



Integrated Solutions Provider

2022.H1 Results Presentation



- 0. Tesmec Group at a glance
- 1. Key Market trends & Corporate strategy
- 2. 2022.H1 Business highlights & Results
- 3. Outlook
- 4. ANNEX

0.

Tesmec Group at a glance

PURPOSE

Consolidate the position as a **solution provider** in the reference markets driven by the trends of **energy transition, digitalization, and sustainability**.

Vision

To be a technological **partner** in a changing world

Mission

To operate in the market of **infrastructure** for the transport of energy, data and material (oil and derivatives, gas, water).

Value proposition

To supply added-value **integrated solutions** for our customers

Strategy

- Innovation
- Integration
- Internationalization



**ENERGY AND DATA
TRANSPORT**

Tesmec Group at a glance



ENERGY - STRINGING



- Solutions for power lines construction & maintenance
- Advanced methodologies for automating jobsite
- Zero emissions machines

ENERGY - AUTOMATION



- Telecommunications solutions for HV Grids
- Grid Management: protection and metering solutions
- Advanced sensors for fault passage indication, protection and monitoring

70
YEARS
of experience

+1,000
PEOPLE

10
MANUFACTURING
PLANTS



+135
COUNTRIES
choose Tesmec

75%
EXPORT

RAILWAY



- Catenary lines construction & maintenance
- Diagnostic vehicles and systems
- Integrated platform for safe infrastructure

TRENCHER



- Telecom networks, FTTH & long distance, power cable installation
- Oil & Gas, Water pipelines
- Bulk excavation, Quarries & Surfaces mining

1. Key Market trends & Corporate strategy



SUSTAINABLE INNOVATION

4.0 industry paradigm

- **Electrification** → zero environmental impact
- **Diagnostic** → highest safety



IMPLEMENTATION ACTIVITIES

Integration of the Sustainability plan in the industrial plan

- **European Taxonomy:** disclosure on eligible KPI and working on alignment
- **Sustainability policy** in line with the strategic guidelines of the **Sustainability plan**
- **QHSE Certifications**
- **Reporting on sustainability** (NFD)

Good ESG scoring in 2021-2022
(Il Sole 24 Ore, AcomeA, La Repubblica, Corriere della Sera & Statista)



STIMULUS PACKAGE

Generate positive impacts from the main stimulus packages in the key countries where the Group operates

- **Digitalization** of products and processes across BUs
- **Sustainable mobility** (rail..)
- **Interconnected grids** (Telecom, smart grids..)

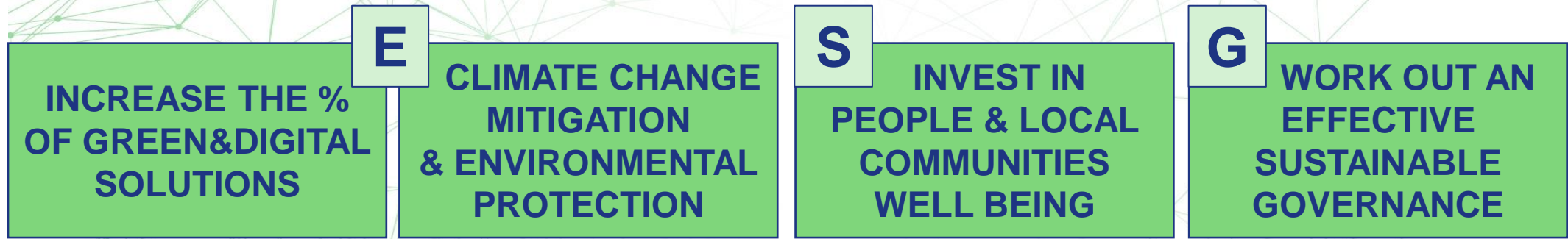
Sustainability - Strategy & Execution



Sustainable Development Goals



STRATEGIC GUIDELINES



ACTIONS TO BE PERFORMED

Give priority to sustainable innovation and meet the Technical screening criteria of the EU Taxonomy

Calculate the carbon footprint of the organization and implement actions to reduce it

Follow up on the several ongoing initiatives both for employees and for stakeholders

Strengthen the organization's governance around sustainability challenges and opportunities

Set and integrate ESG criteria in the business plan

Commitment to this target

Increase engagement in sustainability practices

Making every department accountable to sustainability

Sustainability as key strategic driver



PRIORITY TOPICS	TASKS (in progress or delivered)
Ethic and sustainable governance	<ul style="list-style-type: none">▪ Growing involvement and awareness on sustainable governance both in Italy and among the foreign subsidiaries of the Group▪ Strengthen of the sustainability team in order to properly face the increasing opportunities
Green & digital solutions	<ul style="list-style-type: none">▪ Sizing the businesses that are associated with environmentally sustainable economic activities in compliance with the European Taxonomy Regulation▪ Priority to green innovation and actions to meet the Technical screening criteria of the EU Taxonomy Regulation▪ R&D focused on electrification and digitalization of equipment to reduce the carbon footprint
Climate Change and environmental protection	<ul style="list-style-type: none">▪ Sharing the ESG commitment with major suppliers▪ Actions to correctly manage the use of resources, promoting the reduction of direct and indirect environmental impacts
Development of local communities and areas, enhancement and protection of people	<ul style="list-style-type: none">▪ Workplace Health Promotion – WHP project▪ Charity initiatives for local communities and non-profit organizations▪ Continuous training program for skills development and professional growth

