Interim Financial Report at March 31, 2020

Tesmec S.p.A.
Registered office: Piazza Sant'Ambrogio, 16 – 20123 Milan
Fully paid-up share capital as at 31 March 2020 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 Parties 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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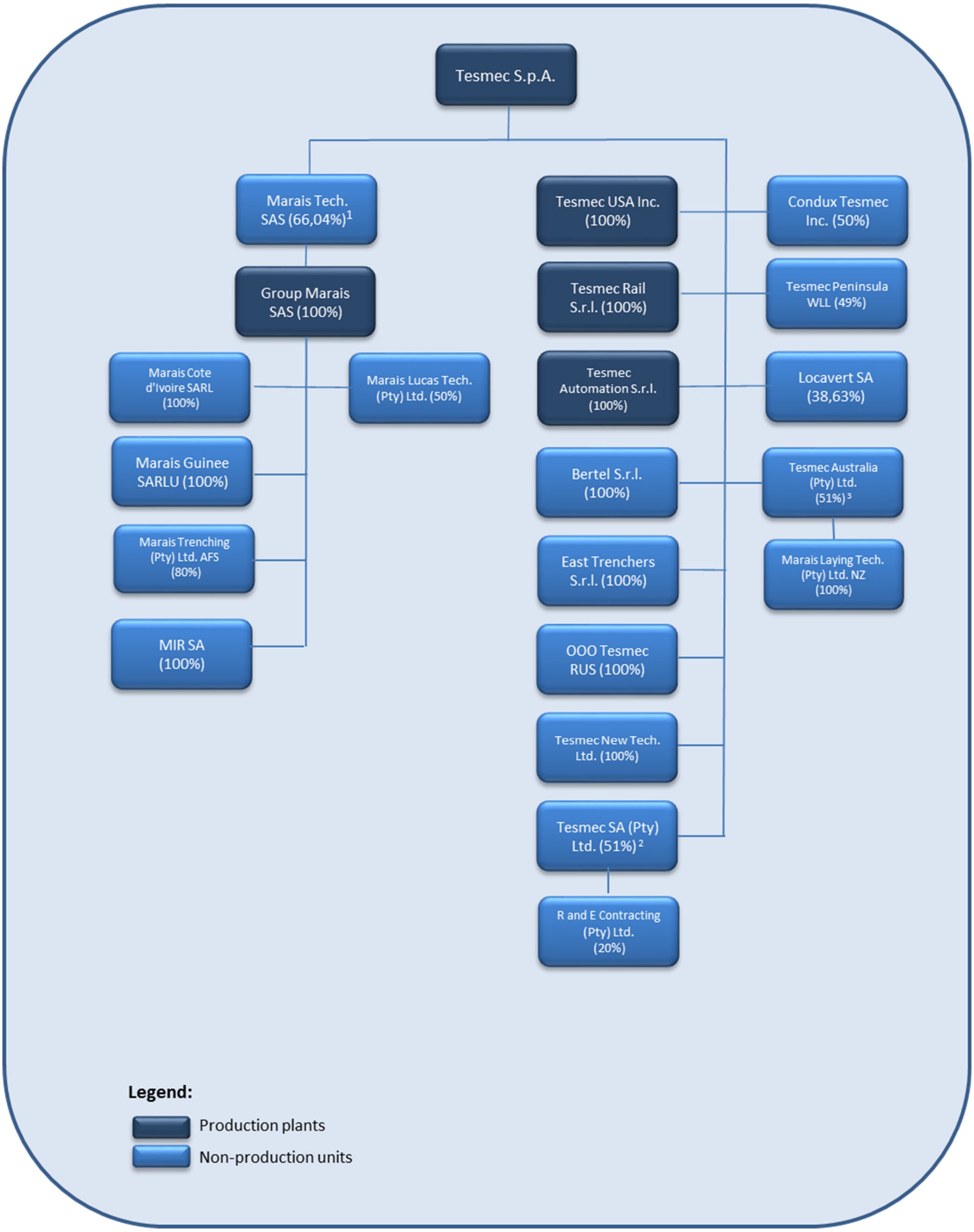
Lead Independent Director	Paola Durante
Director in charge of the internal control and risk management system	Caterina Caccia Dominioni
Manager responsible for preparing the Company's financial statements	Marco Paredi
Independent Auditors	Deloitte & Touche S.p.A.

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 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 in 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 Tesmec Australia (Pty) Ltd. 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 900 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 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 early 2020, the effects of the Covid-19 pandemic rapidly affected the global economy. The epidemic, which started in China at the end of January, gradually spread to all Eurozone countries and the United States with particular intensity, leading to a sharp deterioration in the economic outlook. The worsening growth prospects translated into a sharp fall in stock-market indexes and a sharp rise in volatility and risk aversion. The financial markets experienced severe turbulence that pushed share prices down and gave rise to large fluctuations in Government bond yields in a context of reduced liquidity, increased risk aversion and high volatility. Oil prices fell by over 50% in the last three months; the decline was mainly due to fears of a slowdown in economic activity following the pandemic and was also affected by the lack of agreement between OPEC countries to renew production cuts. Inflation was held back by falling oil prices and weak demand. Since mid-January, volatility on the currency markets increased; after an initial strengthening phase, the euro exchange rate depreciated against the dollar again over the last few weeks. The epidemic is having a major impact on employment in all countries. The impact of the Covid-19 pandemic on world growth is extremely complex to quantify and likely to be very significant. In China, the strict containment measures adopted resulted in the interruption of production in entire regions of the country, central to the national production

