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Diffusione presunta

Oggetto : Tesmec - The Board of Directors approved
First Quarter 2019 results

Testo del comunicato

Vedi allegato.



TESMEC S.P.A.: THE BOARD OF DIRECTORS APPROVES THE INTERIM REPORT ON OPERATIONS AS AT 31 MARCH 2019 WHICH RECORDED A GROWTH IN TURNOVER (+6.6%) AND A CONFIRMATION OF POSITIVE NET RESULT.

Main consolidated results of the first quarter 2019 (compared to first quarter 2018):

- **Revenues: Euro 49.8 million** (compared to Euro 46.7 million as at 31 March 2018);
- **EBITDA¹: Euro 5.7 million** (compared to Euro 6.1 million as at 31 March 2018); the **EBITDA ante IFRS 16² amounted Euro 4.9 million**;
- **Net profit: Euro 1.0 million** (compared to Euro 1.1 million as at 31 March 2018);
- **Net financial indebtedness ante IFRS 16: Euro 92.6 million** (with a decrease compared to Euro 77.7 million as at 31 December 2018 and with an improvement compared to Euro 98.7 million as at 31 March 2018); the Net financial indebtedness **post IFRS 16** amounted to **Euro 112.5 million**;
- **Total order backlog: Euro 199.5 million** (compared to Euro 196.0 million as at 31 March 2018).

Grassobbio (Bergamo - Italy), 6 May 2019 – 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 **Interim Consolidated Report on Operations as at 31 March 2018**, that recorded a growth in turnover. A margin that has not yet captured the full effectiveness of the positive management actions carried out from September last year. A net financial position characterized by the typical seasonality of the first quarter but expected to improve in the remaining part of the year.

The **Chairman and CEO Ambrogio Caccia Dominioni** commented as follows: *“The results of the first quarter are positive in terms of revenue growth, but not yet in terms of margins, which are expected to recover and be in line with expectations thanks to the implementation of the management actions undertaken at the end of last year. Generally speaking, the order acquisition is good and we are positively active on the main growing markets and in the sectors with the highest technological value”.*

MAIN CONSOLIDATED RESULTS AS AT 31 MARCH 2019

As at **31 March 2019**, Tesmec Group recorded consolidated **Revenues of Euro 49.9 million**, with an increase of 6.6% compared to Euro 46.7 million as at 31 March 2018 and of 4.5% at constant currencies. The three business sectors contributed in different way to this result, with a significant growth for the Railway segment.

¹ 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.

² Effective January 1 2019, the new international financial reporting standard IFRS 16 “Leases” came into force, it introduces a single lessee accounting model, eliminating the classification of leases as either operating leases or finance leases, and requires a lessee to recognize right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The application of IFRS 16 has the following impacts: an increase in fixed assets due to right-of-use of assets, an increase in financial liabilities on lease debt, an increase in EBITDA of, and to a lesser extent in EBIT, due to the removal of lease rates currently recorded under the operating costs, and a simultaneous increase in depreciation and a marginal change in net profit due to the accounting of financial expenses.

Results as at 31 March (Euro in thousands)	Revenues from sales and services		
	2019	2018	Variation
<i>Trencher</i>	30,969	33,367	-7.2%
<i>Effect on Consolidated Revenues</i>	62.1%	71.4%	
<i>Railway</i>	8,545	4,136	+106.6%
<i>Effect on Consolidated Revenues</i>	17.1%	8.8%	
<i>Energy</i>	10,332	9,242	+11.8%
<i>Effect on Consolidated Revenues</i>	20.7%	19.8%	
Consolidated	49,846	46,745	+6.6%

In detail, the **Revenues** in the **Trencher segment** as at 31 March 2019 were **Euro 30.9 million**, with a decrease of 7.2% compared to Euro 33.4 million as at 31 March 2018. The revenues of the segment were balanced in all the several geographic areas of the Group; it has to be underlined the performance of the US market, which recorded revenues of USD 12.0 million, in the first quarter 2019. The **Railway segment** recorded Revenues of **Euro 8.5 million** as at 31 March 2019, with an increase of 106.6% compared to Euro 4.1 million as at 31 March 2018. The improvement is due to the delivery of maintenance vehicles related to RFI contracts and diagnostic vehicles. The revenues of **Energy segment**, instead, were **Euro 10.3 million** as at 31 March 2019, with an increase of 11.8% compared to Euro 9.2 million as at 31 March 2018, in particular, in the first quarter the Energy-Automation segment achieved revenues of Euro 2.2 million, with an increase of 24.5% compared to the Euro 1.8 million as at 31 March 2018, in line with the yearly outlook for this segment.

