

# STAR Conference presentation

London, 7<sup>th</sup> October 2016



Solutions partner for your world

Tesmec Group is leader in the market of the infrastructures related to the transport and distribution of energy, data and material.



We focus on strategic markets for the growth and modernization of every country.



ENERGY



RAILWAY



UNDERGROUND





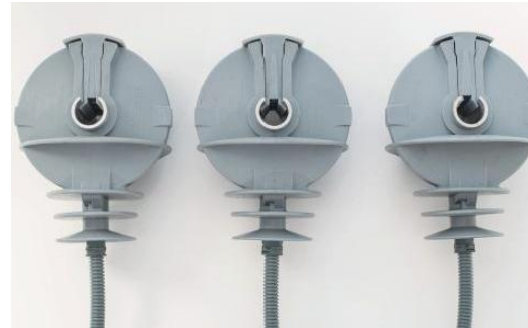
Matched for all your needs

Integrated solutions for the construction, maintenance and efficiency of infrastructures such as: overhead & underground power lines, traditional & high speed railway lines, telecom networks & pipelines.

**R&D** investment avg.

**8%**

of total Revenues



## STRINGING

- Overhead power lines construction and maintenance
- Reconductoring and line improvement
- Underground cable laying

## ENERGY AUTOMATION

- Telecommunication & Teleprotection,
- Electronic integrated sensors, fault detection and measurement
- Protections & Electronics for Distribution

## RAILWAY

- Railway lines electrification
- Catenary maintenance and diagnostic
- Special applications

## TRENCHERS

- Telecom networks, FTTH & long distance, power cable installation
- Oil & Gas, Water pipelines
- Bulk excavation of rock and Quarries

History of success

+60 years of experience

"3xi approach: Internationalization, Innovation, Integration. These keywords drive Tesmec towards a growing future.

**1951**  
**PIONEER** in  
stringing business

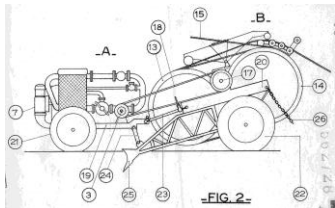
**1960**  
FOCUS on  
**INVENTION**

**1984**  
Start of trencher  
business

**2010**  
From FAMILY to  
**PUBLIC** company

**2008-2017**  
Geographic and  
business diversification

FOCUS on  
**INTERNATIONALIZATION**  
**INNOVATION**  
**INTEGRATION**





Strategic innovation

“ From **IRON** to  
**TECHNOLOGIES** ”



INNOVATION & R&D  
TAILOR MADE SOLUTIONS  
FULL SERVICES



FOCUS ON GROWING MARKET  
LIKE TELECOM, ENERGY  
EFFICIENCY, MODERNIZATION  
OF INFRASTRUCTURES



SAFETY FIRST  
GREEN TECHNOLOGIES  
CONNECTIVITY

#### **PRODUCTS** SUPPLIER

Equipment, machines, tools and technical services

#### INFRASTRUCTURE **CONSTRUCTION**

Sector sensitive to economic cycles and dependent on investment plans

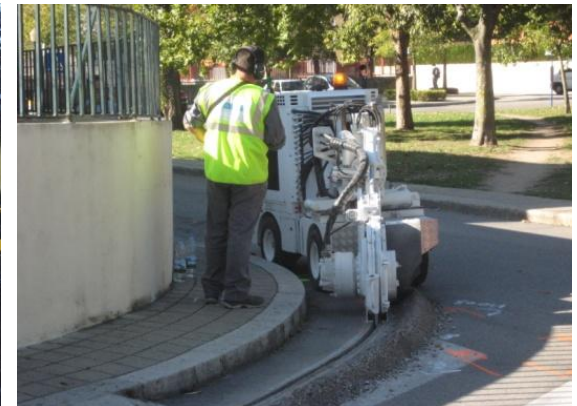
#### **VALUE ADDED** SOLUTIONS PROVIDER

Intelligence, specialists' competences, expertise, technologies

#### INFRASTRUCTURE **MANAGEMENT & MAINTENANCE**

Sectors not dependent on economic cycles, but recurrent

Design of advanced solutions based on specific requirements of Key Account to be exported worldwide with the aim to cover R&D investments and increase the business





International footprint

90% export  
+135 Countries choose Tesmec  
+600 people

Tesmec pursues a "Glocal" growth strategy: being global partner with local presence.