system and global supply chains. In the United States, new claims for unemployment benefits quickly rose to extraordinarily high levels and, following the declaration of a national emergency, quarantine, social distancing and reduced mobility measures were extended and tightened.
The countries most affected so far have adopted progressively tougher measures to contain contagion and the contraction is expected to be more pronounced in the advanced countries where containment measures have so far been on average more extensive and stringent. In all major countries, monetary and tax authorities have put in place strong expansionary measures to support household and business income, credit to the economy and liquidity in the markets.
The first country outside Asia to experience a high number of infections and to apply particularly strict containment policies was Italy. In our country, the spread of the epidemic since the end of February and the measures taken to deal with it had a significant impact on economic activity in the first quarter. In addition to the provisions that led to an explicit freeze on activity, the overall supply of all sectors was affected by obstacles in the supply of intermediate goods and services on domestic and international markets, as well as restrictions imposed on companies in the employment of labor and the carrying-out of activities, mainly due to restrictions on mobility. It is estimated that industrial production, after rising again in January and falling back in February, fell sharply in March, supposedly suffering the first effects of the early and more intense spread of the epidemic in areas with a higher concentration of industrial enterprises. Industrial production would have fallen by 15% in March and by around 6% on average in the first quarter; in the first three months of 2020, GDP would have fallen by around five percentage points today.
In Italy, as in other European countries, share prices fell and the yield spread of Government bonds compared to German bonds widened significantly. Between the third decade of February - when the epidemic broke out in the north of the country - and 18 March, the general stock-market index in Italy lost about 40% of its value. The use of the redundancy fund should have mitigated, in March, the impact of the health emergency on the number of employees.
In recent weeks, the Government launched significant expansionary measures to support the health system, families and businesses affected by the crisis, through the strengthening of social safety nets, the suspension of tax payments, a moratorium on existing bank loans and the granting of public guarantees on loans for businesses. Measures to support access to credit also focus on an extensive programme of public guarantees on loans. The State guarantee system is strengthened by giving SACE, whose tasks are redefined, a central role in the implementation of the measures supporting liquidity. SACE will be able to guarantee, on first application, loans of a duration not exceeding six years with coverage percentages between 70 and 90 percent, decreasing as the size of the company increases, and the measure could favour not only new loans but also the renewal of those granted in the past. Therefore, it is likely for the indebtedness of companies to increase in the current year, assisted by financial support measures related to the epidemiological emergency.
Uncertainty about the duration of the epidemic and the policies needed to deal with it is also high in view of the WHO recommendation that restrictions, although relaxed, should be maintained at a later stage. These uncertainties make it extremely complex to quantify the negative impact on world growth but, unlike other shocks to the global economy, the current one is affecting the service sector more than industry. Prolonged measures to contain the epidemic are likely to lead to a contraction of the product also in the second quarter, which should be followed by a recovery in the second half of the year, which may also be high, and a strong recovery in activity in 2021. However, the spectrum of assessments by analysts is very broad.
The intensity and speed of the subsequent recovery of internal activity levels will depend on a number of factors: on the impact on citizens' confidence and spending decisions and on business investment decisions; on the trend in households' propensity to save considering the need to rebuild income and wealth levels affected by the crisis; on the ability of companies to stay on the market despite the losses incurred in the lockdown phase. For some sectors such as manufacturing, it is also possible for some of the production lost during the implementation of the containment measures to be recovered, with a consequent mitigation of the overall effects on the year. The ability to recover will depend to a large extent on the response of the economic, tax, monetary and prudential policies being implemented in our country, at European and global level. However, the combination of public interventions, low interest rates and improved financial strength of companies will help to sustain financial conditions in the coming months.

3. Effects of the Covid-19 pandemic

As is well known, since January 2020, the national and international scenario was characterised by the spread of the Covid-19 virus (known as Coronavirus) and the consequent restrictive measures for its containment. The Group acted promptly to monitor and manage its evolution with great attention by applying all the appropriate health and safety protocols in full compliance with the provisions of the Ministry of Health. These circumstances, which are extraordinary in nature and extent, had direct and indirect repercussions on operations. From the very first days of the health emergency, the Group undertook to deal with them, trying to ensure the operational continuity of its offices and plants, but at the same time guaranteeing the protection of its personnel, customers and suppliers. The main solutions adopted concerned the incentive to agile working, travel restrictions, the increase of proximity spaces at the workplace and measures to avoid gathering opportunities. Frequent cleaning and sanitisation cycles of the premises were guaranteed and the Group's employees and collaborators were periodically updated by means of internal communications on the protocols to be adopted, which have become more and

more stringent with the evolution of the epidemic. These measures were always adopted in full compliance with government regulations and, in compliance with the Authority's instructions, the Group stopped operations at the Grassobbio, Endine, Sirone, Fidenza and Padua plants from 23 March to 4 May, and at its sites in Patrica and Monopoli from 23 March to 12 April. With regard to the Group's foreign sites, operations in Durtal (France) were interrupted from 17 March to 20 April in accordance with the French government's instructions, while they were able to continue without interruption at the Alvarado plant (USA). In Australia and New Zealand, where the Group has no production facilities but is operational at various sites, activities stopped respectively from 19 March to 15 May and from 25 March to 27 April. The gradual slowdown in the spread of contagions has made it possible to restart after the adoption of a prevention and safety protocol agreed with the occupational health specialists and trade union representatives. In line with this protocol, the Group sanitised its premises extensively, acquired the necessary personal protective equipment, such as masks, gloves, screens and protective barriers, and modified some internal procedures, such as the procedures for accessing the sites, where body temperature is measured before entering, and the organisation of work areas and shifts to better guarantee distancing measures. The implementation of smart working, by virtue of which investments have been integrated in order to allow the carrying out of activities remotely, continues to be encouraged.
In this difficult context, the Group also adopted a number of initiatives to protect the well-being of its employees and support its local community. In fact, the Group's production activities are carried out in some of the provinces of Italy that have most dramatically suffered the consequences of the current pandemic. To this end, a number of solidarity actions have been taken, such as: specific insurance coverage in case of hospitalisation for Covid-19, the establishment of "Banca ore solidali" and "Fondo Solidale Tesmec Family" which include voluntary contributions and holidays and leave hours transferred by employees in favour of colleagues in difficult situations for Covid-19, the introduction of the figure of the "Company Factotum", a service offered to take over some of the personal tasks of employees at this difficult time, and fundraising: "*Abitare la cura - Coronavirus: una mano per alleggerire gli ospedali*" to finance hospitals in the province of Bergamo.
As more fully explained in the following paragraphs, the Covid-19 pandemic had a significant impact on the first quarter of 2020. The various containment measures imposed delayed supplies, production and consequently sales during the period, especially in March. These critical issues continued in the following month of April, during which the interruption of operations continued, leading to a natural slowdown in commercial activity, which had already started again in the first days of May. Based on what is known to date, the Group believes that the impact of this situation will have no material consequences in the medium term. However, in order to meet the short-term liquidity requirements deriving from the slowdown in production and commercial activities, on March 13, 2020 a loan agreement was signed with the controlling shareholder to be disbursed according to the Group's needs over the next three years for a maximum amount of Euro 7 million, of which Euro 2.2 million was used as at 31 March 2020. Moreover, the Group's Italian companies were able to benefit from certain moratoria ABI on the maturities of their financial payables, while the Marais company was able to benefit from a new guaranteed credit line. These conditions will enable the Group to make a significant recovery in production as soon as the health emergency is overcome.

