Interim Financial Report at March 31, 2019

Tesmec S.p.A.
Registered office: Piazza Sant'Ambrogio, 16 – 20123 Milan
Fully paid-up share capital as at 31 December 2019 Euro 10,708,400
Milan Register of Companies no. 314026
Tax and VAT code: 10227100152

Website: www.tesmec.com
Switchboard: 035.4232911

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COMPOSITION OF THE CORPORATE BODIES

Board of Directors (in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2021)

Chairman and Chief Executive Officer	Ambrogio Caccia Dominioni
Vice Chairman	Gianluca Bolelli
Directors	Caterina Caccia Dominioni Lucia Caccia Dominioni Paola Durante (*) Simone Andrea Crolla (*) Emanuela Teresa Basso Petrino (*) Guido Luigi Traversa (*)

(*) Independent Directors

Board of Statutory Auditors (in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2021)

Chairman	Simone Cavalli
Statutory Auditors	Stefano Chirico Alessandra De Beni
Alternate Auditors	Attilio Marcozzi Stefania Rusconi

Members of the Control and Risk, Sustainability and Related Party Transactions Committee (in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2021)

Chairman	Emanuela Teresa Basso Petrino
Members	Simone Andrea Crolla Guido Luigi Traversa

Members of the Remuneration and Appointments Committee (in office until the date of the Shareholders' Meeting convened to approve the financial statements as at 31 December 2021)

Chairman	Simone Andrea Crolla
Members	Emanuela Teresa Basso Petrino Caterina Caccia Dominioni

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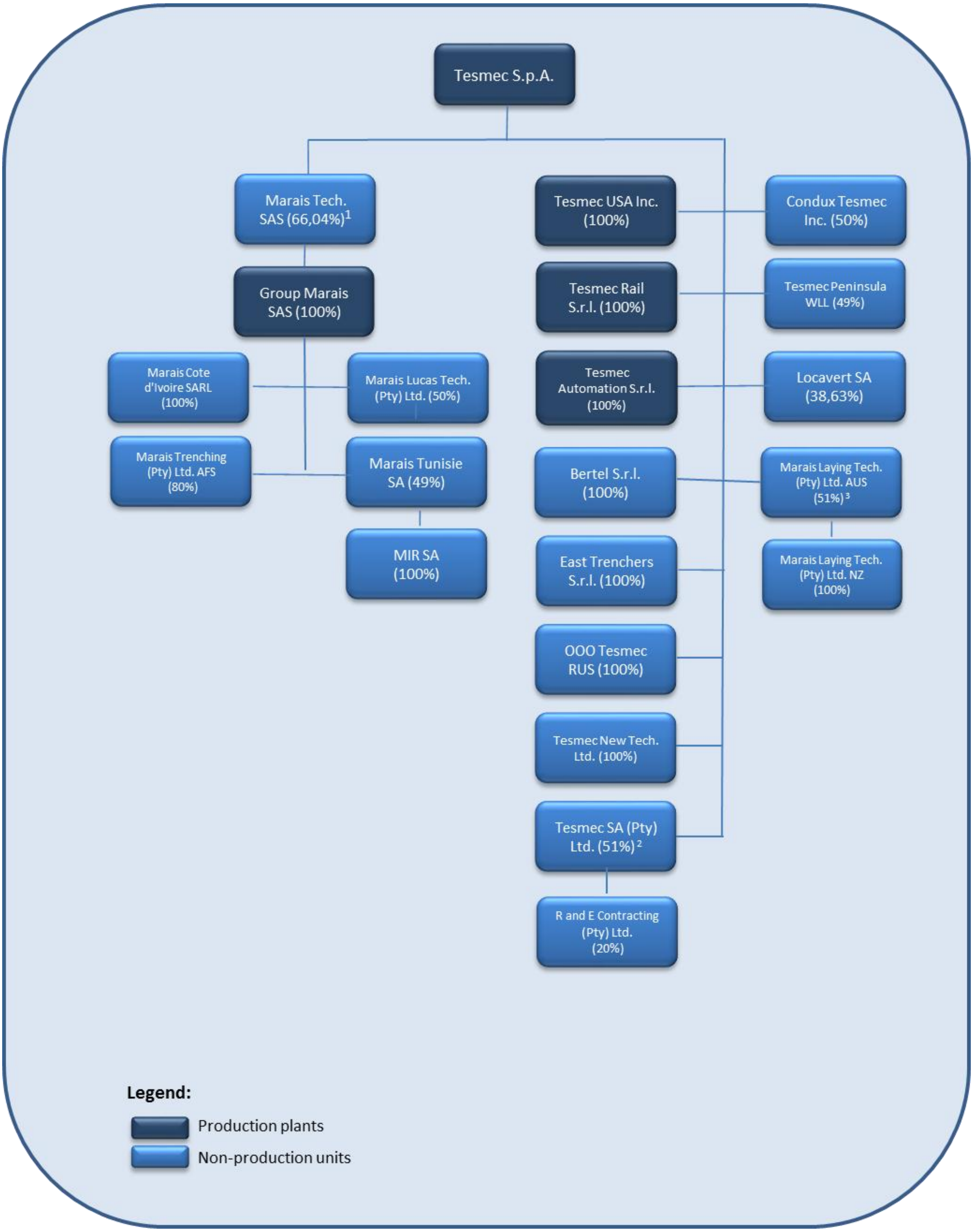
Lead Independent Director	Paola Durante
Director in charge of the internal control and risk management system	Caterina Caccia Dominioni
Manager responsible for preparing the Company's financial statements	Gianluca Casiraghi
Independent Auditors	Deloitte & Touche S.p.A.

GROUP STRUCTURE



(1) The remaining 33.96% is held by Simest S.p.A. since Tesmec has an obligation to buy back the portion held by Simest S.p.A., for accounting purposes the shareholding of the Parent Company in Marais Technologies SAS is consolidated on a 100% basis.

(2) The remaining 49% is held by Simest S.p.A. since Tesmec has an obligation to buy back the portion held by Simest S.p.A., for accounting purposes the shareholding of the subsidiary Tesmec SA is consolidated on a 100% basis.

(3) The remaining 49% is held by Simest S.p.A. since Tesmec has an obligation to buy back the portion held by Simest S.p.A., for accounting purposes the shareholding of the subsidiary Marais Laying Tech. (Pty) Ltd Australie is consolidated on a 100% basis.

INTERIM CONSOLIDATED REPORT ON OPERATIONS

(Not audited by the Independent Auditors)

1.Introduction

The Tesmec S.p.A. Parent Company (hereinafter "Parent Company" or "Tesmec") is a legal entity organised in accordance with the legal system of the Italian Republic. The ordinary shares of Tesmec are listed on the MTA (screen-based share market) STAR Segment of the Milan Stock Exchange. The registered office of the Tesmec Group (hereinafter "Group" or "Tesmec Group") is in Milan, Piazza S. Ambrogio 16.

The Tesmec Group is a leader in the design, production and marketing of special products and integrated solutions for the construction, maintenance and streamlining of infrastructures relating to the transmission of electrical power and data and material transport.

Founded in Italy in 1951 and managed by the Chairman and Chief Executive Officer Ambrogio Caccia Dominioni, the Group as from its listing on the Stock Exchange on 1 July 2010, pursued the stated objective of diversification of the types of products in order to offer a complete range of integrated solutions grouped into three main areas of business: Energy, Trencher and Rail. The structure has more than 850 employees and production plants located in Grassobbio (Bergamo), Endine Gaiano (Bergamo), Sirone (Lecco) and Monopoli (Bari) in Italy, Alvarado (Texas) in the USA and Durtal in France. Furthermore, after the reorganisation of the Automation sector, Tesmec Automation has 3 additional operating units available in Fidenza, Padua and Patrica (Frosinone). The Group has a global commercial structure, with a direct presence on different continents, through foreign companies and sales offices in the USA, South Africa, Russia, Qatar, China, France, Australia, New Zealand and Ivory Coast.

Through the different types of product, the Group is able to offer:

Energy segment

- machines and integrated systems for overhead and underground stringing of power lines and fibre optic cables;
- integrated solutions for the streamlining, management and monitoring of low, medium and high voltage power lines (smart grid solutions).

Trencher segment

- high-efficiency crawler trenching machines for excavation with a set section for the construction of infrastructures for the transmission of data, raw materials and gaseous and liquid products in the various segments: energy, farming, chemical and public utilities;
- crawler trenching machines for works on surface mines and earth moving works (Rock Hawg);
- specialised consultancy and excavation services on customer request;
- multi-purpose site machinery (Gallmac);
- this segment also includes the excavation services for power lines and fibre optic cables that constitute the core business of the recently acquired Marais Group.

Rail segment

- machines and integrated systems for the installation, maintenance and diagnostics of the railway catenary wire system, plus customised machines for special operations on the line.

The know-how achieved in the development of specific technologies and innovative solutions and the presence of a team of highly-skilled engineers and technicians allow the Tesmec Group to directly manage the entire production chain: from the design, production and marketing of machinery to the supply of know-how relating to the use of systems and optimisation of work, to all pre- and post-sales services related to machinery and the increase in site efficiency.

2. Macroeconomic Framework

In recent months, the world economy has continued its growth, but at a rate that has shown the first signs of deterioration in various economies, both emerging and advanced. The uncertainties on the economic situation have had repercussions on international financial markets, with a decline in long-term yields and the fall in share prices. The global prospects are affected by the risks related to a negative outcome of the commercial negotiations between the United States and China, to the possible recurrence of financial tensions in emerging countries and to the critical points that are being generated regarding Brexit. In the Euro area, growth has weakened; industrial production decreased significantly in Germany, France and Italy. Inflation, although remaining on largely positive values, fell due to the slowdown in energy prices. The ECB reiterated its intention to pursue a significant monetary stimulus for a prolonged period and not to change interest rates during the 2019. In particular, Italy is experiencing a period of recession driven by a reduction in domestic demand, in particular of investments and household spending to a lesser extent. The investment plans of companies in the industry and services are more contained as a result of political uncertainty. The performance of Italian exports was still favourable in the second half of the year; the slowdown in global trade, however, influenced the prospective assessments of companies on foreign orders. On a currency level, the rise in the US dollar could slow down if the Federal Reserve slows down the rate hike to avoid an excessive deceleration of the economy. On the Sterling there is the situation of Brexit, which in the case of a "hard" and disorderly exit would lead to a fall; for the Yen, on the other hand, an appreciation is expected due to the aggressive monetary policies that will be introduced by the Bank of Japan. In conclusion, the estimates on crude oil are difficult to read but a price is expected around 60-70 dollars per turn.