Market scenario evolution



Evolving strategy

Main achievement so far

RENTING VS BUYING  
EQUIPMENT BECOME A  
GROWING TREND



NEW BUSINESS MODEL:  
FROM SALES TO  
VALUE ADDED SERVICES



*Important wind farm projects  
performed by Marais in  
Australia offering specialized  
trenchers services*



SAFETY, SUSTAINABILITY &  
CONNECTIVITY AS KEY  
DEVELOPMENT DRIVERS



NEW VALUE PROPOSITION:  
MOVING FROM A GOODS  
SUPPLIER TO A SMART  
SOLUTION PROVIDER



*Integrated solutions in the  
Automation business  
chosen by major Italian  
power authority*



INVESTMENTS IN  
NEW INFRASTRUCTURES  
SENSITIVE TO  
ECONOMIC CYCLES



FOCUS ON NOT-CYCLICAL  
BUSINESS (MANAGEMENT &  
MAINTENANCE) TO GRANT  
RECURRENT REVENUES



*First relevant award for full  
maintenance services in  
railway business in Italy*



## Trencher business highlights

### Business model:

FROM sales  
TO value added  
solutions and services



## Need of integrated technological platforms for TELECOM and ENERGY

- Increasing demand of **integrated systems** rather than a single equipment
  - **Convergence** between power grids and telecom networks and growing interest in renewable energy and sustainability aspects
- ▼
- Repositioning in the market segment of **tailor made solutions** and **complementary services**: technologies provider rather than pure equipment supplier
  - Increasing know how and competences in the management of FTTH and **long distance** projects

“ From **IRON** to  
**TECHNOLOGIES** ”





**Wind farm - New Zealand**



**TANAP Pipeline - Turkey**



**Long distance - Ivory Coast**



**Bulk Excavation - USA**




### Catenary specialist:

- ✓ Installation
- ✓ Maintenance
- ✓ Diagnostic



## Growing pressure on SAFETY and ENVIRONMENTAL issues

 TESMEC GROUP  
PLACED 1<sup>st</sup> DURING THE  
PUBLIC MEETING FOR THE  
PROVISIONAL AWARD OF  
THE TENDER OF RFI FOR  
THE SUPPLY OF 88  
MULTIPURPOSE RAILWAY  
VEHICLES.

*The subsidiary Tesmec Service  
provisional awarded the 3 lots in  
the tender for a total value of  
Euro 91.8 million*

Main rail operators are looking for :

- high working performances
- capability to prevent accident while travelling on railway network
- possibility to travel in composition with other railway vehicles
- possibility to travel on both traditional and high speed lines

Tesmec railway technologies ensure:

- high **mobility** and transfer capability
- **safety** and low emission
- **efficiency** and **maintainability**
- compliance with the European and USA Railway Standards





## WINNING TECHNICAL ADVANTAGES

### INNOVATIVE AUTOMATIC TRAIN CONTROL SYSTEM

allows the protection of the train while travelling, ensuring:

- highest mobility and safety
- increased performances
- reduced fleet asset

### REMOTE-CONTROL OF TRACTION UNIT

able to manage traction, braking and alarms of railcars as a convoy, ensuring:

- cost savings
- working fleet reduction
- fast transfer

### REMOTE MONITORING SYSTEM

developed to supervise the fleets of vehicles, ensuring:

- reliability (failure cost reduction)
- maintainability (cost associated to failure reduction)
- maintenance optimization and monitor the main parameters



**Full maintenance service - Italy**



**Stringing operations - Italy**



**Catenary operations - USA**



**High speed lines - China**






## Energy business highlights

Consolidation of the **integration strategy** in the sector smart technologies for power lines

Increasing demand of **MODERNIZATION** and **EFFICIENCY** of power grids worldwide

- Projects of grids interconnection and **integration of renewable** energies
  - Cyclicity of the stringing market and dependence from the release of **big projects**
- 
- **Completion of solutions portfolio** in order to face the new technological challenges related to renewable energy sources and distributed generation
  - Strategic long term **collaborations** with the major power companies