4. Significant events during the period

The main significant events that occurred during the period are reported below, referring to the following paragraph for a review of the impacts of the health emergency by Covid-19:

- on 10 January 2020, the Board of Directors of Tesmec S.p.A., with the approval of the Board of Statutory Auditors and in compliance with the requirements of honourable standing and professionalism envisaged by the regulations in force and by the Articles of Association, appointed Marco Paredi, formerly Investor Relations Manager, also Manager responsible for preparing the Company's financial statements of Tesmec pursuant to Article 154-bis of Italian Legislative Decree no. 58/1998;

- on 13 March 2020, the Board of Directors of Tesmec S.p.A. approved a transaction of greater importance with the related parties TTC S.r.l. and MTS-Officine Meccaniche di Precisione S.p.A. The operation consists of the signing of a shareholder loan of up to Euro 7 million, payable in one or more tranches at the Company's request, with a duration of 36 months and bearing interest at an annual rate of 2%. The Loan is designed to provide the Group with a reserve that will allow it to face any lack of funds that may arise from the slowdown in production and commercial activities due to the health emergency resulting from the spread of the Covid-19 virus;

- on 25 March 2020, in compliance with the provisions of the Prime Ministerial Decree "Further implementing provisions of the Law Decree of 23 February 2020, no. 6, containing urgent measures regarding the containment and management of the epidemiological emergency from COVID-19 applicable on the entire national territory ", published last March 22 in the Official Gazette of the Italian Republic (the" DPCM "), announces that starting from March 26, 2020 the operating activities of the specific production lines that are not included in the list of those deemed essential or in the chain of those connected to them by the Prime Minister's Decree will be temporarily suspended. The Company's administrative and commercial activities continue, however, to be fully operational and functional through the use of smart-working and in compliance with all the most stringent protocols aimed at preserving the health, safety and security of the employees, collaborators, suppliers and customers.

5. Activity, reference market and operating performance for the first three months of 2020

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 2019. The following table shows the major economic and financial indicators of the Group as at March 2020 compared with the same period of 2019.

	OVERVIEW OF RESULTS	
31 March 2019	**Key income statement data** (Euro in millions)	**31 March 2020**
49.8	Operating Revenues	31.8
5.7	EBITDA	2.5
1.5	Operating Income	(1.7)
0.7	Foreign exchange gains/losses	(1.4)
1.0	Group Net Profit/Loss	(3.0)
31 December 2019	**Key financial position data** (Euro in millions)	**31 March 2020**
164.2	Net Invested Capital	167.1
46.2	Shareholders' Equity	43.3
118.0	Net Financial Indebtedness	123.8
19.9	Investments in property, plant and equipment, intangible assets and rights of use	4.9
910	Average headcount for the period	946

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., is based in Alvarado (Texas) and operates in the Trencher segment and in the stringing equipment/rail sector. In the first three months of 2020, revenues achieved directly with customers/end users came to Euro 5.3 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 0.5 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 3.0 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 2020 revenues totalling Euro 10.1 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 2020, revenues amounted to Euro 1.5 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 continued production activities related to contracts in progress, recording revenues of Euro 6.6 million.

6. Income statement

6.1 Consolidated income statement

The comments provided below refer to the comparison of the consolidated income statement figures as at 31 March 2020 with those as at 31 March 2019.

The main profit and loss figures for the first three months of 2020 and 2019 are presented in the table below:

	Quarter ended 31 March			
(Euro in thousands)	**2020**	**% of revenues**	**2019**	**% of revenues**
Revenues from sales and services	**31,837**	**100.0%**	**49,846**	**100.0%**
Cost of raw materials and consumables	(9,969)	-31.3%	(23,455)	-47.1%
Costs for services	(6,881)	-21.6%	(8,093)	-16.2%
Payroll costs	(12,128)	-38.1%	(12,965)	-26.0%
Other operating (costs)/revenues, net	(1,411)	-4.4%	(1,199)	-2.4%
Amortisation and depreciation	(4,181)	-13.1%	(4,194)	-8.4%
Development costs capitalised	994	3.1%	1,614	3.2%
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	27	0.1%	(5)	0.0%
Total operating costs	**(33,549)**	**-105.4%**	**(48,297)**	**-96.9%**
Operating income	**(1,712)**	**-5.4%**	**1,549**	**3.1%**
Net financial income/expenses	(980)	-3.1%	(1,206)	-2.4%
Foreign exchange gains/losses	(1,407)	-4.4%	690	1.4%
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	(9)	0.0%	(6)	0.0%
Pre-tax profit/(loss)	**(4,108)**	**-12.9%**	**1,027**	**2.1%**
Income tax	1,116	3.5%	(32)	-0.1%
Net profit/(loss) for the period	**(2,992)**	**-9.4%**	**995**	**2.0%**
Profit/(loss) attributable to non-controlling interests	6	0.0%	2	0.0%
Group profit/(loss)	**(2,998)**	**-9.4%**	**993**	**2.0%**

Revenues

Total revenues as at 31 March 2020 decreased by 36.1% compared to the same period of the previous year. This decrease is significantly affected by the slowdown in production and commercial activities following the Covid-19 health emergency and shows a different contribution from the three business segments.