3. Significant events during the period

The extraordinary transactions that occurred during the period include the following:

- on 22 March 2019, Simest S.p.A. paid its share of Euro 1,843 thousand in Marais Laying Tech. (Pty) Ltd. as per agreements signed in 2018.
  Following this payment, the companies Marais Laying Tech. (Pty) Ltd. and its subsidiary Marais Laying Tech. (Pty) Ltd. New Zeland are 51% controlled by Tesmec S.p.A. and the remaining 49% by Simest S.p.A.
  Since Tesmec S.p.A. has an obligation to buy back the portion held by Simest S.p.A., for accounting purposes the shareholdings are consolidated on a 100% basis.

4. Activities, reference market and operating performance for the first three months of 2019

The consolidated financial statements of Tesmec have been prepared in accordance with International Financial Reporting Standards (hereinafter the "IFRS" or the "International Accounting Standards"), which were endorsed by the European Commission, in effect as at 31 December 2018. The following table shows the major economic and financial indicators of the Group as at March 2019 compared with the same period of 2018.

OVERVIEW OF RESULTS

31 March 2018	**Key income statement data** (Euro in millions)	**31 March 2019**
46.7	Operating Revenues	49.8
6.1	EBITDA	5.7
2.8	Operating Income	1.5
(0.7)	Foreign exchange gains/losses	0.7
1.1	Group Net Profit	1.0
31 December 2018	**Key financial position data** (Euro in millions)	**31 March 2019**
121.0	Net Invested Capital	157.2
43.3	Shareholders' Equity	44.7
77.7	Net Financial Indebtedness	112.5
13.8	Investments in property, plant and equipment and intangible assets	3.3
844	Annual average employees	864

The information on the operations of the main subsidiaries in the reference period is shown:

- Tesmec USA Inc., a company that is 100% owned by Tesmec S.p.A. and based in Alvarado (Texas), operates in the Trencher segment and in the stringing equipment/rail sector (as from 2012). In the first three months of 2019, revenues achieved directly with customers/end users came to Euro 10.9 million.

- Tesmec SA (Pty) LTD, with registered office in Johannesburg (South Africa), is 100% owned by Tesmec S.p.A. In the first three months, the company generated revenues of Euro 1.9 million.

- Condux Tesmec Inc, a joint venture that is 50% owned by Tesmec S.p.A. and 50% by American shareholder Condux, which is based in Mankato (USA), has been active since June 2009 in selling products for the North American stringing equipment market. The company has been consolidated using the equity method and in the first three months of the year generated revenues totalling Euro 1.5 million.

- Marais Technologies SAS, with registered office in Durtal (France), 66.04% owned by Tesmec S.p.A. and 33.96% by Simest S.p.A. The French company, acquired on 8 April 2015, is the holding company of an international group, leader in rental services and construction of machines for infrastructures in telecommunications, electricity and gas. The Group generated during the first quarter of 2019 revenues totalling Euro 10.6 million.

- Tesmec Automation S.r.l., a company 100% owned by Tesmec S.p.A., with registered office in Grassobbio (BG) and specialised in the design and sale of sensors, integrated fault detectors and measurement devices for medium voltage power lines. During the first three months of 2019, revenues amounted to Euro 2.3 million.

- Tesmec Rail S.r.l., a 100% subsidiary of Tesmec S.p.A., operates in the Rail sector. In the first three months, the company generated revenues of Euro 0.7 million. On 1 May 2019, the company merged the company Tesmec Service S.r.l. The latter, during the first quarter of 2019, continued production activities related to contracts in progress, recording revenues of Euro 7.3 million.

5. Income statement

5.1 Consolidated income statement

The comments provided below refer to the comparison of the consolidated income statement figures as at 31 March 2019 with those as at 31 March 2018.

The main profit and loss figures for the first three months of 2019 and 2018 are presented in the table below:

	Quarter ended 31 March			
(Euro in thousands)	**2019**	**% of revenues**	**2018**	**% of revenues**
Revenues from sales and services	**49,846**	**100.0%**	**46,745**	**100.0%**
Cost of raw materials and consumables	(23,455)	-47.1%	(19,842)	-42.4%
Costs for services	(8,093)	-16.2%	(6,942)	-14.9%
Payroll costs	(12,965)	-26.0%	(11,484)	-24.6%
Other operating (costs)/revenues, net	(1,199)	-2.4%	(3,892)	-8.3%
Depreciations	(4,194)	-8.4%	(3,305)	-7.1%
Development costs capitalised	1,614	3.2%	1,437	3.1%
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	(5)	0.0%	55	0.1%
Total operating costs	**(48,297)**	**-96.9%**	**(43,973)**	**-94.1%**
Operating income	**1,549**	**3.1%**	**2,772**	**5.9%**
Net financial income/expenses	(1,206)	-2.4%	(793)	-1.7%
Foreign exchange gains/losses	690	1.4%	(680)	-1.5%
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	(6)	0.0%	3	0.0%
Pre-tax profit	**1,027**	**2.1%**	**1,302**	**2.8%**
Income tax	(32)	-0.1%	(178)	-0.4%
Net profit for the period	**995**	**2.0%**	**1,124**	**2.4%**
Profit/(loss) attributable to non-controlling interests	2	0.0%	1	0.0%
Group profit	**993**	**2.0%**	**1,123**	**2.4%**

Revenues

Total revenues as at 31 March 2019 increased by 6.6%. This percentage is the result of a different contribution from the three business areas, with significant growth in the Rail segment.

	Quarter ended 31 March				
(Euro in thousands)	**2019**	**% of revenues**	**2018**	**% of revenues**	**2019 vs 2018**
Sales of products	33,465	67.14%	33,035	70.67%	430
Services rendered	9,248	18.55%	11,697	25.02%	(2,449)
	42,713	**85.69%**	**44,732**	**95.69%**	**(2,019)**
Changes in work in progress	7,133	14.31%	2,013	4.31%	5,120
Total revenues from sales and services	**49,846**	**100.00%**	**46,745**	**100.00%**	**3,101**

Services rendered mainly concern the trencher segment and are represented by the machine rental business carried out in the United States, France, North Africa and Oceania.

a) Revenues by geographic area

The Group's turnover is produced abroad by 78% and, in particular, in non-EU countries. The revenue analysis by area is indicated below, with a comparison between the first quarter of 2019 and the first quarter of 2018, which indicates the growth of the European and North and Central markets, partially balanced by the downtrends recorded in the Italian and BRIC and others markets. It is emphasised that the segmentation by geographic area is determined by the country where the customer is located, regardless of where project activities are organised.

	Quarter ended 31 March	
(Euro in thousands)	**2019**	**2018**
Italy	11,174	12,509
Europe	10,570	6,422
Middle East	1,566	1,949
Africa	6,811	5,517
North and Central America	10,894	7,185
BRIC and Others	8,831	13,163
Total revenues	**49,846**	**46,745**

Operating costs net of depreciation and amortisation

	Quarter ended 31 March			
(Euro in thousands)	**2019**	**2018**	**2019 vs 2018**	**% change**
Cost of raw materials and consumables	(23,455)	(19,842)	(3,613)	18.2%
Costs for services	(8,093)	(6,942)	(1,151)	16.6%
Payroll costs	(12,965)	(11,484)	(1,481)	12.9%
Other operating (costs)/revenues, net	(1,199)	(3,892)	2,693	-69.2%
Development costs capitalised	1,614	1,437	177	12.3%
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	(5)	55	(60)	-109.1%
Operating costs net of depreciation and amortisation	**(44,103)**	**(40,668)**	**(3,435)**	**8.4%**

The table shows an increase in operating costs of Euro 3,435 thousand (+8.4%) in a more than proportional way compared to the increase in sales (+6.6%). Among cost items, there was an increase in cost items for raw materials linked to the different mix of sales realised during the period.

EBITDA

In relation to the increase in revenues (+6.6%) in a less than proportional way compared to the increase in operating costs net of depreciation and amortisation (+8.4%), in terms of margins, EBITDA amounts to Euro 5,743 thousand decreasing by 5.5% compared to what was recorded in the first quarter of 2018. This result has not yet been affected by the positive management measures launched at the end of last year.
A restatement of the income statement figures representing the performance of EBITDA is provided below:

	Quarter ended 31 March				
(Euro in thousands)	**2019**	**% of revenues**	**2018**	**% of revenues**	**2019 vs 2018**
Operating income	1,549	3.1%	2,772	5.9%	(1,223)
+ Amortisation and depreciation	4,194	8.4%	3,305	7.1%	889
EBITDA (*)	**5,743**	**11.5%**	**6,077**	**13.0%**	**(334)**

(*) EBITDA is represented by the operating income including amortisation/depreciation. The EBITDA thus defined represents a measurement used by Company management to monitor and assess the operating performance. EBITDA is not recognised as a measure of performance by 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 calculation criterion applied by the Group may not be in line with the criterion adopted by others and is therefore not comparable.

Financial Management

	Quarter ended 31 March	
(Euro in thousands)	**2019**	**2018**
Net financial income/expenses	(1,221)	(813)
Foreign exchange gains/losses	690	(680)
Fair value adjustment of derivative instruments	15	20
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	(6)	3
Total net financial income/expenses	**(522)**	**(1,470)**

The registered net financial management increased compared to the same period of 2018, however, note the following changes:

- improvement by Euro 1,370 thousand due to the different USD/EUR exchange rate trend in the two periods of reference that resulted in the recording of net profits totalling Euro 690 thousand in the first quarter of 2019 (Euro 104 thousand realised and Euro 586 thousand unrealised) against a net loss of Euro 680 thousand in the first quarter of 2018;
- deterioration of Euro 408 thousand due for Euro 198 thousand to the recognition under IFRS 16 of operating leases as from 1 January 2019.

5.2 Income Statement by segment

Revenues by segment

The tables below show the income statement figures as at 31 March 2019 compared to those at 31 March 2018, broken down into three operating segments.

