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Oggetto : Tesmec - Shareholders' meeting May 21st,
2020 Results and the Board of Directors
approved First Quarter 2020 results

Testo del comunicato

Vedi allegato.



TESMEC S.P.A.: COVID PUT BRAKES ON THE FIRST QUARTER, RECOVERY EXPECTED ALREADY FROM THE SECOND QUARTER THANKS TO THE RESILIENCE OF ORDER BACKLOG

THE BOARD OF DIRECTORS APPROVES THE INTERIM REPORT ON OPERATIONS AS AT 31 MARCH 2020 THAT RECORDED:

- **Revenues: Euro 31.8 million** (compared to Euro 49,8 million as at 31 March 2019); the pro-forma revenues with the integration of 4Service company, acquired in April, on a quarterly basis, would have been Euro 34.0 million;
- **EBITDA¹: Euro 2.5 million** (compared to Euro 5,7 million as at 31 March 2019). The pro-forma EBITDA with the integration of 4Service company, on a quarterly basis, would have been Euro 4.1 million;
- **EBIT: negative Euro 1.7 million** (compared to positive Euro 1.5 million as at 31 March 2019);
- **Net result: negative Euro 3.0 million** (compared to a net profit of Euro 1.0 million as at 31 March 2019), affected by **Euro 1.4 million** of exchange rate losses in the quarter;
- **Net financial indebtedness: Euro 123.8 million** (compared to Euro 118.0 million as at 31 December 2019 and to Euro 112.5 million as at 31 March 2019)
- **Total order backlog: Euro 181.7 million** (compared to Euro 188.0 million as at 31 December 2019).

TESMEC ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING:

- **Approval of the financial statements as at 31 December 2019 and allocation of result for the period.**
- **Approval of the assigning to the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the proxy to increase the share capital for a maximum total amount not exceeding the amount of Euro 50,000,000.00. The proxy already has the support of the majority shareholder TTC.**
- **Approval of the first section of report on remuneration.**
- **Revocation of authorization to purchase and dispose of treasury shares, subject to the withdrawal of the previous resolution passed by the Shareholder's Meeting of 16 April 2019;**
- **Approved the elimination of the indication of the nominal value of the shares and the adaptation to the new regulatory provisions on gender quotas.**

Grassobbio (Bergamo - Italy), 21 May 2020 – 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 2020**, which is strongly affected by the impacts of the spread of Covid-19. In fact, starting from the end of February, the Group took actions giving priority to put in place all the necessary measures aimed at protecting the health of its workers both in Italy and abroad and implementing new procedures for working in safety, ensuring production continuity, even if slowed down, until the activation of the various lockdowns. In detail, the Group stopped its operations

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.

in the factories of Grassobbio, Endine, Sirone, Fidenza and Padua from 23 March to 4 May, and in the plants in Patrica and Monopoli from 23 March to 12 April; as regards the Group's foreign facilities, the activity in Durtal (France) was stopped from March 17 to April 20, while no interruptions occurred in the Alvarado plant (USA). In Australia and New Zealand, where the Group does not have production plants but where it operates in various jobsites, activities stopped from March 19 to May 15 and from March 25 to April 27 respectively. Due to the measures taken to fight the pandemic, the first quarter 2020 records a decrease of turnover and margins, while the net financial indebtedness has a restrained increase considering the criticalities of the situation and the seasonality that characterizes the first quarter for Tesmec Group, whose invoicing process is substantially concentrated in the period in which the Group was closed due to the pandemic.

