

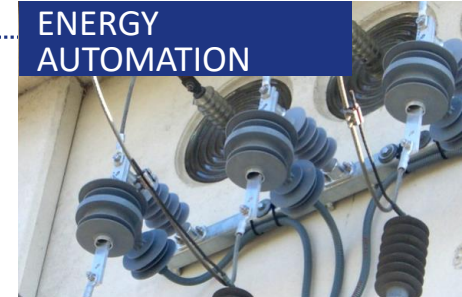
- > **Corporate Strategy**
- > 9M 2018 Results
- > 2018 Outlook & 2019 Trend

ENERGY



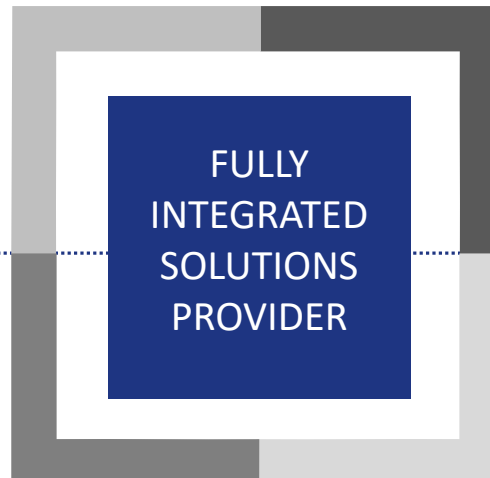
STRINGING

- > Overhead power lines construction & maintenance
- > Reconductoring and line improvement
- > Underground cable laying



ENERGY AUTOMATION

- > Telecommunication & Teleprotection
- > Electronic integrated sensors, fault detection and measurement
- > Protections & Electronics for Distribution



FULLY
INTEGRATED
SOLUTIONS
PROVIDER



RAILWAY

- > Railway lines electrification
- > Catenary maintenance and diagnostic
- > Special Applications



TRENCHER

- > Telecom networks, FTTH & long distance, power cable installation
- > Oil & Gas, Water pipelines
- > Bulk excavation of rock and Quarries

TESMEC

“ From Steel to sustainable Technology ”

OUR MISSION

- > Value added **integrated solutions** provider in the market of infrastructure for the transport of energy, data and material
- > **Efficiency, digitalization, safety** and **sustainability** are our drivers for the modernization of the infrastructures projects in the world
- > **R&D investments**: match the people and high know-how to meet the new demands of the markets

- > Corporate Strategy
- > **9M 2018 Results**
- > 2018 Outlook & 2019 Trend



A CONTINUOUS INNOVATION PROCESS
in order to face the new challenges of the Energy sector



**Focus on new digital technologies
and innovative methodologies**

➤ DIGITAL MACHINES 4.0

A new digital HMI, drastically simplified

The new remote monitoring system, RE.M:

- Data Management
- Geofencing
- Proactive Maintenance Management
- Remote diagnostic and troubleshooting



➤ HI-TECH STRINGING OPERATIONS WITH HELICOPTER

The Highest Transmission Towers in the world (380m) have been build for Sea High Voltage Conductors Crossing

The **operation for Stringing the Pulling Rope** on top of the two tall towers will be carried out by two main equipment:

- The new High-Speed Tensioning System TN1216 and CVR829 made by Tesmec
- A huge heavy Lifting Helicopter





From a start up to a major deployment on the market for protection, metering and control applications



Improve performance while minimizing OPEX and CAPEX



ITALIAN MARKET CONSOLIDATION

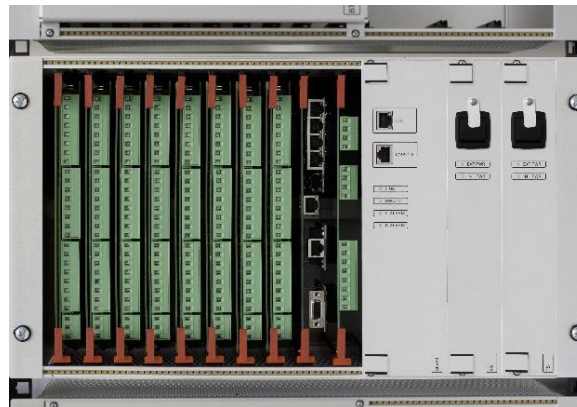
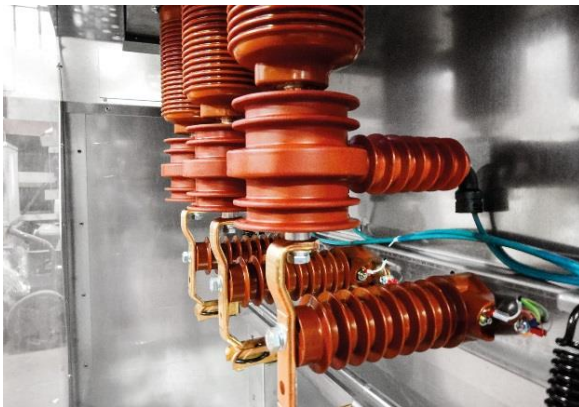
Become a recognized *innovation hub* through partnership in technological projects on the main TSO & DSO of the local market