In geographic terms, Tesmec Group achieved a positive performance on USA and European market, which recorded an increase of 51.6% and 64.6% respectively.

At 31 March 2019, the **EBITDA** was **Euro 5.7 million**, compared to Euro 6.1 million recorded as at 31 March 2018; the EBITDA is not yet impacted by the positive management actions rolled out at the end of the last year. **The EBITDA ante IFRS 16** was around **Euro 4,9 million**.

Consequently, the **EBIT** of Tesmec Group as at 31 March 2018 was **Euro 1.5 million**, compared to Euro 2.8 million as at 31 March 2018.

The **Net Financial Income and Expenses** of the Tesmec Group were **Euro 0.5 million** as at 31 March 2019 compared to Euro 1.5 million recorded at 31 March 2018. This trend is mainly due to a better situation on the currency market and to the Group's capability to manage and balance its financial structure.

The **consolidated Net results** as at 31 March 2019 of Tesmec amounted **Euro 1.0 million**, compared to the Net results as at 31 March 2018 of Euro 1.1 million.

The **Net Financial Indebtedness ante IFRS 16** of the Tesmec Group was Euro **92.6 million**, with a decrease compared to Euro 77.7 million at 31 December 2018 and with an improvement compared to Euro 98.7 million at 31 March 2018. The **Net Financial Indebtedness post IFRS 16** was Euro 112.5 million.



As at 31 March 2019, the **Total Order Backlog** of the Tesmec Group amounted to **Euro 199.5 million - Euro 68.0 million** of which referring to the **Trencher** segment, **Euro 103.5 million** to the **Railway** segment and **Euro 28.0 million** to the **Energy** segment – with an increase of 1.8% compared to Euro 196.0 million as at 31 March 2018.

BUSINESS OUTLOOK

The Group expects for 2019 a double-digit growth of the turnover, a recovery in margins and an improvement of the ratios related to the Net financial position. The lower marginality of the first quarter will be recovered and normalized in the second part of the year for the full operational impact of the management actions undertaken in the different areas of the Group. The main growth drivers will be linked, in the Energy sector, to the implementation of integrated solutions focused on special projects managed with new stringing methods and the launch of certified products for the design of the Smart Grid. In the Trencher sector, the growth will be driven by the development of the value chain for the 5G, FTTx and mining sectors. Finally, the Railway sector will be positively influenced by the start-up of projects related to new systems for diagnostics and maintenance on the web platform.

MAIN EVENTS OVER THE PERIOD UNDER REVIEW

On **22 March 2019**, the company Simest S.p.A. paid its share of Euro 1,843 thousand in the company Marais Laying Tech. (Pty) Ltd. as per agreements signed in the 2018 financial year. Following this payment, the companies Marais Laying Tech. (Pty) Ltd. and the related subsidiary Marais Laying Tech. (Pty) Ltd. New Zeland are 51% controlled by Tesmec S.p.A. and for the remaining 49% by Simest S.p.A. Because of the obligation in charge to Tesmec S.p.A. for repurchasing the shares held by Simest S.p.A., for accounting purposes the shareholdings are considered 100% consolidated.

