

> **Corporate Strategy**

> 9M 2019 Results

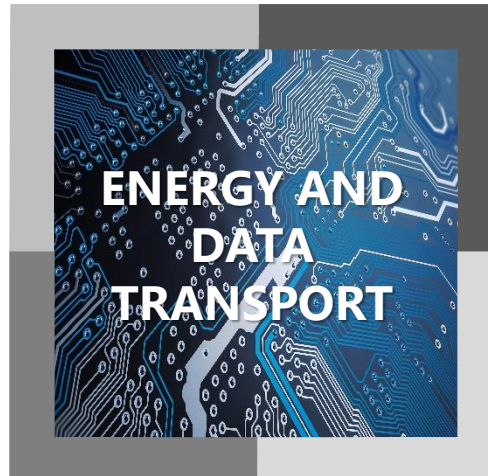
> Outlook

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

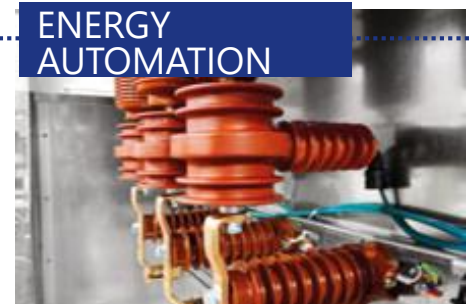
- > Innovation
- Internationalization
- Integration

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

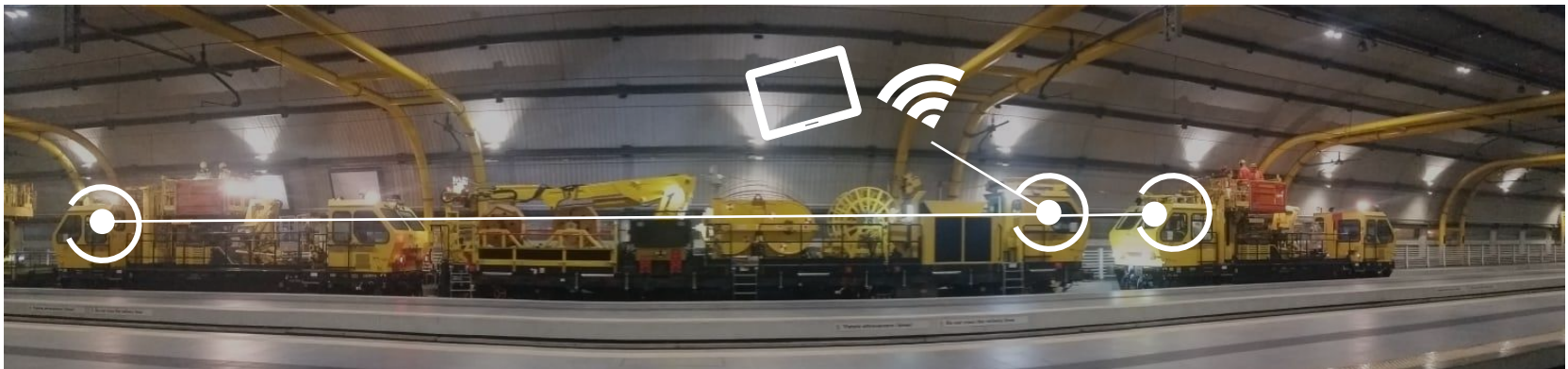
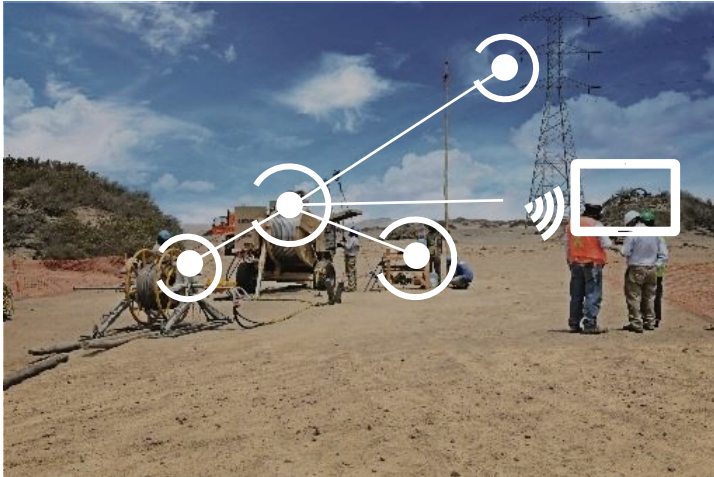
- > Catenary lines construction & maintenance
- > Diagnostics systems
- > Big Data integrated solutions for safe infrastructure

