Tesmec Group

First Half 2011 Results

Analyst Presentation, 4 August 2011

Corporate

Agenda

- FIRST HALF 2011 - Main business highlights — A.Caccia, CEO
- FIRST HALF 2011 - Financial results — P.Mosconi, GM; A.Bramani, CFO
- Outlook 2011 — A.Caccia, CEO
- Appendix

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- **FIRST HALF 2011 - Main business highlights**
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Main business highlights: Stringing

- **Strong sales** (+13,3%) driven mainly by Russia and Brazil market;

- **Technological agreement** signed with FSK (russian federation), Third world-wide TSO (Transmission System Operator); (see slide 5)

- **Railway**: signed contract for the supply of the first set of equipment for railway in Russia;

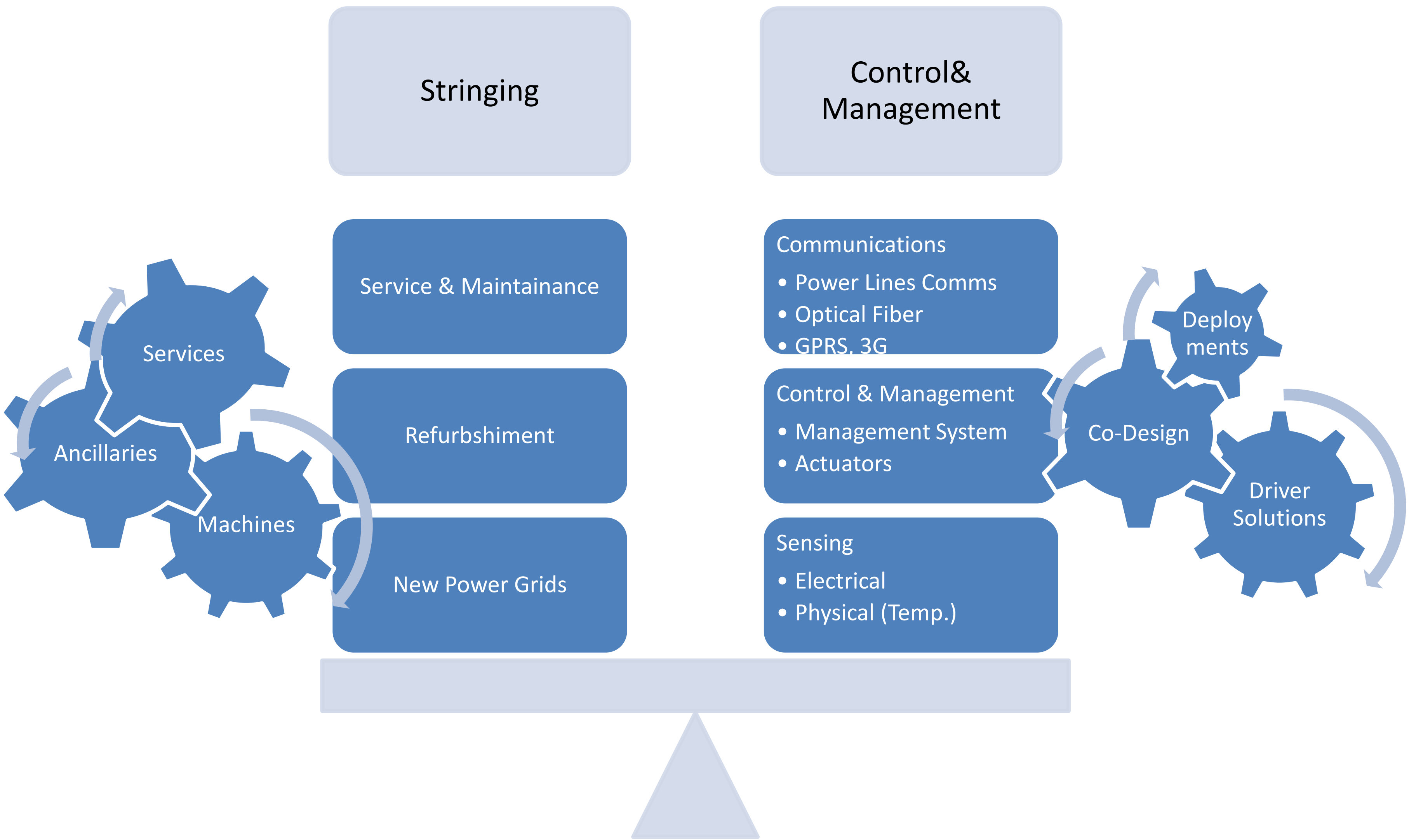
- **ICT solutions to manage energy flow**: cooperation with renowned Italian Universities and acquisition of I-light business line, Italian leader in smart grid business; (see slide 6)

- **Russia:** start up of the process to create a wholly owned newco;

Stringing: FSK Agreement follow up

- FSK 5 yrs’ capex plan (2011-2014): 25 billions euro;
- Technological Agreement:
  - Step 1: construction of new lines and refurbishment of existing network in line with best international standards;
  - Step 2: new technologies advanced products ICT management system for power lines;
- Activities started in May 2011;
- Expected sales increase in Russia by 20%/30% for the next three years;
- Tesmec already involved to replicate the same commercial strategy in other countries;