The **Chairman and CEO** Ambrogio Caccia Dominioni commented as follows: *“The results of the first quarter 2020 were impacted by the Covid-19 emergency and by two months of substantial lockdown. Despite the difficult market situation and international uncertainty, the outlook for Tesmec is highly positive. In fact, we operate in strategic and infrastructure sectors that will be increasingly crucial in a context in which governments will have to relaunch the economy of their countries with strong investment plans. Our strategy is to strengthen in the highest value added sectors, with development actions aimed at technologies in the field of Energy Transition, safety, diagnostics and digitalization of infrastructures. We took actions to rationalize the cost structure and to take advantage of the liquidity measures adopted by the various governments. Furthermore, the acquisition of 4 Service Srl, together with the capital increase, announced in April, will not only strengthen the Group's assets structure, but also guarantee growth in a high potential business such as the rental one, improving all profitability indicators.*

MAIN CONSOLIDATED RESULTS AS AT 31 MARCH 2020

As at **31 March 2020**, Tesmec Group recorded consolidated **Revenues of Euro 31.8 million (pro-forma Revenues would have been Euro 34 million)**, compared to Euro 49.8 million as at 31 March 2019. This decrease is significantly affected by the slowdown in production and commercial activities due to the COVID-19 emergency and by the blocks of the movement of goods, which had impacts since the beginning of March, the most important month of the quarter in terms of invoicing process.

Results as at 31 March (Euro in thousands)	Revenues from sales and services		
	2020	2019	Change
Trencher	16,885	30,969	-45.6%
<i>Effect on Consolidated Revenues</i>	<i>52.9%</i>	<i>62.1%</i>	
Railway	7,572	8,545	-11.4%
<i>Effect on Consolidated Revenues</i>	<i>23.8%</i>	<i>17.1%</i>	
Energy	7,410	10,332	-28.3%
<i>Effect on Consolidated Revenues</i>	<i>23.3%</i>	<i>20.7%</i>	
Consolidated	31,837	49,846	-36.1%



In detail, the Revenues in the **Trencher segment** were **Euro 16.9 million** as at 31 March 2020, with a decrease of 45.6% compared to Euro 30.9 million as at 31 March 2019. The performance has been affected, since the last days of February, by the slowdown in logistics activities and subsequently by the blocks of the production and the blocks of the rental activities carried out by the French subsidiary Marais. The pro-forma revenues of the Trencher segment, including the rental business of 4Service company, would have been about Euro 19.0 million. Commercial activities, in the business sectors in which the company operates, have not decreased and, in fact, the confirmed order backlog in the Trencher segment was Euro 60.9 million as at 31 March 2020.

The **Railway segment** recorded Revenues of **Euro 7.6 million** as at 31 March 2020, with a decrease of 11.4% compared to Euro 8,5 million as at 31 March 2019. The decrease is mainly due to the gradual slowdown in operations and to the closing of the Monopoli plant in March. In this sector too, there was no reduction in commercial activities, in fact, the confirmed order backlog was Euro 82.8 million as at 31 March 2020 and could be further increased following the confirmation of the award of the tender of RFI - Rete Ferroviaria tender Italiana SpA, for the production of vehicles for the diagnostic of the railway network, for approximately Euro 50 million in a three-year period.

The Revenues in the **Energy segment** amounted to **Euro 7.4 million** as at 31 March 2020, with a decrease of 28.3% compared to Euro 10.3 million as at 31 March 2019. The decrease related to the Stringing business is due to the production and logistic blocks in March; while the Energy-Automation segment achieved Revenues of Euro 1.5 million, compared to Euro 2.2 million as at 31 March 2019, the decrease in turnover is due to the slowdown in production activities in the quarter. Even in these sectors commercial activities have not slowed down and in fact the confirmed order backlog amount to Euro 38 million, Euro 18 million of which are related to the Energy Automation sector.

In geographic terms, Tesmec Group keeps the percentage distribution of sales in line with the last financial year with a focus in Italy, Europe and North America.

EBITDA was **Euro 2.5 million (pro-forma EBITDA would have been Euro 4.1 million)**, compared to Euro 5.7 million as at 31 March 2019. This result is mainly due to the impact of the spread of Covid-19 which caused the reduction in turnover and the consequent reduction of margins to cover fixed costs. Starting from the month of March, the Group undertook all the necessary actions in order to contain its fixed costs, whose improvement effects will be seen starting from the second quarter. The pro-forma EBITDA, including the rental business of 4Service company, would have been Euro 4.1 million.

