Tesmec Group

Corporate Presentation

Analyst Presentation August 5, 2014

Markets & Technology solutions

ENERGY

Power lines Construction & Maintenance

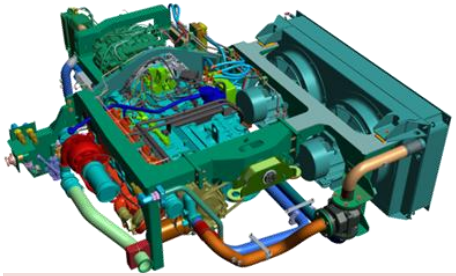
Underground Cables Laying

Grid Efficiency & Management

RAILWAY

Railway line Construction & Maintenance

Special application



New eco-friendly technology

UNDERGROUND INFRASTRUCTURES

Large-scale infrastructure

Shale Gas & Oil

Drainage & Dewatering

1H2014 – Main highlights (1)

- Completion of the acquisition process of AMC2 (Bari)
- Implementation of FSK Agreement
- New development strategy in ME:
  - Qatar: new developments in distribution
  - KSA: change in the sales business model
- NFP: increased weight of M/L term up to 91% of net NFP (Bond issue)

1H2014 – Main highlights (2)

1Q2014:

- Extension of 2013 seconf half trend with low margins and volumes

2Q2014

- margins in line with expectations with strong contribution of the new Railway sector and of the special projects
- Strong order intake with improved outlook for the rest of the year
- Positive impact of new high tech products:

Energy:
- modular machines for aerial projects
- electronic devices for electric measurement and faults detection on distribution networks

Railway:
- new generation work cars complete of on board safety devices to travel as high speed trains

Trenchers:
- digital machines equipped with electronic control system to manage the machine automatically

Focus on R&D investments

Constant investment in R&D (**6-7% on revenues**)
to develop new products lines to be launched in 2015

Energy

- Electronic devices and integrated systems to control and manage transmission and distribution electrical lines (Smart Grids)
- Eco-friendly solutions

Railway Lines

- Multipurpose unit with automatic train control system
- Powering and repowering

Underground infrastructures

- Digitalization process (TrenchTronic 3.0, Remote Monitoring System..)
- Agriculture applications

1H2014 P&L Results

GROUP	1H 2013	2H 2013	1H 2014	Delta % (1H14 Vs 2H13)	Delta % (1H14 Vs 1H13)
Revenues	**57,3**	**56,2**	**54,7**	**-3%**	**-5%**
EBITDA	**11,5**	**8,0**	**8,9**	**11%**	**-23%**
% on Revenues	20%	14%	16%		
EBIT	**8,5**	**4,0**	**5,3**	**33%**	**-38%**
% on Revenues	15%	7%	10%		
Profit Before Taxes	**7,1**	**0,7**	**3,1**	**343%**	**-56%**
% on Revenues	12%	1%	6%		
NET INCOME	**4,6**	**-0,2**	**1,7**	**750%**	**-63%**
% on Revenues	8%	0%	3%		

TRENCHER	1Q 2014	2Q 2014	1H 2014	Delta % (2Q2014 Vs 1Q2014)
Revenues	**11,7**	**14,2**	**25,9**	**21%**
EBITDA	**0,8**	**2,6**	**3,4**	**225%**
% on Revenues	7%	18%	13%	

RAILWAY	1Q 2014	2Q 2014	1H 2014	Delta % (2Q2014 Vs 1Q2014)
Revenues	**1,7**	**4,8**	**6,5**	**182%**
EBITDA	**0,3**	**1,3**	**1,6**	**333%**
% on Revenues	18%	27%	25%	

ENERGY	1Q 2014	2Q 2014	1H 2014	Delta % (2Q2014 Vs 1Q2014)
Revenues	**13,8**	**8,5**	**22,3**	**-38%**
EBITDA	**2,2**	**1,7**	**3,9**	**-23%**
% on Revenues	16%	20%	17%	

Subsidiaries

Tesmec USA (100%)

Revenue 14,1 million € (+45% vs 1H13)

On the financial statements as at 31 December 2013 basis and of the positive performance of early 2014, the company decided on April 9, 2014, the distribution of a dividend of USD 1 million.