MAIN EVENTS OCCURRING AFTER THE PERIOD UNDER REVIEW

On **16 April 2019**, the Shareholders' Meeting approved the financial statements 2018 of Tesmec S.p.A approved to assign the Net Operating Income to the Extraordinary Reserve. In the Meeting as well as the Consolidated Financial Statements and the Consolidated Non-financial Statement are approved. The Shareholders' Meeting also appointed the new Board of Directors of Tesmec S.p.A., previously defining the number of members and the duration of the assignment and established the related compensation. The following are elected to the Board of Directors, which will remain in office until the Shareholders' Meeting for the approval of the Financial Statements for the year end December 31, 2021: Ambrogio Caccia Dominioni, Gianluca Bolelli, Lucia Caccia Dominioni, Caterina Caccia Dominioni, Paola Durante, Simone Andrea Crolla, Emanuela Teresa Basso Petrino and Guido Luigi Traversa. The Board is composed of 4 independent Directors of the total 8 members. The Shareholders' Meeting also proceeded to appoint the new Board of Statutory Auditors, defining the related remuneration. The Board of Statutory Auditors of Tesmec S.p.A., which will remain in office until the Shareholders' Meeting for the approval of the Financial Statements at December 31, 2021, is therefore composed of the following members: Simone Cavalli, Stefano Chirico and Alessandra De Beni, acting as Statutory Auditors; Attilio Marcozzi and Stefania Rusconi, as Alternate Auditors. Simone Cavalli was also appointed Chairman of the Board of Statutory Auditors. The Shareholders' Meeting also approved in favor of the First Section of the Remuneration Report pursuant to



art. 123-ter TUF and also authorized the Board of Directors, for a period of 18 months, to purchase Tesmec ordinary shares up to 10% of the Company's share capital on the regulated market and within the limits of the distributable profits and available reserves resulting from last balance sheet regularly approved by the Company or by the subsidiary company that should proceed with the purchase. Lastly, the Tesmec Shareholders' Meeting approved the appointment to Deloitte & Touche SpA of the statutory audit engagement for financial year 2019-2027 and the related fees.

On **16 April 2019**, the new Board of Directors reappointed Ambrogio Caccia Dominioni, already Chairman and Chief Execution Officer of Tesmec S.p.A.. Furthermore, the Board of Directors assigned proxies and powers, and confirmed Gianluca Bolelli as Vice Chairman. The Board of Directors also renewed the Internal Committees, pursuant to the Corporate Governance Code, determining the compensation factors. The following are members of the Control and Risk, Sustainability and Related Party Transactions Committee: Emanuela Teresa Basso Petrino (Chairman), Guido Luigi Traversa and Simone Andrea Crolla. Instead they are part of the Remuneration and Appointments Committee: Simone Andrea Crolla (President), Emanuela Teresa Basso, Petrino and Caterina Caccia Dominioni

On **23 April 2019**, Cerved Rating Agency, the Italian rating agency specialized in the credit rating assessment of non-financial businesses, confirmed the solicited rating "B1.1" of the Company. This confirms the full solvency of Tesmec Group. This evaluation confirms the full solvency of Tesmec Group and it is the result of an analytic process which combines rigorous quantitative models of credit risk forecast and accurate qualitative studies of analysts, considering also the competitive positioning of the Company in the sector.

On **1 May 2019**, the merge by incorporation of Tesmec Service S.r.l. in the company Tesmec Rail S.r.l. was implemented.

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 informations

IFRS 16

Effective **January 1 2019**, the new international financial reporting standard IFRS 16 "Leases" came into force, it introduces a single lessee accounting model, eliminating the classification of leases as either operating leases or finance leases, and requires a lessee to recognise right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments

The accounting of the new principle for the lessee is the following:

- in the balance sheet: right of use assets and financial lease liabilities representing the obligation to make lease payments as provided for in the contract;
- In the income statement: among the operating costs, depreciation of right-of-use assets and interest expense accrued on lease liabilities; the income statement also includes payments for short-term and low-value leasing contracts and variable payments linked to the use of assets, not included in the determination of the right-of-use/lease liability, as allowed by the principle:



For the first application of ner principle, Tesmec applied the modified retrospective approach:

- recognizing the effect connected with the retrospective redetermination of shareholders' equity at January 1st, 2019, without restating previous years;
- made use of the practical expedient that allow to forego the application IFRS 16 to all asset leases whose residual duration as at Jaunary 1st, 2019 is less than 12 months;
- recognized a right-of-use asset for an amount corresponding to its lease liabiliy, rectified to take into account of accrued income from advances, and without considering the initial direct costs incurred in the years prior to January 1st, 2019;
- the renewal or ealy termination options, if any, were analyzed to determine the the total duration of the contract.

