



Tesmec Group

9M 2012 Results

Analyst Presentation, 9 November 2012



Corporate



Agenda

- 2012 – Business update A.Caccia Dominioni, CEO
- 9M 2012 - Main business highlights Stringing P.Mosconi, GM
- 9M 2012 – Main business highlights Trencher A.Caccia Dominioni, CEO
- 9M 2012 - Financial results A.Bramani, CFO
- Outlook 2012 - 2013 A.Caccia Dominioni, CEO
- Appendix

First 9M 2012 Key Facts

Jan 2012

- Ordinary Shareholders' Meeting of Tesmec S.p.A. approved the purchase plan of treasury shares and appointed a new independent director.
- Acquisition of 40% stake of **Bertel company** in order to enlarge Tesmec offering in the High Voltage grid management



March 2012

- Signature of rental contract with **AMC2** in order to acquire technical and technological expertise to enlarge Tesmec offering in Railway Electrification sector (from stringing to maintenance and special applications)



July 2012

- In the month of July has started the **photovoltaic system** installed on the roof of the factory in Grassobbio that covers about one-third of the total electricity for the plant.



Image source
<http://www.ecologiae.com/edison-ed-ecostream-italy-insieme-per-il-fotovoltaico/500/>

September 2012

- **Tesmec USA** subsidiary - thanks to the development of an innovative system for the electrification and maintenance of the "**Production Wire Train**" - won a contract related to the supply of two railway wagons with the US **National Railroad Passenger Corporation ("AMTRAK")**, group active in the United States in the segment of railway suburban transport. The value of the work contract amounts to USD 7.2 million for 2013 with the possibility of annual renewal for another five years.



Tesmec Group – Business Matrix



MARKETS

TESMEC Stringing



TESMEC Grids



TESMEC Railway



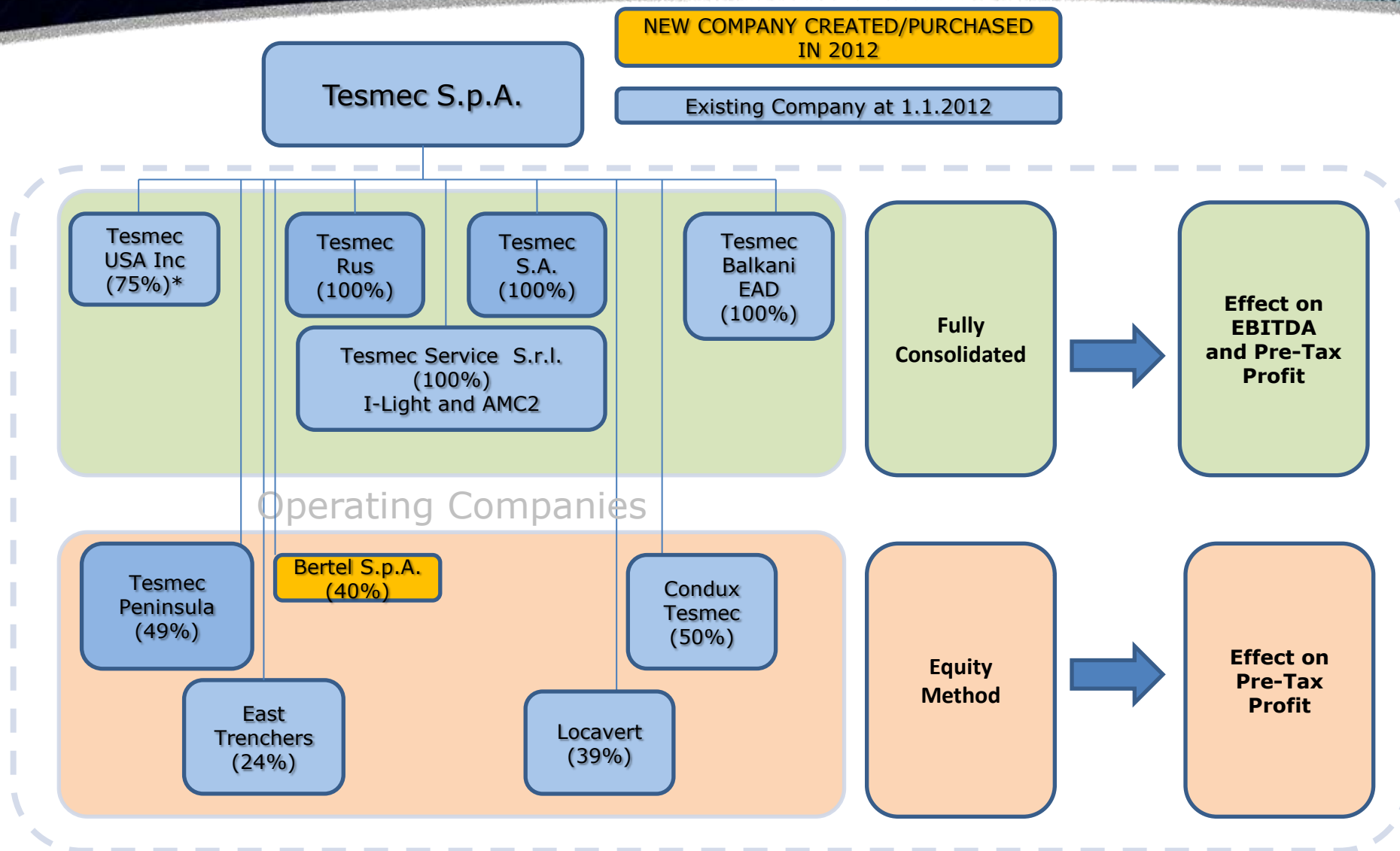
TESMEC Trenchers



TESMEC Special Contracting



Group Structure at September 30, 2012



* 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.

