Tesmec Group

9M 2011 Results

Analyst Presentation, 9 November 2011

Corporate

Agenda

▪ 9M 2011 - Main business highlights	P.Mosconi, GM
▪ 9M 2011 - Financial results	A.Bramani, CFO
▪ Outlook 2011	A.Caccia, CEO
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- **9M 2011 - Main business highlights**
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Main business highlights: Stringing

- **Sales 9M 2011 (47,1 Euro mln):** 1,3% increase vs. SPPY;

- **Margins:**
  - strong increase mainly thanks to country mix;
  - Russia and Brasil are the countries with highest sales volumes (18,6 Euro mln) and are the countries with highest margin (36%).

- **New business (power grid management)**: thanks to the acquisition of I-Light and the collaboration with Bertel we are able to supply Integrated Solutions for Efficient Management and for Energy saving on power grids.

Main business highlights: Stringing

- **Russia:** completion of the process to create a wholly owned local company: Tesmec Rus Llc. The subsidiary is a commercial company with a technical department to give a complete service to CSI countries.

- **Perù:** acquisition of an important order of USD 4,5 mln from Abengoa Group. This order confirms our strong collaboration with Abengoa Group in South America.

Main business highlights: Trenching

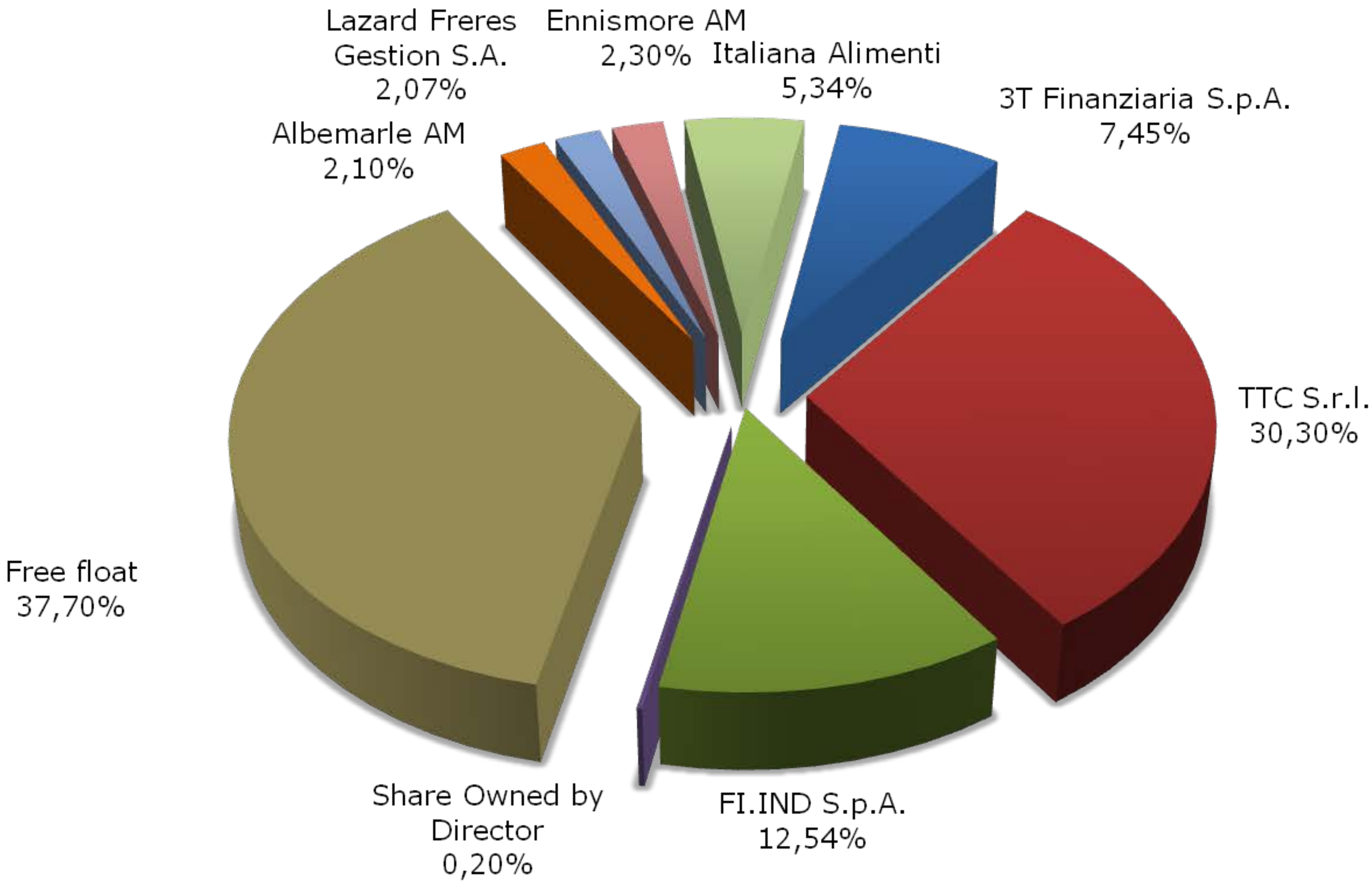
- **Sales 9M 2011 (33,7 Euro mln):** 6,6% increase vs SPPY (Q3 +38,6%) mainly driven by steady growth of USA and Middle East market;
- **Tesmec Usa sales:** new sales approach ➔ direct contract with main customers rather than traditional distributor's channels;
- **Margins:** decrease due to forex differences and to contracting activities outside Tesmec Group perimeter;
- **New opportunities:** special contracting project in basalt rocks (Medina and Mecca areas) are under evaluation by Tesmec Group;

