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Oggetto	:	Tesmec - The BoD approved draft Financial Statement at 31.12.2017 and Consolidated Financial Statement 31.12.2017

Testo del comunicato

Vedi allegato.

THE BOARD OF DIRECTORS APPROVES THE DRAFT FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017[1] WHICH RECORDED A STRONG IMPROVEMENT OF ALL ECONOMIC INDICATORS AND AN IMPORTANT CASH GENERATION, CONFIRMING A RELEVANT GROWTH OF THE GROUP IN ALL BUSINESSES

Main consolidated results of the 2017 financial year (compared to 2016 financial year):

- **Revenues: Euro 175.6 million** (**+36.6%** compared to Euro 128.5 million as at 31 December 2016);
- **EBITDA Adj**[2]**: Euro 22.9 million** (**+97.4%** compared to Euro 11.6 million as at 31 December 2016). EBITDA[3] amounted to Euro 20.7 million (+143.5%);
- **EBIT: Euro 6.1 million** (**+241.7%** compared to negative Euro 4.3 million as at 31 December 2016);
- **Net loss: Euro 1.4 million** (**+63.7%** compared to a net loss of Euro 3.8 million as at 31 December 2016) mainly due to the negative impact of exchange rate differences of Euro 4.7 million and to the adjustment of net deferred taxes of Euro 0.8 million, due to the US fiscal reform;
- **Net financial indebtedness: Euro 85.2 million** (with an improvement of 11.9% compared to Euro 96.7 million as at 31 December 2016);
- **Total Order Backlog: Euro 195.0 million** (**+7.73%** compared to Euro 181.0 million as at 31 December 2016).

Other resolutions:

- **The Shareholders' Meeting was convened on 6 April 2018 at the premises of Grassobbio**

Grassobbio (Bergamo - Italy), 01 March 2018 – 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 2017**, that recorded a further relevant growth of revenues, marginality and a strong reduction of the net financial indebtedness. The net result, with an improvement of 63.7% compared to the previous financial year, is still affected by exchange rate differences of Euro 4.7 million and incorporated the negative effect of the adjustment of net deferred taxes due to the US fiscal reform, for an amount of Euro 0.8 million.

The **Chairman and Chief Executive Officer Ambrogio Caccia Dominioni** commented as follows: "In the fourth quarter of 2017 the positive trend of Group's results was further strengthened in terms of volumes, margins, cash generation and order intake. The Group achieved positive results in all the business segments, taking advantages from a recovery in infrastructure investments both in emerging Countries, thanks to the increase in raw material prices and to the weakness of the dollar, and in developed Countries where expansive fiscal policies are an important driver for the investments.

[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 Adj is represented by EBITDA to the net of the non-recurring costs and the rental costs coming from accounting reclassification of the lease of the premises of Grassobbio realized at the end of last year that in 2016 were recorded as amortization and passive interests.

[3] 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.

The Group is increasingly addressing to the Premium segments of leading markets for quality and innovation, such as the Italian and European markets, which recognize the added value of Tesmec "4.0" solutions and that are registering an increase in investments in high-tech content sectors.”

MAIN CONSOLIDATED RESULTS AS AT 31 DECEMBER 2017

As at **31 December 2017**, the Tesmec Group achieved consolidated **Revenues** of **Euro 175.6 million**, **with an increase of 36.6%** compared to Euro 128.5 million as at 31 December 2016. This result confirms the double-digit growth of the consolidated revenues already recorded in the previous quarters and in all the three business segments of the Group.

Results as at 31 December	**Revenues from sales and services**		
(€ in thousands)	**2017**	**2016**	**Change**
Energy[4]	52,069	42,212	*23.4%*
Effect on consolidated revenues	*29.7%*	*32.8%*	
Trencher	106,047	80,571	*31.6%*
Effect on consolidated revenues	*60.4%*	*62.7%*	
Railway	17,443	5,730	*204.4%*
Effect on consolidated revenues	*9.9%*	*4.5%*	
Consolidated	**175,559**	**128,513**	***36.6%***

In detail, the **Energy segment** recorded **Revenues** of **Euro 52.1 million**, **with an increase of 23.4%** compared to Euro 42.2 million as at 31 December 2016 thanks to the recovery of the investment in infrastructures in the emerging countries. Finally, for what concerns the **Railway segment**, the **Revenues** as at 31 December 2017 amounted to Euro **17.5 million**, **with an increase of 204.4%** compared to Euro 5.7 million recorded as at 31 December 2016. The improvement is due to the development phase of the production activities concerning the important orders at the end of 2016. The **Revenues** of the **Trencher segment** as at 31 December 2017 amounted to Euro **106.0 million**, **with an increase of 31.6%** compared to Euro 80.6 million of 2016, with a strong increase especially in the last quarter thanks to the growth of the revenues in services activities in the renewable energies and telecom sectors.