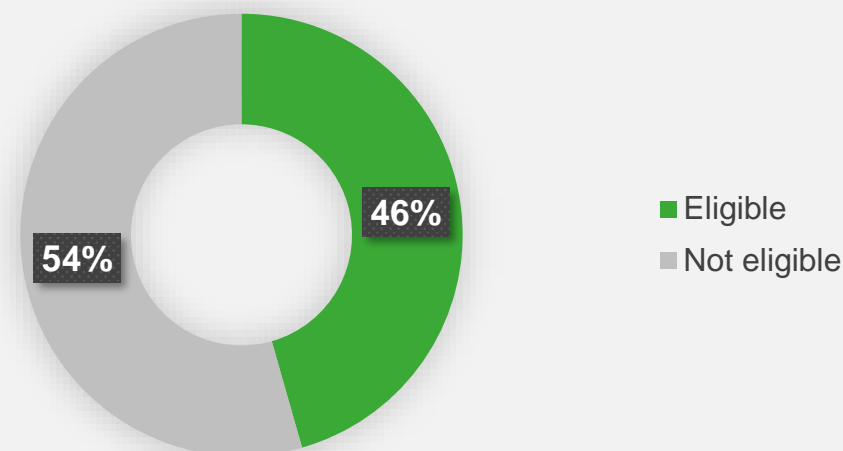
ANNEX I – Climate mitigation

3.Manufacturing

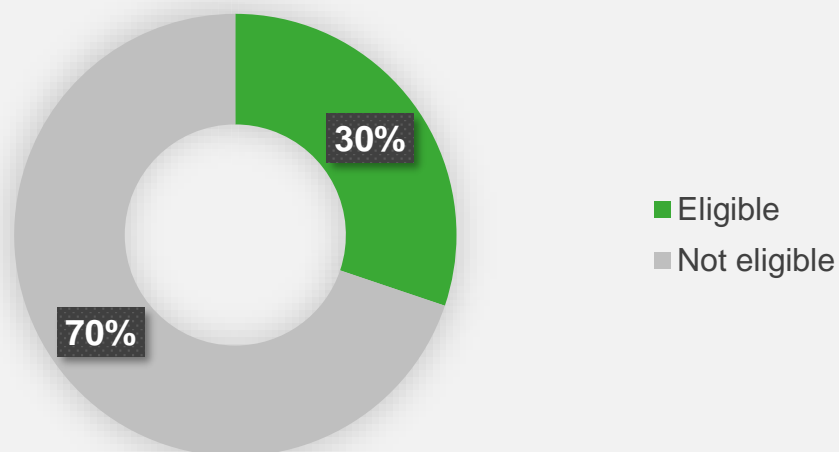
- 3.1 - Manufacture of renewable energy technologies
- 3.3 - Manufacture of low carbon technologies for transport
- 3.6 - Manufacture of other low carbon technologies

2021 is the first year of application of the European Taxonomy. For this reason, the below findings are based on currently available information, which may be subject to future revisions also based on the evolution of the legislation.

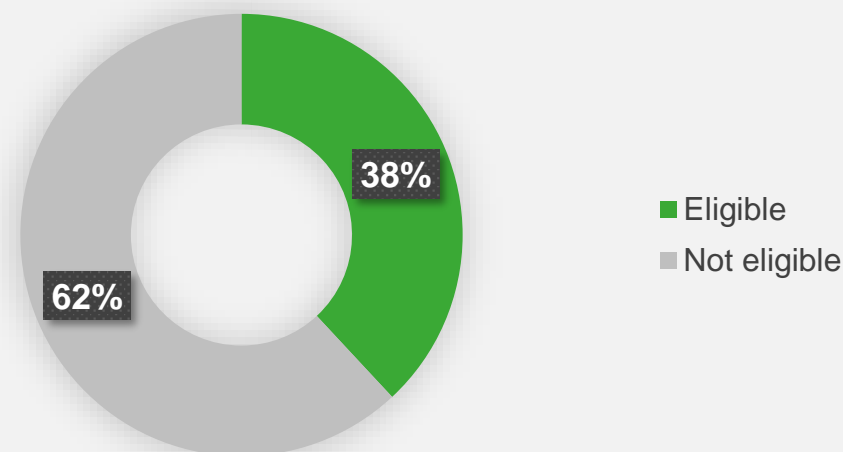
Revenues



Capex



Opex



KEY FACTS

- **Tesmec is confirmed leader of Sustainability 2022**
- **R&D focused on electrification and digitalization of equipment**
- **Launch of corporate volunteer initiatives**
- **Signed agreement for the supply of 100% renewable energy**

LEADER of SUSTAINABILITY 2022

Tesmec is confirmed in the list of the **200 most sustainable Italian companies**, according to the report published on Il Sole 24 Ore. Sustainability is a key theme of Tesmec strategy, that integrates ESG principles into medium- and long-term actions.



Tesmec is confirmed leader of Sustainability 2022: it is among the 200 most sustainable Italian companies, published by Il Sole24Ore & Statista



R&D efforts are increasingly focused on electrification and digitalization of product lines of the Group with the aim to reduce the environmental impact



Launch of corporate volunteer initiatives among the Italian companies of the Group



Tesmec S.p.A. signed an agreement for the supply of the 100% energy from renewables sources

KEY FACTS

- **Consistent rebound of the US' market**
- **Debut of new Multicut 400**
- **New Zealand mining market entered**
- **Growth in Arabic Peninsula activity**



Market in the US has seen a consistent rebound, leading to a steep increase in activity, revenues and market recognition



New Multicut 400 multipurpose digging solution has successfully debuted on the market



On the mining side, the Group has entered New Zealander market. Flexibility and compact design are key features that are highly appreciated in the region



Arabic Peninsula activity – especially in Saudi Arabia and Qatar - has been restructured and has taken over in the 1st half of 2022

KEY FACTS

- UK positive outlook
- Push on special solutions dedicated to underground transmission lines
- Slight drop trends in raw materials
- Auditing efforts to deal with negative impact on steel strands supply



Western Europe market recovery with important orders acquisition



Slight drop trends in raw materials



Several job sites visits to push on development of special solutions dedicated to underground transmission lines



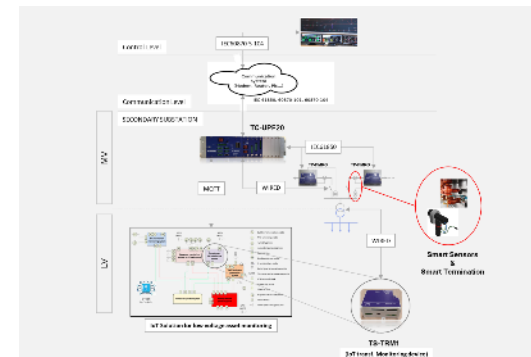
Active audit for expanding steel suppliers range in order to deal with negative impact on steel strands supply

KEY FACTS

- **Business consolidation in Italy and foreign countries**
- **Continuous investments in the Substation Automation segment**
- **Critical supply chain and significant postponement in delivery plans**
- **Successful introduction of the new management system (ERP)**
- **Participation to one-day events to share our latest technologies and consolidate brand identity**



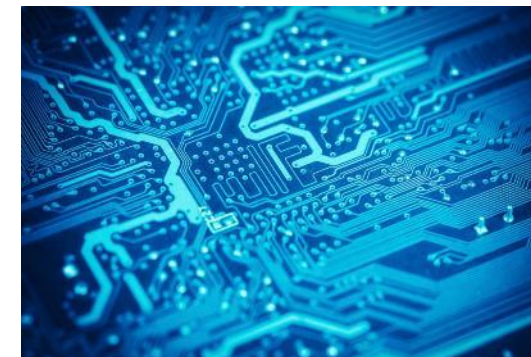
Business growth in the Italian market



Kick-off of new strategic projects to offer integrated solutions for the full monitoring of MV/LV secondary substations



Significant progress in the development of Substation Automation solutions



Strong challenges to guarantee reliable delivery plans and positive closing results due to lack of components

KEY FACTS

- Tesmec continues its growth on the international railway market: Egypt is a milestone also for the future
- High technological level represents the winning key to achieve rail certifications: springboard to foster rail vehicle even more intensively in strategic markets



This contract consolidates the international positioning of Tesmec Group in **the catenary stringing field in Egypt**.

- **Project:** “Green Line” - High Speed Rail
- **Solution:** **Innovative “working train” made of n.6 rail vehicles** to electrify a new double railway line of 660km

Thanks to its unique technologies, Tesmec has the capability to satisfy client' needs in terms of job site efficiency, as timing and services.



Rail Certification – “Authorization for circulation”

The “AMIS” is the “**European Certification**” issued by *ANSFISA – the National Agency for Railway Safety*.

Completed the long certification process to allow also the catenary vehicle bogie configuration **to travel as a passenger train on active line** without line interruption.

