

Bit Market Services

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

Testo del comunicato

Vedi allegato.



TESMEC S.P.A.: THE BOARD OF DIRECTORS APPROVED THE INTERIM CONSOLIDATED FINANCIAL REPORT AS AT 30 JUNE 2016.

Main consolidated Results of the first half of 2016 (vs the first half of 2015):

- **Revenues: Euro 74.0 million** (compared to Euro 85.1 million as at 30 June 2015);
- **EBITDA¹: Euro 7.4 million** (compared to Euro 14.2 million as at 30 June 2015);
- **EBIT: Euro 1.4 million** (compared to Euro 9.6 million as at 30 June 2015);
- **Net profit: negative Euro 1.3 million** (compared to positive Euro 6.5 million as at 30 June 2015);
- **Net financial indebtedness: Euro 104.8 million**, compared to Euro 89.9 million as at 31 December 2015 and has an improvement compared to Euro 107.1 million as at 31 March 2016. Without considering the effects of IAS 17 for the lease contract of the premises of Grassobbio, it would be Euro 87.6 million as at 30 June 2016 and Euro 72.1 million as at 31 December 2015.
- **Total Order Backlog: Euro 61.5 million** (compared to Euro 70.2 million as at 30 June 2015).

Grassobbio (Bergamo - Italy), 8 September 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 today and chaired by **Ambrogio Caccia Dominioni**, examined and approved the **Interim consolidated financial report as at 30 June 2016**.

The **Chairman and CEO Ambrogio Caccia Dominioni** commented as follows *"The strategic decision to adopt a business model focused on services with high added value for the customer, had an impact on Group's volumes in the short term, but it will allow a reduction in stock and a consequent improvement in the working capital. Moreover, as result of a period of intense investments to create competitive advantages, we can see the first signs of recovery in the railway sector where we expect a great growth in the coming quarters, thanks to important orders already acquired or in progress in Italy and abroad. In the smart grid market, finally, in addition to the finalization of major contracts, there are new business opportunities based on a growing demand for modernization and efficiency of power lines. For the second half of the year we are confident, therefore, in a significant growth in terms of volumes and margins."*

MAIN CONSOLIDATED RESULTS AS AT 30 JUNE 2016

As at **30 June 2016**, Tesmec Group achieved consolidated **Revenues of Euro 74.0 million** compared to Euro 85.1 million recorded in the first half of the 2015 financial year. This variation is mainly due to the market demand that increasingly turns toward rental activities and integrated services, with particular impact on traditional businesses of the Group, such as Trencher and Stringing. Tesmec, therefore, focuses more and more on services with high added value for the customer, adopting a business model that is proving particularly effective in the current market scenario: revenues from services, in fact, recorded an increase

¹ The EBITDA is represented by the operating income gross of 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 is therefore not comparable.



of 71.8%, rising from Euro 8.5 million in the first half of 2015 to Euro 14.6 million as at 30 June 2016.

Results as at 30 June (Euro in thousands)	Revenues from sales and services		
	2016	2015	Variation
Stringing equipment	22,176	45,877	-51.6%
<i>Effect on Consolidated Revenues</i>	30.0%	53.9%	
Trencher	49,453	38,629	+28.0%
<i>Effect on Consolidated Revenues</i>	66.8%	45.4%	
Railway	2,357	625	+284.0%
<i>Effect on Consolidated Revenues</i>	3.2%	0.7%	
Consolidated	73,986	85,131	-13.0%