	Quarter ended 31 March				
(Euro in thousands)	**2019**	**% of revenues**	**2018**	**% of revenues**	**2019 vs 2018**
Energy	10,332	20.7%	9,242	19.8%	1,090
Trencher	30,969	62.1%	33,367	71.4%	(2,398)
Rail	8,545	17.1%	4,136	8.8%	4,409
Total Revenues	**49,846**	**100.0%**	**46,745**	**100.0%**	**3,101**

In the first three months of 2019, the Group recorded consolidated revenues of Euro 49,846 thousand, an increase of Euro 3,101 thousand compared to Euro 46,745 thousand in the same period of the previous year. In percentage terms, this increase represents a positive difference of 6.6%, which is split unevenly between the Group’s three business areas. More specifically, an increase of +106.6% was recorded for the Rail segment, +11.8% for the Energy segment, and a decrease of -7.2% for the Trencher segment.

The revenues of the Trencher segment are in line with the past in all the Group's geographical areas of reference: the performance of the American market that in the first quarter alone achieved a turnover of USD 12 million is worthy of note.

The Railway segment recorded revenues as at 31 March 2019 of Euro 8,545 thousand, an increase of 106.6% compared to the Euro 4,136 thousand recorded as at 31 March 2018. The improvement is due to the performance of the existing contract with RFI and to the delivery of diagnostic wagons.
With regard to the Energy segment, revenues as at 31 March 2019 amounted to Euro 10,332 thousand, an increase of 11.8% compared to Euro 9,242 thousand as at 31 March 2018; in particular, in the first quarter, the Energy-Automation segment achieved revenues of Euro 2,206 thousand, an increase of 24.5% compared to Euro 1,772 thousand as at 31 March 2018, in line with the growth prospects for the year.

EBITDA by segment

The tables below show the income statement figures as at 31 March 2019 compared to those at 31 March 2018, broken down into three operating segments:

	Quarter ended 31 March				
(Euro in thousands)	**2019**	**% of revenues**	**2018**	**% of revenues**	**2019 vs 2018**
Energy	1,246	12.1%	1,227	13.3%	19
Trencher	3,086	10.0%	4,192	12.6%	(1,106)
Rail	1,411	16.5%	658	15.9%	753
EBITDA (*)	**5,743**	**11.5%**	**6,077**	**13.0%**	**(334)**

(*) EBITDA is represented by the operating income including amortisation/depreciation. The EBITDA thus defined represents a measurement used by Company management to monitor and assess the operating performance. EBITDA is not recognised as a measure of performance by 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 calculation criterion applied by the Group may not be in line with the criterion adopted by others and is therefore not comparable.

This result is the combined effect of different trends in the three segments:

- Rail: improvement in EBITDA from Euro 658 thousand in the first quarter of 2018 to Euro 1,411 thousand in 2019 linked to the increase in business activities and the better absorption of fixed costs thanks to the new factory in Monopoli;
- Energy: EBITDA decreased from Euro 1,227 thousand as at 31 March 2018 to Euro 1,246 thousand as at 31 March 2019 thanks to the trend in sales volumes;
- Trencher: the deterioration of the EBITDA from Euro 4,192 thousand in the first quarter of 2018 to Euro 3,086 thousand in 2018 is due to the reduction in sales and the reorganisation process of the Marais Group.

6.Summary of balance sheet figures as at 31 March 2019

Information is provided below on the Group's main equity indicators as at 31 March 2019 compared to 31 December 2018. In particular, the following table shows the reclassified funding sources and uses from the consolidated balance sheet as at 31 March 2019 and as at 31 December 2018:

(Euro in thousands)	**As at 31 March 2019**	**As at 31 December 2018**
USES		
Net working capital (1)	64,373	48,897
Fixed assets	87,631	67,314
Other long-term assets and liabilities	5,212	4,804
Net invested capital (2)	**157,216**	**121,015**
SOURCES		
Net financial indebtedness (3)	112,529	77,677
Shareholders' equity	44,687	43,338
Total sources of funding	**157,216**	**121,015**

(1) The net working capital is calculated as current assets net of current liabilities excluding financial assets and financial liabilities. Net working capital is not recognised as a measure of performance by 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.
(2) The net invested capital is calculated as net working capital plus fixed assets and other long-term assets less long-term liabilities. The net invested capital is not recognised 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.
(3) 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.

A) Net working capital

The table below shows a breakdown of "Net Working Capital" as at 31 March 2019 and 31 December 2018:

(Euro in thousands)	**As at 31 March 2019**	**As at 31 December 2018**
Trade receivables	57,256	52,562
Work in progress contracts	18,171	11,023
Inventories	65,222	62,576
Trade payables	(51,339)	(54,350)
Other current assets/(liabilities)	(24,937)	(22,914)
Net working capital (1)	**64,373**	**48,897**

(1) The net working capital is calculated as current assets net of current liabilities excluding financial assets and financial liabilities. Net working capital is not recognised as a measure of performance by 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.

Net working capital amounted to Euro 64,373 thousand, marking an increase of Euro 15,476 thousand (equal to 31.7%) compared to 31 December 2018. This trend is mainly due to the increase in "Work in progress contracts" of Euro 7,148 thousand (64.8%) and in "Trade receivables" of Euro 4,694 thousand as the sales of the first quarter were mainly concentrated in March, partially offset by the decrease in "Trade payables" of Euro 3,011 thousand.

B) Fixed assets

The table below shows a breakdown of "Fixed assets" as at 31 March 2019 and 31 December 2018:

(Euro in thousands)	**As at 31 March 2019**	**As at 31 December 2018**
Intangible assets	37,712	17,998
Property, plant and equipment	45,917	45,337
Equity investments in associates	3,999	3,976
Other equity investments	3	3
Fixed assets	**87,631**	**67,314**

Total *fixed assets* recorded an increase of Euro 20,317 thousand due to the increase in "Intangible assets" of Euro 19,714 thousand. This item includes the effect of recognition, in accordance with IFRS 16 of operating leases for the right of use for a net value of Euro 19,802 thousand.

C) Net financial indebtedness

The table below shows a breakdown of "Net financial indebtedness" as at 31 March 2019 and 31 December 2018:

(Euro in thousands)	As at 31 March 2019	*of which with related parties and group*	As at 31 December 2018	*of which with related parties and group*
Cash and cash equivalents	(32,617)		(42,793)	
Current financial assets (1)	(9,273)	*(3,719)*	(10,391)	*(4,373)*
Current financial liabilities	81,380	*2,519*	80,504	*2,325*
Current portion of derivative financial instruments	4		-	
Current financial indebtedness (2)	**39,494**	***(1,200)***	**27,320**	***(2,048)***
Non-current financial liabilities	73,011	-	50,322	-
Non-current portion of derivative financial instruments	24		35	
Non-current financial indebtedness (2)	**73,035**	**-**	**50,357**	**-**
Net financial indebtedness pursuant to CONSOB Communication No. DEM/6064293/2006	**112,529**	***(1,200)***	**77,677**	***(2,048)***

(1) Current financial assets as at 31 March 2019 and 31 December 2018 include the market value of shares and warrants, which are therefore considered cash and cash equivalents.(2) Current and non-current financial indebtedness are not identified as an accounting measure under IFRS. The valuation criteria applied by the Group may not necessarily be the same as those adopted by other groups and therefore the balances obtained by the Group may not necessarily be comparable therewith.

In the first three months of 2019, the Group's net financial indebtedness increased by Euro 34,852 thousand compared to the figure at the end of 2018, of which Euro 19,884 thousand refers to the application of the new IFRS 16 and therefore represents a notional debt. Without the application of IFRS 16, net financial indebtedness as at 31 March 2019 amounted to Euro 92,645 thousand, an increase of Euro 14,968 thousand compared to the end of 2018, but an improvement of Euro 6,104 thousand compared to 31 March 2018.

The table below shows the breakdown of the following changes:

- increase in current financial indebtedness of Euro 12,174 thousand due to the:
  - increase in current financial liabilities of Euro 876 thousand mainly due to (i) Euro 2,608 thousand relating to the recognition of financial payables for rights of use in accordance with IFRS 16 and (ii) Euro 2,108 thousand relating to the decrease in advances on export;
  - increase in current financial assets and cash and cash equivalents of Euro 10,176 thousand;
- increase in medium/long-term financial indebtedness of Euro 22,678 thousand relating to the recognition of financial payables for rights of use in accordance with IFRS 16 of Euro 17,276 thousand.

The existing loan agreements and bond issues contractually provide for the calculation of the financial covenants based on net financial indebtedness calculated prior to the application of IFRS 16.

7. Management and types of financial risk

For the management of financial risks, please see the paragraph "Financial risk management policy" contained in the Explanatory Notes to the Annual Consolidated Financial Statements for 2018, where the Group's policies in relation to the management of financial risks are presented.

8. Atypical and/or unusual and non-recurring transactions with related parties

In compliance with the Consob communications of 20 February 1997, 27 February 1998, 30 September 1998, 30 September 2002 and 27 July 2006, it should be noted that during the first quarter of the 2019 financial year, no transactions took place with related parties of an atypical or unusual nature, outside of normal company operations or such as to harm the profits, balance sheet or financial results of the Group.
For significant intercompany and related party information, please see the paragraph "Related party transactions" in the Explanatory Notes.

9. Group Employees

The average number of Group employees in the first quarter of 2019, including the employees of companies that are fully consolidated, is 864 persons compared to 836 in 2018.

10. Other information

Treasury shares

On 16 April 2019, the Shareholders' Meeting authorised the treasury share buy-back plan; the authorisation was granted for a period of 18 months; the authorisation of 16 April 2019 replaces the last authorisation resolved by the Shareholders' Meeting on 6 April 2018 and expiring in October 2019. The plan set the maximum quantity as 10% of Share Capital; from the launch of the buy-back plan resolved on 10 January 2012 to the date of the period covered by this report, 31 March 2019, a total of 4,711,879 shares (4.40% of Share Capital) have been purchased at an average price of Euro 0.5543 (net of commissions) for a total equivalent value of Euro 2,612 thousand.