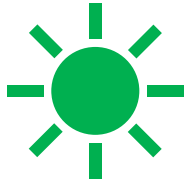


TRENCHER

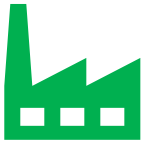
- > Telecom networks, FTTH & long distance, power cable installation
- > Oil & Gas, Water pipelines
- > Bulk excavation, Quarries & Surfaces mining

COMBINE OPERATIONAL DATA IN THE CLOUD AND APPLY ADVANCED ANALYTICS





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









- ✓ All Italian plants are certified according to ISO 9001-14001-45001
- ✓ By 31/12/2019 the main products of 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

STRINGING



- > FULL ELECTRIC MACHINE
Zero emissions underground cable laying



NO OIL



SILENT



ZERO EMISSIONS

RAILWAY



- > Hybrid and electric railcars



Focus on sustainable technology

SUPER GRID AND SMART GRID
RENEWABLE ENERGIES
DIGITAL FOR GREEN

ENERGY AUTOMATION



- > Custom solutions for Smart Grid management
- > Energy consumption optimization through carbon footprint equipment
























TRENCHER



- > Low pollution and low impact on environment
- > Complete value chain for renewables



BIO OIL

	TRS	RAIL	STR	AUT
 <p>Tesmec SPA Grassobbio</p>				
 <p>Tesmec SPA Endine</p>				
 <p>Tesmec SPA Sironè (precision machining work)</p>				
 <p>Marais Durtal (FR)</p>				
 <p>Tesmec USA Alvarado (USA)</p>				
 <p>Tesmec Rail Monopoli</p>				
 <p>Tesmec Automation Patrica</p>				
 <p>Tesmec Automation Padova-Fidenza</p>				

- > Corporate Strategy
- > **9M 2019 Results**
- > 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

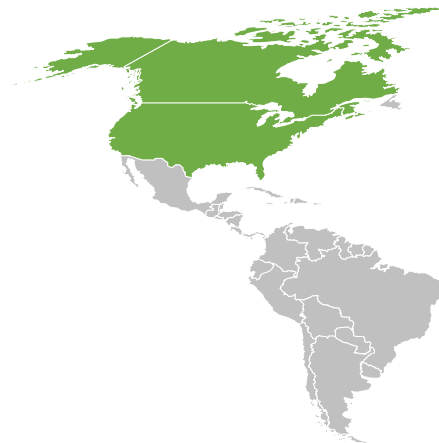


NEW DEAL FOR NORTH AMERICA MARKET

- **Nesco Agreement**
- **ICUEE Expo** (1-3 October): launch of the brand-new electric machine and innovative continuous puller
- Reorganization of our presence on energy sector



INCREASE MARKET SHARE AND REVENUES STARTING FROM 2020



KEY OPPORTUNITIES IN GROWING MARKET SEGMENTS

ENEL MARKET:

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

ITALIAN MARKET:

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



KEY OPPORTUNITIES IN INTERNATIONAL MARKETS

HV MARKETS:

- Invasive activities in North Africa
- Awarded High Voltage telecommunications tenders in Eastern Europe with supply in Q42019
- Ramp-up activities in Middle East

RUSSIA:

- Key direct supplies of SMT on the Rosseti Grid
- Growing supplies to local players (Engineering companies, EPC, installators) and activities for the market consolidation



KEY OPPORTUNITIES IN 5G and RENEWABLES BUSINESS

- Digital & connected solutions: **SAFETY** first and easier **PROJECT MANAGEMENT**
- STRATEGIC RELATIONSHIP with **Verax Network Solutions** to provide effective solutions across the USA, utilizing line of fiber optic trenching solutions
- Growing recognition of Tesmec **automatic cable laying technology** for wind and solar farms
- **ICUEE Expo** (1-3 October): excellent results, great interest showed for Tesmec innovative solutions



KEY OPPORTUNITIES IN SURFACE MINING BUSINESS

- Focus on: **PRODUCTIVITY, EXCAVATED MATERIAL SIZE, OPERATIVE COSTS**
- Safe & efficient working methodologies
- **INTEGRATED** solutions: EQUIPMENT + SERVICES
- Bauxite project inauguration: Lizetta Project in Ivory Coast and key opportunities in African countries



INNOVATIVE FAST & SAFE METHODOLOGY for 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
- Less people on track, higher efficiency & Safety



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.



