

- Stringing
- Energy Automation
- Railway
- Trencher

# Integrated Solutions Provider

## 2019 Results Presentation



[www.tesmec.com](http://www.tesmec.com)

- > **Corporate Strategy**
- > 2019 Business highlights and Results
- > Shareholder loan
- > Outlook 2020

## 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

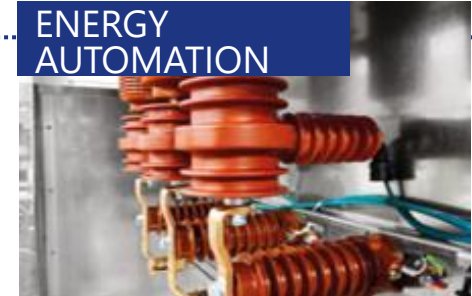
- > Innovation
- Internationalization
- Integration

## 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

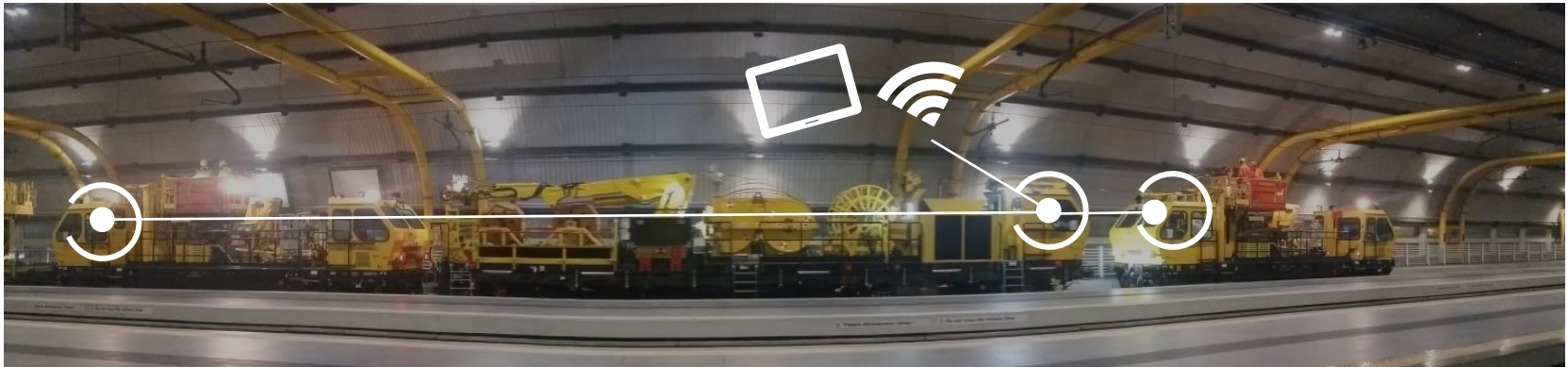
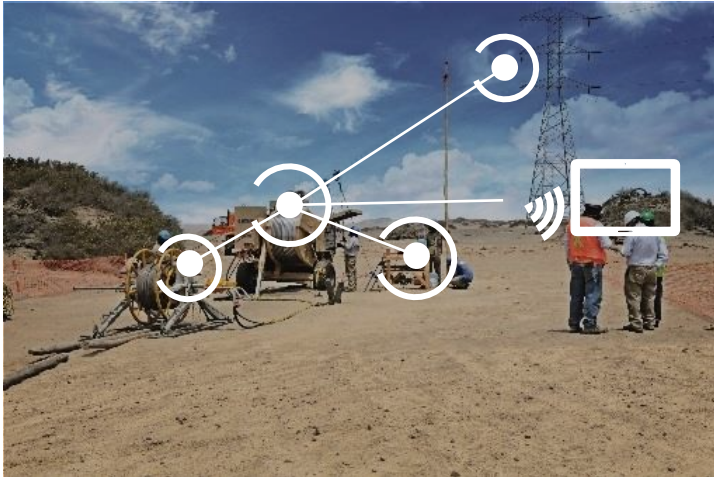


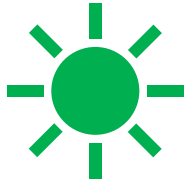
### TRENCHER

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

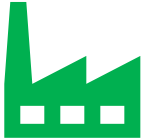


## COMBINE OPERATIONAL DATA IN THE CLOUD AND APPLY ADVANCED ANALYTICS





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



- ✓ All Italian plants are certified according to ISO 9001-14001-45001



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



 BIODEGRADABLE <b>OILS</b>	 CARE FOR THE EQUIPMENT <b>LIFE CYCLE</b>
ENGINE EVOLUTION <b>TIER4f</b> READY 	<b>-20% CO<sub>2</sub></b>  EMISSIONS
 REDUCED <b>NOISE</b> LEVEL	 <b>+20%</b> 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><b>Tesmec SPA</b> Grassobbio</p>				
 <p><b>Tesmec SPA</b> Endine</p>				
 <p><b>Tesmec SPA</b> Sirono (precision machining work)</p>				
 <p><b>Marais</b> Durtal (FR)</p>				
 <p><b>Tesmec USA</b> Alvarado (USA)</p>				
 <p><b>Tesmec Rail</b> Monopoli</p>				
 <p><b>Tesmec Automation</b> Patrica</p>				
 <p><b>Tesmec Automation</b> Padova-Fidenza</p>				