Main business highlights: Trenching

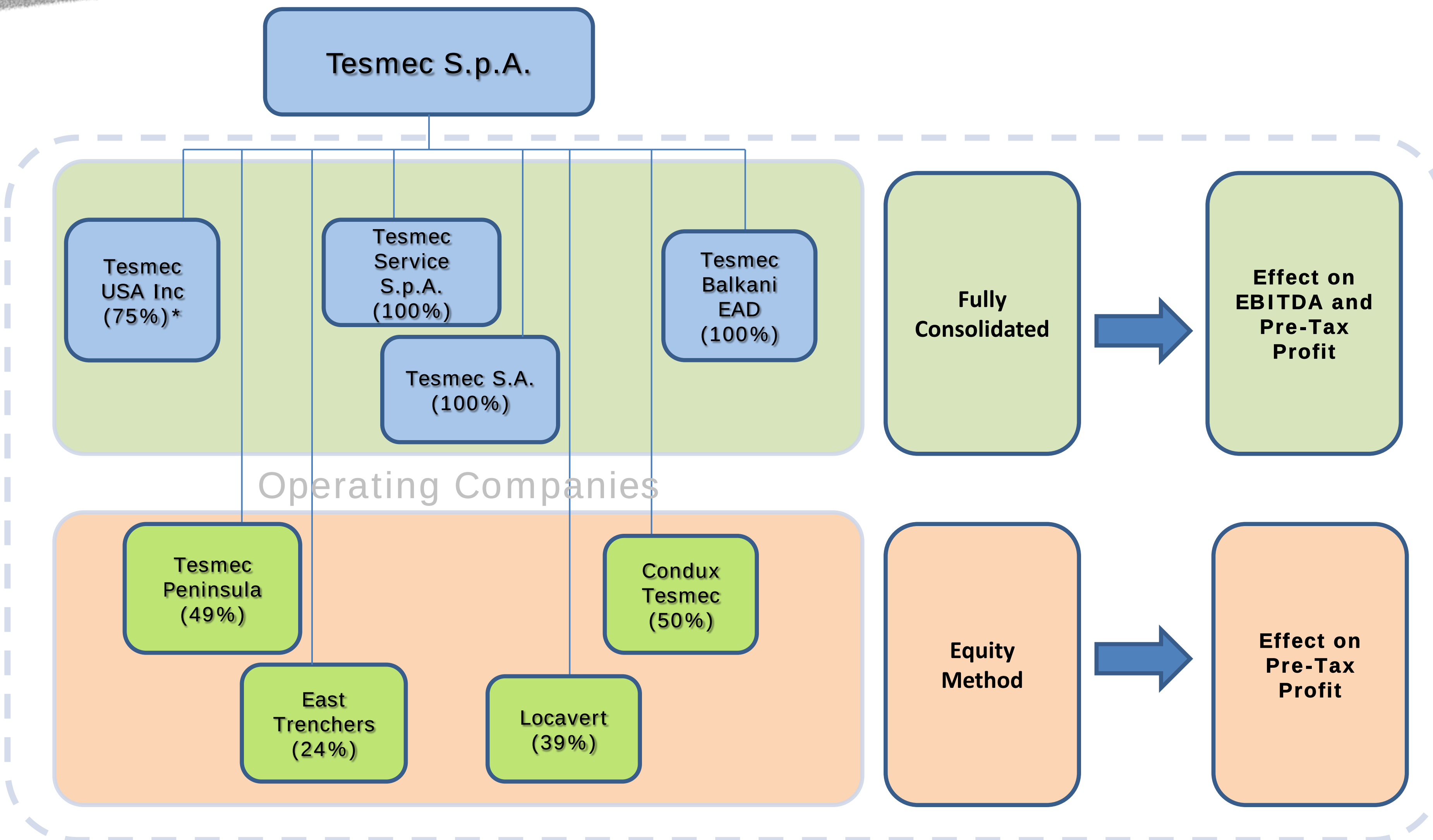
- **Kingdom of Saudi Arabia:** Tesmec Group started important negotiations with the main Saudi General Contractors both to sell equipment and to ensure integrated services in bulk excavation section.

- **South Africa:**
    - completion of the process to create a wholly owned newco;
    - sale organisation now in place;
    - Tesmec SA is now in pipeline and fiber optical projects.

Shareholding Structure



Group Structure at September 30,2011



* The remaining 25% is held by Simest S.p.A. Since Tesmec has an obligation to buy it back from Simest S.p.A., from an accounting point of view the participation of the Parent Company in Tesmec S.p.A. is consolidated on a 100% basis.

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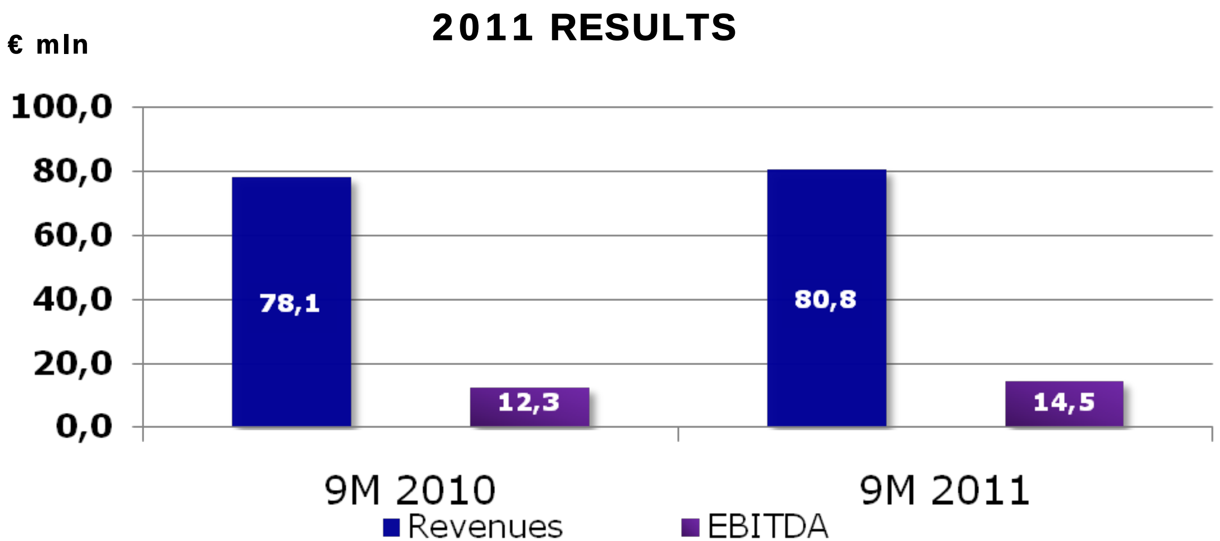
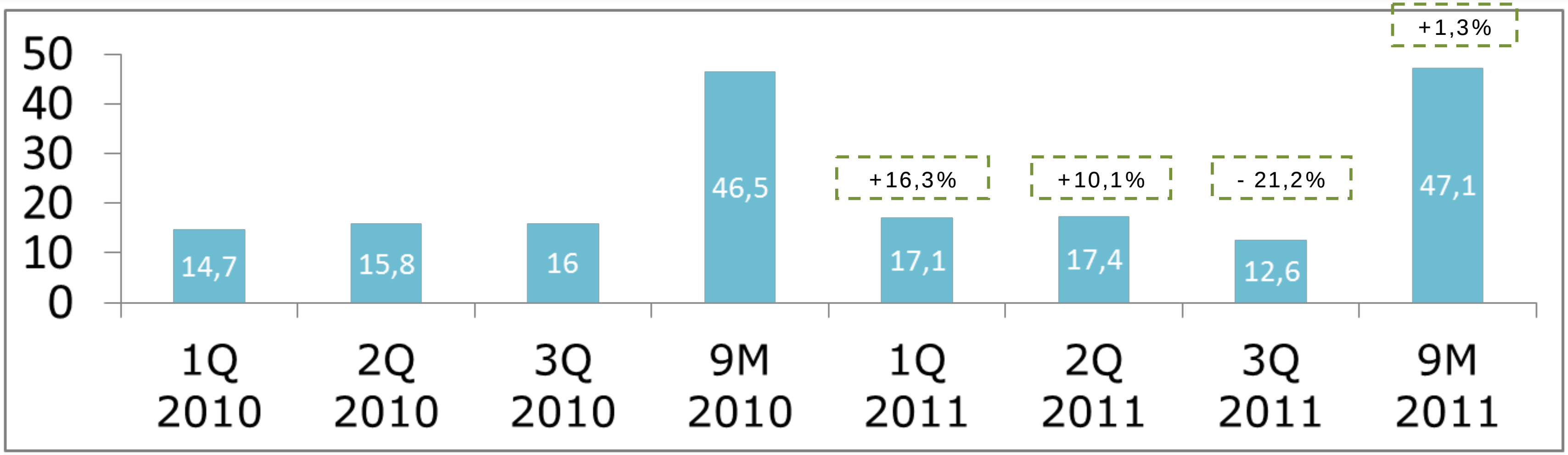
9M 2011 Results