International strategy follow up

- **USA:** Both Trencher (Tesmec USA) and Stringing (Condux Tesmec) performing far better than 9m previous year thanks to the recovery of infrastructural projects and the success of the solution offered for the Shale Gas Projects;
- **Middle East:** Thanks to the finalisation of sales to third parties from the existing stock new purchase orders are expected to support sales performance in the last quarter 2012
- **BRICS:** BRICS market remains the first market for the Group (28% of total group revenue).
- **South Africa:** good start up of the activities of the 100% controlled company Tesmec SA with rental contract already become sales in last quarter;
- **Russia:** target structure of the 100% controlled company Tesmec Rus now in place with financial performance in line with expectations;
- **China:** based on the perception of an increased market potential (already confirmed by positive order intake in the quarter) transformation of Rep. Office into Branch under analysis;

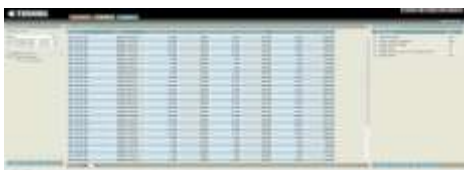
Focus on Innovation

Group maintains focus on R&D projects:

- **Railways** -> investment in R&D in order to enlarge the range of high technological solutions offered



- **Trencher** -> remote monitoring system which allows remote control of the machine performance



- **Stringing** -> Puller Tensioner on Truck



Main business highlights in 9M 2012: Stringing

- **Financials:** Sales 52,1 mln;
Margins 20%;
Backlog 29,5 mln.
- **Main markets:** Nord and Central America;
Europe (maintenance);
BRICS remains the biggest market.
- **Good sales performance in JV Condux-Tesmec and order intake in Railway:**
 - Condux-Tesmec JV sales during 2012 increased from usd 2,4 mln in 9M 2011 to usd 8,6 mln in 9M 2012 thanks to the recovery of infrastructural projects in USA;
 - Tesmec Group won a contract (7,2 Mln usd with an option to extend it in the next five years) related to the supply of two railway wagons with the US National Railroad Passenger Corporation ("AMTRAK") group, active in the United States in the segment of railway suburban transport.



Main business highlights in 9M 2012: Trencher

- **Financials:** Sales 28,7 mln;
Margins 21%;
Backlog 30,8 mln.

- **Main markets:**



Middle East the local stock achieved the minimum level after the sales done to final client by T. Peninsula and is necessary, by customer needs, to provide new technological machines from last 2012 quarter;



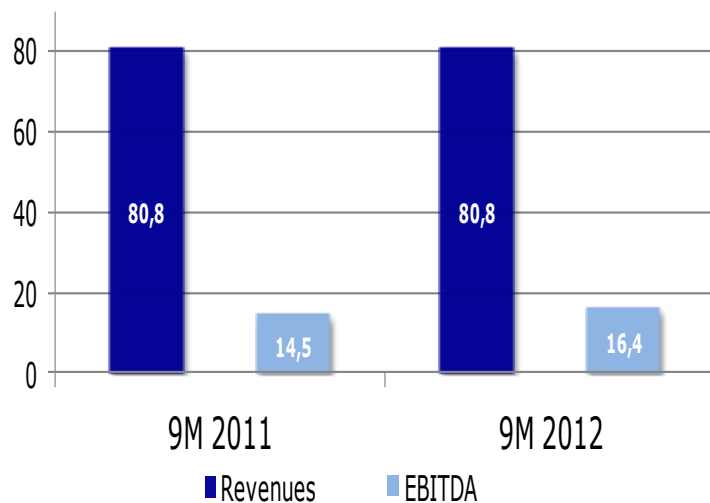
North and Central America continuing increase in direct sales to final customer with a positive effect on EBITDA margin;

