



- Stringing
- Energy Automation
- Railway
- Trencher

Integrated Solutions Provider

2019.H1 Results Presentation



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> **Corporate Strategy**

> 2019.H1 Results

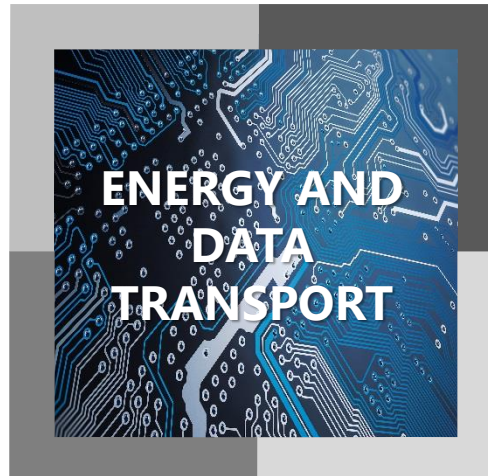
> 2019 Outlook

VISION

- > To be a technological **partner** in a changing world

VALUE PROPOSITION

- > To supply added-value **integrated solutions** for our customers



MISSION

- > To operate in the market of **infrastructure** for the transport of energy, data and material (oil and derivatives, gas, water).

STRATEGY

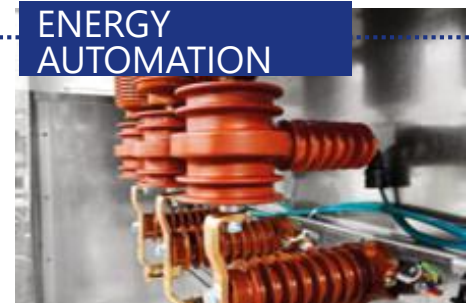
- > Innovation
- Internationalization
- Integration

ENERGY



STRINGING

- > Overhead power lines construction & maintenance
- > Advanced methodologies for powerlines improvement
- > Zero emissions underground cable laying



ENERGY AUTOMATION

- > Telecommunications solutions for HV Grids
- > Grid Management: protection and metering solutions
- > Advanced sensors for fault passage indication, protection and monitoring



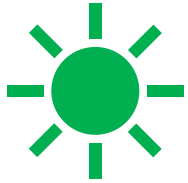
RAILWAY

- > Catenary lines construction & maintenance
- > Diagnostics systems
- > Big Data integrated solutions for safe infrastructure

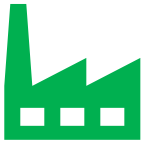


TRENCHER

- > Telecom networks, FTTH & long distance, power cable installation
- > Oil & Gas, Water pipelines
- > Bulk excavation, Quarries & Surfaces mining



- ✓ Grassobbio, Patrica and Monopoli plants are fed by solar panels







- ✓ By 31/07/2019 all Italian plants will be ISO 14001 and ISO 45001 compliant
- ✓ By 31/07/2019 Tesmec Automation will be ISO 14067:2018 (*Carbon footprint of products*) certified



- ✓ The whole production process takes care of waste and complies with recycling regulations



 BIODEGRADABLE OILS	 CARE FOR THE EQUIPMENT LIFE CYCLE
ENGINE EVOLUTION TIER4f READY 	-20% CO₂ EMISSIONS 
 REDUCED NOISE LEVEL	 +20% ALTERNATIVE POWER

- > Corporate Strategy
- > **2019.H1 Results**
- > 2019 Outlook

NEW METHODOLOGY FOR RECONDUCTORING

- **Age of grid** in development Countries is higher than conductor lifespan
- Grant the quality of the network service, **reducing outage period and related costs**