Income Statement (€ mln)	Tesmec (Cons.)								
	1Q 2010	2Q 2010	3Q 2010	9M 2010	1Q 2011	2Q 2011	3Q 2011	9M 2011	9M 2011 vs 9M 2010 delta %
Revenues	29,3	24,1	24,7	**78,1**	26,5	29,6	24,7	**80,8**	**3,5%**
EBITDA	5,5	4,9	1,9	**12,3**	5,3	5,4	3,8	**14,5**	**17,7%**
% Revenues	*18,8%*	*20,3%*	*7,7%*	*15,8%*	*20,0%*	*18,2%*	*15,4%*	*17,9%*	
EBIT	4,3	3,6	0,8	**8,7**	3,9	4,1	2,3	**10,3**	**18,4%**
% Revenues	*14,7%*	*14,9%*	*3,2%*	*11,2%*	*14,7%*	*13,9%*	*9,3%*	*12,7%*	
Net income / (loss)	2,5	2,2	0,3	**5,0**	1,9	1,4	1,4	**4,7**	**-6,0%**
% Revenues	*8,5%*	*9,1%*	*1,2%*	*6,4%*	*7,2%*	*4,7%*	*5,7%*	*5,9%*	

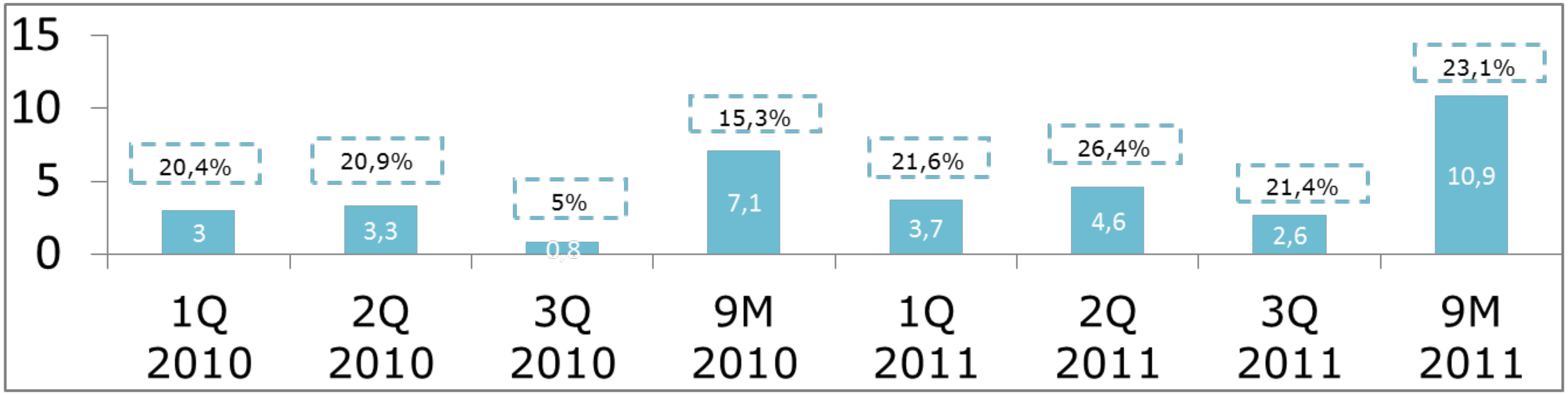


Revenues and EBITDA for Stringing Division

Revenues (€ mln)

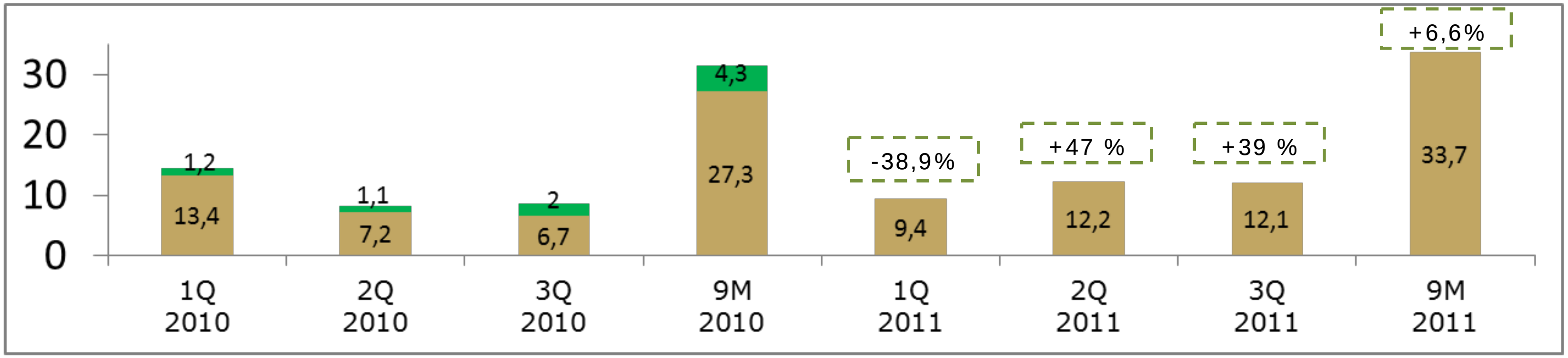


EBITDA (€ mln and % of Net Revenues)



Revenues and EBITDA for Trencher Division

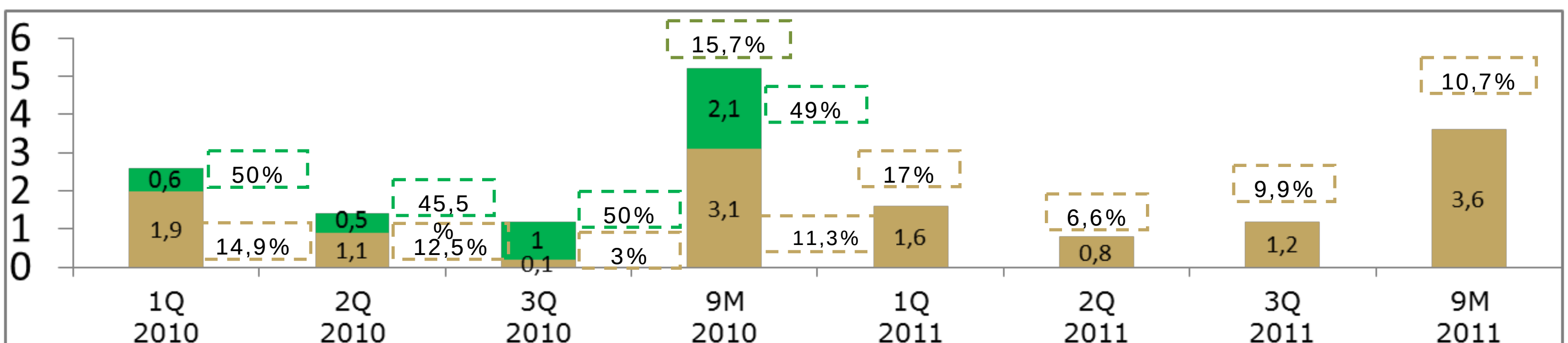
Revenues (€ mln)