**Solution for High Voltage**

**Solution for Medium Voltage – Low Voltage**



Telecommunication,  
Teleprotection,  
Remote Control



Measurement and  
monitoring instruments  
After-sales services



Electronic integrated sensors,  
devices for fault detection  
and measurement



Protections and  
Electronics for  
Distribution

“ From **IRON** to  
**TECHNOLOGIES** ”



**EQUIPMENT CONFIGURATION**

according to the different  
specifications of relevant market

**ADVANCED SOLUTIONS**

technical support and field  
installation

**CUSTOMER SUPPORT**

after sales activities



**Powerline construction - Brazil**



**Huge crossing - Norway**



**Smart Metering Tool - Russia**



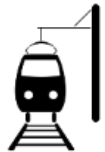
**Fault detector - Italy**



Increase in business **VOLUMES** (backlog and revenues), **MARGINS** and **CASH FLOW**



• **Growing opportunities** in TLC and energy cables market, especially in Africa & Australia/New Zealand. Relevant projects with main international contractors that ask for specialist **services** and **rental** activities.



• **Finalization of orders** and important ongoing negotiations for innovative railcars that will replace the existing vehicles, both in Italy and worldwide



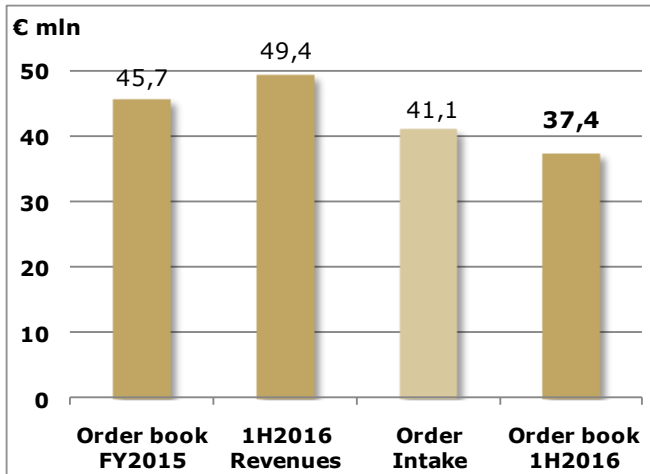
• **Consolidation** of the integration strategy and significant business opportunities in key countries like Italy, Russia and South America.

• **Ongoing negotiations** in the commercial pipeline of stringing segment

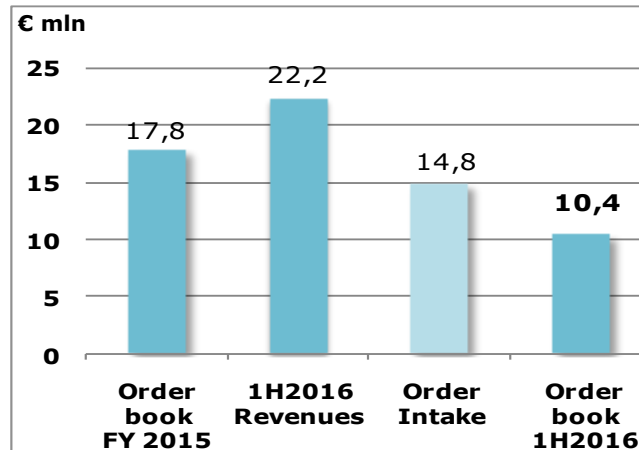


## Order Book 1H2016

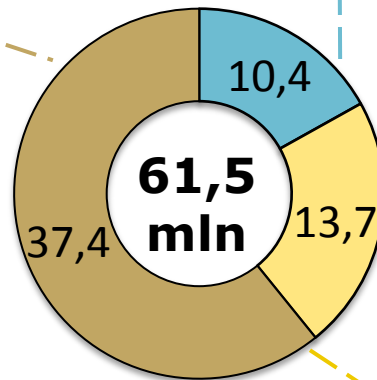
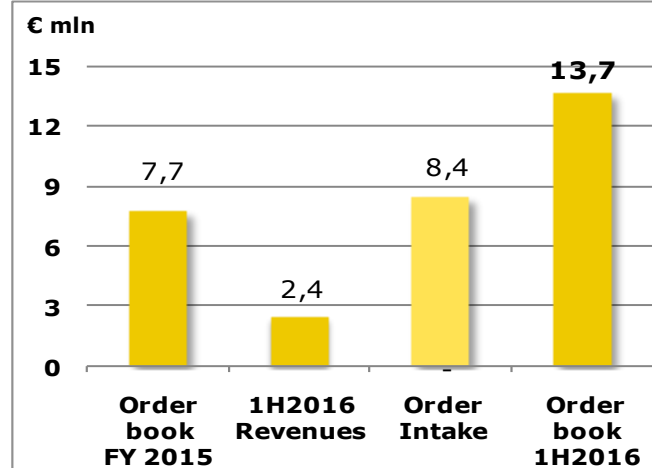
### TRENCHERS



