TESMEC S.P.A.: THE BOARD OF DIRECTORS APPROVED THE INTERIM CONSOLIDATED FINANCIAL REPORT AS AT 30 SEPTEMBER 2019, THAT CONFIRMS THE GROWTH OF THE REVENUES, AN IMPROVEMENT OF THE MARGINALITY AND A POSITIVE NET RESULT.

- **<u>Main consolidated results as at 30 September 2019 (vs the first nine months of 2018)</u>:**
- **Revenues: Euro 144.2 million** (compared to Euro 140.5 million as at 30 September 2018);
- **EBITDA[1]: Euro 17.4 million** (compared to Euro 12.2 million as at 30 September 2018), the EBITDA **ante IFRS 16[2]** were Euro **14.7 million**;
- **EBIT: Euro 3.9 million** (compared to Euro 1.4 million as at 30 September 2018);
- **Profit before taxes: Euro 1.4 million** (compared to loss of Euro 1.4 million as at 30 September 2018);
- **Net profit: Euro 0.7 million** (compared to net loss of Euro 0.7 million as at 30 September 2018);
- **Net financial indebtedness ante IFRS 16: Euro 97.8 million** (compared to Euro 77.7 million as at 31 December 2018 and compared to Euro 92.9 million as at 30 September 2018); The Net Financial Indebtedness post IFRS 16 was Euro 115.6 million;
- **Total order backlog: Euro 198.0 million** compared to Euro 206.0 million as at 30 September 2018).

Grassobbio (Bergamo- Italy), 31st October 2019 – The Board of Directors of **Tesmec S.p.A.** (MTA, STAR: TES), at the head of a group leader in the market of infrastructures related to the transport and distribution of energy, data and materials, convened today and chaired by **Ambrogio Caccia Dominioni**, examined and approved the **Interim Consolidated Financial Report as at 30 September 2019**, that confirms an increase in revenues, an improvement of marginality and positive net result. The increase of the Net Financial Indebtedness is mainly due to the variation of the Net Working Capital, linked to the finalization of the homologation activities and the execution of the orders in the Railways segment and to the stock needed to support the growth expected in the last quarter of 2019.

The **Chairman and CEO Ambrogio Caccia Dominioni** commented as follows: *"I am satisfied with the recovery of margins and consolidation of the revenues achieved in the first nine months of 2019, even if the results do not yet reflect the potential of the strategic actions we have undertaken. The Group's innovative solutions are emerging in the main businesses and, therefore, we expect a growth in order acquisition by the end of the year."*

[1] The EBITDA is represented by the operating income gross of amortization/depreciation. The EBITDA thus defined represents a measurement used by Company management to monitor and assess the company's operating performance. EBITDA is not recognized as a measure of performance by the IFRS and therefore is not to be considered an alternative measurement for assessing the performance of the Group's operating income. As the composition of EBITDA is not governed by the reference accounting standards, the criterion for determination applied by the Group may not be in line with the criterion adopted by others and is therefore not comparable.

[2] Effective January 1 2019, the new international financial reporting standard IFRS 16 "Leases" came into force, it introduces a singles lessee accounting model, eliminating the classification of leases as either operating leases or finance leases, and requires a lessee to recognize right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The application of IFRS 16 has the following impacts: an increase in fixed assets due to right-of-use of assets, an increase in financial liabilities on lease debt, an increase in EBITDA of, and to a lesser extent in EBIT, due to the removal of lease rates currently recorded under the operating costs, and a simultaneous increase in depreciation and a marginal change in net profit due to the accounting of financial expenses.

MAIN CONSOLIDATED RESULTS AS AT 30 SEPTEMBER 2019

As at **30 September 2019**, Tesmec Group recorded consolidated **Revenues of Euro 144.2 million**, with an increase 2.6% compared to Euro 140.5 million as 30 September 2018 and of 0.9% at constant currencies. The three business sectors contributed in different way to this result, with an expected growth for the Railway segment and a better balance in the Trencher segment.

Results as at 30 September	**Revenues from sales and services**		
(Euro in thousands)	**2019**	**2018**	**Variation**
Trencher	**89,398**	**94,157**	**Variation**
Effect on Consolidated Revenues	*62.0%*	*67.0%*	***-5.1%***
Railway	**23,329**	**16,136**	
Effect on Consolidated Revenues	*16.2%*	*11.5%*	***+44.6%***
Energy	**31,481**	**30,200**	
Effect on Consolidated Revenues	*21.8%*	*21.5%*	***+4.2%***
Consolidated	**144,208**	**140,493**	

