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Oggetto : Tesmec S.p.A.- The BoD approved the
Interim consolidated financial report as at
30 September 2023

Testo del comunicato

Vedi allegato.

TESMEC S.P.A.: THE BOARD OF DIRECTORS APPROVES THE INTERIM CONSOLIDATED FINANCIAL REPORT AS AT 30 SEPTEMBER 2023, WHICH RECORDED REVENUES' AND MARGIN'S GROWTH. POSITIVE NET RESULT.

Main Consolidated Results of the first nine months of 2023 (vs first nine months of 2022):

- **Revenues:** Euro 193.5 million, incrementing compared to Euro 173.5 million as at 30 September 2022;
- **EBITDA¹:** Euro 27.5 million, increasing compared to Euro 25.9 million as at 30 September 2022, despite higher fixed costs to strengthen the commercial and business development structure in view of the expected further sales' growth and the impact of non-recurring costs incurred in the first half of 2023;
- **EBIT:** Euro 10.3 million, improving compared to Euro 9.7 million as at 30 September 2022;
- **Net Profit:** Euro 0.2 million, with a positive result of Euro 2.8 million in the third quarter that fully absorbs the loss on 30 June 2023 of Euro 2.6 million, compared to Euro 9.2 million profit as at 30 September 2022 which, however, included significant income from exchange rate variations;
- **Net financial indebtedness²:** Euro 149.0 million, compared to Euro 150.3 million as at 30 June 2023 and Euro 128.4 million at 31 December 2022, in consequence of inventory and net working capital levels' increase based on short-term sales forecasts;
- **Total Order Backlog:** Euro 412.3 million, increasing compared to Euro 406.1 million as at 31 December 2022 and Euro 309.9 million as at 30 September 2022;
- **2023 Guidance Update:** confirmed EBITDA margin in the range of 16% - 17%, as per previously communicated with expected revenues in the range of Euro 270-280 million (compared to previous range of Euro 280-290 million); Net Financial indebtedness reduction compared to the figure as at 30 September 2023 but increasing compared to 31 December 2022.
- **Sustainability:** Tesmec S.p.A has been awarded with Sustainability Award, promoted by Kon Group and ELITE, entering the ranking of the 100 best sustainable companies in Italy.

Grassobbio (Bergamo), 6 November 2023 – The Board of Directors of **Tesmec S.p.A.** (EURONEXT STAR MILAN STAR: 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 2023**, which shows an increase in revenues and a marked improvement in profitability, driven by four main factors: business development on new international markets, sales recovery in historical markets, a better sales mix, particularly in the Trencher and Energy segments, and an Order Backlog steadily

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 Net financial debt 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 financial liabilities from leasing and IFRS 16, the fair value of financial instruments and excluding other non-current liabilities.

exceeding Euro 400 million. This allowed, on one side, a higher level of EBITDA compared to September 30, 2022, despite having faced cost increases due to the strengthening of the commercial and business development structure, and, on the other side, the full reabsorption of the net loss recorded at June 30, 2022, with the generation of a net profit in the nine months. At the same time, the figures as at 30 September indicate still high stock levels in order to cope with the expected further sales development in the short term, resulting in a level of Net Financial Debt in line with the first half of the year.

The **Chairman and CEO Ambrogio Caccia Dominioni** commented as follows: *“Despite the challenges of the macroeconomic scenario, Tesmec demonstrated its strong determination to consolidate its growth, both in terms of revenue and by exceeding Euro 400 million backlog. Tesmec is also committed to maintaining its focus on increasing profitability: the third quarter closed in line with expectations for the period and the results, compared to the third quarter of the previous year, showed a positive growth trend in terms of revenue, EBITDA and EBIT. The net financial indebtedness is slightly improved compared to June closing and, however, is still impacted by a slowdown in the stock reduction and net working capital - but the Group is implementing the necessary actions for their reduction.*

Looking forward, Tesmec is committed to achieve a profitable growth: it will continue to exploit market opportunities, focusing on high-potential segments and leveraging its significant backlog, which represents a solid foundation for future positive performance.

Regarding the 2023 financial year closing, we are confident to continue our enforcement plan, with expected revenue and profitability growth in the fourth quarter and an improvement in net financial indebtedness, albeit higher than 31 December 2022 level.”