Events occurring after the close of the financial period

In particular, the effects occurring after the close of the quarter include the following:

- on 1 May 2019, Tesmec Service S.r.l. was merged into Tesmec Rail S.r.l.;

- on 16 April 2019, the Ordinary Shareholders' Meeting of Tesmec met in single call and approved all items on the agenda. In detail, the Shareholders' Meeting approved the 2018 financial statements of the parent Tesmec S.p.A., which closed with a Net Profit of Euro 4,331 thousand and resolved to allocate this net profit for the year to the extraordinary reserve. The Shareholders' Meeting also resolved favourably on the First Section of the Report on Remuneration pursuant to Article 123-ter of Legislative Decree no. 58/98 and authorised also the Board of Directors, for a period of 18 months, to purchase, on the regulated market, ordinary shares of Tesmec until 10% of the share capital of the Company and within the limits of the distributable profits and of the available reserves resulting from the last financial statements duly approved by the Company or the subsidiary company making the purchase. The authorisation also includes the right to dispose of (in whole or in part and also in several times) the shares in the portfolio subsequently, even before having exhausted the maximum number of shares purchasable and to possibly repurchase the shares to the extent that the treasury shares held by the Company and, if necessary, by the companies controlled by it, do not exceed the limit established by the authorisation. The quantity and the price at which transactions will be made will comply with the operating procedures laid down by the regulations. This authorisation replaces the last authorisation resolved by the Shareholders' Meeting on 6 April 2018 and expiring in October 2019. The resolution concerning authorisation to purchase treasury shares was passed with the favourable vote of the majority of the Tesmec shareholders at the Shareholders' Meeting other than the majority shareholder and therefore, pursuant to Article 44-bis of the Issuer Regulation, the shares that the Issuer will purchase in executing this resolution will be included in the share capital of the Issuer, on which the significant equity investment for the purpose of Article 106, paragraphs 1, 1-*bis*, 1-*ter* and 3 of the TUF will be calculated;

- on 16 April 2019, the Shareholders' Meeting of Tesmec S.p.A. resolved to:
  - appoint the new Board of Directors that will remain in office until the Shareholders' Meeting that will be called to approve the financial statements for the year ended 31 December 2021, composed of Gianluca Bolelli, Caterina Caccia Dominioni, Lucia Caccia Dominioni, Paola Durante, Simone Andrea Crolla, Emanuela Teresa Basso Petrino and Guido Luigi Traversa as well as Ambrogio Caccia Dominioni who was confirmed as Chairman of the Board of Directors;
  - appoint the new Board of Statutory Auditors that will also remain in office until the shareholders' meeting called to approve the 2021 financial statements, composed of Statutory Auditors Simone Cavalli (Chairman), Alessandra De Beni and Stefano Chirico and Alternate Auditors Attilio Marcozzi and Stefania Rusconi;
  - assign the task of external audit for the 2019-2027 financial periods to Deloitte & Touche S.p.A.;

- on 16 April 2019, the Board of Directors confirmed Ambrogio Caccia Dominioni as the Chief Executive Officer and Gianluca Bolelli as Vice Chairman.

The Board of Directors decided to appoint:

- the directors Simone Andrea Crolla (Chairman), Emanuela Teresa Basso Petrino and Caterina Caccia Dominioni as members of the new Remuneration and Appointments Committee;
- the directors Emanuela Teresa Basso Petrino (Chairman), Simone Andrea Crolla and Guido Traversa as members of the Control and Risk, Sustainability and Related Party Transactions Committee;
- Caterina Caccia Dominioni as director in charge of the internal control and risk management system;
- the Independent Paola Durante as lead independent director;
- Lorenzo Pascali (Chairman), Gianpoalo Grasso and Stefano Chirico as members of the Supervisory Body that will remain in office until the shareholders' meeting that will be called to approve the financial statements for the year ended 31 December 2021;

▪ on 23 April 2019, Cerved Rating Agency, the Italian rating agency specialised in assessing creditworthiness of non-financial companies, confirmed the "B1.1" solicited rating of the Company. This result substantiates the financial soundness of Tesmec Group and is the result of an in-depth evaluation process that combines rigorous quantitative models to forecast credit risk and accurate qualitative analyses by the agency, which also considers the Company's competitive position in the industry.

Business outlook

The Group expects double digit growth in terms of turnover in 2019, a recovery in margins and an improvement in the indicators relating to net financial indebtedness. The lower profitability in the first quarter will recover and normalise in the second half of the year due to the full operation of the management actions undertaken in the various areas of the group. The main drivers of development in the Energy segment will be related to the implementation of integrated solutions focused on special projects managed with new laying methods and the launch of certified products for the creation of Smart Grid. In the Trencher segment, growth will come from the development of the value chain for the 5G, FTTx and mining segments. Finally, the railway segment will be positively affected by the start-up of projects related to new systems for diagnostics and maintenance on a web platform.

CONSOLIDATED FINANCIAL STATEMENTS OF THE TESMEC GROUP

Consolidated financial statements

Consolidated statement of financial position as at 31 March 2019 and as at 31 December 2018

(Euro in thousands)	Notes	31 March 2019	31 December 2018
NON-CURRENT ASSETS			
Intangible assets	6	37,712	17,998
Property, plant and equipment	7	45,917	45,337
Equity investments in associates evaluated using the equity method		3,999	3,976
Other equity investments		3	3
Financial receivables and other non-current financial assets	15	1,881	1,922
Derivative financial instruments	15	9	-
Deferred tax assets		12,343	11,816
Non-current trade receivables		676	831
TOTAL NON-CURRENT ASSETS		**102,540**	**81,883**
CURRENT ASSETS			
Work in progress contracts	8	18,171	11,023
Inventories	9	65,222	62,576
Trade receivables	10	57,256	52,562
of which with related parties:	10	*1,844*	*2,712*
Tax receivables		1,055	932
Other available-for-sale securities	15	1	1
Financial receivables and other current financial assets	11	9,272	10,390
of which with related parties:	11	*3,719*	*4,373*
Other current assets		11,839	13,249
Cash and cash equivalents	15	32,617	42,793
TOTAL CURRENT ASSETS		**195,433**	**193,526**
TOTAL ASSETS		**297,973**	**275,409**
SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Share capital	12	10,708	10,708
Reserves / (deficit)	12	32,949	32,567
Group net profit / (loss)	12	993	28
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		**44,650**	**43,303**
Capital and reserves / (deficit) attributable to non-controlling interests		35	19
Net profit / (loss) for the period attributable to non-controlling interests		2	16
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**37**	**35**
TOTAL SHAREHOLDERS' EQUITY		**44,687**	**43,338**
NON–CURRENT LIABILITIES			
Medium/long-term loans	13	48,344	25,671
Bond issue		24,667	24,651
Derivative financial instruments	15	24	35
Employee benefit liability		3,783	3,770
Deferred tax liabilities		5,841	5,927
Non-recurring provisions for risks and charges		73	67
Non-current trade payables		-	1
TOTAL NON-CURRENT LIABILITIES		**82,732**	**60,122**
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	14	81,380	80,504
of which with related parties:	14	*2,519*	*2,325*
Derivative financial instruments	15	4	-
Trade payables		51,339	54,350
of which with related parties:		*2,096*	*2,377*
Advances from customers		4,999	4,145
of which with related parties:		20	55
Income taxes payable		1,618	1,295
Provisions for risks and charges		2,880	3,152
Other current liabilities		28,334	28,503
TOTAL CURRENT LIABILITIES		**170,554**	**171,949**
TOTAL LIABILITIES		**253,286**	**232,071**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**297,973**	**275,409**

Consolidated income statement for the quarter ended 31 March 2019 and 2018

		Quarter ended 31 March	
(Euro in thousands)	**Notes**	**2019**	**2018**
Revenues from sales and services	16	**49,846**	**46,745**
of which with related parties:		*2,031*	*5,326*
Cost of raw materials and consumables		(23,455)	(19,842)
of which with related parties:		-	*(340)*
Costs for services		(8,093)	(6,942)
of which with related parties:		*(50)*	*(104)*
Payroll costs		(12,965)	(11,484)
Other operating (costs)/revenues, net		(1,199)	(3,892)
of which with related parties:		*(1,075)*	*(1,093)*
Depreciations		(4,194)	(3,305)
Development costs capitalised		1,614	1,437
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method		(5)	55
Total operating costs	17	**(48,297)**	**(43,973)**
Operating income		**1,549**	**2,772**
Financial expenses		(1,708)	(2,072)
of which with related parties:		*(7)*	*(3)*
Financial income		1,192	599
of which with related parties:		*26*	*49*
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method		(6)	3
Pre-tax profit		**1,027**	**1,302**
Income tax		(32)	(178)
Net profit for the period		**995**	**1,124**
Profit/(loss) attributable to non-controlling interests		2	1
Group profit		**993**	**1,123**
Basic and diluted earnings per share		**0.0093**	**0.0105**

Consolidated statement of comprehensive income for the quarter ended 31 March 2019 and 2018

(Euro in thousands)	Notes	Quarter ended 31 March 2019	2018
NET PROFIT FOR THE PERIOD		**995**	**1,124**
Other components of comprehensive income:			
Exchange differences on conversion of foreign financial statements		354	(547)
Total other income/(losses) after tax		**354**	**(547)**
Total comprehensive income (loss) after tax		**1,349**	**576**
Attributable to:			
Shareholders of Parent Company		1,347	575
Non-controlling interests		2	1

Statement of consolidated cash flows for the quarter ended 31 March 2019 and 2018