### ENERGY



### RAILWAY





1H2016 results



## 1H2016 Economic Results

GROUP (€ mln)	1H2016	1H2015	Delta %
<b>Revenues</b>	<b>74,0</b>	<b>85,1</b>	<b>-13,0%</b>
<b>EBITDA</b>	<b>7,4</b>	<b>14,2</b>	<b>-47,9%</b>
% on Revenues	10%	17%	
<b>EBIT</b>	<b>1,4</b>	<b>9,6</b>	<b>-85,4%</b>
% on Revenues	2%	11%	
<b>Profit Before Taxes</b>	<b>-1,3</b>	<b>8,9</b>	<b>-114,6%</b>
% on Revenues	-2%	10%	
<b>NET INCOME</b>	<b>-1,3</b>	<b>6,5</b>	<b>-120,0%</b>
% on Revenues	-2%	8%	

GROUP (€ mln)	1H2016	2015	Delta %
<b>NFP (IAS17)</b>	<b>104,8</b>	<b>89,9</b>	<b>16,6%</b>
<b>NFP (without IAS17)</b>	<b>87,6</b>	<b>72,1</b>	<b>21,5%</b>



ENERGY	1H2016	1H2015	Delta %
<b>Revenues</b>	<b>22,2</b>	<b>45,9</b>	<b>-51,6%</b>
<b>EBITDA</b>	<b>2,5</b>	<b>8,2</b>	<b>-69,5%</b>
% on Revenues	11%	18%	



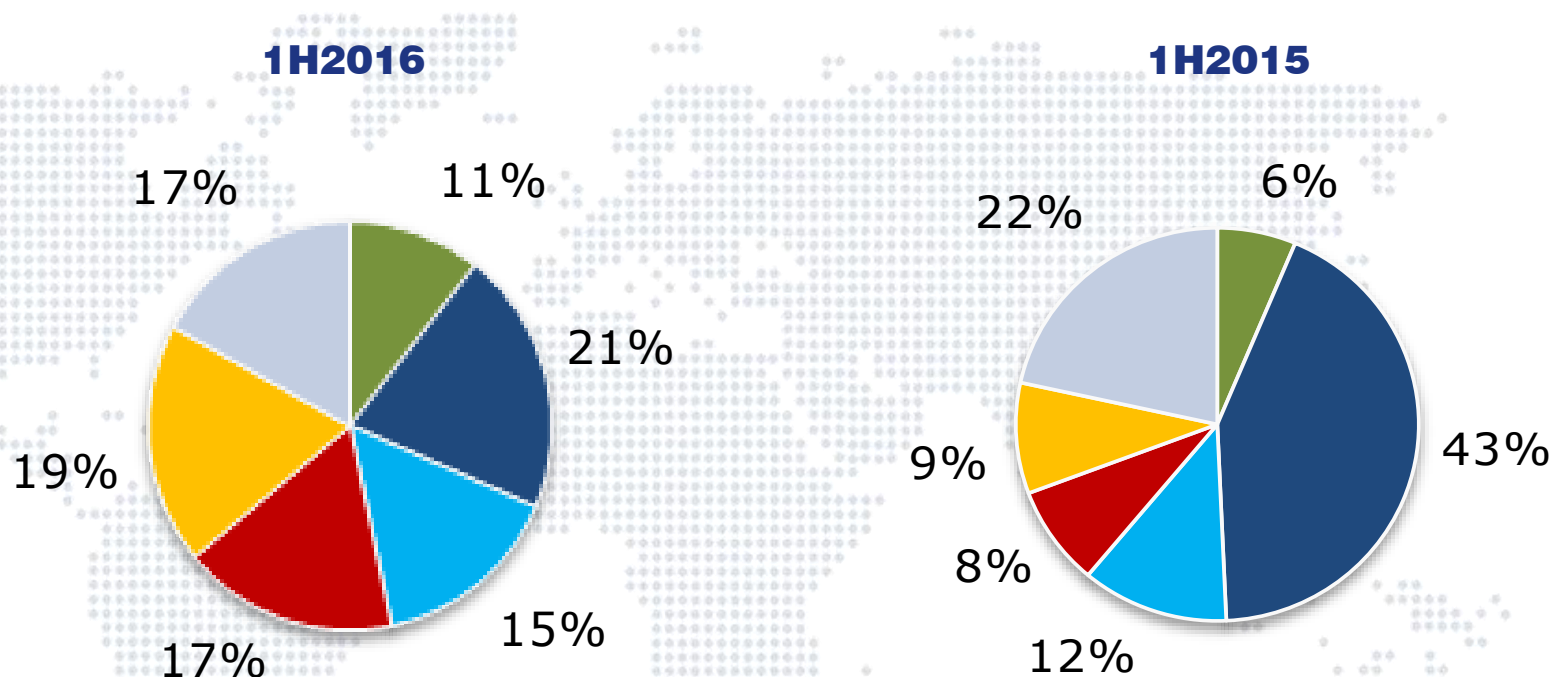
TRENCHERS	1H2016	1H2015	Delta %
<b>Revenues</b>	<b>49,4</b>	<b>38,6</b>	<b>28,0%</b>
<b>EBITDA</b>	<b>4,7</b>	<b>6,2</b>	<b>-24,2%</b>
% on Revenues	10%	16%	