MAIN CONSOLIDATED RESULTS AS AT 30 SEPTEMBER 2023

As at 30 September, 2023, Tesmec Group recorded Euro 193.5 million consolidated revenues, an increase of 11.6% compared to Euro 173.5 million as at 30 September 2022, mainly thanks to the performance of the Trencher and Energy sectors.

Results at 30 September (Euro in thousands)	Revenues from sales and services		
	2023	2022	Variation 23 vs 22
Trencher	106.164	99.076	7,2%
<i>Effect on Consolidated Revenues</i>	<i>54,9%</i>	<i>57,1%</i>	
Railway	38.038	36.468	4,3%
<i>Effect on Consolidated Revenues</i>	<i>19,7%</i>	<i>21,0%</i>	
Energy	49.305	37.907	30,1%
<i>Effect on Consolidated Revenues</i>	<i>25,5%</i>	<i>21,9%</i>	
Consolidated	193.507	173.451	11,6%

In detail, as at 30 September 2023 **Trencher** sector **revenues** amount at **Euro 106.2 million**, increasing from Euro 99.1 million as at 30 September 2022. This growth is mainly driven by the performance of the Middle Eastern and American markets, offsetting a temporary contraction of the French market. As at 30 September

2023, the order backlog of the Trencher sector is Euro 76.5 million, slightly down from Euro 79.0 million as at 30 September 2022.

The **Railway** sector records **revenues of Euro 38.0 million** as at 30 September 2023, slightly up from Euro 36.5 million as at 30 September 2022. This result is mainly due to the execution timing of some job-orders. In the Railway sector the order backlog, which extends over multiple years, as at 30 September 2023 amounts at Euro 212.1 million, significantly up from Euro 129.3 million as at 30 September 2022.

As for the **Energy** sector, **revenues** as at 30 September 2023 amount at **Euro 49.3 million**, increasing from Euro 37.9 million recorded as at 30 September 2022. Specifically, the Stringing segment records Euro 32.3 million revenue, increasing from Euro 25.1 million as at 30 September 2022, while the Energy-Automation segment achieves Euro 17 million, also growing from Euro 12.8 million as at 30 September 2022. The commercial activities of the sector confirm the growth trend, with an order backlog as at 30 September 2023 at Euro 123.7 million, increasing from Euro 101.7 million as at 30 September 2022, of which Euro 100,0 million related to the Energy-Automation segment, whose backlog extends over multiple years, and Euro 23,7 million to the Stringing segment.

At a geographical level, Tesmec Group records a growing sales contribution from Middle East and Europe, while the Italian market remains the reference market for Energy and Railway sectors.

EBITDA amounts at **Euro 27.5 million**, increasing from Euro 25.9 million as at 30 September 2022. Specifically, the Trencher segment is positively impacted, compared to the first nine months of the previous year, by a better sales mix; the Energy sector also records a better contribution thanks to the positive input from the Stringing segment; the Railway segment generated lower margins compared to the first nine months of the previous year, due to the contingency of different mix of job-orders, expected to improve starting next quarter. More specifically, the EBITDA of the third quarter of 2023 is Euro 12.3 million, increasing both in absolute value, compared to Euro 7.2 million of the third quarter of 2022, and in percentage terms, with an 18% EBITDA margin increasing of 6 percentage points from the 12% margin in the third quarter of 2022, the latter, as well as the fourth quarter, negatively affected by inflationary effects at the time; the third quarter of 2023 also benefited from a better product mix and a stronger operating leverage effect, thanks also to the higher quarterly revenue. Then, the EBITDA margin for the first nine months of 2023 was 0.7 percentage points lower than the one of the same period of the previous year due to the aforementioned increases in costs for strengthening the commercial and business development structure (to meet expected further sales increases) and for non-recurring costs in the first half of 2023.

The **EBIT** as at 30 September 2023 amounts at **Euro 10.3 million**, improving from Euro 9.7 million as at 30 September 2022.