9M 2012 Results

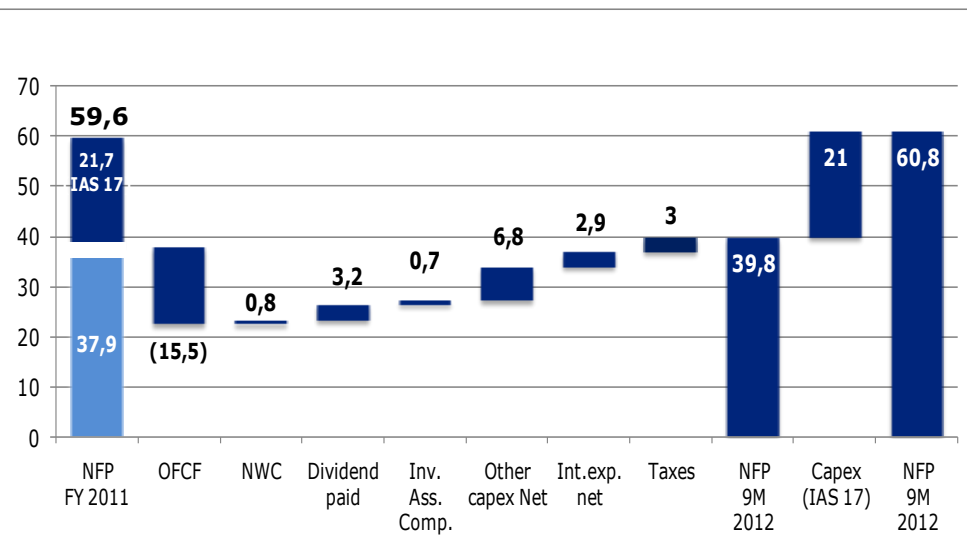
Income Statement (€ mln)	9M 2011	1H 2012	3Q 2012	9M 2012	9M2012 vs 9M2011 delta %
Revenues	80,8	50,0	30,8	80,8	0%
EBITDA	14,5	9,8	6,6	16,4	13%
% Revenues	18%	20%	21%	20%	
EBIT	10,3	6,9	4,8	11,7	14%
% Revenues	13%	14%	16%	14%	
Net income	4,7	3,3	1,9	5,2	11%
% Revenues	6%	7%	6%	6%	

Financial Information (€mln)	Tesmec (Cons.)		
	2011	1H 2012	9M 2012
Net working capital	48,4	54,4	49,2
Non current assets	48,2	49,5	51,1
Other LT assets/(liab)	1,9	1,2	1,1
Net invested capital	98,5	105,1	101,4
Net financial indebtedness	59,6	65,8	60,8
Equity	38,9	39,3	40,6
Total equity and net financial indebtedness	98,5	105,1	101,4

€ mln



€ mln

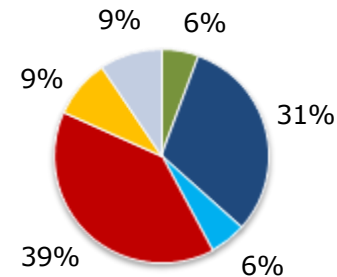
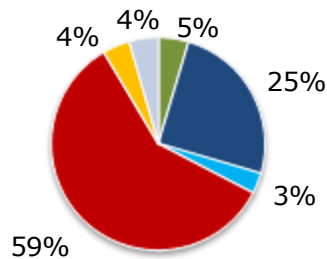


Revenues: international scale and exposure to growing economies

9M 2011

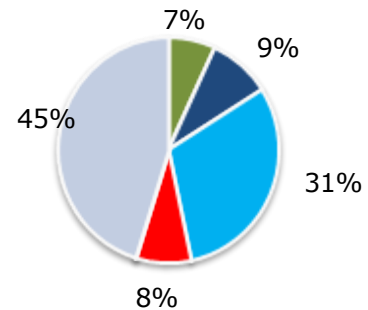
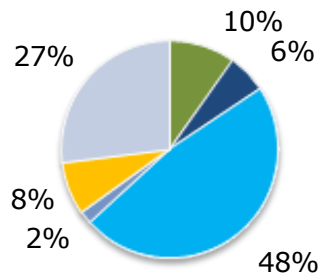
9M 2012

