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Oggetto : Tesmec S.p.A.- The BoD approved the
Interim consolidated financial report as at
30 September 2022

Testo del comunicato

Vedi allegato.



TESMEC S.P.A.: THE BOARD OF DIRECTORS APPROVED THE INTERIM CONSOLIDATED FINANCIAL REPORT AS AT 30 SEPTEMBER 2022, WHICH SHOWS AN ACCELERATION IN REVENUE GROWTH, A POSITIVE TREND IN EBITDA AND EBIT, AN IMPROVEMENT IN NET FINANCIAL DEBT AND A STRONG INCREASE IN BACKLOG.

Main consolidated results of the nine months 2022 (compared to the first nine months 2021):

- **Revenues: Euro 173.5 million**, with an increase compared to Euro 144.2 million as at 30 September 2021;
- **EBITDA¹: Euro 25.9 million**, with an increase compared to Euro 21.2 million as at 30 September 2021 although it is affected by changes in the cost of materials, transport and energy, and by provisions and non-recurring expenses related to the consolidation of the company Tesmec Saudi;
- **EBIT: Euro 9.7 million**, with an increase compared to Euro 4.8 million as at 30 September 2021;
- **Net result: Euro 9.2 million**, with a strong increase compared to Euro 2.0 million as at 30 September 2021 also thanks to a positive impact of currency trends;
- **Net financial indebtedness²: Euro 125.8 million**, with a strong improvement compared to Euro 133.1 million as at 30 June 2022 and an increase compared to Euro 121.1 million as at 31 December 2021, solely in response to an increase in working capital;
- **Total order backlog: Euro 309.9 million**, with an increase compared to Euro 284.2 million as at 31 December 2021 and to Euro 262.6 million as at 30 September 2021.

Outlook and further strategic / organizational strengthening:

- **Guidance 2022 update:** expected revenues over Euro 240 million, with a strong growth in EBITDA compared to 2021, EBITDA *margin* between 15%-16%, EBIT and net result in line with the market expectation with a reduction in Net Financial Debt.
- **Sustainability:** The sustainability path undertaken by the Group is based on key pillars such as economic, environmental, and social responsibilities. The management of the ESG paradigm is increasingly strategic and is reflected in the development plans that the Group is preparing in line with the drivers of digitization and sustainable innovation.
- **Further strengthening of the top management:** appointment of Tom Traaen, manager with many years of experience in the civil and military industries, as new CEO of the subsidiary Tesmec USA.

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.

² The net financial indebtedness is calculated as the sum of cash and cash equivalents, current financial assets including available-for-sale securities, current and non-current financial liabilities, including leasing liabilities, fair value of hedging instruments and excluding non-current trade and other payables.



Grassobbio (Bergamo - Italy), 4 November 2021 – The Board of Directors of **Tesmec S.p.A.** (EURONEXT STAR MILAN: TES) ("**Tesmec**" or the "**Company**"), at the head of a group leader in the market of technologies for infrastructures (overhead, underground and railway networks) related to the transport of energy, data and materials (oil and derivatives, gas and water), and of technologies in surface mining, convened today and chaired by **Ambrogio Caccia Dominioni**, examined and approved the **Interim consolidated financial report as at 30 September 2022**, which recorded an acceleration in revenue growth, driven by the performance of the Railway sector and by the recovery of the Trencher sector thanks to the performance in the American market, and a better mix in the Energy sector. In absolute terms, the margin for the period increased compared to the first nine months of 2021, despite price changes due to volatility in raw materials and energy costs, as well as the costs of promoting the commercial activities necessary to support the growth of revenues in the coming months and to expenses related to the company Tesmec Saudi, whose control rose to 65% during the third quarter. Furthermore, it should be noted that Tesmec, with the aim of eliminating the impacts of these elements in the medium term and further relaunching company profitability, has already launched a series of actions and projects aimed at generating efficiencies based on product and technological innovation (whose investments have already been started and are in progress), on the adjustment of the sales prices (also through price revision agreements with contracting authorities for medium / long-term supply contracts), as well as investments for the energy autonomy of the Italian plants. Finally, the Net Financial Debt recorded a decrease compared to 30 June 2022, but an increase compared to 31 December 2021, exclusively due to the increase in net working capital and in trade receivables (as a direct effect of the of sales) and for the decision to create a strategic stock (to cope with the emerging criticalities on the procurement market and in the context of logistics flows and transport tariffs).