Service Activities

Sales of machines

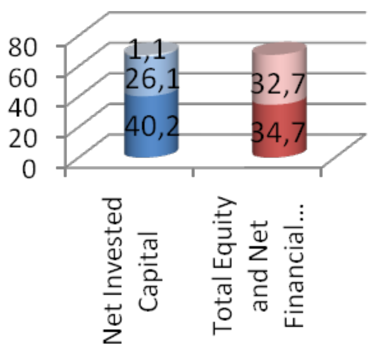
EBITDA (€ mln and % of Net Revenues)



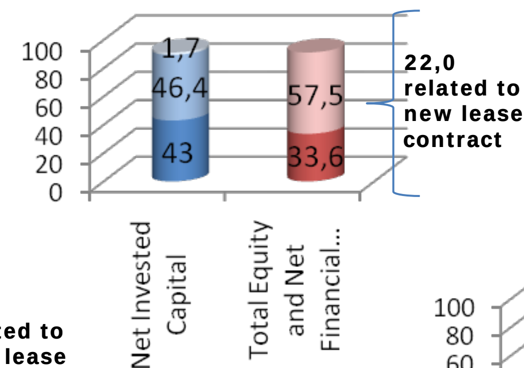
Financial Information

Financial Information (€m)	2010	1Q 2011	1H 2011	9M 2011	9M 2011 vs 2010 delta %
Net working capital	**40,2**	**48,4**	**43,0**	**47,5**	**18%**
Non current assets	**26,1**	**47,0**	**46,4**	**47,3**	**81%**
Other LT assets/(liab)	1,1	1,6	1,7	1,3	18%
Net invested capital	**67,4**	**97,0**	**91,1**	**96,1**	**43%**
Net financial indebtedness	**32,7**	**61,4**	**57,5**	**60,0**	**83%**
Equity	34,7	35,6	33,6	36,1	4%
Total equity and net financial indebtedness	**67,4**	**97,0**	**91,1**	**96,1**	**43%**

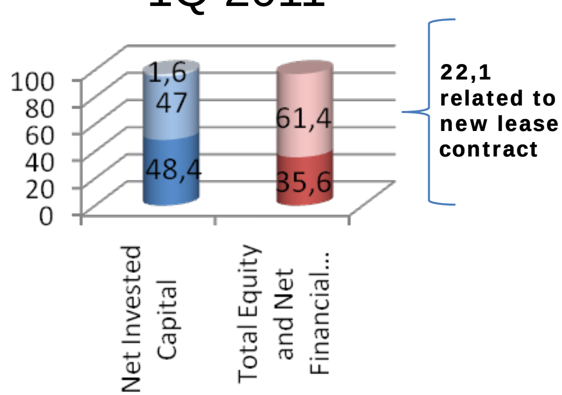
2010



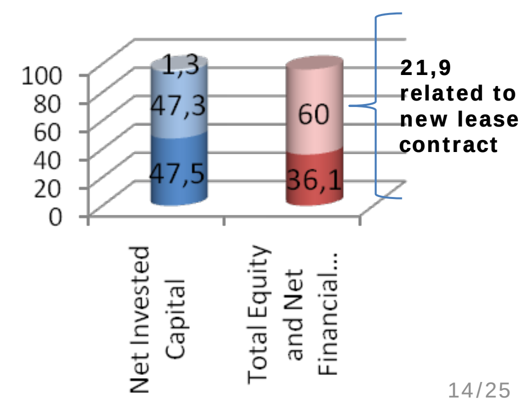
2Q 2011



1Q 2011



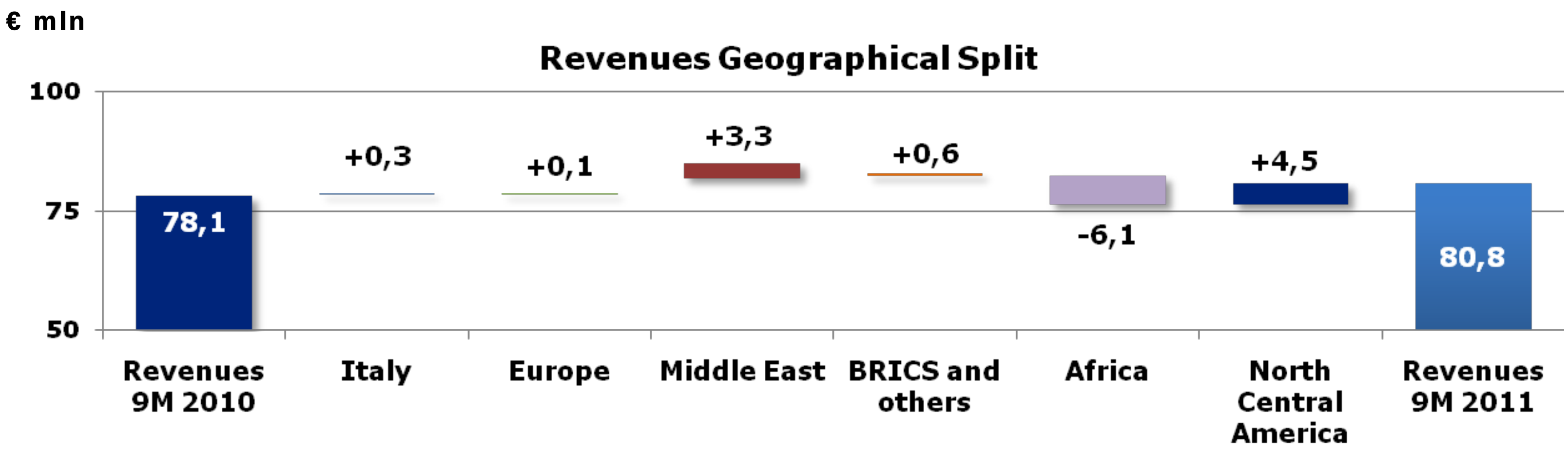
9M 2011



Revenues: geographical Split

Tesmec Group

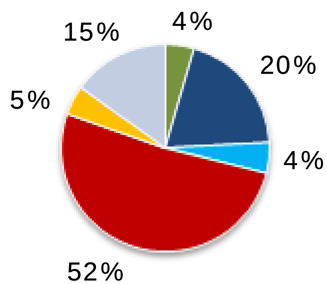
- Brazil and Russia sales to compensate for weaker India and China for Stringing
- North Central America and ME growth mainly driven by Trenchers sales
- Africa decrease after completion of South Africa project (4 mln euro revenues in 9M 2010)