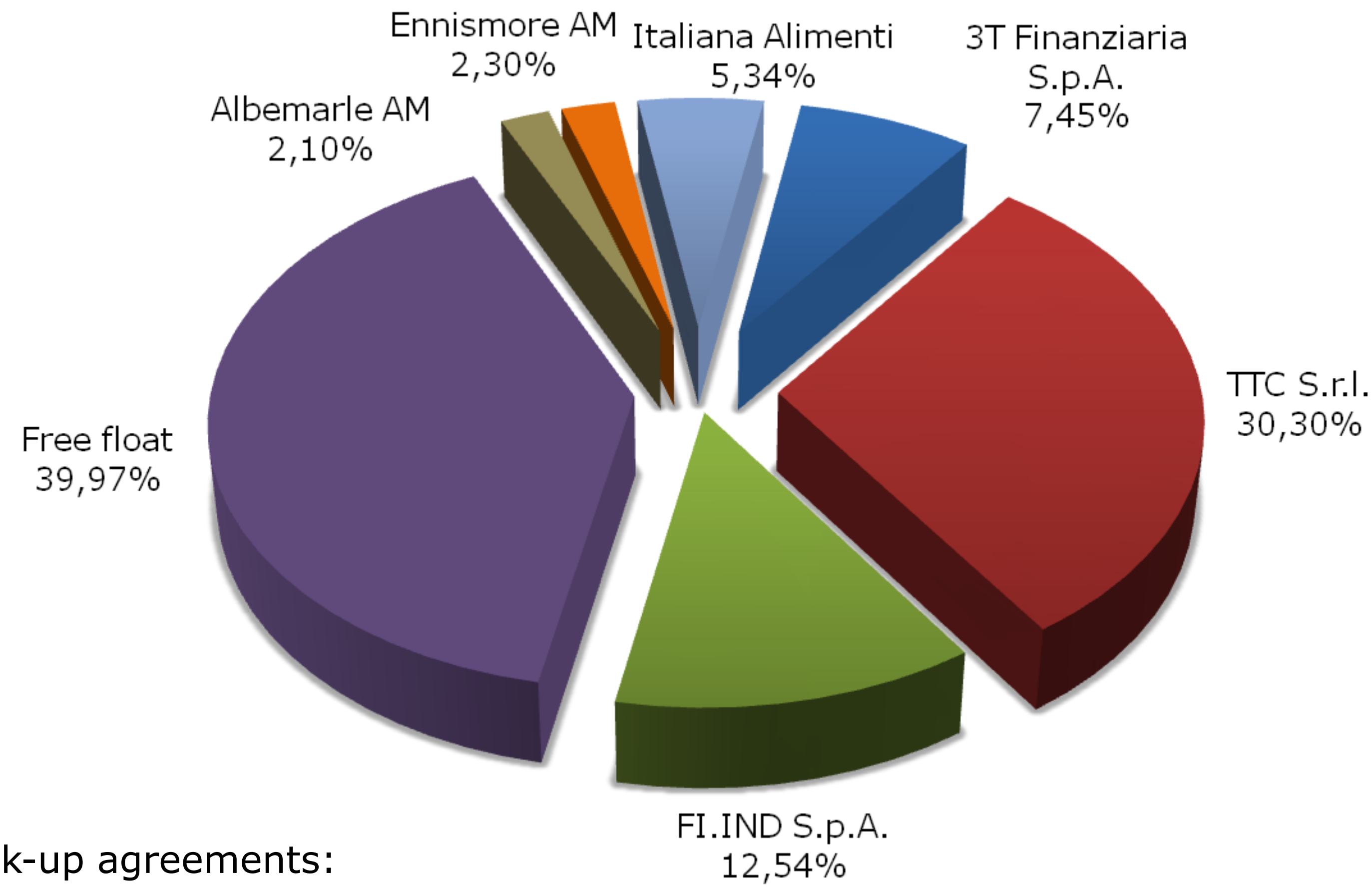
Stringing: Energy Transportation & Distribution



Main business highlights: Trenching

- **Sales recovery in Q2** (+46,6% vs. SPPY) driven mainly by Middle East and Usa market;
- **Tesmec Peninsula** start up in q2 to develop sales in arabian gulf area;
- **Contracting**: new project in Saudi Arabia (KAFD) start up and structure in place to manage other incoming projects;
- **Tesmec USA:** Pennsylvania branch activities developments alongside with the increased activities in the Shale Gas fields;
- **South Africa:** start up of the process to create a wholly owned newco;

Shareholding Structure



Post IPO lock-up agreements:

- TTC & FI.IND.: 1 year (expiring 1st July 2011)

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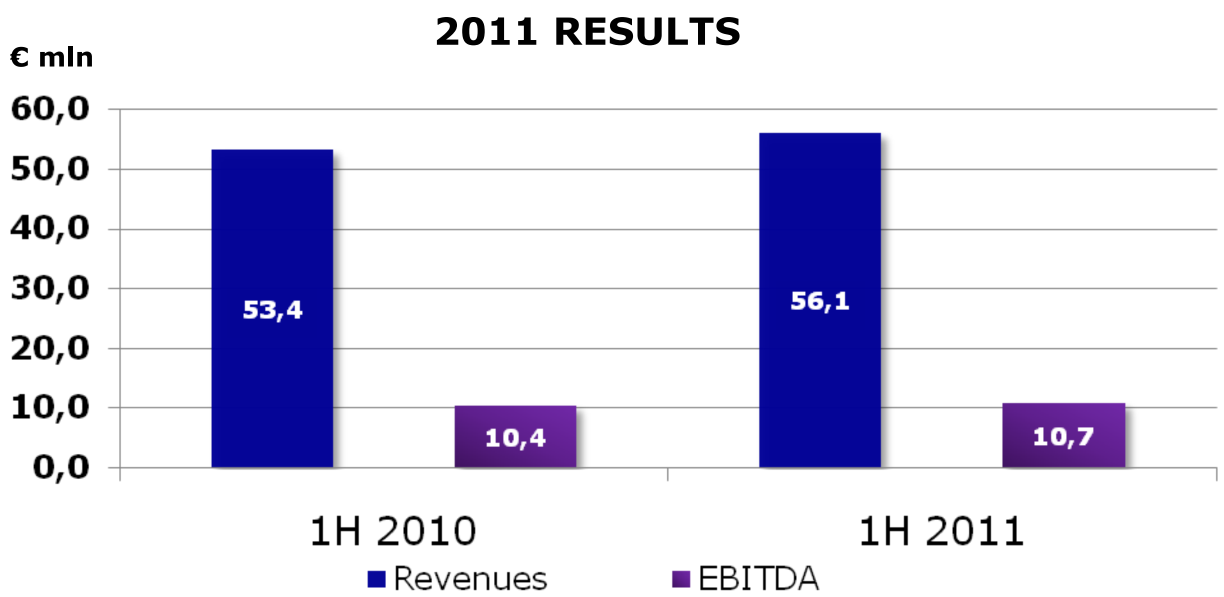
First Half 2011 Results