In detail, the revenues of the **Trencher segment** in the first half of 2016 were **Euro 49.4 million, with an increase of 28.0%** compared to Euro 38.6 million as at 30 June 2015, mainly thanks to the positive impact of Marais Group and to the sales in Africa. The decision to offer technologically advanced products combined with complementary services, which allows the Group to offer integrated solutions with high value added for the customer, confirms, therefore, its worth and make it possible to have projects with high standing contractors in countries like Australia and New Zealand and in the African continent. The revenues of the **Railway segment** as at 30 June 2016 were **Euro 2.4 million, almost three times** compared to Euro 625 thousand recorded in the first half 2015. After a start-up period, an important and continuous commercial activity and potential new orders that could contribute to the generation of additional revenues are confirmed in the coming quarters. The Group's main strengths in this area are the certifications in Europe and the USA, the design of railcars with advanced technological systems on board to guarantee safety and efficiency, as well as the constant attention to the environment. Finally, the **Stringing segment** recorded revenues of **Euro 22.2 million** compared to Euro compared to Euro 45.9 million recorded in the first six months of 2015, that however benefitted from an extraordinary important order for the supply of equipment in the Brazilian market. We also point out that that the Energy Automation segment, thanks to the integration process and the development in the smart grids sector, is increasingly contributing to the Group's revenues. The results of the strategic process undertaken by the Group thanks to the recent acquisitions and the commitment in R&D are expected in the short term.

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

As at 30 June 2016, the consolidated **EBITDA** amounted to **Euro 7.4 million** compared to Euro 14.2 million recorded at 30 June 2015. This result was affected by a contingent decrease in sales volumes in the traditional businesses of the Group, and by the startup of new investment initiatives which resulted in longer time than expected. However, ongoing negotiations especially in the new segments, Railway and Energy Automation, confirm the strategic decisions to support the future growth of the Group. To note that the first half of 2015 benefited from the extraordinary effect of goodwill (Euro 2.1 million) from the acquisition of Marais. In addition, the consolidation of Bertel, of which was finalized the acquisition of control, and of CPT, also impacted on margins.



The **EBIT** of Tesmec Group as at 30 June 2016 was **Euro 1.4 million** compared to Euro 9.6 million recorded at 30 June 2015.

In first half of 2016, the **net financial income and expenses** of the Tesmec Group were **Euro 2.7 million** (affected by Euro 0.5 million by negative foreign exchange effects) compared to Euro 769 thousand recorded at 30 June 2015 (affected by Euro 1.8 million by positive foreign exchange effects).

Consolidated **Net Profit** of the Tesmec Group as at 30 June 2016 was negative of **Euro 1.3 million** compared to positive Euro 6.5 million recorded at 30 June 2015.

The **net working capital** of the Tesmec Group as at 30 June 2016 was **Euro 70.0 million**, compared to Euro 63.5 million as at 31 December 2015. This was mainly due to the increase in stock in the traditional business and the extended payment terms granted to new customers.

The **Net Financial Indebtedness** of the Tesmec Group as at 30 June 2016 was **Euro 104.8 million** compared to Euro 89.9 million as at 31 December 2015 and has an improvement compared to Euro 107.1 million as at 31 March 2016. If the effects of IAS 17 for the rental agreement of the Grassobbio premises are not considered, it would have been **Euro 87.6 million** as at 30 June 2016 and Euro 72.1 million as at 31 December 2015. The variation compared to 31 December 2015 is mainly due to sales trend and changes in the scope of consolidation with the acquisition of 100% of Bertel.

As at 30 June 2016, the **Total Order Backlog** of the Tesmec Group amounted to **Euro 61.5 million**, **Euro 10.4 million** of which refers to the **Stringing** equipment segment, **Euro 37.4 million** to the **Trencher** segment and **Euro 13.7 million** to the **Rail** segment, compared to Euro 70.2 million as at 30 June 2015. We report a better geographical distribution of business opportunities.

BUSINESS OUTLOOK

We found some global trends, such as particular attention to safety, growing interest for environmental sustainability and increasing investments in infrastructure for connectivity, which are transversal to the different businesses of the Group and on which Tesmec is concentrating its actions to ensure its growth in the near future.

In particular, the Group is increasing its activities in the field of telecommunications and fiber optic networks, both for FTTH (Fiber to the Home) and long distance projects, especially in Africa, Australia and New Zealand, where the finalization of major contracts with leading international contractors is expected. Furthermore, in the Trencher segment the offer of services and high value-added solutions will drive to an improvement in working capital thanks to the reduced impact of the stock, as well as a reduction in the net financial position. Moreover, thanks to cost efficiency actions and focalization on service activities of the subsidiary Tesmec USA, an increase in volumes and margins in the US market is expected.