Stringing equipment 64% on Total Revenue 2012



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

Trenchers 36% on Total Revenue 2012

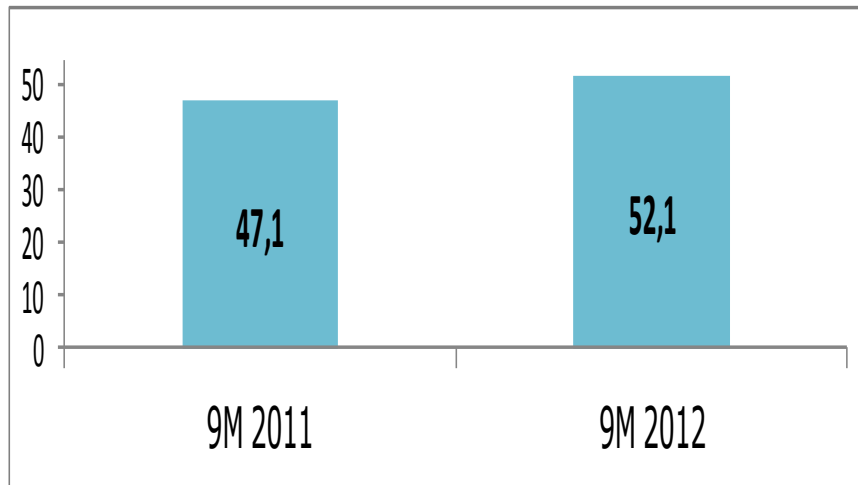


Italy Europe Middle East BRICs and Oceania Africa North-Central America

Stringing Division: revenues increase with Ebitda margin above 20%

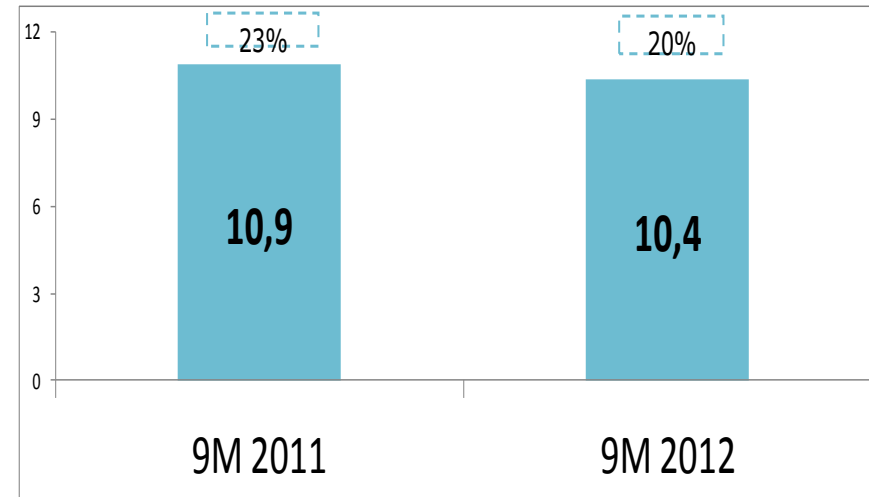
Revenues (€ mln)

9M 2011 – 9M 2012



EBITDA (€ mln and % of Net Revenues)

9M 2011 – 9M 2012

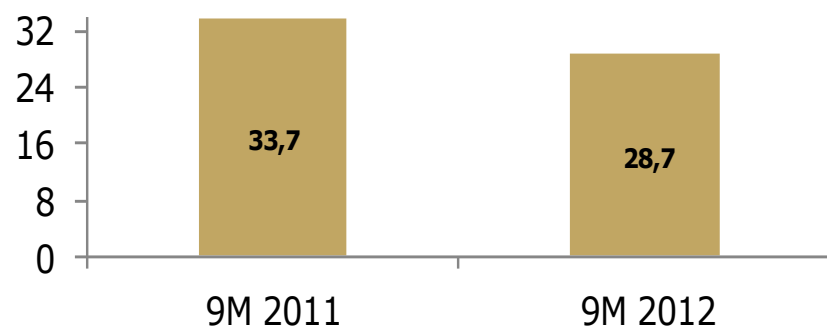


- Positive effect of New Railway projects to be added in the last quarter 2012 and 2013 performance;
- Growing trend of sales in US market expected to continue in last quarter 2012;

Trencher Division: revenues decrease with Ebitda margins boosting at 21%

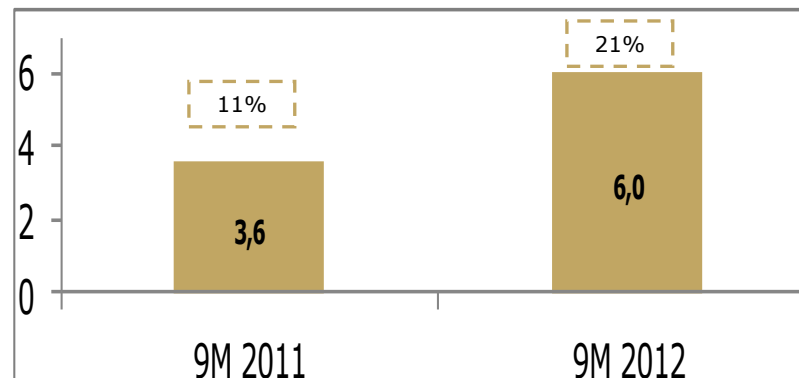
Revenues (€ mln)

9M 2011 – 9M 2012



EBITDA (€ mln and % of Net Revenues)