INTERNATIONAL FOOTPRINT

Achieve business growth through expansion into new geographic areas:

- **RUSSIA:** mass production of the Smart Metering solution with revenues starting from end of Q3 and Q4 2018
- **ALGERIA:** First award of High Voltage telecommunications tenders with rump up of the supplies foreseen for 2019





Tesmec is a global group with a **strong focus in different applications**



Full integrated technological solutions supplier

»» MINING & QUARRIES APPLICATIONS

Anti-cyclical segment. Business opportunities in major Countries:

- Australia
- Africa
- Russia

»» PIPELINE INDUSTRY (Oil&Gas, water)

Positive trend of pipeline market. Important projects in:

- USA
- Middle East
- South Africa

»» CABLE LAYING SYSTEM (fiber and energy cables)

Know-how Integrated System thanks to collaboration with the leading players in the fields and open innovation approach



 **NEW RAILWAY HUB: Tesmec Rail**
enhance the Group's activities in the railway business



Focus on R&D and innovative projects to develop technological solutions to anticipate market needs

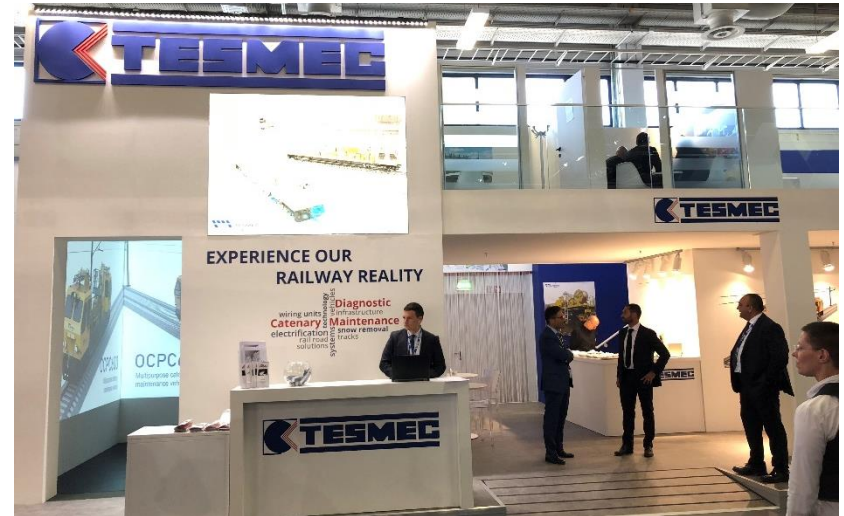
 **KEY EVENTS:**

- ✓ **InnoTrans 2018**, September 2018
- ✓ **Inauguration Tesmec Rail**, October 2018



APPLICATIONS:

- STRINGING
- MAINTENANCE
- DIAGNOSTIC
- BOGIE



➤ TECHNOLOGICAL VEHICLES

FRANCE - *Contract value of Euro 14.25 million*

- Special Technological vehicles: 9 vehicles (n.6 different models) engineered to allow a correct execution of the works of catenary replacement in a complete security environment.

➤ DIAGNOSTIC SOLUTIONS

Vehicles with hi-tech measuring systems to improve the control and maintenance of the national rail network.

GROUP (€ mln)	9M 2018	9M 2017	Delta %
REVENUES	140,5	132,1	6,3%*
EBITDA	12,2**	13,6	-9,9%
% on Revenues	8,7%	10,3%	
EBIT	1,4	3,1	-53,6%
% on Revenues	1,0%	2,4%	
Differences in Exchange	(0,4)	(4,6)	91,9%
% on Revenues	-0,3%	-4,8%	
PROFIT (LOSS) BEFORE TAX	(1,4)	(3,3)	57,3%
% on Revenues	-1,0%	-2,5%	
NET INCOME/(LOSS)	(0,7)	(1,8)	59,2%
% on Revenues	-0,5%	-1,4%	



ENERGY	9M2018	9M2017	Delta %
Revenues	30,2	44,8	-32,6%
EBITDA	2,2	7,3	-68,9%
% on Revenues	7,5%	16,3%	



TRENCHERS	9M2018	9M2017	Delta %
Revenues	94,2	76,1	23,8%
EBITDA***	7,7	4,8	59,8%
% on Revenues	8,2%	6,3%	

*** without the Australian extra jobsite costs, the EBITDA would have been around 11,5 M€, 12,2% on revenues



RAILWAY	9M2018	9M2017	Delta %
Revenues	16,1	11,2	43,9%
EBITDA	2,3	1,5	55,5%
% on Revenues	14,1%	13,1%	

GROUP (€ mln)	9M 2018	9M 2017	Delta %
NFP	92,9	93,5	0,6%

*+ 8,1% at constant currencies

** without the Australian extra jobsite costs, the EBITDA would have been around 16,0 M€, 11,4% on revenues

Euro/mln	1H - YTD			Q3			9M - YTD		
	2018	2017	Var.	2018	2017	Var.	2018	2017	Var.
REVENUES	91,1	91,1	0,0%	49,4	41,0	20,5%	140,5	132,1	6,3%
EBITDA*	9,3	8,7	7,1%	2,9*	4,9	-40,8%	12,2**	13,6	-9,9%
EBITDA %	10,2%	9,6%		5,9%*	11,9%		8,7%**	10,3%	
EBIT	2,4	2,0	18,1	(1,0)	1,1	-190,9%	1,4	3,1	-53,6%

