
- CONSOLIDATION OF BERTEL AND CPT IMPACTS ON MARGINS

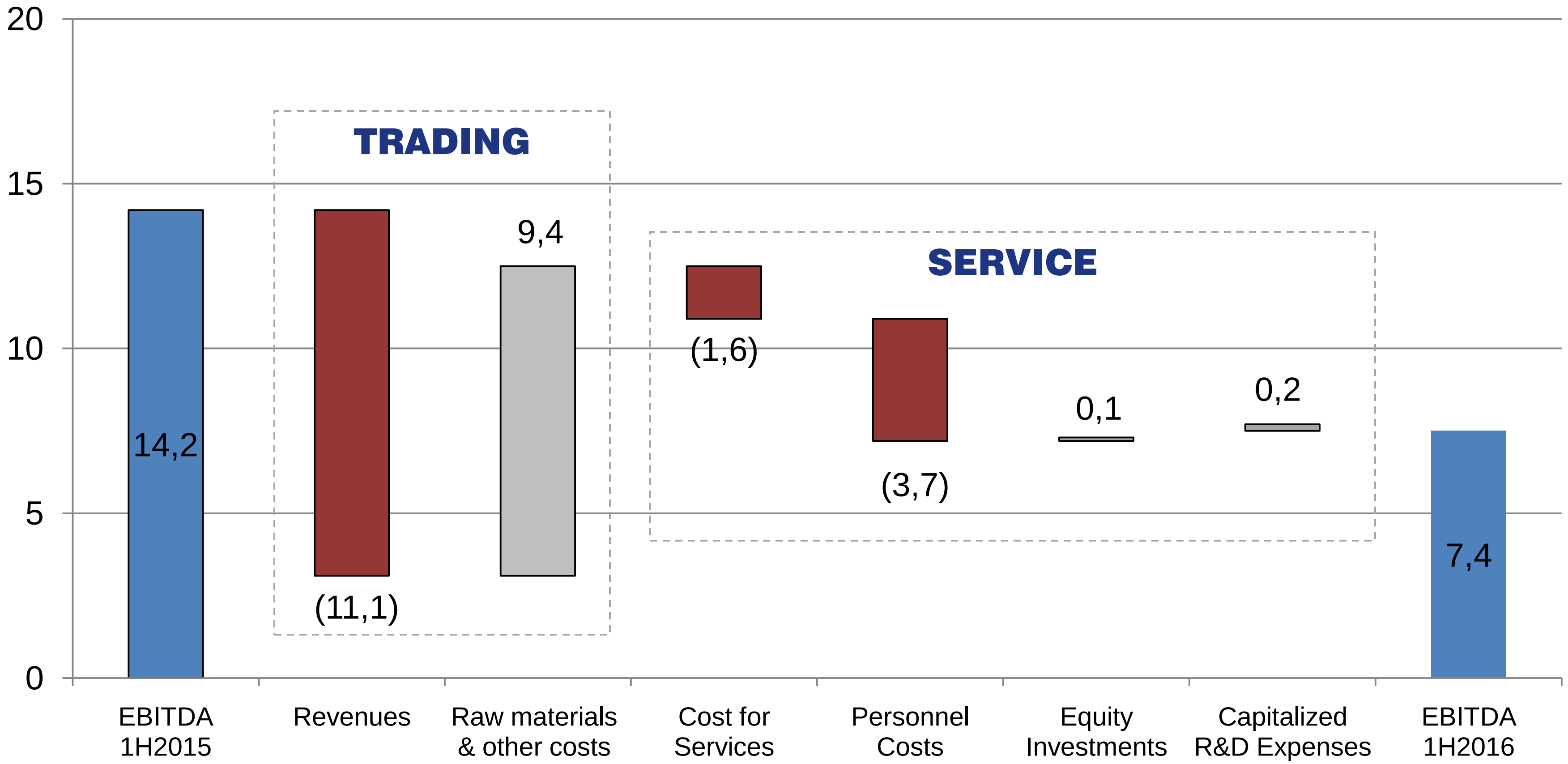
Revenues



INTERNATIONAL SCALE AND EXPOSURE TO GROWING ECONOMIES

1H2015: SALES IN EUROPE INFLUENCED BY THE IMPACT OF THE EXTRAORDINARY ORDER OF STRINGING EQUIPMENT FOR PROJECT IN BRAZIL

EBITDA 1H2016

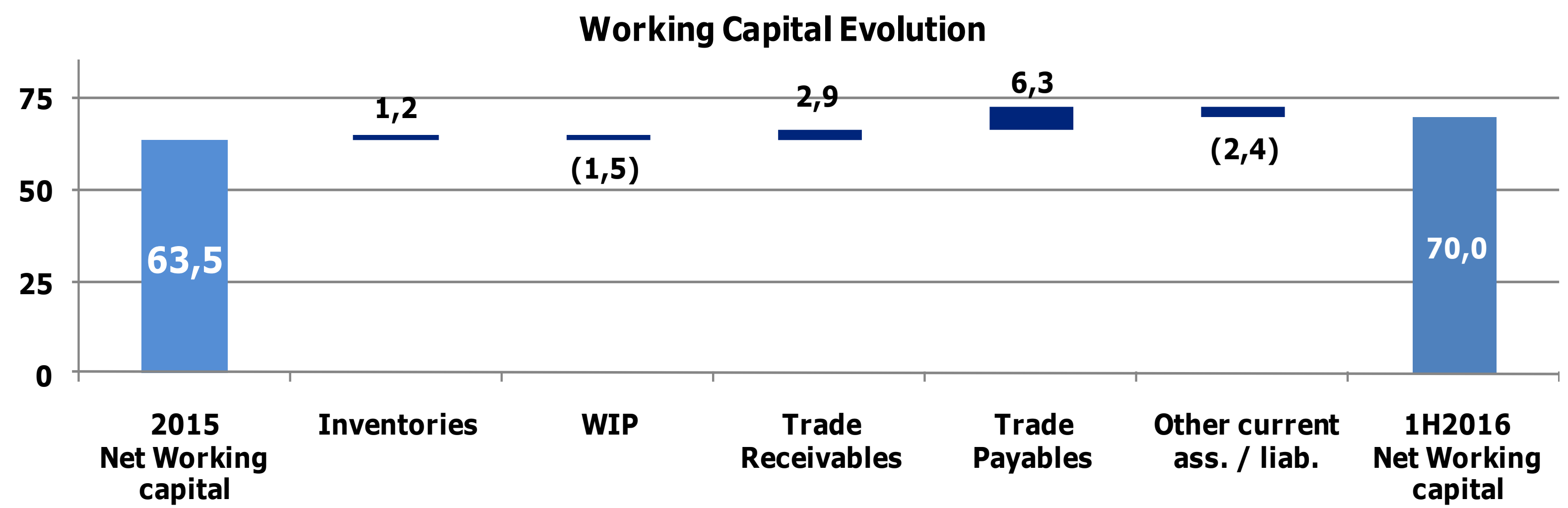


1H2015 | Cost variances reflect heavier service activity | 1H2016

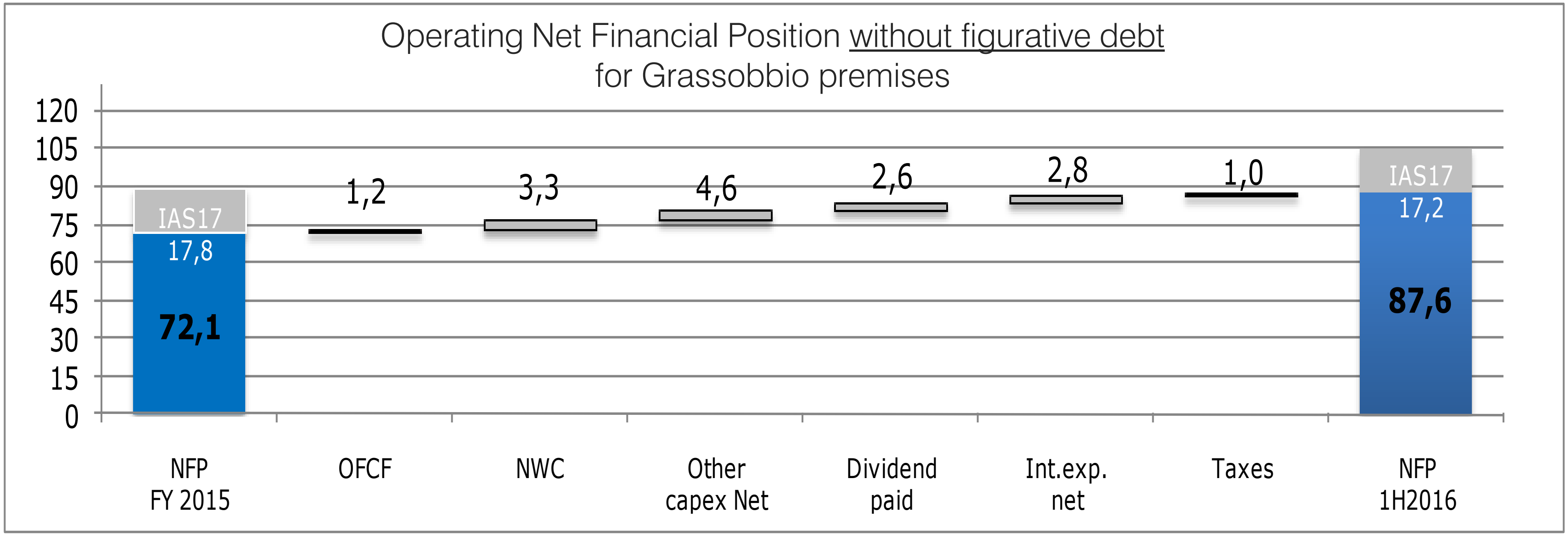
Financial Information (Euro mln)	1H2016	1Q2016	2015
Net Working Capital	70,0	80,6	63,5
Non Current assets	87,1	81,8	83,9
Other Long Term assets/liabilities	(1,2)	(1,2)	(1,7)
Net Invested Capital	**155,9**	**161,2**	**145,7**
Net Financial Indebtness	104,8	107,1	89,9
Equity	51,1	54,1	55,8
Total Sources of Financing	**155,9**	**161,2**	**145,7**

Working Capital Evolution

