Integrated Solutions Provider

2020 Results Presentation

TESMEC

Index

1. Key Market trends & Corporate strategy

Green and Digital Technology trends drive market opportunities

Sector	BU	Main markets	Market growth	Key growth drivers
ENERGY & RENEWABLES	ENERGY TRENCHER		Power grid 23%* 2019-2040 Smart Grid CAGR 11.8% 2019-2025	▪ Environmental issues and greater focus on **energy saving** and **efficiency** ▪ Faster growth of **renewables** in the electricity sector ▪ Trends related to **electrification** (e.g. electric cars) and **cybersecurity**
TELECOM & FIBRE	ENERGY TRENCHER		CAGR 5% 2020-2025	▪ Increase in **internet users** and demand for high-speed internet ▪ Growth in **demand for improved IT infrastructure**, especially in emerging economies
RAIL	ENERGY RAIL		CAGR 2.2% 2019-2025	▪ Pushing **improvement** and **safety** of existing railways in order to reduce accidents (Italy and Europe) ▪ Technical market trends include technologies for **alternative traction systems** (hybrid, zero emission …)
SURFACE MINING	TRENCHER		CAGR 1.5% 2020-2023	▪ Growing attention to **security** standards resulting in increase in **regulations** on the use of explosives ▪ Need for technological changes to increase sustainability while reducing operational costs (**smart mining**)
CONSTRUCTION AND UTILITIES*	TRENCHER		n.a.	▪ **Demographic boom**, new cities or enlargement of existing ones (Africa and Asia) ▪ Increasing investment in **water pipes**, irrigation/drainage and wastewater management
PIPELINE	TRENCHER		n.a.	▪ Oil and natural gas **price issues** ▪ More **restrictive regulations** on ageing pipelines in developed markets ▪ Growing **gas demand** (Asia- Pacific, Russia, Africa) and need for additional pipeline capacity

*Note: * increase in average annual investment to reach Paris Accord targets compared to current trends*
Source: IEA, WEO, 2019

Main Tesmec target sectors | Secondary Tesmec target sectors

Corporate strategy

INVESTMENT & DIVERSIFICATION

2020-2023

THE NEXT DEVELOPMENTS

New Business Model

- INTEGRATED SYSTEMS
- DIGITAL SOLUTIONS
- FULL SERVICES

to increase recurring revenue streams

Strategic drivers

- DIGITALISATION
- SUSTAINABILITY
- ENERGY TRANSITION

Business strategy

ENERGY

STRINGING

INNOVATIVE WORKING METHODOLOGIES for grid maintenance

Green technologies for **SUSTAINABLE JOBSITES**

AUTOMATING process for new line construction

INTEGRATED and **OPTIMIZED** approach to underground HV links

ENERGY AUTOMATION

DIGITAL solutions and Substation Automation **SYSTEMS**

CYBERSECURITY requirements for Grid safety

IOT integration for energy **data analytics**

VIRTUALIZATION of technological application on multi purpose platform

TRENCHERS

CLEAN & FAST SOLUTIONS for underground energy cable and fiber optic networks

DIGITAL & CONNECTED systems

Autonomous Mining machine **(SMART Mining)**

Complete package of **INTEGRATED SERVICES** (sales, wet/dry rental, training, mapping, survey, fleet management…)

RAILWAY

Working vehicles **CERTIFIED** as passenger trains in EU

Advanced technologies for railway **ELECTRIFICATION**

AUTOMATED & CLOUD CONNECTED vehicles

Artificial Intelligence **for UNMANNED DIAGNOSTIC & BIG DATA MANAGEMENT**

Green approach with **HYBRID & BIMODAL SOLUTIONS**

2. 2020 Business highlights & Results

2020 highlights

CORPORATE

- **New ERP project implementation and go live for Tesmec SpA**
- **Cost saving actions**

ENERGY

STRINGING

Important growth in **strategic markets:**

- US & Australia positive trend confirmed

Machines Improvements:

- **Digital 4.0** range becomes the standard
- Growing business on **tailor made** solutions

Green innovation & **new** maintenance **methodologies**:

ENERGY AUTOMATION

Growth strategy on Transmission market in Italy:

- New **systems engineering** approach to offer high added value and turnkey solutions for HV substations
- Increased opportunities for **integrated** remote control systems based on IEC **61850**

Push on innovative technologies:

- Growing business on **cyber-security** protection and control solutions

TRENCHERS

Business model focused on increasing **recurring revenues**:

- Wide offer of services and cable laying solutions especially in EU (TLC, energy)
- Increasing demand of rental equipment instead of CAPEX

Relevant contracts awarded in the **renewable energy** field (Australia..)

Great opportunities in West Africa in the surface **mining industry** (bauxite..)