In detail, the **Revenues** in the **Trencher segment** as at 30 September 2019 were **Euro 89.4 million**, with a decrease of 5.1% compared to Euro 94.2 million as at 30 September 2018. The change is due to the Australian market, where the Group, following the local reorganization and the implementation of the new business model that has redefined the contractual frames, focused on a smaller number of projects, converging on quality and profitability. In the third quarter, we confirmed the good performance of the American market and the start-up of the mining and 5G sectors in the key Countries: USA, Africa, United Kingdom and France. The **Railway segment** recorded Revenues of **Euro 23.3 million** as at 30 September 2019, with an increase of 44.6% compared to Euro 16.1 million recorded as at 30 September 2018, with a growth due to the execution of contracts with RFI and the French market. The revenues of **Energy segment** were **Euro 31.5 million** as at 30 September 2019, with an increase of 4.2% compared to Euro 30.2 million as at 30 September 2018. In particular, in the first nine months of the year 2019, the Energy-Automation segment achieved revenues of Euro 7.9 million, with an increase of 29.5% compared to the Euro 6.1 million as at 30 September 2018, in line with the yearly outlook for this segment.

In geographic terms, Tesmec Group achieved a positive performance on USA and European market, which recorded an increase of 28.2% and 8.2% respectively.

The **EBITDA,** including the positive impact of the Australian insurance reimbursement and the reorganization costs in Australia, amounted to **Euro 17.4 million** in increase compared to Euro 12.2 million as at 30 September 2018. The Group expects a further improvement of the marginality in the last quarter thanks to the business performance. The EBITDA ante IFRS 16 was **Euro 14.7 million**.

Consequently, the **EBIT** of Tesmec Group as at 30 September 2019 was **Euro 3.9 million**, in improvement compared to Euro 1.4 million as at 30 September 2018.

The **Net Financial Income and Expenses** of the Tesmec Group were Euro **2.6 million** as at 30 September 2019, compared to Euro 2.8 million as at 30 September 2018. The positive effect of the exchange rates has balanced the negative impact due to IFRS 16.

The **Profit before tax** was **Euro 1.4 million** as at 30 September 2019, with a strong improvement compared to the losses of Euro 1.4 million as at 30 September 2018.

The **consolidated Net results** as at 30 September 2019 of Tesmec Group amounted to **Euro 0.7 million,** a significant improvement compared to negative of Euro 0.7 million recorded as at 30 September 2018.

The **Net Financial Indebtedness ante IFRS 16** was Euro **97.8 million**, compared to Euro 77.7 million at 31 December 2018 and compared to Euro 92.9 million as at 30 September 2018. This change is mainly due to the increase of the Net Working Capital, linked to the work in progress in the Railways segment and to the stock needed to support the growth expected in the last quarter of 2019. The Net Financial Indebtedness post IFRS 16 was Euro 115.6 million.

The **Total Order Backlog** of the Tesmec Group **as at 30 September 2019** amounted to **Euro 198.0 million-** of which referring to the **Trencher** segment, **Euro 70.9 million, Euro 96.7 million** to the **Railway** segment and **Euro 30.4 million** to the **Energy** segment – compared to Euro 206.0 million in the first nine months of the year 2018.

BUSINESS OUTLOOK

The development of integrated and green solutions related to new stringing methods, the implementation of certified solutions in the field of smart grids and cybersecurity, the creation of proper value chains in the 5G, FTTH and mining segments and the new diagnostic and maintenance systems are driving the Group towards the confirmation of the forecasted targets for the year. A significant turnover growth is expected in the last quarter of the year compared to the previous year, which allows the improvement of the economic-financial index at the end of the period. This growth is linked to the Group's main activities related to the infrastructure sectors and connected to digital technologies. In particular, in Energy segments, we highlight the consolidation of the new stringing products and the opportunities in the field of Energy Automation related to participation in highly innovative projects. The integration process of the Tesmec/Marais sales network and the efficiency actions undertaken since last year will support the improvement of the profitability indicators. Therefore, the Group believes that the proper actions have been undertaken to achieve important economic and financial targets over the next twelve months.

MAIN EVENTS OVER THE PERIOD UNDER REVIEW

On **9 July 2019** the company Marais Guinée SARLU, a 100% subsidiary of Group Marais SA, was established. The company is headquartered in Conakry (Guinea) and is active in the construction of networks for the transport and distribution of energy, data and materials, the sale and rental of trenchers and surface mining works.