- > Corporate Strategy
- > **2019 Business highlights and Results**
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## Digital Product line



*Full digital equipment marketing and sales  
Technological gap vs low cost competitors*

## Innovative Solution for Over Head Power Lines Refurbishment



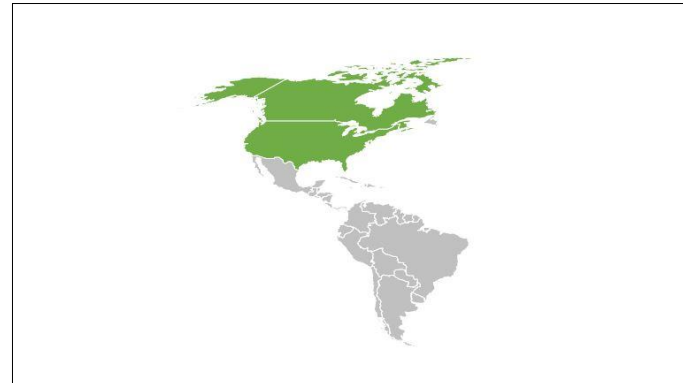
*During 2<sup>o</sup>H start of sales in North America of the new technology for reconductoring operations: great performances and great success.*

## Green Solution



*Introduction on the markets of Full Electric Equipment for urban area job sites.*

## North America market



*Tesmec products recognized as PREMIUM in the market the commercial presence has been strengthened thanks to agreement with one of main USA rental house and strong implementation of the internal sales force.*

## Enel Market: diversification of the product portfolio



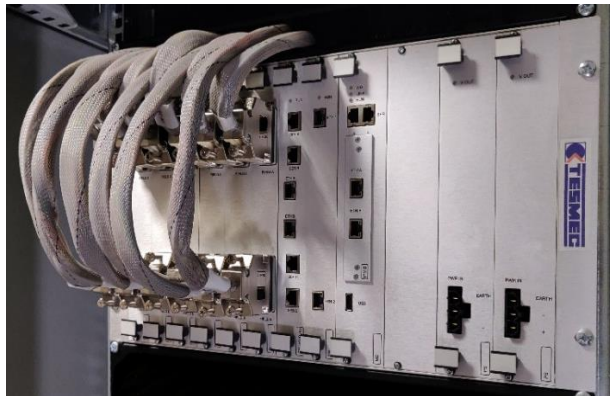
*Continues improvement through cybersecurity integration*

## Russia: market expansion for approved solution



*Increased deployment through heavy sales plan and invasive technical support*

## Italian Market: accelerating growth



*Push on integrated solutions for primary and secondary substation automation*

## Foreign Markets: strengthen market position



*Speed up production and supplies of Telecommunication solutions in North Africa and Middle East*



## Clean & Fast Solutions



*Cleanfast at work  
Main targets USA and Europe*

## Surface Mining Business



*Enter the Bauxite Mining in Ivory Coast  
(Lizetta Project)*

## EVO series developments



*EVO series launch  
Productivity and efficiency increase*

## Renewables Projects



*Wind and Solar Farms  
Automatic cables laying system*

## Innovative FAST & SAFE methodology



Certified solutions with remote control system for catenary maintenance operations in Italy & France

## In Czech Republic with a new contract



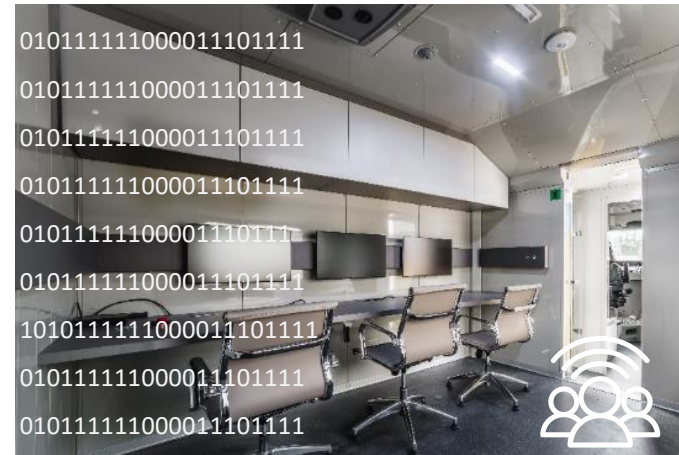
High technological level reached by our railway systems and **quality** of Tesmec know-how.

## Diagnostic for SAFETY & RELIABILITY



Vehicle **running demo** and **public speeches** during technical railway conferences (Alpin Rail event).

## CONNECTED VEHICLES



Diagnostic devices and **DIGITAL PLATFORM** to measure and to manage **big data**.

