Integrated Solutions Provider

2021.Q1 Results Presentation

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**

Sustainability as key strategic driver

E-MARKET SDIR CERTIFIED

TESMEC

The 2020-2023 Business Plan envisages a focus on:

- Higher sustainability for the Group's activities, thanks to **more responsible production and consumption behaviour**
- Contribution to **decarbonisation** and the **smart economy**, thanks to offering customers more **digital and sustainable products and solutions**
- **ESG: environment, social and governance**

Tesmec's sustainable development goals chosen from the **United Nations' "2030 Agenda for Sustainable Development"**:

SUSTAINABLE DEVELOPMENT GOALS

GOOD HEALTH AND WELL-BEING
Ensure healthy lives and promote well-being for all at all ages

INDUSTRY INNOVATION AND INFRASTRUCTURE
Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

RESPONSIBLE CONSUMPTION AND PRODUCTION
Ensure sustainable consumption and production patterns

AFFORDABLE AND CLEAN ENERGY
Ensure access to affordable, reliable, sustainable and modern energy for all

SUSTAINABLE CITIES AND COMMUNITIES
Make cities and human settlements inclusive, safe, resilient and sustainable

LIFE ON LAND
Sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss

TRENCHER

- New range of **electric machines** and technologies to increase sustainability in the extraction process ("**smart mining**")

ENERGY – STRINGING

- New range of digital machines for a **safe and faster jobsite** and a full range of **electric machines**

ENERGY – ENERGY AUTOMATION

- Solutions to **integrate and manage renewable energy sources**, and to improve the **efficiency of electricity networks**

RAIL

- R&D for the design of **hybrid and full electric vehicles**, equipped with diagnostic systems to increase infrastructure security

Tesmec's actions to reduce its environmental impact:

- Energy efficiency and reduced use of polluting materials in the production process
- Waste management and disposal
- Design of new technological solutions driven by the environmental impact of the use and disposal of products

2. 2021.Q1 Business highlights & Results

2021.Q1 business highlights

CORPORATE

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

ENERGY

STRINGING

Push on **innovations and technologies:**

- Green Machine marketing actions in progress in US & EU
- Important focus on digital machines in Italy in line with the Recovery Plan

Market **trends & opportunities:**

- TEIAS (Turkey) investments on tools and equipment
- Australian push for important renewable and interconnection projects
- New Zealand reconductoring program
- HTLS trend in Europe with specific machines & equipment

ENERGY AUTOMATION

Strategic positioning on **Transmission market**:

- Consolidation of our presence in the HV substation automation market thanks to new awarded tenders and strong systems engineering approach

Market **trends & opportunities**:

- Growing opportunities driven by new product developments for MV/LV applications (IoT)
- Business focus on virtualization, cyber-security and sustainability (Carbon Footprint)

TRENCHERS

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

- Wide offer of services and cable laying solutions (fiber, energy)
- Increasing demand of rental equipment instead of CAPEX

Focus on telecom market in **Europe** (France, UK..)

Growing opportunities in **Middle East area** (Saudi Arabia, Qatar..)

Positive reaction of the **Italian** market to the 4.0 incentives

RAILWAY

Technological evolution for the design of solutions for sustainable and safe mobility:

- New generation of **hybrid** and **green rail vehicles**
- Focus on advanced **diagnostic** solutions

Important **stimulus package in Southern Italy** (Puglia)

Sustainability Project – 2021.Q1 highlights

SUSTAINABILITY FOCUS

- promote the **health and well-being** of employees
- **reduce** the **environmental impact** of activities
- strengthen the **relationship** with the **local communities**

Tesmec Health Challenge, to promote health for employees

Donation for Bosco della Memoria, to support environmental and cultural initiatives

Product, LCA and technology innovation to support energy transition, digitalization and sustainability

Food collection in partnership with Fondazione Banco Alimentare onlus to strengthen the relationship with the territory

2021.Q1 Closing

GROUP (€ mln)	2021.Q1	2020.Q1	Delta vs.20
REVENUES (1)	**49,0**	**31,8**	**53,9%**
EBITDA (2) (3)	**7,1**	**2,5**	**187,3%**
% on Revenues	14,5%	7,8%	
EBIT (4)	**1,4**	**(1,7)**	
% on Revenues	2,9%	-5,4%	
Differences in Exchange (5)	**1,9**	**(1,4)**	
% on Revenues	3,8%	-4,4%	
PROFIT (LOSS) BEFORE TAX	**2,0**	**(4,1)**	
% on Revenues	4,0%	-12,9%	
NET INCOME/(LOSS)	**1,1**	**(3,0)**	
% on Revenues	2,2%	-9,4%	
GROUP (€ mln)	**2021.Q1**	**2020**	**Delta vs.20**
NFP ante IFRS 16	**95,5**	**82,3**	**-15,9%**
NFP post IFRS 16	**117,7**	**104,4**	**-12,7%**