Consequently, the **EBIT** of Tesmec Group as at 31 March 2020 is negative for Euro 1.7 million, compared to positive Euro 1.5 million as at 31 March 2019.

The **Net Financial Expenses** of the Tesmec Group were **Euro 2.4 million** as at 31 March 2020, compared to Euro 0.5 million as at 31 March 2019. The change of Euro 2.1 million is mainly due to different exchange rates trend in the two quarters. In particular, the Australian dollar had a depreciation of over 10% compared to its values as at 31 December 2019. However, starting from April the AUD is in an appreciation phase. It should be noted that the unrealized exchange rates loss is Euro 1.2 million.



The consolidated **Net Results** is **negative for Euro 3.0 million** as at 31 March 2020, compared to a net profit of Euro 1.0 million as at 31 March 2019.

The **Net Financial Indebtedness** was **Euro 123.8 million**, compared to Euro 118.0 million as at 31 December 2019. The Net Financial Indebtedness recorded a restrained increase due to the investments that took place in the first two months of the year and to the increase in inventory, deriving from the shipping difficulties that affected the whole month of March.

The **Total Order Backlog** of the Tesmec Group as at 31 March 2020 amounted to around **Euro 181.7 million** – **Euro 60.9 million** of which referring to the **Trencher** segment, **Euro 82.8 million** to the **Railway** segment and **Euro 38.0 million** to the **Energy** segment – compared to Euro 188.0 million as at 31 December 2019.

The resilience of the order backlog which is further enhanced by orders closed in April and May is mainly due to the fact that the company operates in sectors which should have a positive trend in the medium term. And indeed:

- i. Trencher: this sector is conditioned by the different policies that the various countries are developing for the building of modern infrastructures. Projects related to the "underground" installation of cables and optical fibers are on the rise.
- ii. Rail: investments in this sector have been speeded up to meet the new modernization requests related to the maintenance of railway infrastructures.
- iii. Energy: the new "smart + security" needs will be greatly increased with a trend in favor of investments aimed at the transition to digital solutions and to Carbon-free sources.

4SERVICE

With reference to the acquisition of 4Service, the Group confirms the validity of its strategy of concentrating the management of the so-called rental business that is carried out, in addition to 4 Service, also by Tesmec USA Inc. The aggregated economic and financial data of the two businesses (pro-forma and net of intercompany transactions) of the first quarter of 2020 confirm the positive effect that this single management would have on the Group's economic performance and financial situation. It should be noted that this pro forma representation does not purport to be consolidated accounts of the rental business into the Tesmec Group, which instead has effect from the acquisition date, and whose correct integration will therefore be elaborated during the second quarter and shown in the half-year report of the Group.

<i>(€ in million)</i>	Tesmec Group 31 March 2020	Tesmec Group Aggregated 31 March 2020
Revenues	31,8	34,0
Operating costs net of depreciation	(29,4)	(29,8)
EBITDA	2,5	4,1
<i>EBITDA %</i>	<i>7,8%</i>	<i>12,2%</i>
Net working capital	74,6	76,4
Fixed assets	87,6	106,8
NFP without debt vs shareholders	121,6	125,5
Debt vs shareholders	2,2	10,0
Equity	43,39	52,9*
*The increase is due to the conversion of the consideration of the transaction into a future capital increase		

The integration of the two businesses would lead to an increase in revenues which, in the pro-forma representation of the first quarter of 2020, would have gone from Euro 31.8 million to Euro 34 million, as well as an improvement in EBITDA that would have gone from Euro 2.5 million to Euro 4.3 million. With reference to the NFP, it should be noted that it would be increased for financial liabilities from rights of use, linked to the 4 Service leasing contracts. The increase in the NFP, equal to Euro 3.9 million, would be sustainable thanks to an increase of the EBITDA of Euro 1.6 million (2.4x). Shareholders loans, In addition to the current Euro 2.2 million of the 3-year loan with 2% interest rate, would include a further amount of Euro 7.8 million related to the 3 years loan that 4Service has with the companies of TTC Group (majority shareholder of Tesmec) at a rate of 2%. The debt for the consideration of the transaction, equal to Euro 9.4 million, is presented as equity, as the counterparty MTS converted this amount into the future capital increase of Tesmec.