<b>GROUP (€ mln)</b>	<b>2019</b>	<b>2018</b>	<b>Delta %</b>
<b>REVENUES</b>	<b>200,7</b>	<b>194,6</b>	<b>3,1% (1)</b>
<b>EBITDA (2) (3)</b>	<b>27,4</b>	<b>18,9</b>	<b>45,1%</b>
% on Revenues	13,7%	9,7%	
<b>EBIT</b>	<b>8,4</b>	<b>3,7</b>	<b>127,7%</b>
% on Revenues	4,2%	1,9%	
<b>Differences in Exchange (4)</b>	<b>0,8</b>	<b>0,2</b>	<b>n/a</b>
% on Revenues	0,4%	0,1%	
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>4,2</b>	<b>0,3</b>	<b>n/a</b>
% on Revenues	2,1%	0,2%	
<b>NET INCOME/(LOSS)</b>	<b>3,0</b>	<b>0,0</b>	<b>n/a</b>
% on Revenues	1,5%	0,0%	

<b>GROUP (€ mln)</b>	<b>2019</b>	<b>2018</b>	<b>Delta %</b>
<b>NFP ante IFRS 16</b>	<b>99,8</b>	<b>77,7</b>	<b>-28,4%</b>
<b>NFP post IFRS 16 (3)</b>	<b>118,0</b>		

(1) + 1,7% at constant currencies

(2) The EBITDA has been growing due to management actions rolled out after the results of end 2018 and positive mix of the 2019 sales.

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

- EBITDA +3,8 M€
- Depreciation - 3,5 M€
- Net Results - 0,4 M€
- Right of use + 17,8 M€
- NFP + 18,2 M€

The EBITDA ante IFRS would have been 23,6 M€

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





ENERGY	2019	2018	Delta %
Revenues	44,2	41,7	6,0%
EBITDA*	5,6	4,8	19,3%
% on Revenues	12,6%	11,5%	

\* EBITDA ante IFRS 16 would have been 5,1 M€

- > Energy Automation Growth
- > Driven by European Market



TRENCHERS	2019	2018	Delta %
Revenues	125,3	125,4	-0,1%
EBITDA*	16,6	9,9	57,0%
% on Revenues	13,3%	8,0%	

\* EBITDA ante IFRS 16 would have been 13,9 M€

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



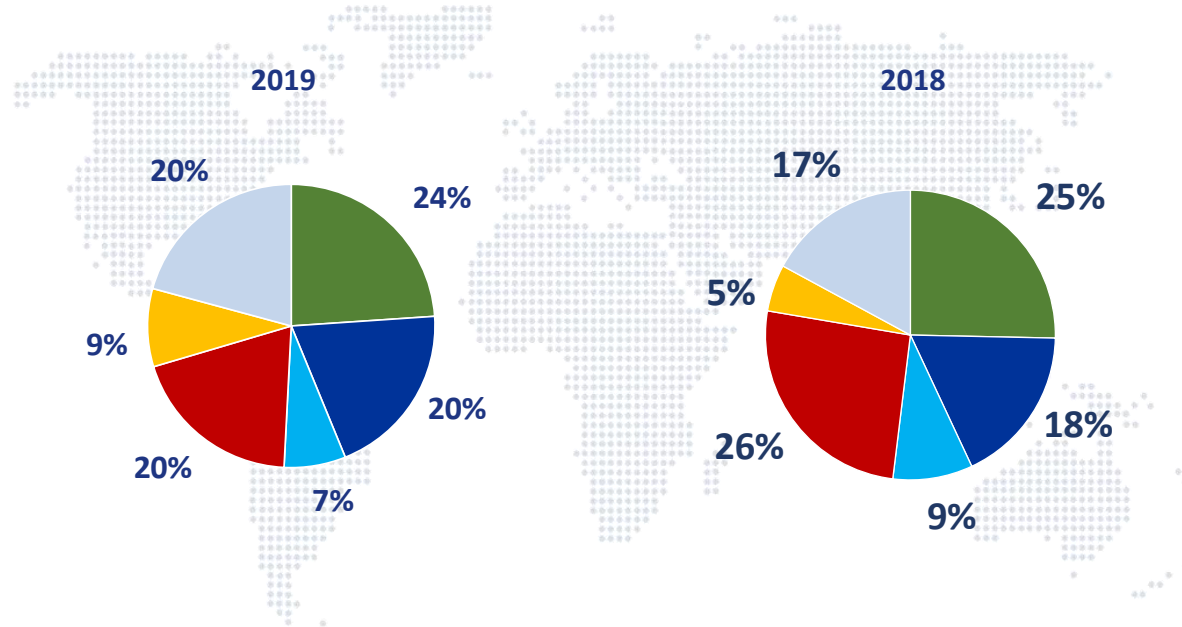
RAILWAY	2019	2018	Delta %
Revenues	31,1	27,4	13,5%
EBITDA*	5,2	4,1	26,5%
% on Revenues	16,8%	15,0%	

\* EBITDA ante IFRS 16 would have been 4,7 M€

- > RFI-OC PD: Execution delay
- > TSO: Project Execution delay
- > Start-up Elzel Project
- > Awarded of new contracts postponed

Euro/mln	9M			Q4			FY		
	2019	2018	Var.	2019	2018	Var.	2019	2018	Var.
REVENUES	144,2	140,5	2,6%	56,5	54,1	4,4%	200,7	194,6	3,1%
EBITDA ante IFRS 16	14,7 10,2%	12,2 8,7%	20,5%	8,9 15,8%	6,7 12,4%	32,8%	23,6 11,8%	18,9 9,7%	24,9%
EBITDA post IFRS 16	17,4 12,1%	12,2 8,7%	42,2%	10,0 17,7%	6,7 12,4%	52,2%	27,4 13,7%	18,9 9,7%	45,1%
EBIT	3,9	1,4	169,8%	4,5	2,3	95,7%	8,4	3,7	127,7%