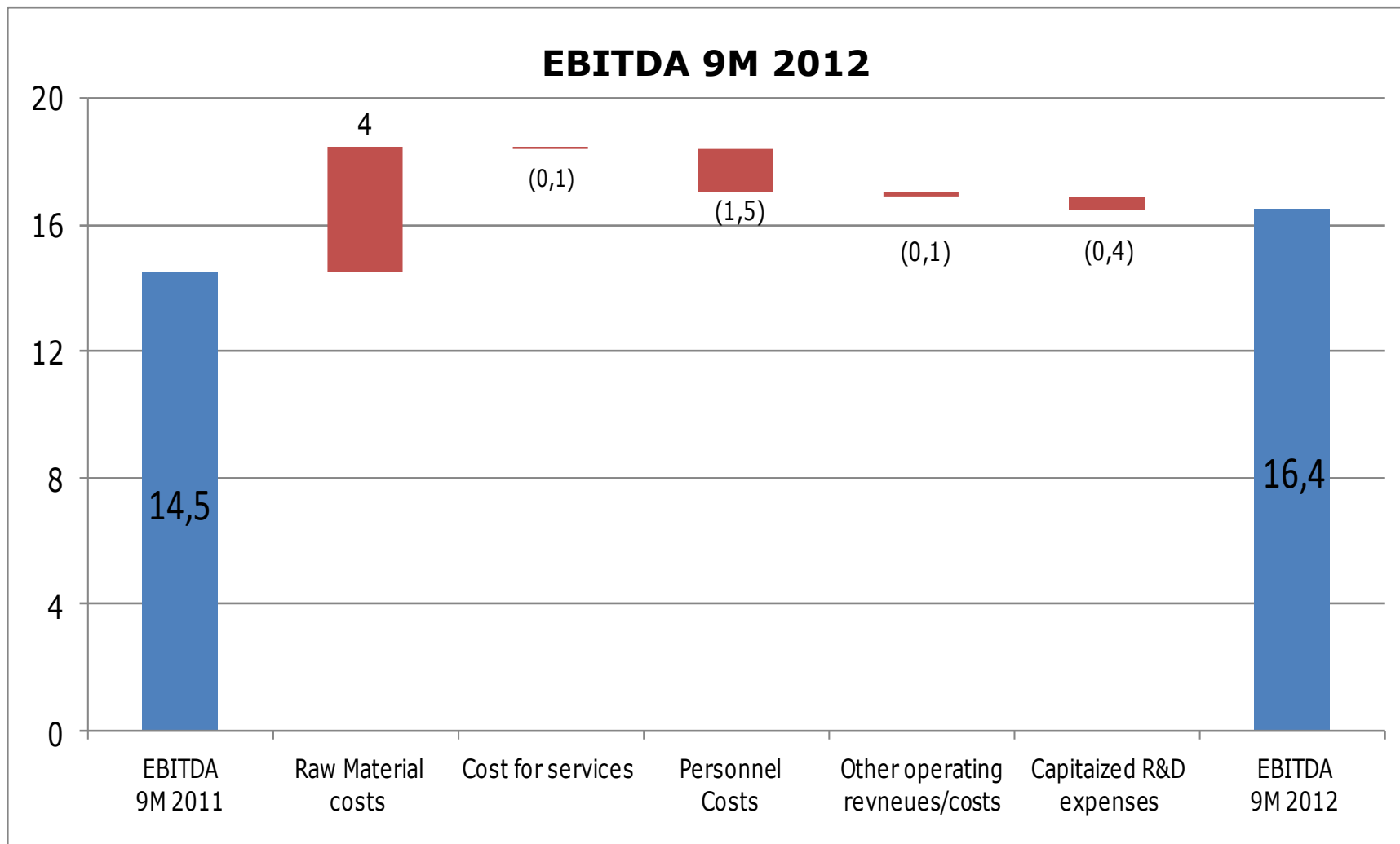
9M 2011 – 9M 2012



- In 9M 2012 No direct sales vs T. Peninsula due to destocking policy
- Improvement in profitability due to:
 - good contribution by Tesmec USA (direct sales to end customer no more to Dealers);
 - accounting of full margin from sales made from T.Peninsula to end customers;
 - more favourable Eur/Usd exchange rate