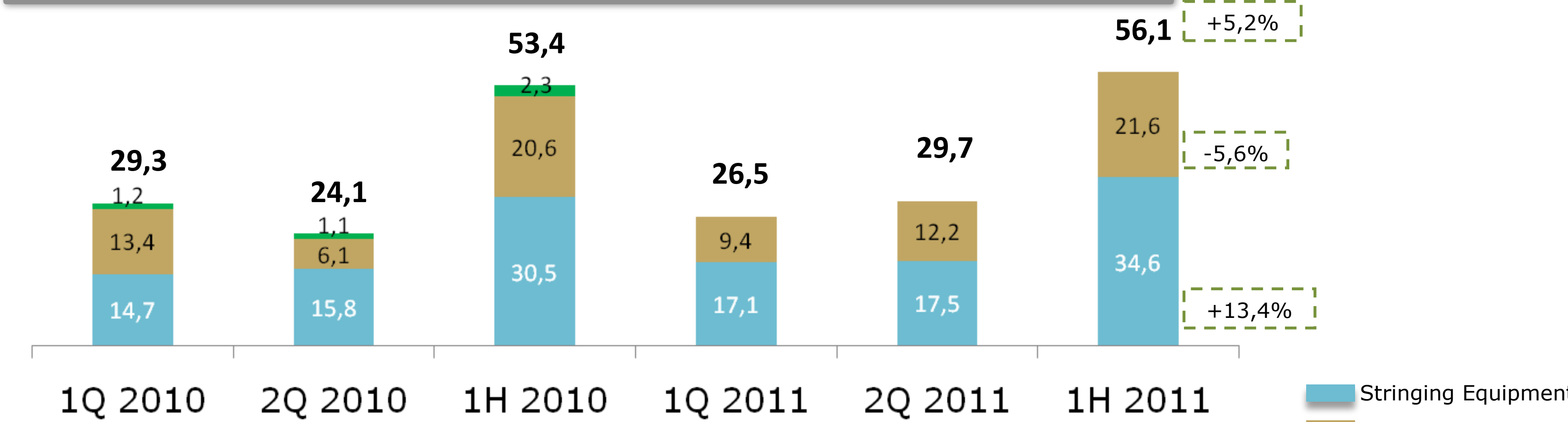
Income Statement (€ m)	Tesmec (Cons.)						
	1Q 2010	2Q 2010	1H 2010	1Q 2011	2Q 2011	1H 2011	1H 2011 vs 1H 2010
Revenues	29,3	24,1	**53,4**	26,5	29,6	**56,1**	**5%**
EBITDA	5,5	4,9	**10,4**	5,3	5,4	**10,7**	**3%**
% Revenues	*18,8%*	*20,3%*	*19,4%*	*20,0%*	*18,2%*	*19,0%*	
EBIT	4,3	3,6	**7,9**	3,9	4,1	**8,0**	**1%**
% Revenues	*14,7%*	*14,9%*	*14,9%*	*14,7%*	*13,9%*	*14,2%*	
Net income/(loss)	2,5	2,2	**4,7**	1,9	1,4	**3,3**	**-30%**
% Revenues	*8,5%*	*9,1%*	*8,8%*	*7,2%*	*4,7%*	*5,8%*	

Financial Information (€m)	Tesmec (Cons.)			
	2010	1Q 2011	1H 2011	1H 2011 vs 2010 delta %
Net working capital	**40,2**	**48,4**	**43,0**	**7%**
Non current assets	**26,1**	**47,0**	**46,4**	**78%**
Other LT assets/(liab)	1,1	1,6	1,7	55%
Net invested capital	**67,4**	**97,0**	**91,1**	**35%**
Net financial indebtedness	**32,7**	**61,4**	**57,5**	**76%**
Equity	34,7	35,6	33,6	-3%
Total equity and net financial indebtedness	**67,4**	**97,0**	**91,1**	**35%**

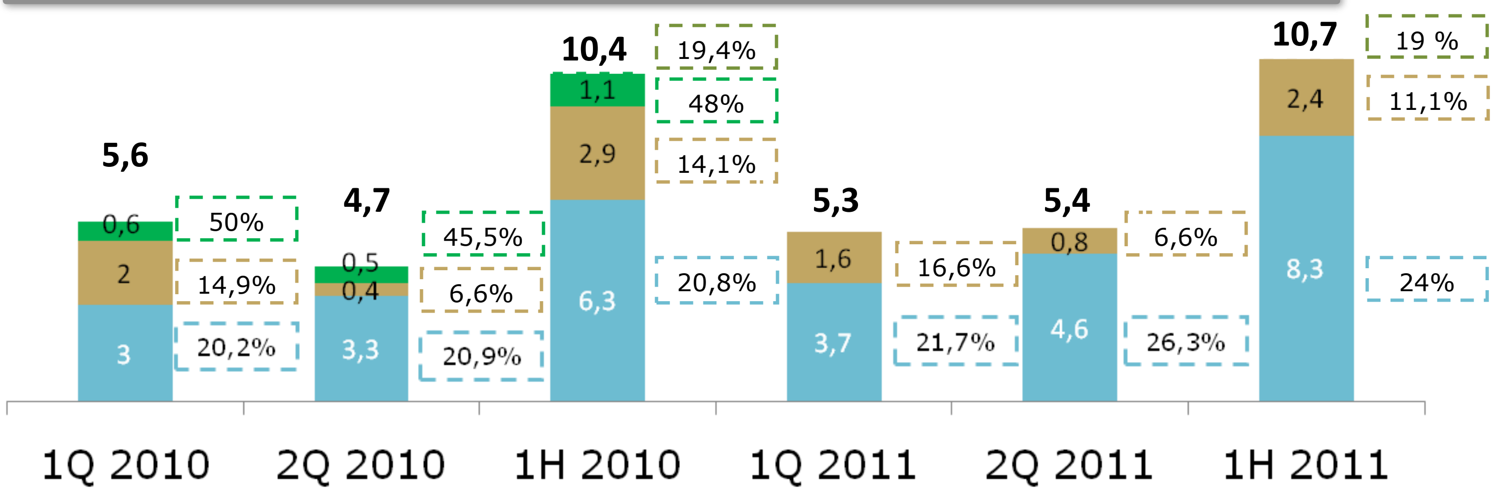


Revenues and EBITDA for Stringing and Trencher Division

Revenues (€ mln)