RAILWAY

Consolidation of the expertise in the diagnostic field:

- award of the **RFI tender** for a total value of 49.8 M€ for the supply of diagnostic railway vehicles

Growing importance of **recurring business** (Full Maintenance Service)

Solutions for catenary **refurbishment** (working methodology)

2020.FY Closing

GROUP (€ mln)	2020 proforma	2020	2019 proforma	2019	Delta vs. Proforma 19-20	Delta vs. 19-20
REVENUES (1)	**172,8**	**170,6**	**199,6**	**200,7**	**-13,4%**	**-15,0%**
EBITDA (2) (3)	**22,9**	**21,0**	**30,0**	**27,4**	**-23,8%**	**-23,6%**
% on Revenues	13,2%	12,3%	15,0%	13,7%		
EBIT (4)	**(0,6)**	**(0,9)**	**6,4**	**8,4**		
% on Revenues	-0,3%	-0,5%	3,2%	4,2%		
Differences in Exchange (5)	**(3,3)**	**(3,6)**	**(3,6)**	**0,8**		
% on Revenues	-1,9%	-2,1%	-1,8%	0,4%		
PROFIT (LOSS) BEFORE TAX	**(8,7)**	**(9,0)**	**2,0**	**4,2**		
% on Revenues	-5,0%	-5,3%	1,0%	2,1%		
NET INCOME/(LOSS)	**(6,5)**	**(6,8)**	**1,6**	**3,0**		
% on Revenues	-3,8%	-4,0%	0,8%	1,5%		

GROUP (€ mln)	2020 proforma	2020	2019 proforma	2019	Delta vs. Proforma 19-20	Delta vs. 19-20
NFP ante IFRS 16	**82,3**	**82,3**	**106,9**	**98,5**	**23,0%**	**16,4%**
NFP post IFRS 16	**104,4**	**104,4**	**130,9**	**118,0**	**20,2%**	**11,5%**
NFP without Share capital Increase	**129,1**	**129,1**	**130,9**	**118,0**		

*** The pro-forma results include the result of the 4Service Group on the annual basis, instead of the results achieved within the perimeter of the Tesmec Group from the date of first consolidation (April 23, 2020)**

Achieved the target communicated during the process of the share capital increase

(1) **Revenues:** (mainly TRS Sales) **affected** by the actions taken by public authorities **to contain the spread of the COVID-19.** After the slowdown and lockdown phases**, the Group restarted its activities in May,** reaching **full operations** during **June** and **generate around 100 M€** of revenues **in the 2H**

(2) **EBITDA: negative impact** by the **drop of TRS sales** and the performance of the **railways business due to the production of low margin vehicles. Positive impact** thanks to **Rental activities with high margin and cosst reduction**

(3) **Efficiency: Starting** from **March**, the Group undertook **all the necessary actions** to **contain its fixed costs. This actions will impact the 2H, too. The Group** collected all the possible **operating grants** in the different countries around the world

(4) **Impacted by 4service's fleet depreciation**

(5) **Negative impact of Forex losses (USD & related currencies), 3,3 M€ are "not realized" forex losses.**

2020.FY Proforma Closing – Business Breakdown

ENERGY	2020	2019	Delta %
Revenues	**43,8**	**44,2**	**-1,0%**
EBITDA	**5,3**	**5,6**	**-6,2%**
% on Revenues	12,0%	12,6%	

> The **decrease** is related to the **lockdown** and **slowdown** in the 1H

> Improved **3Q-4Q resiliency of the Energy sector** and the better performance of the **Energy Automation,** Euro **10,0 million** of revenues in the **2H** and a better margin mix

> The **confirmed order backlog** was **Euro 76,2 million of which Euro 54,0 million** from the **Energy Automation**

TRENCHERS	2020	2019	Delta %
Revenues proforma	**102,6**	**125,3**	**-18,1%**
EBITDA proforma	**14,4**	**16,6**	**-13,5%**
% on Revenues	14,0%	13,3%	

> **Drop of the sales** in the first half **and slowdown of the USA market of the 2020.Q4,** due to political instability linked to the election

> More impact on **TRS sales than rental**

> **Better % EBITDA** thanks to the **integration** of the **rental activities**

> The **confirmed order backlog** was **Euro 84,6 million**

RAILWAY	2020	2019	Delta %
Revenues	**26,4**	**31,1**	**-15,2%**
EBITDA	**3,2**	**5,2**	**-38,2%**
% on Revenues	12,2%	16,8%	

> The **decrease** is mainly due to the **slowdown / lockdown**, mitigated by the **relaunch of activities in May** and the **delay** of the **new tenders acquisition or tenders confirmation** with high margin.