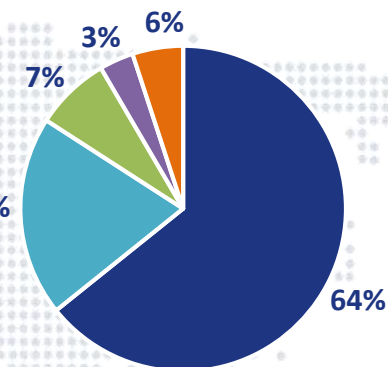
• without the Australian extra jobsite costs, the Q3 EBITDA would have been around 6,9 M€, 14,0% on revenues

** without the Australian extra jobsite costs, the YTD EBITDA would have been around 16,0 M€, 11,4% on revenues

Actual Exchange Rate = 1,198

Revenue (€ mln)	Original Currency	Exchange Rate	9M 2018	%
EURO			90.258	64%
USD	33.436	1,1980	27.926	20%
AUD	16.456	1,5714	10.472	7%
NZD	8.097	1,6999	4.764	3%
OTHER CURRENCY			7.073	5%
Total Revenue			140.493	100%

Revenues



■ EURO ■ USD ■ AUD ■ NZD ■ Other Currency

LY Exchange Rate = 1,103

Revenue (€ mln)	Original Currency	Exchange Rate	9M 2018	%
EURO			90.258	63%
USD	33.436	1,1030	30.314	21%
AUD	16.456	1,5714	10.472	7%
NZD	8.097	1,6999	4.764	3%
OTHER CURRENCY			7.073	5%
Total Revenue			142.881	100%

BDG Exchange Rate = 1,15

Revenue (€ mln)	Original Currency	Exchange Rate	9M 2018	%
EURO			90.258	64%
USD	33.436	1,1500	29.075	21%
AUD	16.456	1,5714	10.472	7%
NZD	8.097	1,6999	4.764	3%
OTHER CURRENCY			7.073	5%
Total Revenue			141.642	100%