RAILWAY	1H2016	1H2015	Delta %
<b>Revenues</b>	<b>2,4</b>	<b>0,6</b>	<b>284,0%</b>
<b>EBITDA</b>	<b>0,2</b>	<b>-0,2</b>	<b>200,0%</b>
% on Revenues	8%	-32%	

- REVENUES FROM SERVICES: +71,8% IN 1H2016
- 1H2015: POSITIVELY AFFECTED BY EXTRAORDINARY ORDER OF STRINGING EQUIPMENT AND BADWILL FROM MARAIS ACQUISITION
- CONSOLIDATION OF BERTEL AND CPT IMPACTS ON MARGINS

## Revenues



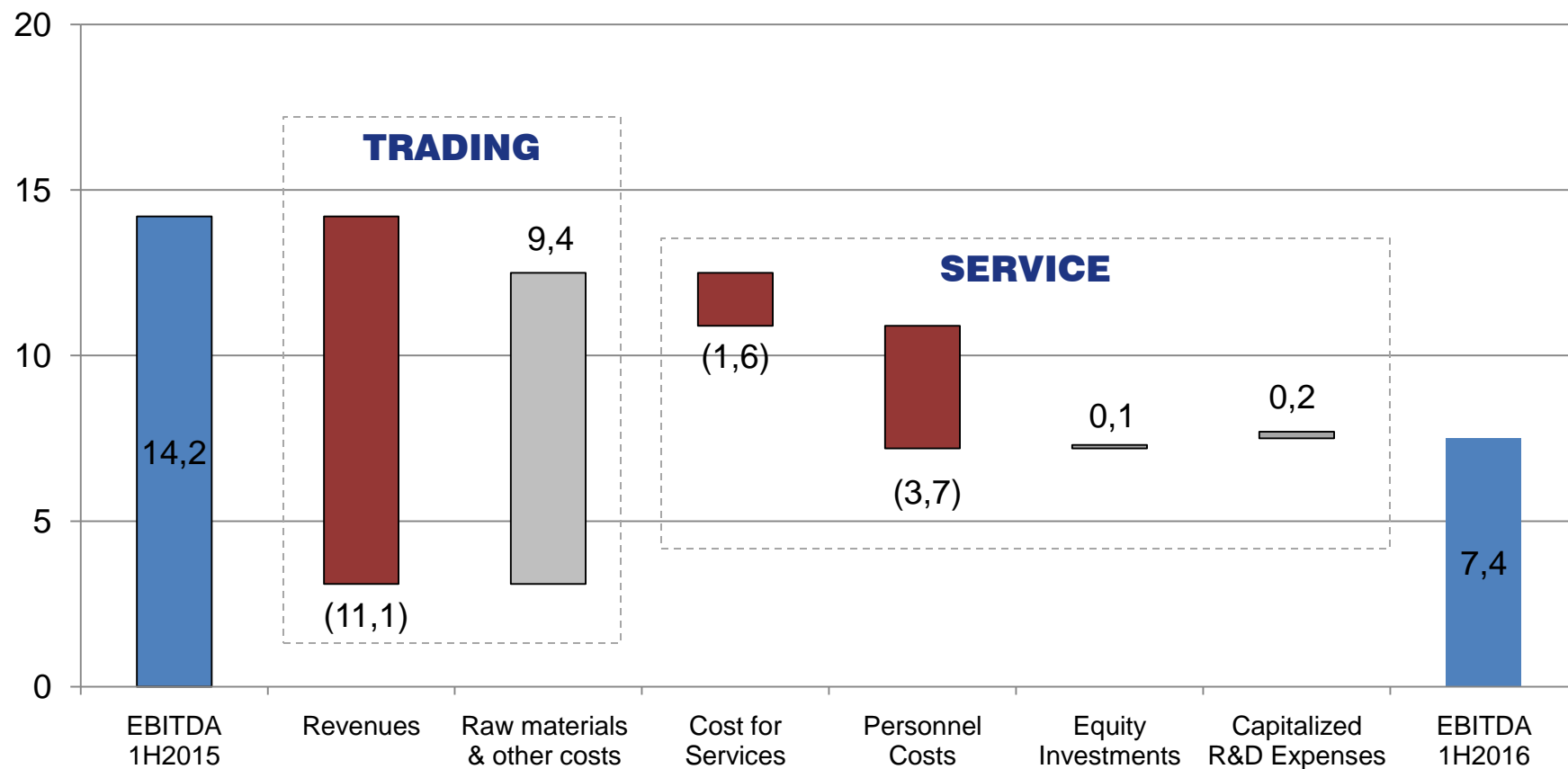
### INTERNATIONAL SCALE AND EXPOSURE TO GROWING ECONOMIES



1H2015: SALES IN EUROPE INFLUENCED BY THE IMPACT OF THE EXTRAORDINARY ORDER OF STRINGING EQUIPMENT FOR PROJECT IN BRAZIL