NEW SAFER FASTER & CHEAPER METHODOLOGY

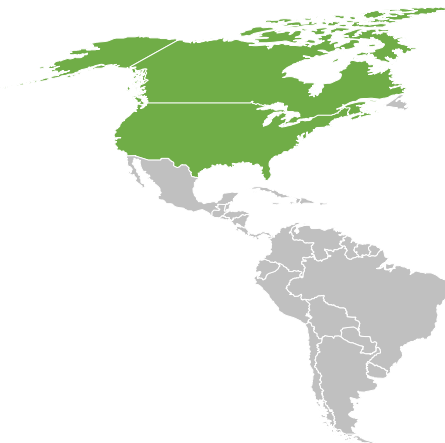


NEW DEAL FOR NORTH AMERICA MARKET

- Reorganization of our presence on energy sector
- New deals with partner for business development
- Development of customized products



INCREASE MARKET SHARE AND REVENUES STARTING FROM 2020



KEY OPPORTUNITIES IN GROWING MARKET SEGMENTS

ENEL MARKET:

- Continuous supplies of MV Smart devices in Italy and South America
- Cybersecurity Integration in compliance with market requirements

ITALIAN MARKET:

- Push on supplies for primary and secondary substation Automation by market diversification



KEY OPPORTUNITIES IN INTERNATIONAL MARKETS

RUSSIA:

- Growing direct supplies of SMT on the Rosseti Grid
- Start-up of supplies to local players (Engineering companies, EPC, installators) in order to expand the market

OTHER HV MARKETS:

- Ramp-up activities in North Africa
- New High Voltage telecommunications tenders in Eastern Europe and Middle East



KEY OPPORTUNITIES IN 5G&FIBER BUSINESS

Main targets: USA, UK, Africa

- Digital & connected solutions: **SAFETY** first and easier **PROJECT MANAGEMENT**
- Better overall **QUALITY**
- **Clean & Fast** working methodologies
- **INTEGRATED value chain**



KEY OPPORTUNITIES IN SURFACE MINING BUSINESS

Main targets: Bauxite, coal, limestone, alluvial gold

- Focus on: **PRODUCTIVITY, EXCAVATED MATERIAL SIZE, OPERATIVE COSTS**
- Safe & efficient working methodologies
- **INTEGRATED** solutions: **EQUIPMENT + SERVICES**



METHODOLOGY FOR SAFE & FAST CATENARY MAINTENANCE OPERATIONS

- Certified solution (**with remote control systems**) for replacement of the contact wires – RFI Italy
- Technological solutions for refurbishment of the line RER C network - RC2 consortium France



SOLUTIONS TO ASSURE RAILWAY INFRASTRUCTURES RELIABILITY & SAFETY

- Specialized vehicles equipped with **DIAGNOSTIC DEVICES** and **DIGITAL PLATFORM** to measure and to manage big amount of data in real time.
- Diagnostic systems to grant **SAFETY** of the railway infrastructures.



GROUP (€ mln)	2019.H1	2018.H1	Delta %
REVENUES	97,5	91,1	7,0% (1)
EBITDA (2) (3)	12,1	9,3	29,6%
% on Revenues	12,4%	10,2%	
EBIT	3,3	2,4	38,2%
% on Revenues	3,3%	2,6%	
Differences in Exchange (4)	0,3	0,0	n/a
% on Revenues	0,3%	0,0%	
PROFIT (LOSS) BEFORE TAX	1,1	0,8	34,9%
% on Revenues	1,1%	0,9%	
NET INCOME/(LOSS)	0,5	0,5	-1,1%
% on Revenues	0,5%	0,6%	
GROUP (€ mln)	2019.H1	2018.H1	Delta %
NFP ante IFRS 16	94,1	92,1	-2,2%
NFP post IFRS 16 (3)	112,5		

(1) + 5,3% at constant currencies

(2) The EBITDA has not yet impacted by the full effectiveness of the positive management actions rolled out from September of the last year and impacted by the lower performance of the Marais Group

(3) Starting from the 1st January 2019, the new IFRS 16 has been introduced. It impacts:

- EBITDA +1,8 M€
- Depreciation - 1,6 M€
- Net Results - 0,2 M€
- Intangible assets + 18,2 M€
- NFP + 18,4 M€

The EBITDA ante IFRS would have been 10,3 M€

(4) The positive exchange differences are positive due to the favorable effects FX