At March 31, 2019, the application of IFRS 16 had significant impacts on the balance sheet, income statement and Group cash flow:

- i. an increase in fixed assets due to right-of-use of assets, amounted to Euro 19.8 million;
- ii. an impact on net debt, due to an increase in financial liabilities on lease debt, amounted to Euro 19.9 million;
- iii. an increae in EBITDA of Euro 0.8 million, and to a lesser extent in EBIT, due to the removal of lease rates currenctly recorded under the operating costs, and a simultaneous increase in depreciation of Euro 0.7 million;
- iv. a marginanl change in net profit due to the accounting of financial expenses, amounted to Euro 0,1 million.

It should be reported that calculation of the covenants of the loan agreements and the bond loans in place are based on the Net Financial Debt calculated before application of IFRS 16.

Conference Call

At 2:30 PM (CET) – 1:30 PM BST, Monday 6th May 2019 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 quarter of 2019 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 manager responsible for the preparation of the corporate accounting documents, Gianluca Casiraghi, 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 Report on Operations as at 31 March 2019 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.

Marco Paredi

Investor Relations Manager

Tel: +39 035 4232840 – Fax: +39 035 3844606

E-mail: ir@tesmec.com

Image Building - Media Relations

Alfredo Mele, Alessandro Zambetti

Tel: +39 02 89011300

E-mail: tesmec@imagebuilding.it

The presentation to analysts and investors is available in the Investors section of the website:

<http://investor.tesmec.com/Investors/Presentations.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 850 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 balance sheet, income statement, statement of cash flows and the prospectus of sources and uses of the Tesmec Group as at 31 March 2019³.

³ Not subject to verification by the auditors



Tesmec Group reclassified consolidated income statements

<i>(€ in thousands)</i>	<u>As at 31 March</u>	
	<u>2019</u>	<u>2018</u>
Revenues	49,846	46,745
Total operating costs	(48,297)	(43,973)
Operating Income	1,549	2,772
Financial (income) / expenses	(1,206)	(793)
Foreign exchange gains/losses	690	(680)
Share of profit / (loss) of associates and joint ventures	(6)	3
Income before tax	1,027	1,302
Net income for the period	985	1,123
EBITDA	5,743	6,077
EBITDA (% on revenues)	11.5%	13.0%



Tesmec Group reclassified consolidated statements of financial position

<i>(€ in thousands)</i>	31 March 2019	31 December 2018
Non-current assets	102,450	81,883
Current assets	195,443	193,526
Total assets	297,973	275,409
Non-current liabilities	82,732	60,122
Current liabilities	170,554	171,949
Total liabilities	253,286	232,071
Equity	44,687	43,338
Total equity and liabilities	297,973	275,409



Tesmec Group other consolidated financial information

<i>(€ in thousands)</i>	<u>As at 31 March</u>	
	<u>2019</u>	<u>2018</u>
Net cash provided/(used) by operating activities (A)	(10,973)	(8,976)
Net cash provided/(used) by investing activities (B)	(22,683)	(1,143)
Net cash provided/(used) by financing activities (C)	23,422	4,509
Increase / (decrease) in cash and cash equivalents (D=A+B+C)	(10,414)	(5,610)
Cash and cash equivalents at the beginning of the period (F)	42,793	21,487
Net effect of conversion of foreign currency on cash and cash equivalents (E)	238	(87)
Total cash and cash equivalents at end of the period (G=D+E+F)	<u>32,617</u>	<u>15,790</u>



Tesmec Group other consolidated financial information

(€ in thousands)	<u>As at 31 March 2019</u>	<u>As at 31 December 2018</u>
Net working capital ⁴	64,373	48,897
Non-current assets	87,631	67,314
Other Non-current assets and liabilities	5,212	4,804
Net invested capital ⁵	<u>157,216</u>	<u>121,015</u>
Net financial indebtedness ⁶	112,529	77,677
Equity	44,687	43,338
Total equity and net financial indebtedness	<u>157,216</u>	<u>121,015</u>

⁴ 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.

⁵ 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.

⁶ 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.1155-21

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