For further details please refer to the information document on 21 April 2020.

COVID-19

As is known, starting from January 2020, the national and international scenario has been characterized by the spread of the Covid-19 virus (so-called Coronavirus) and the consequent restrictive measures for its containment. The Group took prompt actions to monitor and manage the evolution with great attention, applying all the health and safety protocols in full compliance with the provisions of the Ministry of Health. These circumstances, extraordinary in nature and extent, had direct and indirect impact on operating activities. Since the early days of the health emergency, the Group has been committed to fight it trying to ensure the business continuity of its offices and plants but at the same time ensuring the safety of its staff,

customers and suppliers. The main actions adopted concerned the incentive to smart working, the business travels restriction, the increase of spaces in the workplace and measures to avoid occasions of gatherings of large groups. Frequent cleaning and sanitization of the premises have been guaranteed and Group employees and collaborators have been periodically updated, through internal communications, on the protocols to be adopted which, with the evolution of the epidemic, have become increasingly compelling. These measures have always been adopted in full compliance with government provisions and, in compliance with the Authority's requirements, the Group stopped its operations in the factories of Grassobbio, Endine, Sirone, Fidenza and Padua from March 23 to May 4, and in plants in Patrica and Monopoli from 23 March to 12 April. Operations in Durtal (France) were suspended from March 17 to April 20, in compliance with the provisions of the French government, while the Alvarado (USA) plant had no interruptions. In Australia and New Zealand, where the Group does not have production plants but where it operates in several jobsites, the activities were stopped from March 19 to May 15 and from March 25 to April 27 respectively. The progressive slowdown in the spread of infections has made it possible to restart, after the adoption of a prevention and safety protocol which has been agreed with the doctors and union representatives. In compliance with this protocol, the Group made an extended sanitation of its premises, bought the necessary individual protection devices, such as masks, gloves, screens and protective barriers and changed some of its internal procedures, such as the methods of access to facilities, where it is requested the measurement of body temperature before entry, and the organization of areas and work shifts to better guarantee the social distancing measures. Implementation of the so-called smart working continues to be encouraged, and investments have been integrated to allow remote activities to be carried out.

The Covid-19 pandemic significantly impacted the performance of the first quarter of 2020. The various containment measures imposed delays in the supply chain, the production and consequently the sales of the period, especially in March. These critical issues continued also in the month of April, during which the interruption of the operating activity continued, and which led to a slowdown in the commercial activity, which had already restarted in the first days of May. On the basis of what is known to date, the Group believes that the impacts of this situation will not have consequences in the medium term. However, in order to meet the short-term liquidity needs from the slowdown in production and commercial activities, a loan agreement has been signed with the majority shareholder, to be disbursed according to the needs of the Group in the next three years for a maximum amount of Euro 7 million, of which Euro 2.2 million was used as at 31 March 2020. Furthermore, the Italian companies of the Group were able to benefit from some ABI moratoriums on the maturities of their financial liabilities and from new loans, while the Marais company was able to benefit from a new guaranteed financing line. These conditions will allow the Group an important production recovery as soon as the health emergency is overcome.

BUSINESS OUTLOOK

As is known, starting from January 2020, the national and international scenario has been characterized by the spread of the Covid-19 virus (so-called Coronavirus) and the consequent restrictive measures for its containment adopted by the public authorities of the Countries concerned. These circumstances, extraordinary in nature and extent, have direct and indirect impact on the economic activity. On the basis of what is known to date, the Group believes that the impacts of this situation will not have consequences in the ordinary activity in the medium term.