Tesmec RUS (100%)

Revenue 0.9 million € (-90% vs 1H13)

Slowdown for Stringing but there are good prospects for grid efficiency.

Tesmec Service (100%)

Revenue 2,1 million € (+163% vs 1H13)

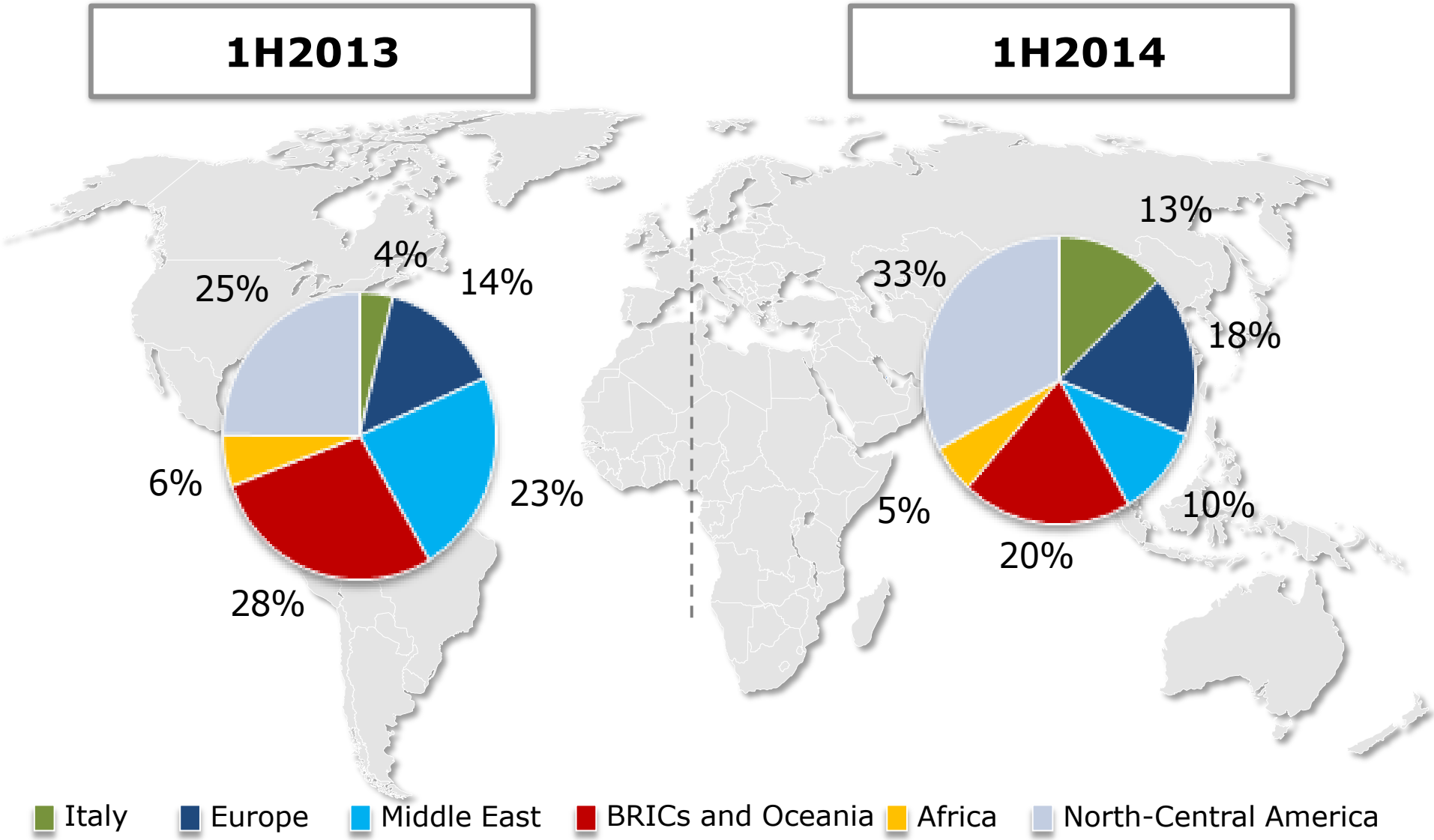
The company continued the development activities of the product range.

