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Oggetto	:	Tesmec - The BoD approved the Interim consolidated financial report as at 30 September 2017 and a related-party transaction

Testo del comunicato

Vedi allegato.

THE BOARD OF DIRECTORS OF TESMEC S.P.A. APPROVED THE INTERIM CONSOLIDATED FINANCIAL REPORT AS AT 30 SEPTEMBER 2017:

- **REVENUES AND MARGINS STILL GROWING;**
- **NET PROFIT NEGATIVLY INFLUENCED BY UNREALIZED CHANGE DIFFERENCES;**
- **IMPROVING NET FINANCIAL DEBT;**
- **CONSTANT HIGH VALUES BACKLOG**

Main consolidated results as at 30 September 2017 (vs the first nine months of 2016):

- **Revenues: Euro 132.1 million** (**+21,8%** compared to Euro 108.5 million as at 30 September 2016);
- **EBITDA Adj**[1]: **Euro 15.3 million** (**+42,7%** compared to Euro 10.7 million as at 30 September 2016). EBITDA[2] equal to 13.6 million euro (+27,0%);
- **EBIT: Euro 3.1 million** (**+97.5%** compared to Euro 1.6 million as at 30 September 2016);
- **Net profit**: **negative for Euro 1.8 million** (compared to a negative net result for Euro 1.4 million as at 30 September 2016) due to 4.6 million euros of provisions for unrealized exchange differences;
- **Net financial indebtedness: Euro 93.5 million** (in improvement compared to Euro 96.7 million as at 31 December 2016 and to Euro 115.3 million as at 30 September 2016);
- **Total order backlog: Euro 177.0 million** (**+64,2** compared to Euro 107.8 million as at 30 September 2016).

THE BOARD OF DIRECTORS APPROVED ALSO RELATED-PARTIES TRANSACTIONS INVOLVING MTS - OFFICINE MECCANICHE DI PRECISIONE S.P.A.

Grassobbio (Bergamo - Italy), 27 October 2017 – 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 September 2017, which closes with still increasing revenues and margins, an improvement in net financial debt and a net result negatively affected only by unrealized change differences and not by the Group's business operations.

The **Chairman and CEO Ambrogio Caccia Dominioni** commented as follows: “We are very pleased to be able to keep for the third consecutive quarter revenues higher by 20% compared to the same period of the previous year and to maintain also the backlog at the outstanding levels achieved at the end of last year. This demonstrates the validity of the strategic choices made and the effectiveness of ongoing business

[1] The EBITDA Adj is represented by EBITDA to the net of the rental costs coming from the real estate transaction realized at the end of last year that in 2016 were recorded as amortization and passive interests.

[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.

development actions. The third quarter results also confirm the trend of improving margins and working capital. We are also confident about the remainder of the year as the special projects currently underway see the Group strongly committed in high growth sectors such as Green Energy, Renewable Energy and Large Housing Development Plans in the emerging countries."

MAIN CONSOLIDATED RESULTS AS AT 30 SEPTEMBER 2017

As at **30 September 2017**, Tesmec Group recorded consolidated **Revenues** of **Euro 132.1 million**, **with an increase of 21.8 %** compared to Euro 108.5 million at 30 September 2016 financial year. This result confirms a recovery already highlighted in the previous quarters and it is mainly supported by the services segment that recorded an increase in the same period of 41.3%. Service performances are particularly related to the Trencher segment and they are represented by project or rental equipment activities conducted in Oceania, France, Africa and United States.

Results as at 30 September	Revenues from sales and services		
(Euro in thousands)	**2017**	**2016**	**Variation**
Energy[3]	44,839	30,472	*47.1%*
Effect on Consolidated Revenues	*33.9%*	*28.1%*	
Trencher	76,083	74,276	2.4%
Effect on Consolidated Revenues	*57.6%*	*68.5%*	
Railway	11,212	*3,729*	200.7%
Effect on Consolidated Revenues	*8.5%*	*3.4%*	
Consolidated	**132,131**	**108,477**	***21.8%***

All three sectors in which the Group operates record significant increases over the last year same period.