NEW CONTRACT WITH ELZEL Elektrizace železnic Praha in CZECH REPUBLIC - approx. Euro 8 million

Supply of 4 multi-purpose rail vehicles for the maintenance of railway lines, as well as for full maintenance service for 6 years

SOLUTION + DIAGNOSTIC SYSTEMS = guarantee operations in a SAFER, MORE EFFICIENT AND FASTER WAY

GROUP (€ mln)	9M 2019	9M 2018	Delta %
REVENUES	144,2	140,5	2,6% (1)
EBITDA (2) (3)	17,4	12,2	42,2%
% on Revenues	12,1%	8,7%	
EBIT	3,9	1,4	169,8%
% on Revenues	2,7%	1,0%	
Differences in Exchange (4)	1,3	(0,4)	n/a
% on Revenues	0,3%	-0,3%	
PROFIT (LOSS) BEFORE TAX	1,4	(1,4)	196,6%
% on Revenues	0,9%	-1,0%	
NET INCOME/(LOSS)	0,7	(0,7)	195,6%
% on Revenues	0,5%	-0,5%	

GROUP (€ mln)	9M 2019	9M 2018	Delta %
NFP ante IFRS 16	97,8	92,9	-5,3%
NFP post IFRS 16 (3)	115,6		

(1) + 0,9% at constant currencies

(2) The EBITDA has been growing due to management actions rolled out after the results of end 2018, not yet lined up with expectations, but with a positive outlook in Q4.

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

- EBITDA +2,7 M€
- Depreciation - 2,5 M€
- Net Results - 0,3 M€
- Intangible assets + 17,5 M€
- NFP + 17,8 M€

The EBITDA ante IFRS would have been 14,7 M€

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



ENERGY	9M 2019	9M 2018	Delta %
Revenues	31,5	30,2	4,2%
EBITDA*	3,8	2,3	66,4%
% on Revenues	12,0%	7,5%	

* EBITDA ante IFRS 16 would have been 2,6 M€

- > Energy Automation Growth
- > Driven by European Market



TRENCHERS	9M 2019	9M 2018	Delta %
Revenues	89,4	94,2	-1,3%
EBITDA*	9,8	7,7	27,1%
% on Revenues	10,9%	8,2%	

* EBITDA ante IFRS 16 would have been 8,6 M€

- > USA Market Growth
- > European Market Growth
- > Less impacts of Australia Projects
- > USA & Italy Profitability Impact

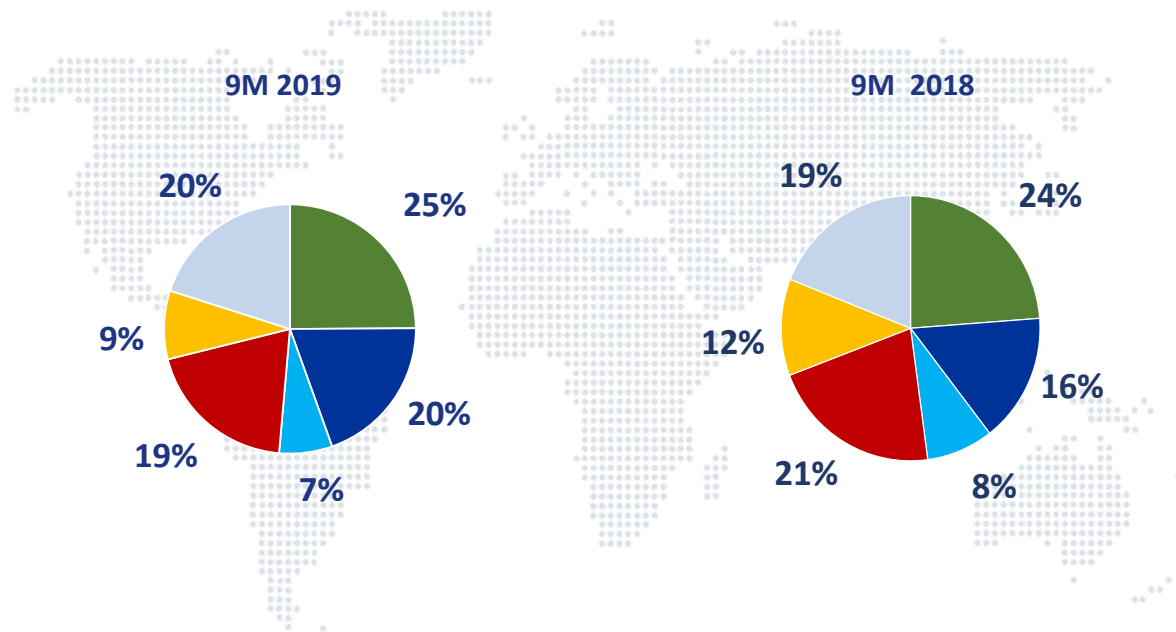


RAILWAY	9M 2019	9M 2018	Delta %
Revenues	23,3	16,1	44,6%
EBITDA*	3,8	2,3	65,2%
% on Revenues	16,5%	14,1%	