(Euro in thousands)	Notes	Quarter ended 31 March 2019	Quarter ended 31 March 2018
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the period		995	1,124
Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:			
Depreciations		4,194	3,305
Provisions for employee benefit liability		57	-
Provisions for risks and charges / inventory obsolescence / doubtful accounts		476	273
Employee benefit payments		(44)	(19)
Payments of provisions for risks and charges		(26)	(12)
Net change in deferred tax assets and liabilities		(521)	(62)
Change in fair value of financial instruments	15	(16)	63
Change in current assets and liabilities:			
Trade receivables	10	(4,653)	(12,649)
of which with related parties:		*903*	*(2,575)*
Inventories	9	(9,636)	(1,174)
Trade payables		(3,198)	412
of which with related parties:		*(281)*	*(1,363)*
Other current assets and liabilities		1,399	(237)
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		**(10,973)**	**(8,976)**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	7	(2,233)	(2,117)
Investments in intangible assets	6	(1,764)	(1,605)
Investments in intangible assets IFRS 16		(20,533)	-
(Investments) / disposals of financial assets		1,255	2,168
of which with related parties:		*654*	*1,948*
Proceeds from sale of property, plant and equipment and intangible assets	6-7	412	411
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(22,863)**	**(1,143)**
NET CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long-term loans	13	9,410	548
Recognition of financial payables for rights of use IFRS 16		20,511	-
Repayment of medium/long-term loans	13	(3,975)	(3,822)
Net change in short-term financial debt	14	(2,524)	9,283
of which with related parties:		*194*	*1,253*
Change in the consolidation area		-	(1,500)
NET CASH FLOW GENERATED BY/ (USED IN) FINANCING ACTIVITIES (C)		**23,422**	**4,509**
TOTAL CASH FLOW FOR THE PERIOD (D=A+B+C)		**(10,414)**	**(5,610)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)		238	(87)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (F)		42,793	21,487
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)	**15**	**32,617**	**15,790**
Additional information:			
Interest paid		661	876
Income tax paid		209	-

Statement of changes in consolidated shareholders' equity for the quarter ended 31 March 2019 and 2018

(Euro in thousands)	Share capital	Legal reserve	Share premium reserve	Reserve of treasury shares	Translation reserve	Other reserves	Result for the period	Total shareholders' equity attributable to parent company shareholders	Total shareholders' equity attributable to non-controlling interests	Total shareholders' equity
Balance as at 1 January 2019	**10,708**	**2,141**	**10,915**	**(2,341)**	**4,335**	**17,517**	**28**	**43,303**	**35**	**43,338**
Result for the period	-	-	-	-	-	-	993	993	2	995
Other profits/(losses)	-	-	-	-	354	-	-	354	-	354
Total comprehensive income/(loss)	-	-	-	-	-	-	-	**1,347**	**2**	**1,349**
Allocation of the result for the period	-	-	-	-	-	28	(28)	-	-	-
Change in the consolidation area	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2019	**10,708**	**2,141**	**10,915**	**(2,341)**	**4,689**	**17,545**	**993**	**44,650**	**37**	**44,687**

(Euro in thousands)	Share capital	Legal reserve	Share premium reserve	Reserve of treasury shares	Translation reserve	Other reserves	Result for the period	Total shareholders' equity attributable to parent company shareholders	Total shareholders' equity attributable to non-controlling interests	Total shareholders' equity
Balance as at 1 January 2018	**10,708**	**2,141**	**10,915**	**(2,341)**	**3,185**	**19,929**	**(1,430)**	**43,107**	**1,725**	**44,832**
Result for the period	-	-	-	-	-	-	1,123	1,123	1	1,124
Other profits/(losses)	-	-	-	-	(547)	-	-	(547)	(6)	(553)
Total comprehensive income/(loss)	-	-	-	-	-	-	-	**576**	**(5)**	**571**
Allocation of the result for the period	-	-	-	-	-	(1,430)	1,430	-	-	-
Change in the consolidation area	-	-	-	-	-	197	-	197	(1,697)	(1,500)
Balance as at 31 March 2018	**10,708**	**2,141**	**10,915**	**(2,341)**	**2,638**	**18,696**	**1,123**	**43,880**	**23**	**43,903**

Explanatory notes

Accounting policies adopted in preparing the consolidated financial statements as at 31 March 2019

1. Company information

The Tesmec S.p.A. Parent Company (hereinafter "Parent Company" or "Tesmec") is a legal entity organised in accordance with the legal system of the Italian Republic. The ordinary shares of Tesmec are listed on the MTA STAR Segment of the Milan Stock Exchange as from 1 July 2010. The registered office of the Tesmec Group (hereinafter "Group" or "Tesmec Group") is in Milan, Piazza S. Ambrogio 16.

2. Reporting standards

The consolidated financial statements as at 31 March 2019 were prepared in condensed form in accordance with International Financial Reporting Standards (IFRS), by using the methods for preparing interim financial reports provided by IAS 34 "Interim Financial Reporting".

The accounting standards adopted in preparing the interim consolidated financial statements as at 31 March 2019 are those adopted for preparing the consolidated financial statements as at 31 December 2018 in compliance with IFRS.

More precisely, the consolidated statement of financial position, income statement, comprehensive income statement, statement of changes in shareholders' equity and statement of cash flows are drawn up in extended form and are in the same format adopted for the consolidated financial statements as at 31 December 2018. The explanatory notes to the financial statements indicated below are in condensed form and therefore do not include all the information required for annual financial statements. In particular, as provided by IAS 34, in order to avoid repeating already disclosed information, the notes refer exclusively to items of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the statement of consolidated cash flows whose breakdown or change, with regard to amount, type or unusual nature, are significant to understanding the economic and financial situation of the Group.

Since the consolidated financial statements do not disclose all the information required in preparing the consolidated annual financial statements, they must be read together with the consolidated financial statements as at 31 December 2018.

The consolidated financial statements as at 31 March 2019 comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity, statement of consolidated cash flows and related explanatory notes. Comparative figures are disclosed as required by IAS 34 (31 December 2018 for the statement of financial position and the first quarter of 2018 for the consolidated income statement, consolidated statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement).

The quarterly consolidated financial statements are presented in Euro and all values are rounded to the nearest thousand, unless otherwise indicated.

Disclosure of the quarterly consolidated financial statements of Tesmec Group for the period ended 31 March 2019 was authorised by the Board of Directors on 6 May 2019.

Translation of foreign currency financial statements and of foreign currency items

The exchange rates used to determine the value in Euros of the financial statements of subsidiary companies expressed in foreign currency (exchange rate to 1 Euro) are shown below:

	Average exchange rates for the quarter ended 31 March		End-of-period exchange rate as at 31 March	
	2019	2018	2019	2018
US Dollar	1.138	1.227	1.124	1.232
Russian Rouble	75.512	69.660	72.856	70.890
South African Rand	15.7525	14.748	16.264	14.621
Renminbi	7.6995	7.823	7.540	7.747
Qatari Riyal	4.1437	4.468	4.090	4.485
Algerian Dinar	134.9041	139.982	134.067	140.498
Tunisian Dinar	3.4529	2.971	3.384	2.973
Australian Dollar	1.5935	1.551	1.582	1.604
New Zealand Dollar	1.6728	1.685	1.650	1.710
CFA Franc	655.957	655.957	655.957	655.957

3. Consolidation methods and area

On 31 March 2019, the consolidation area changed with respect to that as at 31 December 2018:

- on 22 March 2019, Simest S.p.A. paid its share of Euro 1,843 thousand in Marais Laying Tech. (Pty) Ltd. as per agreements signed in 2018.
  Following this payment, the companies Marais Laying Tech. (Pty) Ltd. and its subsidiary Marais Laying Tech. (Pty) Ltd. New Zeland is 51% controlled by Tesmec S.p.A. and the remaining 49% by Simest S.p.A.
  Since Tesmec S.p.A. has an obligation to buy back the portion held by Simest S.p.A., for accounting purposes the shareholdings are consolidated on a 100% basis.

4. New accounting standards, interpretations and amendments adopted by the Group

With reference to the accounting standards in force from 1 January 2019, compared to those applicable for the 2018 financial year, the only significant effect is related to the adoption of IFRS 16 "Leases".

- **Impacts of applying IFRS 16**

As from 1 January 2019, the new international accounting standard IFRS 16 "Leases" came into force; it defines a single model for the recognition of lease contracts, eliminating the distinction between operating and finance leases and based on the recognition by the lessee of an asset representing the right of use of the asset as a contra entry to a liability representing the obligation to make lease payments ("lease liability").
The accounting of the new standard envisages in short, for the lessee:
- in the balance sheet: the recognition of an asset representing the right of use and a lease liability representing the obligation to make lease payments;
- in the income statement: operating costs include the recognition of depreciation of the right-of-use asset and the financial section includes interest expense accrued on lease liability; the income statement also includes lease payments that meet short-term and low-value requirements and variable payments linked to the use of the asset, not included in the determination of the right of use/lease liability, as allowed by the standard;

On first-time adoption of the new standard, Tesmec adopted the "modified retrospective approach" method that:
- envisages the retrospective restatement of values in shareholders' equity as at 1 January 2019, without making a restatement of the previous years being compared;
- allows the non-application of IFRS 16 to leases for which the residual term to 1 January 2019 is less than 12 months, for all types of assets and "low value";
- recognised a right-of-use asset equal to an amount corresponding to lease liabilities and any prepaid expenses incurred in years prior to 1 January 2019;
- renewal or early termination options have been analysed, where present, for the purpose of determining the overall duration of the contract.

As at 31 March 2019, the adoption of the new standard had a significant impact on the Group's balance sheet, income statement and cash flows:

i. an increase in fixed assets for the right to use the assets among assets of Euro 19,802 thousand;
ii. an impact on net financial indebtedness deriving from the increase in financial liabilities for lease liabilities of Euro 19,884 thousand;
iii. an increase in EBITDA of Euro 838 thousand, and to a lesser extent of EBIT, due to the reversal of rents currently included in operating costs, and a simultaneous increase in depreciation of Euro 703 thousand;
iv. a negative change in the net result due to the recognition of financial expenses of Euro 84 thousand.

The existing loan agreements and bond issues provide for the calculation of the covenants based on net financial indebtedness calculated prior to the application of IFRS 16.

The following table shows the impact on the Group's balance sheet as at 31 March 2019:

(Euro in thousands)	**As at 31 March 2019**
NON-CURRENT ASSETS	
Intangible assets	
- of which rights of use - Buildings	18,507
- of which rights of use - Plant and machinery	121
- of which rights of use - Motor vehicles	1,090
- of which rights of use - Hardware	84
Deferred tax assets	6
TOTAL NON-CURRENT ASSETS	**19,808**
CURRENT ASSETS	
Other current assets	(8)
TOTAL CURRENT ASSETS	**(8)**
TOTAL ASSETS	**19,800**
SHAREHOLDERS' EQUITY	
Group net profit / (loss)	(84)
TOTAL SHAREHOLDERS' EQUITY	**(84)**
NON–CURRENT LIABILITIES	
Medium/long-term loans	17,276
TOTAL NON-CURRENT LIABILITIES	**17,276**
CURRENT LIABILITIES	
Interest-bearing financial payables (current portion)	2,608
TOTAL CURRENT LIABILITIES	**2,608**
TOTAL LIABILITIES	**19,800**

The discount rate used for implementing the sensitivity indicated above for the transition to the new standard and the Group's marginal lending rate on 1 January 2019. The measurement also excludes, as allowed by the standard, short-term leases and leases of low-value assets. For the Group, the effect of the application of the new standard mainly concerned

operating leases relating to property, plant and equipment: such as buildings, motor vehicles and trucks, plant and machinery and IT equipment.
The adoption of IFRS 16 resulted in the recognition, at 31 March 2019, of greater fixed assets for rights of use of Euro 19,804 thousand and lease liabilities of Euro 19,884 thousand segmented between current and non-current.