Tesmec Group operates, in fact, in sectors that could get a push and an acceleration from the pandemic recovery, since the policies of the countries in which the Group is active are aimed at strengthening their main infrastructures in order to face with greater efficiency any new hypotheses of lockdown. In particular in the trencher sector there is a clear intention to strengthen the fiber optic and telecommunications infrastructures that will drive to important digging and connection works.

In the railway sector there is an important increase in investments to reduce congestion in the movement of road vehicles and increase sustainable mobility.

In the Energy sector, large investments are planned to encourage the transition to renewable energy sources as well as to increase the efficiency of power grids.

The Group's business is concentrated in these strategic sectors characterized by extreme vivacity and wide development prospects. The confirmed total order backlog of approximately Euro 181.7 million, together with the liquidity from the new loans guaranteed by government measures, to which the Group has already had access, and in general with the support of the banking system, also thanks to the "investment grade rating of the group, guarantee a significant recovery in production already at the end of 2020.

The Company has also approved a capital increase up to a maximum of Euro 50 million in order to collect additional equity to balance the debt and equity ratio and finance investments in the sectors in which the Company operates. The actual size of the capital increase will be established by the Board of Directors, following the publication of the guidelines of the Business Plan, which will identify in detail the growth opportunities in the Railway, Trencher and Energy sectors. The Company plans to publish the guidelines of the Business Plan before the summer break and to proceed with the capital increase no earlier than the fourth quarter of 2020.

MAIN EVENTS OCCURRING DURING THE PERIOD UNDER REVIEW

On **10 January 2020** the Board of Directors of Tesmec appointed, with the approval of the Board of Statutory Auditors and in compliance with the requirements of integrity and professionalism expected by current legislation and by the Articles of Association, Mr. Marco Paredi - already Investor Relations Manager – also as "Manager responsible for the preparation of the Company's Financial Statements" pursuant to art. 154-bis of Legislative Decree 58/1998. Based on available information, Marco Paredi does not directly and / or indirectly hold Tesmec shares.

On **13 March 2020** the Board of Directors of Tesmec S.p.A. approved a transaction of greater importance with the related parties TTC S.r.l. and MTS-Officine Meccaniche di Precisione S.p.A.. The transaction consists of a shareholder loan up to Euro 7 million, which can be disbursed in one or more tranches at the request of the Company, with a duration of 36 months and an interest annual rate of 2%. The loan aims to provide 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 health emergency following the spread of the virus Covid-19.

On **25 March 2020**, the Company, in compliance with the provisions of the Prime Ministerial Decree "Further implementing provisions of the Law Decree of 23 February 2020, no. 6, containing urgent measures regarding the containment and management of the epidemiological emergency from COVID-19 applicable on the entire national territory", published last March 22 in the Official Gazette of the Italian Republic (the "DPCM"), announced that starting from March 26, 2020 and until April 3, 2020, the operating activities of the specific production lines that are not included in the list of those deemed essential or in the chain of those connected to them by the Prime Minister's Decree will be temporarily suspended. The Company's administrative and commercial activities continued, however, to be fully operational and functional through the use of smart-working and in compliance with all the most stringent protocols aimed at preserving the health, safety and security of the employees, collaborators, suppliers and customers, which represent an absolute priority for the Company. In the same way, all foreign companies and commercial offices were fully operational.

MAIN EVENTS OCCURRING AFTER THE PERIOD END

On **6 April 2020**, Marais Laying New Zealand received a government grant of New Zealand Dollars 0.6 million to cover the costs arising from the health emergency.

On **14 April 2020**, the Board of Directors of Tesmec S.p.A. approved the proposal to submit to the shareholders' meeting the attribution of a proxy ex art. 2443 c.c. to the Board of Directors itself to increase the share capital up to maximum Euro 50 million, including a related share premium. The proxy has already the support of the majority shareholder TTC.