Tesmec SA (100%)

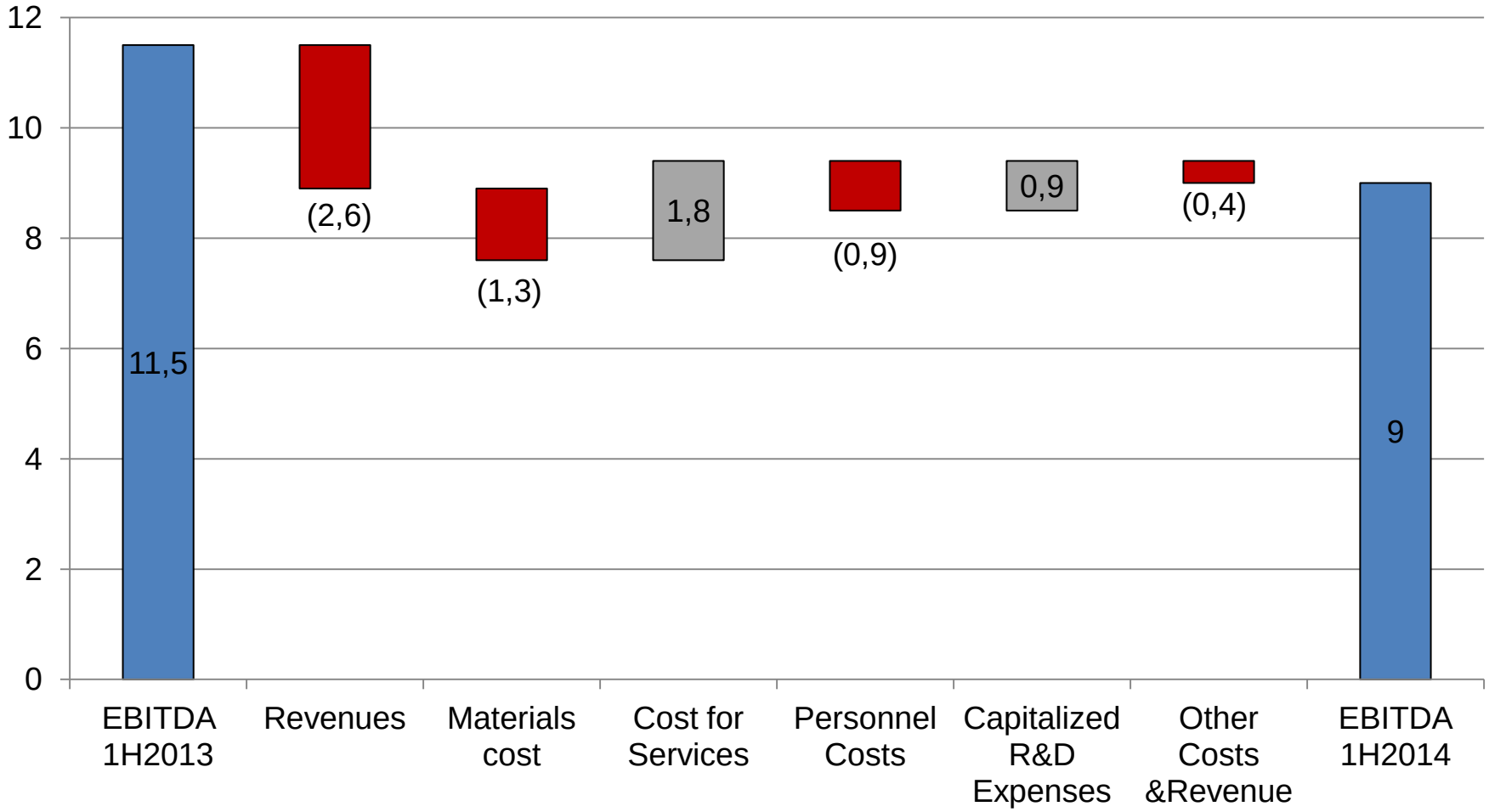
Revenue 1 million € (+ 43% vs 1H13)

Sales negotiations under development.