The **Chairman and CEO Ambrogio Caccia Dominioni** commented as follows: *"In a macroeconomic contest characterized by strong volatility and uncertainty, Tesmec show its resilience, consolidating its growth in terms of revenues and recording more than 300 million Euros of backlog. The change in the prices of raw materials and the energy component affected profitability, but the Group defends itself by implementing the necessary margin recovery actions both through efficiency actions and by adjusting the sales prices. Net financial debt improved compared to the end of June, but it is still impacted by the change in net working capital to deal with logistical and supply problems. The sectoral and geographical diversification inherent in its structure allows the Group to seize the best market opportunities by mitigating the negative impacts of the supply chain or energy costs. The Trencher sector confirms the good performances on the American and Middle Eastern market, the Railway sector continues its internationalization path thanks to the latest orders acquired, while the Energy sector confirms its nature of innovation and as a solution provider. Tesmec offers solutions with high technological content and efficiency and continues its challenge to decarbonization and electrification. Energy infrastructure becomes the most important factor for sustainable development and Tesmec confirms its willingness to be among the enablers of this era of green and digital transition. With regard to the 2022 financial year, we confirm the expected trend with revenues above 240 million euros, a margin between 15%-16% and a further reduction in financial debt, despite the variability of the macroeconomic framework, we still consider the fundamentals expressed in the guidelines of our Industrial Plan 2020-2023 valid."*



MAIN CONSOLIDATED RESULTS AS AT 30 SEPTEMBER 2022

As at **30 September 2022**, Tesmec Group recorded consolidated **Revenues** of **Euro 173.5 million**, with a strong increase compared to Euro 144.2 million as at 30 September 2021. This variation is mainly due to the performance of the Railway and Trencher sector. The Energy sector remains stable but with a better mix. In particular, as at 30 September 2022 revenues from sales of products amounted to Euro 111.3 million, with an increase compared to Euro 105.3 million as at 30 September 2021, and revenues from services and changes in work in progress amounted to Euro 62.2 million, with an increase compared to Euro 38.9 million at 30 September 2021.

Results at 30 September 2022 (Euro in thousands)	Revenues from sales and services		
	2022	2021	Changes 22 vs 21
Trencher	99,076	84,908	+16.7%
<i>Effect on Consolidated Revenues</i>	<i>57.1%</i>	<i>58.9%</i>	
Railway	36,468	22,781	+60.1%
<i>Effect on Consolidated Revenues</i>	<i>21.0%</i>	<i>15.8%</i>	
Energy	37,907	36,495	+3.9%
<i>Effect on Consolidated Revenues</i>	<i>21.9%</i>	<i>25.3%</i>	
Consolidate	173,451	144,184	+20.3%

The **revenues** of the **Trencher sector** as at 30 September 2022 amounted to **Euro 99.1 million** with an increase compared to Euro 84.9 million as at 30 September 2021. The increase is mainly due to the American market recovery and, more in general, to the launch of development and recovery plans in the countries where the Group operates and in spite of an economic scenario characterized by difficulties in finding materials and a rise in purchase prices. As at 30 September 2022, the Trencher segment's order backlog was Euro 79.0 million (compared to Euro 79.2 million at 30 September 2021).

The **Railway sector** recorded **Revenues** as at 30 September 2022 of **Euro 36.5 million**, with an increase compared to Euro 22.8 million as at 30 September 2021. The growth confirms the strengthening of the business generated by higher value-added projects related to diagnostic products and by international projects. In the rail sector, the confirmed order backlog amounted to Euro 100.7 million as at 30 June 2022 (with an increase compared to Euro 98.8 million as at 30 September 2021).

With reference to the **Energy sector**, **Revenues** as at 30 September 2022 were **Euro 37.9 million**, with a slight increase compared to Euro 36.5 million as at 30 September 2021. In particular, the Stringing segment recorded revenues of Euro 25.1 million, in line compared to Euro 24.3 million as at 30 September 2021, while the Energy Automation segment recorded revenues of Euro 12.8 million, with a slight improvement compared to Euro 12.2 million as at 30 September 2021, despite the difficulties in finding electronic components and semiconductors from the Far East. The commercial activities recorded a strong acceleration and in fact the order backlog amounted to Euro 101.7 million as at 30 September 2022 (compared to Euro 84.6 million as at 30 September 2021), of which Euro 76.6 million in the Energy Automation segment, and Euro 25.1 million in the Stringing segment.