> **EBITDA** is affected by low margins **vehicles**

> The **confirmed order backlog** was **Euro 121,6 million,** thanks the confirmation of the **Euro 50 million of the award of the RFI Tender, already communicated in the 2021.Q2**

BACKLOG

Euro/mln	30/09/2020	Sales 2020.Q4	Intake 2020.Q4	31/12/2020
Energy	77,0	14,6	13,8	(2) 76,2
Trencher	92,0	34,2	26,8	84,6
Railway	69,0	5,0	(1) 57,6	121,6
Total	238,0	53,8	98,2	282,4

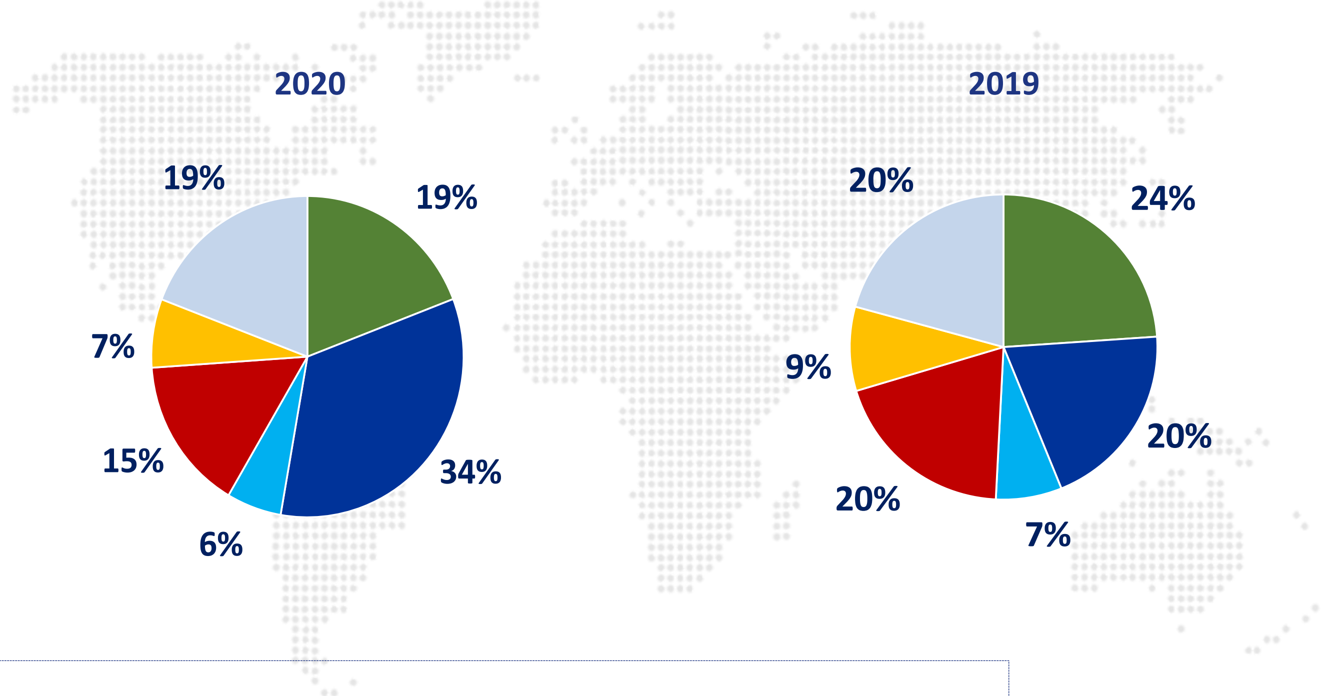
(1) Including the **confirmed award of the RFI tender** for the production of diagnostic vehicles for around **Euro 50 million** and an RFI order of **revamping activities** for **Euro 7,5 million**