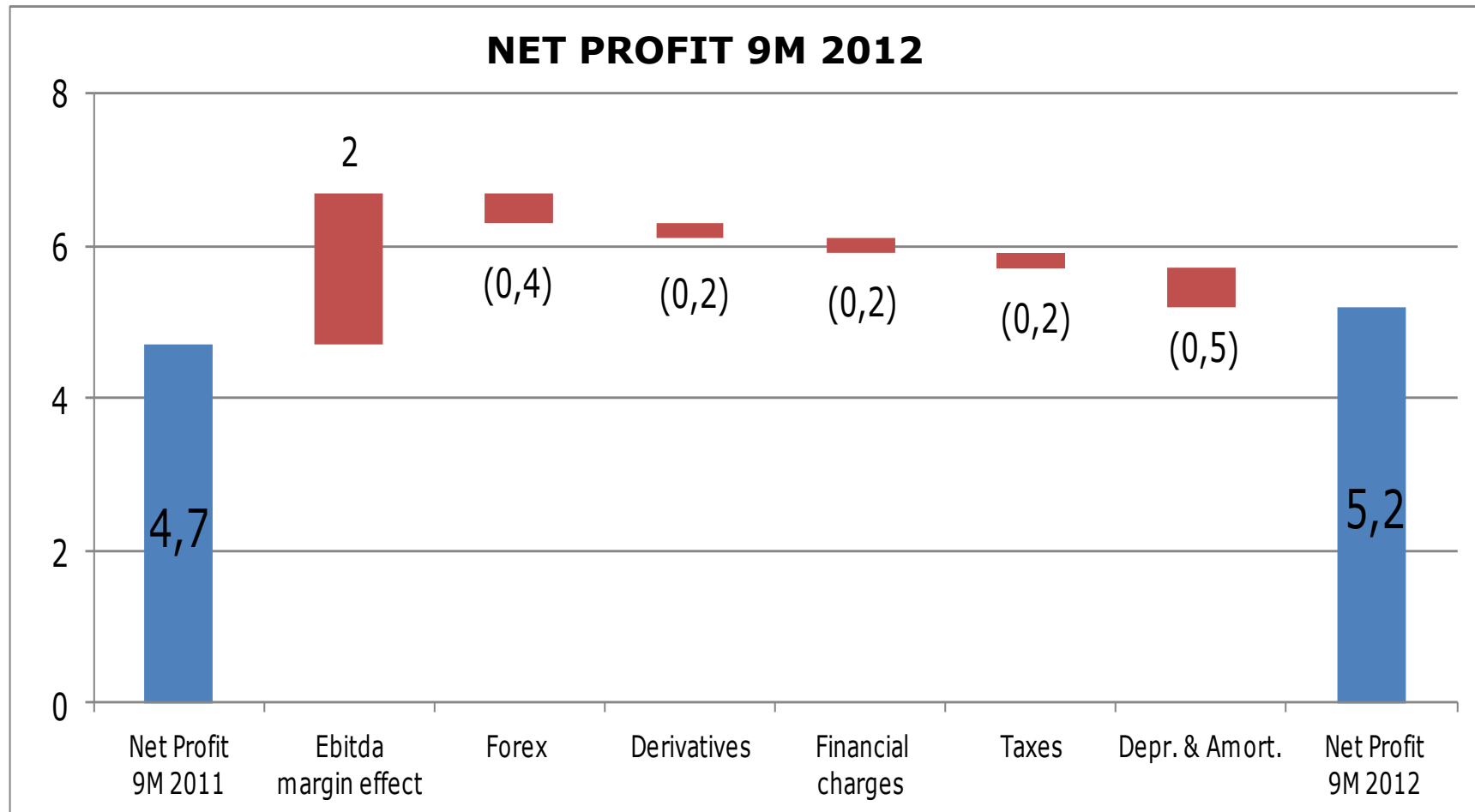
EBITDA variance

Sales margins and cost efficiencies to support improvement



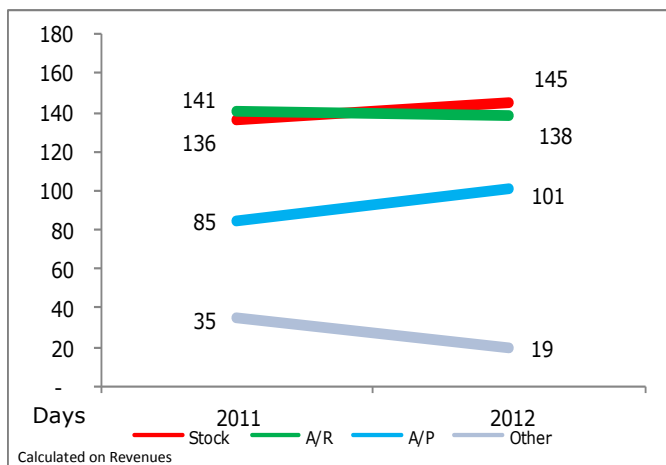
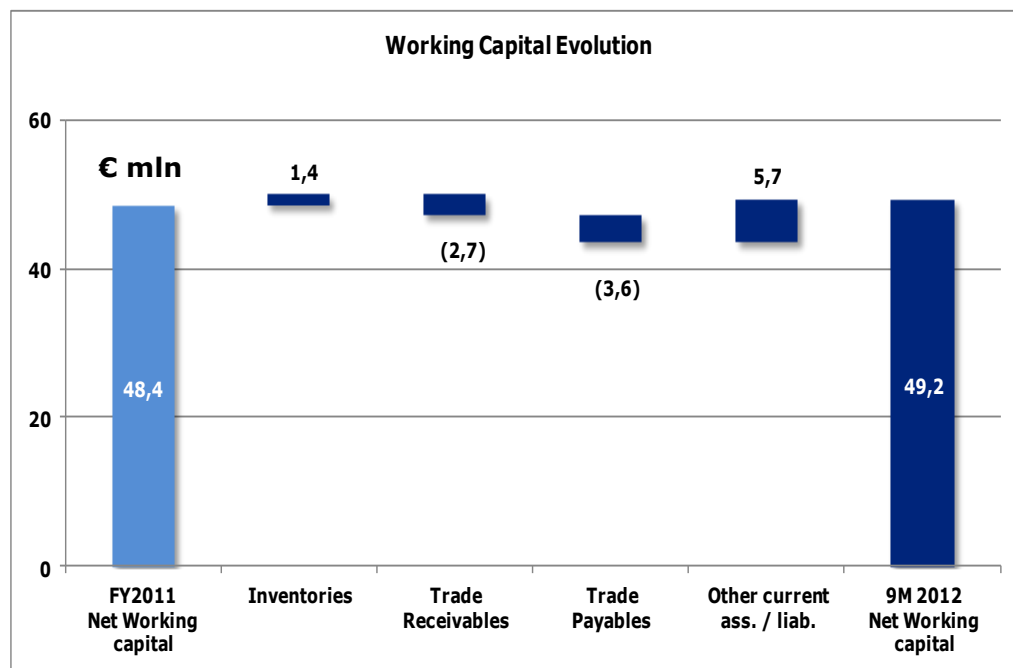
Net Profit variance

DIE and financial items partially offsetting better EBITDA by 2 mm



Working Capital Evolution

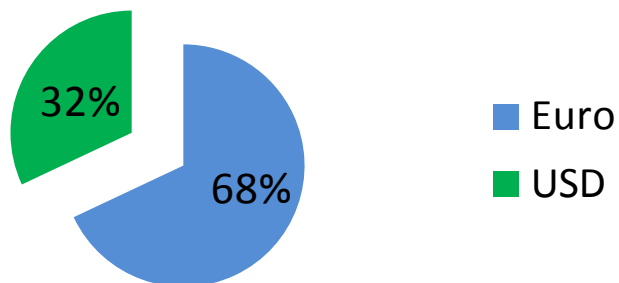
Description (€ mln)	2011	9M 2012
Trade Receivables	43,9	41,2
Inventory	42,1	43,5
Trade payables	(26,5)	(30,1)
Other current asset/liabilities	(11,1)	(5,4)
Net Working Capital	48,4	49,2