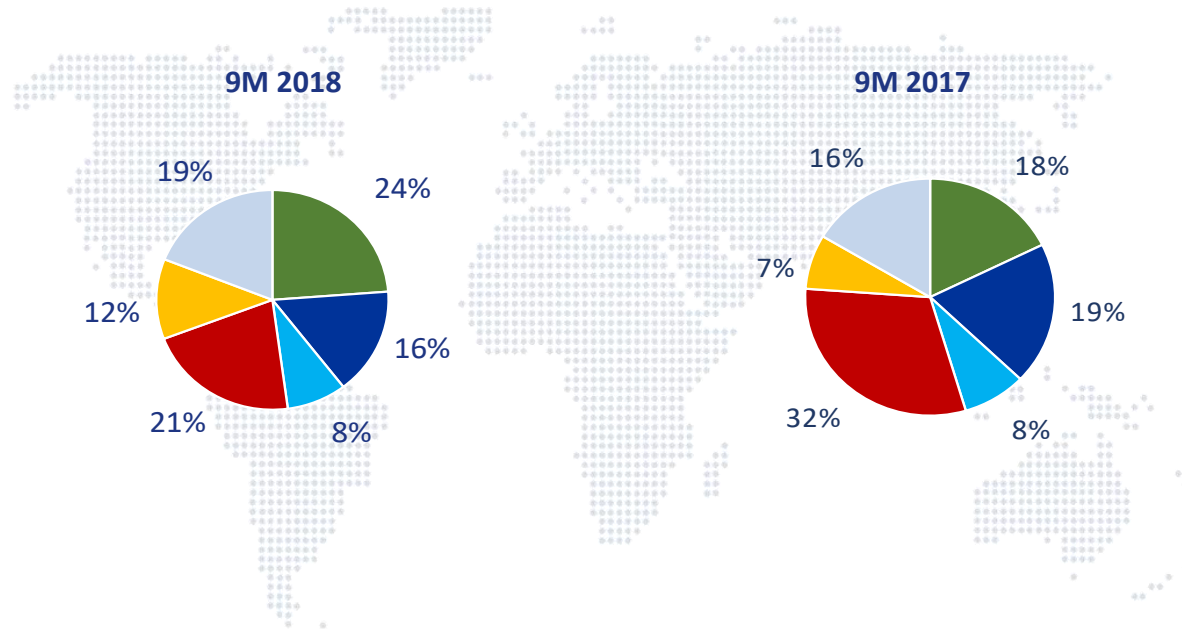
Difference

2.388

Difference

1.149

INTERNATIONAL SCALE AND EXPOSURE TO GROWING ECONOMIES JOINT WITH A GROWING IMPORTANCE OF THE ITALIAN MARKET



ITALY: impact of railway business & automation

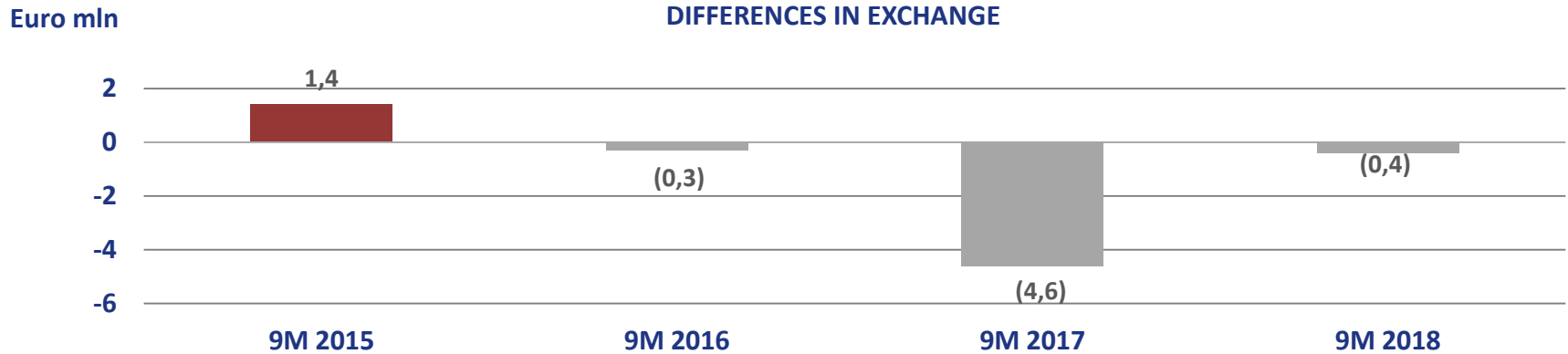


USA: TRS impact



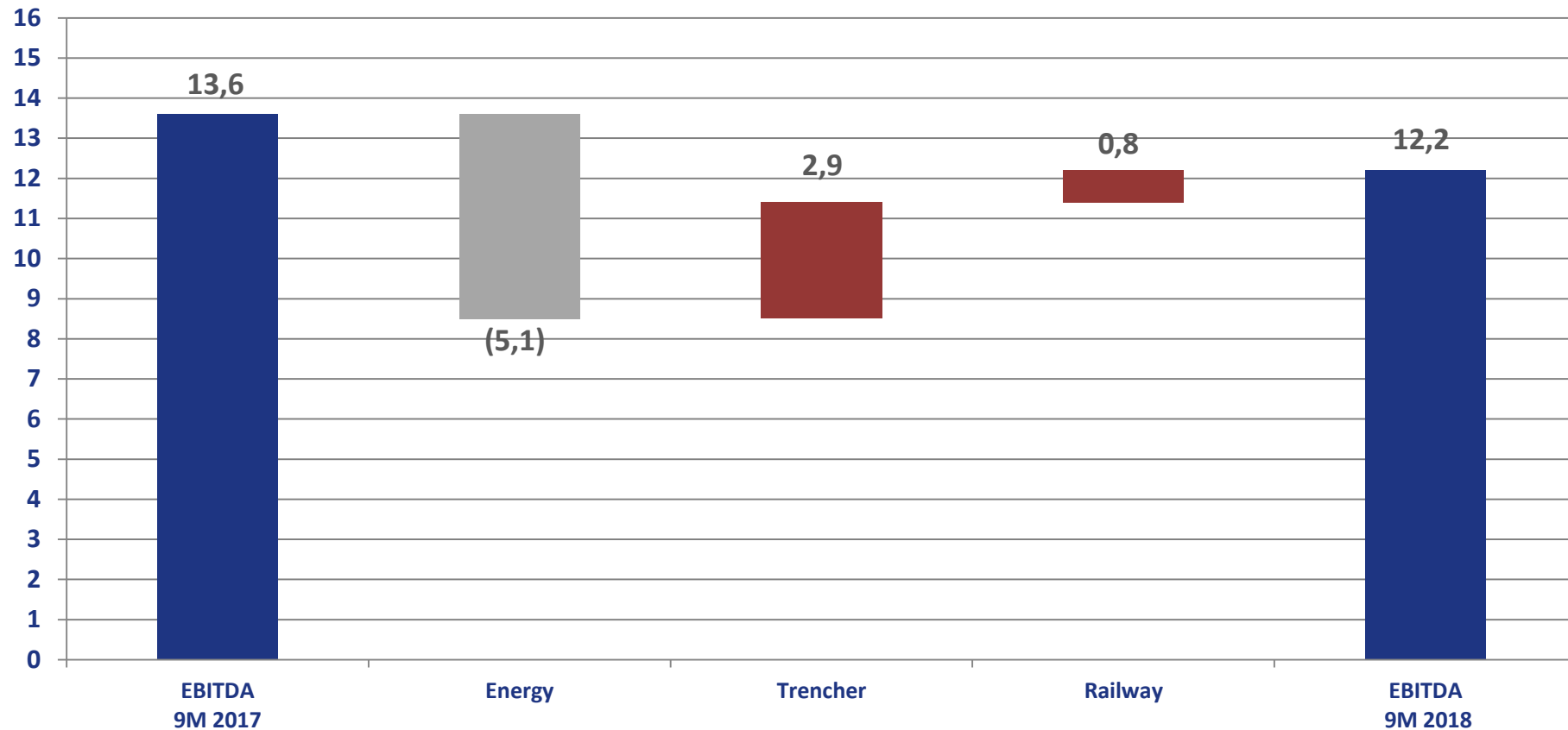
BRICs: Indonesia order non-recurring impacted in 2017