(2) Of which **Euro 54 million** by **Energy Automation**

2020.FY Revenues: sales spread over different geographical area

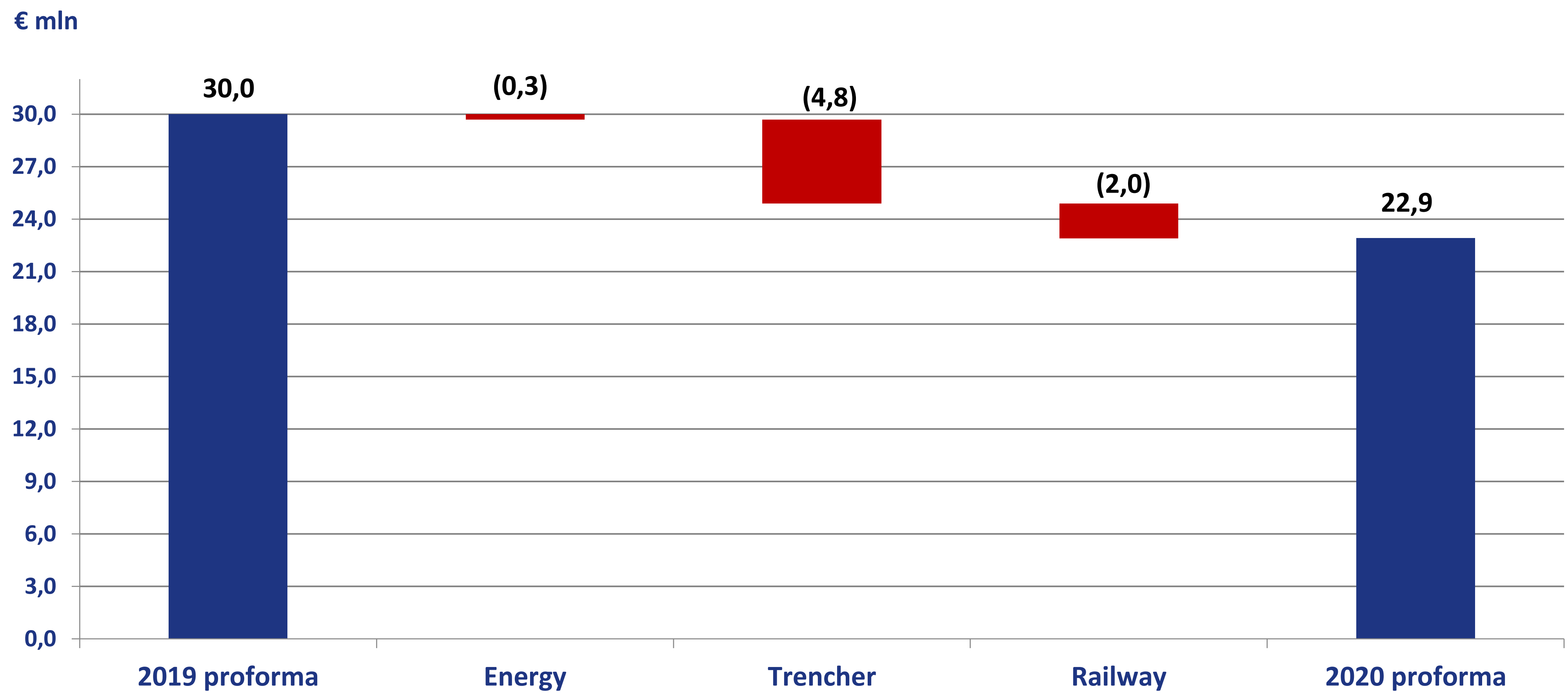
INTERNATIONAL SCALE, FOCUS ON EU-USA

IMPORTANCE OF THE ITALIAN MARKET



- **ITALY:** railway business & energy automation impact
- **USA&EU:** trencher and railway impact
- **BRICS:** trencher and stringing impact

2020.FY Proforma EBITDA



2019

Impacted from the drop of TRS sales in the 1H (partially mitigated by the rental activities) and from the negative performance of railways business for the execution of low margin orders.

2020

2020.FY Financial Results

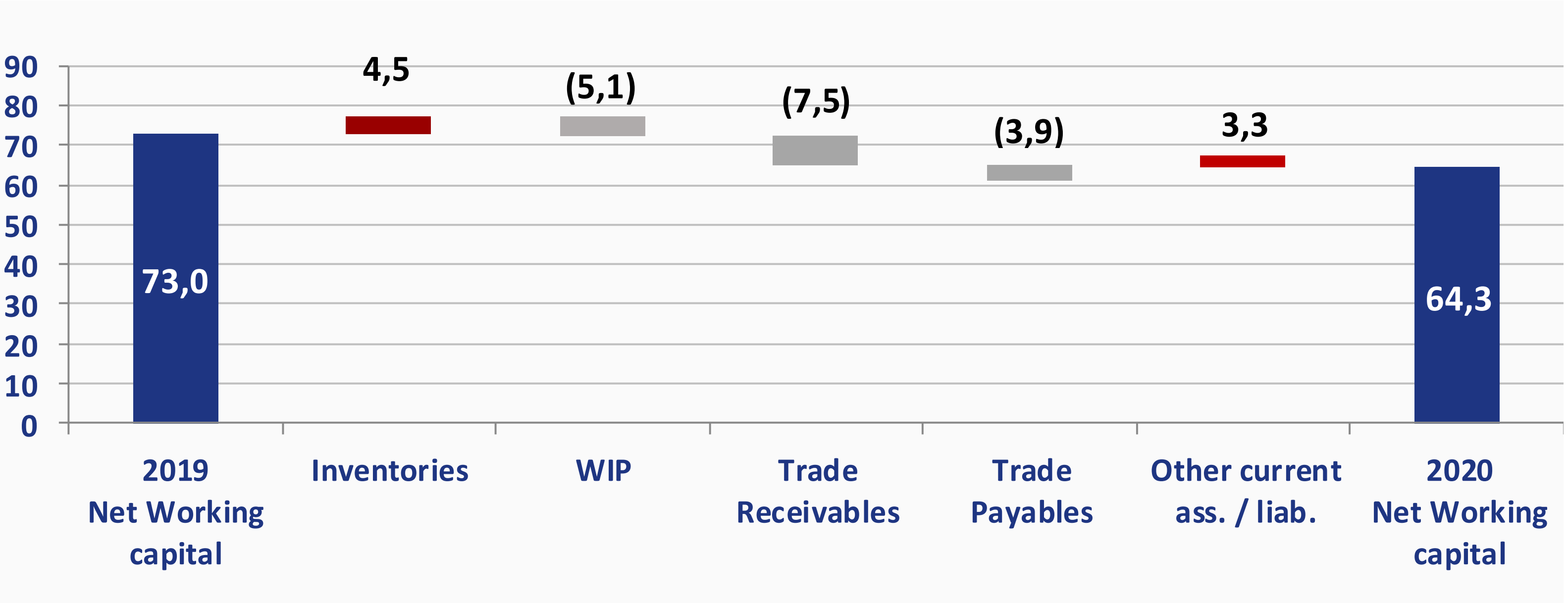
Financial Information (€ mln)	**2020**	**2019**
Net Working Capital	64,3	73,0
Non Current assets	76,7	66,8
Right of use - IFRS 16/IAS 17	22,8	20,1
Other Long Term assets/liabilities	10,0	4,2
Net Invested Capital	**173,8**	**164,2**
Net Financial Indebtness	82,3	98,5
Lease liability - IFRS 16/IAS 17	22,1	19,5
Equity	69,4	46,2
Total Sources of Financing	**173,8**	**164,2**