The economic effects on the first quarter of 2019 are shown below:

(Euro in thousands)	**Quarter ended 31 March 2019**
Other operating (costs)/revenues, net	838
Depreciations	(730)
Financial expenses	(198)
TOTAL PRE-TAX EFFECT ON THE RESULT FOR THE PERIOD	**(90)**
Income tax	6
TOTAL EFFECT ON NET RESULT FOR THE PERIOD	**(84)**

The adoption of IFRS 16 resulted in an improvement in the Group's EBITDA in the first quarter of 2019 of Euro 838 thousand and a worsening of the net result for the period of Euro 84 thousand.

5. Significant events during the period

The extraordinary transactions that occurred during the period include the following:

- on 22 March 2019, Simest S.p.A. paid its share of Euro 1,843 thousand in Marais Laying Tech. (Pty) Ltd. as per agreements signed in 2018.
  Following this payment, the companies Marais Laying Tech. (Pty) Ltd. and its subsidiary Marais Laying Tech. (Pty) Ltd. New Zeland is 51% controlled by Tesmec S.p.A. and the remaining 49% by Simest S.p.A.
  Since Tesmec S.p.A. has an obligation to buy back the portion held by Simest S.p.A., for accounting purposes the shareholdings are consolidated on a 100% basis.

COMMENTS ON THE MAIN ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

6. Intangible assets

The breakdown and changes in "Intangible assets" as at 31 March 2019 and as at 31 December 2018 are shown in the table below:

(Euro in thousands)	01/01/2019	IFRS 16 increases	Increases due to purchases	Reclassifications	Decreases	Depreciations	Exchange rate differences	31/03/2019
Development costs	14,941	-	1,700	-	-	(1,577)	27	15,091
Rights and trademarks	2,286	-	9	(1)	-	(300)	2	1,996
Other intangible assets	28	-	-	-	-	(1)	-	27
Rights of use - Buildings	-	19,094	-	-	-	(587)	-	18,507
Rights of use - Plant and machinery	-	129	-	-	-	(8)	-	121
Rights of use - Motor vehicles	-	1,215	-	-	-	(124)	(1)	1,090
Rights of use - Hardware	-	95	-	-	-	(11)	-	84
Assets in progress and advance payments to suppliers	743	-	55	(2)	-	-	-	796
Total intangible assets	**17,998**	**20,533**	**1,764**	**(3)**	**-**	**(2,608)**	**28**	**37,712**

As at 31 March 2019, *intangible assets* totalled Euro 37,712 thousand, up Euro 19,714 thousand on the previous year due to:

- increase in the items for *rights of use* of Euro 20,533 thousand relating to the accounting required by IFRS 16 of operating leases as from 1 January 2019;
- *development costs* capitalised in the first three months of 2019 for Euro 1,700 thousand, entirely offset by the amortisation for the period (Euro 1,562 thousand). These costs are related to projects for the development of new products and equipment that are expected to generate positive cash flows in future years.

7. Property, plant and equipment

The breakdown and changes in "Property, plant and equipment" as at 31 March 2019 and as at 31 December 2018 are shown in the table below:

(Euro in thousands)	01/01/2019	Increases due to purchases	Reclassifications	Decreases	Depreciations	Exchange rate differences	31/03/2019
Land	2,985	-	-	-	-	4	2,989
Buildings	15,271	150	-	-	(155)	103	15,369
Plant and machinery	4,637	79	-	(40)	(247)	19	4,448
Equipment	1,759	107	4	-	(98)	-	1,772
Other assets	19,839	1,880	3	(372)	(1,086)	217	20,481
Assets in progress and advance payments to suppliers	846	17	(4)	-	-	(1)	858
Total property, plant and equipment	**45,337**	**2,233**	**3**	**(412)**	**(1,586)**	**342**	**45,917**

As at 31 March 2019, property, plant and equipment totalled Euro 45,917 thousand, up compared to the previous year by Euro 580 thousand.
The increase is mainly due to the increase in trencher machines registered in the fleet of Euro 1,826 thousand, following the drawing-up of new lease contracts offset by depreciations for the period of Euro 945 thousand.

8. Work-in-progress contracts

The following table sets forth the breakdown of Work-in-progress contracts as at 31 March 2019 and as at 31 December 2018:

(Euro in thousands)	31 March 2019	31 December 2018
Work in progress (Gross)	21,021	13,873
Advances from contractors	(2,850)	(2,850)
Work in progress contracts	**18,171**	**11,023**
Advances from contractors (Gross)	-	-
Work in progress (Gross)	-	-
Advances from contractors	**-**	**-**

"Work in progress" refers exclusively to the Rail segment where the machinery is produced in accordance with specific customer requirements. "Work in progress" is recognised as an asset if, on the basis of an analysis carried out for each contract, the gross value of work in progress is greater than advances from customers; it is recognised as a liability if the advances are greater than the related work in progress.
If the advances are not collected at the reporting date, the corresponding amount is recognised as trade receivables.

9. Inventories

The following table provides a breakdown of the item Inventories as at 31 March 2019 compared to 31 December 2018:

(Euro in thousands)	31 March 2019	31 December 2018
Raw materials and consumables	38,270	37,174
Work in progress	13,186	11,377
Finished products and goods for resale	12,877	13,459
Advances to suppliers for assets	889	566
Total inventories	**65,222**	**62,576**

Compared to 31 December 2018, *inventories* recorded an increase of Euro 2,646 thousand thanks to an increased supply in order to be able to cope with the expected sales for the coming months of the year.

10. Trade receivables

The following table sets forth the breakdown of Trade Receivables as at 31 March 2019 and as at 31 December 2018:

(Euro in thousands)	31 March 2019	31 December 2018
Trade receivables from third-party customers	55,412	49,850
Trade receivables from associates, related parties and joint ventures	1,844	2,712
Total trade receivables	**57,256**	**52,562**

The increase in *trade receivables* (+8.9%) reflects the trend of sales for the quarter, which were particularly concentrated in March.

11. Financial receivables and other current financial assets

The following table provides a breakdown of financial receivables and other current financial assets as at 31 March 2019 and as at 31 December 2018:

(Euro in thousands)	31 March 2019	31 December 2018
Financial receivables from related parties	3,719	4,373
Financial receivables from third parties	5,514	5,986
Other current financial assets	39	31
Total financial receivables and other current financial assets	**9,272**	**10,390**

The decrease in *current financial assets* from Euro 10,390 thousand to Euro 9,272 thousand is mainly due to the decrease in credit positions relating to specific contracts signed with related parties on which an interest rate is applied and repayable within 12 months.

12. Share capital and reserves

The share capital amounts to Euro 10,708 thousand, fully paid in, and is comprised of 107,084,000 shares with a par value of Euro 0.1 each.

The following table provides a breakdown of Other reserves as at 31 March 2019 and as at 31 December 2018:

(Euro in thousands)	31 March 2019	31 December 2018
Revaluation reserve	86	86
Extraordinary reserve	28,935	28,935
Change in the consolidation area	-	(555)
Reserve for first-time adoption of IFRS 9	(491)	(491)
Severance indemnity valuation reserve	(498)	(498)
Network reserve	824	824
Retained earnings/(losses brought forward)	(7,263)	(6,736)
Bills charged directly to shareholders' equity on operations with entities under common control	(4,048)	(4,048)
Total other reserves	**17,545**	**17,517**

The *revaluation reserve* is a reserve in respect of which tax has been deferred, set up in accordance with Italian Law 72/1983.

The value of the difference from translation of financial statements has a positive impact on shareholders' equity of Euro 354 thousand as at 31 March 2019.

As at 31 March 2019, the increase in *Retained earnings/(losses brought forward)* is due to the 2018 result that was allocated by the Shareholders' Meeting on 16 April 2019.

13. Medium/long-term loans

During the first three months of 2019, medium and long-term loans increased from Euro 25,671 thousand to Euro 48,344 thousand mainly as a result of the recognition of the long-term portion of financial payables for rights of use in accordance with IFRS 16 of Euro 17,276 thousand.

14. Interest-bearing financial payables (current portion)

The following table provides details of this item as at 31 March 2019 and as at 31 December 2018:

(Euro in thousands)	31 March 2019	31 December 2018
Advances from banks against invoices and bills receivables	45,819	47,923
Other financial payables (short-term leases)	1,273	1,183
Other financial payables (short-term leases) - Right of use	2,608	-
Payables due to factoring companies	10,718	11,275
Current account overdrafts	1,814	1,825
Short-term loans to third parties	238	187
Current portion of medium/long-term loans	16,295	15,733
Other short-term financial payables	2,615	2,378
Total interest-bearing financial payables (current portion)	**81,380**	**80,504**

The increase in the *current portion of medium/long-term loans* refers to the recognition of the short-term portion of financial payables for rights of use in accordance with IFRS 16 of Euro 2,608 thousand.

The existing loan agreements and bond issues contractually provide for the calculation of the financial covenants based on net financial indebtedness calculated prior to the application of IFRS 16.