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



GROUP (Euro mln)	9M 2018	9M 2017	9M 2016
Differences in Exchange	(0,4)	(4,6)	(0,3)
<i>of which:</i>			
<i>Realised</i>	<i>0,1</i>	<i>0,1</i>	<i>0,0</i>
<i>Unrealised</i>	<i>(0,5)</i>	<i>(4,7)</i>	<i>(0,3)</i>
Differences in Exchange for currency:			
USD	0,6	(3,0)	(0,9)
ZAR	(0,6)	(0,6)	0,4
IDR	-	(0,6)	-
OTHER	(0,4)	(0,4)	0,2
Total	(0,4)	(4,6)	(0,3)

€ mln



9M 2017

Positive performance of trencher segment although the Australian impact and the drop of energy business

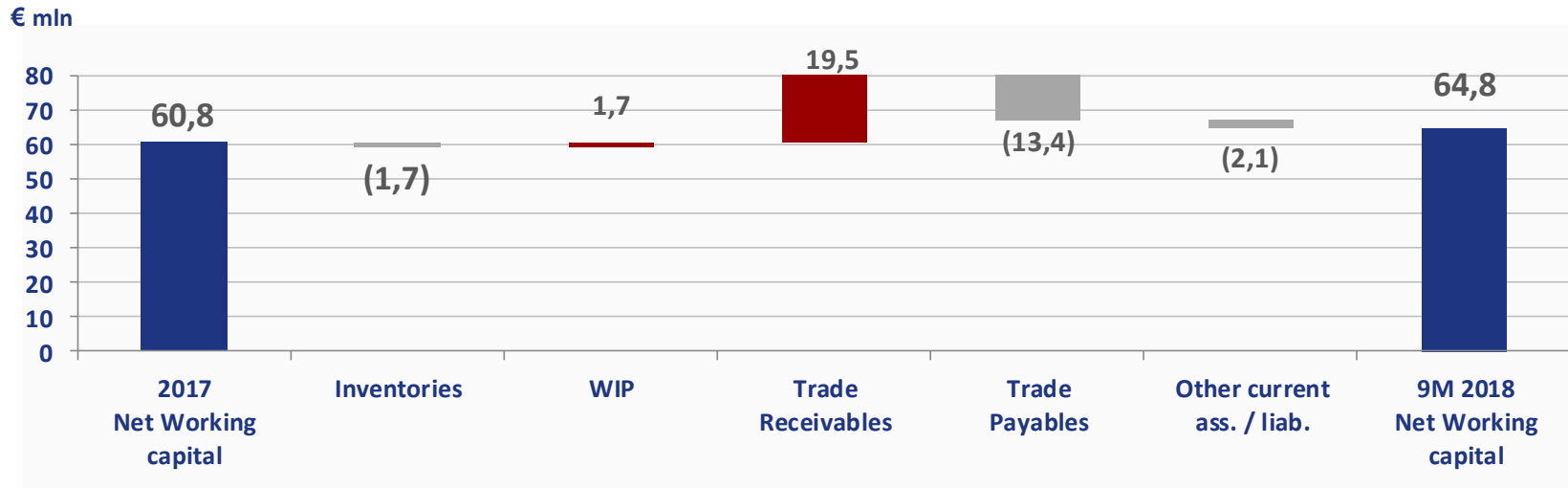
9M 2018

Financial Information (€ mln)	9M 2018	2017
Net Working Capital	64,8	60,8
Non Current assets	68,0	68,4
Other Long Term assets/liabilities	2,7	0,9
Net Invested Capital	135,5	130,1
Net Financial Indebtness	92,9	85,2
Equity	42,6	44,9
Total Sources of Financing	135,5	130,1