	Quarter ended 31 March				
(Euro in thousands)	**2020**	**% of revenues**	**2019**	**% of revenues**	**2020 vs. 2019**
Sales of products	19,881	62.45%	33,465	67.14%	(13,584)
Services rendered	10,870	34.14%	9,248	18.55%	1,622
Changes in work in progress	1,086	3.41%	7,133	14.31%	(6,047)
Total revenues from sales and services	**31,837**	**100.00%**	**49,846**	**100.00%**	**(18,009)**

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 81% and, in particular, in non-EU countries. The revenue analysis by area is indicated below, compared with the first quarter of 2020 and the first quarter of 2019, which show that the Group maintains a percentage distribution of sales, with a focus in Italy, Europe and North America. 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)	**2020**	**2019**
Italy	5,942	11,174
Europe	8,307	10,570
Middle East	1,310	1,566
Africa	1,760	6,811
North and Central America	7,771	10,894
BRIC and Others	6,747	8,831
Total revenues	**31,837**	**49,846**

Operating costs net of depreciation and amortisation

	Quarter ended 31 March			
(Euro in thousands)	**2020**	**2019**	**2020 vs. 2019**	**% change**
Cost of raw materials and consumables	(9,969)	(23,455)	13,486	-57.5%
Costs for services	(6,881)	(8,093)	1,212	-15.0%
Payroll costs	(12,128)	(12,965)	837	-6.5%
Other operating (costs)/revenues, net	(1,411)	(1,199)	(212)	17.7%
Development costs capitalised	994	1,614	(620)	-38.4%
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method	27	(5)	32	-640.0%
Operating costs net of depreciation and amortisation	**(29,368)**	**(44,103)**	**14,735**	**-33.4%**

The table shows a decrease in operating costs of Euro 14,735 thousand (-33.4%). Among the cost items, there was a decrease in cost items for raw materials, linked to lower consumption resulting from the slowdown in production activities, as a result of the measures imposed to contain the Covid-19 emergency.

EBITDA

In relation to the decrease in revenues (-36.1%) more than proportional to the decrease in operating costs net of depreciation and amortisation (-33.4%), in terms of margins, EBITDA amounts to Euro 2,469 thousand, down compared to the first quarter of 2019 during which it was Euro 5,743 thousand. This result is mainly attributable to the impact deriving from the spread of Covid-19 which led to a reduction in turnover and the consequent contraction of margins to cover fixed costs.
A restatement of the income statement figures representing the performance of EBITDA is provided below:

	Quarter ended 31 March				
(Euro in thousands)	**2020**	**% of revenues**	**2019**	**% of revenues**	**2020 vs. 2019**
Operating income	(1,712)	-5.4%	1,549	3.1%	(3,261)
+ Amortisation and depreciation	4,181	13.1%	4,194	8.4%	(13)
EBITDA (*)	**2,469**	**7.8%**	**5,743**	**11.5%**	**(3,274)**

(*) The Interim Report on Operations includes consolidated economic and financial indicators that are used by the Management to monitor the economic and financial performance of the Tesmec Group. These indicators are not defined or specified in the applicable financial reporting regulations. As the composition of these measures is not regulated by the reference accounting standards, the calculation criterion used by the Tesmec Group may not be in line with the criterion used by other Groups and, consequently, may not be comparable.
The Alternative Performance Measures are constructed exclusively from the Group's historical accounting data and are determined in accordance with the provisions of the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 as per CONSOB Communication no. 92543 of 3 December 2015 and are not audited.

Financial Management

	Quarter ended 31 March	
(Euro in thousands)	**2020**	**2019**
Net financial income/expenses	(983)	(1,221)
Foreign exchange gains/losses	(1,407)	690
Fair value adjustment of derivative instruments	3	15
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method	(9)	(6)
Total net financial income/expenses	**(2,396)**	**(522)**

The registered net financial management decreased compared to the same period of 2019, however, note the following changes:

- deterioration of Euro 2,097 thousand generated by the divergent trend in the exchange rates in the two reference periods, which resulted in recognising net losses totalling Euro 1,407 thousand (realised of Euro 216 thousand and unrealised of Euro 1,191 thousand) in the first quarter of 2020 against net profits of Euro 690 thousand in the first quarter of 2019;
- improvement by Euro 238 thousand of net financial income/expenses deriving from lower interest expense on medium/long-term loans of Euro 249.

With regard to exchange rate trends during the period, the turbulence in the foreign exchange markets caused by the spread of the current pandemic affected some of the currencies to which the Group is exposed, particularly the Australian dollar, which depreciated by more than 10% compared to 31 December 2019. However, at the date of this report, there has been a significant recovery in value in the currency, which recovered a large part of the initial depreciation, thus absorbing a large part of unrealised losses.

6.2 Income Statement by segment

Revenues by segment

The tables below show the income statement figures as at 31 March 2020 compared to those as at 31 March 2019, broken down into three operating segments.

	Quarter ended 31 March				
(Euro in thousands)	**2020**	**% of revenues**	**2019**	**% of revenues**	**2020 vs. 2019**
Energy	7,410	23.3%	10,332	20.7%	(2,922)
Trencher	16,855	52.9%	30,969	62.1%	(14,114)
Rail	7,572	23.8%	8,545	17.1%	(973)
Total Revenues	**31,837**	**100.0%**	**49,846**	**100.0%**	**(18,009)**

In the first three months of 2020, the Group recorded consolidated revenues of Euro 31,837 thousand, a decrease of Euro 18,009 thousand compared to Euro 49,846 thousand in the same period of the previous year. This decrease is significantly affected by the slowdown in production and commercial activities following the Covid-19 health emergency and the consequent restrictions on the circulation of goods which have had impacts since the beginning of March, the most important month for the invoicing process of the quarter.