On **20 April 2020**, BPI France allowed Groupe Marais to obtain the loan guaranteed by the State for an amount of Euro 7.7 million which will be issued by a pool of seven financial institutions. These sums will be paid out over the next few months.

On **21 April 2020** Cerved Rating Agency, the Italian rating agency specialized in the credit rating assessment of non-financial businesses, announced the solicited rating "B1.2" of the Company.

On **22 April 2020** the subsidiary Tesmec Rail, active in the design, prototyping and manufacturing of railcars and vehicles for diagnostics of the railway infrastructure, signed an agreement for the design, production and supply of a new self-propelled diagnostic rolling-stock with the Lithuanian company UAB "KMT". The delivery of the vehicle is scheduled for April 2021.

On **1 May 2020** the SBA "Small Business Administration" approved the issue of USD 1.4 million loan to Tesmec USA. This transaction is in the perimeter of regulation of the paycheck protection program.

On **12 May 2020** the subsidiary Tesmec Rail was selected in the award proposal for the 3rd lot of the tender launched by RFI – Rete Ferroviaria Italiana SpA, a company of the Ferrovie dello Stato Group responsible for the overall management of the national railway network, for the supply and Full Maintenance Service of trucks for the territorial diagnostics on aprons, nodes and interconnections. The relative supply contract will



be signed only after the positive verification of the requirements and the necessary further steps of the tender.

On **18 May 2020** Tesmec signed a loan agreement for a total amount of Euro 10 million issued by Intesa Sanpaolo through the "Garanzia Italia" measure implemented by the "Liquidity Decree" to support the Italian companies damaged by the Covid-19 emergency and which sees SACE as a guarantor.

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.

SHAREHOLDERS' MEETING

In the ordinary session, the Shareholders' Meeting approved the financial statements 2019 of Tesmec S.p.A., that recorded a profit of Euro 4.2 million. The Shareholders' Meeting has therefore approved the proposal of Board of Directors on 13 March to do not distribute dividends with the aim to promote the strengthening of the Group's capital structure and resolved to assign this Net Profit to the Extraordinary Reserve.

During the meeting, the Group's **consolidated financial statements** for the year 2019 and the related reports were also presented, including the Consolidated Non-Financial Statement; for further details, see the press release of 13 March 2020.

The Financial Statements approved by the Shareholders' Meeting, as well as the examined Consolidated Financial Statements and the Consolidated Non-financial Statement, are the same documents and report the same financial and non-financial information approved by the Board of Directors on March 13, 2020 and communicated to the market on the same date, accompanied by the declaration of the manager responsible pursuant to art. 154-bis, paragraph 2, of Legislative Decree 58/1998 (the "TUF").

The Shareholders' Meeting also resolved in favor of the First Section of the Report on Remuneration Policy and remuneration paid pursuant to Article 123-ter of Italian Legislative Decree 58/1998 and Article 84-quarter of the Issuers' Regulation no. 11971/1999 and withdrew the authorization to purchase and dispose of treasury shares, approved by the Shareholder's Meeting of 16 April 2019.

In the extraordinary session, the Shareholders' Meeting approved the elimination, pursuant to articles 2328 and 2346 of the Civil Code, of the indication of the nominal value of the Company's ordinary shares and consequently to modify article 5, first paragraph, and articles 14 and 22 of the Articles of Association and to approve the new text as illustrated in the Explanatory report of the Board of Directors.