* EBITDA ante IFRS 16 would have been 3,4 M€

- > RFI-OCPCD: Execution delay
- > TSO: Project Execution delay
- > Awarded of new contracts postponed

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

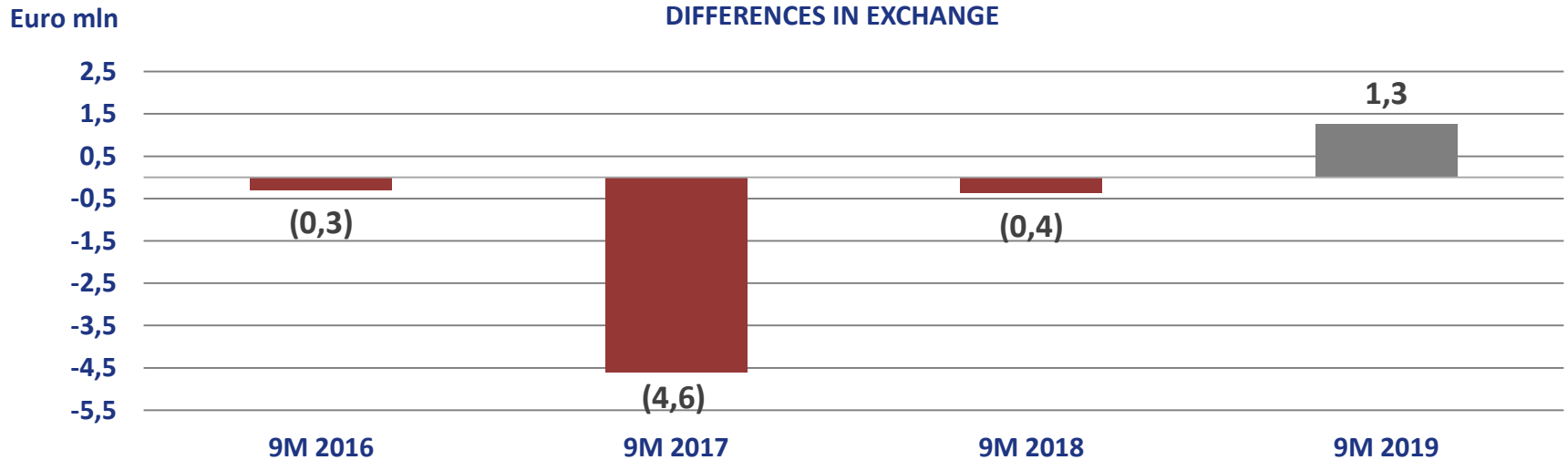


➤➤ **ITALY:** impact of railway business & automation

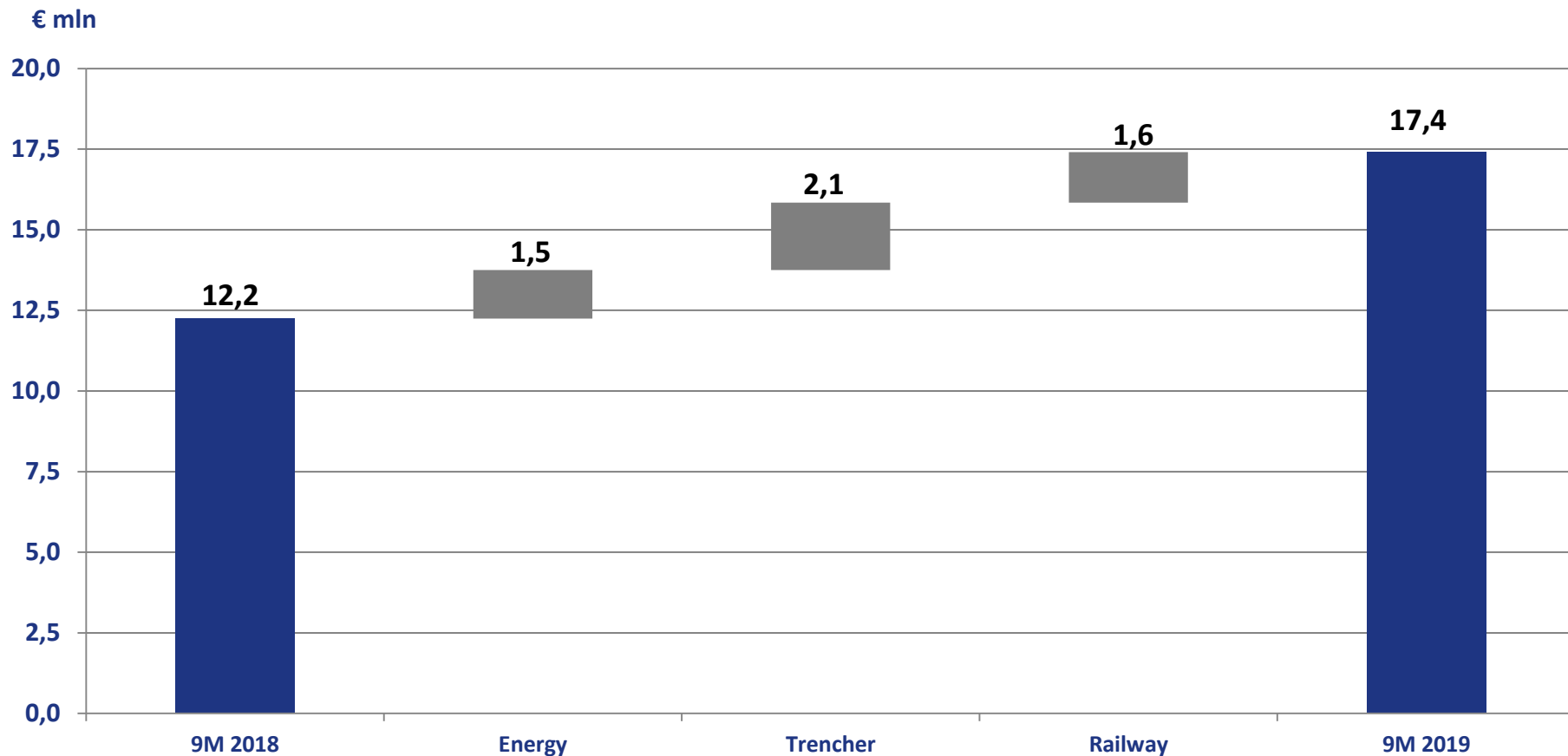
➤➤ **USA:** TRS impact

➤➤ **EUROPE:** TRS impact

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



GROUP (Euro mln)	9M 2016	9M 2017	9M 2018	9M 2019
Differences in Exchange	(0,3)	(4,6)	(0,4)	1,3
<i>of which:</i>				
<i>Realised</i>	0,0	0,1	0,1	0,2
<i>Unrealised</i>	(0,3)	(4,7)	(0,5)	1,1
Differences in Exchange for currency:				
USD	(0,9)	(3,0)	0,6	0,8
ZAR	0,4	(0,6)	(0,6)	0,1
OTHER	0,2	(1,0)	(0,4)	0,4
Total	(0,3)	(4,6)	(0,4)	1,3