# EBITDA 1H2016



1H2015

Cost variances reflect heavier service activity

1H2016

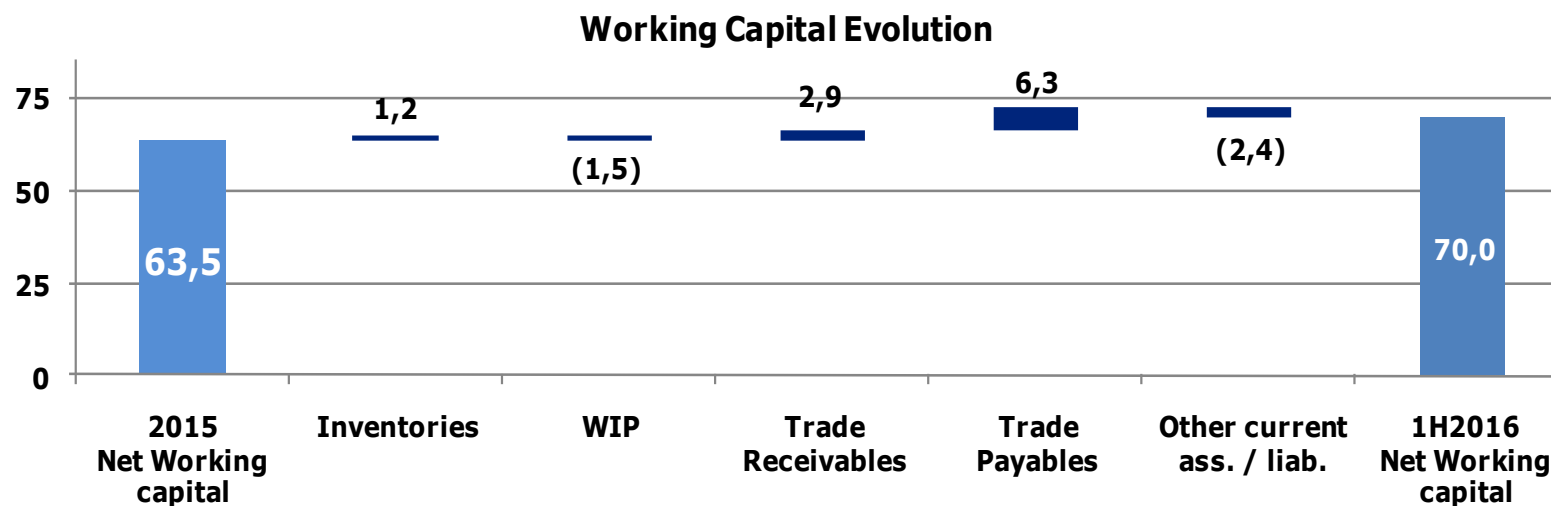
## 1H2016 Financial Results

Financial Information (Euro mln)	1H2016	1Q2016	2015
Net Working Capital	70,0	80,6	63,5
Non Current assets	87,1	81,8	83,9
Other Long Term assets/liabilities	(1,2)	(1,2)	(1,7)
<b>Net Invested Capital</b>	<b>155,9</b>	<b>161,2</b>	<b>145,7</b>
Net Financial Indebtness	104,8	107,1	89,9
Equity	51,1	54,1	55,8
<b>Total Sources of Financing</b>	<b>155,9</b>	<b>161,2</b>	<b>145,7</b>