Revenues:
international scale and exposure to growing economies



EBITDA 1H2014



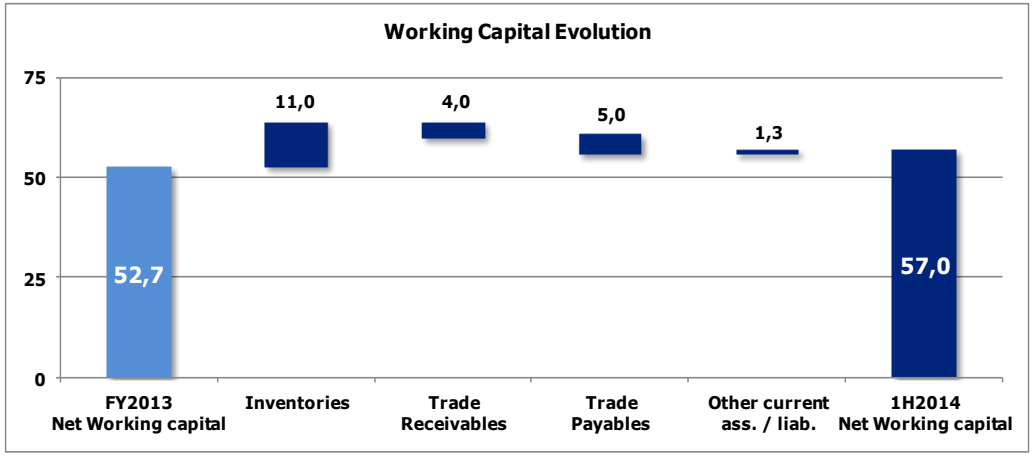
1H 2013 → EBITDA decrease is mainly due to change in product and market mix → 1H 2014

1H2014 Financial Results

Financial Information (Euro Mln)	1Q2014	**1H2014**	2013
Net Working Capital	60,7	57	52,7
Non Current assets	58,8	58,4	57,5
Other Long Term assets/liabilities	0,2	(0,4)	0,4
Net Invested Capital	**119,7**	**114,9**	**110,6**
Net Financial Indebtness	78	73,1	68,8
Equity	41,7	41,8	41,8
Total Sources of Financing	**119,7**	**114,9**	**110,6**

Working Capital Evolution

Euro Mln	1Q2014	**1H2014**	2013	Days* 1H 2014	Days 2013
Trade Receivables	45,9	39,5	43,2	128	137
Inventories	49,5	59,4	48,1	193	152
Trade Payables	(25,2)	(30,3)	(25,5)	98	81
Other Current Assets/(Liabilities)	(9,5)	(11,6)	(13,1)	38	41
Net Working Capital	**60,7**	**57,0**	**52,7**		



