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Financial Statement at 31.12.2016 and
Consolidated Financial Statement
31.12.2016

Testo del comunicato

Vedi allegato.



TESMEC S.P.A.: THE BOARD OF DIRECTORS APPROVES THE DRAFT FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016¹.

Main consolidated results as at 31 December 2016 (compared to 31 December 2015):

- **Revenues: Euro 128.5 million** (compared to Euro 164.4 million as at 31 December 2015);
 - **EBITDA²: Euro 8.5 million** (compared to Euro 24.0 million as at 31 December 2015);
 - **EBIT: Euro 4.3 million** (compared to Euro 12.8 million as at 31 December 2015);
 - **Net loss: Euro 3.8 million** (compared to a net profit of Euro 7.1 million as at 31 December 2015);
 - **Net financial indebtedness: Euro 96.7 million**, compared to Euro 89.9 million as at 31 December 2015;
 - **Total Order Backlog as at 31 December 2016: Euro 181 million**, compared to Euro 71.2 million as at 31 December 2015.
-
- **The results record the negative trend of the Trencher segment in USA and in the Middle East and increased customer orientation towards service activities carried out by the Group.**
 - **For the first quarter of 2017, the Group expects an increase in sales volumes ranging from 15% to 20% compared to the first quarter of 2016.**
 - **In connection with the above and with the new orders acquired at the beginning of the year, the Group expects revenues at the end of 2017 ranging from Euro 160 to Euro 170 million on the basis of which it is reasonable to assume an EBITDA of approximately 15%, in line with the historical data of the Group, and a significant improvement in the Net financial indebtedness in 2017.**

Other resolutions:

- **The Shareholders' Meeting was convened on 28 April 2017 at the premises of Grassobbio**

Grassobbio (Bergamo), 10 March 2017 – The Board of Directors of **Tesmec S.p.A.** (MTA, STAR: TES), at the head of a leading group in the market of infrastructures for the transport and distribution of electrical power, data and material, convened today and chaired by Ambrogio Caccia Dominioni, examined and approved the **Draft Financial Statements and the Consolidated Financial Statements as at 31 December 2016.**

The **Chairman and Chief Executive Officer Ambrogio Caccia Dominioni** commented as follows *“2016 was a complex year due to a number of factors. In particular, the results achieved were affected by the negative trend of the Trencher segment, especially in two markets significant for us - the American and Middle Eastern markets - and by a structural change of approach in customer demand, more and more oriented towards*

¹ The consolidated financial statements and the draft financial statements are the subject matter of an audit still to be completed to date.

² The EBITDA is represented by the operating income gross of amortization/depreciation. The EBITDA thus defined represents a measurement used by Company management to monitor and assess the company's operating performance. EBITDA is not recognized 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.

service activities rather than towards the purchase of investment assets. The postponement in the invoicing of some contracts already finalised was added to all this in the last quarter of 2016 but it is to the benefit of the new year. However, during 2016, our Group already set some strategic actions to revise the traditional business model in order to better deal with the new scenario. We addressed ourselves to the required integration and consolidation of the new businesses with existing ones and we implemented cost rationalisation measures the effects of which will be fully visible in the current year. Thanks to these initiatives, important contracts were achieved in all areas of activity. 2017 began with a momentum, marking a sharp turnaround, with a record order backlog and a pipeline that will support the revenues of the years to come.”

MAIN CONSOLIDATED RESULTS OF THE 2016 FINANCIAL YEAR

As at **31 December 2016**, the Tesmec Group achieved consolidated **Revenues of Euro 128.5 million** compared to Euro 164.4 million recorded in the 2015 financial year. Against the decline in revenues in the Group's traditional sectors of activity, there was an increase in the order backlog, especially due to the recently acquired activities. Therefore, revenues in 2017 will benefit from an increased order backlog and an increased diversification of the offer of the Group. In fact, we witnessed a significant growth in volumes in the sectors of power line technologies, Energy Automation and Railway deriving from the completion of the phases of product certification and from the awarding of important contracts concluded in 2016. Moreover, with regard to Trenchers, also thanks to the skills of the Marais Group, significant orders were acquired in the fibre optic and wind energy sectors for works that will be carried out in 2017.