In percentage terms, this decrease represents a negative change of 36.1%, which is split disparately between the Group's three business segments.

More specifically, the turnover of the Trencher segment at March 31, 2020 amounted to Euro 16,855 thousand, a decrease of 45.6% compared to the figure of Euro 30,969 thousand at March 31, 2019. The performance has been affected, since the last days of February, by the slowdown in logistics activities and subsequently by the blocks of the production and the blocks of the rental activities carried out by the French subsidiary Marais.

The Railway segment recorded revenues of Euro 7,572 thousand, a decrease of 11.4% compared to Euro 8,545 thousand recorded at March 31, 2019. The decrease is mainly due to the gradual slowdown in operations and to the closing of the Monopoli plant in March.

As regards the Energy sector, revenues amounted to Euro 7,410 thousand, a decrease of 28.3% compared to the figure of Euro 10,332 thousand as at March 31, 2019. The decrease related to the Stringing business is due to the production and logistic blocks in March; while the Energy-Automation segment achieved Revenues of Euro 1.5 million, compared to Euro 2.2 million as at 31 March 2019, the decrease in turnover is due to the slowdown in production activities in the quarter.

EBITDA by segment

The tables below show the income statement figures as at 31 March 2020 compared to those as at 31 March 2019, broken down into three operating segments:

	Quarter ended 31 March				
(Euro in thousands)	**2020**	**% of revenues**	**2019**	**% of revenues**	**2020 vs. 2019**
Energy	692	9.3%	1,246	12.1%	(554)
Trencher	700	4.2%	3,086	10.0%	(2,386)
Rail	1,077	14.2%	1,411	16.5%	(334)
EBITDA (*)	**2,469**	**7.8%**	**5,743**	**11.5%**	**(3,274)**

(*) The Interim Report on Operations includes consolidated economic and financial indicators that are used by the Management to monitor the economic and financial performance of the Tesmec Group. These indicators are not defined or specified in the applicable financial reporting regulations. As the composition of these measures is not regulated by the reference accounting standards, the calculation criterion used by the Tesmec Group may not be in line with the criterion used by other Groups and, consequently, may not be comparable.
The Alternative Performance Measures are constructed exclusively from the Group's historical accounting data and are determined in accordance with the provisions of the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 as per CONSOB Communication no. 92543 of 3 December 2015 and are not audited.

This result is mainly due to the impact of the spread of Covid-19. However, due to the different structure and the different degree of absorption of fixed costs, the reduction in the EBITDA indicator is not linear compared to the decrease in sales in the three segments.
Starting in March, the Group took all the necessary steps to contain its fixed costs, the effects of which will be seen in the second quarter.

7. Summary of balance sheet figures as at 31 March 2020

Information is provided below on the Group's main equity indicators as at 31 March 2020 compared to 31 December 2019. In particular, the following table shows the reclassified funding sources and uses from the consolidated balance sheet as at 31 March 2020 and as at 31 December 2019:

(Euro in thousands)	**As at 31 March 2020**	**As at 31 December 2019**
USES		
Net working capital (*)	74,642	73,023
Fixed assets	87,591	86,947

Other long-term assets and liabilities	4,879	4,219
Net invested capital (*)	**167,112**	**164,189**
SOURCES		
Net financial indebtedness (*)	123,777	118,037
Shareholders' equity	43,335	46,152
Total sources of funding	**167,112**	**164,189**

(*****) The Interim Report on Operations includes consolidated economic and financial indicators that are used by the Management to monitor the economic and financial performance of the Tesmec Group. These indicators are not defined or specified in the applicable financial reporting regulations. As the composition of these measures is not regulated by the reference accounting standards, the calculation criterion used by the Tesmec Group may not be in line with the criterion used by other Groups and, consequently, may not be comparable.
The Alternative Performance Measures are constructed exclusively from the Group's historical accounting data and are determined in accordance with the provisions of the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 as per CONSOB Communication no. 92543 of 3 December 2015 and are not audited.

A) Net working capital

The table below shows a breakdown of "Net Working Capital" as at 31 March 2020 and 31 December 2019:

(Euro in thousands)	**As at 31 March 2020**	**As at 31 December 2019**
Trade receivables	59,500	67,929
Work in progress contracts	16,986	16,320
Inventories	77,060	69,924
Trade payables	(54,966)	(57,514)
Other current assets/(liabilities)	(23,938)	(23,636)
Net working capital (*)	**74,642**	**73,023**

(*****) The Interim Report on Operations includes consolidated economic and financial indicators that are used by the Management to monitor the economic and financial performance of the Tesmec Group. These indicators are not defined or specified in the applicable financial reporting regulations. As the composition of these measures is not regulated by the reference accounting standards, the calculation criterion used by the Tesmec Group may not be in line with the criterion used by other Groups and, consequently, may not be comparable.
The Alternative Performance Measures are constructed exclusively from the Group's historical accounting data and are determined in accordance with the provisions of the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 as per CONSOB Communication no. 92543 of 3 December 2015 and are not audited.

Net working capital amounted to Euro 74,642 thousand, marking an increase of Euro 1,619 thousand (equal to 2.2%) compared to 31 December 2019. This trend is mainly due to the decrease in "Trade receivables" of Euro 8,429 thousand (equal to 12.4%) due to the reduction in sales in the period, partially offset by the increase in "Inventories" of Euro 7,136 thousand (equal to 10.2%), as a result of the interruption of production activities in March, the most important month for the invoicing process of the quarter.