1H2014*

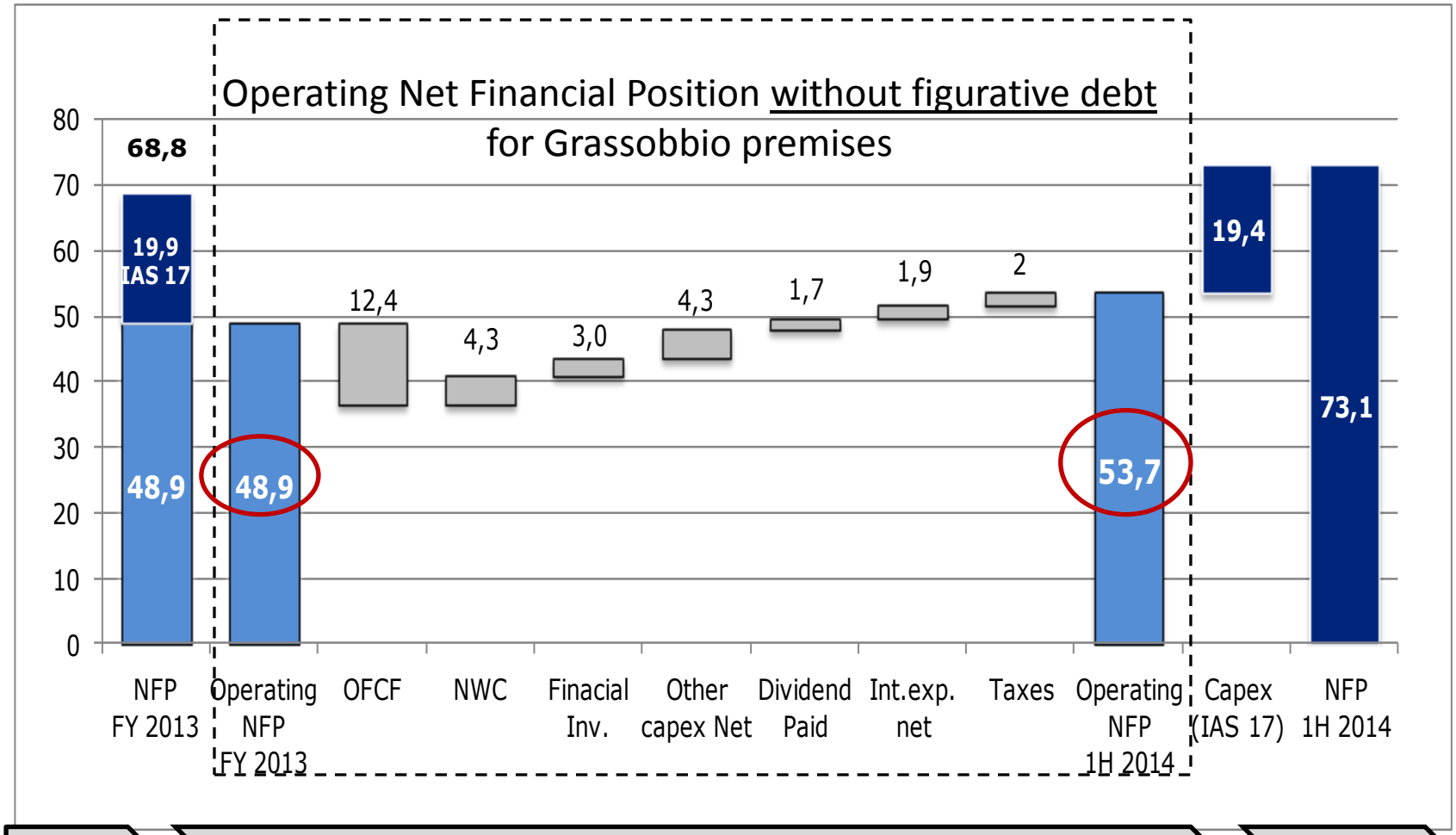
$$\frac{\text{Net Working Capital}}{\text{Revenues}} \quad 51\%$$

2013

$$\frac{\text{Net Working Capital}}{\text{Revenues}} \quad 46\%$$

*calculated on the total revenue for the last 12 months (from July 2013 to June 2014)