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



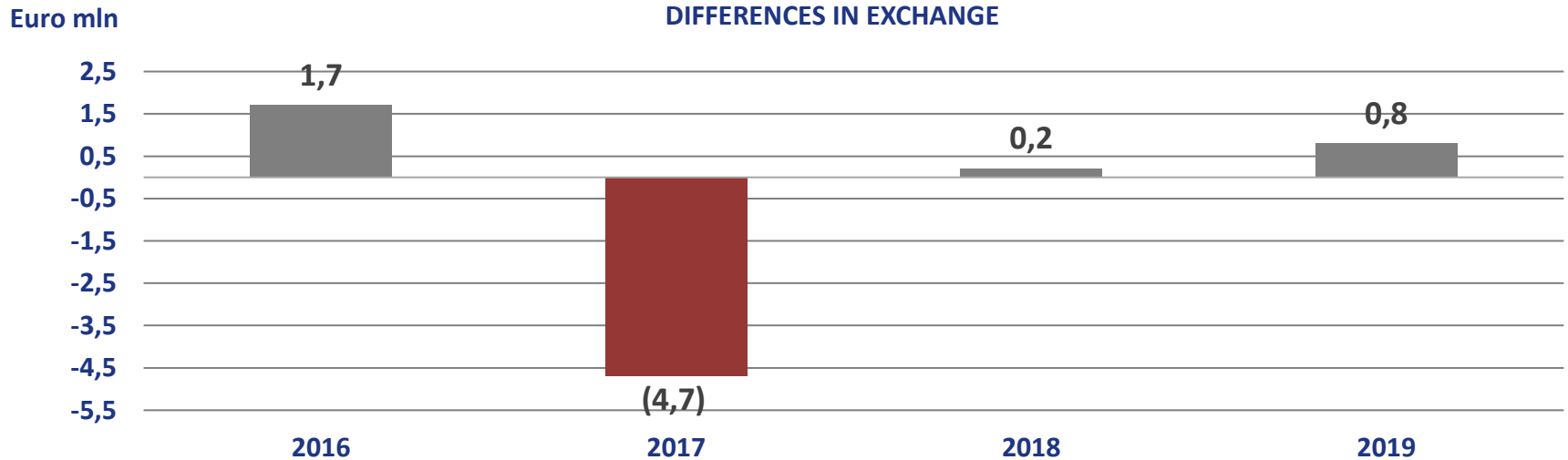
➤➤ **ITALY:** impact of railway business & automation

➤➤ **USA&EU:** TRS impact

➤➤ **AFRICA:** TRS impact

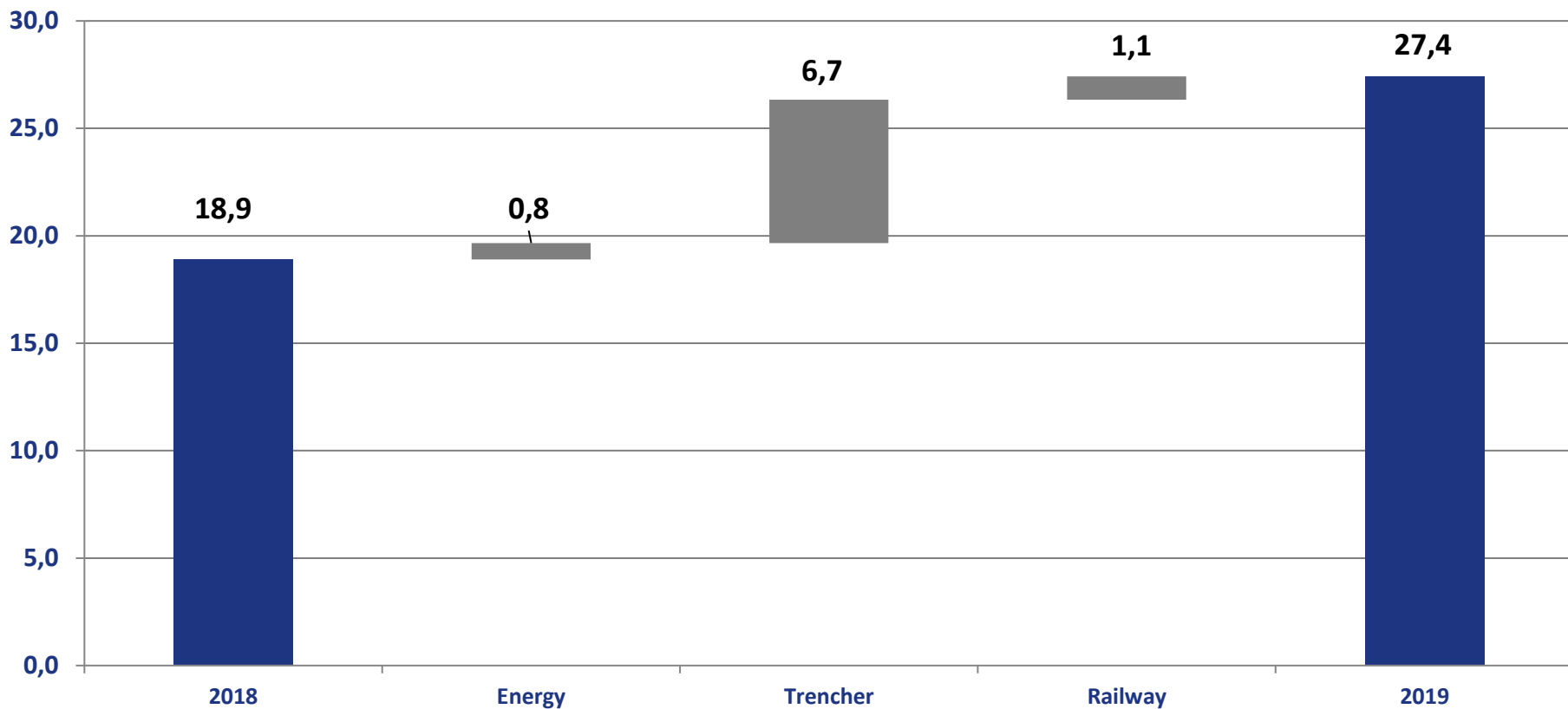
- Italy
- Europe
- Middle East
- BRICs and Oceania
- Africa
- North-Central America