ENERGY	2019.H1	2018.H1	Delta %
Revenues	21,9	20,8	5,6%
EBITDA*	2,8	2,6	11,1%
% on Revenues	12,9%	12,3%	
* EBITDA ante IFRS 16 would have been 2,3 M€			

- > Energy Automation Growth
- > European Market Driven



TRENCHERS	2019.H1	2018.H1	Delta %
Revenues	59,2	60	-1,3%
EBITDA*	6,4	5,2	22,5%
% on Revenues	10,8%	8,7%	
* EBITDA ante IFRS 16 would have been 5,6 M€			

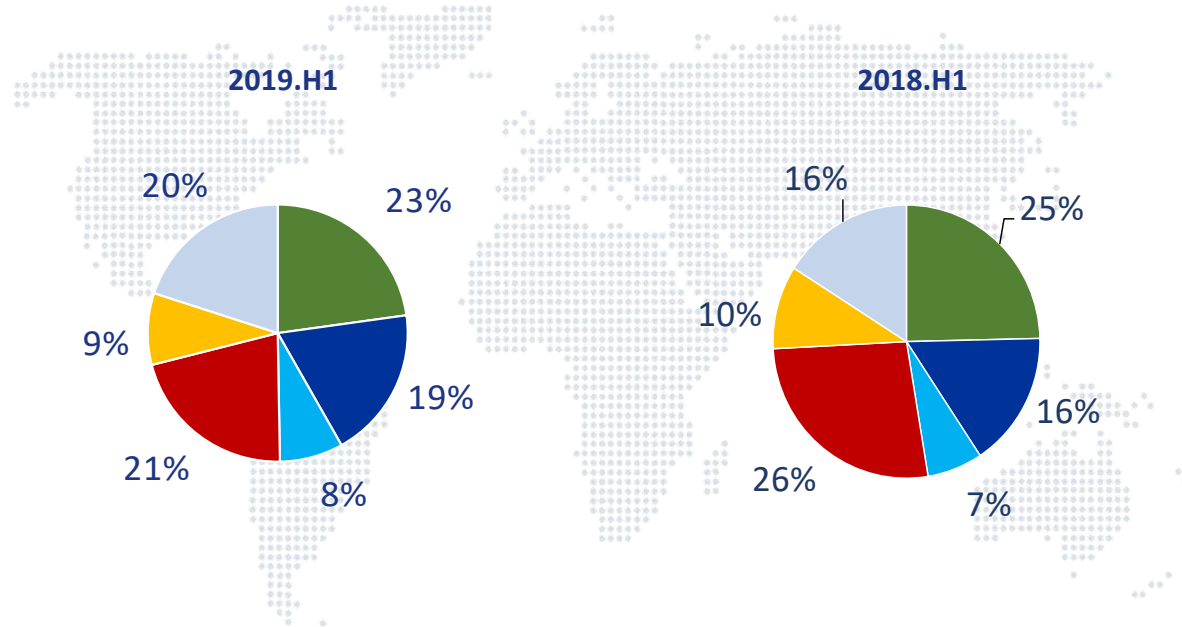
- > Marais Profitability Turnaround still on going
- > USA Market Booming
- > Different mix



RAILWAY	2019.H1	2018.H1	Delta %
Revenues	16,4	10,3	58,1%
EBITDA*	2,9	1,6	83,8%
% on Revenues	17,5%	15,1%	
* EBITDA ante IFRS 16 would have been 2,4 M€			

- > RFI-OCPO01: Delay in prototype acceptance. Acceptance July/August.
Waiting for series customer orders
- > RFI-Falco 3: Project delay. Production start in 2H.
- > Amtrak: Project delay.