The Shareholders' Meeting also resolved to assign to the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the proxy to increase the share capital against payment with or without warrant, in one or more tranches, no later than 21 May, 2025, for a maximum total amount of Euro 50,000,000.00 (the

"Maximum Total Amount"), including any share premium, in compliance with the right of option pursuant to Article 2441 of the Italian Civil Code, or with the exclusion of the right of option pursuant to Article 2441, paragraphs 4, of the Italian Civil Code, with the contribution in kind of assets, and of business similar to that of the company and of its subsidiaries or connected to the sector of design, production and marketing of special products and integrated solutions for the construction, maintenance and streamlining of infrastructures relating to the transmission of electrical power and data and material transport, as well as assets and business designed to offer supporting services to these activities, and pursuant to Article 2441, paragraph 5, of the Italian Civil Code (and article 2441, paragraph 4, second sentence of the Italian Civil Code, where applicable) in order to be reserved for potential industrial, financial, strategic partners or medium-long term investors (also natural persons) and institutional investors in the context of operations consistent with the strategy of company growth, as well as the faculty, pursuant to Article 2420-ter of the Italian Civil Code, to issue convertible bonds, with or without warrant, for the same period of time up to the same maximum amount of Euro 50,000,000.00, together with the right to resolve the related capital increase to service the conversion, in compliance with the right of option pursuant to Article 2441 of the Italian Civil Code, or with the exclusion of the right of option pursuant to Article 2441, paragraph 5, of the Italian Civil Code (and article 2441, paragraph 4, second sentence of the Italian Civil Code, where applicable) in order to be reserved for potential industrial, financial, strategic partners or medium-long term investors (also natural persons) and institutional investors in the context of operations consistent with the strategy of company growth, all in compliance with all legal provisions applicable at the time of the resolution of the capital increase and / or the issuance of convertible bonds. The Shareholders' Meeting also resolved to amend article 5 of the Articles of Association accordingly.

The Capital Increase is aimed at pursuing the following strategic purposes (hereinafter, collectively, the "Strategic Objectives"):

- Financing the investments envisaged in the new Business Plan in the strategic sectors of energy (digitalisation and automation of the grids), telecommunications (new fiber optic networks), transport (diagnostic safety systems and line maintenance in the railway sector) and mining (new extraction systems). For more information on the acquisition of 4Service please refer to the press release of 14 April 2020 and to the information document concerning the transactions of greater importance with related parties available on the website and made available to the public in the ways and within the terms provided for by current legislation; and
- strengthen the capital structure, rebalancing the sources of financing (equity and debts) and improving the economic and financial parameters of the Company.

Once the Business Plan has been finalized, the Board of Directors will assess the actual amount of the capital increase within the limit of the Maximum Overall Amount, also to be offered as an option to the Shareholders, and the definition of the relative timing. In this perspective, the Proxy allows to speed up the execution times of the capital increase and to obtain, with adequate timing, better conditions for the pursuit of the Strategic Objectives, through: (i) the attribution to the Board of Directors of the power to determine the conditions of the capital increase (including the maximum amount of the number of shares to be issued and the issue price of the shares) taking into account the market conditions prevailing at the time of the effective launch of the operation; and (ii) the decrease in the (significantly longer) technical times provided for by the applicable legislation for the shareholders to approve the share capital increase resolution, with



a consequent reduction in the risk of stock-exchange fluctuations, even significant, between the moment of the announcement and of the execution of the operation.

With reference to the capital increase operations pursuant to article 2441, paragraphs 4 and 5, and article 2420-ter of the Civil Code, moreover, the Proxy has the objective of ensuring the necessary flexibility and timeliness to the Board of Directors in the execution of one or more increases in share capital, as well as in finding new financial sources on the market by choosing the most appropriate forms, in order to seize the most favourable conditions for the pursuit of the Strategic Objectives.

It should be remembered that TTC S.r.l., the majority shareholder of the company, owner of 44.609% of the share capital of Tesmec, confirmed the availability, for itself and for its subsidiaries, to subscribe its portion of shares of the proposed capital increase.

The Manager responsible for preparing the Company's financial statements, Marco Paredi, declares pursuant to paragraph 2 of article 154-bis of Legislative Decree no. 58/1998 ("TUF") that the information contained in this press release corresponds to the Company's accounts, books and records. It should also be noted that in this press release, in addition to the standard financial indicators required by the IFRS, there are some alternative performance measures (for example EBITDA) in order to allow a better assessment of the economic and financial performance. These indicators are calculated according to the market practices.