(1) **Revenues: back to the sales** & growth by the relaunch of activities in the strategic sectors in which the Group operates compared to 2020.Q1 impacted by the spread of the Covid-19 pandemic

(2) **EBITDA: positive impact** by the **TRS and Energy** performance, in particularly the Energy Automation Segment

(3) **EBITDA: improve** thanks to **rental/project/services activities with high margin** and costs saving activities

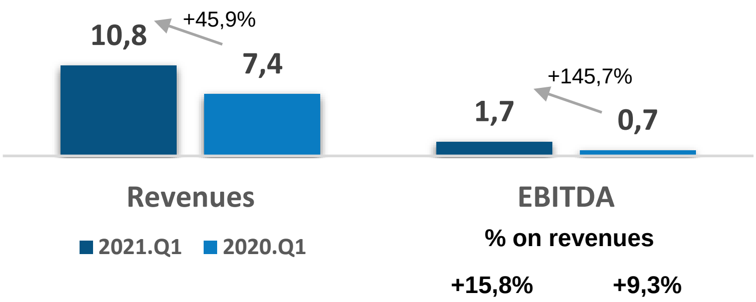
(4) **Impacted** by 4service's fleet depreciation

(5) **The exchange differences** are **positive (USD & related currencies),** compared to the 2020.Q1 and the closing of 2020**.**

(6) **NFP increase** due to the **change in NWC**, necessary to support the growth expected in the second half of the year and to face tensions in the supplying and shipment activities

2021.Q1 Closing – Business Breakdown (€ mln)

Energy

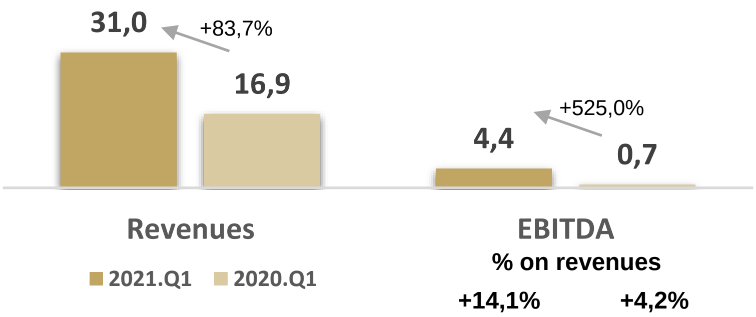


> **Rebound** compared to 2020.Q1 (Covid driven) and lead by the **Energy industry trend**

> **EBITDA:** impacted by **Energy Automation performance** and the first improvement of the **Stringing segment** after years of product **range transition**

> The **confirmed order backlog** was **Euro 87,0 million of which Euro 64,0 million** from the **Energy Automation**

Trencher

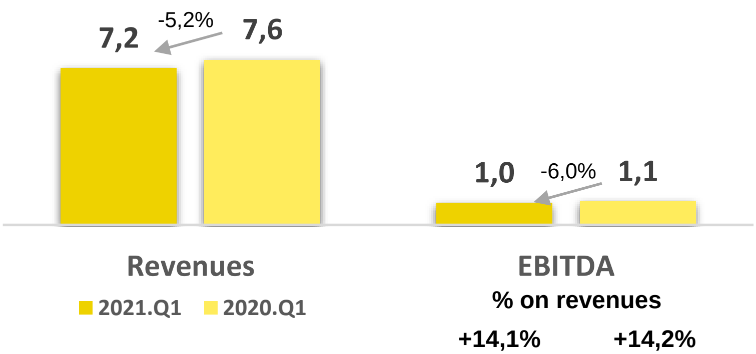


> **Back to the sales** but slowdown of the USA market, due to political transition of the presidential election

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

> The **confirmed order backlog** was **Euro 84,9 million**

Rail



> Less impacted by the lock down 2020.Q1. The revenues are related to the medium-long term contracts