INTERNATIONAL SCALE AND EXPOSURE TO GROWING ECONOMIES JOINT WITH A GROWING IMPORTANCE OF THE ITALIAN MARKET

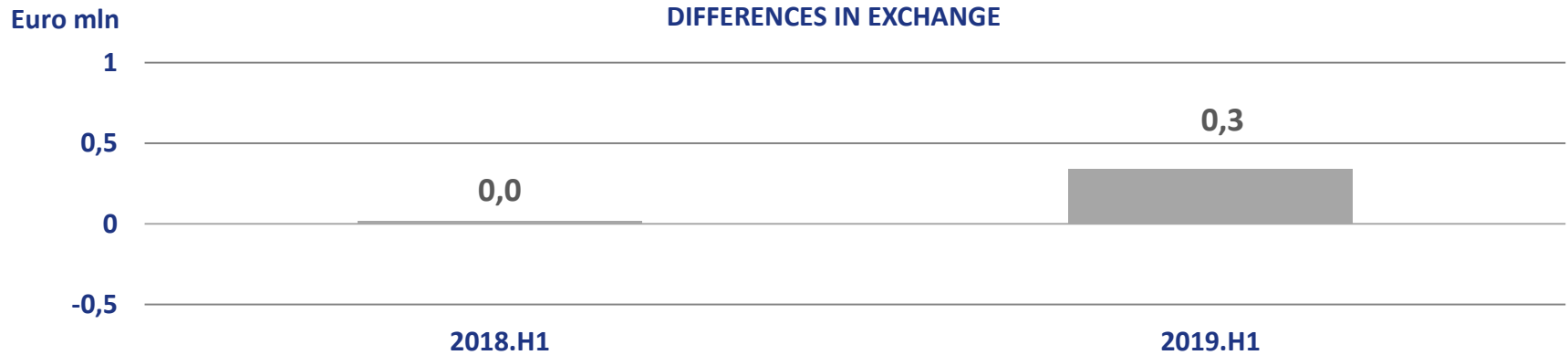


➤➤ **ITALY:** impact of railway business & automation

➤➤ **USA:** TRS impact

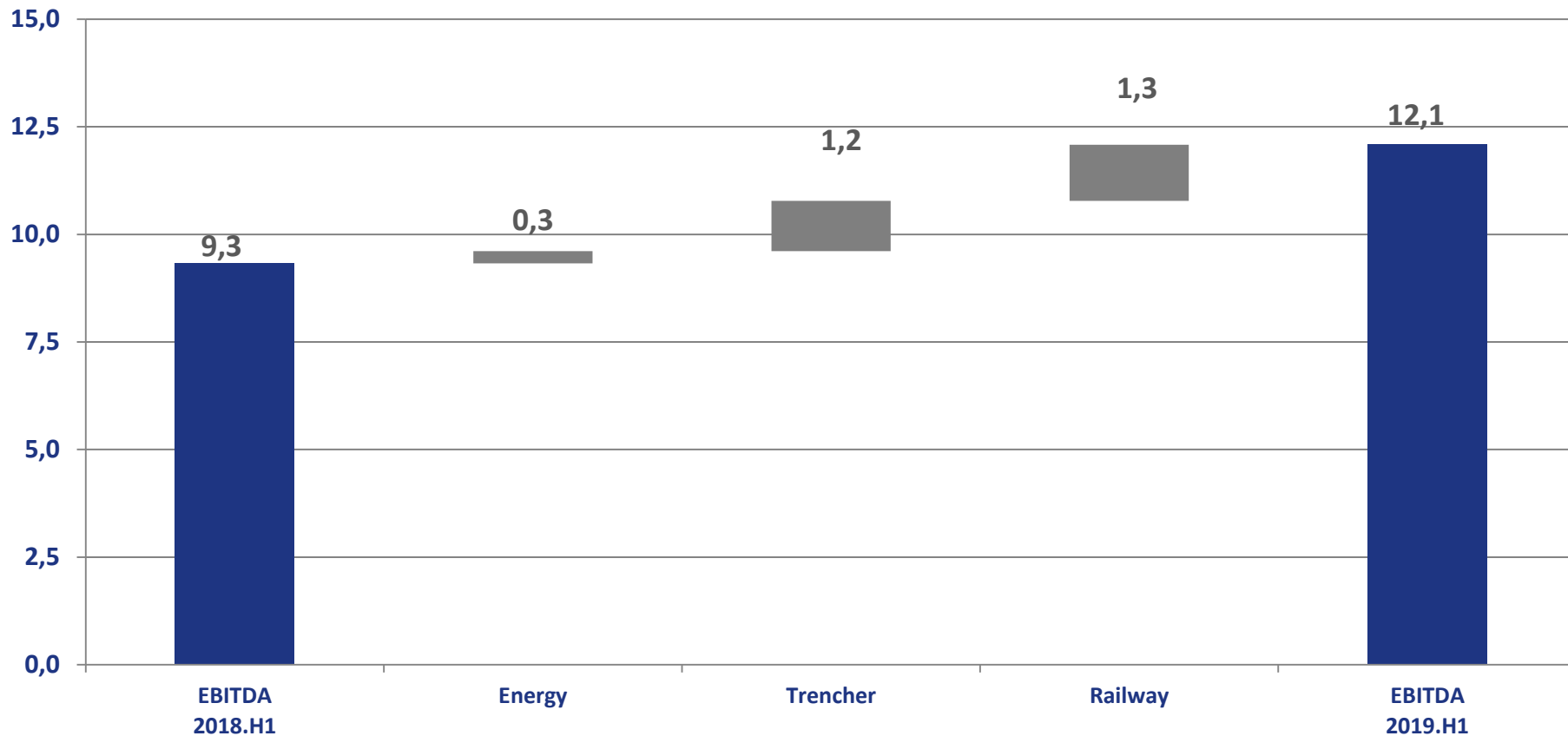
➤➤ **EUROPE:** TRS impact

- Italy
- Europe
- Middle East
- BRICs and Oceania
- Africa
- North-Central America



GROUP (Euro mln)	2018.H1	2019.H1
Differences in Exchange	0,0	0,3
<i>of which:</i>		
<i>Realised</i>	<i>(0,1)</i>	<i>0,1</i>
<i>Unrealised</i>	<i>0,1</i>	<i>0,2</i>
Differences in Exchange for currency:		
USD	0,5	0,0
ZAR	(0,4)	0,0
OTHER	(0,1)	0,3
Total	0,0	0,3

€ mln



* The impact of IFRS 16 is around 1,8 M€

2018.H1

The EBITDA is positively impacted by the results of the TRS & Railways segment.