Geographically, in 2017, the Group achieved more than 80% of revenues in foreign markets. An important contribution comes from Italy, allowing a better balance between export and domestic market. We expect that this trend will be further improved in the next years as a result of the strong impulse to innovation in the high-tech markets to which the Group is addressed with its innovative solutions, in particular in the Railway segment with smart and "green" vehicles and in the Energy segment with advanced grid

[4] In relazione all’aumentata offerta di prodotti non strettamente legati alla tesatura tale settore ha preso il nome di Energy partire dalla Relazione Semestrale del 2017.

management systems. In the BRICs and Others segment there are important orders from Brazil and Indonesia for the Energy sector.

As at 31 December 2017, **EBITDA Adj**, without considering non-recurring costs of Euro 0.4 million and the accounting reclassification of the lease of the premises of Grassobbio of Euro 1.8 million that weren't included in the EBITDA till 2016, was Euro **22.9 million, with an increase of 97.4%** compared to Euro 11.6 million as at 31 December 2016. Considering non-recurring costs and costs for the lease of the premises of Grassobbio, EBITDA was Euro 20.7 million, with an increase of 143.5% compared to Euro 8.5 million as at 31 December 2016. The Group significantly invested in Research & Development without impacting on profitability, benefiting from important contributions in innovation-oriented Countries. In particular, the main investments focused on the expansion of the offer in the new sectors of Automation, Powerlines maintenance and service activities in addition to the renewal of the range of products in the traditional sectors of Stringing Equipment and Trenchers.

EBIT as at 31 December 2017 of the Tesmec Group was **Euro 6.1 million, with an increase of 241.7%** compared to a negative value of Euro 4.3 million as at 31 December 2016, thanks to the positive trend of the operativity of the Group.

The **net financial income and expenses** of the Tesmec Group in 2017, excluding Euro 4.7 million of negative exchange rate differences (mainly not realized and related to loans to subsidiaries) compared to a positive value of Euro 1.7 million as at 31 December 2016, amounted to **Euro 2.9 million**, with a reduction of 31,4% compared to Euro 4.3 million as at 31 December 2016.

The consolidated **Net Loss** as at 31 December 2017 amounted to **Euro 1.4 million, with an improvement of 63.7%** compared to the net loss of Euro 3.8 million as at 31 December 2016. On this result affected both the negative impact of the exchange rate differences, mainly not realized, of Euro 4.7 million and the adjustment of net deferred taxes of Euro 0.8 million due to the US fiscal reform that reduced the tax rate from 34% to 21%.

The **net working capital** of the Tesmec Group as at 31 December 2017 amounted to **Euro 60.8 million** compared to Euro 76.0 million as at 31 December 2016 and recorded a decrease of 20.0% despite the increase of revenues of 36.6%.

The **Net Financial Indebtedness** of the Tesmec Group as at 31 December 2017 amounted to **Euro 85.2 million,** with an improvement of 11.9% compared to Euro 96.7 million as at 31 December 2016.

As at 31 December 2017, the **Total Order Backlog** of the Tesmec Group amounted to **Euro 195.0 million** - **Euro 24.4 million** of which referring to the **Energy** segment, **Euro 68.5 million** to the **Trencher** segment and **Euro 102.1 million** to the **Railway** segment – with an increase of 7.73% compared to Euro 181.0 million as at December 2016.

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

The Parent Company Tesmec S.p.A. closed the 2017 financial period with Net revenues of Euro 90.9 million, with an increase of 15.4% compared to Euro 78.8 million as at 31 December 2016.
In the 2017 financial year, the EBITDA of Tesmec S.p.A. amounted to around Euro 11.6 million, with an increase of 51.8% compared to Euro 7.6 million as at 31 December 2016.