2017

Working capital impacts in Net Investing Capital

9M 2018



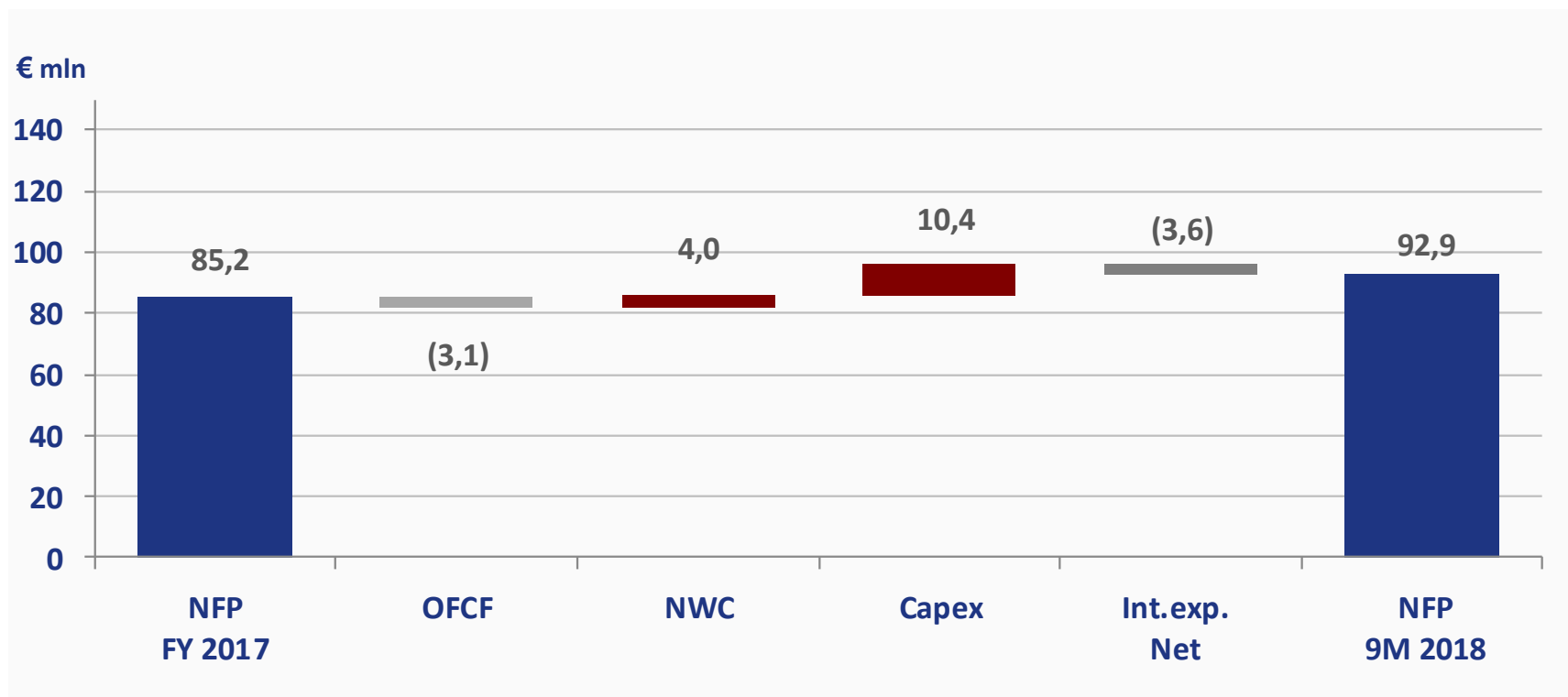
€ Mln	9M 2018	2017	Days 9M 2018	Days 2017
Trade Receivables	59,4	39,9	114	82
Inventories	61,4	63,1	134	143
Work in progress contracts	8,4	6,8		
Trade Payables	(52,9)	(39,5)	-102	-81
Other Current Assets/(Liabilities)	(11,5)	(9,5)	-47	-41
Net Working Capital	64,8	60,8		

2017
€ 60,8 mln

Increase of trade receivables following sales closed at the end of the quarter and impact of work in progress contracts due to the rail growth