15. Disclosure of derivative financial instruments

The following table shows a summary of the financial instruments, other than cash and cash equivalents, owned by the Group as at 31 March 2019:

(Euro in thousands)	Loans and receivables/financial liabilities measured at amortised cost	Cash and cash equivalents	Available-for-sale financial assets	Fair value recognised in the income statement
Financial assets:				
Financial receivables	1,881	-	-	-
Derivative financial instruments	-	-	-	9
Trade receivables	676	-	-	-
Total non-current	**2,557**	**-**	**-**	**9**
Trade receivables	57,256	-	-	-
Financial receivables from related parties	3,719	-	-	-
Financial receivables from third parties	5,514	-	-	-
Other current financial assets	39	-	-	-
Other available-for-sale securities	-	-	1	-
Cash and cash equivalents	-	32,617	-	-
Total current	**66,528**	**32,617**	**1**	**-**
Total	**69,085**	**32,617**	**1**	**9**

Financial liabilities:				
Loans	29,446	-	-	-
Other financial payables (net leases)	1,622	-	-	-
Other financial payables (net leases) - Rights of use	17,276	-	-	-
Bond issue	24,667	-	-	-
Derivative financial instruments	-	-	-	24
Total non-current	**73,011**	**-**	**-**	**24**
Loans	16,533	-	-	-
Other financial payables (short-term leases)	1,273	-	-	-
Other financial payables (short-term leases) - Rights of use	2,608	-	-	-
Financial payables to related parties	2,519	-	-	-
Other short-term payables	58,447	-	-	-
Derivative financial instruments	-	-	-	4
Trade payables	51,339	-	-	-
Total current	**132,719**	**-**	**-**	**4**
Total	**205,730**	**-**	**-**	**28**

Management and types of risk

Within its scope of operations, the Group is exposed, to a greater or lesser extent, to certain types of risk that are managed as follows.
The Group does not hold derivatives or similar products for purely speculative purposes.

Interest rate risk

The Tesmec Group’s exposure to interest rate risk is managed by taking overall exposure into consideration: as part of the general policy to optimise financial resources, the Group seeks equilibrium, by using less expensive forms of financing.

With regard to the market risk due to changes in the interest rate, the Group's policy is to hedge the exposure related to the portion of medium to long-term indebtedness. Derivative instruments such as swaps, collars and caps are used to manage this risk.

As at 31 March 2019, there were three positions of interest rate swap derivatives hedging the risk related to the potential increase in interest-bearing financial payables (current portion) due to fluctuating market rates. The notional value of these positions was equal to Euro 4.4 million, with a negative equivalent value of Euro 14 thousand. Moreover, there were five interest rate cap positions; the notional value of these positions was equal to Euro 7.5 million, with a negative equivalent value of Euro 5 thousand.

Exchange rate risk

A significant portion of the Group's revenues is generated by sales in foreign countries, including developing countries.

The main transaction currencies used for the Group's sales are the euro and the US dollar. The Group believes that if the exchange rate fluctuations of these two currencies are low, there is no risk to operating margins, insofar as the sale price could be adapted on each occasion to the exchange rate. However, if the US dollar were to depreciate significantly against the euro, we cannot exclude negative effects on margins to the extent that a good portion of sales in US dollars concerns the productions of Italian factories that operate with costs in the Eurozone.
With regard to net exposure that is mainly represented by receivables in US dollars of Tesmec S.p.A., the only hedging instrument adopted is the purchasing of forwards on the US currency. However, these hedges are carried out only for one part of the total exposure in that the timing of the inflow of the receipts in dollars is difficult to predict at the level of each sales invoice. Besides, for a good part of the sales in dollars, the Group uses the production of the American factory with costs in US dollars by creating in this way a sort of natural hedging of the currency exposure.

Forward sale instruments for fixing the exchange rate at the moment of the order are mainly used for covering the risk of the dollar exposure deriving from:
i) selling trenchers produced in Italy in Middle Eastern countries;
ii) selling stringing machines produced in Italy in the USA where purchases are in euro, and sales in US dollars.
Despite the adoption of the above strategies aimed at reducing the risks arising from fluctuation of exchange rates, the Group cannot exclude that future changes thereof might affect the results of the Group. Fluctuations in exchange rates could also significantly affect the comparability of the results of each financial period.

Credit risk

For the Group, credit risk is closely linked to the sale of products on the market. In particular, the extent of the risk depends on both technical and commercial factors and the purchaser's solvency.
From a commercial viewpoint, the Group is not exposed to high credit risk insofar as it has been operating for years in markets where payment on delivery or letter of credit issued by a prime international bank are usually used as payment methods. For customers located in the European region, the Group mainly uses factoring without recourse. The provisions for doubtful accounts are considered to be a good indication of the extent of the overall credit risk.

Price risk

In general, price risk is linked to the fluctuation of commodity prices.
Specifically, the price risk of the Group is mitigated by the presence of many suppliers of raw materials as well as by the need to receive absolute guarantees on supply volumes, in order not to affect the warehouse stock.
In reality, this risk seems remote for two fundamental reasons:
1. the existence and use of alternative suppliers;
2. the assortment of raw materials and components used in the production of the Tesmec machinery: it is unlikely for all of them to be affected by increasing price tensions at the same time.
In particular, in the current market situation, this risk seems particularly weakened by the situation of oversupply in many markets.

Liquidity/cash flow variation risks

Financial requirements and related risks (mainly interest rate risks, liquidity and exchange rate risks) are managed by the Group based on guidelines defined by the Group General Management and approved by the Chief Executive Officer of the Parent Company.
The main purpose of these guidelines is to guarantee the presence of a liability structure always in equilibrium with the composition of balance sheet assets, in order to maintain a very sound balance sheet structure.
Forms of financing most commonly used are represented by:

- medium/long-term loans with multi-year redemption plan, to cover the investments in fixed assets and to finance expenses related to several development projects;
- short-term loans, advances on export, transfers of trade receivables, to finance the working capital.

The average cost of indebtedness is benchmarked to the trend of the 1/3-month Euribor rates for short-term loans and the 3/6-month Euribor rates for medium to long-term loans. Some interest rate hedges have been set in place for floating medium/long-term loans. Existing loan contracts contain certain financial covenant clauses.

Risks related to transactions with suppliers

Tesmec Group adopts a purchasing policy aimed at diversifying the suppliers of components that have unique characteristics in terms of purchased volumes or high added value. However, the termination for any reason of these supply relations could imply for the Group provisioning problems for these raw materials, semi-finished and finished goods, in relation to the quantity and time suitable for ensuring the continuity of production, or purchasing could lead to time issues in order to achieve quality standards already acquired with the old supplier.

Disclosures: hierarchy levels of fair value measurement

In relation to financial instruments measured at fair value, the following table shows the classification of such instruments on the basis of the hierarchy of levels required by IFRS 13, which reflects the significance of the inputs used in measuring the fair value. The levels are broken down as follows:

- level 1 - quoted prices without adjustment recorded in an active market for measured assets or liabilities;

- level 2 - inputs other than quoted prices included within level 1 that are observable in the market, either directly (as in the case of prices) or indirectly (i.e. when derived from the prices);
- level 3 - inputs that are not based on observable market data.

The following table shows the assets and liabilities that are measured at fair value as at 31 March 2019, divided into the three levels defined above:

(Euro in thousands)	**Book value as at 31 March 2019**	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Derivative financial instruments	9	-	9	-
Total non-current	**9**	**-**	**9**	**-**
Other available-for-sale securities	1	-	-	1
Total current	**1**	**-**	**-**	**1**
Total	**10**	**-**	**9**	**1**
Financial liabilities:				
Derivative financial instruments	24	-	24	-
Total non-current	**24**	**-**	**24**	**-**
Derivative financial instruments	4	-	**4**	-
Total current	**4**	**-**	**4**	**-**
Total	**28**	**-**	**28**	**-**

16. Revenues from sales and services

The table below shows the breakdown of Revenues from sales and services as at 31 March 2019 and as at 31 March 2018:

	Quarter ended 31 March	
(Euro in thousands)	**2019**	**2018**
Sales of products	33,465	33,035
Services rendered	9,248	11,697
Total revenues from sales and services	**42,713**	**44,732**
Changes in work in progress	7,133	2,013
Total revenues from sales and services	**49,846**	**46,745**

In the first three months of 2019, the Group recorded consolidated revenues of Euro 49,846 thousand, an increase of Euro 3,101 thousand compared to Euro 46,745 thousand in the same period of the previous year. In percentage terms, this increase represents a positive difference of 6.6%, which is split unevenly between the Group's three business areas. More specifically, an increase of +106.6% was recorded for the Rail segment, +11.8% for the Energy segment, and a decrease of -7.2% for the Trencher segment.

The revenues of the Trencher segment are in line with the past in all the Group's geographical areas of reference: the performance of the American market that in the first quarter alone achieved a turnover of USD 12 million is worthy of note.

The Railway segment recorded revenues as at 31 March 2019 of Euro 8,545 thousand, an increase of 106.6% compared to the Euro 4,136 thousand recorded as at 31 March 2018. The improvement is due to the performance of the existing contract with RFI and to the delivery of diagnostic wagons.

With regard to the Energy segment, revenues as at 31 March 2019 amounted to Euro 10,332 thousand, an increase of 11.8% compared to Euro 9,242 thousand as at 31 March 2018; in particular, in the first quarter, the Energy-Automation segment achieved revenues of Euro 2,206 thousand, an increase of 24.5% compared to Euro 1,772 thousand as at 31 March 2018, in line with the growth prospects for the year.

17. Operating costs

The item *operating costs* amounted to Euro 48,297 thousand, an increase of 9.8% compared to the previous year, a more than proportional increase with respect to the performance in revenues (6.6%).

18. Segment Reporting

For management purposes, Tesmec Group is organised into strategic business units identified based on the goods and services provided, and presents three operating segments for disclosure purposes:

Energy segment

- machines and integrated systems for overhead and underground stringing of power lines and fibre optic cables; integrated solutions for the streamlining, management and monitoring of low, medium and high voltage power lines (smart grid solutions).

Trencher segment

- high-efficiency crawler trenching machines for excavation with a set section for the construction of infrastructures for the transmission of data, raw materials and gaseous and liquid products in the various segments: energy, farming, chemical and public utilities, crawler machines for working in the mines, surface works and earth moving works (RockHawg);
- specialised consultancy and excavation services on customer request;
- multi-purpose site machinery (Gallmac).

Rail segment

- machines and integrated systems for the installation, maintenance and diagnostics of the railway catenary wire system, plus customised machines for special operations on the line.

No operating segment has been aggregated in order to determine the indicated operating segments that are the subject of the reporting.