> **EBITDA:** substantially in line with 2020.Q1

> The **confirmed order backlog** was **Euro 114,4 million**

BACKLOG

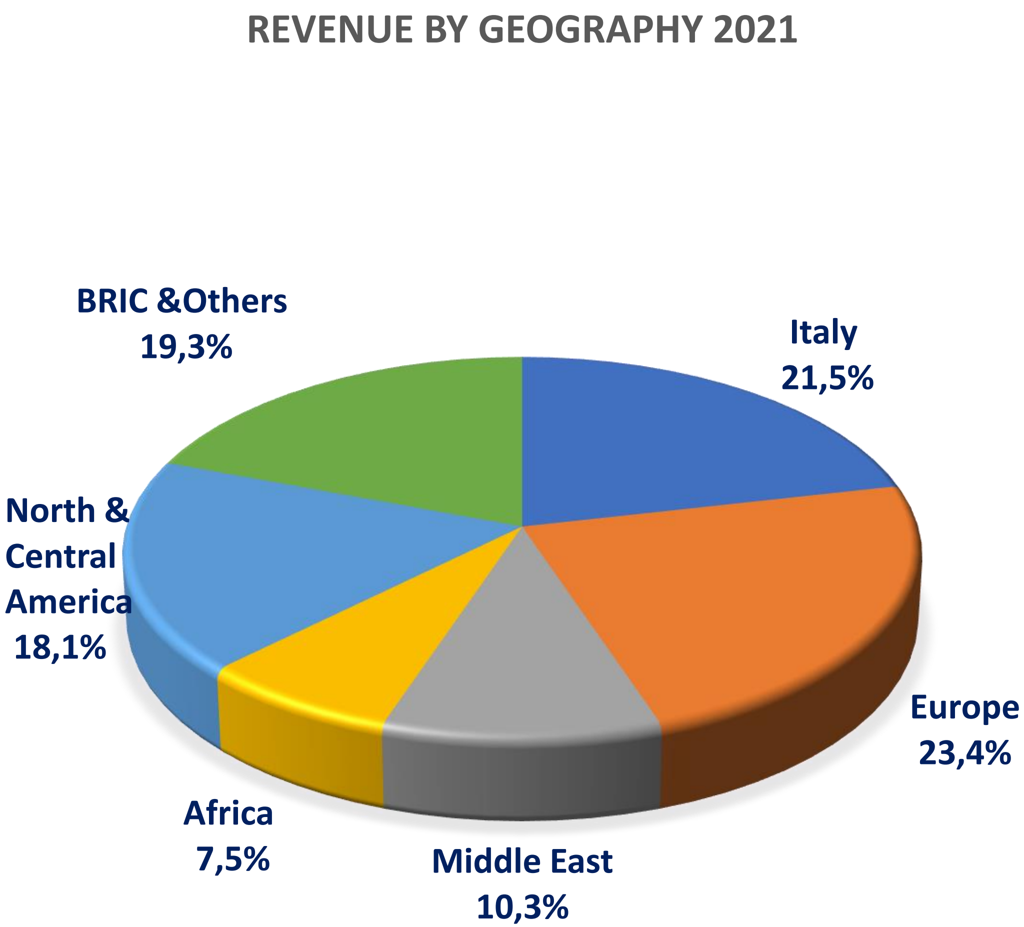
Euro/mln	31/12/2020	Sales 2021.Q1	Intake 2021.Q1	31/03/2021
Energy	76,2	10,8	21,6	(1) 87,0
Trencher	84,6	31,0	(2) 31,3	84,9
Railway	121,6	7,2	(3) 0,0	114,4
Total	**282,4**	**49,0**	**52,9**	**286,3**

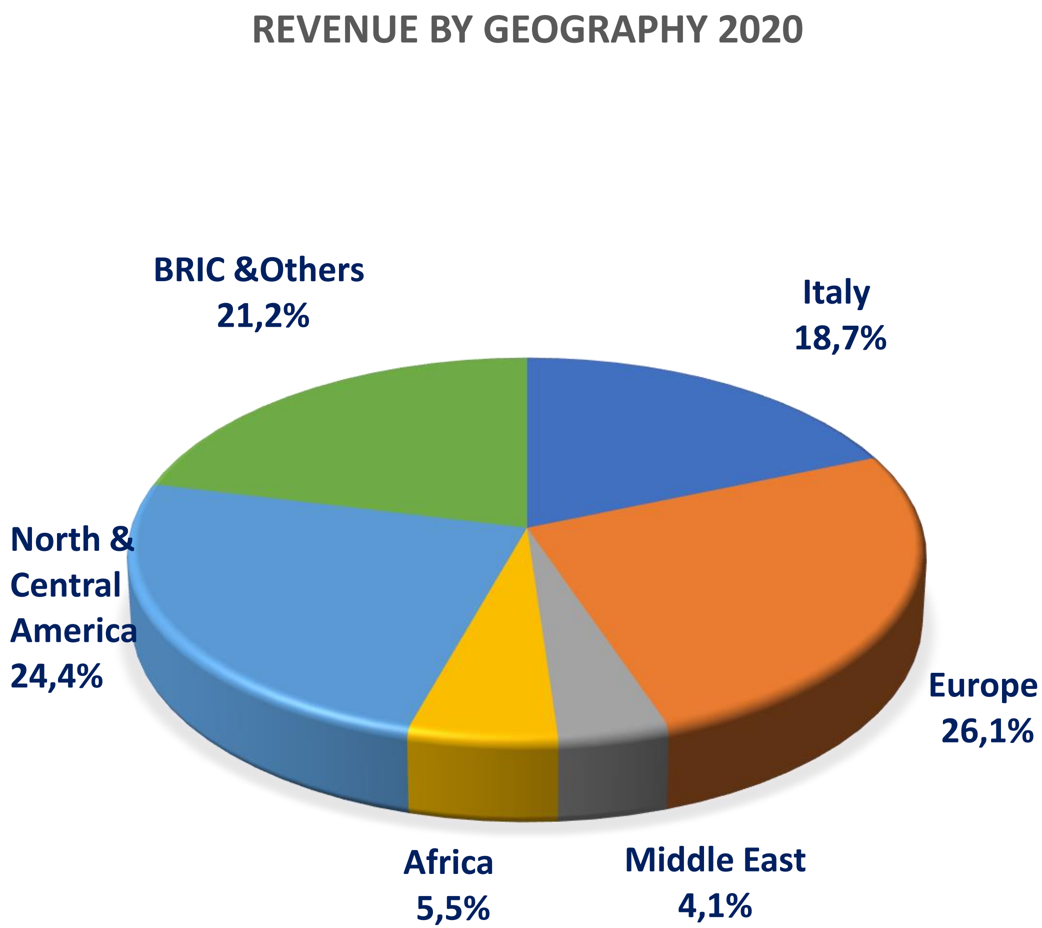
(1) Of which **Euro 64 million by Energy Automation**