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

€ mln



\* The impact of IFRS 16 is around 3,8 M€

**2018**

The EBITDA is positively impacted by the results of the all segments, mainly the trencher business due to the better efficiency and mix

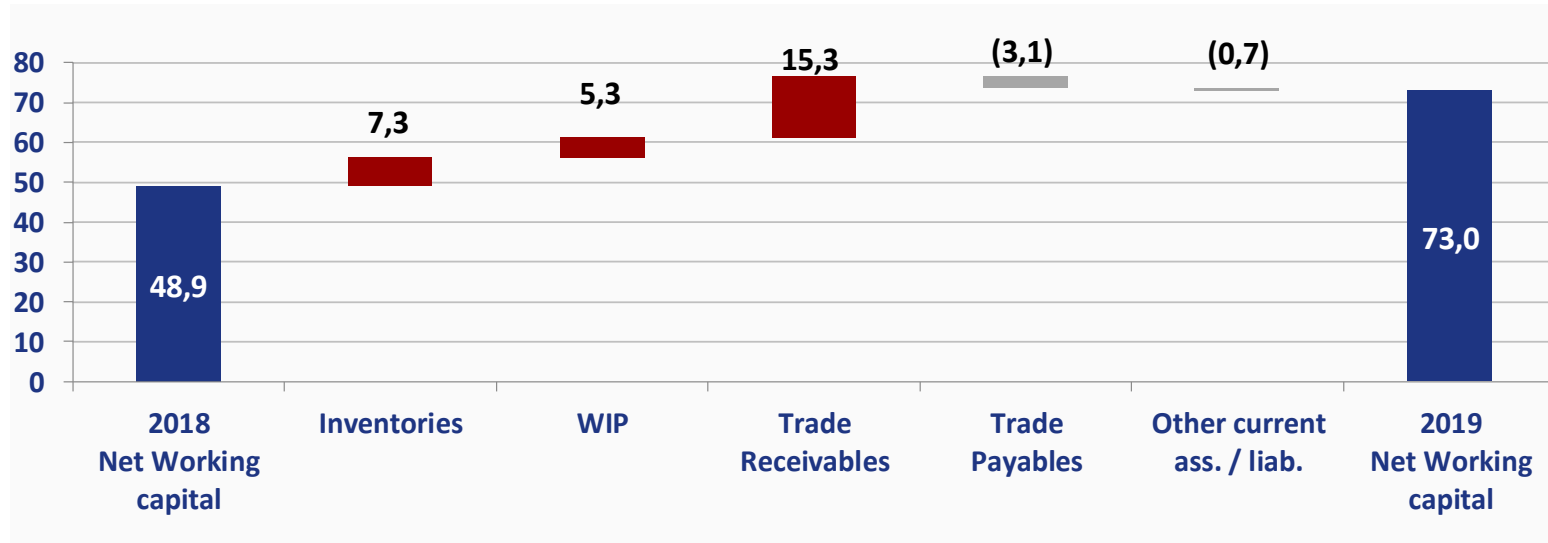
**2019**

<b>Financial Information (€ mln)</b>	<b>2019</b>	<b>2018</b>
Net Working Capital	73,0	48,9
Non Current assets	66,8	67,3
Right of use - IFRS 16/IAS 17	20,1	0,0
Other Long Term assets/liabilities	4,2	4,8
<b>Net Invested Capital</b>	<b>164,2</b>	<b>121,0</b>
Net Financial Indebtness	98,5	77,7
Lease liability - IFRS 16/IAS 17	19,5	0,0
Equity	46,2	43,3
<b>Total Sources of Financing</b>	<b>164,2</b>	<b>121,0</b>

2018

Increase of working capital due to Railways Business

2019



€ Mn	2019.FY	2018.FY	Days 2019.FY	Days 2018.FY
Trade Receivables	67,9	52,6	106	97
Inventories	69,9	62,6	125	116
Work in progress contracts	16,3	11,0	15	20
Trade Payables	(57,5)	(54,4)	-95	-101
Other Current Assets/(Liabilities)	(23,6)	(22,9)	-21	-42
<b>Net Working Capital</b>	<b>73,0</b>	<b>48,9</b>		