This vehicle model OCPD001 is our flagship product on which we have already gained considerable experience worldwide.



New integrated diagnostic vehicle: OCPD002-e

The new diagnostic vehicle is a turning point thanks to the **integrated design between vehicle & diagnostic systems**.

The first phase of the homologation process verified by *ITALCERTIFER*, the Italian Notify Body, was completed with success.

- **All the Tesmec diagnostic fleet will be authorized to travel as a passenger train on active line thanks to the European Certification.**

2. 2022.H1 Business highlights & Results

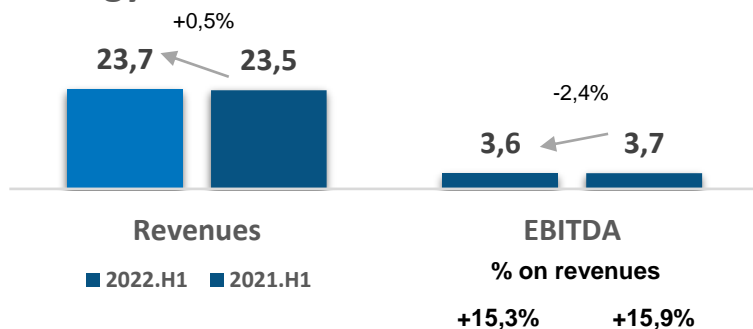
GROUP (€ mln)	2022.H1	2021.H1	Delta vs.21
REVENUES (1)	113,3	96,9	16,9%
EBITDA (2) (3)	18,7	13,7	36,5%
% on Revenues	16,5%	14,2%	
EBIT	8,0	2,9	
% on Revenues	7,1%	3,0%	
Differences in Exchange (4)	5,3	1,1	
% on Revenues	4,7%	1,2%	
PROFIT (LOSS) BEFORE TAX	11,4	1,8	
% on Revenues	10,1%	1,8%	
NET INCOME/(LOSS)	7,9	1,0	
% on Revenues	7,0%	1,0%	
GROUP (€ mln)	2022.H1	2021.H1	Delta vs.21
NFP ante IFRS 16	108,2	96,8	-11,8%
NFP post IFRS 16	133,1	118,5	-12,3%

- (1) **Revenues: Increase in sales & growth** thanks to the **Rail** performance and the rebound of the **Trencher** sector, particularly in the US market
- (2) **EBITDA: positive impact** mainly by the **Rail** and **Trencher** performance
- (3) **EBITDA: improve** thanks to **recurring activities** with **high margin** and the contract inherent to the Rail Business
- (4) **The exchange differences are positive (USD & related currencies)**, more compared both to the 2021.H1 and the closing of 2021.
- (5) **Net interest: decrease** from 2,3 € Mln of 2021.H1 to 2,0 € Mln of 2022.H1.
- (6) **NFP increase** due to the **change in NWC**, necessary to support the growth expected during the year and to face the worldwide criticalities in the supplying and shipment activities.

2022.H1 Closing – Business Breakdown (€ mln)



Energy



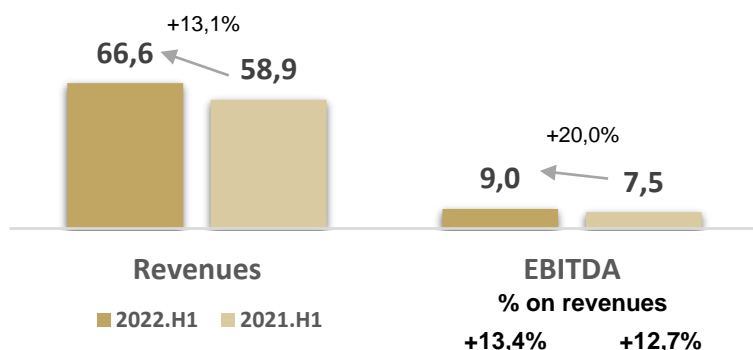
> Sales stable compared to 2021.H1 lead by the **Energy industry trend**

> **EBITDA:** impacted by the utilities, raw material and freight **costs increase**, with higher effect on the **Stringing segment**. Started the process of reviewing the price related to the contract already signed. Still **in line** with the 2021.H1 results.

> The **confirmed order backlog** was **Euro 109,2 million** of which **Euro 86,6 million** from the **Energy Automation**



Trencher



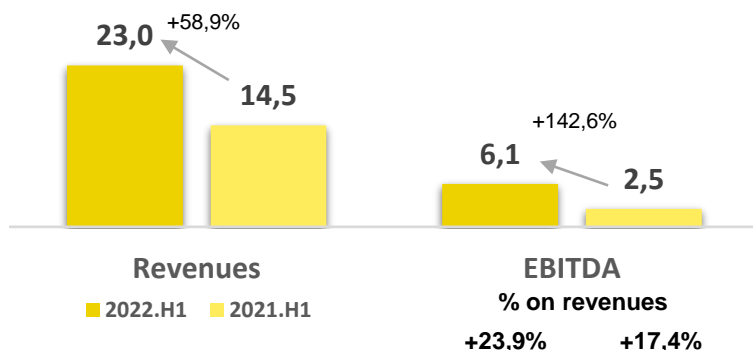
> **Increase** respect to 2021.H1 thanks to the **rebound** of the US market

> **EBITDA:** impacted by the utilities, raw material and freight costs increase related to the worldwide criticalities however still increasing respect to 2021.H1.