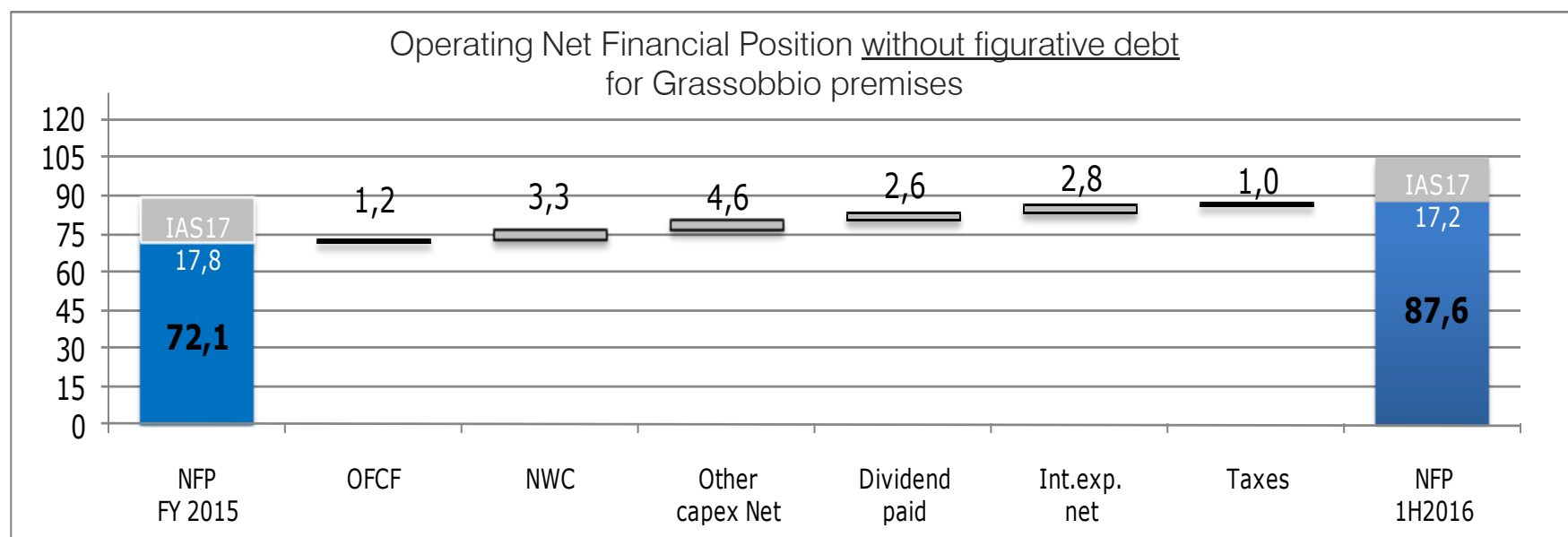


## Working Capital Evolution

Euro Mln	1H2016	1Q2016	2015	Days 1H2016
Trade Receivables	53,8	63,2	50,9	131
Inventories	60,1	60,1	58,9	152
Work in progress contracts	2,3	2,7	3,8	
Trade Payables	(32,7)	(34,0)	(39,0)	-80
Other Current Assets/(Liabilities)	(13,5)	(11,4)	(11,1)	-33
<b>Net Working Capital</b>	<b>70,0</b>	<b>80,6</b>	<b>63,5</b>	



## Net Financial Position Evolution



2015

NFP increase has been mainly influenced by Capex and dividends

1H2016

## Summary 1H2016 Profit & Loss statement

Profit & Loss Account (€ mln)	1H2016	1H2015	Delta vs 2015	Delta %
<b>Net Revenues</b>	<b>74,0</b>	<b>85,1</b>	<b>(11,1)</b>	<b>-13,0%</b>
Raw materials costs (-)	(31,1)	(44,0)	12,9	-29%
Cost for services (-)	(15,4)	(13,8)	(1,6)	12%
Personnel Costs (-)	(19,8)	(16,1)	(3,7)	23%
Other operating revenues/costs (+/-)	(2,9)	0,6	(3,5)	-583%
Portion of gain/(losses) from equity investments evaluated using the equity method	-	(0,1)	0,1	-100%
Capitalized R&D expenses	2,6	2,5	0,1	4%
<b>Total operating costs</b>	<b>(66,6)</b>	<b>(70,9)</b>	<b>4,3</b>	<b>-6,1%</b>
<i>% on Net Revenues</i>	<i>(90%)</i>	<i>(83%)</i>		
<b>EBITDA</b>	<b>7,4</b>	<b>14,2</b>	<b>-6,8</b>	<b>-47,9%</b>
<i>% on Net Revenues</i>	<i>10%</i>	<i>17%</i>		