In detail, at 30 September 2017 the **Energy segment** recorded Revenues of **Euro 44.8 million, with an increase of 47.1%** compared to Euro 30.5 million as at September 2016. This trend benefits from a general recovery in infrastructure investment in Emerging Countries. With reference to the **Railway segment**, the **Revenues** were **Euro 11.2 million** as at 30 September 2017, **with an increase of 200.7%** compared to Euro 3.7 million in the first nine months of 2016. The improvement is attributable to the development phase of production activities related to the major acquisitions acquired at the end of 2016. The Revenues of the **Trencher segment** at 30 September 2017 amount to **Euro 76.1 million, with an increase of 2.4%** compared to **Euro 74.3** in the first nine months of 2016 with a trend that is attributable to the growth in revenues for service activities.

In geographic terms, in the first nine months of 2016, the Tesmec Group has achieved 82% of revenues overseas, especially in non-EU countries, but there is also an increase in sales in Italy, where revenues from

[3] In relation to the growing supply of products not closely tied to the Stringing this segment has been named Energy since the 2017 Half-year Financial Report

the Group more than doubled compared to the last year same period, thanks to Railway and Automation Business contributions. In the BRIC and Others segment, it is noted the contribution from the completion of the order to the Indonesian Electricity Authority (PLN), the award of which was announced on 7 November 2016.

As at 30 September 2017, the **consolidated EBITDA Adj** to the net of the higher rental costs amounted to **Euro 15.3 million,** with an increase of 42.7% compared to Euro 10.7 million recorded at 30 September 2016. Including the higher rental costs, the EBITDA is equal to Euro 13.6 million, with an increase of 27.0%, compared to the Euro 10.7 million recorded at September 30 of 2016.

The **EBIT** of Tesmec Group as at 30 September 2017 was **Euro 3.1 million**, **with an increase of 97,5%** compared to 1.6 million as at 30 September 2016.

In first nine months of 2017, the **Net Financial Income and Expenses** of the Tesmec Group were **Euro 6.4 million** compared to Euro 3.6 million recorded at 30 September 2016 since they are adversely affected by Euro 4.6 million of unrealized change differences arising from the adjustment of loans and receivables in currencies other than the Euro which at 30 September 2016 were only Euro 0.3 million.

Consolidated **Net Result** of the Tesmec Group as at 30 September 2017 was **negative of Euro 1.8 million**, compared to negative Euro 1.4 million recorded at 30 September 2016. This trend reflects the growth in operating profit, but is negatively affected by provisions for unrealized exchange differences.

The **Net Working Capital** of the Tesmec Group as at 30 September 2017 was **Euro 68.6 million**, compared to Euro 76.0 million as at 31 December 2016 and recorded a decrease of 9.8% despite the increase in revenues of 21.8%.

The **Net Financial Indebtedness** of the Tesmec Group as at 30 September 2017 was **Euro 93.5 million,** with an improvement both compared to Euro 96.7 million at 31 December 2016 and to Euro 115.3 million at 30 September 2016.

As at 30 September 2017, the **Total Order Backlog** of the Tesmec Group amounted to **Euro 177.0 million** - **Euro 19.7 million** of which refers to the **Energy** segment, **Euro 50.2 million** to the **Trencher** segment and **Euro 107.1 million** to the **Railway** segment - with an increase of 64.2% compared to Euro 107.8 million as at 30 September 2016.

SIGNIFICANT EVENTS AFTER 30 SEPTEMBER 2017

Significant events after 30 September 2017 include the underwriting of certain transactions with the related party MTS Officine Meccaniche di Precisione S.p.A., better illustrated in the following.

BUSINESS OUTLOOK

It is expected that fourth-quarter revenues may be higher than those of the third quarter, mainly thanks to the development rate concerning projects for the Green Energy segment, where the Group has already consolidated its presence and to the deliveries related to the railway vehicles contract with RFI. It is therefore expected that revenue at the end of the year will be around 180 million euros and will generate a level of EBITDA on revenues of about 13%. Lastly, a forecast of debt reduction is confirmed thanks to the continuous improvement of working capital.