> The **confirmed order backlog** was **Euro 75,3 million**

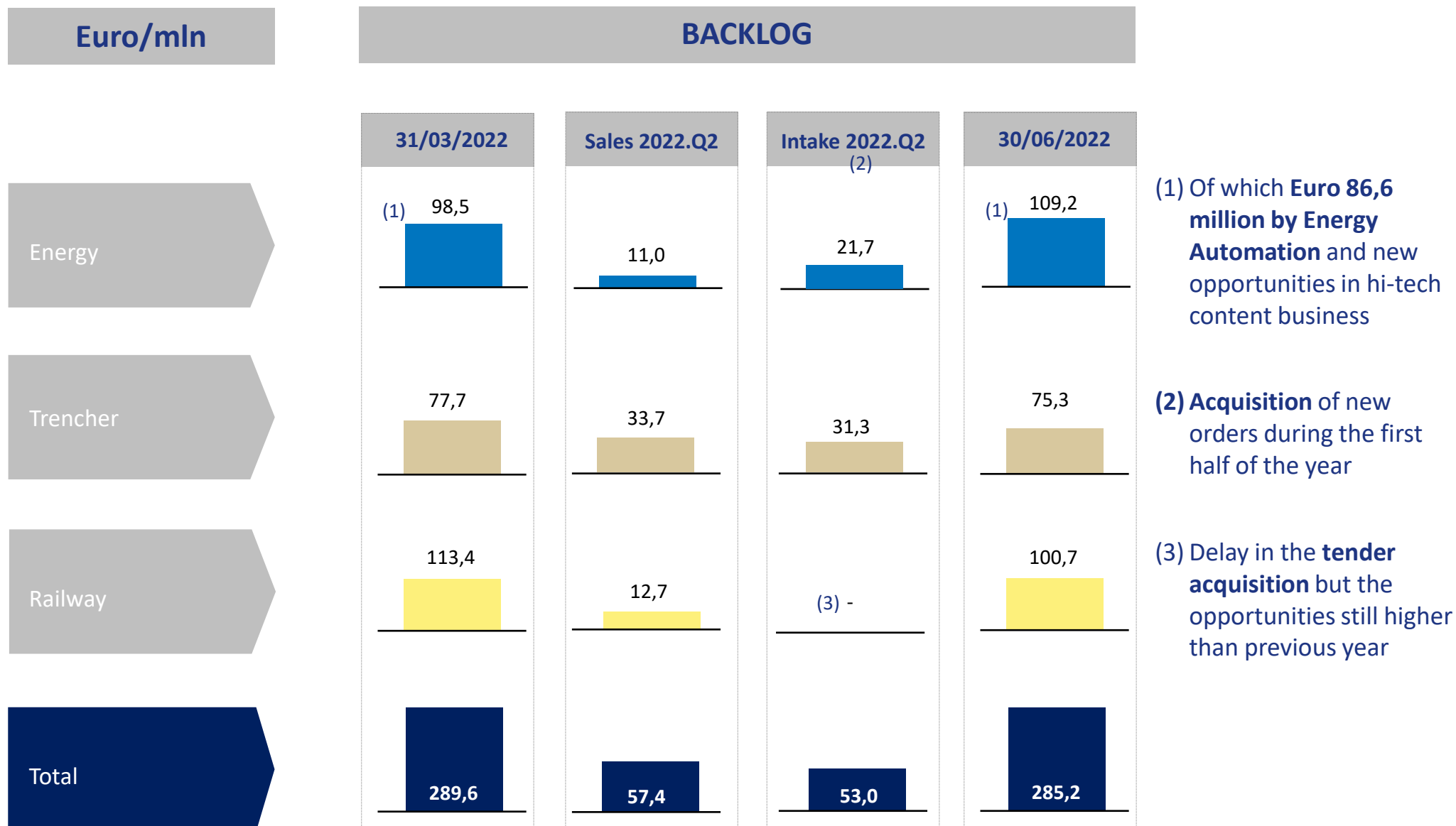


Rail



> The revenues are related to the medium-long term contracts and are **increased** compared to 2021.H1.

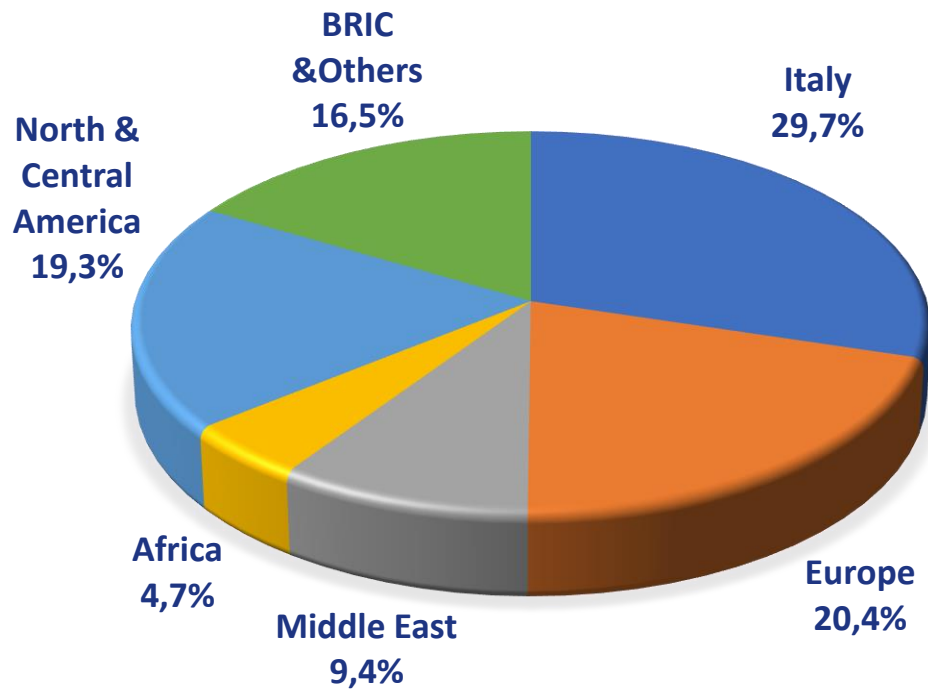
> **EBITDA:** the **increase** compared to 2021.H1 is related to a different products range with higher marginality and value added (i.e.: diagnostic). The price variation process related to the contract already signed is in an advanced stage and partially already secured



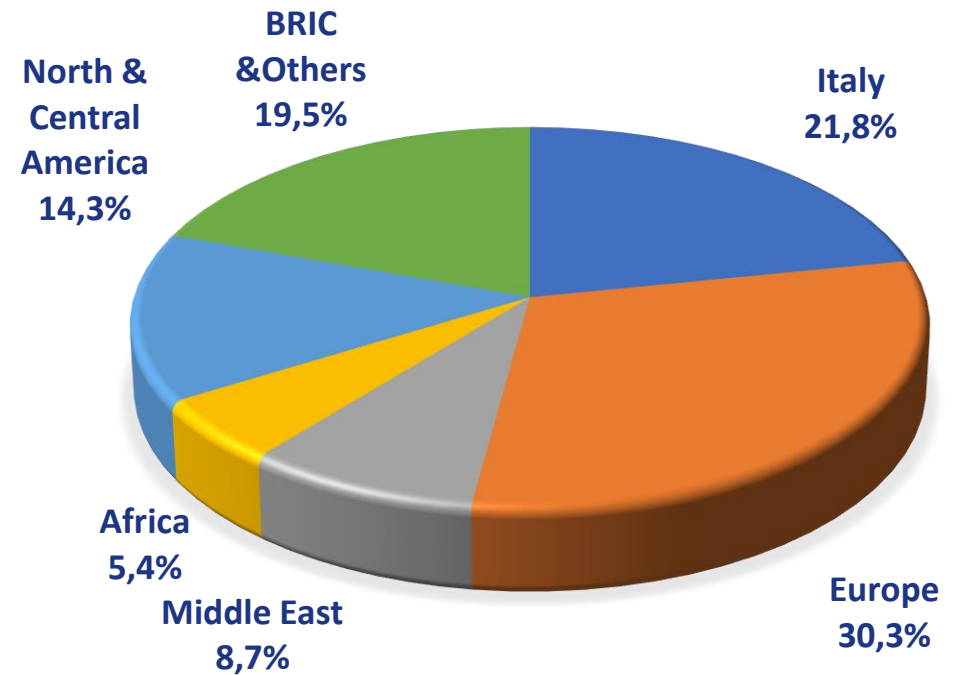
2022.H1 Revenues: sales spread over different geographical area