The net profit of the Parent Company as at 31 December 2017 amounted to Euro 1.9 million, with an increase of 20.9% compared to Euro 1.6 million as at 31 December 2016.
The net financial indebtedness of the Parent Company as at 31 December 2017 amounted to Euro 40.9 million compared to Euro 48.0 million as at 31 December 2016.

MAIN EVENTS OCCURRING AFTER THE PERIOD UNDER REVIEW

On **20 December 2017**, Tesmec started the construction of a new production plant for the railway business, with the purchase of land located in the Monopoli (Bari - Italy) industrial area. In detail, the new and modern site, which will replace the two currently rented in Monopoli, will be active in the design, prototyping and manufacture of railcars for the installation and maintenance of railway catenary, multipurpose vehicles and power units for passenger trains. The expected investment for this new plant will be approximately Euro 8 million. Furthermore, investments are planned for Research & Development and prototyping activities in the railway sector. Both investments will receive contributions from the Regional Program Contracts of Puglia, that, in mid-December 2017, sent the management act with the admission to the phase of presentation of the final project.

On **31 January 2018**, Tesmec S.p.A. acquired a further shareholding of 13.2% of the share capital of Marais Technologies SAS ("Marais"), a French company already controlled by Tesmec with a stake of 52.8% of the share capital - head of a leading international group in the rental and construction services of infrastructure machinery in the telecommunications, electricity and gas sectors. The participation in the shareholding was transferred to Tesmec by C2D SAS, a company linked to Daniel Rivard, current Marais President, in the execution of broader agreements (referred to in Press Releases of 27 March 2015, 8 April 2015 and 22 December 2015) concluded, on the one hand, by Tesmec and, on the other, by Daniel Rivard and C2D. The price paid for the purchase of the investment amounted to Euro 1.5 million.

BUSINESS OUTLOOK

Based on the positive trend of the order backlog of the Group recorded in the second half of 2017, we expect to reach a revenue target in the range of Euro 200 million in 2018 with a consequent improvement in margins, thanks to a better absorption of fixed costs. Inflation linked to the cost of raw materials and USD expected to stay at the current exchange rates with the Euro could, on the other hand, negatively affect the margins. The order backlog is expected to remain constant, keeping the portfolio at current levels but with shorter timing and greater diversification on the several business segments of the Group.

Furthermore, structural growth is expected in the most developed markets, particularly in Italy and in Europe, with key customers that recognize the added value of the Tesmec smart solutions, characterized by quality and high digital content in line with the "Industry 4.0" philosophy.

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

Tesmec announces that from today's date the Chief Financial Officer and Manager responsible for the preparation of the corporate accounting documents, Andrea Bramani, in Tesmec since 2008, has resigned from his position to seize new professional challenges.

The Group thanks Andrea Bramani for the contribution provided with his experience and expertise in achieving important milestones for the Company including the Listing on the Stock Exchange in 2010.

The Company has already identified a high-profile successor whose name will be communicated to the market within the required deadlines. The organizational structure will assume ad interim his function.

In accordance with the Instructions to the Market Rules of the Italian Stock Exchange, please note that Andrea Bramani hold 20,000 Tesmec ordinary shares.

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.

The Board of Directors of Tesmec S.p.A resolved not to propose to the Shareholders' Meeting the distribution of dividends with the aim to promote the strengthening of the Group's capital structure.

Finally, the Board of Directors of Tesmec S.p.A. decided to convene the Ordinary Shareholders' Meeting of the Company on 6 April 2018, at 10:30, in single call at the operating premises of Grassobbio.

The Shareholders will be requested to deliberate on:

- Presentation of the Tesmec Group's consolidated financial statements and review and approval of the financial statements as at 31 December 2017 and relevant reports, including the disclosure of non-financial information; allocation of result for the period; related and consequent resolutions.
- Consultation on the first section of report on remuneration pursuant to Article 123-ter paragraph 6 of Italian Legislative Decree no. 58/1998.
- Proposal of authorisation to purchase and dispose of treasury shares, subject to the withdrawal of the resolution passed by the Shareholder's Meeting of 28 April 2017; related and consequent resolutions.

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Conference Call

At 3:00 PM (CET) – 2:00 PM BST, Thursday 1st March 2018 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 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:
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 draft financial statements and the consolidated financial statements as at 31 December 2017 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.