In geographic terms, Tesmec Group recorded a better contribution of sales in Italy driven by the Railway and Energy sectors, it confirms the predominant role of the European market and a strong recovery of the American market. The Middle East area improves its performance in the period and a further strengthening in the coming quarters is expected.

The **EBITDA** amounted to **Euro 25.9 million**, with an increase compared to the Euro 21.2 million as at 30 September 2021. In particular, The Railway sector positively drives the formation of the margin thanks to a better mix generated by projects with higher added value and by geographical diversification. The Trencher sector contributes marginally in absolute terms to the growth of profitability as it is affected by the change in the cost of raw materials, transport and energy, and an increase in charges related to provisions, commercial expenses and charges related to the acquisition of the Saudi subsidiary. participates in. At last, the Energy sector has suffered most from the critical issues related to the supply chain.

The **EBIT** of Tesmec Group amounted to **Euro 9.7 million** as at 3 September 2022, with a strong improvement compared the Euro 4.8 million at 30 September 2021.

The **Net Financial Income** of the Tesmec Group were **Euro 4.3 million** as at 30 September 2022, compared to a negative value of Euro 1.6 million as at 30 September 2021. During the period, the Group recorded foreign exchange gains of approximately Euro 8.2 million, mainly unrealized, generated by the strengthening of the dollar and linked currencies. In particular, net financial expenses, excluding foreign exchange losses, were negative Euro 4.0 million as at 30 September 2022 with an increase compared to negative Euro 3.6 million as at 30 September 2021. The variation is related to the increase in interest base-rates and to higher spreads on new loans.

The **Net result** as at 30 September 2022 was **Euro 9.2 million**, with an increase compared to Euro 2.0 million as at 30 September 2021.

The **Net financial indebtedness** was **Euro 125.8 million** as at 30 September 2022, with a decrease compared to Euro 133.1 million as at 30 June 2022 and with an increase compared to Euro 121.0 million as at 31 December 2021 due to the increase in net working capital. This value included Euro 23.3 million of financial liabilities related to rights of use (IFRS 16), mainly related to the Grassobbio premises and to the Trencher rental fleet.

The Total Order Backlog of the Tesmec Group as at 30 September 2022 amounted to Euro 309.9 million – Euro 129.3 million of which referring to the Railway segment, Euro 79.0 million to the Trencher segment and Euro 101.7 million to the Energy segment (of which Euro 76.6 million related the Energy-Automation segment and Euro 25.1 million related to the Stringing segment) – with an increase both compared to Euro 284.2 million as at 31 December 2021, and to Euro 262.6 million as at 30 September 2021. The order backlog confirms the strong presence of the Group in strategic sectors with high potential related to the energy, digital and green transition processes driven by the Recovery Plans introduced by the Governments of the countries in which Tesmec operates, albeit not fully expressing the Group's potential due to some delays in the assignments of tenders in the Energy sector and the freezing of certain tenders in the Railway sector.

Summary of financial data are reported below:



(Euro in million)	Actual 2022.9M	Actual 2021.9M	Change 22 vs 21
Revenues	173.5	144,2	20,3%
Ebitda	25.9	21,2	22,4%
<i>Ebitda Margin</i>	<i>14,9%</i>	<i>14,7%</i>	
Ebit	9.7	4.8	100,1%
Net result	9.2	2.0	x4,6
Net financial indebtedness	125,8	116,5	8,0%

BUSINESS OUTLOOK

The first nine months of 2022 saw a recovery in economic activities and at the same time a constant and significant increase in the inflation rate, the latter mainly due to the difficulties in the supply chains, the Russian-Ukrainian conflict and the increases recorded in the energy and raw material costs. Furthermore, major central banks, including the Federal Reserve, have planned and/or implemented restrictive monetary policies by reducing liquidity injections into the economic and financial system and periodically increasing interest rates in order to contain inflation. Given the current macro-economic context and monetary policies, the growth expectations of the global economy have been revised downwards, but always recovering given the pursuit of national plans to support the development of infrastructure projects, energy transition and digitalization.

During the third quarter, the Group was more affected by price changes in the period and non-recurring costs, however, it has demonstrated its ability to respond to external challenges through its sectoral and geographical diversification, adapting its strategy on the basis of these exogenous changes. The Group offers high efficiency, digital, interconnected, sustainable and green integrated solutions. In the light of the above Tesmec forecasts consolidated revenues of over EUR 240 million for 2022, an EBITDA between 15%-16%, a net result in line with market expectations and a reduction in net financial debt.