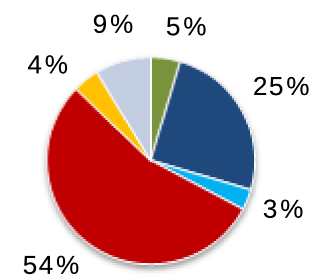


Revenues: international scale and exposure to growing economies

9M 2010	9M 2011

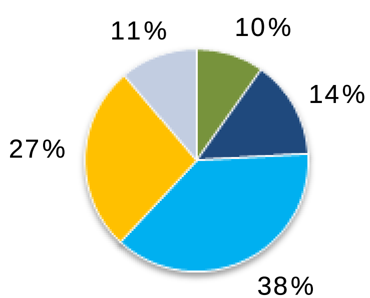
Stringing equipment

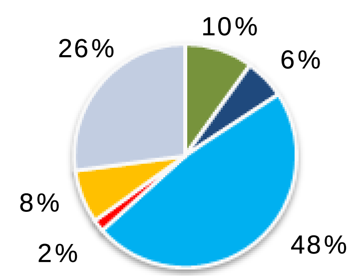




Italy Europe Middle East BRICs and Oceania Africa North-Central America

Trenchers



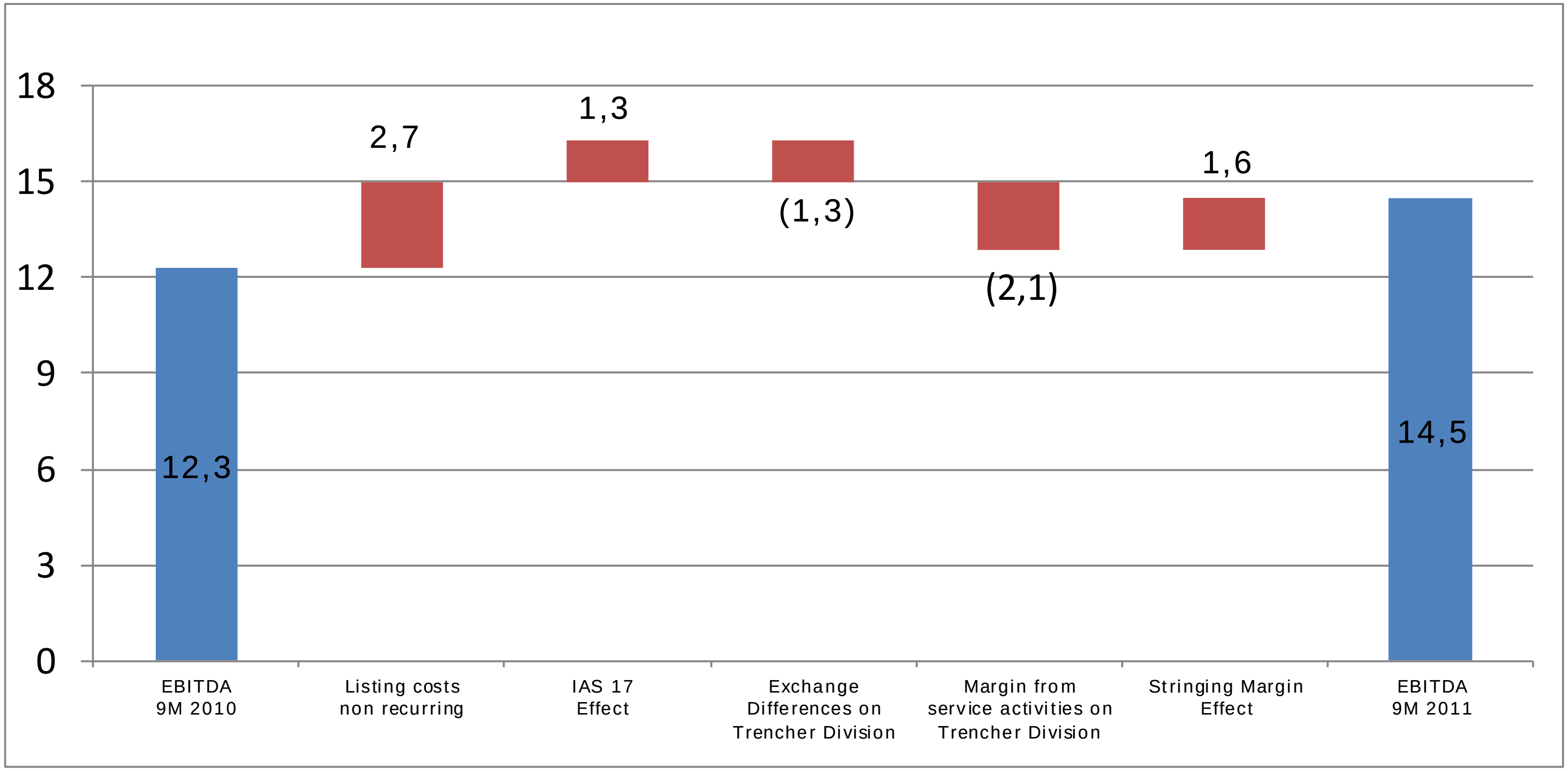


Italy Europe Middle East BRICs and Oceania Africa North-Central America

EBITDA path

Tesmec Group

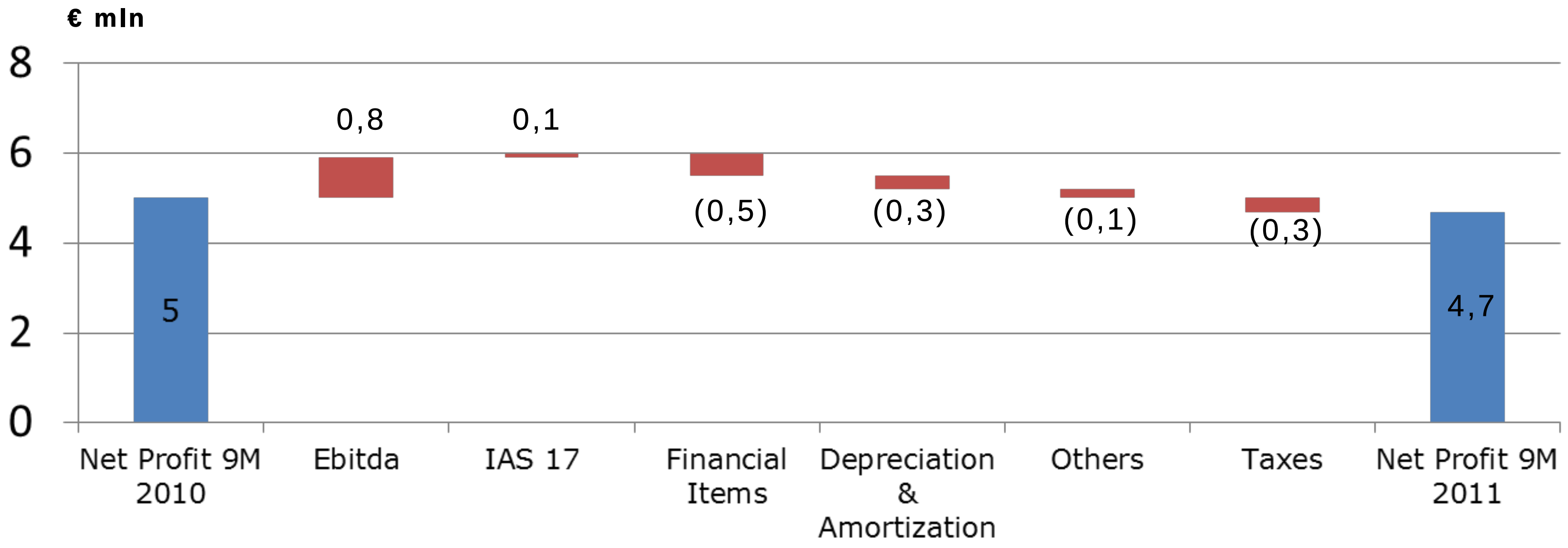
- EBITDA on Revenues moved from 15,8% (9M 2010) to 17,9% (9M 2011)
- Accounting treatment of the new rent contract affected positively EBITDA by 1,3 mln euro
- Exchange rate affected negatively EBITDA by 1,3 mln euro especially in Trencher division
- Increase in stringing margin affected positively EBITDA by 1,6 mln euro