Results as at 31 December (€ in thousands)	Revenues from sales and services		
	2016	2015	Change
Stringing equipment	42,212	72,146	-41.5%
<i>Effect on consolidated revenues</i>	32.8%	43.9%	
Trencher	80,571	88,490	-8.9%
<i>Effect on consolidated revenues</i>	62.7%	53.8%	
Railway	5,730	3,766	52.2%
<i>Effect on consolidated revenues</i>	4.5%	2.3%	
Consolidated	128,513	164,402	-21.8%

In detail, the **Stringing equipment segment** recorded **Revenues of Euro 42.2 million** compared to Euro 72.1 million achieved as at 31 December 2015, which benefited from the big project of Abengoa. However, the awarding of the important Indonesian project acquired at the end of the year is of benefit to the order backlog and to revenues for the 2017 financial year. Within this sector, growth in revenues continued thanks to the sale of products of the new Automation business, confirming the validity of the strategic choices implemented in the past years that also focused on the market of streamlining of power lines.

The **Revenues of the Trencher segment** as at 31 December 2016 amounted to **Euro 80.6 million**, compared to Euro 88.5 million as at 31 December 2015. This performance is attributable to the combined effect of the

positive sales trend of service activities (+44.1% mainly carried out by the Marais Group) and the negative sales trend of machinery on the American and Middle Eastern markets.

Finally, for what concerns the **Railway segment, Revenues** as at 31 December 2016 amounted to **Euro 5.7 million**, compared to Euro 3.8 million recorded as at 31 December 2015. For the Railway segment, this increase is supported by an important flow of orders that concern multi-year activities confirming the success of the Group's strategy to complete its product range with activities that have higher recurrence in revenues. In this respect it should be noted that revenues in 2016 and 2015 include the effects of the state of completion of contracts in progress at the end of the year for a total amount equal to Euro 1.2 million and Euro 3.4 million, respectively.

Geographically, in 2016, the Tesmec Group continued its growth in foreign markets, with a special reference to the Italian market and to the market of the BRIC area and Others.

As at 31 December 2016, the consolidated **EBITDA** amounted to **Euro 8.5 million**, compared to Euro 24.0 million recorded in the previous financial year. This result, as occurred in the year 2015, does not cover non-recurring items of cost/revenue amounting to Euro 3.1 million of net costs were extrapolated (in particular Euro 2.2 million related to the real estate transaction completed at year-end 2016 and Euro 0.9 million related to a reorganisation consultancy). **Adjusted EBITDA amounted to Euro 11.6 million** compared to Euro 22.0 million recorded in the 2015 financial year. This result was mainly related to a lesser absorption of fixed structure costs deriving from the decrease and postponement of the sales volumes and from the effort put in place by the Group related to the integration and development of new activities.

EBIT as at 31 December 2016 of the Tesmec Group was a negative **Euro 4.3 million**, compared to **12.8** million as at 31 December 2015.

The **net financial income and expenses** of the Tesmec Group in 2016 amounted to a negative **Euro 2.6 million**, compared to Euro 3.7 million as at 31 December 2015. This change reflected a decrease in the net cost of short-term borrowing.

The consolidated **Net Loss** as at 31 December 2016 of the Tesmec Group amounted to **Euro 3.8 million**, compared to the profit of Euro 7.1 million in 2015.

The **net working capital** of the Tesmec Group as at 31 December 2016 amounted to **Euro 76.0 million** compared to Euro 63.5 million as at 31 December 2015. This trend was mainly attributable to the increase in the item "Inventories" as a result of the decrease in revenues in the last quarter of 2016 as well as to the decrease in the balance with suppliers for lower purchases and the sale of the existing warehouse.