Tesmec Group confirms, despite the macroeconomic uncertainty, the fundamentals of its guidelines for the 2020-2023 Plan, Tesmec, indeed, is active in sectors that are benefiting from new investments and development policies aimed at strengthening the key infrastructures of the main countries. The Group's business is concentrated in strategic sectors that are extremely lively and have significant growth prospects. In details, huge investments are planned in the Trencher segment to strengthen telecommunications networks and digitalization in addition to strong development in the mining sector. The Rail segment is benefiting from a significant increase in investments to reduce traffic congestion of road vehicles and increase sustainable mobility, as well as for the maintenance of lines with the aim of ensuring the safety of rail transport. In the Energy segment, the transition to the use of renewable energy sources is confirmed, with the power lines being adapted to the new requirements.

The above targets were developed according to a scenario where there is no worsening of the macroeconomic conditions or a drift in the Russian-Ukrainian conflict.



SUSTAINABILITY

The sustainability path undertaken by the Group is based on key pillars such as economic, environmental, and social responsibilities. The management of the ESG paradigm is increasingly strategic and is reflected in the development plans that the Group is preparing in line with the drivers of digitization and sustainable innovation.

The Group's commitment is expressed in activities aimed at reducing the environmental impacts and emissions of its products and processes, through R&D plans of electrification and digital development, initiatives aimed at the responsible use of resources, environmental protection and in full compliance with national and international regulations.

In addition to providing technological solutions that facilitate a transition to a more sustainable economy, Tesmec continues the continuous enhancement of human resources, whose professional growth and satisfaction are fundamental targets.

RUSSIA

The Tesmec Group, as part of its consolidated offer of products and services, invested and developed specific solutions and technologies for the Russian territory but with a limited contribution to consolidated turnover in the FY 2021 (around 2%). Tesmec S.p.A. owns 100% of the Russian company O.O.O. Tesmec RUS, based in Moscow, which, over the years, has developed a commercial presence and offer of services mainly for the Energy sector. The Tesmec management team is constantly monitoring the situation in order to be able to make assessments in full compliance with EU and international rules about the future operations of the Russian subsidiary.

MAIN EVENTS OCCURRING DURING THE PERIOD UNDER REVIEW

On **28 July 2022** Tesmec signed a loan agreement for Euro 10 million with Ver Capital. The loan has a duration of 6 years with a pre-amortization period of 3 years.

On **5 August 2022** the subsidiary Tesmec Automation S.r.l. received, from the Revenue Agency, the Verbal Assessment Process (PVC) at the end of the tax audit on the FY 2018. The tax auditors challenged the Company of an improper use of tax credits from R&D activities for a total of Euro 1.1 million. The Company believes that it has operated correctly and has mandated its consultants to analyze the documentation and produce their own counter-deductions.

On **4 August 2022** Tesmec S.p.A. appointed Marco Paredi, former Chief Financial Officer of the Group, as Director of the Trencher Business Unit and Ruggero Gambini as new Chief Financial Officer of the Group and



Manager responsible for the preparation of the corporate accounting documents. Mr Paredi will continue to serve as Tesmec's Investor Relations Manager.

On **8 September 2022**, as a result of a capital increase, Tesmec S.p.A. increased its stake in Tesmec Saudi Arabia LLC to 65% of the share capital. Consequently, Tesmec Saudi Arabia LLC is consolidated with the full method from that date.

Treasury shares

At the time of this press release, the Company holds 4,711,879 treasury shares, equal to 0.777% of the Share Capital. The amount is unchanged compared to 30 June 2022.

Conference Call

At 2:30 PM (CET), Friday 4 November 2022, 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 half 2022 to the financial community during a conference call.

To participate, you are kindly requested to call this number:

from Italy:	+39 02 36213011
from UK:	+44 121 281 8003
from Germany:	+49 69 17415713
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 Interim Consolidated Report on Operations as at 30 June 2022 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.