Net Financial Position Evolution

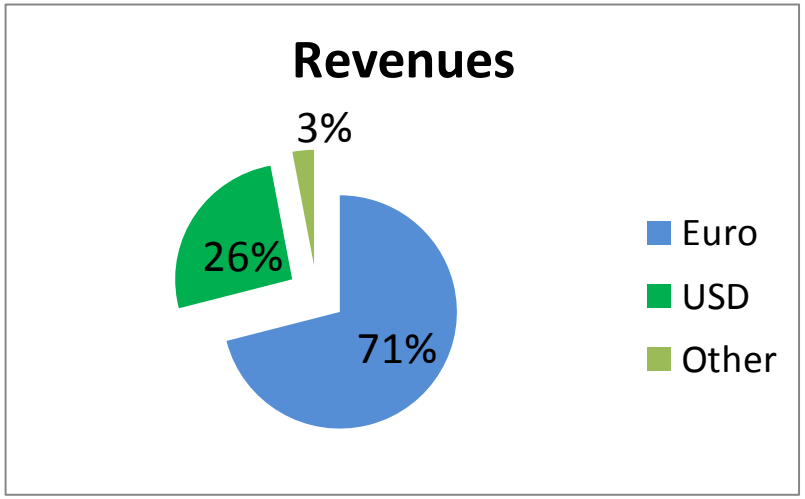


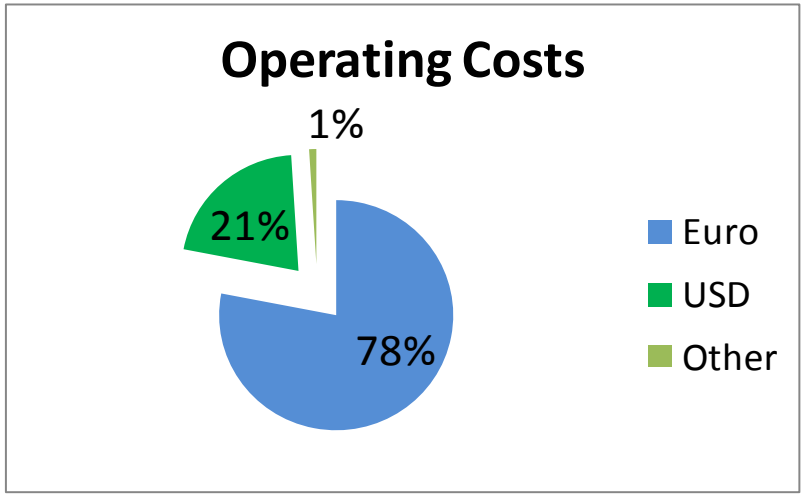
2013

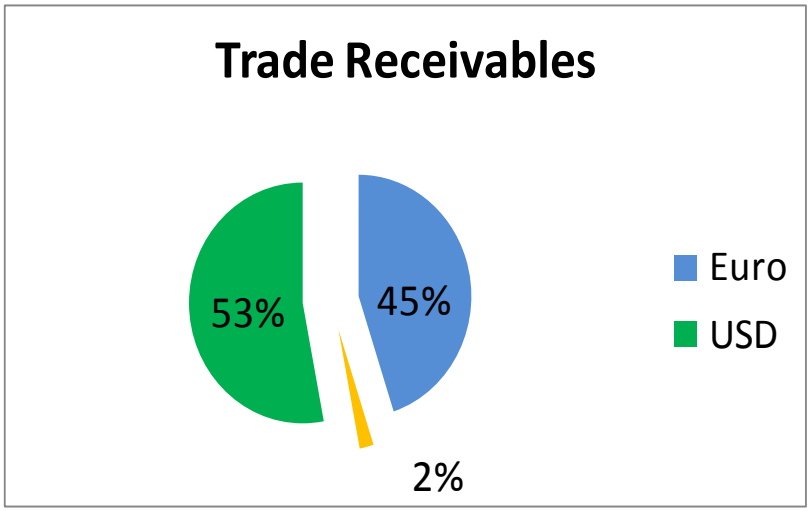
NFP has been affected by: increase in NWC (Seasonality effect), purchase of Sirone Factory (5 mln) and Dividend payment