9M 2018
€ 64,8 mln

OPERATING NET FINANCIAL POSITION

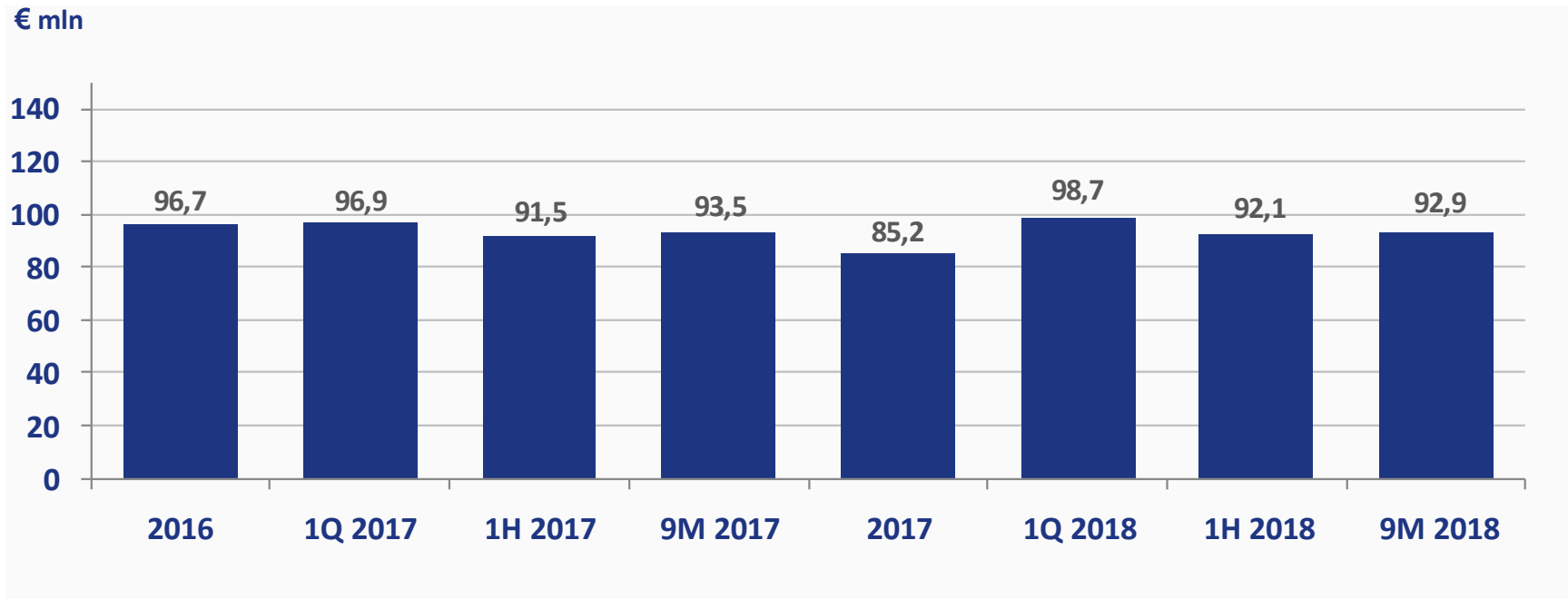


2017

Impact of NWC increase due to the traditional seasonality of the business and the CAPEX for the Puglia Project

9M 2018

OPERATING NET FINANCIAL POSITION



- > Corporate Strategy
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OUTLOOK

ECONOMICS & FINANCIALS



- 1 Sales:** target around 200 M€
- 2 EBITDA %** in line with the previous year. The Q4 performance will be better but not enough to offset the Q3 Australian extra costs. **Improvement** due to better fixed costs absorption & efficiency in the business.
- 3 Positive «Net Profit»**
- 4 NFP:** improvement is expected thanks to the normalization of working capital & operating profitability
- 5 BACKLOG** in line with 2018.Q3
- 6 Efficiency & Productivity** recovery plan on going

MACROECONOMIC IMPACTS



- 1 Inflation:** tradeoff price increase / volume
The higher costs will be offset by the price realization, the efficiency and cost discipline
- 2 €/ \$ positive transaction**
- 3 Current Italian scenario:**
 - limited business impact since our orders are connected to the investments in safety and security/resiliency areas both for railways and automation business
 - 80% of Tesmec revenues are abroad
- 4 Tesmec Business** are focused **anti-cyclical Industries** with medium and long-term horizons

BUSINESS MODEL
BLOCKCHAIN KNOW-HOW MODEL
STRATEGIC PARTNERSHIP/COLLABORATIONS
GUIDELINES

- > CONSOLIDATION OF THE BUSINESSES GROWTH THANKS TO HIGH ADDED VALUE TECHNOLOGICAL SOLUTIONS
- > IMPROVE OF THE MARGIN
- > NO FURTHER CAPEX TO INCREASE THE PRODUCTON CAPABILTY


BUSINESS DRIVERS
ENERGY

- > FOCUS ON RELIABILITY AND SECURITY OF SUBSTATION AUTOMATION SYSTEMS AND COMMUNICATION NETWORKS

- ✓ **Cyber security protection is the highest priority for Tesmec:** new developments to face the challenges of the industrial and utility customers

- > FOCUS ON NEW METHODOLOGY RELIABILITY AND 4.0 MACHINES RANGE

TRENCHERS

- > GROWTH IN THE ALL KEY MARKET SEGMENTS

- > ANTI-CYCLICAL INDUSTRIES (e.g.: mining)