2019

Decrease of NWC (mainly for the work in progress and receivables reduction), increase of the asset by the change of Group perimeter (4Service Group) and decrease of NFP due the decrease of the NWC and share capital increase

2020

2020.FY Working Capital evolution



€ Mln	2020	2020.1H	2019
Trade Receivables	60,4	59,8	67,9
Inventories	74,4	77,5	69,9
Work in progress contracts	11,2	17,8	16,3
Trade Payables	(61,4)	(50,9)	(57,5)
Other Current Assets/(Liabilities)	(20,4)	(21,0)	(23,6)
Net Working Capital	**64,3**	**83,3**	**73,0**

2020	2019
127	122
157	125
24	29
-130	-103
-43	-42

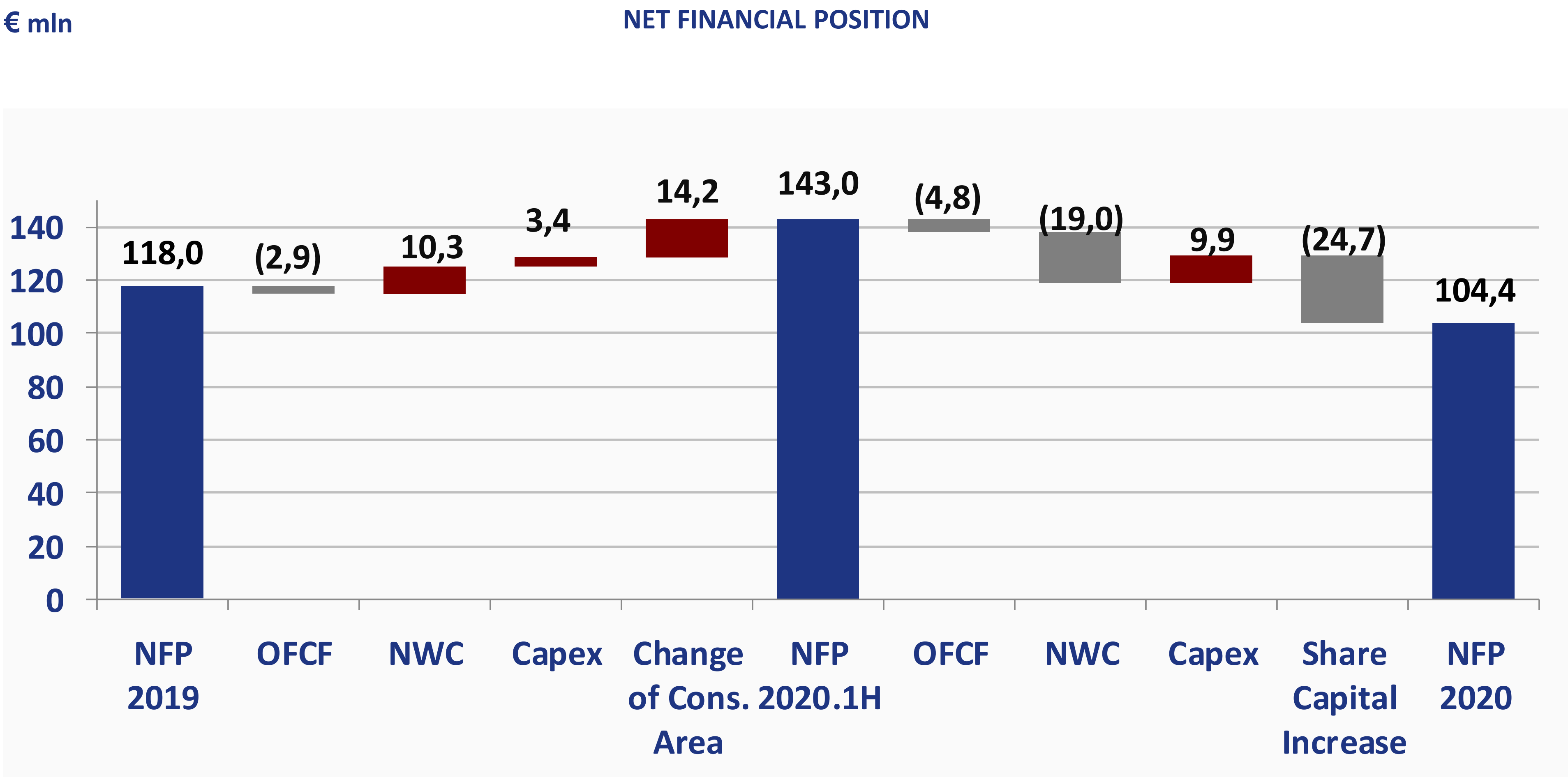
2019
€ 73,0 mln

After the increase of the NWC due to the impact of the Covid 19 in the 1H, the Group recorded a reduction of the inventories and working in progress and a better balance of DPO - DSO

2020
€ 64,3 mln

2020.FY Net Financial Position Evolution

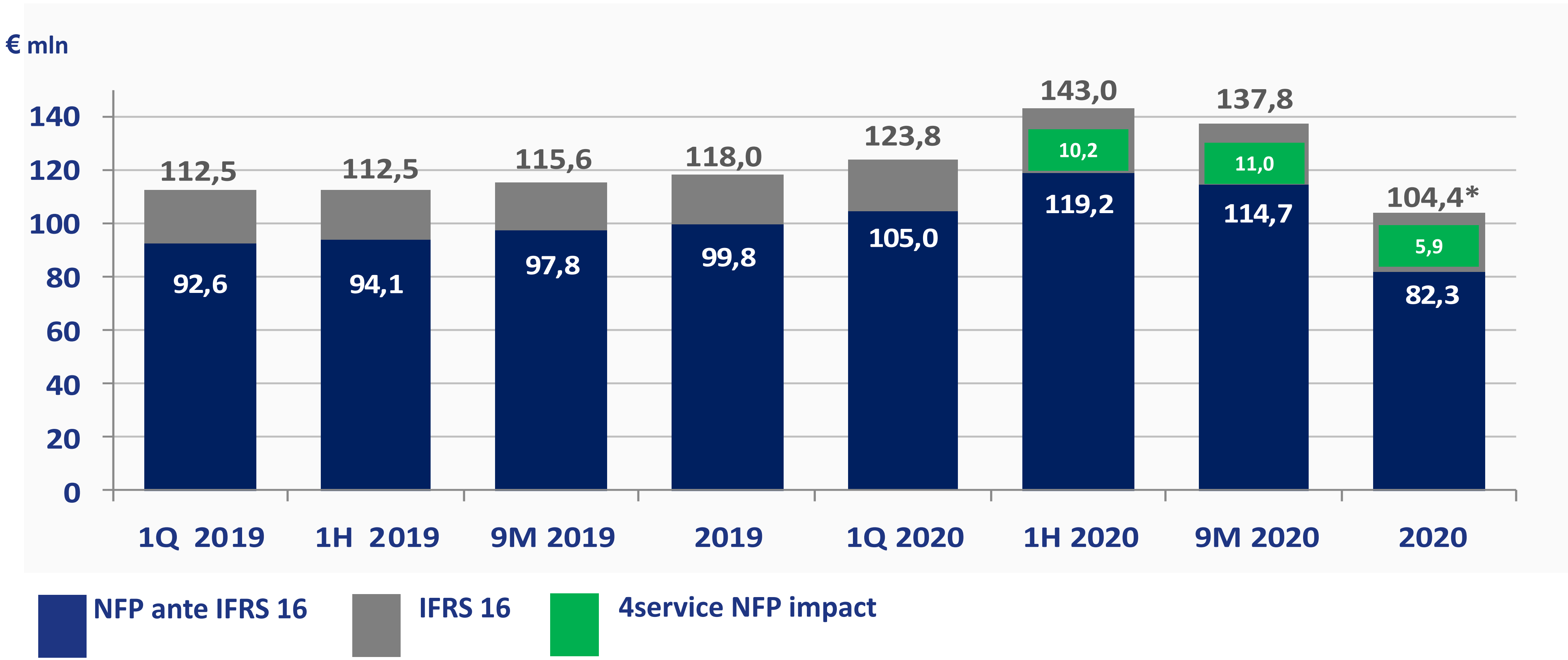
€ mln



2019 → Impacted by the change of Cons Area and NWC in the 1H, starting from Q3 NFP has been reducing by the impact of the share capital increase, the operating cash generation and the reduction of NWC → 2020