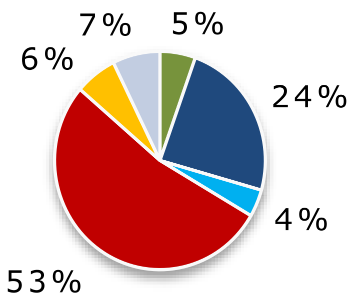
EBITDA (€ mln and % of Net Revenues)

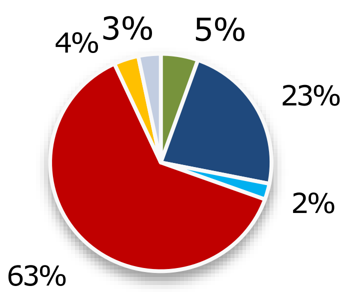


Revenues: international scale and exposure to growing economies

2010	2011

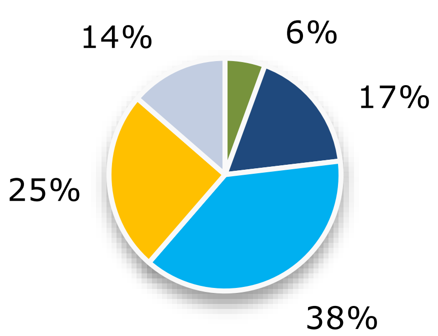
Stringing equipment

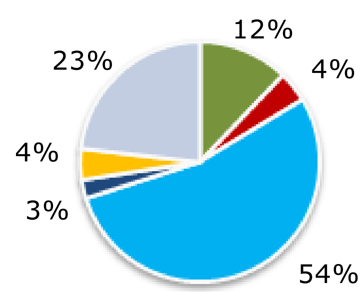




Italy Europe Middle East BRICs and Oceania Africa North-Central America

Trenchers



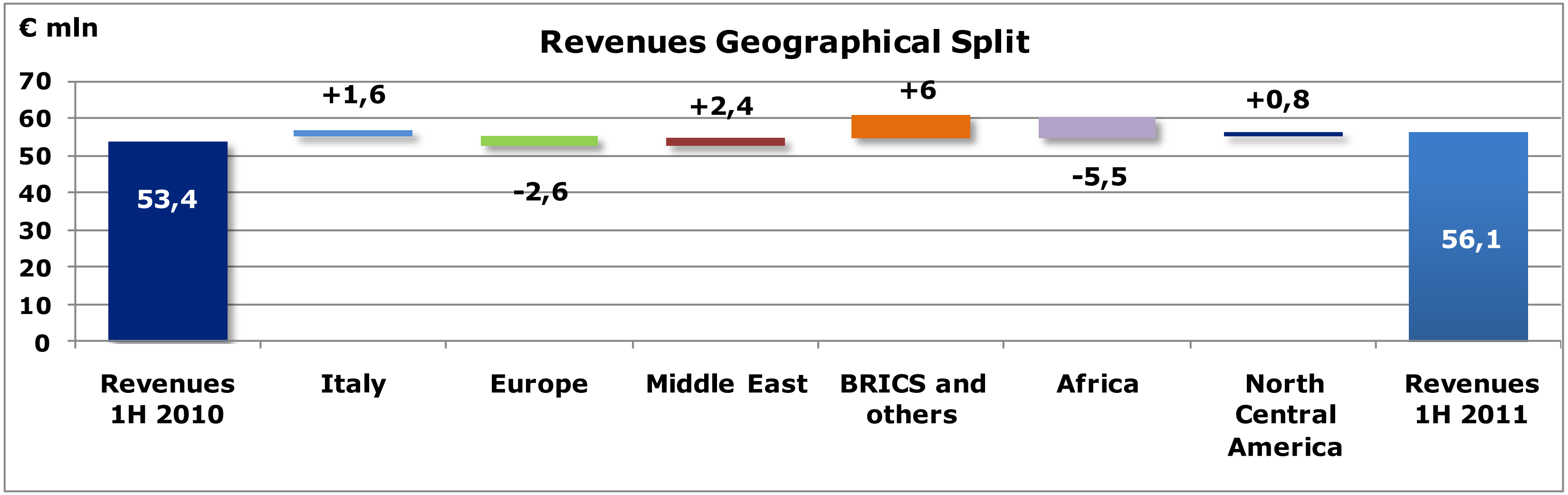


Italy Europe Middle East BRICs and Oceania Africa North-Central America

Revenues: geographical Split

Tesmec Group

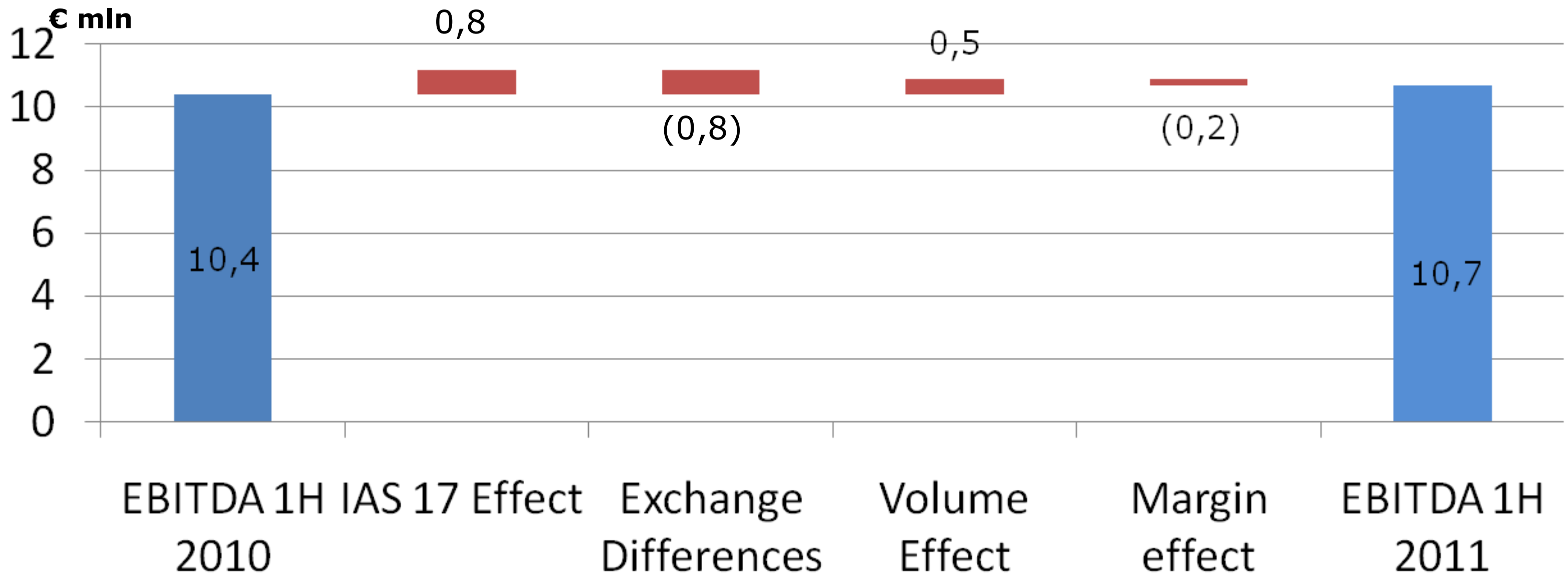
- Revenue increase in Stringing was mainly driven by sales in Brazil and Russia. India and China were showing a weaker trend;
- Revenue in Trenchers was mainly driven by increasing sales in Middle East, North and Central America Area particularly in the second quarter.