Euro Mln	1H2016	1Q2016	2015	Days 1H2016
Trade Receivables	53,8	63,2	50,9	131
Inventories	60,1	60,1	58,9	152
Work in progress contracts	2,3	2,7	3,8	
Trade Payables	(32,7)	(34,0)	(39,0)	-80
Other Current Assets/(Liabilities)	(13,5)	(11,4)	(11,1)	-33
Net Working Capital	**70,0**	**80,6**	**63,5**	



Net Financial Position Evolution



2015	NFP increase has been mainly influenced by Capex and dividends	1H2016

Outlook 2H2016

Increase in business **VOLUMES** and **MARGINS**

- Relevant projects related to the offer of **VALUE ADDED SOLUTIONS** and complementary services
- Finalization of orders and important ongoing negotiations for **INNOVATIVE** RAILCARS that will replace the existing vehicles
- Consolidation of the **INTEGRATION** STRATEGY and significant business opportunities in key countries

Trencher business highlights

Business model:

FROM sales
TO value added
solutions and services

Need of integrated technological platforms for TELECOM and ENERGY

- REPOSITIONING in the market segment of SERVICES and INTEGRATED **SOLUTIONS**
- FIBER OPTIC PROJECTS with international contractors; positive RENTAL ACTIVITIES in France
- REORGANIZATION of TESMEC USA subsidiary:
  - Costs efficiency → strong reduction of workforce
  - Partial reduction of production capacity focusing on rental activities

2H2016 outlook

- BUSINESS MODEL:
  - Reduction of stock with decrease of working capital
  - Further reduction of cost of materials (from 51% in 1H2015 to 42% in 1H2016)
- Growing **OPPORTUNITIES** in **TLC** and **ENERGY CALBES** MARKET, especially in Africa & Australia/NZ
- Launch of Tesmec **MICROTRENCHING TECHNOLOGY** in USA for the new ultra broadband networks projects