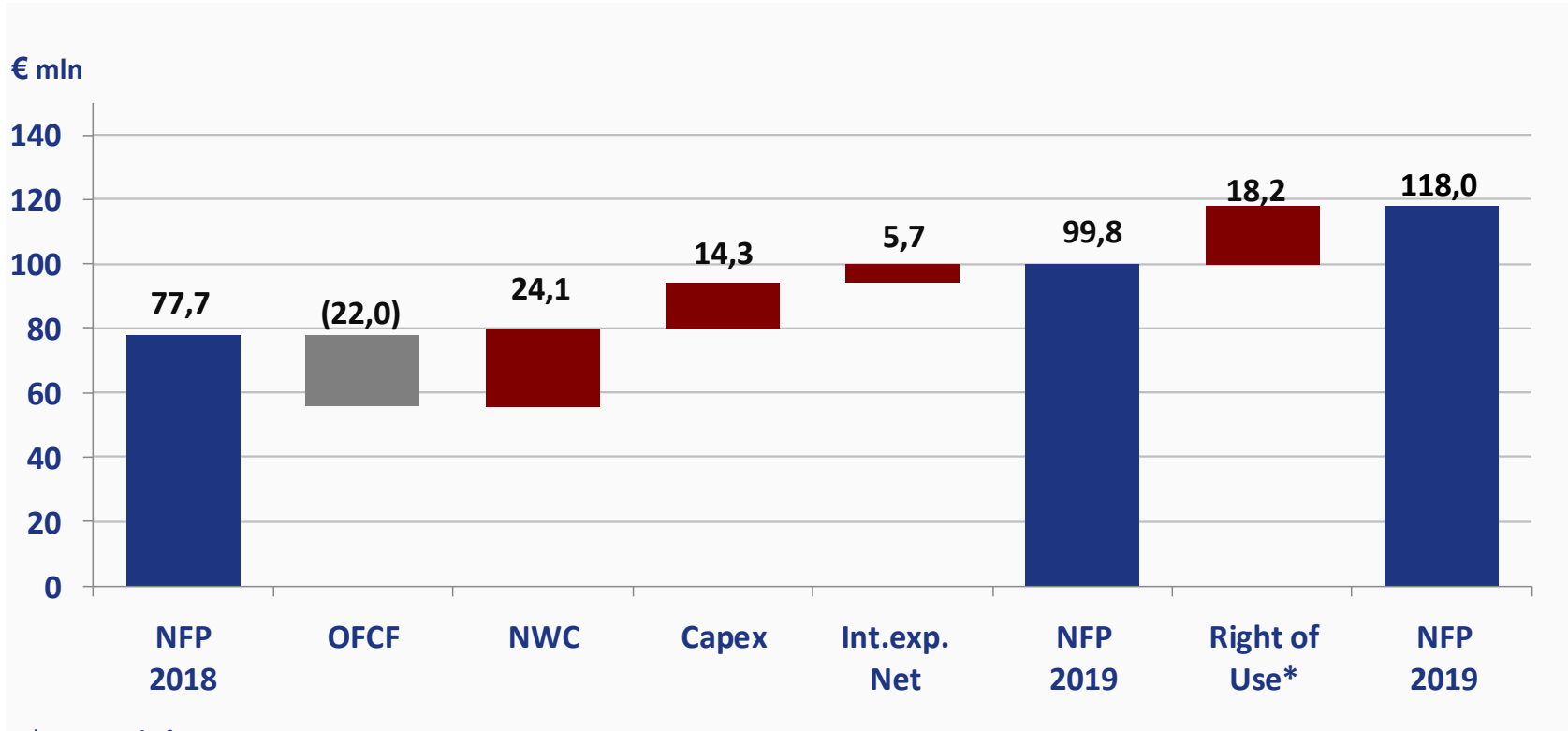
**2018**  
€ 48,9 mln

**Impact due to the increase of working in progress contracts and receivables for the railways business and TRS Business**