2020.FY Net Financial Position Evolution

NET FINANCIAL POSITION



* From 1st January 2019, the new IFRS 16 has been introduced, the impact in term of NFP is around 23,1 M€, otherwise the NFP would have been around 82,3. Since April the NFP included the financial debt from the acquisition of 4service around 5,9 M€.

3. Outlook

Outlook

MACRO ECONOMIC SCENARIO

- Booming of specific geographic areas (e.g. Asia Pacific)
- Positive impact of recovery plans on reference markets of the Group
- Growth of demand, increasing suppling process, higher logistic costs and commodities, shortage of materials
- Stronger foreign currencies (USD..)
- Stable interest rates thanks to the incentives package

COVID-19

- 2021 year of the recovery: vaccination plan worldwide
- Uncertainty in the short term but long-term trends confirmed
- Push on specific industry such as Telecommunication and Energy due to the increasing need of connectivity and smart infrastructures

Outlook 2021

ENERGY		TRENCHERS	RAILWAY
STRINGING	ENERGY AUTOMATION		

STRINGING

Expected positive outlook driven by **"Green Deal"** on key markets such as US, Western Europe and Australia

Innovation and optimization of newly developed solutions

Portfolio rationalization and industrial planning for stock reduction

ENERGY AUTOMATION

Strong growth perspective based on high visibility significant market opportunities

Profitability improvement coming from

- Product mix
- Economies of scale

COVID impact on lead times and not on new projects

TRENCHERS

Further focus on **recurring revenues** through the offer of rental business model

Strategic positioning in key and growing sectors such as:

- Telecommunication: higher connectivity request
- Mining: increasing demand of raw materials
- Renewable: push on green energies

RAILWAY

Increasing revenues thanks to:

- Strong **backlog** (121.6 M€)
- Opportunities in EU, tenders pipeline

Higher **margins** thanks to:

- new products in the portfolio
- diagnostic solutions
- services growth

R&D and product development in line with the latest **technological trend** (green and diagnostic)

2020-2023 Business Plan guidelines - Confirmed

	2019pf	2020pf	2021		2023
TURNOVER	199.6 M€	172.8 M€	~ 220 M€	>> Significant performance of the Energy Automation segment; Stringing segment back to historical performances >> Focus on recurring revenues (rental & services) >> Growth in each business line	275～290 M€ cagr$_{19\text{-}23}$: 8.5%~10.0%
EBITDA	30,0 M€	22,9 M€	>16%	>> Better mix of products & systems, premium price policy, impact of new high margin activities such as rental and hi-tech solutions >> Rationalization and standardization of the products portfolio >> Broadly stable fixed costs	53～58 M€ cagr$_{19\text{-}23}$: 17.0%~18.0%
NFP / EBITDA	4.4x	104,4 M€	improvement	>> Net working capital improvement and efficiency actions on inventory >> Optimization of credit management policies >> 2020-2023: Cumulated Capex in 4 years 60 M€, progressive reduction to 5% of the CAPEX/Revenues	improvement

USE OF PROCEEDS

STRENGTHENING FINANCIAL STRUCTURE

- Financial ratio improvements and rating upgrade, adding further commercial competitiveness
- Net financial position improvement

SPECIAL BUSINESS INITIATIVES

UNDER EVALUATION

ENERGY	STRINGING	Strengthening of the Group's presence in North America
ENERGY	ENERGY AUTOMATION	Internationalisation of business activities in the geographic areas in which the main customers operate
TRENCHER		Further push on the rental business
RAIL		Strengthening of diagnostic systems and development of technological platforms for the maintenance of railway networks