The **net financial expenses** of the Tesmec Group as at 30 September 2023 amount at **Euro 9.4 million**, compared to a positive value of Euro 4.3 million as at 30 September 2022. More specifically, in the period the Group recorded foreign exchange losses of approximately Euro 1.4 million, mainly unrealized, generated by the US dollar weakening and its related currencies; the net financial expenses, excluding foreign exchange fluctuations, as at 30 September 2023 amount at Euro 8.0 million, increasing from Euro 4.0 million as at 30 September 2022,.

TESMEC

The **Net Profit** as at 30 September 2023 amounts at **Euro 0.2 million**, compared to a profit of Euro 9.2 million as at 30 September 2022 (which however included significant income from foreign exchange rate fluctuations). It is highlighted a progressive improvement in the financial performance which, in line with the quarterly budgets, recorded a loss in the first quarter, almost at break-even second quarter and a significant profit in the third quarter, which fully absorbed the loss in the January-March period.

The **Net financial indebtedness** as at 30 September 2023 is Euro 149.0 million, slightly improved compared to Euro 150.3 million as at 30 June 2023, but higher than Euro 128.4 million as at 31 December 2022, due to still high inventory levels to face expected sales growth in the short term. From this perspective, the Group believes that it has reached its peak working capital position as at 30 September 2023 and an absorption is expected in fourth quarter.

The **Total Order Backlog** at 30 September 2023 amounts at Euro 412.3 million – of which Euro 212.1 million refers to the Railway sector, Euro 76.5 million to the Trencher sector and Euro 123.7 million to the Energy sector (of which Euro 100,0 million related to the Energy-Automation segment and Euro 23.7 million to the Stringing segment) – increasing compared to Euro 406.1 million at 31 December 2022 and Euro 309.9 million at 30 September 2022.

Summary of financial data is reported below:

<i>(Euro Million)</i>	Final Balance 2023.9M	Final Balance 2022.9M	Variation 23 vs 22
Revenues	193,5	173,5	11,6%
Ebitda	27,5	25,9	6,0%
Ebitda Margin	14,2%	14,9%	
Ebit	10,3	9,7	6,5%
Net result	0,2	9,2	(98,0) %
Net financial indebtedness	149,0	128,4	16,0%

BUSINESS OUTLOOK

In the first nine months of 2023, Tesmec continued its growth path, thanks to the ability to adapt to external challenges and anticipate market trends. The Group diversified its activities geographically and sectorally, further invested in strategic, high vitality and with growing prospective businesses, such as Trencher, with solutions for the digitalization and construction of telecommunications networks, as well as for the development of the mining sector. In addition, through its U.S. subsidiary, Tesmec can benefit from the new U.S. IRA Plan - Inflation Reduction Act - which should further favor US-based production, contributing to the 2023 financial year performance. In the Railway sector, investments to reduce congestion in road vehicles, to increase sustainable mobility, and to diagnose and maintain lines with the aim of ensuring the safety of rail transport, are yielding excellent results. In the Energy sector, the growing shift towards renewable energy sources is confirmed, with the consequent adaptation of electricity grids to new needs.

Given the positive performance of the first nine months of the year and the Management's action to accelerate the recovery of profitability and focus on cash generation, the Board of Directors of Tesmec, also

considering the known developments in the geopolitical and macroeconomic/financial framework, has updated its guidance for the entire 2023 as follows:

- Expected Revenues in the range of Euro 270-280 million, compared to the range of Euro 280-290 million previously communicated;
- Confirmed EBITDA margin in the 16%-17% range previously communicated;
- Net Financial Position improving compared to 30 September 2023 but higher than 31 December 2022, as against the previously communicated indication of an improved NFP compared to 2022 year-end.

SUSTAINABILITY

The Group confirms that sustainability is at the heart of its growth strategy.

Tesmec's business is focused on key sectors for each country such as energy, railway, and civil infrastructure. The technological development strategy is focused on the search for innovative "green & digital" solutions, to minimize environmental impact and ensure the highest standards of safety and efficiency.

The priority for Tesmec is to integrate ESG aspects into business processes, to properly manage the use of resources, promote a good working climate and the well-being of employees, strengthen the relationship with the territory and local communities, carrying out all company activities in compliance with the highest ethical standards.