(2) Restart of the activities in the **TRS Business** and the investments

(3) Delay in the **tender acquisition** but the opportunities still higher than previous year

2021.Q1 Revenues: sales spread over different geographical area

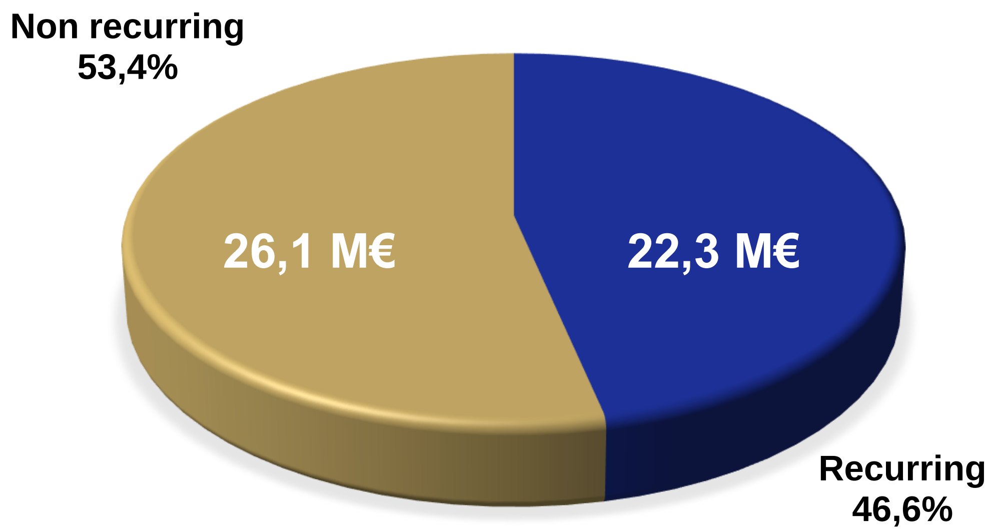




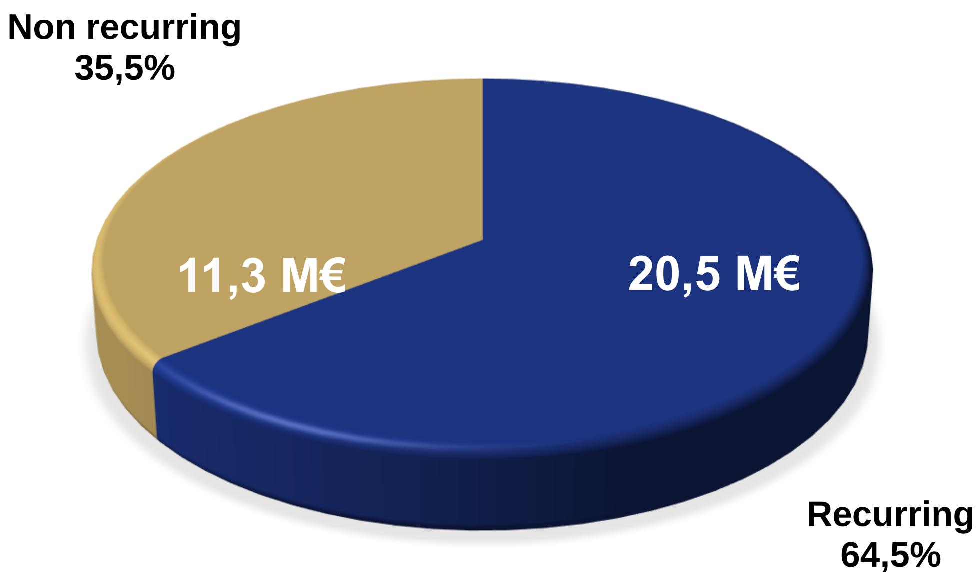
- **ITALY:** railway & energy automation impact
- **USA&EU:** trencher and railway impact
- **BRICS:** trencher and stringing impact