EBITDA path

Tesmec Group

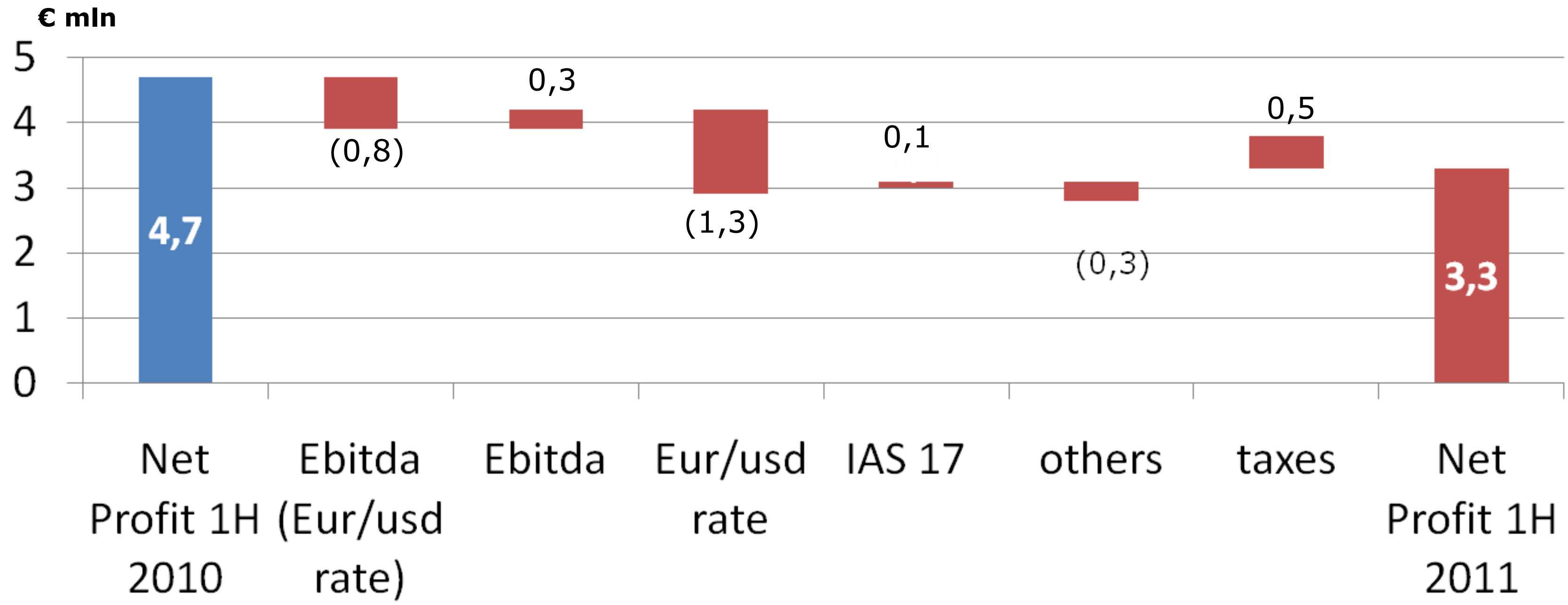
- EBITDA on Revenues moved from 19,4% (1H 2010) to 19% (1H 2011)
- Accounting treatment of the new rent contract affected positively EBITDA by 0,8 mm euro
- Ebitda decrease explained primarly by an exchange differences effect, and in slight cause for margin effect



NET PROFIT path

Tesmec Group

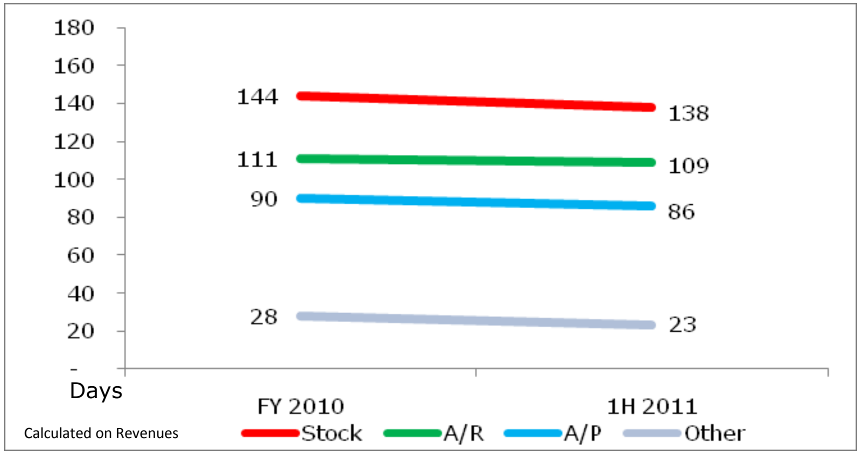
- Net Profit decrease mainly due to negative trend in Eur/Usd exchange rate which affects Ebitda margin and Net results;