NET PROFIT path

Tesmec Group

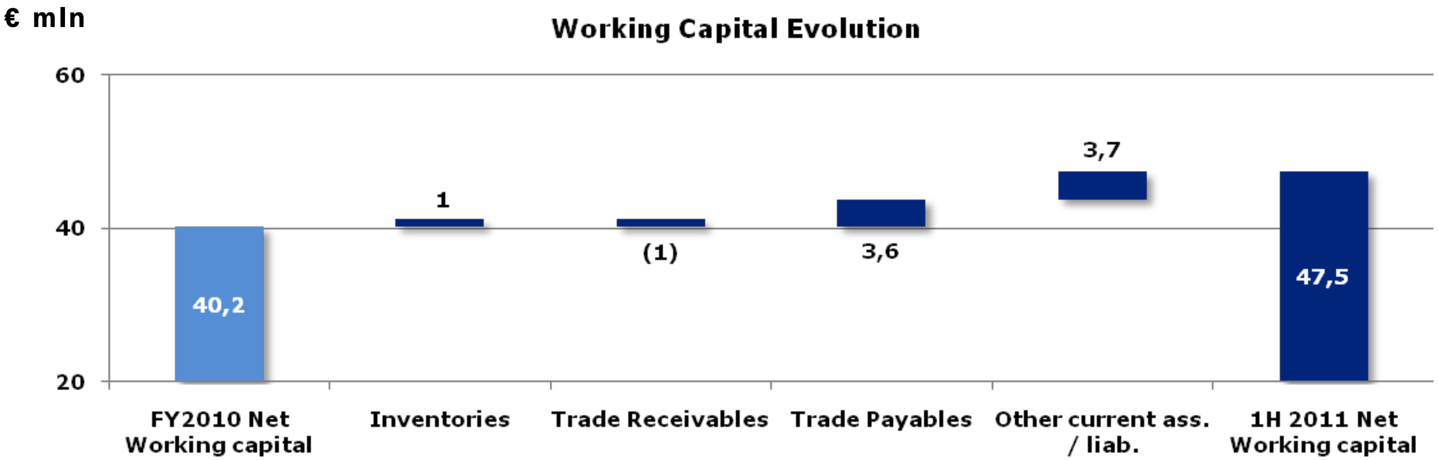
- Net Profit decrease mainly due to:
  - increase in financial costs closely related to increase in Euribor 3m;
  - derivatives burden costs.



Working Capital Evolution

Tesmec Group

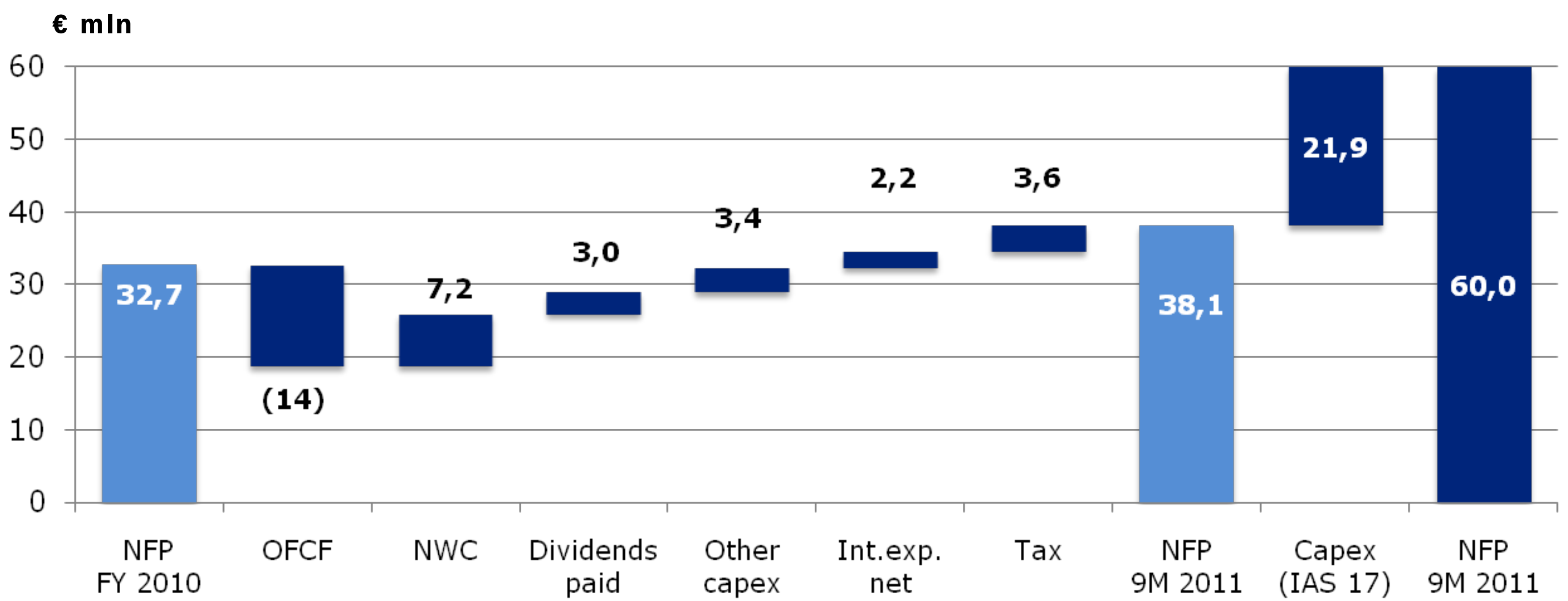
Description	2010	1Q 2011	1H 2011	9M 2011
Trade Receivables	**32,5**	36,5	34,0	**31,5**
Inventory	**42,2**	43,7	43,0	**43,2**
Trade payables	**(26,3)**	(25,2)	(26,8)	**(22,7)**
Other current asset/liabilities	**(8,2)**	(6,6)	(7,2)	**(4,5)**
Net Working Capital	**40,2**	48,4	43,0	**47,5**