	Quarter ended 31 March							
	2019				**2018**			
(Euro in thousands)	**Energy**	**Trencher**	**Rail**	**Consolidated**	**Energy**	**Trencher**	**Rail**	**Consolidated**
Revenues from sales and services	10,332	30,969	8,545	49,846	9,242	33,367	4,136	46,745
Operating costs net of depreciation and amortisation	(9,086)	(27,883)	(7,134)	(44,103)	(8,015)	(29,175)	(3,478)	(40,668)
EBITDA	**1,246**	**3,086**	**1,411**	**5,743**	**1,227**	**4,192**	**658**	**6,077**
Depreciations	(1,337)	(2,140)	(717)	(4,194)	(1,024)	(1,742)	(539)	(3,305)
Total operating costs	**(10,423)**	**(30,023)**	**(7,851)**	**(48,297)**	**(9,039)**	**(30,917)**	**(4,017)**	**(43,973)**
Operating income	**(91)**	**946**	**694**	**1,549**	**203**	**2,450**	**119**	**2,772**
Net financial income/(expenses)				(522)				(1,470)
Pre-tax profit				**1,027**				**1,302**
Income tax				(32)				(178)
Net profit for the period				**995**				**1,124**
Profit/(loss) attributable to non-controlling interests				2				1
Group profit				**993**				**1,123**

(*) EBITDA is represented by the operating income including amortisation/depreciation. The EBITDA thus defined represents a measurement used by Company management to monitor and assess the operating performance. EBITDA is not recognised as a measure of performance by 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 calculation criterion applied by the Group may not be in line with the criterion adopted by others and is therefore not comparable.

Management monitors separately the results achieved by the business units in order to make decisions on resource, allocation and performance assessment. Segment performance is assessed based on operating income.
Group financial management (including financial income and charges) and income tax are managed at Group level and are not allocated to the individual operating segments.

The following table shows the consolidated statement of financial position by business segment as at 31 March 2019 and as at 31 December 2018:

	As at 31 March 2019					**As at 31 December 2018**				
(Euro in thousands)	**Stringing equipment**	**Trencher**	**Rail**	**Not allocated**	**Consolidated**	**Stringing equipment**	**Trencher**	**Rail**	**Not allocated**	**Consolidated**
Intangible assets	19,559	13,919	4,234	-	37,712	9,674	4,258	4,066	-	17,998
Property, plant and equipment	2,006	35,929	7,982	-	45,917	2,005	35,354	7,978	-	45,337
Financial assets	3,133	2,359	2	398	5,892	3,123	2,329	1	448	5,901
Other non-current assets	1,390	5,389	124	6,116	13,019	1,271	4,146	92	7,138	12,647
Total non-current assets	**26,088**	**57,596**	**12,342**	**6,514**	**102,540**	**16,073**	**46,087**	**12,137**	**7,586**	**81,883**
Work in progress contracts	-	-	18,171	-	18,171	-	-	11,023	-	11,023
Inventories	18,757	43,763	2,702	-	65,222	16,920	43,444	2,212	-	62,576
Trade receivables	16,730	33,958	6,568	-	57,256	11,370	34,605	6,587	-	52,562
Other current assets	2,650	3,039	6,600	9,878	22,167	2,397	3,859	8,953	9,363	24,572
Cash and cash equivalents	861	2,004	12,189	17,563	32,617	880	1,487	18,517	21,909	42,793
Total current assets	**38,998**	**82,764**	**46,230**	**27,441**	**195,433**	**31,567**	**83,395**	**47,292**	**31,272**	**193,526**
Total assets	**65,086**	**140,360**	**58,572**	**33,955**	**297,973**	**47,640**	**129,482**	**59,429**	**38,858**	**275,409**
Shareholders' equity attributable to parent company shareholders	**-**	**-**	**-**	**44,650**	**44,650**	**-**	**-**	**-**	**43,303**	**43,303**
Shareholders' equity attributable to non-controlling interests	**-**	**-**	**-**	**37**	**37**	**-**	**-**	**-**	**35**	**35**
Non-current liabilities	**2,557**	**7,108**	**5,875**	**67,192**	**82,732**	**1,153**	**5,834**	**3,047**	**50,088**	**60,122**
Current financial liabilities	1,987	6,196	8,284	64,917	81,384	986	7,045	8,604	63,869	80,504
Trade payables	15,041	26,468	9,830	-	51,339	12,896	28,653	12,801	-	54,350
Other current liabilities	1,872	7,951	16,829	11,179	37,831	1,688	9,898	17,592	7,917	37,095
Total current liabilities	**18,900**	**40,615**	**34,943**	**76,096**	**170,554**	**15,570**	**45,596**	**38,997**	**71,786**	**171,949**
Total liabilities	**21,457**	**47,723**	**40,818**	**143,288**	**253,286**	**16,723**	**51,430**	**42,044**	**121,874**	**232,071**
Total shareholders' equity and liabilities	**21,457**	**47,723**	**40,818**	**187,975**	**297,973**	**16,723**	**51,430**	**42,044**	**165,212**	**275,409**

19. Related party transactions

The following table gives details of economic and equity transactions with related parties. The companies listed below have been identified as related parties as they are linked directly or indirectly to the current shareholders:

	Quarter ended 31 March 2019					Quarter ended 31 March 2018				
(Euro in thousands)	**Revenues**	**Cost of raw materials**	**Costs for services**	**Other operating costs/revenues, net**	**Financial income and expenses**	**Revenues**	**Cost of raw materials**	**Costs for services**	**Other operating costs/revenues, net**	**Financial income and expenses**
Associates:										
Locavert S.A.	494	-	-	-	6	32	-	-	-	-
Subtotal	**494**	**-**	**-**	**-**	**6**	**32**	**-**	**-**	**-**	**-**
Joint Ventures:										
Condux Tesmec Inc.	818	-	-	44	3	970	-	1	40	
Tesmec Peninsula	25	-	-	-	10	-	(310)	(35)	-	13
Subtotal	**843**	**-**	**-**	**44**	**13**	**970**	**(310)**	**(34)**	**40**	**13**
Related parties:										
Ambrosio S.r.l.	-	-	-	(3)	-	-	-	-	(3)	-
Ceresio Tours S.r.l.	-	-	(2)	-	-	-	-	(1)	-	-
Dream Immobiliare S.r.l.	-	-	-	(568)	-	-	-	-	(611)	-
TTC S.r.l.	-	-	(49)	-	-	-	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	643	-	1	(522)	-	2,806	(30)	1	(349)	20
MTS4SERVICE USA LLC	35	-	-	(26)	-	1,508	-	-	(170)	13
Comatel	16	-	-	-	-	10	-	-	-	-
C2D	-	-	-	-	-	-	-	(70)	-	-
Subtotal	**694**	**-**	**(50)**	**(1,119)**	**-**	**4,324**	**(30)**	**(70)**	**(1,133)**	**33**
Total	**2,031**	**-**	**(50)**	**(1,075)**	**19**	**5,326**	**(340)**	**(104)**	**(1,093)**	**46**

At the date of this report, C2D was no longer a related party.

(Euro in thousands)	31 March 2019					31 December 2018				
	Trade receivables	Current financial receivables	Current financial payables	Trade payables	Advances from customers	Trade receivables	Current financial receivables	Current financial payables	Trade payables	Advances from customers
Associates:										
Locavert S.A.	44	-	-	3	-	43	-	-	3	-
R&E Contracting (Pty) Ltd.	-	183	-	-	-	-	180	-	-	-
Subtotal	**44**	**183**	**-**	**3**	**-**	**43**	**180**	**-**	**3**	**-**
Joint Ventures:										
Condux Tesmec Inc.	860	-	-	1	-	394	656	-	-	-
Tesmec Peninsula	36	2,060	1,859	-	-	174	2,022	1,995	-	-
Marais Tunisie	-	2	-	-	-	-	1	-	-	-
Marais Lucas	-	794	-	-	-	-	794	-	-	-
Subtotal	**896**	**2,856**	**1,859**	**1**	**-**	**568**	**3,473**	**1,995**	**-**	**-**
Related parties:										
Ceresio Tours S.r.l.	-	-	-	1	-	-	-	-	4	-
Dream Immobiliare S.r.l.	-	680	-	283	-	-	720	-	273	-
Ambrosio S.r.l.	-	-	-	5	-	-	-	-	-	-
Fi.ind.	-	-	-	-	-	27	-	-	-	-
TTC S.r.l.	-	-	-	60	-	-	-	-	113	-
M.T.S. Officine meccaniche S.p.A.	888	-	660	1,368	-	145	-	330	1,459	-
MTS4SERVICE USA LLC	-	-	-	375	20	1,874	-	-	525	55
Comatel	16	-	-	-	-	55	-	-	-	-
Subtotal	**904**	**680**	**660**	**2,092**	**20**	**2,101**	**720**	**330**	**2,374**	**55**
Total	**1,844**	**3,719**	**2,519**	**2,096**	**20**	**2,712**	**4,373**	**2,325**	**2,377**	**55**

Certification pursuant to Article 154-*bis* of Italian Legislative Decree 58/98

1. The undersigned Ambrogio Caccia Dominioni and Gianluca Casiraghi, as the Chief Executive Officer and the Manager responsible for preparing the Company's financial statements of Tesmec S.p.A., respectively, hereby certify, also taking into consideration the provisions of Article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:

   - the adequacy in relation to the characteristics of the business and
   - the actual application

   of the administrative and accounting procedures for preparing the Interim Condensed Consolidated Financial Statements as at 31 March 2019.

2. We also certify that:

2.1 the Condensed Consolidated Financial Statements as at 31 March 2019:

- have been prepared in accordance with IFRS as endorsed by the European Union, as provided by the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the amounts shown in the Company's accounts, books and records;
- give a true and fair view of the financial position, the results of the operations and of the cash flows of the issuer and of its consolidated companies.

2.2 the interim report on operations includes a reliable analysis of the important events that took place during the first three months of the financial period and their impact on the Interim Condensed Consolidated Financial Statements, together with a description of the main risks and uncertainties for the nine remaining months of the financial period. The interim report on operations also includes a reliable analysis of information on significant transactions with related parties.

Grassobbio, 6 May 2019

Ambrogio Caccia Dominioni	Gianluca Casiraghi
Chief Executive Officer	Manager responsible for preparing the Company’s financial statements

www.tesmec.com

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