B) Fixed assets

The table below shows a breakdown of "Fixed assets" as at 31 March 2020 and 31 December 2019:

(Euro in thousands)	**As at 31 March 2020**	**As at 31 December 2019**
Intangible assets	21,172	20,419
Property, plant and equipment	42,912	42,397
Rights of use	19,355	20,144
Equity investments in associates	4,149	3,984
Other equity investments	3	3
Fixed assets	**87,591**	**86,947**

Total *fixed assets* are substantially in line with 31 December 2019, recording an increase of Euro 644 thousand.

C) Net financial indebtedness

The table below shows a breakdown of "Net financial indebtedness" as at 31 March 2020 and 31 December 2019:

(Euro in thousands)	**As at 31 March 2020**	**of which with related parties and group**	**As at 31 December 2019**	**of which with related parties and group**
Cash and cash equivalents	(10,413)		(17,935)	
Current financial assets (*)	(12,127)	(4,215)	(12,083)	(4,072)
Current financial liabilities	76,332	2,061	79,764	2,158
Current financial liabilities from rights of use	4,049		4,135	
Current portion of derivative financial instruments	3		6	
Current financial indebtedness (*)	**57,844**	***(2,154)***	**53,887**	***(1,914)***
Non-current financial liabilities	51,220	*2,213*	48,737	-
Non-current financial liabilities from rights of use	14,707		15,407	
Non-current portion of derivative financial instruments	6		6	
Non-current financial indebtedness (*)	**65,933**	***2,213***	**64,150**	**-**
Net financial indebtedness pursuant to CONSOB Communication No. DEM/6064293/2006	**123,777**	***59***	**118,037**	***(1,914)***
Shareholder loan	(2,213)	*(2,213)*	-	-
Net financial indebtedness before shareholder loan	**121,564**	***(2,154)***	**118,037**	***(1,914)***

(*****) The Annual Financial Report includes consolidated economic and financial indicators that are used by the Management to monitor the economic and financial performance of the Tesmec Group. These indicators are not defined or specified in the applicable financial reporting regulations. As the composition of these measures is not regulated by the reference accounting standards, the calculation criterion used by the Tesmec Group may not be in line with the criterion used by other Groups and, consequently, may not be comparable.
The Alternative Performance Measures are constructed exclusively from the Group's historical accounting data and are determined in accordance with the provisions of the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 as per CONSOB Communication no. 92543 of 3 December 2015 and are not audited.

Since the **CONSOB communication** mentioned above was published in 2006, it does not provide an explicit indication of right-of-use liabilities. The inclusion of the latter is considered to be in line with the express intention, underlying the accounting standard IFRS 16, to provide a single model for the recognition and measurement of lease contracts for the lessee.

In the first three months of 2020, the Group's net financial indebtedness increased by Euro 5,740 thousand compared to the figure at the end of 2019. This increase includes the shareholder loan described in paragraph *4. Significant events during the period* of Euro 2,213 thousand. Net financial indebtedness increased slightly compared to the critical issues of the period and the cyclicality that characterises the first quarter for the Tesmec Group.

The table below shows the breakdown of the changes:

- increase in current financial indebtedness of Euro 3,957 thousand due to the:
  - decrease in cash and cash equivalents and current financial assets of Euro 7,478 thousand;
  - decrease in current financial liabilities of Euro 3,432 thousand mainly due to the decrease in payables to factoring companies of Euro 2,275 thousand and in the current portion of medium/long-term loans of Euro 2,156 thousand;
- increase in medium/long-term financial indebtedness of Euro 1,783 thousand relating mainly to the shareholder loan mentioned above.

Note that existing loan agreements and existing bond issues contractually provide for the calculation of financial covenants based on net financial indebtedness calculated prior to the application of IFRS 16. The net financial indebtedness before the application of IFRS 16, as at 31 March 2020, was Euro 105,021 thousand, an increase of Euro 6,526 thousand over the end of 2019.

8. 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 2019, where the Group's policies in relation to the management of financial risks are presented.

9. 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, during the first quarter of 2020, a transaction of greater importance with related parties TTC S.r.l. and MTS - Officine Meccaniche di Precisione S.p.A. was carried out.
The operation that took place on 13 March 2020 consists of the signing of a shareholder loan of up to Euro 7 million, payable in one or more tranches at the Company's request, with a duration of 36 months and bearing interest at an annual rate of 2%. The Loan is designed to provide the Group with a reserve that will allow it to face any lack of funds that may arise from the slowdown in production and commercial activities due to the health emergency resulting from the spread of the Covid-19 virus. As at 31 March 2020, this loan was used for Euro 2,213 thousand.

For further information, please refer to the information document on related party transactions published on 20 March 2020 in the Investor Relations-Governance section on the website www.tesmec.com.

For significant intercompany and related party information, please see the paragraph "Related party transactions" in the Explanatory Notes.

10. Group Employees

The average number of Group employees in the first quarter of 2020, including the employees of companies that are fully consolidated, is 946 persons compared to 910 in 2019.

11. Other information

Treasury shares

On 16 April 2019, the Shareholders' Meeting authorised the treasury share buy-back plan for a period of 18 months; the authorisation was revoked by the Shareholders' Meeting of 21 May 2020. At the date of this report, 31 March 2020, the Company owns a total of 4,711,879 shares (4.40% of the Share Capital) at an average price of Euro 0.5543 (net of commissions) for a total value of Euro 2,612 thousand, purchased since the start of the buy-back plan, approved on 10 January 2012. No purchases of treasury shares were made during the quarter and the previous year.