2021.Q1 Revenues: recurring vs non recurring

REVENUES RECURRING VS NON RECURRING 2021.Q1

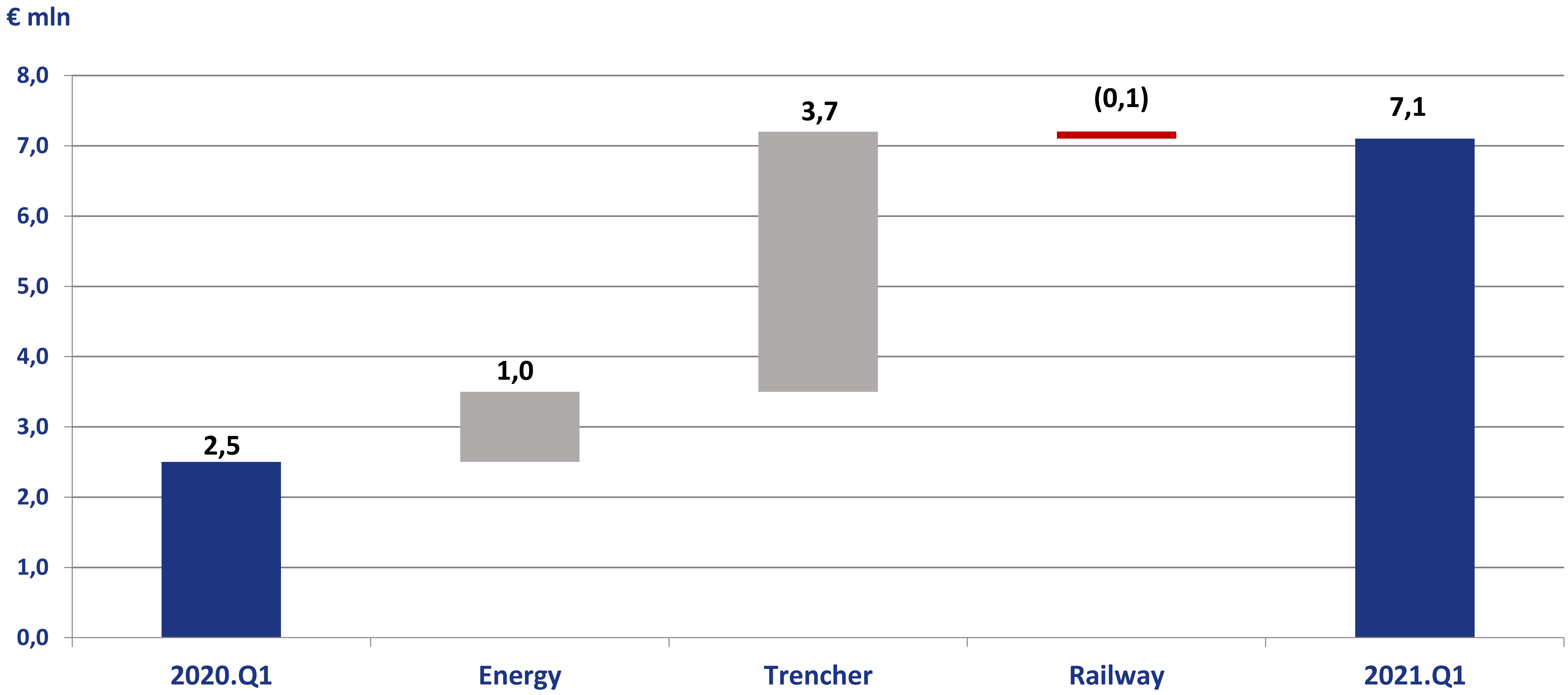


REVENUES RECURRING VS NON RECURRING 2020.Q1



- Recurring: Rental, Projects, Spare Parts, Services (maintenance, revamping & refurbishing, consulting & training), long term backlog (Automation & Rail)
- Non recurring: Sales of goods
- Confirmed recurring & back to sales after the impact of the covid-19 in the 2020.Q1