The minutes of the Shareholders' Meeting will be available to the public within the terms set by the laws and regulations in force.

The Financial Statements as at 31 December 2019 of Tesmec S.p.A., with the Report on operations that also includes the Consolidated Non-financial Statement, the Directors' report on the draft resolutions submitted to the meeting, the Report of the Board of Statutory Auditors and the independent auditors' report, as well as the Consolidated Financial Statements as at 31 December 2019, the report on Governance and the Remuneration report, the Governance report and the structure of the shares capital are available at operative office and on the company's website, www.tesmec.com, "Investors" section, in the terms set by the laws.

Pursuant to Article 125-quater, paragraph 2, of the TUF, a summary report containing the number of voting shares represented at the shareholders' meeting and the shares for which the vote was made, the percentage of capital that these shares represent, as well as the number of votes for and against the resolution and the number of abstentions, will be available to the public on the company website within five days from the date of the Shareholders' meeting.



Conference Call

At 8:45 AM (CET) – 7:45 AM BST, on Friday 22 May 2020 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 2020 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
From USA:	+1 718 7058794

The manager responsible for the preparation of the corporate accounting documents, Marco Paredi, 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 financial statements and the consolidated financial statements as at 31 December 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.



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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 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 & West Africa, Australia, New Zealand, 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 2020².

² Not subject to verification by the auditors



Tesmec Group reclassified consolidated income statements

<i>(€ in thousands)</i>	As at 31 March	
	2020	2019
Revenues	31,837	49,846
Total operating costs	(33,549)	(48,297)
Operating Income	(1,712)	1,549
Financial (income) / expenses	(980)	(1,206)
Foreign exchange gains/losses	(1,407)	690
Share of profit / (loss) of associates and joint ventures	(9)	(6)
Income before tax	(4,108)	1,027
Net income for the period	(2,992)	995
EBITDA	2,469	5,743
EBITDA (% on revenues)	7.8%	11.5%
EBITDA proforma	4,139	
EBITDA proforma (% on revenues)	12.2%	



Tesmec Group reclassified consolidated statements of financial position

<i>(€ in thousands)</i>	31 March 2020	31 December 2019
Non-current assets	103,325	102,101
Current assets	184,913	194,450
Total assets	288,238	296,551
Non-current liabilities	76,788	75,085
Current liabilities	168,115	175,314
Total liabilities	244,903	250,399
Equity	43,335	46,152
Total equity and liabilities	288,238	296,551



Tesmec Group other consolidated financial information

<i>(€ in thousands)</i>	<u>As at 31 March</u>	
	<u>2020</u>	<u>2019</u>
Net cash provided/(used) by operating activities (A)	(473)	(10,973)
Net cash provided/(used) by investing activities (B)	(5,120)	(22,683)
Net cash provided/(used) by financing activities (C)	(1,628)	23,422
Increase / (decrease) in cash and cash equivalents (D=A+B+C)	(7,221)	(10,414)
Cash and cash equivalents at the beginning of the period (F)	17,935	42,793
Net effect of conversion of foreign currency on cash and cash equivalents (E)	(301)	238
Total cash and cash equivalents at end of the period (G=D+E+F)	10,413	32,617

Prospetto Fonti e Impieghi consolidato del Gruppo Tesmec

(€ in thousands)	<u>As at 31 March 2020</u>	<u>As at 31 March 2019</u>
Net working capital ³	74,642	64,373
Non-current assets	87,591	87,631
Other Non-current assets and liabilities	4,879	5,212
Net invested capital ⁴	<u>167,112</u>	<u>157,216</u>
Net financial indebtedness ⁵	123,777	112,529
Equity	43,335	44,687
Total equity and net financial indebtedness	<u>167,112</u>	<u>157,216</u>

³ 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.

⁴ 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.

⁵ 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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Numero di Pagine: 19