* The impact of IFRS 16 is around 2,7 M€

9M 2018

The EBITDA is positively impacted by the results of the all segments

9M 2019

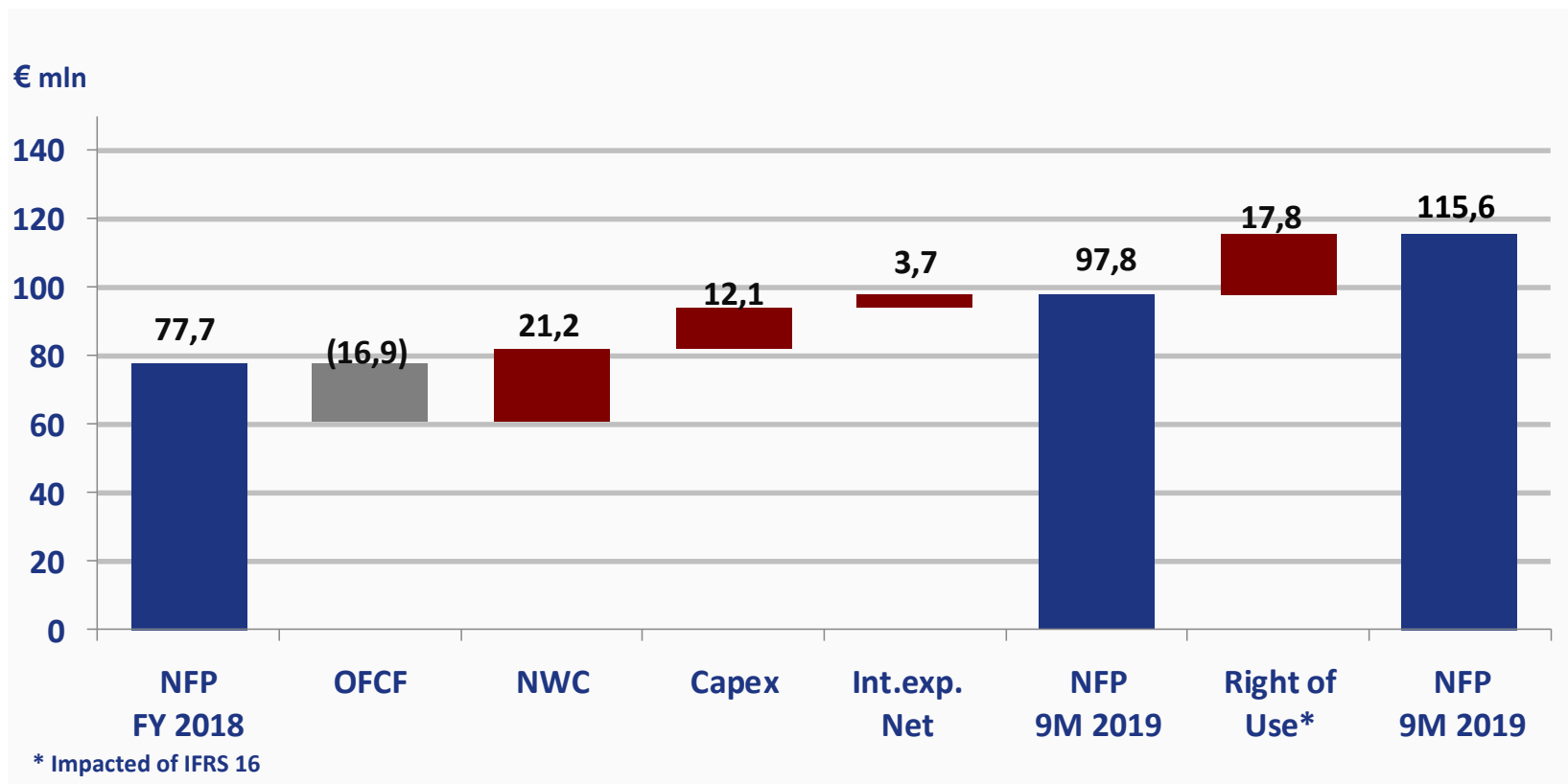
Financial Information (€ mln)	9M 2019	2018
Net Working Capital	70,1	48,9
Non Current assets	69,5	67,3
Right of use - IFRS 16	17,5	0,0
Other Long Term assets/liabilities	3,5	4,8
Net Invested Capital	160,6	121,0
Net Financial Indebtness	97,8	77,7
Lease liability - IFRS 16	17,8	0,0
Equity	45,0	43,3
Total Sources of Financing	160,6	121,0

2018

Increase of working capital due to Railways Business and the stock to support the growth of the 4th quarter 2019