Tesmec S.p.A received the Sustainability Award, entering the ranking of the 100 best sustainable companies in Italy. This new recognition, promoted by Kon Group and ELITE, sponsored by Azimut Area4 Emilia Romagna, Marche and Umbria, with the institutional scientific partner ALTIS Advisory, a spin-off of the Università Cattolica del Sacro Cuore, underlines the validity of the path undertaken by the Group in the field of sustainable development, social responsibility and respect for the environment.

MAIN EVENTS OCCURRED AFTER THE PERIOD UNDER REVIEW

On **11 October 2023** Tesmec Rail obtained from ANSFISA (National Agency for the Safety of Railways and Road and Motorway Infrastructures) the "*AIMS - Authorisation to place on the market*" for the new integrated diagnostic vehicle OCPD002-E, which represents a major significant milestone as it equates the vehicle to the most modern passenger trains, allowing it to run on open line traffic on any route of the national network.

On **6 November 2023**, the Board of Directors appoints Fjorela Puce as Investor Relations Manager of the Company, replacing Marco Paredi who will focus on his role as Director of the Trencher Business Unit.

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 June 30, 2023.

Conference Call

At 2:30 PM (CET), of today, Monday 6 November 2023, 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 nine of months of 2023 to the financial community during a conference call.

To participate, you are kindly requested to call the following numbers:

from Italy: +39 02 36213011
from United Kingdom: + 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, Ruggero Gambini, 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 September 2023 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.**

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

<https://investor.tesmec.com/en/Investors/PressReleases>

Tesmec Group

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 1000 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 EURONEXT STAR MILAN of the Euronext Milan 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.

The reclassified balance sheet statement, income statement, cash flow statement and prospectus of sources and uses of Tesmec Group as at 30 September 2023 are shown below.

TESMEC GROUP RECLASSIFIED CONSOLIDATED INCOME STATEMENTS

TESMEC

Income statement
(Euro in thousands)

	At 30 September	
	2023	2022
Revenues from sales and services	193.507	173.451
Total operating costs	(183.194)	(163.763)
Operating income	10.313	9.688
Financial (income) / expenses	(8.027)	(3.958)
Foreign exchange gains/losses	(1.403)	8.199
Share of profit / (loss) of associates and joint ventures	(14)	44
Pre-tax profit	869	13.973
Net profit for the period	189	9.243
EBITDA	27.481	25.923
EBITDA (% on revenues)	14,2%	14,9%

TESMEC GROUP RECLASSIFIED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Balance Sheet	30 September 2023	31 December 2022
<i>(Euro in thousands)</i>		
Total non-current assets	140.508	142.267
Total current assets	293.316	265.427
Total assets	433.824	407.694
Total non-current liabilities	121.988	120.305
Total current liabilities	227.449	204.012
Total liabilities	349.437	324.317
Total shareholders' equity	84.387	83.377
Total shareholders' equity and liabilities	433.824	407.694

TESMEC GROUP OTHER CONSOLIDATED FINANCIAL INFORMATION

Summary of the cash flow statement (Euro in thousands)	At 30 September	
	2023	2022
Net cash flow generated by (used in) operating activities (A)	(8.194)	8.593
Net cash flow generated by (used in) investing activities (B)	(22.806)	(30.602)
Net cash flow generated by financing activities (C)	15.597	6.841
Total cash flow for the period (D=A+B+C)	(15.403)	(15.168)
Cash and cash equivalents at the beginning of the period (F)	50.987	50.189
Effect of exchange-rate changes on cash and cash equivalents (E)	(215)	1.410
Cash and cash equivalents at the end of the period (G=D+E+F)	35.369	36.431

TESMEC GROUP OTHER CONSOLIDATED FINANCIAL INFORMATION

Funding Sources and Uses

(Euro in thousands)

	<u>30 September 2023</u>	<u>31 December 2022</u>
Net working capital ³	105.562	80.631
Fixed assets	109.457	111.658
Other long-term assets and liabilities	18.362	19.452
Net invested capital ⁴	<u>233.381</u>	<u>211.741</u>
Net financial indebtedness ⁵	148.994	128.364
Shareholders' equity	84.387	83.377
Total sources of funding	<u>233.381</u>	<u>211.741</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.1155-26

Numero di Pagine: 13