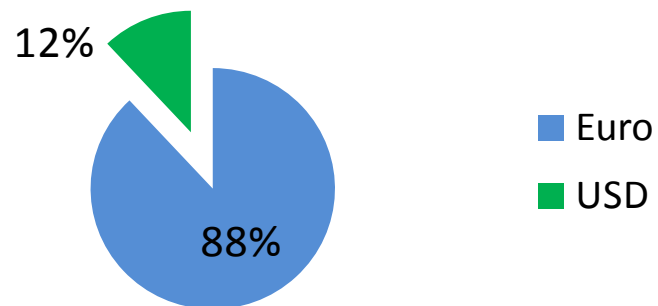
- Trade Receivables decreased thanks to first cash receipts from ME
- Inventory level increased in order to support sales growth in last quarter 2012;
- Change in other current liabilities due to decrease of customers' advance payment

Exchange exposure 9M 2012

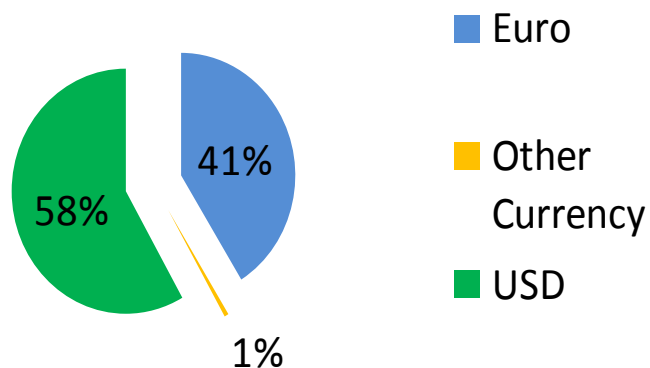
Revenues



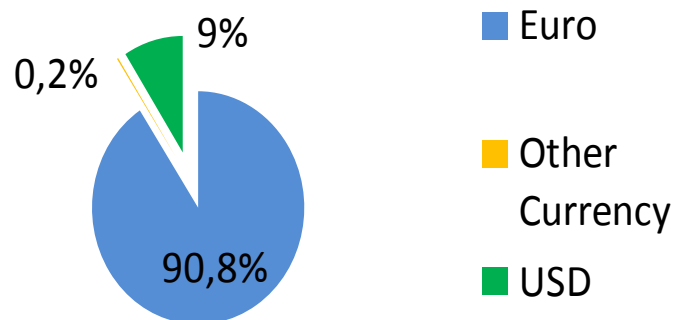
Operating Costs



Trade Receivables



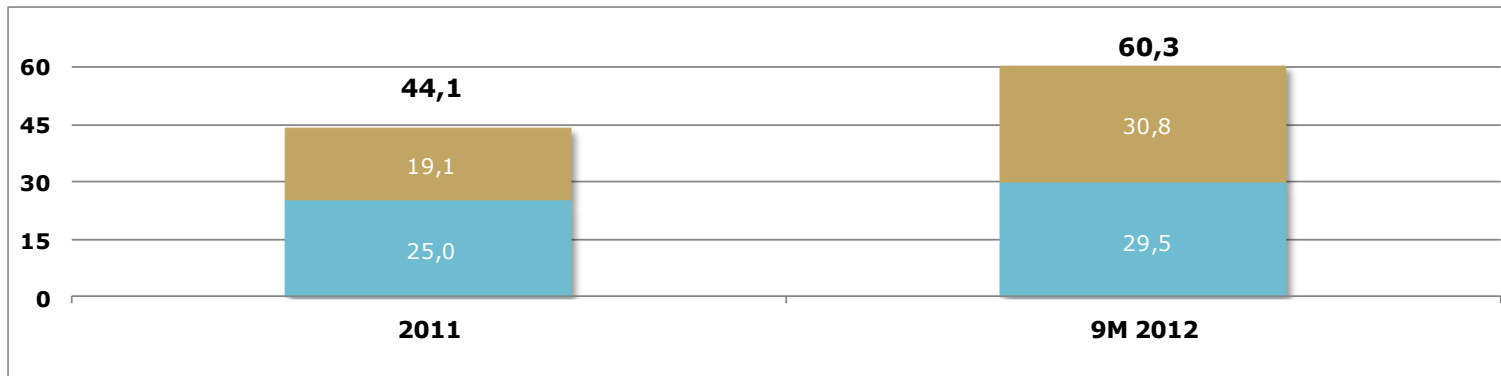
Trade Payables



Order Book

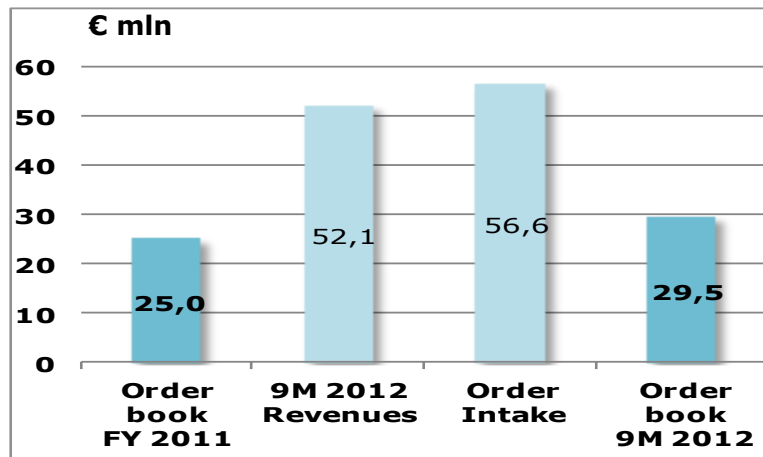
ORDER BOOK YEAR END 2011 – 9M 2012

€ mln

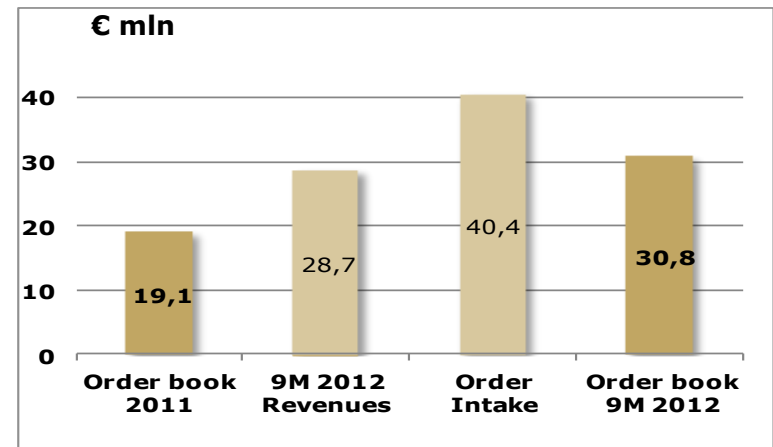


Stringing Equipment Trenchers

STRINGING EQUIPMENT



TRENCHERS



Outlook 2012

After the positive performance recorded in 9M 2012 Tesmec management confirms consensus estimates for 2012 based on the expectations that the following factors will have a positive impact on both volumes and margins of the last quarter 2012:

- Recovery of TR sales in the ME area;
- Growing trend of sales in USA Market;
- Consolidation in Stringing sales;
- First contribution of new Railway projects.

The same factors are expected to positively influence 2013 performance with consolidation of the developments in the Railway sector and first contributions of Grid Management business expected to support Group double digit growth in sales;



Appendix A - Summary 9M 2012 Profit & Loss statement

Profit & Loss Account (€ mln)	9 M 2012	9 M 2011	Delta vs 2011	Delta %
Net Revenues	80,8	80,8	(0,0)	0,0%
Raw materials costs (-)	(35,4)	(39,4)	4,0	-10%
Cost for services (-)	(15,0)	(14,9)	(0,1)	1%
Personnel Costs (-)	(14,6)	(13,2)	(1,4)	11%