Financial contribution

Revenue increase from 2021

Additional 2023 Revenues ≈21M€

2023 EBITDA margin >21%

INVESTMENT PLAN ACCELERATION: RIDING THE WAVE OF GREEN AND DIGITAL TECHNOLOGY

4. ANNEX

Summary 2020.FY Profit & Loss statement - Appendix A

Profit & Loss Account (Euro mln)	2020	2019	Delta vs 2019	Delta %
Net Revenues	**170,7**	**200,7**	**(30,0)**	**-15,0%**
Raw materials costs (-)	(77,4)	(88,0)	10,6	-12,1%
Cost for services (-)	(30,2)	(35,4)	5,2	-14,8%
Personnel Costs (-)	(48,5)	(52,6)	4,1	-7,8%
Other operating revenues/costs (+/-)	0,2	(4,7)	4,9	-104,4%
Non recurring revenues/costs (+/-)	0,0	0,0	0,0	na
Portion of gain/(losses) from equity investments evaluated using the equity method	0,5	0,2	0,3	107,1%
Capitalized R&D expenses	5,8	7,2	(1,4)	-20,0%
Total operating costs	**(149,6)**	**(173,2)**	**23,6**	**-13,6%**
% on Net Revenues	*(88%)*	*(86%)*		
EBITDA	**21,1**	**27,4**	**(6,4)**	**-23,3%**
% on Net Revenues	*12%*	*14%*		
Depreciation, amortization (-)	(21,8)	(19,1)	(2,8)	14,5%
EBIT	**(0,8)**	**8,4**	**(9,2)**	**-109,3%**
% on Net Revenues	*0%*	*4%*		
Net Financial Income/Expenses (+/-)	(8,2)	(4,2)	(4,0)	95,6%
Taxes (-)	2,2	(1,2)	3,4	-282,1%
Minorities	(0)	(0)	(0,0)	
Group Net Income (Loss)	**(6,8)**	**3,0**	**(9,7)**	**n/a**
% on Net Revenues	*-4,0%*	*1,5%*		

Summary 2020.FY Balance Sheet - Appendix B

Balance Sheet (€ mln)	2020	2019
Inventory	74,2	69,9
Work in progress contracts	11,2	16,3
Accounts receivable	60,7	67,9
Accounts payable (-)	(61,4)	(57,5)
Op. working capital	**84,7**	**96,7**
Other current assets (liabilities)	(20,4)	(23,6)
Net working capital	**64,3**	**73,0**
Tangible assets	49,8	42,5
Right of use - IFRS 16/IAS 17	22,8	20,1
Intangible assets	22,5	20,4
Financial assets	4,4	3,9
Fixed assets	**99,5**	**87,0**
Net long term liabilities	9,3	4,2
Net invested capital	**173,1**	**164,2**
Cash & near cash items (-)	(70,4)	(17,9)
Short term financial assets (-)	(14,5)	(12,1)
Lease liability - IFRS 16/IAS 17	22,1	19,5
Short term borrowing	85,8	79,8
Medium-long term borrowing	77,3	48,7
Net financial position	**100,3**	**118,0**
Equity	69,5	46,2
Funds	**169,8**	**164,2**

Notes

The pro-forma results were prepared for illustrative purposes only, and were obtained by making appropriate pro-forma adjustments to the historical data to retroactively highlight the effects of the 4Service Group's transaction, as if this transaction had occurred on 1st January 2020, instead of on 23 April 2020. The pro-forma results therefore include the result of the 4Service Group on the half-year basis, instead of just the results achieved within the perimeter of the Tesmec Group from the date of first consolidation (April 23, 2020).

Considering the uncertainty linked to the spread of the COVID-19 virus and the impacts on the global economy, the targets set by the Management may be susceptible to changes. These targets are set in the assumption that the pandemic situation remains stable and / or better in Europe and that it does not get worse in other areas of the world, such as the United States and Latin America

The plan doesn't include any cash in from share capital increase. 50 M€ of credit lines already collected from financial institutions

Disclaimer

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.

This press release contains some forward looking statements that reflect the current opinion of the Tesmec Group management on future events and financial and operational results of the Company and of its subsidiaries, as well as other aspects of the Group's activities and strategies. These forward looking statements are based on current expectations and assessments of the Tesmec Group regarding future events, as well as on the Group's intentions and beliefs. Considering that these forward looking statements are subject to risk and uncertainty, the actual future results may considerably differ from what is indicated in the above forward looking statements as these differences may arise from several factors, many of which lie beyond the Tesmec Group's ability to accurately check and estimate them. Amongst these - including but not limited to - there are potential changes in the regulatory framework, future developments in the market, price fluctuations and other risks. Therefore, the reader is asked to not fully rely on the content of the forecasts provided as the final results could significantly differ from those contained in these forecasts for the reasons indicated above. They have been included only with reference up to the date of the above-mentioned press release. The prospective data are, in fact, forecasts or strategic targets established within the corporate planning.

The Tesmec Group does not assume any obligation to publicly disclose updates or amendments of the forecasts included regarding events or future circumstances that occur after the date of the above-mentioned press release. The information contained in this press release is not meant to provide a thorough analysis and has not been independently verified by any third party. This press release does not constitute a recommendation for investment on the Company's financial instruments. Furthermore, this press release does not constitute an offer of sale or an invitation to purchase financial instruments issued by the Company or by its subsidiaries.

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