2019.H1

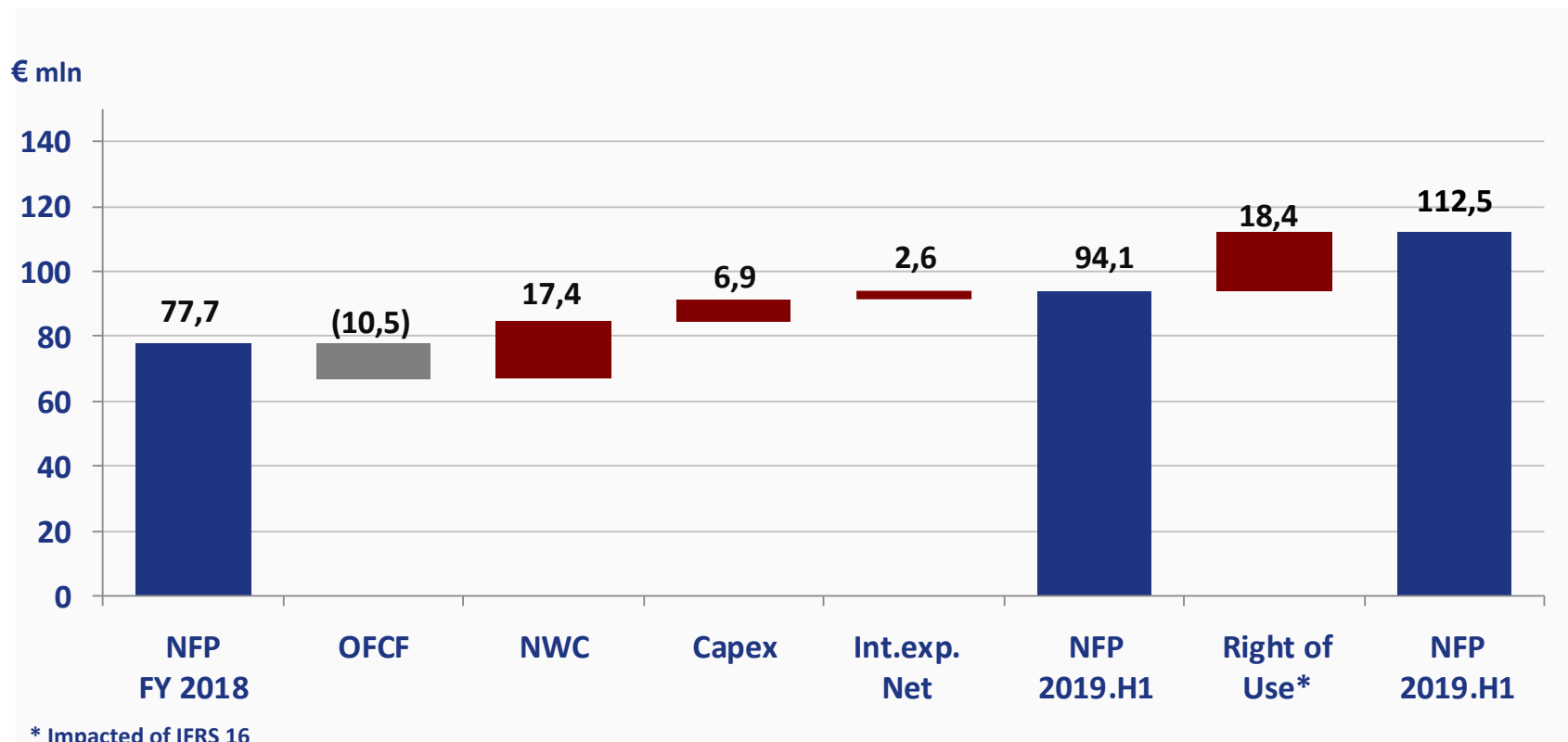
Financial Information (€ mln)	2019.H1	2018
Net Working Capital	66,3	48,9
Non Current assets	67,2	67,3
Right of use - IFRS 16	18,2	0,0
Other Long Term assets/liabilities	4,6	4,8
Net Invested Capital	156,4	121,0
Net Financial Indebtness	94,1	77,7
Lease liability - IFRS 16	18,4	0,0
Equity	43,9	43,3
Total Sources of Financing	156,4	121,0

2018

Increase of working capital due to Railways Business and the stock to support the growth of the 2nd half 2019