**2019**  
€ 73,0 mln



## OPERATING NET FINANCIAL POSITION



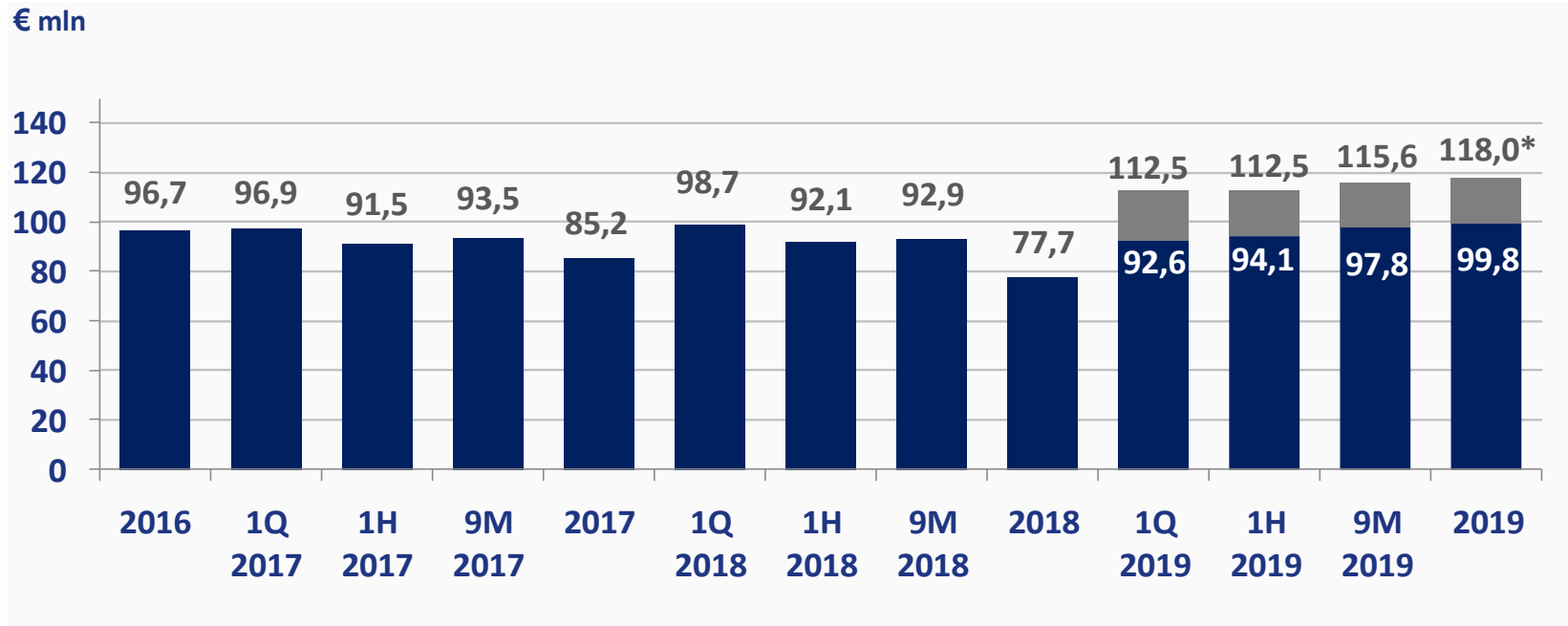
\* Impacted of IFRS 16

2018

The positive operating free cash flow has been impacted by the increase of NWC related to Railways and Trencher

2019

## OPERATING NET FINANCIAL POSITION



\* From 1<sup>st</sup> January 2019, the new IFRS 16 has been introduced, the impact is term of NFP is around 18,2 M€, otherwise the NFP would have been around 99,8 M€

- > Corporate Strategy
- > 2019 Business highlights and Results
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## LOAN

Shareholder loan with related parties:

- TTC S.r.l., majority shareholder of Tesmec
- MTS S.p.A., indirectly controlled by TTC and shareholder of Tesmec

## DETAILS

AMOUNT: maximum of Euro 7 million

DURATION: 36 months

ANNUAL INTEREST RATE: 2%

## GOALS

Providing the Tesmec Group with a reserve that allows to deal with any liquidity shortage that may be caused by the slowdown of the Group's production and commercial activities due to the current health emergency following the spread of the virus Covid-19 (so-called Coronavirus).



- > Corporate Strategy
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## Europe



*New market approach: closer relationship with the main players of transmission and distribution sectors thanks new product lines (digital equipment, full electric machines) and range of services (rental option, fleet management).*

## USA



*Power Lines Refurbishment and renewable interconnection  
Entry into the growing Distribution OH sector  
Strengthening of the technical organization in Tesmec USA*

## China



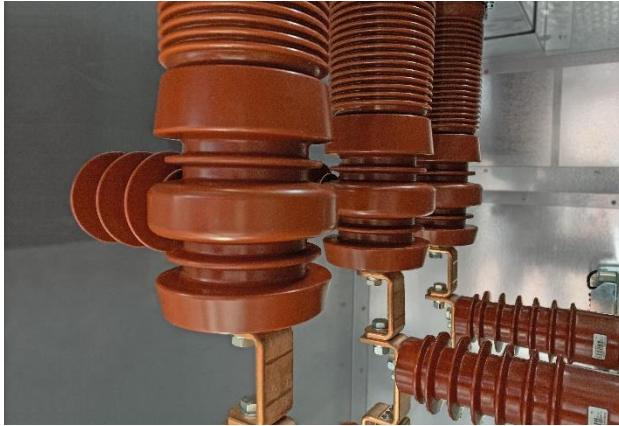
*Strategic collaboration with one leader in transmission sector fully owned by SGCC to obtain a better local positioning and in all APAC region.*

## Environmental Sostenibility



*Develop of Full Electrical product line: pollution, noise, emissions free*

## Enel Market: innovative technologies available



*Rapid diversification through availability of new solutions*

## Russia: new markets, new opportunities



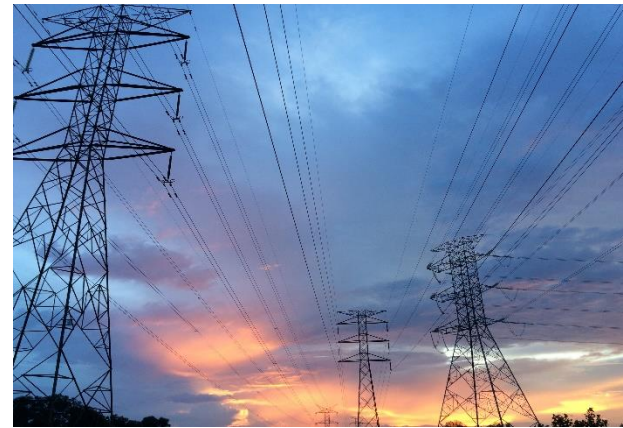
*Presence on the market as a well-known competitive Player*