MAIN EVENTS OCCURRING AFTER THE PERIOD UNDER REVIEW

On **18th October** 2019 the subsidiary Tesmec Rail S.r.l. has signed a contract with a total value of approx. Euro 8 million with the Czech Group Elektrizace železnic Praha a.s. ("ELZEL") for the supply of railway vehicles equipped with signaling system, homologation and full maintenance service (FMS) for 6 years.
In detail, Tesmec Group will supply 4 rail vehicles with bogies for catenary maintenance, OCPD001-CZ, designed in compliance with the highest safety standards in force in the European Union according to the EN14033 standard. These are multi-purpose and versatile vehicles equipped with on-board control system for travelling in train mode (maximum speed 140 km/h), ensuring the activity of passenger trains without the interruption of the line. The vehicles are equipped with platform and crane with integrated wire positioner to guarantee operations in a safer, more efficient and faster way.
The contract also provides for the supply of diagnostic systems to measure the height and the polygonation of the catenary wire for the certification of the performed activities. The delivery of the rail vehicles will take place between January and June 2020.

Treasury shares

At the time of this press release, the Company holds 4,711,879 treasury shares, equal to 4.40% of the Share Capital.

Other informations

IFRS 16

Effective **January 1 2019**, the new international financial reporting standard IFRS 16 “Leases” came info force, it introduces a singles lessee accounting model, eliminating the classification of leases as either operating leases or finance leases, and requires a lessee to recognise right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.
The accounting of the new principle for the lessee is the following:

- in the balance sheet: right of use assets and financial lease liabilities representing the obligation to make lease payments as provided for in the contract;
- in the income statement: among the operating costs, depreciation of right-of-use assets and interest expense accrued on lease liabilties; the income statement also includes payments for short-term and low-value leasing contracts and variable payments linked to the use of assets, not included in the determination of the right-of-use/lease liability, as allowed by the principle:

For the first application of new principle, Tesmec applied the modified retrospective approach:

- recognizing the effect connected with the retrospective redetermination of shareholders' equity at January 1st , 2019, without restating previous years;
- made use of the practical expedient that allow to forego the application IFRS 16 to all asset leases/rental whose residual duration as at January 1st , 2019 is less than 12 months;
- recognized a right-of-use asset for an amount corresponding to its lease liabiliy, rectified to take into account of accrued income from advances, and without considering the initial direct costs incurred in the years prior to January 1st , 2019;
- the renewal or yealy termination options, if any, were analyzed to determine the total duration of the contract.

The adoption of IFRS 16 principle, introduces some elements of professional judgment that make it necessary to define accounting policies and the use of assumptions and estimates, for instance, relating the determination of the lease term. During the second quarter of 2019, following the above and after a deeper and accurate analysis of the group contracts, the value of the lease liabilities and the corresponding assets for rights of use was reduced by Euro 2.1 million compared to the calculations included in the closing on March 31st 2019. It should be noted that the adaptation to this principle may incorporate any changes assessed both in the light of clarifications by the IASB and in light of the actual industry practice.

As at 30 September 2019 the application of IFRS 16 had significant impacts on the balance sheet, income statement and Group cash flow:

i. an increase in fixed assets due to right-of-use of assets, amounted to Euro 17.5 million;
ii. an impact on net debt, due to an increase in financial liabilities on lease debt/rental, amounted to Euro 17.8 million;
iii. an increase in EBITDA of Euro 2.7 million, and to a lesser extent in EBIT, due to the removal of lease rates currently recorded under the operating costs, and a simultaneous increase in depreciation of Euro 2.5 million;
iv. a marginal change in net profit amounted to Euro 0.3 million, that include the accounting of financial expenses and the income taxes.

It should be reported that calculation of the covenants of the loan agreements and the bond loans in place are based on the Net Financial Debt calculated before application of IFRS 16.

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Conference Call

At 2:30 PM (CET) – 1:30 PM BST, Thursday 31st October 2019, Ambrogio Caccia Dominioni, Chairman and CEO of Tesmec S.p.A., and the Top Management of the Company will present the consolidated results for the first nine months of 2019 to the financial community during a conference call.

To participate, you are kindly requested to call this number:

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The manager responsible for the preparation of the corporate accounting documents, Gianluca Casiraghi, declares, pursuant to article 154-bis, paragraph 2, of Legislative Decree No. 58/1998 ("Consolidated Law on Finance") that the information contained in this press release corresponds to the document results, books and accounting records.
Note that in this press release, in addition to financial indicators required by IFRS, there are also some alternative performance indicators (e.g. EBITDA) in order to allow a better understanding of the economic and financial management. These indicators are calculated according to the usual market practice.

The Interim Consolidated Report on Operations as at 31 March 2019 will be available to the public at the administrative office, in Grassobbio (Bergamo) Italy, Via Zanica n. 17/O, through the system eMarket-Storage, at www.emarketstorage.com, through publication on the company website www.tesmec.com, according to law.