Railway business highlights

Certified technologies already in compliance with the highest standards of the European rules

Growing pressure on **SAFETY** and **ENVIRONMENTAL** issues

- DESIGN of INNOVATIVE RAILCARS that will replace the existing vehicles:
  - equipped with Automatic Train Control System that provides enhanced levels of safety
  - particular focus on sustainable and green solutions
  - patented technologies, certification in Europe and USA
- Participation at Innotrans in Berlin presenting Tesmec advanced METHODOLOGIES for CATENARY INSTALLATION and MAINTENANCE

2H2016 outlook

- Investments of rail operators for the **RENEWAL OF EXISTING FLEET** to satisfy new rail regulations
- New relevant **AWARD** for full maintenance service on multipurpose units in Italy, recurrent revenues
- Effective **COLLABORATIONS** with Railway Authorities and participation in the main tenders as qualified supplier

Energy business highlights

Consolidation of the **integration strategy** in the sector smart technologies for power lines

Increasing demand of **MODERNIZATION** and **EFFICIENCY** of power grids worldwide

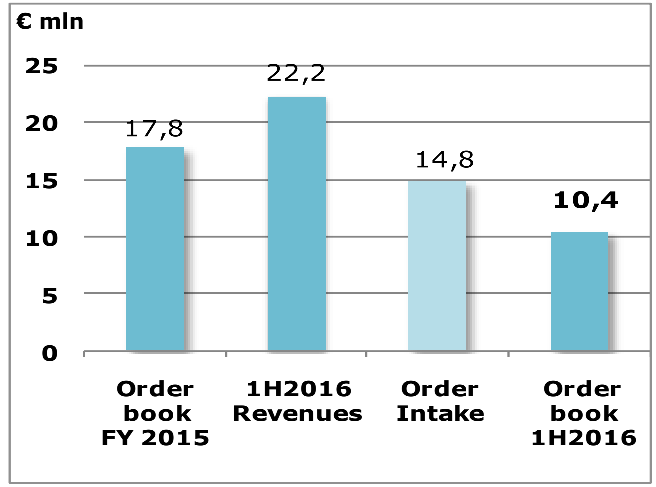
- COMPLETION of SOLUTIONS PORTFOLIO in order to face the new technological challenges related to renewable energy sources and distributed generation
- Projects of GRIDS INTERCONNECTION and INTEGRATION of RENEWABLE ENERGIES in the networks discussed also at CIGRÉ event in Paris
- CYCLICALITY of the STRINGING MARKET and dependence from the release of BIG PROJECTS

2H2016 outlook

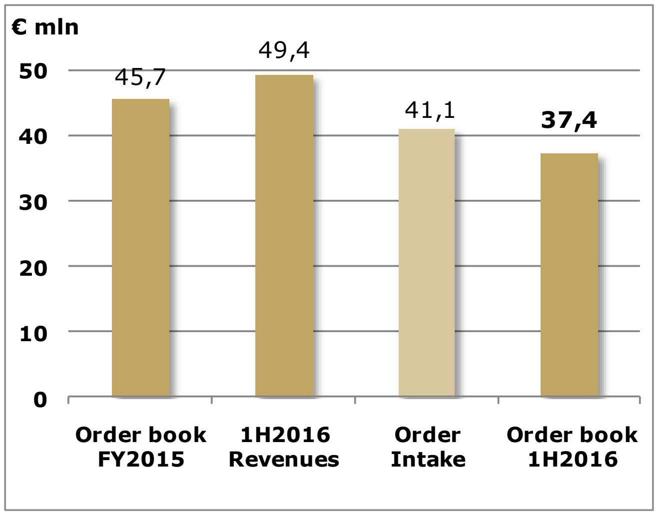
- **OPPORTUNITIES** in strategic countries like Italy, Russia and South America
- Strategic **LONG TERM COLLABORATIONS** with the major power companies for grids efficiency
- **ONGOING NEGOTIATIONS** in the commercial pipeline of STRINGING SEGMENT