## Italy: Growth in the Transmission market



*New approach and new proposal to the customers*

## Foreign Markets: new tenders ongoing



*Enlarge the markets through new markets and new collaboration on the existing ones*



## 5G & Fiber Business



*CleanFast at work  
Solutions for fiber optic networks installation*

## Digital and connected system



*Trencher remotely controlled  
Available for all TrenchTronic equipped machines*

## West Africa markets development



*Bauxite mine in Guinea  
Develop surface mining business*

## Focus on services & customer satisfaction



*Strengthening of services, after sales and  
customers' needs*



## PUSH our INTERNATIONALIZATION sales



- France
- Czech Republic
- North-East Europe
- Central Asia
- USA

## CONNECTED VEHICLES



- Certified vehicles
- Diagnostic systems
- Software and algorithms

## CONSOLIDATION of the investment



*Centre of excellence for the development of maintenance & diagnostic vehicles with integrated systems*

## CENTRALIZED PLATFORM



*The Centralized Platform is the enabler for the optimization of the railways infrastructure*

## COVID-19



The national and international scenario is characterized by the spread of Coronavirus and by the consequent restrictive measures for its containment, put in place by the public authorities of the countries concerned. Due to these circumstances, extraordinary in nature and extent, **it is premature to make predictions on the 2020 outlook.**

BUSINESS  
CONTINUITY

TESMEC Group **confirms business continuity**, both in Italy and in its foreign facilities, in compliance with Health Ministries instructions, adopting all the safety and health protocols that are required.

Tesmec continuously and accurately monitors the situation, in concert with local and national institutions, assuring that every facility is fully working in terms of productivity, as well as commercial and technologic activity.

STRATEGIC  
GUIDELINES

The Group will continue to implement its **long-term strategic guidelines**, confirming its focus in the key sectors with hi-tech content, mainly related to sustainable innovations, diagnostics and cybersecurity of infrastructures.



Profit & Loss Account (Euro mln)	2019	2018	Delta vs 2018	Delta %
<b>Net Revenues</b>	<b>200,7</b>	<b>194,6</b>	<b>6,1</b>	<b>3,1%</b>
Raw materials costs (-)	(88,0)	(89,1)	1,0	-1,2%
Cost for services (-)	(35,4)	(32,6)	(2,8)	8,6%
Personnel Costs (-)	(52,6)	(50,5)	(2,1)	4,2%
Other operating revenues/costs (+/-)	(5,5)	(11,3)	5,8	-51,4%
Non recurring revenues/costs (+/-)	0,8	0,0	0,8	na
Portion of gain/(losses) from equity investments evaluated using the equity method	0,3	0,2	0,0	14,3%
Capitalized R&D expenses	7,2	7,6	(0,4)	-4,7%
<b>Total operating costs</b>	<b>(173,2)</b>	<b>(175,6)</b>	<b>2,4</b>	<b>-1,4%</b>
<i>% on Net Revenues</i>	<i>(86%)</i>	<i>(90%)</i>		
<b>EBITDA</b>	<b>27,5</b>	<b>19,0</b>	<b>8,5</b>	<b>44,7%</b>
<i>% on Net Revenues</i>	<i>14%</i>	<i>10%</i>		
Depreciation, amortization (-)	(19,1)	(15,2)	(3,8)	25,1%
<b>EBIT</b>	<b>8,4</b>	<b>3,7</b>	<b>4,7</b>	<b>124,3%</b>
<i>% on Net Revenues</i>	<i>4%</i>	<i>2%</i>		
Net Financial Income/Expenses (+/-)	(4,2)	(3,4)	(0,8)	22,2%
Taxes (-)	(1,2)	(0,3)	(1,0)	363,0%
Minorities	-	-	-	
<b>Group Net Income (Loss)</b>	<b>3,0</b>	<b>0,1</b>	<b>2,9</b>	<b>n/a</b>
<i>% on Net Revenues</i>	<i>1%</i>	<i>0%</i>		



Balance Sheet (€ mln)	2019	2018
Inventory	69,9	62,6
Work in progress contracts	16,3	11,0
Accounts receivable	67,9	52,6
Accounts payable (-)	(57,5)	(54,4)
<b>Op. working capital</b>	<b>96,7</b>	<b>71,8</b>
Other current assets (liabilities)	(23,6)	(22,9)
<b>Net working capital</b>	<b>73,0</b>	<b>48,9</b>
Tangible assets	42,5	45,3
Right of use - IFRS 16/IAS 17	20,1	0,0
Intangible assets	20,4	18,0
Financial assets	3,9	4,0
<b>Fixed assets</b>	<b>87,0</b>	<b>67,3</b>
Net long term liabilities	4,2	4,8
<b>Net invested capital</b>	<b>164,2</b>	<b>121,0</b>
Cash & near cash items (-)	(17,9)	(42,8)
Short term financial assets (-)	(12,1)	(10,4)
Lease liability - IFRS 16/IAS 17	19,5	0,0
Short term borrowing	79,8	80,1
Medium-long term borrowing	48,7	50,8
<b>Net financial position</b>	<b>118,0</b>	<b>77,7</b>
Equity	46,2	43,3
<b>Funds</b>	<b>164,2</b>	<b>121,0</b>

## Disclaimer

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Certain information included in this document is forward looking and is subject to important risks and uncertainties that could cause actual results to differ materially.

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