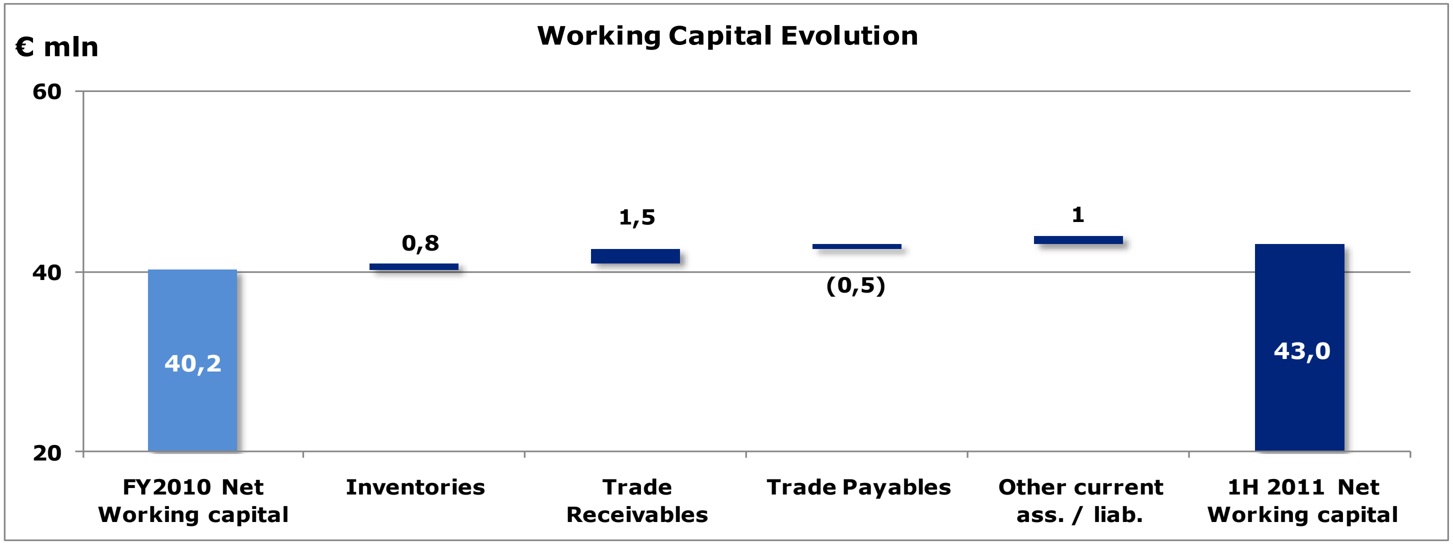


Working Capital Evolution

Tesmec Group

- Receivables were impacted by the growth of revenue but increased less than proportionally than sales
- Payables increase was mainly linked to turnover in sales