Treasury Shares

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

TRANSACTION WITH RELATED PARTY

The Board of Directors has approved today some transactions with the related party MTS - Officine Meccaniche di Precisione S.p.A. **("MTS")** concerning the execution of:

(i) a sales agreement that concerns the sale by Tesmec to MTS of certain machines produced by Tesmec Group (**"Sale Agreement"**);

(ii) a service contract for the supply by Tesmec Group in favor of MTS - and, in general, of the users of the machines in its own range of logistics and maintenance services (transport, maintenance, interventions in and out of warranty, custody, repair, etc.) ("**Service Agreement**"); and

(iii) a rental agreement that refers to the renting by MTS in favor of Tesmec Group of certain machines owned by MTS (**"Rental Agreement"**).

The Board of Directors' evaluations concerning the economic and financial reasons as well as the convenience of such transactions reside (i) in the interest of the Group to develop its own business in the related and functional activities in the field of renewable energy projects, of the networks and of the telecommunications ("**Project Activities**"), given the very positive phase that projects in these areas are going through globally, and (ii) the analysis carried out by the Company, which have shown that the rental of machines for use in the Project Activities causes less risks than direct investment in machines, reducing invested capex and increasing the level of flexibility of the operative structure of the costs.

The Company estimates to achieve during the three-year period 2017-2019 a much larger amount of assets than the ones achieved in 2016 (€ 28,809 thousand), which would have to face rental costs under the Rental Agreement, which represent about 15% of the expected volumes.
The EBITDA of the Group generated by Project Activities will be at least in line with the average EBITDA of the Group.

The transaction fees have been determined as follows:
(i) with reference to the Sale Agreement and the Service Contract, on the basis of the Group's price list; and
(ii) with reference to the Rental Agreement, on the basis of certain objective parameters of reference including the duration of the rentals and the type of rental equipment.

The transactions constitute transactions between related parties, pursuant to Consob Regulation approved by Resolution no. 17221 of 12 March 2010, as subsequently integrated and amended ("**Related Parties Regulation**"), and the procedure for related parties transactions of the Company ("**Related Parties Procedure**"), as MTS and Tesmec are both controlled by TTC S.r.l. which holds (i) a holding equal to approximately 57.09% of Fi. Ind. S.p.A. share capital which holds a holding of 95.27% of MTS share capital and (ii) a 44.24%[4] holding in Tesmec share capital.

The share capital of TTC S.r.l. is held for the 18.62% by Tesmec's Chairman and CEO Ambrogio Caccia Dominioni, for the 18.62% by Tesmec Director Lucia Caccia Dominioni and 18.62% by Tesmec Director Caterina Caccia Dominioni. In addition, it is recalled that (i) the Chairman and Chief Executive Officer of Tesmec Ambrogio Caccia Dominioni covers the position of non-executive director of MTS and (ii) the Vice Chairman of Tesmec Gianluca Bolelli holds the position of TTC Srl Advisor.

In particular, it should be noted that even though the transactions involve related parties, given the market conditions provided by the Sale Agreement and the Services Agreement, the subscription of these agreements would fall within the scope of the definition of "Ordinary Transactions" listed on Annex 2 of the Related Parties Procedure and, therefore, pursuant to Article 10 of such Procedure would be exempted from the application of the relevant provisions.

However, as the execution of the Rental Agreement constitutes a transaction with a related party of greater importance pursuant to the Related Parties Regulation and Related Parties Procedure by exceeding the relevant thresholds therein, with the aim of the maximum transparency for the benefit of the market and of all investors, the Board of Directors has considered appropriate to examine the three transactions with the related parties collectively. The Company has involved in the negotiations and valuations of the operations the Control and Risks Committee in its functions of Committee for the transactions with the Company's Related Parties ("**Committee**"), which today has issued its opinion on the Group's interest at the completion of the transactions as well as the convenience and substantial fairness of the relevant conditions.