As at 31 December 2016, the ratio between working capital and net revenues is 59.2% compared to 39.4% recorded in 2015.

The **Net Financial Indebtedness** of the Tesmec Group as at 31 December 2016 amounted to **Euro 96.7 million**, compared to Euro 89.9 million as at 31 December 2015. The decrease and postponement of revenues especially in the last quarter of 2016 generated a level of working capital higher than expected also due to the increase in warehouse values. As a result, indebtedness, which benefited from the effects of the lease contract at the end of 2016 (of Euro 17.7 million), stood at a level higher than expected and is still being re-absorbed.



As at 31 December 2016, **Total Order Backlog** of the Tesmec Group amounted to **Euro 181 million - Euro 26 million** of which referring to the Stringing equipment segment (including the activity related to automation), thanks to the acquired projects with RFI and PLN respectively, State Electricity Company of Indonesia, Euro **45 million** to the **Trencher** segment, on the basis of the contracts awarded in the Cable, FTTH and Windfarm sectors and **Euro 110 million** to the **Railway** segment - compared to Euro 71.2 million as at 31 December 2015. In this regard, please note the important contract acquired in the Railway segment, notified on 16 September 2016, which, unlike other sectors, will generate revenues over a multi-year period.

SEPARATE FINANCIAL STATEMENTS OF THE PARENT COMPANY TESMEC S.P.A.

The Parent Company Tesmec S.p.A. closed the 2016 financial period with Net revenues of Euro 78.8 million compared to Euro 115.1 million as at 31 December 2015.

In the 2016 financial year, the EBITDA of Tesmec S.p.A. amounted to around Euro 7.6 million compared to Euro 18.0 million as at 31 December 2015.

The net profit of the Parent Company as at 31 December 2016 amounted to Euro 1.6 million compared to Euro 7.4 million as at 31 December 2015.

The net financial indebtedness of the Parent Company as at 31 December 2016 amounted to Euro 48.0 million compared to Euro 49.8 million as at 31 December 2015.

BUSINESS OUTLOOK

The confirmation of the validity of the strategic development choices made by the Group, which is well noted in the level of the order backlog achieved at the end of 2016, supports **an expected growth in sales volumes for the first quarter of 2017 ranging from 15% to 20%**, compared to the first quarter of 2016.

In connection with the above and with the new orders acquired at the beginning of the year, the Group expects **revenues at the end of 2017 ranging from Euro 160 to Euro 170 million** on the basis of which it is reasonable to assume an **EBITDA of approximately 15%**, in line with the historical data of the Group, and a **significant improvement in the Net financial indebtedness in 2017**.

Events occurring after the period under review

With reference to the tender in the negotiated procedure launched by RFI - Rete Ferroviaria Italiana SpA, a subsidiary of Ferrovie dello Stato Italiane, the Italian Railways Group responsible for the overall management of the national railway network, for the supply of 88 multipurpose railway vehicles for the maintenance of the Italian railway network, following the final award of the tender by the subsidiary Tesmec Service Srl, communicated to the market on 16 December 2016, dated 28 February 2017, Tesmec Group has received notice of effectiveness of such an award. The effectiveness resulted in fact subject to verification by RFI regarding actual possession by Tesmec Service srl of the statutory requirements. The total value of the tender amounts to around Euro 91.8 million and the supply, to be completed within 4 years, is inclusive of a full maintenance service for a period of six years (FMS). The achievement of this important result is mainly due to the high technological level of railway solutions manufactured by Tesmec Group.



Treasury shares

At the time of this press release, the Company holds 4,711,879 treasury shares, equal to 4.40% of the Share Capital.

Other resolutions

Today, the Board of Directors of Tesmec approved the Report on Corporate Governance and Ownership Structures and made the periodic review of the independence requirements of the members of the Board of Directors, deeming that there were no changes in the situation already announced to the market.