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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 750 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, 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	**As at 31 December**	
(€ in thousands)	**2017**	**2016**
Revenues from sales and services	**175,559**	**128,513**
Total operating costs	(169,450)	(132,823)
Operating income	**6,109**	**(4,310)**
Net financial income/(expenses)	(7,654)	(2,419)
Portion of gains/(losses) from equity investments evaluated using the equity method	33	(141)
Pre-tax profit	**(1,512)**	**(6,870)**
Net profit for the period	**(1,412)**	**(3,853)**
EBITDA	**20,742**	**8,520**
EBITDA (% on revenues)	**11.8%**	**6.60%**

Tesmec Group reclassified consolidated balance sheet

Balance sheet *(€ in thousands)*	**31 December 2017**	**31 December 2016**
Total non-current assets	79,183	82,276
Total current assets	154,006	152,026
Total assets	**233,189**	**234,302**
Total non-current liabilities	49,987	65,828
Total current liabilities	138,370	118,554
Total liabilities	**188,357**	**184,382**
Total shareholders' equity	44,832	49,920
Total shareholders' equity and liabilities	**233,189**	**234,302**

Tesmec Group reclassified consolidated cash flow statement

Summary of the cash flow statement	**As at 31 December**	
(€ in thousands)	**2017**	**2016**
Net cash flow generated by (used in) operating activities (A)	26,865	(6,225)
Net cash flow generated by (used in) investing activities (B)	(19,472)	5,072
Net cash flow generated by financing activities (C)	(4,154)	(1,647)
Total cash flow (D=A+B+C)	**3,239**	**(2,800)**
Cash and cash equivalents at the beginning of the period (F)	**18,501**	**21,204**
Effect of exchange-rate changes on cash and cash equivalents (E)	(253)	97
Cash and cash equivalents at the end of the period (G=D+E+F)	**21,487**	**18,501**

Consolidated statement of Funding Sources and Uses of the Tesmec Group

Funding Sources and Uses		
(€ in thousands)	**As at 31 December 2017**	**As at 31 December 2016**
Net working capital [5]	60,806	76,038
Fixed assets	68,386	70,056
Other long-term assets and liabilities	913	517
Net invested capital [6]	**130,105**	**146,611**
Net financial indebtedness [7]	85,273	96,691
Shareholders' equity	44,832	49,920
Total sources of funding	**130,105**	**146,611**

[5] 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.

[6] 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.

[7] 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**	
	2017	**2016**
Revenues from sales and services	**90,949**	**78,810**
Total operating costs	(84,023)	(76,055)
Operating income	**6,926**	**2,755**
Net financial income/(expenses)	(5,276)	(674)
Pre-tax profit	**1,650**	**2,081**
Net profit for the period	**1,993**	**1,648**
EBITDA	**11,561**	**7,614**
EBITDA (% on revenues)	**12.7%**	**9.7%**

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

Balance sheet ***(€ in thousands)***	**As at 31 December 2017**	**As at 31 December 2016**
Total non-current assets	60,186	59,253
Total current assets	125,465	127,708
Total assets	**185,651**	**186,961**
Total non-current liabilities	38,214	47,142
Total current liabilities	99,712	94,107
Total liabilities	**137,926**	**141,249**
Total shareholders' equity	47,725	45,712
Total shareholders' equity and liabilities	**185,651**	**186,961**

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**	
	2017	**2016**
Net cash flow generated by (used in) operating activities (A)	12,331	(6,969)
Net cash flow generated by (used in) investing activities (B)	(9,784)	12,801
Net cash flow generated by financing activities (C)	(5,257)	(6,759)
Total cash flow for the period (D=A+B+C)	**(2,710)**	**(927)**
Cash and cash equivalents at the beginning of the period (F)	**14,524**	**15,451**
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)	**11,814**	**14,524**

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

Funding Sources and Uses

(Euro in thousands)	As at 31 December 2017	As at 31 December 2016
Net working capital [8]	32,042	38,814
Fixed assets	57,957	57,255
Other long-term assets and liabilities	(1,367)	(2,319)
Net invested capital [9]	**88,632**	**93,750**
Net financial indebtedness [10]	40,907	48,039
Shareholders' equity	47,725	45,711
Total sources of funding	**88,632**	**93,750**

[8] The net working capital is calculated as current assets net of current liabilities excluding financial assets and financial liabilities. Net working capital is not recognized 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.

[9] 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 recognized 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.

[10] 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.

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