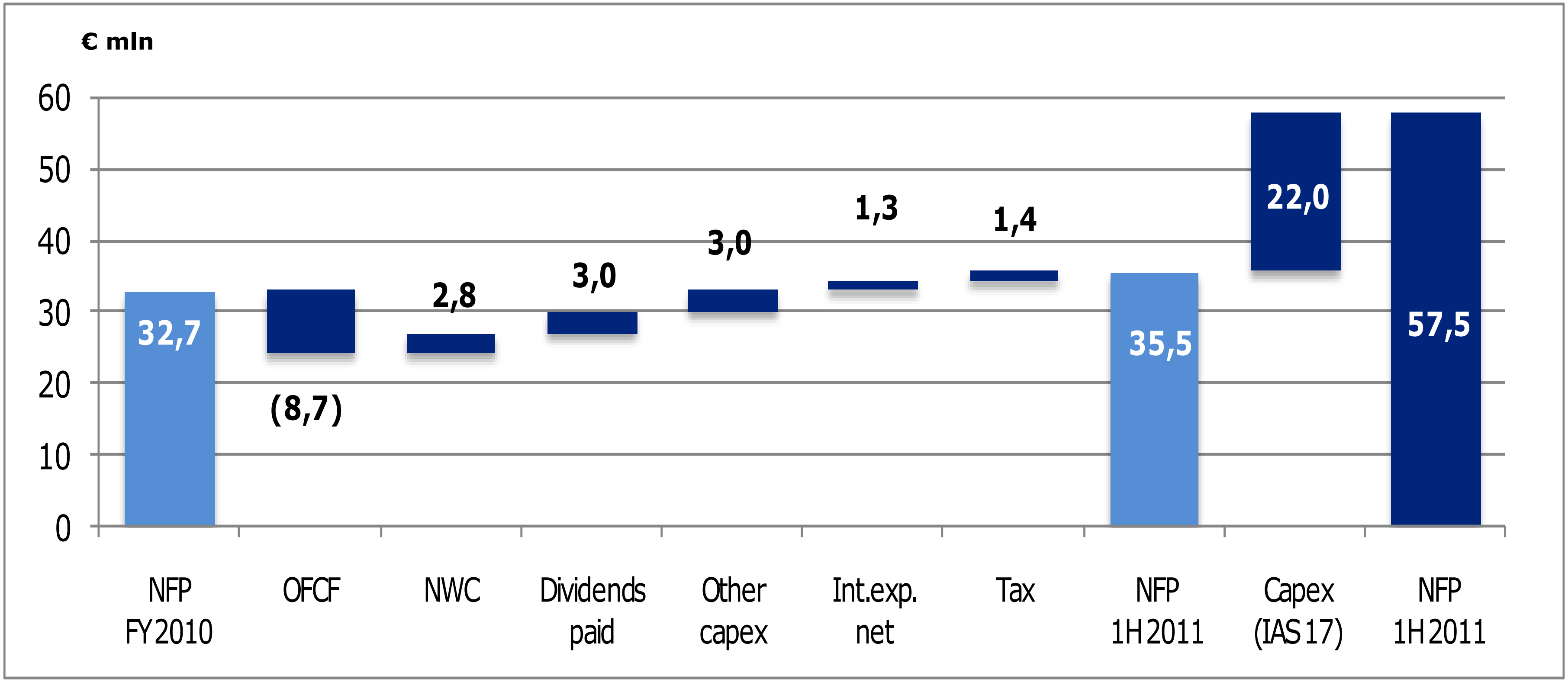




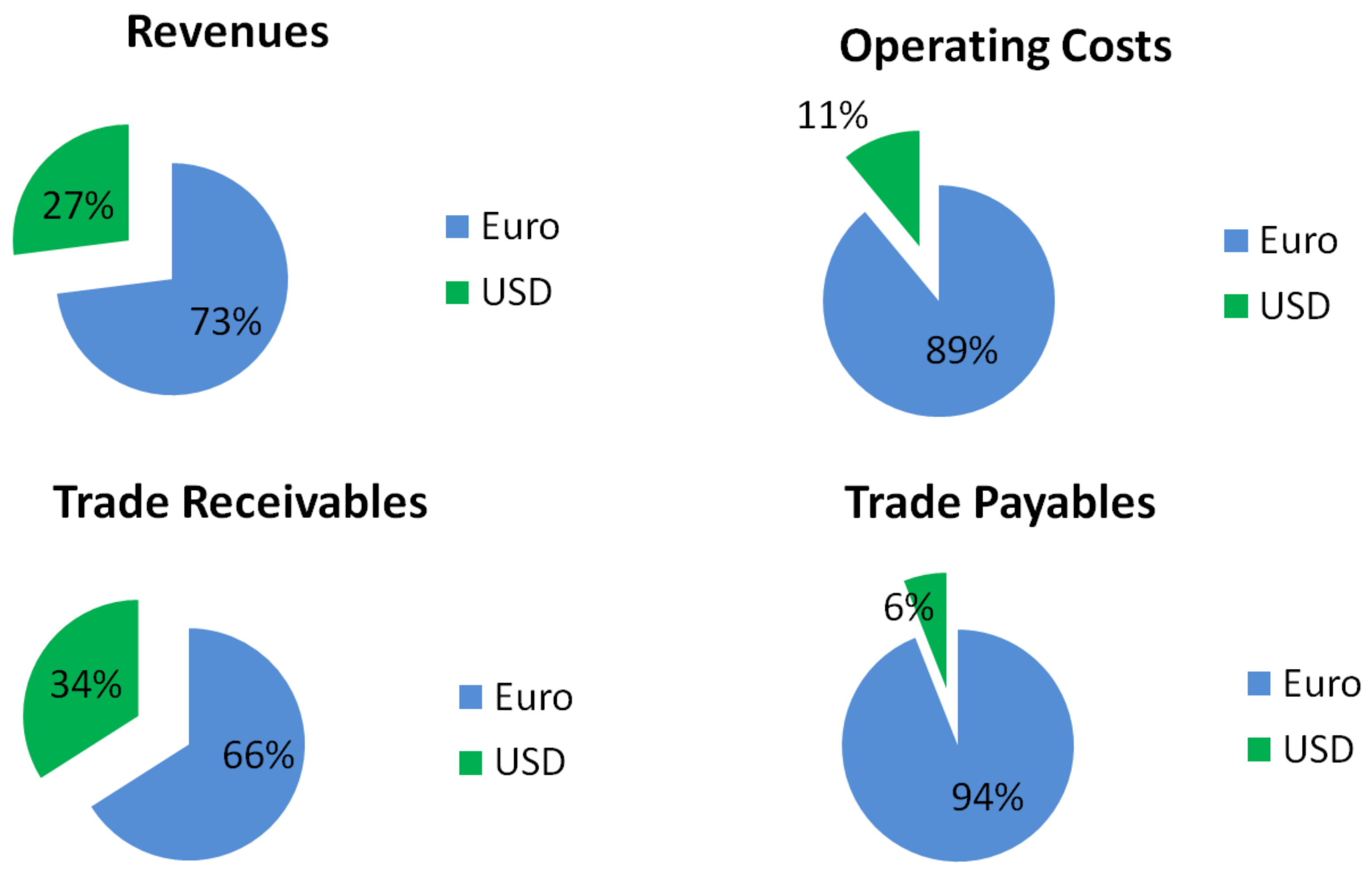
NFP Evolution

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;
- Working capital increase in proportion to the sale increase;
- Dividends paid by 3,0 mm euro;



Exchange exposure First Half 2011



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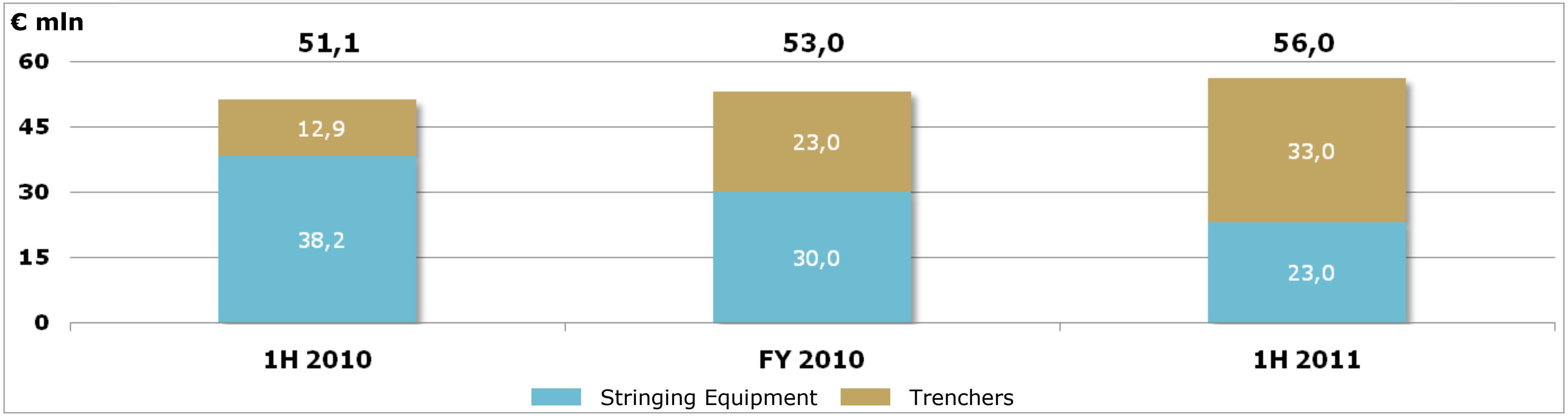
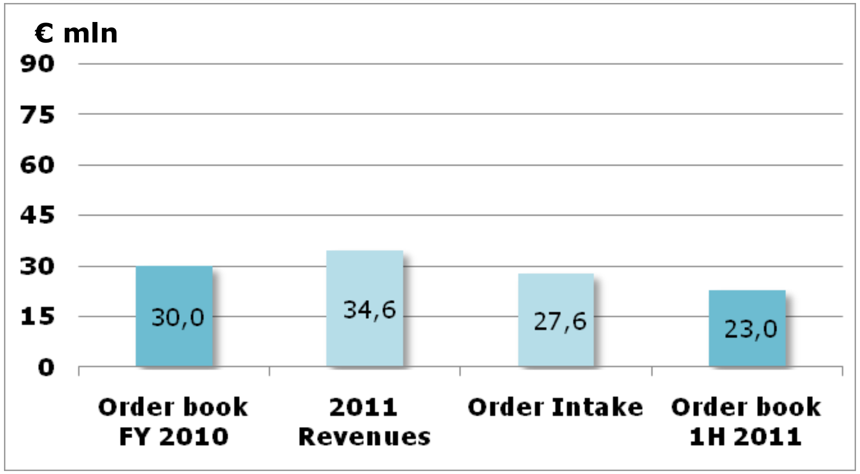
Order Book