The Board of Directors of Tesmec S.p.A. approved the remuneration policy of the directors and executives with strategic responsibilities and the annual Report on Remuneration that will be submitted to the Shareholders.

Finally, the Board of Directors of Tesmec S.p.A. decided to convene the Ordinary Shareholders' Meeting of the Company on 28 April 2017, at 10.30, in single call at the operating premises of Grassobbio. The Shareholders will be requested to deliberate on:

- approval of the Financial Statements as at 31 December 2016;
- approval of the first section of the Report on Remuneration;
- proposal for authorisation to purchase and dispose of treasury shares, subject to the withdrawal of the resolution passed by the Shareholder's Meeting of 29 April 2016.

At 2:30 PM (CET) – 1:30 PM BST, Friday 10th March 2017 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 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 the draft financial statements and the consolidated financial statements as at 31 December 2016 will be available to the public at the administrative office, in Grassobbio (Bergamo) Italy, Via Zanica n. 17/O, through the system eMarket-Storage, at www.emarketstorage.com, through publication on the company website www.tesmec.com, according to law.

For further information: Tesmec S.p.A.

Tesmec S.p.A.

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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 the 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 materials. More specifically, 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 650 employees and has production plants in: Grassobbio (Bergamo), Endine Gaiano (Bergamo), Sirone (Lecco), Monopoli (Bari) in Italy, in Alvarado (Texas) in the USA, and in Durtal, in France. In addition, following the recent acquisitions of the companies Bertel, SGE and CPT, Tesmec Group now owns three new production plants in Italy, respectively in Fidenza (Parma), Padua and Patrica (Frosinone). The Group also has a global commercial presence through foreign subsidiaries and sales offices in USA, South Africa, Russia, Qatar, 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 and Tesmec SpA



Tesmec Group reclassified consolidated income statement

Income statement <i>(€ in thousands)</i>	As at 31 December	
	2016	2015
Revenues from sales and services	128,513	164,402
Total operating costs	(132,823)	(151,587)
Operating income	(4,310)	12,815
Net financial income/(expenses)	(2,419)	(3,157)
Portion of gains/(losses) from equity investments evaluated using the equity method	(141)	(553)
Pre-tax profit	(6,870)	9,105
Net profit for the period	(3,853)	7,161
EBITDA	8,520	24,045
EBITDA (% on revenues)	6.60%	14.6%



Tesmec Group reclassified consolidated balance sheet

Balance sheet	31 December 2016	31 December 2015
<i>(€ in thousands)</i>		
Total non-current assets	82,276	93,353
Total current assets	152,026	151,535
Total assets	234,302	244,888
Total non-current liabilities	65,828	88,802
Total current liabilities	118,554	100,209
Total liabilities	184,382	189,011
Total shareholders' equity	49,920	55,877
Total shareholders' equity and liabilities	234,302	244,888



Tesmec Group reclassified consolidated cash flow statement

Summary of the cash flow statement <i>(€ in thousands)</i>	As at 31 December	
	2016	2015
Net cash flow generated by (used in) operating activities (A)	(6,225)	14,968
Net cash flow generated by (used in) investing activities (B)	5,072	(33,132)
Net cash flow generated by financing activities (C)	(1,647)	20,603
Total cash flow (D=A+B+C)	(2,800)	(2,439)
Cash and cash equivalents at the beginning of the period (F)	21,204	18,665
Effect of exchange-rate changes on cash and cash equivalents (E)	97	100
Cash and cash equivalents at the end of the period (G=D+E+F)	18,501	21,204



Consolidated statement of Funding Sources and Uses of the Tesmec Group

Funding Sources and Uses

(€ in thousands)	<u>As at 31 December 2016</u>	<u>As at 31 December 2015</u>
Net working capital ³	76,038	63,505
Fixed assets	70,056	83,945
Other long-term assets and liabilities	517	(1,697)
Net invested capital⁴	<u>146,611</u>	<u>145,753</u>
Net financial indebtedness ⁵	96,691	89,876
Shareholders' equity	49,920	55,877
Total sources of funding	<u>146,611</u>	<u>145,753</u>

³ The net working capital is calculated as current assets net of current liabilities excluding financial assets and financial liabilities. Net working capital is not recognised as a measure of performance by the IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Company may not necessarily be comparable therewith.