In order to support the issuing of its opinion, the Committee has availed the expert Prof. Dr. Alessandro Cortesi.

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For more information, please refer to the information document prepared pursuant to Article 5 of the Related Parties Procedure and Art. 5 of the Related Parties Regulation, which will be made available to the public, along with the other attached documents (the opinion of the Related Parties Committee and the essential elements of the report of Prof. Dr. Alessandro Cortesi) nearby Tesmec administrative headquarter located in in Grassobbio (BG), Via Zanica, no. 17, on Tesmec website (www.tesmec.com), on the authorized eMarket-Storage, at www.emarketstorage.com and at Borsa Italiana S.p.A. (Milan, Piazza degli Affari No. 6).

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[4] Of which approximately 30.30% directly detained by TTC S.r.l. and about 13.94% detained through Fi. Ind. S.p.A.

At 8:30 AM (CET) on October 30, 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 first nine months of the year 2017 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:

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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.

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The Interim consolidated financial report as at 30 September 2017 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 eMarket-Storage, at www.emarketstorage.com and through publication on the company website www.tesmec.com as according to law.

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For further information:

Tesmec S.p.A.
Lucia Caccia Dominioni
Investor Relations
Tel: +39 035 4232840 – Fax: +39 035 3844606
E-mail: ir@tesmec.it

Image Building - Media Relations
Simona Raffaelli, Alfredo Mele
Tel: +39 02 89011300
E-mail: tesmec@imagebuilding.it

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 700 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, as well as three research and development units respectively in Fidenza (Parma), 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.

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Attached below[5]:

[5] Not subject to verification by the auditors

Tesmec Group reclassified consolidated income statements

(€ in thousands)	As at 30 September	
	2017	**2016**
Revenues	**132,131**	**108,477**
Total operating costs	129,010	106,897
Operating Income	**3,121**	**1,580**
Financial (income) / expenses	(6,466)	(3,421)
Share of profit / (loss) of associates and joint ventures	63	(177)
Resultbefore taxation	**(3,282)**	**(2,018)**
Net result for the period	**(1,840)**	**(1,427)**
EBITDA	**13,585**	**10,695**
EBITDA (% on Revenue)	**10,3%**	**9,9%**
Rental costs	1,674	-
EBITDA adj	**15,259**	**10,695**

Tesmec Group reclassified consolidated statements of financial position

(€ in thousands)	**30 September 2017**	**31 December 2016**
Non-current assets	80,799	82,276
Current assets	157,586	152,026
Total assets	**238,385**	**234,302**
Non-current liabilities	58,190	65,828
Current liabilities	135,003	118,554
Total liabilities	**193,193**	**184,382**
Equity	45,192	49,920
Total equity and liabilities	**238,385**	**234,302**

Tesmec Group other consolidated financial information

(€ in thousands)	As at 30 September	
	2017	**2016**
Net cash provided/(used) by operating activities (A)	14,441	(6,845)
Net cash provided/(used) by investing activities (B)	(14,475)	(11,903)
Net cash provided/(used) by financing activities (C)	3,837	12,284
Increase / (decrease) in cash and cash equivalents (D=A+B+C)	**(3,803)**	**(6,464)**
Cash and cash equivalents at the beginning of the period (F)	**18,501**	**21,204**
Net effect of conversion of foreign currency on cash and cash equivalents (E)	(310)	(8)
Total cash and cash equivalents at end of the period (G=D+E+F)	**21,994**	**14,732**

Tesmec Group other consolidated financial information

(€ in thousands)	As at 30 September 2017	As at 31 December 2016
Net working capital[6]	68,584	76,038
Non current assets	68,715	70,056
Other Non current assets and liabilities	1,415	517
Net invested capital[7]	**138,714**	**146,611**
Net financial indebtedness[8]	93,522	96,691
Equity	45,192	49,920
Total equity and net financial indebtedness	**138,714**	**146,611**

[6] 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.

[7] 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.

[8] 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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