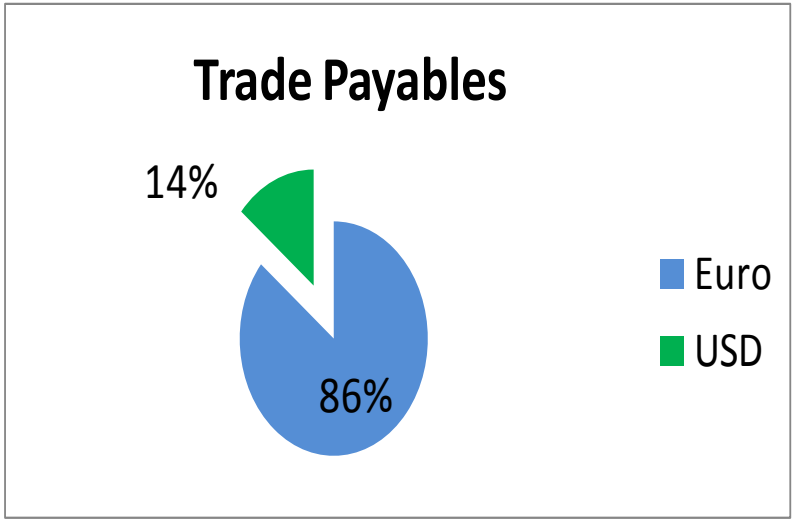
1H 2014

Exchange Rate Risk exposure 1H2014



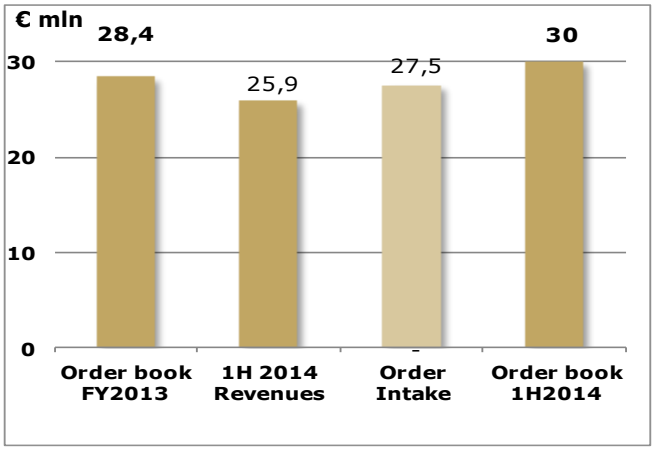




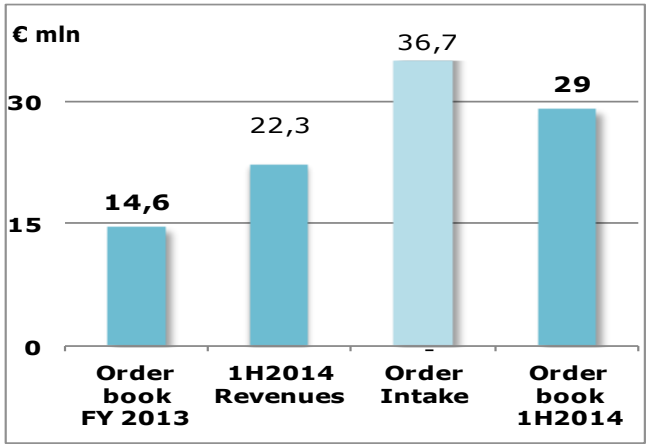


Order Book 1H 2014

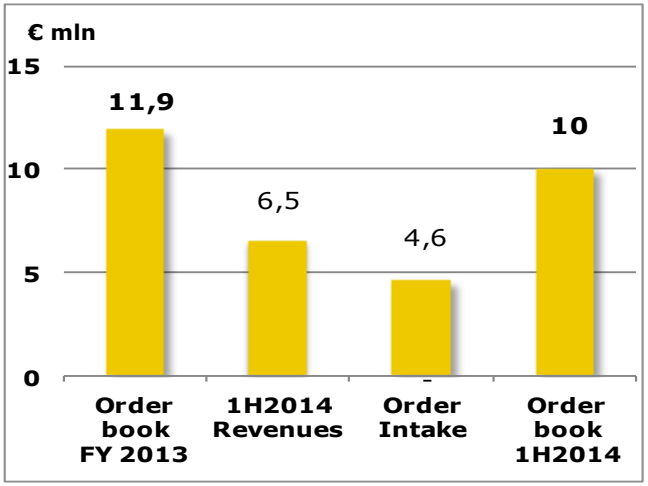
TRENCHERS

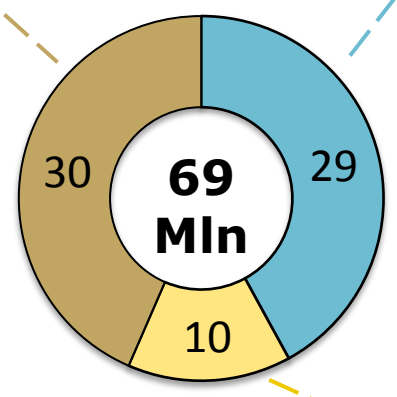


STRINGING

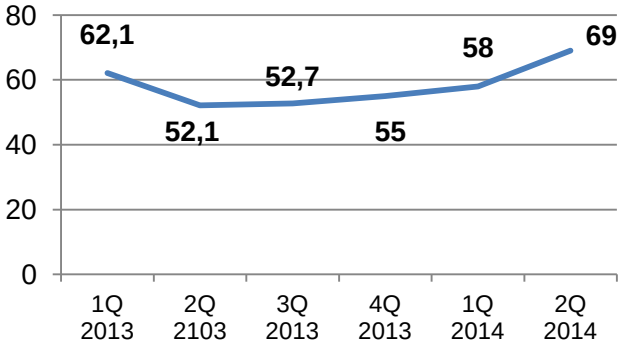


RAILWAY





Backlog Trend



Outlook 2014

-> **Energy**: strong recovery expected in 2H also thanks to the first contributions of the Automation business.

-> **Railway:** constant growth with good margins as in 1H

-> **Trencher:** growth is expected to be driven by three main factors:

- US market recovery
- huge investment in pipeline business world wide
- better market positioning at global level with better spreading of revenues and lower dependence from ME market;

-> **PFN:** improvement thanks to working capital better efficiency

Appendix A - Summary 1H2014
Profit & Loss statement

Profit & Loss Account (€ mln)	1H2014	1H2013	Delta vs 2013	Delta %
Net Revenues	**54,7**	**57,3**	**(2,6)**	**-5%**
Raw materials costs (-)	(25,7)	(24,4)	(1,3)	5%
Cost for services (-)	(8,9)	(10,7)	1,8	-17%
Personnel Costs (-)	(12,8)	(11,9)	(0,9)	8%
Other operating revenues/costs (+/-)	(1,4)	(1,0)	(0,4)	40%
Portion of gain/(losses) from equity investments evaluated using the equity method	0,4	0,5	(0,1)	-20%
Capitalized R&D expenses	2,6	1,7	0,9	53%
Total operating costs	**(45,8)**	**(45,8)**	**(0,0)**	**0%**