REVENUE BY GEOGRAPHY 2022.H1



REVENUE BY GEOGRAPHY 2021.H1



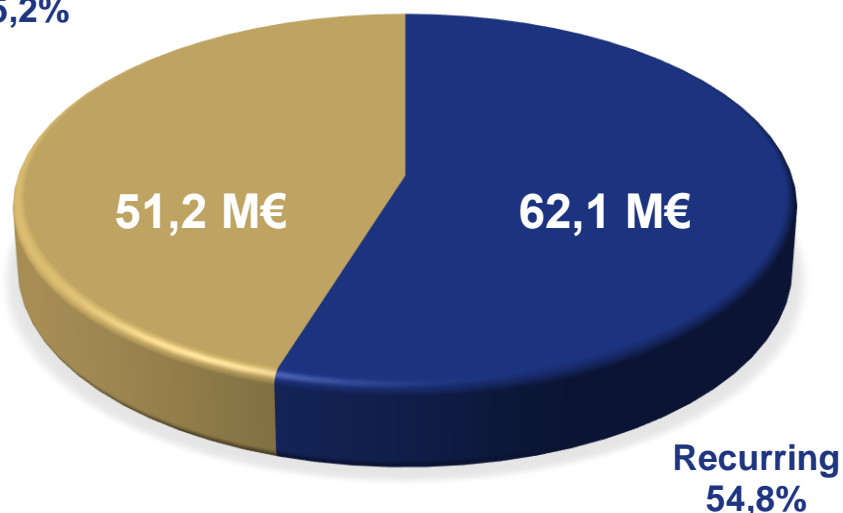
- **ITALY:** railway, trencher & energy automation impact
- **USA&EU:** trencher impact
- **BRICS:** trencher and stringing impact

2022.H1 Revenues: recurring vs non recurring



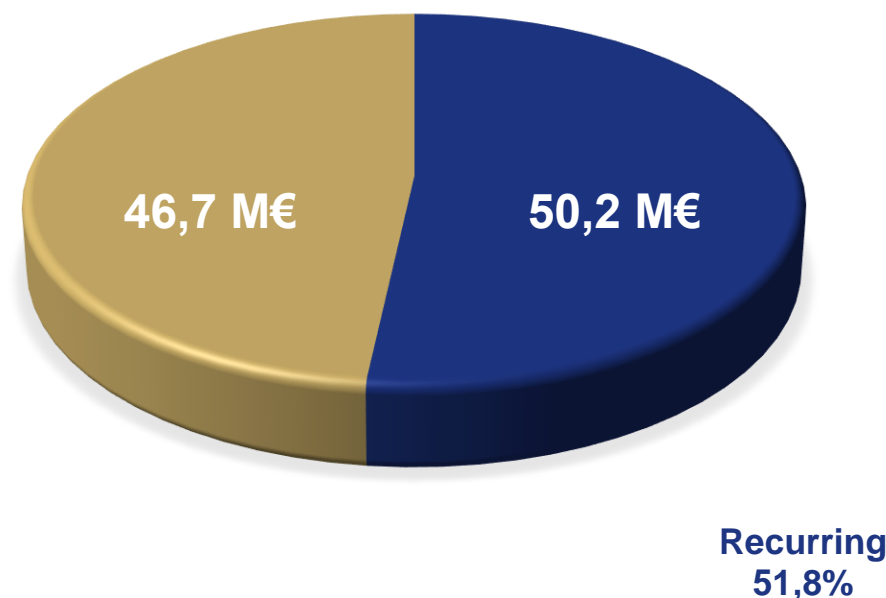
REVENUES RECURRING VS NON
RECURRING 2022.H1

Non recurring
45,2%



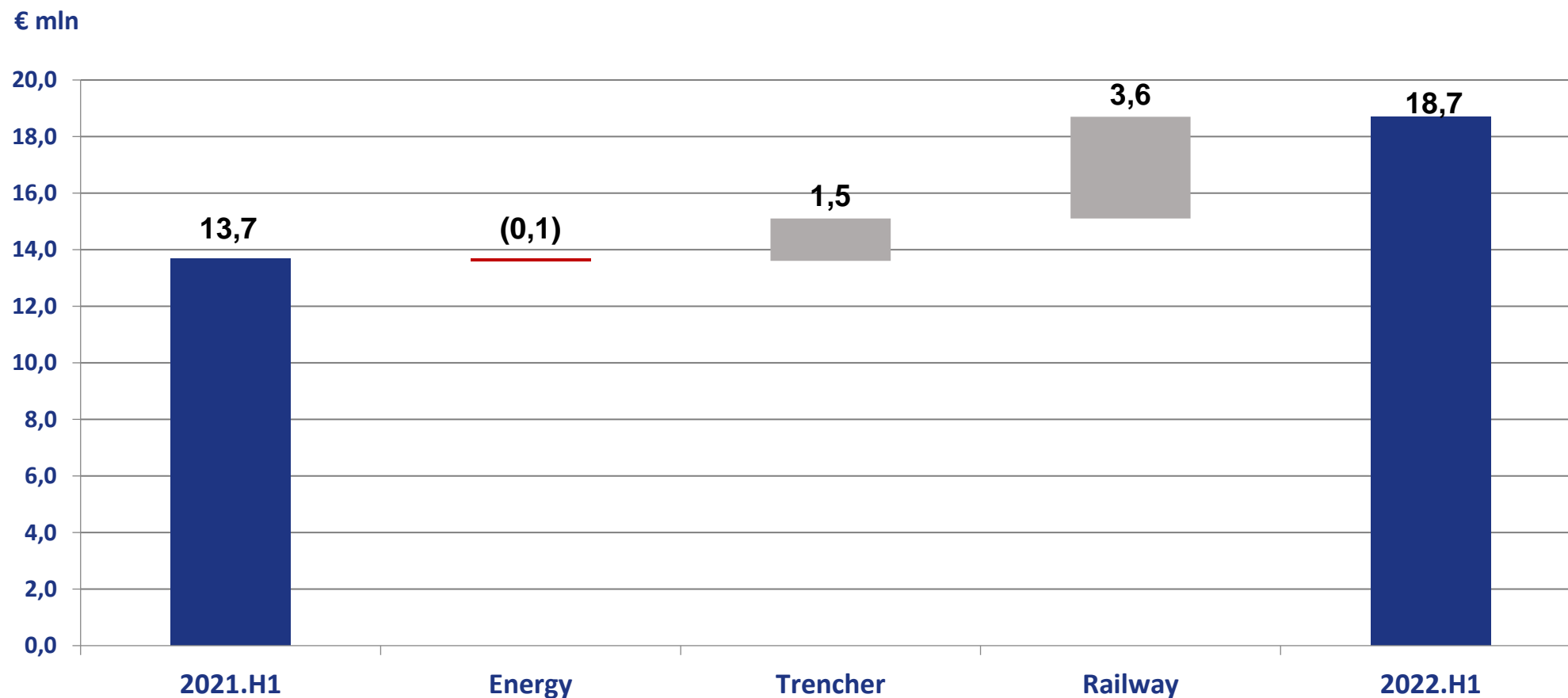
REVENUES RECURRING VS NON
RECURRING 2021.H1

Non recurring
48,2%



- » Recurring: Rental, Projects, Spare Parts, Services (maintenance, revamping & refurbishing, consulting & training), long term backlog (Automation & Rail)
- » Non recurring: Sales of goods