In the Railway sector there are the first awards for full maintenance services on railcars in the national market and the investments for the development of highly efficient vehicles, always respecting safety and environmental standards, should lead to significant growth of the division in the coming quarters. Important investments for the renewal of the existing fleet for compliance with new regulations in terms of safety and emissions are expected by the main rail operators.



Thanks to the finalization of major contracts, interesting prospects are also expected in the sector of technologies for smart grids, where the Group is implementing an integration strategy to face the new challenges related to renewable energy sources and the distributed generation. The stringing market, then, is characterized by a cyclical trend and it is dependent on big projects for the power lines construction for which some relevant negotiations are currently in progress.

During July and August the total Order Backlog increased of around Euro 20.0 million.

Based on the ongoing negotiations in the different business segments, we expect a significant growth in the second half of 2016 compared to the first six months of the year.

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.

At 5:00 PM (CET) – 4:00 PM (BST) on September 8, 2016, Ambrogio Caccia Dominioni, Chairman and CEO of Tesmec S.p.A., and the Top Management of the Company will present the consolidated results for the first half of the year 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>

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 financial report as at 30 June 2016 will be available to the public at the operative office of the Company, in Grassobbio (Bergamo – Italy), Via Zanica n. 17/O, through the system NIS-Storage, at www.emarketstorage.com and through publication on the company website www.tesmec.com, as according to law.



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This press release is also available on www.tesmec.com in the "Investors" section:

<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 600 employees and has the production plants in Italy - in Grassobbio (Bergamo), Endine Gaiano (Bergamo), Sirone (Lecco), Monopoli (Bari), in the USA, in Alvarado (Texas) and in France, in Durtal. In addition, following the recent acquisition of Bertel, SGE and CPT, Tesmec Group has three new production plants in Italy, respectively in Fidenza, Padua and Patrica (FS). 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.

Attached below:



Tesmec Group reclassified consolidated income statements

<i>(€ in thousands)</i>	30 June	
	2016	2015
Revenues	73,986	85,131
Total operating costs	(72,547)	(75,506)
Operating Income	1,439	9,625
Financial (income) / expenses	(2,623)	(588)
Share of profit / (loss) of associates and joint ventures	(95)	(181)
Income before taxation	(1,279)	8,856
Net income for the period	(1,310)	6,494
EBITDA	7,360	14,246
EBITDA (% on Revenue)	9.9%	16.7%
Net profits from acquisition	-	2,139
EBITDA adj	7,360	12,107



Tesmec Group reclassified consolidated statements of financial position

<i>(€ in thousands)</i>	30 June 2016	31 December 2015
Non-current assets	97,838	93,353
Current assets	157,661	151,535
Total assets	255,499	244,888
Non-current liabilities	91,524	88,802
Current liabilities	112,880	100,209
Total liabilities	204,404	189,011
Equity	51,095	55,877
Total equity and liabilities	255,499	244,888



Tesmec Group other consolidated financial information

<i>(€ in thousands)</i>	At 30 June	
	2016	2015
Net cash provided/(used) by operating activities (A)	(3,326)	2,447
Net cash provided/(used) by investing activities (B)	(4,629)	(2,513)
Net cash provided/(used) by financing activities (C)	15,620	(2,843)
Increase / (decrease) in cash and cash equivalents (D=A+B+C)	7,665	(2,909)
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)	(54)	213
Total cash and cash equivalents at end of the period (G=D+E+F)	28,815	15,969



Tesmec Group other consolidated financial information

(€ in thousands)	<u>30 June 2016</u>	<u>31 December 2015</u>
Net working capital ²	70,004	63,505
Non current assets	87,104	83,945
Other Non current assets and liabilities	(1,185)	(1,697)
Net invested capital³	<u>155,923</u>	<u>145,753</u>
Net financial indebtedness ⁴	104,828	89,876
Equity	51,095	55,877
Total equity and net financial indebtedness	<u>155,923</u>	<u>145,753</u>

² 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.

³ 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.

⁴ 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.

Fine Comunicato n.1155-41

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