Other operating revenues/costs (+/-)	(1,5)	(1,4)	(0,1)	9%
Capitalized R&D expenses	2,2	2,6	-0,4	-16%
Non recurring costs	-	-	-	-
Total operating costs	(64,3)	(66,3)	2,0	-3%
<i>% on Net Revenues</i>	<i>(80%)</i>	<i>(82%)</i>		
EBITDA	16,4	14,5	2,0	14%
<i>% on Net Revenues</i>	<i>20%</i>	<i>18%</i>		
Depreciation, amortization (-)	(4,7)	(4,2)	(0,5)	12%
EBIT	11,7	10,3	1,5	14%
<i>% on Net Revenues</i>	<i>15%</i>	<i>13%</i>		
Net Financial Income/Expenses (+/-)	(3,5)	(2,8)	(0,7)	25%
Taxes (-)	(3,0)	(2,8)	(0,2)	7%
Minorities	-	-	-	-
Net Income (Loss)	5,2	4,7	0,6	12%
<i>% on Net Revenues</i>	<i>6,5%</i>	<i>5,9%</i>		

Appendix B - Summary Balance Sheet

Balance Sheet (€ mln)	9M 2012	2011
Inventory	43,5	42,1
Accounts receivable	41,2	43,9
Accounts payable (-)	(30,1)	(26,5)
Op. working capital	54,6	59,5
Other current assets (liabilities)	(5,4)	(11,1)
Net working capital	49,2	48,4
Tangible assets	41,1	38,9
Intangible assets	7,7	8,0
Financial assets	2,2	1,4
Fixed assets	51,0	48,3
Net long term liabilities	1,1	1,8
Net invested capital	101,3	98,5
Cash & near cash items (-)	(7,4)	(13,8)
Short term financial assets (-)	(7,7)	(2,4)
Short term borrowing	37,9	25,4
Medium-long term borrowing	38,0	50,4
Net financial position	60,7	59,6
Equity	40,6	38,9
Funds	101,3	98,5

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 , 2012

The Manager responsible for preparing
the company's financial reports
Andrea Bramani



TESMEC S.p.A - Headquarters

via Zanica, 17/O - 24050 Grassobbio (BG) - Italy

Tel. +39.035.423 2911 - Fax +39.035.4522444 Management and Administration

Fax +39.035.4522445 Stringing Equipment Division - Fax +39.035.335664 Trencher Division

www.tesmec.com - info@tesmec.it