2022.H1 EBITDA



2021.H1

Impacted by the increase of costs of utilities, raw materials and freight, highly mitigated by the Rail and Trencher performance

2022.H1

2022.H1 Financial Results



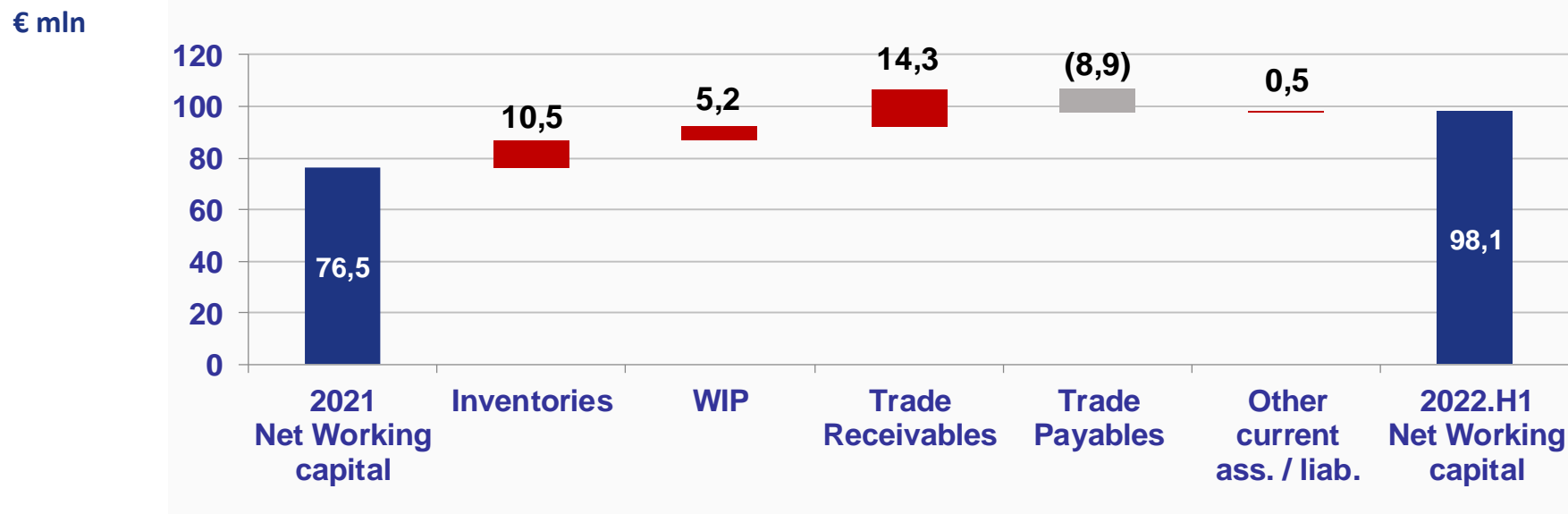
Financial Information (€ mln)	2022.H1	2021
Net Working Capital	98,1	76,5
Non Current assets	81,6	79,6
Right of use - IFRS 16/IAS 17	22,3	23,4
Other Long Term assets/liabilities	14,6	14,2
Net Invested Capital	216,6	193,7
Net Financial Indebtness	108,2	96,6
Lease liability - IFRS 16/IAS 17	24,9	24,5
Equity	83,5	72,6
Total Sources of Financing	216,6	193,7

2021

Increase of the NWC mainly due to trade receivable and inventory

2022.H1

2022.H1 Working Capital evolution



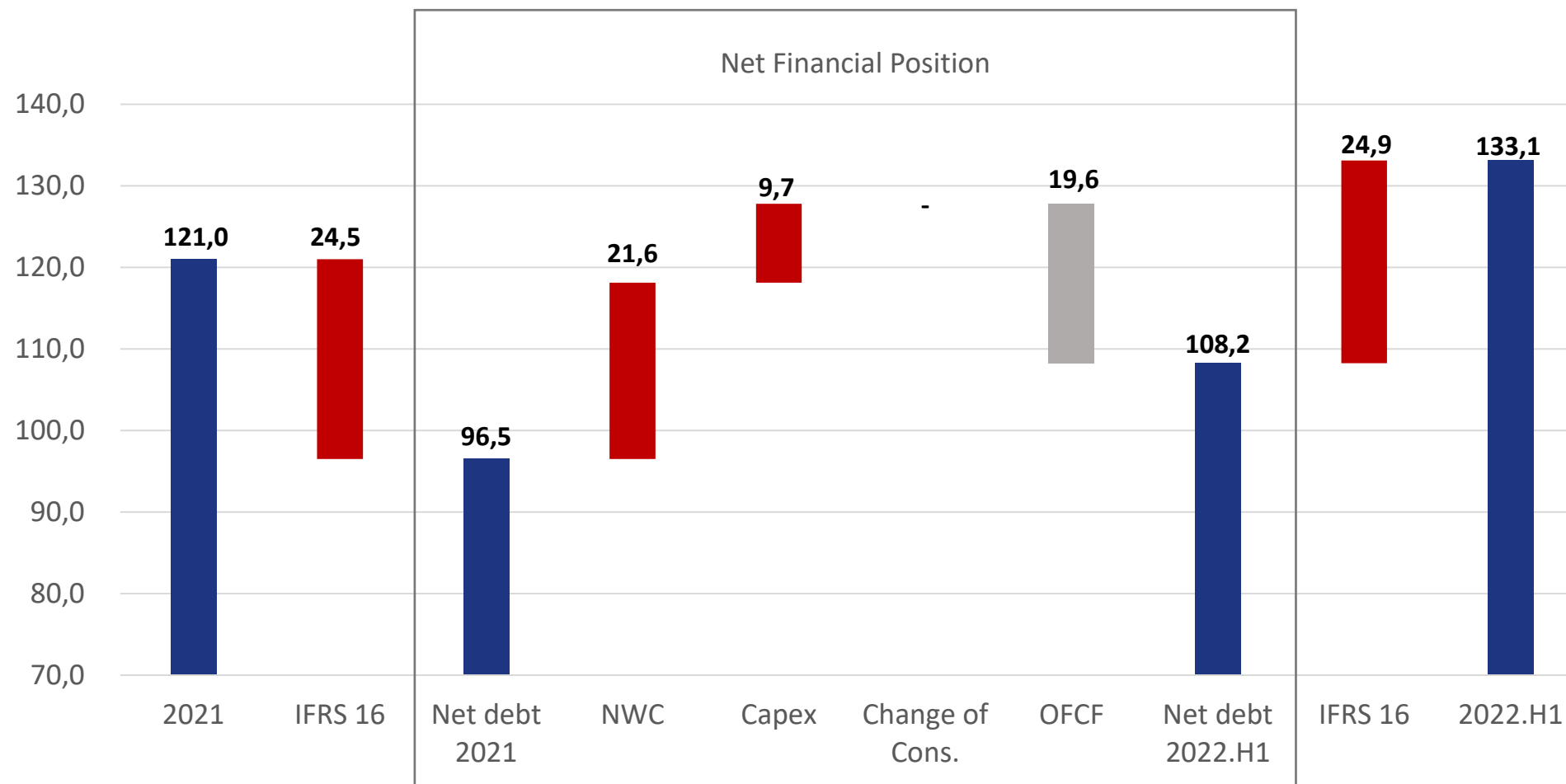
€ Mln	2022.H1	2021.FY	2022.H1	2021.FY
Trade Receivables	68,7	54,4	95	101
Inventories	91,8	81,3	127	151
Work in progress contracts	20,9	15,7	29	29
Trade Payables	(64,9)	(56,0)	-90	-104
Other Current Assets/(Liabilities)	(18,4)	(18,9)	-26	-35
Net Working Capital	98,1	76,5		