% on Net Revenues	*(84%)*	*(80%)*		
EBITDA	**8,9**	**11,5**	**(2,6)**	**-23%**
% on Net Revenues	*16%*	*20%*		
Depreciation, amortization (-)	(3,6)	(3,0)	(0,6)	20%
EBIT	**5,3**	**8,5**	**(3,2)**	**-38%**
% on Net Revenues	*10%*	*15%*		
Net Financial Income/Expenses (+/-)	(2,2)	(1,4)	(0,8)	57%
Taxes (-)	(1,3)	(2,6)	1,3	-50%
Minorities	-	-	-	-
Net Income (Loss)	**1,8**	**4,5**	**(2,7)**	**-60%**
% on Net Revenues	*3%*	*8%*		

Appendix B - Summary Balance Sheet

Balance Sheet (€ mln)	1H2014	2013
Inventory	59,4	48,1
Accounts receivable	39,5	43,2
Accounts payable (-)	(30,3)	(25,5)
Op. working capital	**68,6**	**65,8**
Other current assets (liabilities)	(11,6)	(13,1)
Net working capital	**57,0**	**52,7**
Tangible assets	43,2	43,2
Intangible assets	11,1	10,2
Financial assets	4,0	4,1
Fixed assets	**58,3**	**57,5**
Net long term liabilities	(0,4)	0,4
Net invested capital	**114,9**	**110,6**
Cash & near cash items (-)	(20,1)	(13,8)
Short term financial assets (-)	(12,6)	(9,5)
Short term borrowing	39,4	38,1
Medium-long term borrowing	66,5	54,0
Net financial position	**73,1**	**68,8**
Equity	41,8	41,8
Funds	**114,9**	**110,6**

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• Certain information included in this document is forward looking and is subject to important risks and uncertainties that could cause actual results to differ materially.

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