9M 2019

OPERATING NET FINANCIAL POSITION

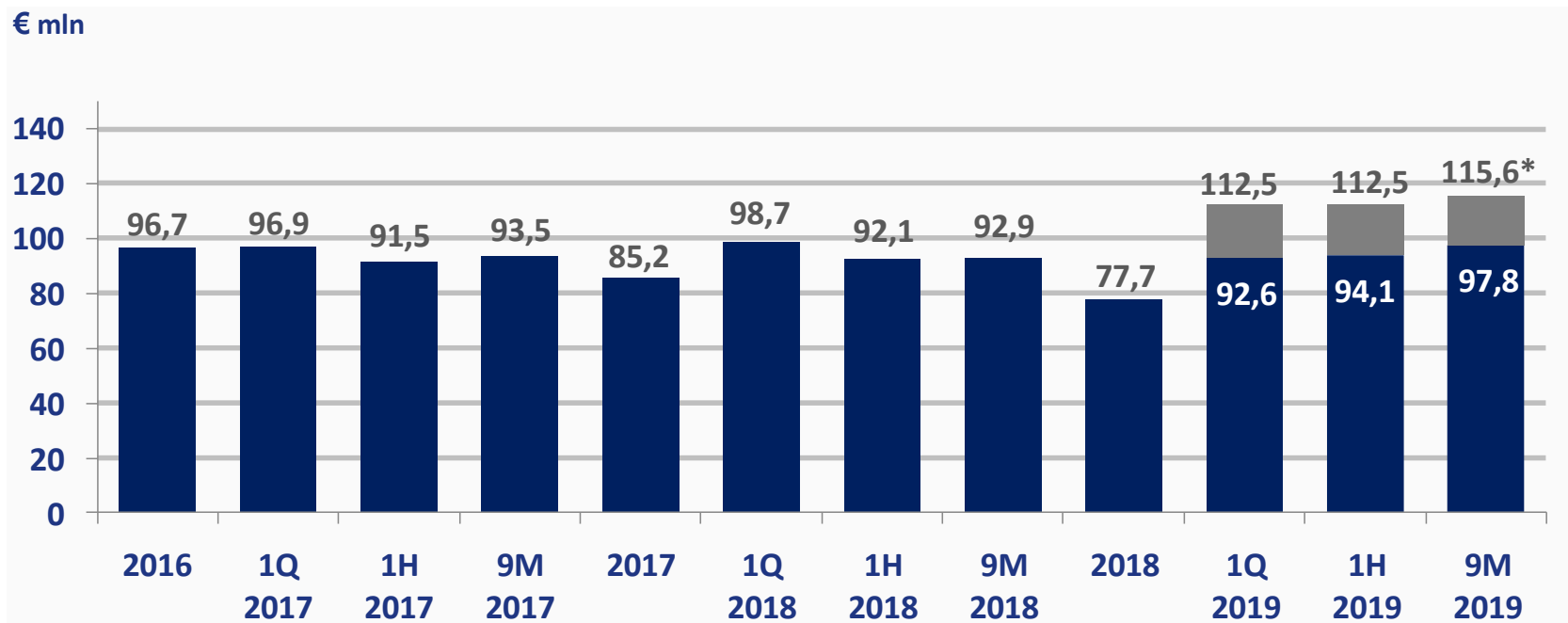


2018

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 4th quarter of the year that will generate a positive cash flow

9M 2019

OPERATING NET FINANCIAL POSITION



* From 1st January 2019, the new IFRS 16 has been introduced, the impact is term of NFP is around 17,8 M€, otherwise the NFP would have been around 97,8 M€

- > Corporate Strategy
- > 9M 2019 Results