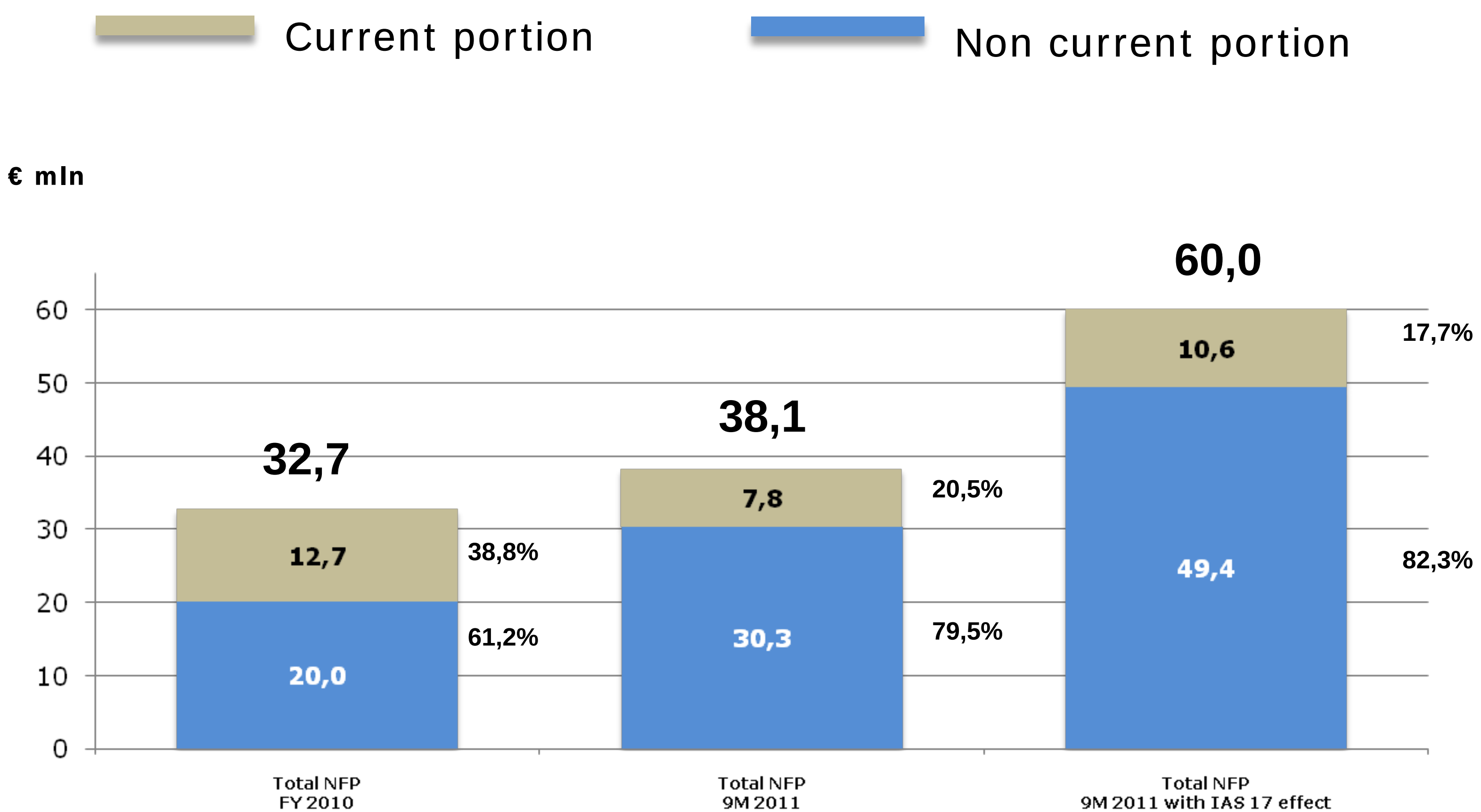
NFP Evolution

Tesmec Group

- Main variance related to accounting of new rent contract (IAS 17);
- The value of this financial debt is not included in the calculation of the covenants of the main loan agreements;
- Increase in Working capital is a consequence of reduction in Trade Payables and other current asset/liabilities;
- Dividends paid by 3,0 mln euro;