2021.Q1 EBITDA



2020.Q1

Impacted from the increase of TRS and Energy sales in the Q1

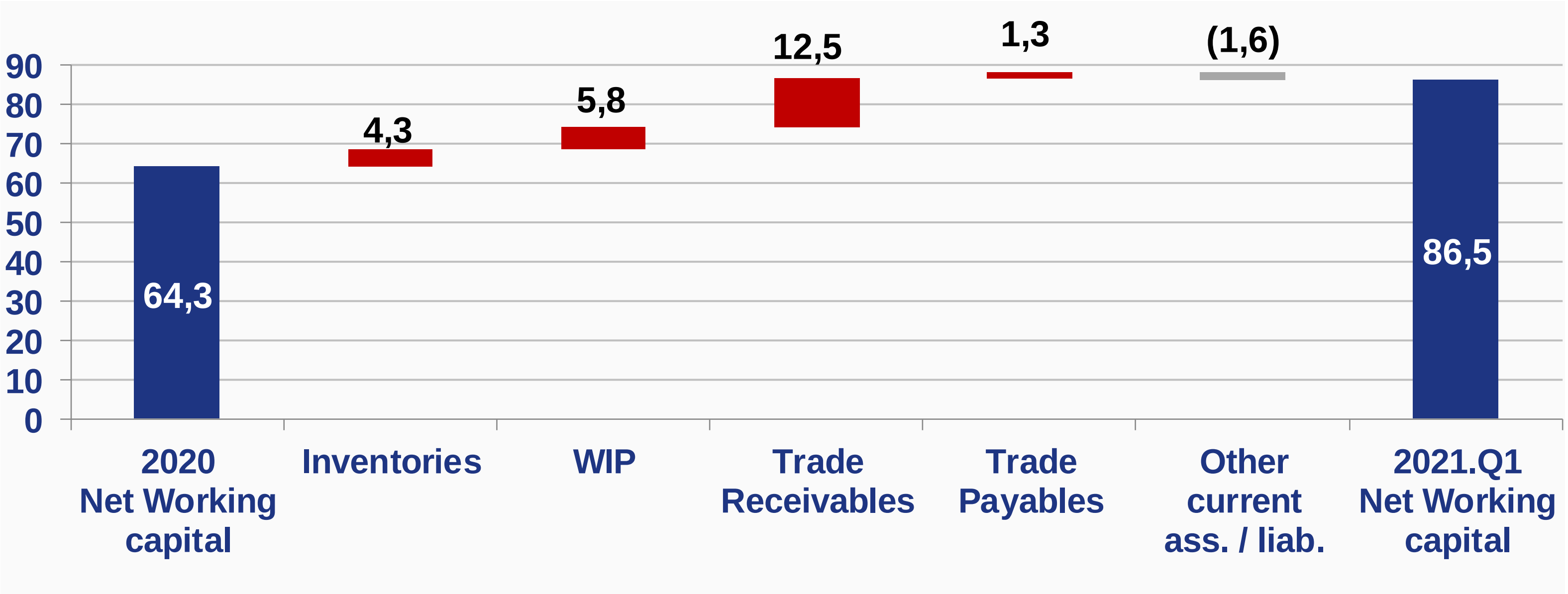
2021.Q1

2021.Q1 Financial Results

Financial Information (€ mln)	2021.Q1	2020
Net Working Capital	86,5	64,3
Non Current assets	74,1	76,7
Right of use - IFRS 16/IAS 17	21,8	22,8
Other Long Term assets/liabilities	7,1	10,0
Net Invested Capital	**189,5**	**173,8**
Net Financial Indebtness	95,4	82,3
Lease liability - IFRS 16/IAS 17	22,3	22,1
Equity	71,8	69,4
Total Sources of Financing	**189,5**	**173,8**

2020 → **Increase of the NWC due to stock and receivables** → **2021.Q1**

2021.Q1 Working Capital evolution



€ Mln	2021.Q1	2020.FY
Trade Receivables	72,9	60,4
Inventories	78,7	74,4
Work in progress contracts	17,0	11,2
Trade Payables	(60,1)	(61,4)
Other Current Assets/(Liabilities)	(22,0)	(20,4)
Net Working Capital	**86,5**	**64,3**