- > KEY PARTNERSHIP IN RENAWABLES AND FTTH BUSINESS

- > DIGITALIZATION & INTEGRATED JOBSITE SOLUTIONS

- > RELIABILITY AND QUALITY

- > GLOBAL REPLY WITH LOCAL PARTNERS

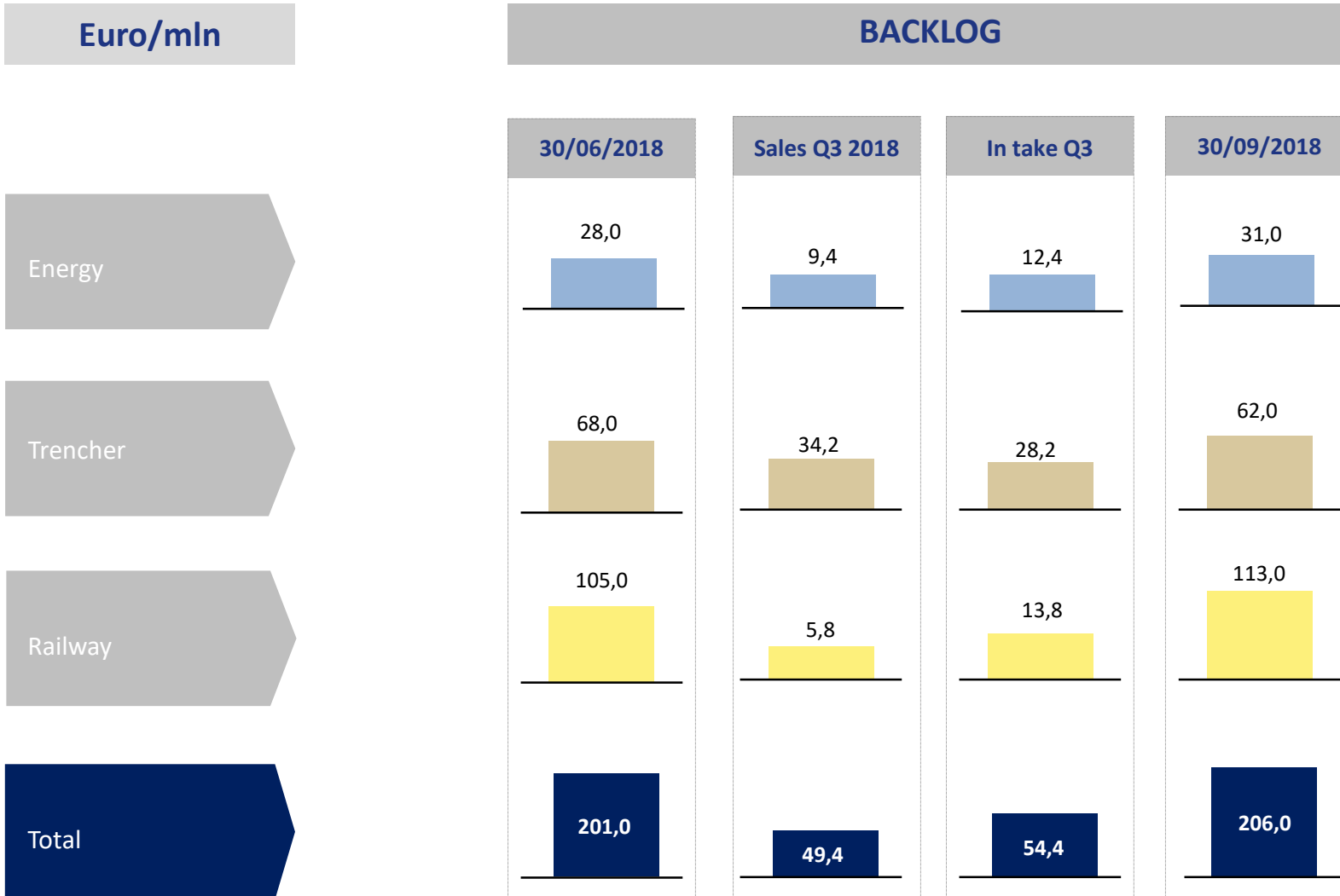
RAILWAY

- > FOCUS ON SAFETY FOR PASSENGERS AND RAILWAY NETWORK

- > DATA REMOTE MANAGEMENT

- ✓ **Solutions designed according to the latest European Standards:** technologies on board which allow our vehicles to travel as passengers train and to achieve an efficient and eco-friendly jobsite execution

- ✓ **Infrastructure diagnostic solutions: vehicles and platforms** for data analysis and preventive maintenance



Profit & Loss Account (Euro mln)	9M 2018	9M 2017	Delta vs 2017	Delta %
Net Revenues	140,5	132,1	8,4	6,3%
Raw materials costs (-)	(64,5)	(58,7)	(5,8)	10,0%
Cost for services (-)	(23,9)	(22,9)	(1,0)	4,2%
Personnel Costs (-)	(36,4)	(33,4)	(3,0)	8,8%
Other operating revenues/costs (+/-)	(7,9)	(7,4)	(0,5)	6,9%
Portion of gain/(losses) from equity investments evaluated using the equity method	0,2	0,0	0,2	0,0%
Capitalized R&D expenses	4,2	3,9	0,3	6,5%
Total operating costs	(128,3)	(118,5)	(9,8)	8,3%
<i>% on Net Revenues</i>	<i>(91%)</i>	<i>(90%)</i>		
EBITDA	12,2	13,6	(1,4)	-9,9%
<i>% on Net Revenues</i>	<i>9%</i>	<i>10%</i>		
Depreciation, amortization (-)	(10,8)	(10,5)	(0,3)	3,2%
EBIT	1,4	3,1	(1,7)	-53,6%
<i>% on Net Revenues</i>	<i>1%</i>	<i>2%</i>		
Net Financial Income/Expenses (+/-)	(2,8)	(6,4)	3,6	-55,4%
Taxes (-)	0,7	1,5	(0,8)	-56,1%
Minorities	-	-	-	-
Group Net Income (Loss)	(0,7)	(1,8)	1,1	59,2%
<i>% on Net Revenues</i>	<i>0%</i>	<i>-1%</i>		

Balance Sheet (€ mln)	9M 2018	2017
Inventory	69,8	69,9
Accounts receivable	59,4	39,9
Accounts payable (-)	(52,9)	(39,5)
Op. working capital	76,3	70,3
Other current assets (liabilities)	(11,5)	(9,5)
Net working capital	64,8	60,8
Tangible assets	47,0	46,1
Intangible assets	17,0	18,3
Financial assets	4,0	4,0
Fixed assets	68,0	68,4
Net long term liabilities	2,7	0,9
Net invested capital	135,5	130,1
Cash & near cash items (-)	(23,7)	(21,5)
Short term financial assets (-)	(7,3)	(12,5)
Short term borrow ing	73,4	79,2
Medium-long term borrow ing	50,5	40,0
Net financial position	92,9	85,2
Equity	42,6	44,9
Funds	135,5	130,1

Disclaimer

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