Events occurring after the end of the reporting period

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

- on 6 April 2020, Marais Laying New Zealand received a government grant of New Zealand Dollars 0.6 million to cover the costs arising from the health emergency;
- on 14 April 2020**,** the Board of Directors of Tesmec S.p.A. approved the proposal to submit to the shareholders' meeting the attribution of a proxy ex art. 2443 c.c. to the Board of Directors itself to increase the share capital up to maximum Euro 50 million, including a related share premium. The proxy has already the support of the majority shareholder TTC;
- on 21 April 2020, Cerved Rating Agency, the Italian rating agency specialised in assessing creditworthiness of non-financial companies, communicated the "B1.2" solicited rating of the Company. The evaluation confirms the solvency of the Tesmec Group and its qualification as "investment grade" and is the result of an in-depth analysis 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;

- on 22 April 2020, the subsidiary Tesmec Rail S.r.l., active in the design, prototyping and manufacturing of railway works vehicles and means for railway infrastructure diagnostics, signed a contract for the design, production and supply of a new self-propelled diagnostic vehicle with the Lithuanian company UAB "KMT".
  In detail, UAB "KMT" won the tender called by the Lithuanian Railways, one of the largest railway groups in the Baltic countries, for the supply of an innovative diagnostic vehicle and has chosen the know-how and experience of Tesmec Rail, which will supply the vehicle on which diagnostic equipment supplied by Sperry Inc. and Graw Sp.zo.o. will be mounted.
  Tesmec Rail S.r.l. will supply, thanks to the experience gained with RFI - Rete Ferroviaria Italiana S.p.A. to which two examples of the "FALCO" model have been supplied, a vehicle of the same class, with speeds up to 140 km/h, designed and manufactured in compliance with European safety standards EN 14033. The delivery of the vehicle is scheduled for April 2021;

- on 23 April 2020, Tesmec S.p.A., after it had obtained a favorable opinion of the Control and Risks Committee, also with function of the Committee for Transactions with Related Parties, announces the closing of the transaction for the acquisition of 100% of the share capital of 4 Service S.r.l., a company operating in the trencher rental business, from the related party MTS - Officine Meccaniche di Precisione S.p.A. for Euro 9,4 million. MTS has converted its credit arising from the payment of the consideration into the future capital increase of Tesmec;

- on 1 May 2020 the SBA "Small Business Administration" approved the issue of USD 1.4 million loan to Tesmec USA. This transaction is in the perimeter of regulation of the paycheck protection program and for approximately 1.0 million dollars it will then be converted to a government grant;

- on 12 May 2020, its subsidiary Tesmec Rail S.r.l. was selected in the award proposal of the 3rd lot of the tender called by RFI - Rete Ferroviaria Italiana S.p.A., a company of the Ferrovie dello Stato Italiane Group responsible for the overall management of the national railway network, for the supply and Full Maintenance Service of work trucks for territorial diagnostics on yards, nodes and interconnections.
  This is the result of the path undertaken in recent years by the Tesmec Group for the development of high-tech railway systems. Therefore, following the definition of the list, RFI must check, in compliance with the provisions of the Specification of the tender, the consistency between the solutions presented in the technical offer and the quantities indicated in the price proposal for the final award of the contract.
  Only upon completion of the positive check of the aforementioned requirements and further steps in the tender documentation, the relating supply contract will be signed;

- on 18 May 2020 Tesmec signed a loan agreement for a total amount of Euro 10 million issued by Intesa Sanpaolo through the “Garanzia Italia” measure implemented by the "Liquidity Decree” to support the Italian companies damaged by the Covid-19 emergency and which sees SACE as a guarantor;

- on 21 May 2020, the Ordinary Shareholders’ Meeting of Tesmec met in single call and approved all items on the agenda. In detail, the Shareholders’ Meeting approved the 2019 financial statements of the parent Tesmec S.p.A., which closed with a Net Profit of Euro 4,232 thousand and resolved to allocate this Net Profit for the year to Extraordinary Reserve. The Shareholders' Meeting also resolved in favour of the First Section of the Report on Remuneration pursuant to Article 123-ter of Italian Legislative Decree no. 58/98 and also revoked the authorisation to purchase Tesmec ordinary shares on the regulated market resolved by the Shareholders' Meeting of 16 April 2019;

- on 21 May 2020, the Shareholders' Meeting of Tesmec S.p.A., in the extraordinary part of the Meeting, resolved to:
  - amend the Articles of Association to eliminate the indication of the nominal value of the shares and to adapt it to the regulatory provisions on gender quotas;
  - assign the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the proxy to increase the share capital for a maximum total amount not exceeding Euro 50,000,000.00 (the "Maximum Total Amount"), including any share premium, against payment and through splitting shares, in one or more tranches, but with the right of the Board of Directors to establish the inseparability of individual tranches of use of the proxy, with or without warrant, also with the exclusion of the right of option pursuant to Article 2441, paragraphs 4 and 5, of the Italian Civil Code and of the proxy, pursuant to Article 2420-ter of the Italian Civil Code, within the same Maximum Total Amount, to issue bonds, convertible or otherwise, with or without warrant, also by excluding the right of option pursuant to Article 2441 of the Italian Civil Codes.

Analysing the 4 Service S.r.l. transaction

As explained in more detail in the information document relating to related party transactions published on 21 April 2020 and available in the Investor Relations-Governance section on the website www.tesmec.com, the transaction is part of the Group's broader strategy of concentrating in a single organisation all the management of the business rental that was carried out by 4 Service S.r.l. and by Tesmec USA Inc. The possibility of renting trenchers allows the Group's customers to obtain the maximum operational advantage by having at their disposal, when and where necessary, the machine best suited to the type of work to be carried out with important savings in time - and costs - of execution, possibly postponing the purchase to a later date.

The following table illustrates the main aggregated income statement and balance sheet figures of the two businesses (pro-forma and net of mutual relationships) for the first quarter of 2020, designed to represent the effects of the Transaction on the Group's economic performance and financial position. Please note that this pro-forma representation does not constitute a full consolidation of the business rental in the Tesmec Group, which is instead effective from the date of acquisition; therefore, the correct integration will be prepared during the second quarter and reported in the Group's interim financial report.

(in millions of Euro)	**Tesmec Group 31 March 2020**	**Tesmec Group Aggregate 31 March 2020**
Revenues	31.8	34.0
Operating costs net of depreciation and amortisation	(29.4)	(29.8)
EBITDA	2.5	4.1
EBITDA %	7.8%	12.2%
Net Working Capital	74.6	76.4
Fixed assets	87.6	106.8
NFP without the amount due to shareholders	121.6	125.5
Amounts due to shareholders	2.2	10.0
Shareholders' Equity	43.3	25.9*

(*) The increase is due to the transformation of the consideration for the transaction into a future capital increase.