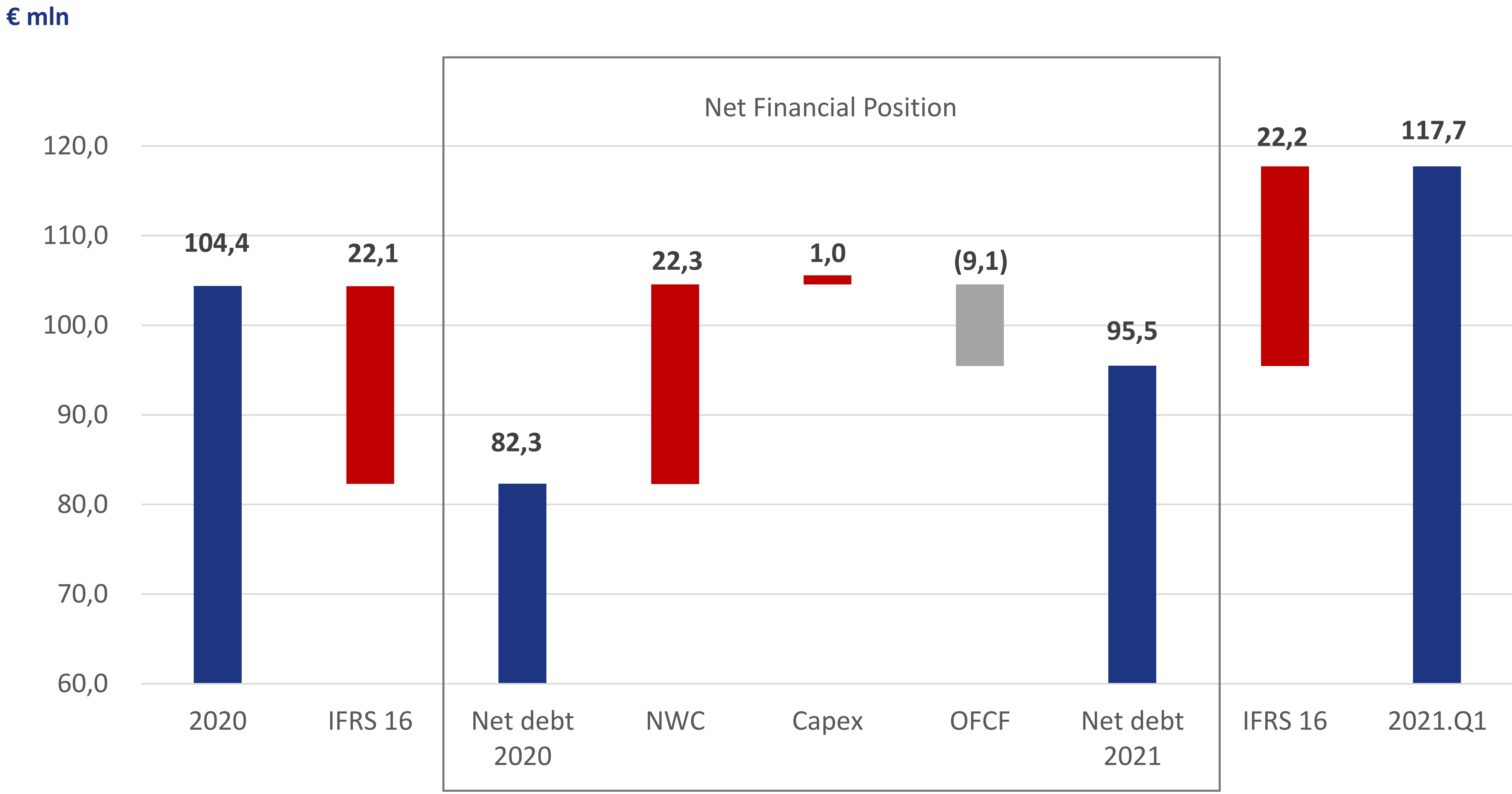
2021.Q1	2020.FY
119	126
129	155
28	23
-98	-128
-36	-42

2020 € 64,3 mln

The increase of NWC is related to support the growth of the 2nd half, to counterbalance the impact in the supplying market and logistic tensions and to perform the Railways projects

2021.Q1 € 86,5 mln

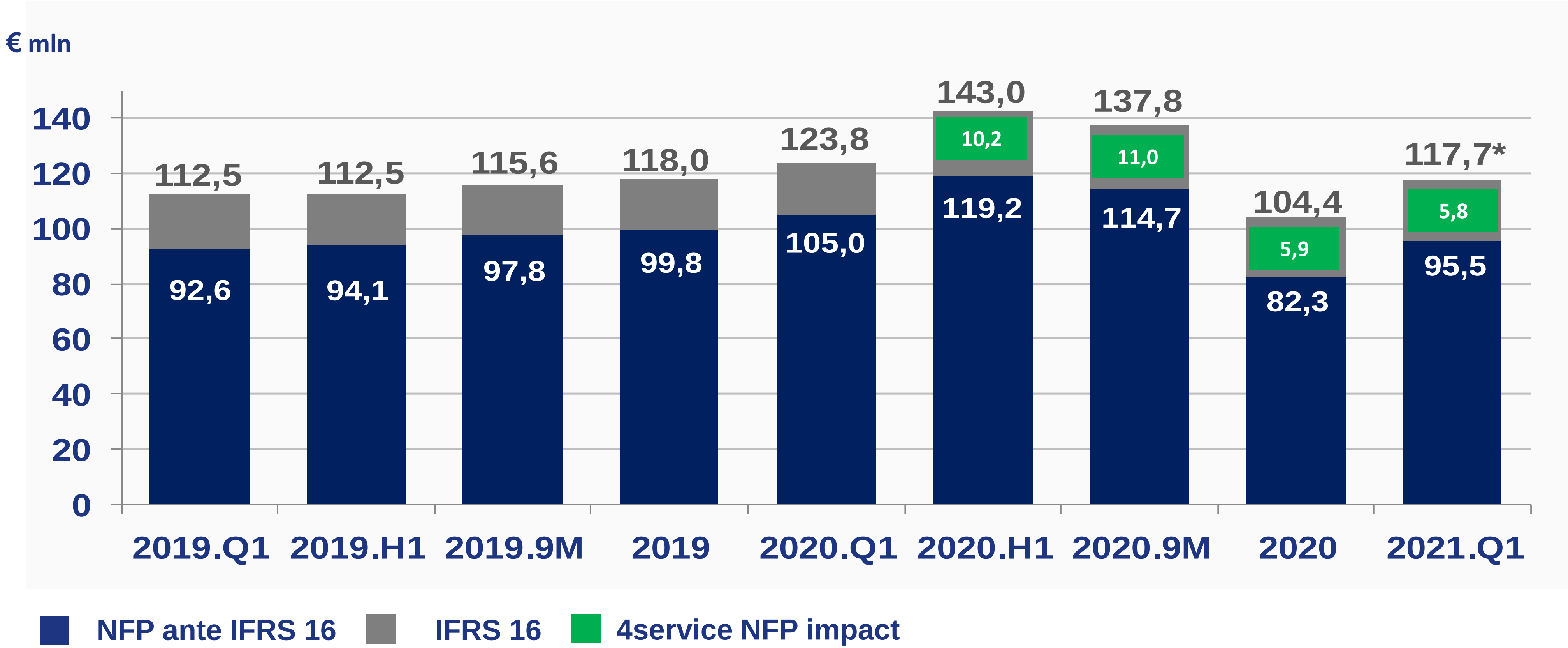
2021.Q1 Net Financial Position Evolution