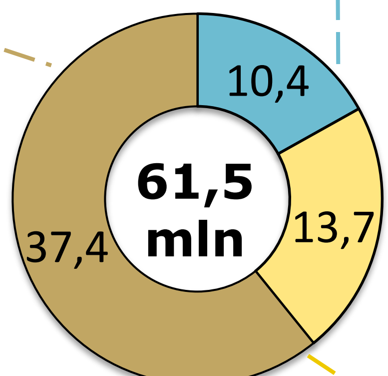
Order Book 1H2016

ENERGY

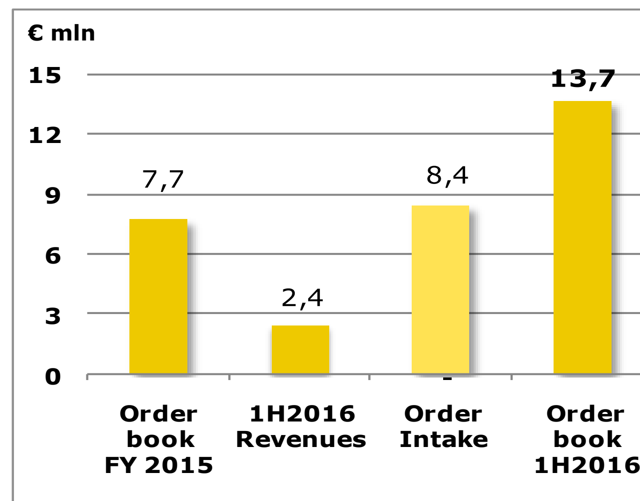


TRENCHERS





RAILWAY



Summary 1H2016 Profit & Loss statement

Profit & Loss Account (€ mln)	1H2016	1H2015	Delta vs 2015	Delta %
Net Revenues	**74,0**	**85,1**	**(11,1)**	**-13,0%**
Raw materials costs (-)	(31,1)	(44,0)	12,9	-29%
Cost for services (-)	(15,4)	(13,8)	(1,6)	12%
Personnel Costs (-)	(19,8)	(16,1)	(3,7)	23%
Other operating revenues/costs (+/-)	(2,9)	0,6	(3,5)	-583%
Portion of gain/(losses) from equity investments evaluated using the equity method	-	(0,1)	0,1	-100%
Capitalized R&D expenses	2,6	2,5	0,1	4%
Total operating costs	**(66,6)**	**(70,9)**	**4,3**	**-6,1%**
% on Net Revenues	*(90%)*	*(83%)*		
EBITDA	**7,4**	**14,2**	**-6,8**	**-47,9%**
% on Net Revenues	*10%*	*17%*		
Depreciation, amortization (-)	(6,0)	(4,6)	(1,4)	30%
EBIT	**1,4**	**9,6**	**-8,2**	**-85,4%**
% on Net Revenues	*2%*	*11%*		
Net Financial Income/Expenses (+/-)	(2,7)	(0,7)	(2,0)	286%
Taxes (-)	-	(2,4)	2,4	-100%
Minorities	-	-	-	-
Net Income (Loss)	**-1,3**	**6,5**	**(7,8)**	**-120,0%**
% on Net Revenues	*-2%*	*8%*		

Appendix A

Summary 1H2016 Balance Sheet

Balance Sheet (€ mln)	1H2016	2015
Inventory	60,1	58,9
Work in progress contracts	2,3	3,8
Accounts receivable	53,8	50,9
Accounts payable (-)	(32,7)	(39,0)
Op. working capital	**83,5**	**74,6**
Other current assets (liabilities)	(13,5)	(11,1)
Net working capital	**70,0**	**63,5**
Tangible assets	64,1	65,3
Intangible assets	19,3	13,8
Financial assets	3,7	4,8
Fixed assets	**87,1**	**83,9**
Net long term liabilities	(1,2)	(1,7)
Net invested capital	**155,9**	**145,7**
Cash & near cash items (-)	(28,8)	(21,2)
Short term financial assets (-)	(7,2)	(11,8)
Short term borrowing	61,2	45,2
Medium-long term borrowing	79,6	77,7
Net financial position	**104,8**	**89,9**
Equity	51,1	55,8
Funds	**155,9**	**145,7**

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