2019.H1

OPERATING NET FINANCIAL POSITION

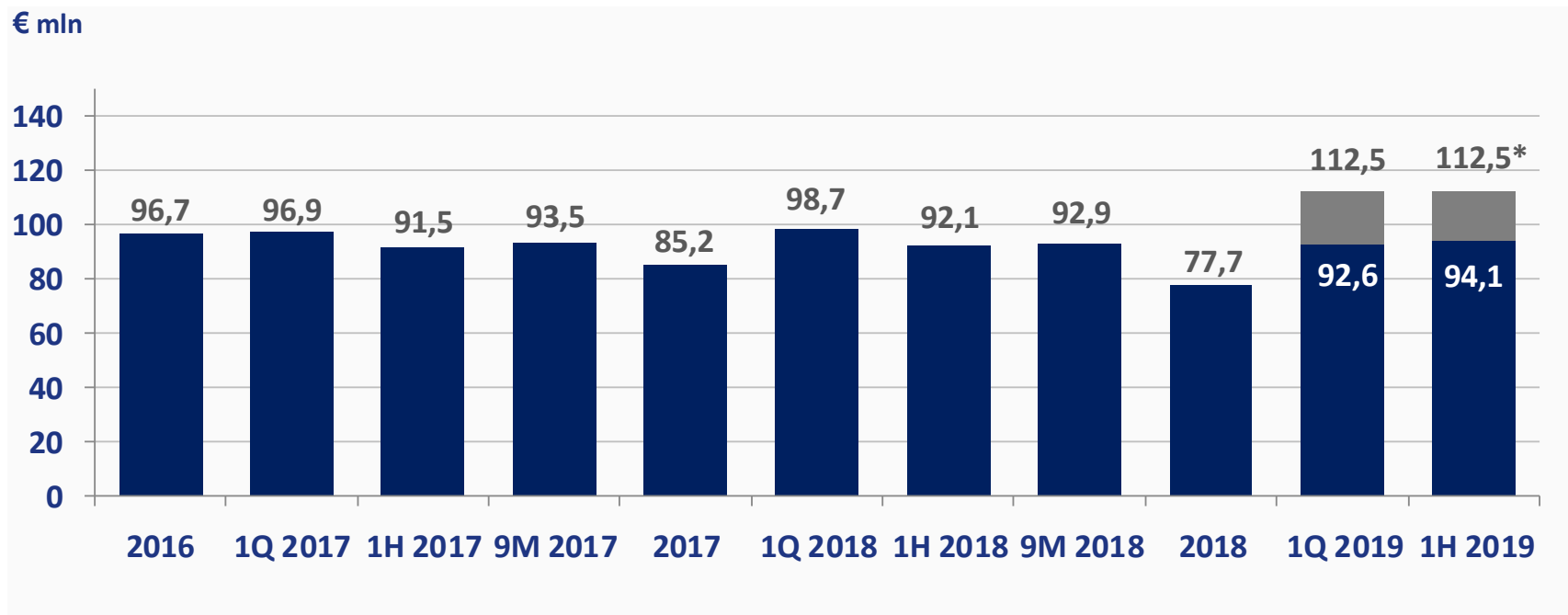


2018

The positive operating free cash flow has been impacted by the increase of NWC related to Railways and the stock for the growth of the 2nd semester of the year that will generate a positive cash flow

2019.H1

OPERATING NET FINANCIAL POSITION



* From 1st January 2019, the new IFRS 16 has been introduced, the impact is term of NFP is around 18,4 M€, otherwise the NFP would have been around 94,1 M€

- > Corporate Strategy
- > 2019.H1 Results
- > **2019 Outlook**

GREEN PRODUCT LINE

- ✓ Zero emissions product line dedicated for urban area
- ✓ Approach with marketing actions on specific areas:



USA



EU



NEW MARKET POSITIONING IN CHINA

- ✓ Tesmec New Technology antenna for green & digital technologies in cooperation with local manufacturer
- ✓ Hub for neighbour markets: Asia Pacific Countries starting from South Korea & Taiwan



TOWARDS CYBERSECURITY REQUIREMENTS

Focus on reliable solutions for secure communication and M2M and M2H interface in order to provide stability of strategic assets (utilities substations).

Main drivers:

- Efficient device access control
- Compliance with cybersecurity standards
- Enhance infrastructure performance



FOCUS ON ENGINEERING SOLUTIONS

Development of an engineering solutions starting from Tesmec ready-to-go telecommunication systems to increase productivity and reliability of infrastructure.

Main drivers:

- High control and automation capabilities
- Increase plant productivity



TOWARDS 5G – NEXT GENERATION OF BROADBAND CONNECTION

The costs and speed of building new 5G networks depend to a large extent on how quickly broadband providers can dig trenches along roads to lay fiber conduit

Main features of the new generation network:

- Massive device connectivity
- Ultra reliability
- High speeds
- Low communication latency



**TESMEC has the solution for a
“clean & fast” network deployment**



FOCUS ON DIGITAL AND SUSTAINABLE WORKING PROCESSES

The acceptance and use of Surface Miners in mining applications has increased and is continuously growing.