2021
€ 76,5 mln

The increase of NWC is mainly due to the increase of trade receivable related to the sales concentrated at the end of the half and to the inventory, increased in order to face the conjunctural criticalities on supply chain and logistics

2022.H1
€ 98,1 mln

2022.H1 Net Financial Position Evolution



2021

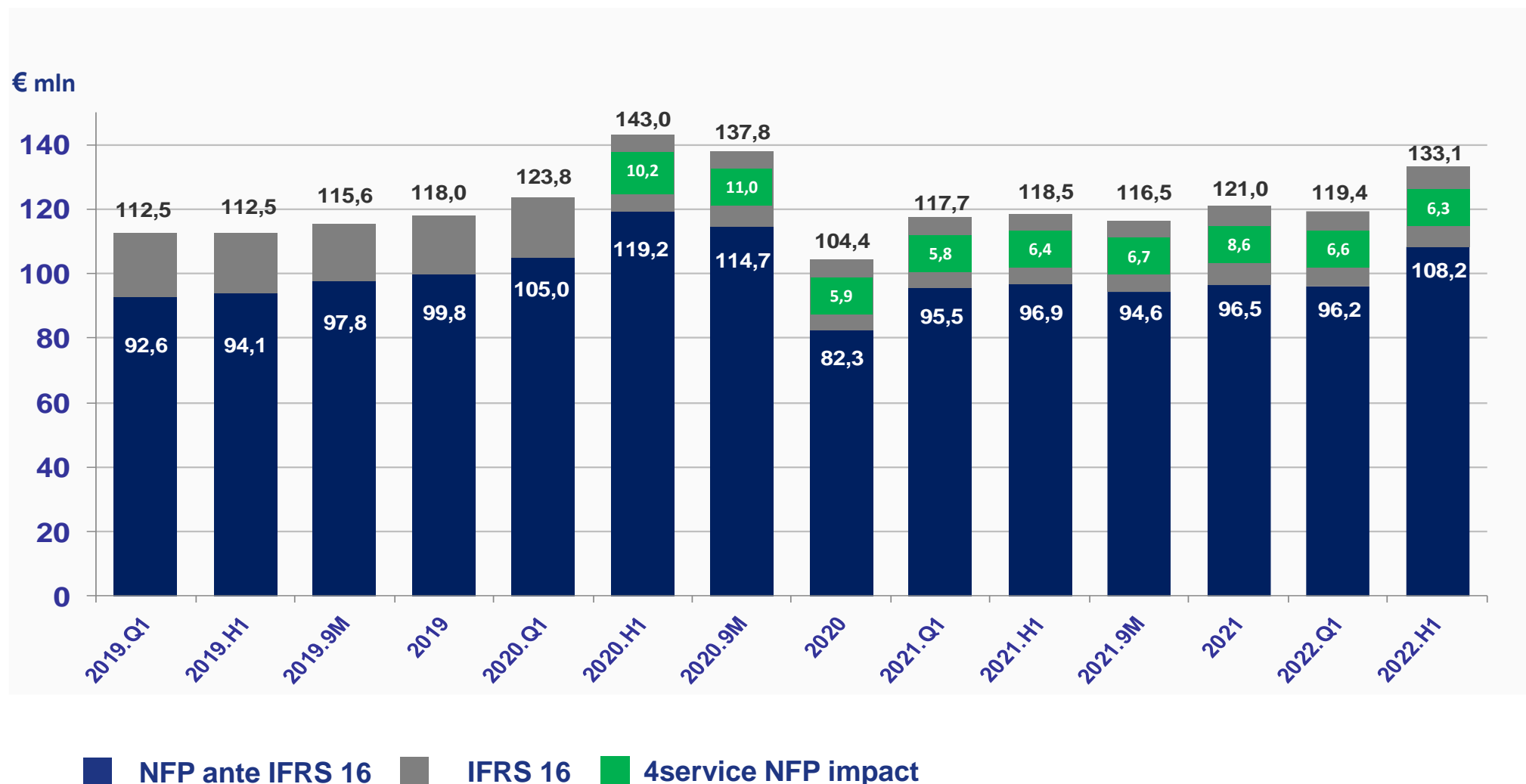
Impacted by the increase of NWC to support the 2nd half growth, totally mitigated by operating cash generation

2022.H1

2022 Net Financial Position Evolution



NET FINANCIAL POSITION



From 1st January 2019, the new IFRS 16 has been introduced, the impact in term of NFP is around 24,9 M€, otherwise the NFP would have been around 108,2. Since April 2020 the NFP included the financial debt from the acquisition of 4service around 6,3 M€ (of which 9,1 M€ related to the IFRS 16) at 30 June 2022.

3.

Outlook

MACRO ECONOMIC SCENARIO




- **Inflation** speed up
 - Increase of raw materials & commodities costs and freight & logistic costs
 - Increase in utilities
- Shortage of materials, longer delivery time
- Uncertain geopolitical context, due to the Russian invasion in Ukraine, but partially compensate by the booming of specific geographic areas
- Positive impact of **recovery plans** on reference markets of the Group:
 - **ITALY**: strong push to business thanks to incentives, especially in Southern Italy
 - **EUROPE**: important stimulus packages to boost the recovery
 - **USA**: focus on Clean Energy and big high speed railway projects
- Strong impact of **sustainable projects** and **climate change issue** in the development plans worldwide

MAIN ACTIONS to support the growth

- **Reverse** the inflation on selling price of products and services, negotiating the review of the medium-long contracts with public administration and with cost efficiencies
- Diversification of the suppliers, rationalization and **better cost/revenues ratio**
- Cover the criticalities regarding the exchange rate
- Face the conjunctural situation in Russia-Ukraine, focalizing on other country with high incoming opportunities (i.e.: Middles East, U.S.A.)
- Focus on strategic sectors driven by the **energy transition trend**
- Green **innovation** and process **digitalization**