⁴ The net invested capital is calculated as net working capital plus fixed assets and other non-current assets less non-current liabilities. The net invested capital is not recognised as a measure of performance under IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Company may not necessarily be comparable therewith.

⁵ The net financial indebtedness is calculated as the sum of cash and cash equivalents, current financial assets including available-for-sale securities, non-current financial liabilities, fair value of hedging instruments and other non-current financial assets.



Reclassified income statement of the Tesmec S.p.A. Parent Company

Income statement

(€ in thousands)

	As at 31 December	
	2016	2015
Revenues from sales and services	78,810	115,071
Total operating costs	(76,055)	(101,91)
Operating income	2,755	13,152
Net financial income/(expenses)	(674)	(1,927)
Pre-tax profit	2,081	11,225
Net profit for the period	1,648	7,412
EBITDA	7,614	18,033
EBITDA (% on revenues)	9.7%	15.7%



Reclassified balance sheet of the Tesmec S.p.A. Parent Company

Balance sheet	31 December 2016	31 December 2015
<i>(€ in thousands)</i>		
Total non-current assets	59,253	76,311
Total current assets	127,708	121,421
Total assets	186,961	197,732
Total non-current liabilities	47,142	73,000
Total current liabilities	94,107	77,693
Total liabilities	141,249	150,693
Total shareholders' equity	45,712	47,039
Total shareholders' equity and liabilities	186,961	197,732



Reclassified consolidated cash flow statement of the Tesmec S.p.A. Parent Company

Summary of the cash flow statement (€ in thousands)	As at 31 December	
	2016	2015
Net cash flow generated by (used in) operating activities (A)	(6,969)	13,084
Net cash flow generated by (used in) investing activities (B)	12,801	(26,969)
Net cash flow generated by financing activities (C)	(6,759)	15,020
Total cash flow for the period (D=A+B+C)	(927)	1,135
Cash and cash equivalents at the beginning of the period (F)	15,451	14,316
Effect of exchange-rate changes on cash and cash equivalents (E)	-	-
Cash and cash equivalents at the end of the period (G=D+E+F)	14,524	15,451



Statement of Funding Sources and Uses of the Tesmec S.p.A. Parent Company

Funding Sources and Uses

(Euro in thousands)	<u>As at 31 December 2016</u>	<u>As at 31 December 2015</u>
Net working capital ⁶	38,814	24,743
Fixed assets	57,255	73,775
Other long-term assets and liabilities	(2,319)	(1,610)
Net invested capital⁷	<u>93,750</u>	<u>96,908</u>
Net financial indebtedness ⁸	48,039	49,868
Shareholders' equity	45,711	47,040
Total sources of funding	<u>93,750</u>	<u>96,908</u>

⁶ The net working capital is calculated as current assets net of current liabilities excluding financial assets and financial liabilities. Net working capital is not recognised as a measure of performance by the IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Company may not necessarily be comparable therewith.

⁷ The net invested capital is calculated as net working capital plus fixed assets and other non-current assets less non-current liabilities. The net invested capital is not recognised as a measure of performance under IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Company may not necessarily be comparable therewith.

⁸ The net financial indebtedness is calculated as the sum of cash and cash equivalents, current financial assets including available-for-sale securities, non-current financial liabilities, fair value of hedging instruments and other non-current financial assets.

Fine Comunicato n.1155-6

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