Main drivers:

- safe operations
- efficient and digital equipment
- sustainable technology



**Tesmec is committed in a continuous improvement
of his range of solutions to increase
productivity, reliability and costs saving**



CERTIFIED & ENVIRONMENTALLY FRIENDLY METHODOLOGY

- **INTERNATIONALIZATION OF HIGH-QUALITY SOLUTIONS**

- ✓
 - Automated operations
 - Fleet Management



INFRASTRUCTURES RELIABILITY & SAFETY

CENTRALIZED PLATFORM Unmanned diagnostic (software + devices)

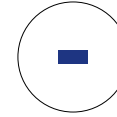
- ✓ **Verification and validation process through IoT, Big Data and Analytics tools**



MACRO MARKET TRENDS



Digital Transformation & Industry 4.0
Telecom – 5G
Energy transition
Mines – new methodology



Economy is **slowing**
 China – USA → **commercial**
 Middle East, Iran → **embargo**

BUSINESS DRIVERS

ENERGY

- > New products: impact on revenues
- > New USA agreement: Transmission and Distribution
- > Important development on digital grids with cyber-security needs

TRENCHERS

- > New solutions for 5G & FTTx → Clean & Fast methodology in USA, SA, UK, FR & DE
- > Mining: development of special tailor made solutions with key market: Africa

RAILWAY

- > Diagnostic market developments → Full solutions in final test
- > Diagnostic + Web Platform

ECONOMICS & FINANCIALS

- 1 Sales:** double digit growth
- 2 EBITDA %:** improvement in comparison to H1.2019
- 3 NFP:** improvement NFP/EBITDA ratio due to cash generation related to the WIP reduction
- 4 Expected BACKLOG:** increase in comparison to H1.2019
- 5 Back to dividends distribution policy**



Profit & Loss Account (Euro mln)	2019.H1	2018.H1	Delta vs 2018	Delta %
Net Revenues	97,5	91,1	6,4	7,0%
Raw materials costs (-)	(43,2)	(39,3)	(3,9)	10,0%
Cost for services (-)	(17,7)	(15,4)	(2,3)	14,9%
Personnel Costs (-)	(25,6)	(24,4)	(1,2)	5,0%
Other operating revenues/costs (+/-)	(3,6)	(5,8)	2,1	-37,1%
Non recurring revenues/costs (+/-)	1,1	0,0	1,1	na
Portion of gain/(losses) from equity investments evaluated using the equity method	(0,1)	0,1	(0,2)	-286,0%
Capitalized R&D expenses	3,8	3,1	0,7	24,0%
Total operating costs	(85,4)	(81,8)	(3,6)	4,4%
<i>% on Net Revenues</i>	<i>(88%)</i>	<i>(90%)</i>		
EBITDA	12,1	9,3	2,8	29,6%
<i>% on Net Revenues</i>	<i>12%</i>	<i>10%</i>		
Depreciation, amortization (-)	(8,8)	(7,0)	(1,9)	26,7%
EBIT	3,3	2,4	0,9	38,2%
<i>% on Net Revenues</i>	<i>3%</i>	<i>3%</i>		
Net Financial Income/Expenses (+/-)	(2,2)	(1,6)	(0,6)	39,8%
Taxes (-)	(0,5)	(0,3)	(0,3)	111,6%
Minorities	-	-	-	
Group Net Income (Loss)	0,5	0,5	(0,0)	-1,1%

Balance Sheet (€ mln)	2019.H1	2018
Inventory	97,8	73,6
Accounts receivable	52,5	52,6
Accounts payable (-)	(57,9)	(54,4)
Op. working capital	92,4	71,8
Other current assets (liabilities)	(26,1)	(22,9)
Net working capital	66,3	48,9
Tangible assets	44,7	45,3
Right of use - IFRS 16	18,2	0,0
Intangible assets	18,5	18,0
Financial assets	4,0	4,0
Fixed assets	85,4	67,3
Net long term liabilities	4,6	4,8
Net invested capital	156,4	121,0
Cash & near cash items (-)	(21,4)	(42,8)
Short term financial assets (-)	(9,9)	(10,4)
Lease liability - IFRS 16	18,4	0,0
Short term borrowing	74,2	80,1
Medium-long term borrowing	51,3	50,8
Net financial position	112,5	77,7
Equity	43,9	43,3
Funds	156,4	121,0

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