2020-2023 Business Plan guidelines



	2019pf	2020pf	2021	2022		2023	Confirmed
TURNOVER	199,6 M€	172,8 M€	194,3 M€	>240,0 M€	<ul style="list-style-type: none">>> Significant performance of the Energy Automation segment; Stringing segment back to historical performances>> Focus on recurring revenues (rental & services)>> Growth in each business line>> Price lists variation and review of the medium-long term contracts (actual context)		275~290 M€ cagr ₁₉₋₂₃ : 8.5%~10.0%
EBITDA	30,0 M€	22,9 M€	28,1 M€	>16%	<ul style="list-style-type: none">>> Better mix of products & systems, premium price policy, impact of new high margin activities such as rental and hi-tech solutions>> Rationalization and standardization of the products portfolio>> Broadly stable fixed costs and review of the price lists and the medium-long term contracts>> Facing the price variation with alternative supplying solutions, new applications and reversing the cost to the price		53~58 M€ cagr ₁₉₋₂₃ : 17.0%~18.0%
NFP	130,0 M€	104,4 M€	121,0 M€	Improvement	<ul style="list-style-type: none">>> Net working capital improvement and efficiency actions on inventory>> Optimization of credit management policies>> 2020-2023: Cumulated Capex in 4 years 75/80M€ (including 2021 variation), progressive reduction to 5% of the CAPEX/Revenues		Improvement

OUTLOOK 2022

- Further development in Arab Peninsula
- Consolidation of growth in Europe and the USA driven by support programs
- Stocks to guarantee business continuity
- Electrification & Sustainable solutions



Tesmec is strengthening its presence in the Arabian Gulf area, to provide specialized service for the upcoming development projects in the area



Growth measures passed in Europe and America are favoring Trenchers & Surface Miners provision



Raw materials and semi-finished products shortage represent a tough challenge, Tesmec is coping with it thanks to flexibility, knowledge and stocks



Electrification path is being undertook, to make urban works emission-less. GreenPose sustainable digging&laying recycling system is being recognized on the market

OUTLOOK 2022

- Important re-lining & cable laying projects
- R&D focus on new methodologies & green solutions
- Supply Chain impact



Focus on re-lining & transmission projects in Middle East with important orders acquisition on Q1



Push on German corridors with special solutions dedicated to underground transmission lines



Development of a special light solution for reconductoring projects, enlargement of the zero emissions machines range for distribution.



Supply Chain disruption with a critical impact on delivery & warehouse management (push on standard solutions)

OUTLOOK 2022

- Consolidation of existing market
- Focus on market expansion through the promotion of new business models
- New organization of Service & After-Sales activities
- Significant challenges related to supply chain and delivery plans during the year
- Participation in international events to expand business network and penetrate new market channels and geographical areas



Completion of product portfolio and promotion of innovative solutions to develop new market channels



Consolidation of existing market with accurate sales initiatives and participation to new and on-going tenders



Reinforcement of service activities to support business growth and generate new revenue streams



Relevant steps forward to increase the positioning in the Substation Automation market

OUTLOOK 2022

- **INTERNATIONALIZATION OF THE BUSINESS**

From the domestic market to the international market: increase of the portfolio of customers.

- **GREEN TRANSITION**

From traditional vehicles with diesel engine to sustainable vehicles (bimodal & full electric) with zero environmental impacts.

- **INTEGRATED DIAGNOSTIC SOLUTIONS: CONSOLIDATED VEHICLES & SYSTEMS**

Artificial Intelligence applied to vision systems to identify and validate defects for safety of rail infrastructures



Internationalization of the business

Export the business from Italy increasing the portfolio of key clients: participation to domestic & international tenders.

- Tesmec low bidder for strategic tenders, which results are part of the backlog 2023, if confirmed by year end.

**AS IS
1H 2022**

- 75% Italy
- 25% International

**TO BE
FORECAST 2H 2022**

- 45% Italy
- 55% International

Green Transition



AS IS

From classic vehicles with diesel engines...



TO BE

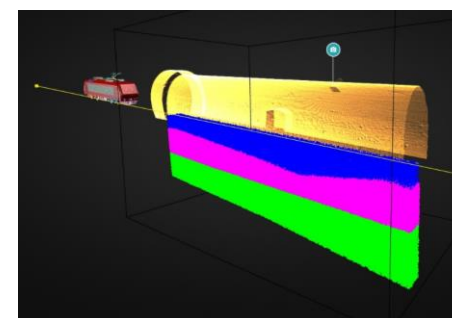
...to Full Electric, Bimodal and Hybrid technologies

Artificial Intelligence applied to Diagnostic



AS IS

From a standard centralized diagnostic platform with the operator....



TO BE

..to AI applied to diagnostic vision systems to identify and validate defects on railway infrastructure for a safety & reliable network

4.

ANNEX

Summary 2022.H1 Profit & Loss statement - Appendix A



Profit & Loss Account (Euro mln)	2022.H1	2021.H1	Delta vs 2021	Delta %
Net Revenues	113,3	96,9	16,4	16,9%
Raw materials costs (-)	(43,6)	(39,4)	(4,2)	10,6%
Cost for services (-)	(22,1)	(16,7)	(5,4)	32,3%
Personnel Costs (-)	(29,8)	(27,3)	(2,5)	9,2%
Other operating revenues/costs (+/-)	(3,6)	(2,6)	(1,0)	38,3%
Non recurring revenues/costs (+/-)	-	-	0,0	na
Portion of gain/(losses) from equity investments evaluated using the equity method	(0,1)	(0,3)	0,2	-73,5%
Capitalized R&D expenses	4,6	3,1	1,5	47,7%
Total operating costs	(94,6)	(83,2)	(11,4)	13,7%
<i>% on Net Revenues</i>	<i>(83,5%)</i>	<i>(85,8%)</i>		
EBITDA	18,7	13,7	5,0	36,5%
<i>% on Net Revenues</i>	<i>16,5%</i>	<i>14,2%</i>		
Depreciation, amortization (-)	(10,7)	(10,8)	0,1	-0,9%
EBIT	8,0	2,9	5,1	176,1%
<i>% on Net Revenues</i>	<i>7,1%</i>	<i>3,0%</i>		
Net Financial Income/Expenses (+/-)	3,4	(1,1)	4,5	-407,1%
Taxes (-)	(3,5)	(0,8)	(2,7)	347,6%
Minorities	(0,0)	0,0	(0,0)	
Group Net Income (Loss)	7,9	1,0	6,9	n/a
<i>% on Net Revenues</i>	<i>7,0%</i>	<i>1,0%</i>		

Summary 2022.H1 Balance Sheet - Appendix B



Balance Sheet (€ mln)	2022.H1	2021
Inventory	91,8	81,3
Work in progress contracts	20,9	15,7
Accounts receivable	68,7	54,4
Accounts payable (-)	(64,9)	(56,0)
Op. working capital	116,5	95,4
Other current assets (liabilities)	(18,4)	(18,9)
Net working capital	98,1	76,5
Tangible assets	47,1	47,6
Right of use - IFRS 16/IAS 17	22,3	23,4
Intangible assets	26,0	23,9
Financial assets	8,5	8,1
Fixed assets	103,9	102,9
Net long term assets (liabilities)	14,6	14,2
Net invested capital	216,6	193,7
Cash & near cash items (-)	(33,4)	(50,2)
Short term financial assets (-)	(17,8)	(16,8)
Lease liability - IFRS 16/IAS 17	24,9	24,5
Short term borrowing	70,1	59,3
Medium-long term borrowing	89,3	104,2
Net financial position	133,1	121,0
Equity	83,5	72,6
Funds	216,6	193,7

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