- > **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)

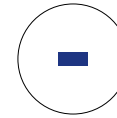
- ✓ Verification and validation process through IoT, Big Data and Analytics tools



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

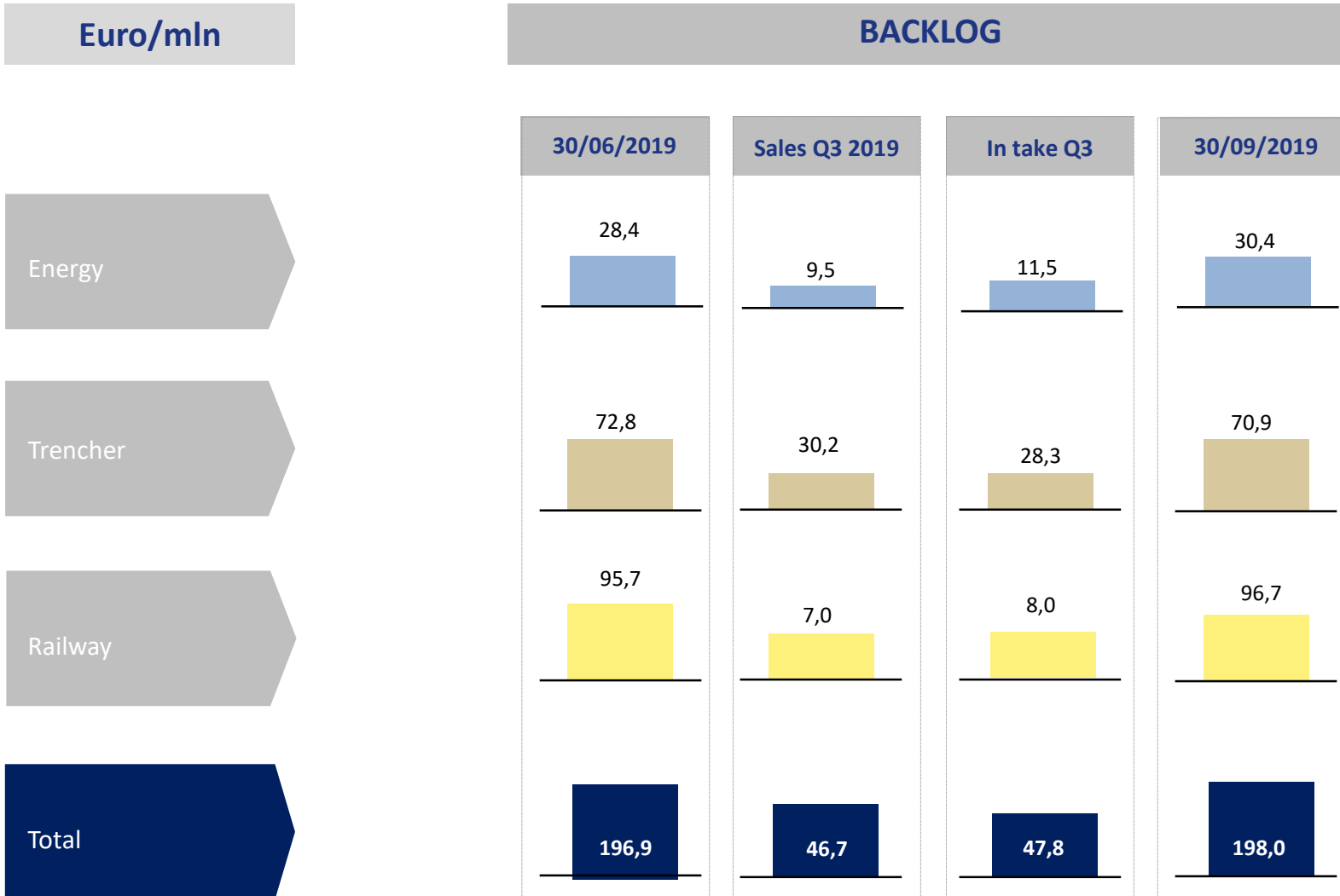
ENERGY > New products: impact on revenues
 > New USA agreement: Transmission and Distribution
 > Important development on digital grids with cyber-security needs