For further information:**Tesmec S.p.A.**

Marco Paredi

Investor Relations Manager

Tel: +39 035 4232840 – Fax: +39 035 3844606

E-mail: ir@tesmec.com**Image Building - Media Relations**

Alfredo Mele, Carlo Musa

Tel: +39 02 89011300

E-mail: tesmec@imagebuilding.it

This press release is available in the Investors section of the website:

<http://investor.tesmec.com/en/Investors/PressReleases>**Il Gruppo Tesmec**

Tesmec Group is active in the design, production and marketing of systems and integrated solutions for the construction, maintenance and diagnostics of infrastructures (overhead, underground and railway networks) for the transport of energy, data and materials (oil and derivatives, gas and water), as well as technologies for quarries and surface mining. The Group operates in the following sectors: - **Energy**. Tesmec Group designs, manufactures and markets machines and integrated systems for the construction and maintenance of overhead and underground power lines, fibre optic networks (Stringing segment), as well as advanced equipment and systems for the automation, efficiency, management and monitoring of high, medium and low voltage electrical networks and substations (Energy Automation Segment); - **Trencher**. Tesmec Group carries out the design, production, sale and rental of trencher machines functional to four types of activities (excavation and mines, excavations for the installation of pipelines, for the construction of telecommunication and optical fibre infrastructures, excavations for the construction of underground power networks), as well as the provision of specialized excavation services. The trencher machines are rented by the Group both with the operator (hot rental or wet rental) and without the operator (cold rental or dry rental); - **Railway**. The Group designs, manufactures and markets machines and integrated systems for the installation and maintenance of the railway catenary, devices for the diagnostics of the railway catenary and track, as well as customized machines for special operations on the line.

Born in Italy in 1951 and led by the Chairman and CEO Ambrogio Caccia Dominioni, the Group counts on more than 900 employees and has its production sites in Grassobbio (Bergamo), Endine Gaiano (Bergamo), Sirone (Lecco), Monopoli (Bari) and Bitetto (Bari) in Italy, Alvarado (Texas) in the USA and Durtal in France. It relies on three research and development units in Fidenza (Parma), Padua and Patrica (Frosinone). Listed on the Milan Euronext STAR segment of the MTA Market of the Italian Stock Exchange, the Group boasts a global commercial presence through foreign subsidiaries and sales offices in the USA, in South Africa, West Africa, Australia, New Zealand, Russia, Qatar and China.

In its development strategy, the Group intends to consolidate its position as a solution provider in the three abovementioned business areas, by exploiting the trends of energy transition, digitalization, and sustainability.

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 30 September 2022.



Tesmec Group reclassified consolidated income statements

Income statement <i>(€ in thousands)</i>	As at 30 September	
	2022	2021
Revenues from sales and services	173,451	144,184
Total operating costs	(163,763)	(139,343)
Operating income	9,688	4,841
Financial (income) / expenses	(3,958)	(3,561)
Foreign exchange gains/losses	8,199	1,948
Share of profit / (loss) of associates and joint ventures	44	(6)
Pre-tax profit	13,973	3,222
Net profit for the period	9,243	2,055
EBITDA	25,923	21,176
EBITDA (% on revenues)	14.9%	14.7%

**Tesmec Group reclassified consolidated statements of financial position**

Balance sheet		
	30 September 2022	31 December 2021
<i>(€ in thousands)</i>		
Total non-current assets	135,505	128,643
Total current assets	265,610	229,489
Total assets	401,115	358,132
Total non-current liabilities	122,730	133,749
Total current liabilities	189,154	151,741
Total liabilities	311,884	285,490
Total shareholders' equity	89,231	72,642
Total shareholders' equity and liabilities	401,115	358,132



Tesmec Group Reclassified Consolidated Financial Statement

Summary of the cash flow statement (€ in thousands)	As at 30 September	
	2022	2021
Net cash flow generated by (used in) operating activities (A)	8,593	1,303
Net cash flow generated by (used in) investing activities (B)	(30,602)	(16,844)
Net cash flow generated by financing activities (C)	6,841	(6,578)
Total cash flow for the period (D=A+B+C)	(15,168)	(22,119)
Cash and cash equivalents at the beginning of the period (F)	50,189	70,426
Effect of exchange-rate changes on cash and cash equivalents (E)	1,410	202
Cash and cash equivalents at the end of the period (G=D+E+F)	36,431	48,509



Tesmec Group Consolidated Sources and Uses Prospectus

Funding Sources and Uses

((€ in thousands)	<u>As at 30 September 2022</u>	<u>As at 31 December 2021</u>
Net working capital ³	92,698	76,536
Fixed assets	106,190	102,946
Other long-term assets and liabilities	16,154	14,172
Net invested capital ⁴	<u>215,042</u>	<u>193,654</u>
Net financial indebtedness ⁵	125,811	121,012
Shareholders' equity	89,231	72,642
Total sources of funding	<u>215,042</u>	<u>193,654</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.

Fine Comunicato n.1155-28

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