2020 | **Impacted by the huge increase of NWC to support the 2nd half, mitigated by operating cash generation** | **2020.Q1**

2021.Q1 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 22,2 M€, otherwise the NFP would have been around 95,5. 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

BUSINESS - BACK TO NORMAL

- Homogeneous and regular overall business growth
- Growing trend in Energy business confirmed
- Consolidation of Trencher business results
- Increasing performances of Railway business

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

Large pipeline of sales opportunities in Europe and Central Asia

Marginality improvement:

- Upgrade existing vehicles
- Better quality backlog
- Recurring revenues for services

R&D in line with the latest **innovation trend:**

- Higher safety of rail infrastructures: diagnostic solutions & certifications
- Sustainable approach: full electric and hybrid solutions

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	130,0 M€	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

4. ANNEX

Summary 2021.Q1 Profit & Loss statement - Appendix A

Profit & Loss Account (Euro mln)	2021.Q1	2020.Q1	Delta vs 2020	Delta %
Net Revenues	**49,0**	**31,8**	**17,1**	**53,8%**
Raw materials costs (-)	*(21,5)*	*(10,0)*	(11,5)	115,8%
Cost for services (-)	*(6,8)*	*(6,9)*	0,1	-1,6%
Personnel Costs (-)	*(13,3)*	*(12,1)*	(1,2)	10,0%
Other operating revenues/costs (+/-)	*(1,5)*	*(1,4)*	(0,0)	3,5%
Non recurring revenues/costs (+/-)	-	-	0,0	na
Portion of gain/(losses) from equity investments evaluated using the equity method	*(0,2)*	*0,0*	(0,3)	-977,8%
Capitalized R&D expenses	*1,5*	*1,0*	0,5	47,3%
Total operating costs	**(41,9)**	**(29,4)**	**(12,5)**	**42,5%**
% on Net Revenues	*(86%)*	*(92%)*		
EBITDA	**7,1**	**2,5**	**4,6**	**187,3%**
% on Net Revenues	*14%*	*8%*		
Depreciation, amortization (-)	*(5,7)*	*(4,2)*	(1,5)	36,2%
EBIT	**1,4**	**-1,7**	**3,1**	**-181,7%**
% on Net Revenues	*3%*	*-5%*		
Net Financial Income/Expenses (+/-)	*0,6*	*(2,4)*	3,0	-124,4%
Taxes (-)	*(0,9)*	*1,1*	(2,0)	-179,0%
Minorities	*(0,0)*	*(0,0)*	(0,0)	
Group Net Income (Loss)	**1,1**	**(3,0)**	**4,1**	**n/a**
% on Net Revenues	*2,2%*	*-9,4%*		

Summary 2021.Q1.FY Balance Sheet - Appendix B

Balance Sheet (€ mln)	2021.Q1	2020
Inventory	78,7	74,2
Work in progress contracts	17,0	11,2
Accounts receivable	72,9	60,7
Accounts payable (-)	(60,1)	(61,4)
Op. working capital	**108,5**	**84,7**
Other current assets (liabilities)	(22,0)	(20,4)
Net working capital	**86,5**	**64,3**
Tangible assets	47,0	49,8
Right of use - IFRS 16/IAS 17	21,8	22,8
Intangible assets	22,8	22,5
Financial assets	4,4	4,4
Fixed assets	**95,9**	**99,5**
Net long term liabilities	7,1	10,0
Net invested capital	**189,5**	**173,8**
Cash & near cash items (-)	(53,6)	(70,4)
Short term financial assets (-)	(17,1)	(13,8)
Lease liability - IFRS 16/IAS 17	22,2	22,1
Short term borrowing	78,6	85,8
Medium-long term borrowing	87,6	80,7
Net financial position	**117,7**	**104,4**
Equity	71,8	69,4
Funds	**189,5**	**173,8**

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

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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