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:** relevant growth in 4Q
- 2 EBITDA %:** improvement in comparison to 2018 Results
- 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)	9M 2019	9M 2018	Delta vs 2018	Delta %
Net Revenues	144,2	140,5	3,7	2,6%
Raw materials costs (-)	(63,2)	(64,5)	1,3	-2,0%
Cost for services (-)	(26,2)	(23,9)	(2,3)	9,8%
Personnel Costs (-)	(38,7)	(36,4)	(2,3)	6,4%
Other operating revenues/costs (+/-)	(5,0)	(7,9)	2,9	-36,7%
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	0,3	(0,2)	-74,7%
Capitalized R&D expenses	5,2	4,2	1,0	24,8%
Total operating costs	(126,8)	(128,2)	1,5	-1,1%
<i>% on Net Revenues</i>	<i>(88%)</i>	<i>(91%)</i>		
EBITDA	17,4	12,2	5,2	42,2%
<i>% on Net Revenues</i>	<i>12%</i>	<i>9%</i>		
Depreciation, amortization (-)	(13,5)	(10,8)	(2,7)	25,1%
EBIT	3,9	1,4	2,5	169,8%
<i>% on Net Revenues</i>	<i>3%</i>	<i>1%</i>		
Net Financial Income/Expenses (+/-)	(2,6)	(2,8)	0,3	-10,5%
Taxes (-)	(0,6)	0,6	(1,3)	-197,8%
Minorities	-	-	-	
Group Net Income (Loss)	0,7	(0,7)	1,5	196,9%
<i>% on Net Revenues</i>	<i>1%</i>	<i>-1%</i>		

Balance Sheet (€ mln)	9M 2019	2018
Inventory	72,3	62,6
Work in progress contracts	20,8	11,0
Accounts receivable	63,6	52,6
Accounts payable (-)	(58,2)	(54,4)
Op. working capital	98,5	71,8
Other current assets (liabilities)	(28,4)	(22,9)
Net working capital	70,1	48,9
Tangible assets	45,6	45,3
Right of use - IFRS 16	17,5	0,0
Intangible assets	19,6	18,0
Financial assets	4,2	4,0
Fixed assets	87,0	67,3
Net long term liabilities	3,5	4,8
Net invested capital	160,6	121,0
Cash & near cash items (-)	(20,1)	(42,8)
Short term financial assets (-)	(11,4)	(10,4)
Lease liability - IFRS 16	17,8	0,0
Short term borrowing	79,1	80,1
Medium-long term borrowing	50,2	50,8
Net financial position	115,6	77,7
Equity	45,0	43,3
Funds	160,6	121,0

Disclaimer

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