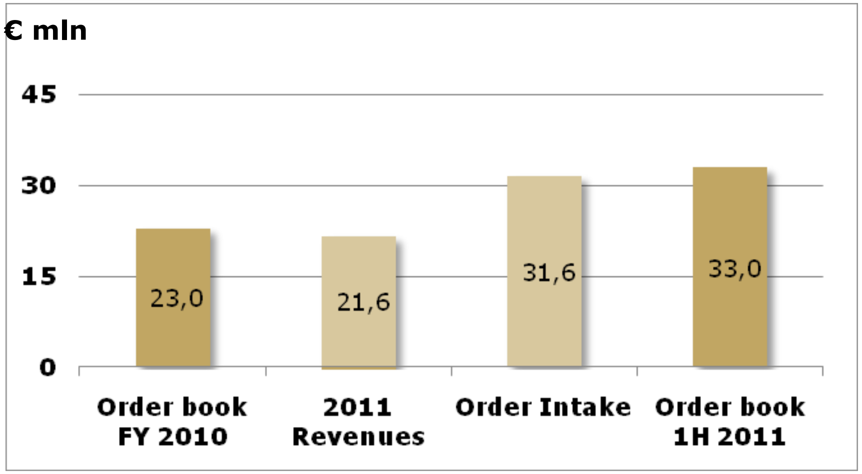
ORDER BOOK 1H2010 – Year End 2010 – 1H 2011



STRINGING EQUIPMENT



TRENCHERS



Guidelines Second Half 2011

Tesmec Group confirms expectations to growth revenues in 2011 and subsequent years.

Tesmec Group plans to:

- consolidate growth in **Stringing Sector** particularly in Russia, Sud America and recover sales in USA market;
- significantly increase revenues in **Trencher Sector** particularly in arabic peninsula area and US;
- Contracting: new project activities are expected to start in Qatar and Saudi in 2^{nd} half;
- Confirm dividend pay out ratio
- No P&L non recurring items in 2H 2011 (2H 2010, listing costs 3,5 mm euro)

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

Profit & Loss Account (€ m)	A 1H 2011 adj	B IAS 17	A+B 1H 2011	1H 2010	Delta vs 2010	Delta %
Net Revenues	**56,1**		**56,1**	**53,4**	**2,7**	**5,1%**
Raw materials costs (-)	(26,8)		(26,8)	(24,1)	(2,7)	11%
Cost for services (-)	(10,3)		(10,3)	(10,2)	(0,1)	1%
Personnel Costs (-)	(9,0)		(9,0)	(8,8)	(0,2)	2%
Other operating revenues/costs (+/-	(1,7)	0,8	(0,9)	(1,7)	0,8	-47%
Capitalized R&D expenses	1,6		1,6	1,8	-0,2	-11%
Total operating costs	**(46,2)**		**(45,4)**	**(43,0)**	**(2,4)**	**6%**
% on Net Revenues	*(82,4%)*		*(80,9%)*	*(80,5%)*		
EBITDA	**9,9**	**0,8**	**10,7**	**10,4**	**0,3**	**3%**
% on Net Revenues	*17,6%*		*19,1%*	*19,5%*		
Depreciation, amortization (-)	(2,5)	(0,2)	(2,7)	(2,4)	(0,3)	13%
EBIT	**7,4**	**0,6**	**8,0**	**8,0**	**0,0**	**0%**
% on Net Revenues	*13,2%*		*14,3%*	*15,0%*		
Net Financial Income/Expenses (+/-)	(2,2)	(0,5)	(2,7)	(0,9)	(1,8)	200%
Taxes (-)	(2,0)	(0,02)	(2,0)	(2,5)	0,5	-20%
Minorities	0,00		0,00	0,13	(0,13)	-100%
Net Income (Loss)	**3,2**	**0,08**	**3,3**	**4,7**	**-1,4**	**-30%**
% on Net Revenues	*5,8%*		*5,9%*	*8,9%*		

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

Balance Sheet (€ m)	A	B	A+B	
	2011 adj	IAS 17	2011	2010
Inventory	43,0		43,0	42,2
Accounts receivable	34,0		34,0	32,5
Accounts payable (-)	(26,8)		(26,8)	(26,3)
op. working capital	**50,2**	**0,0**	**50,2**	**48,4**
Other current assets (liabilities)	(7,2)	(0,0)	(7,2)	(8,2)
Net working capital	**43,0**	**(0,0)**	**43,0**	**40,2**
Tangible assets	16,0	22,1	38,1	18,0
Intangible assets	7,0		7,0	6,8
Financial assets	1,4		1,4	1,3
Fixed assets	**24,4**	**22,1**	**46,5**	**26,1**
Long term liabilities	1,7		1,7	1,1
Net invested capital	**69,1**	**22,1**	**91,2**	**67,4**
Cash & near cash items (-)	(11,7)	2,7	(9,0)	(7,8)
Short term financial assets (-)	(2,1)	(0,9)	(3,0)	(0,4)
Short term borrowing	24,0	0,8	24,8	20,9
Medium-long term borrowing	25,3	19,4	44,7	20,0
Net financial position	**35,5**	**22,0**	**57,5**	**32,7**
Equity	33,6	0,1	33,7	34,7
Funds	**69,1**	**22,1**	**91,2**	**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, August 4, 2011

The Manager responsible for preparing
the company’s financial reports
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