Depreciation, amortization (-)	(6,0)	(4,6)	(1,4)	30%
<b>EBIT</b>	<b>1,4</b>	<b>9,6</b>	<b>-8,2</b>	<b>-85,4%</b>
<i>% on Net Revenues</i>	<i>2%</i>	<i>11%</i>		
Net Financial Income/Expenses (+/-)	(2,7)	(0,7)	(2,0)	286%
Taxes (-)	-	(2,4)	2,4	-100%
Minorities	-	-	-	-
<b>Net Income (Loss)</b>	<b>-1,3</b>	<b>6,5</b>	<b>(7,8)</b>	<b>-120,0%</b>
<i>% on Net Revenues</i>	<i>-2%</i>	<i>8%</i>		



## Summary 1H2016 Balance Sheet

Balance Sheet (€ mln)	1H2016	2015
Inventory	60,1	58,9
Work in progress contracts	2,3	3,8
Accounts receivable	53,8	50,9
Accounts payable (-)	(32,7)	(39,0)
<b>Op. working capital</b>	<b>83,5</b>	<b>74,6</b>
Other current assets (liabilities)	(13,5)	(11,1)
<b>Net working capital</b>	<b>70,0</b>	<b>63,5</b>
Tangible assets	64,1	65,3
Intangible assets	19,3	13,8
Financial assets	3,7	4,8
<b>Fixed assets</b>	<b>87,1</b>	<b>83,9</b>
Net long term liabilities	(1,2)	(1,7)
<b>Net invested capital</b>	<b>155,9</b>	<b>145,7</b>
Cash & near cash items (-)	(28,8)	(21,2)
Short term financial assets (-)	(7,2)	(11,8)
Short term borrowing	61,2	45,2
Medium-long term borrowing	79,6	77,7
<b>Net financial position</b>	<b>104,8</b>	<b>89,9</b>
Equity	51,1	55,8
<b>Funds</b>	<b>155,9</b>	<b>145,7</b>

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