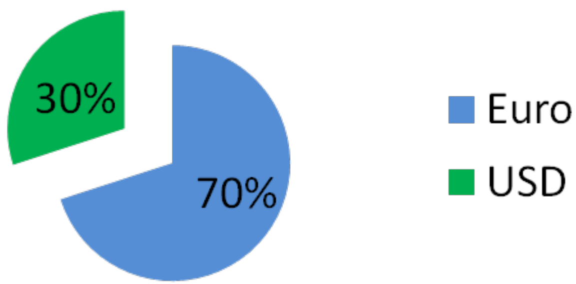


NFP Structure

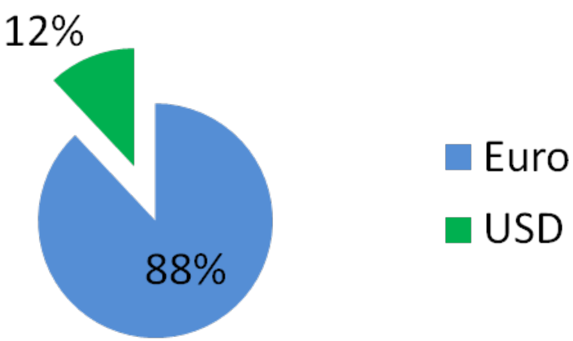


Exchange exposure 9M 2011

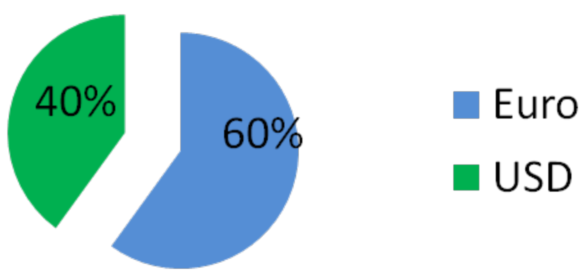
Revenues



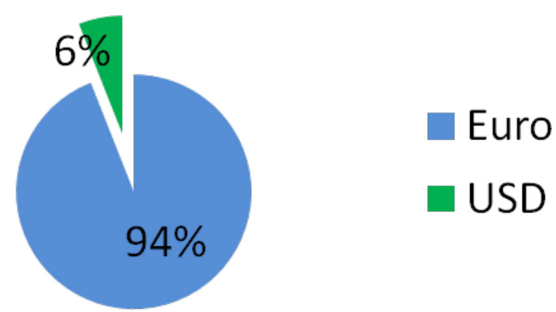
Operating Costs



Trade Receivables



Trade Payables



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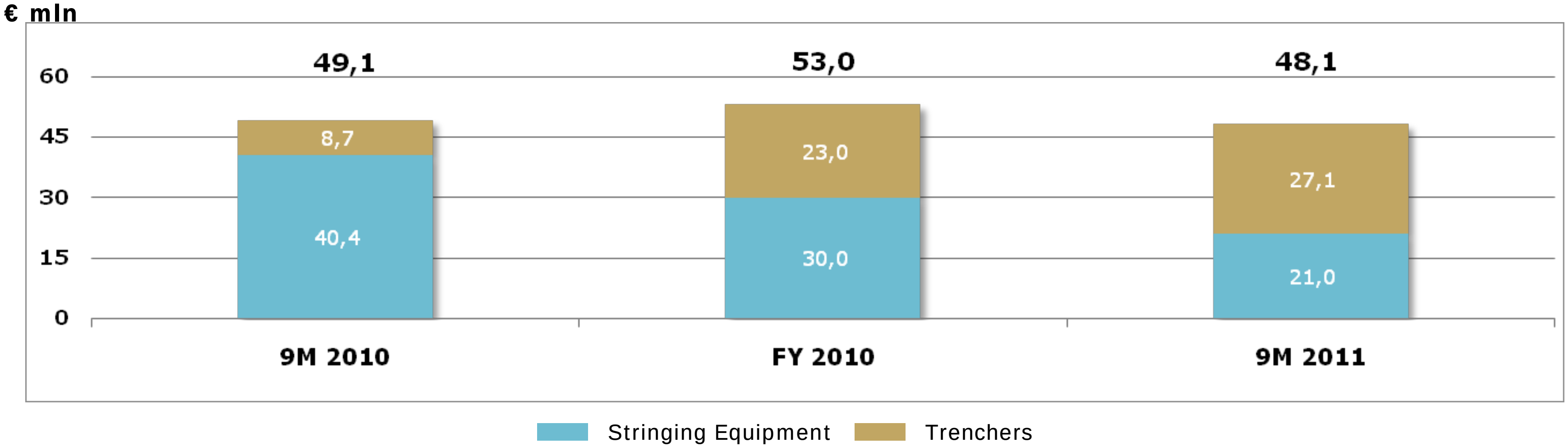
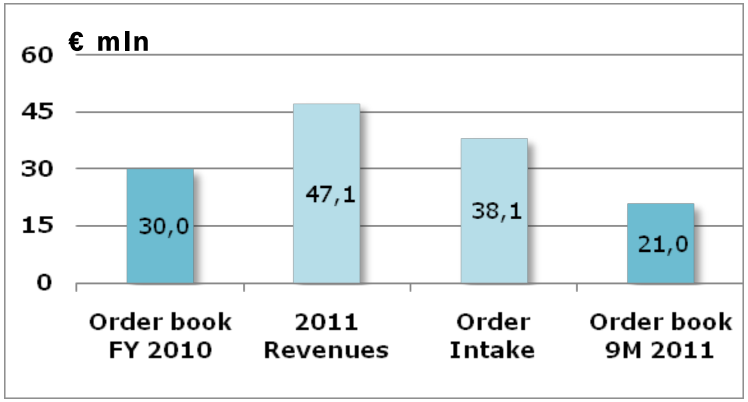
Order Book

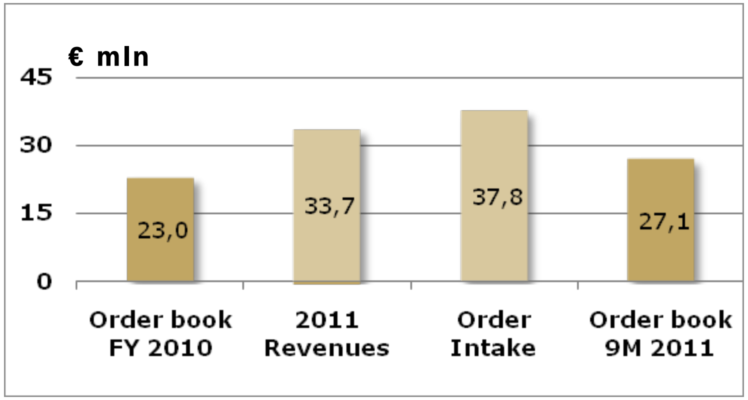
ORDER BOOK 9M 2010 – Year End 2010 – 9M 2011



STRINGING EQUIPMENT



TRENCHERS



Outlook 2011

-Revenues at year end are expected to further increase up to double digit with respect to 2010 (+3,5% after 9m);

-As a consequence margins and cash flow will align with market expectations;

-Global market change and Tesmec Group offering:

- -Products (new technologies)
- -services (special contracting)

may bring an increased volatility in the future short terms trend due to increased interface with customers like big Utilities and General Contractors for important projects rather than with the traditional Product/client base only.

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Summary Profit & Loss statement with the effects of new rent contract accounted under IAS 17

Profit & Loss Account (€ mln)	A 9M 2011 adj	B IAS 17	A+B 9M 2011	9M 2010	Delta vs 2010	Delta %
Net Revenues	**80,8**		**80,8**	**78,1**	**2,7**	**3,5%**
Raw materials costs (-)	(39,4)		(39,4)	(34,8)	(4,6)	13%
Cost for services (-)	(14,9)		(14,9)	(15,5)	0,6	-4%
Personnel Costs (-)	(13,2)		(13,2)	(13,0)	(0,2)	2%
Other operating revenues/costs (+/-)	(2,7)	1,3	(1,4)	(2,4)	1,0	-42%
Capitalized R&D expenses	2,6		2,6	2,6	0,0	0%
Non recurring costs	-		-	(2,7)	2,7	-100%
Total operating costs	**(67,6)**	**1,3**	**(66,3)**	**(65,8)**	**(0,5)**	**1%**
% on Net Revenues	*(83,7%)*		*(82,1%)*	*(84,3%)*		
EBITDA	**13,2**	**1,3**	**14,5**	**12,3**	**2,2**	**18%**
% on Net Revenues	*16,3%*		*17,9%*	*15,8%*		
Depreciation, amortization (-)	(3,9)	(0,3)	(4,2)	(3,6)	(0,6)	17%
EBIT	**9,3**	**1,0**	**10,3**	**8,7**	**1,6**	**18%**
% on Net Revenues	*11,5%*		*12,7%*	*11,2%*		
Net Financial Income/Expenses (+/-)	(2,0)	(0,8)	(2,8)	(1,2)	(1,6)	133%
Taxes (-)	(2,7)	(0,1)	(2,8)	(2,5)	(0,3)	12%
Minorities	-		-	0,02	(0,02)	-100%
Net Income (Loss)	**4,6**	**0,1**	**4,7**	**5,0**	**(0,3)**	**-6%**
% on Net Revenues	*5,7%*		*5,9%*	*6,4%*		

Summary Balance Sheet with the effects of new rent contract accounted under IAS 17

Balance Sheet (€ mln)	A	B	A+B	
	2011 adj	IAS 17	2011	2010
Inventory	43,2		43,2	42,2
Accounts receivable	31,5		31,5	32,5
Accounts payable (-)	(22,7)		(22,7)	(26,3)
op. working capital	**52,0**	**0,0**	**52,0**	**48,4**
Other current assets (liabilities)	(4,6)	0,1	(4,5)	(8,2)
Net working capital	**47,4**	**0,1**	**47,5**	**40,2**
Tangible assets	16,3	21,9	38,2	18,0
Intangible assets	7,6		7,6	6,8
Financial assets	1,5		1,5	1,3
Fixed assets	**25,4**	**21,9**	**47,3**	**26,1**
Long term liabilities	1,3		1,3	1,1
Net invested capital	**74,1**	**22,0**	**96,1**	**67,4**
Cash & near cash items (-)	(12,4)	2,9	(9,5)	(7,8)
Short term financial assets (-)	(2,2)	(0,8)	(3,0)	(0,4)
Short term borrowing	22,5	0,7	23,2	20,9
Medium-long term borrowing	30,2	19,1	49,3	20,0
Net financial position	**38,1**	**21,9**	**60,0**	**32,7**
Equity	36,0	0,1	36,1	34,7
Funds	**74,1**	**22,0**	**96,1**	**67,4**

The Manager responsible for preparing the company's financial reports, Andrea Bramani, declares, pursuant to paragraph 2 of Article 154-*bis of the* Consolidated Law on Finance, that the accounting information contained in this presentation corresponds to the document results, books and accounting records.

Grassobbio, November 9, 2011

The Manager responsible for preparing
the company's financial reports
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