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http://investor.tesmec.com/Investors/Notices.aspx?lang=it-IT

Tesmec Group

Tesmec Group is leader in designing, manufacturing and selling of systems, technologies and integrated solutions for the construction, maintenance and efficiency of infrastructures related to the transport and distribution of energy, data and material. In details, the Group is active in the following sectors: 1) transmission and distribution power lines (stringing equipment for the installation of conductors and the underground cable laying, electronic devices and sensors for the management, monitoring and energy automation); 2) underground civil infrastructures (high powered tracked trenchers for linear excavation of oil, gas and water pipelines, telecommunication networks and drainage operations; surface miners for bulk excavation, quarries and site preparation; specialized digging services); 3) railway lines (railway equipment for the installation and maintenance of the catenary and for special applications, e.g. snow removal from track; new generation power unit). The Group, established in 1951 and led by Chairman & CEO Ambrogio Caccia Dominioni, relies on more than 850 employees and has the production plants in Italy - in Grassobbio (Bergamo), Endine Gaiano (Bergamo), Sirone (Lecco), Monopoli (Bari), in the USA, in Alvarado (Texas) and in France, in Durtal, as well as three research and development units respectively in Fidenza (Parma), Padua and Patrica (FS). The Group also has a global commercial presence through foreign subsidiaries and sales offices in USA, South & West Africa, Australia, New Zealand, Russia, Qatar, China and France. The know-how achieved in the development of specific technologies and solutions, and the presence of engineering teams and highly skilled technicians, allow Tesmec to directly manage the entire production chain: from the design, production and sale of machinery, to all pre-sales and post-sales. All product lines are developed in accordance with the ISEQ (Innovation, Safety, Efficiency and Quality) philosophy, with environmental sustainability and energy conservation in mind.

Below are the reclassified statements of balance sheet, income statement, statement of cash flows and the prospectus of sources and uses of the Tesmec Group as 30 September 2019[3].

[3] Not subject to verification by the auditors.

Tesmec Group reclassified consolidated income statements

(€ in thousands)	As at 30 September	
	2019	**2018**
Revenues	**144,208**	**140,493**
Total operating costs	(140,304)	(139,046)
Operating Income	**3,904**	**1,447**
Financial (income)/expenses	(3,811)	(2,489)
Foreign exchange gains/losses	1,256	(371)
Share of profit/(loss) of associates and joint ventures	5	12
Income before tax	**1,354**	**(1,401)**
Net income for the period	**724**	**(757)**
EBITDA	**17,401**	**12,244**
EBITDA (% on revenues)	**12.1%**	**8.7%**

Tesmec Group reclassified consolidated statements of financial position

(€ in thousands)	**30 September 2019**	**31 December 2018**
Non-current assets	101,551	81,883
Current assets	198,803	193,526
Total assets	**300,354**	**275,409**
Non-current liabilities	76,011	60,122
Current liabilities	179,349	171,949
Total liabilities	**255,360**	**232,071**
Equity	44,994	43,338
Total equity and liabilities	**300,354**	**275,409**

Tesmec Group other consolidated financial information

(€ in thousands)	As at 30 September	
	2019	**2018**
Net cash provided/(used) by operating activities (A)	(5,742)	5,221
Net cash provided/(used) by investing activities (B)	(14,744)	(5,030)
Net cash provided/(used) by financing activities (C)	(2,542)	1,997
Increase/(decrease) in cash and cash equivalents (D=A+B+C)	**(23,028)**	**2,188**
Cash and cash equivalents at the beginning of the period (F)	**42,793**	**21,487**
Net effect of conversion of foreign currency on cash and cash equivalents (E)	297	51
Total cash and cash equivalents at end of the period (G=D+E+F)	**20,062**	**23,726**

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Tesmec Group other consolidated financial information

(€ in thousands)	As at 30 September 2019	As at 31 December 2018
Net working capital [4]	70,114	48,897
Non-current assets	86,964	67,314
Other Non-current assets and liabilities	3,500	4,804
Net invested capital [5]	**160,578**	**121,015**
Net financial indebtedness [6]	115,584	77,677
Equity	44,994	43,338
Total equity and net financial indebtedness	**160,578**	**121,015**

[4] The net working capital is calculated as current assets net of current liabilities excluding financial assets and financial liabilities. Net working capital is not recognized as a measure of performance by the IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Company may not necessarily be comparable therewith.

[5] The net invested capital is calculated as net working capital plus fixed assets and other non-current assets less non-current liabilities. The net invested capital is not recognized as a measure of performance under IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Company may not necessarily be comparable therewith.

[6] The net financial indebtedness is calculated as the sum of cash and cash equivalents, current financial assets including available–for–sale securities, non-current financial liabilities, fair value of hedging instruments and other non-current financial assets.