The combination of the two businesses would lead to an increase in revenues that, in the pro-forma representation of the first quarter of 2020, would go from Euro 31.8 million to Euro 34 million, as well as an improvement in EBITDA that would increase from the current Euro 2.5 million to Euro 4.1 million.

With reference to the NFP, note that it would increase for financial payables from rights of use of Euro 4.2 million related to the existing finance lease contracts of 4 Service.

Payables due to Shareholders would include, in addition to the current Euro 2.2 million in shareholder loan with a duration of 3 years and on which a 2% interest rate accrues, a further Euro 7.8 million, relating to the loan that 4 Service has in place with the companies of the TTC Group (reference shareholder of Tesmec) with a duration of 3 years and at a rate of 2%.

The payable due for the consideration of the transaction, equal to Euro 9.4 million, is shown as an addition to shareholders' equity in that the MTS counterparty undertook to convert this amount into a payment for a future capital increase of Tesmec.

Business outlook

As is known, starting from January 2020, the national and international scenario has been characterized by the spread of the Covid-19 virus (so-called Coronavirus) and the consequent restrictive measures for its containment adopted by the public authorities of the Countries concerned. These circumstances, extraordinary in nature and extent, have direct and indirect impact on the economic activity. On the basis of what is known to date, the Group believes that the impacts of this situation will not have consequences in the ordinary activity in the medium term. Tesmec Group operates, in fact, in sectors that could get a push and an acceleration from the pandemic recovery, since the policies of the countries in which the Group is active are aimed at strengthening their main infrastructures in order to face with greater efficiency any new hypotheses of lockdown.

In particular in the trencher sector there is a clear intention to strengthen the fiber optic and telecommunications infrastructures that will drive to important digging and connection works.

In the railway sector there is an important increase in investments to reduce congestion in the movement of road vehicles and increase sustainable mobility.
In the Energy sector, large investments are planned to encourage the transition to renewable energy sources as well as to increase the efficiency of power grids.

The Group's business is concentrated in these strategic sectors characterized by extreme vivacity and wide development prospects. The confirmed total order backlog of approximately Euro 181.7 million, together with the liquidity from the new loans guaranteed by government measures, to which the Group has already had access, and in general with the support of the banking system, also thanks to the "investment grade rating of the group, guarantee a significant recovery in production already at the end of 2020. The resilience of the order backlog which is further enhanced by orders closed in April and May is mainly due to the fact that the company operates in sectors which should have a positive trend in the medium term. And indeed:

i. Trencher: the segment is conditioned by the different policies that the various countries are developing for the creation of modern infrastructures. There is a strong increase in projects related to the "underground" installation of cables and optical fibres. On the contrary, the "oil & gas" segment is shrinking following the drop in prices worldwide.
ii. Rail: investments in the sector accelerated in order to respond to the new demands arising from the modernisation that is taking place in activities related to the maintenance of railway infrastructures. An important factor is also represented by the transition of networks in developed countries to the implementation of power networks and the provisional award of the third lot of the tender called by RFI - Rete Ferroviaria Italiana S.p.A. for the supply and Full Maintenance Service of work trucks for territorial diagnostics.
iii. Energy: the new "smart+digital" requirements will be strongly increased with a tendency to favour investments aimed at the transition to Carbon-free sources.

The Company has also approved a capital increase up to a maximum of Euro 50 million in order to collect additional equity to balance the debt and equity ratio and finance investments in the sectors in which the Company operates. The actual size of the capital increase will be established by the Board of Directors, following the publication of the guidelines of the Business Plan, which will identify in detail the growth opportunities in the Railway, Trencher and Energy sectors. The Company plans to publish the guidelines of the Business Plan before the summer break and to proceed with the capital increase no earlier than the fourth quarter of 2020.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

Consolidated statement of financial position as at 31 March 2020 and as at 31 December 2019

(Euro in thousands)	Notes	31 March 2020	31 December 2019
NON-CURRENT ASSETS			
Intangible assets	4	21,172	20,419
Property, plant and equipment	5	42,912	42,397
Rights of use	6	19,355	20,144
Equity investments in associates evaluated using the equity method		4,149	3,984
Other equity investments		3	3
Financial receivables and other non-current financial assets	14	2,557	2,745
Derivative financial instruments	14	4	4
Deferred tax assets		12,566	11,889
Non-current trade receivables		607	516
TOTAL NON-CURRENT ASSETS		**103,325**	**102,101**
CURRENT ASSETS			
Work in progress contracts	7	16,986	16,320
Inventories	8	77,060	69,924
Trade receivables	9	59,500	67,929
of which with related parties:	9	*5,225*	*5,518*
Tax receivables		1,097	1,045
Other available-for-sale securities	14	1	2
Financial receivables and other current financial assets	10	12,126	12,081
of which with related parties:	10	*4,215*	*4,072*
Other current assets		7,730	9,214
Cash and cash equivalents	14	10,413	17,935
TOTAL CURRENT ASSETS		**184,913**	**194,450**
TOTAL ASSETS		**288,238**	**296,551**
SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			
Share capital	11	10,708	10,708
Reserves / (deficit)	11	35,579	32,427
Group net profit / (loss)	11	(2,998)	2,967
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		**43,289**	**46,102**
Capital and reserves / (deficit) attributable to non-controlling interests		40	36
Net profit / (loss) for the period attributable to non-controlling interests		6	14
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**46**	**50**
TOTAL SHAREHOLDERS' EQUITY		**43,335**	**46,152**
NON-CURRENT LIABILITIES			
Medium/long-term loans	12	26,440	23,972
of which with related parties:	12	*2,213*	-
Bond issue	14	24,780	24,765
Non-current financial liabilities from rights of use	14	14,707	15,407
Derivative financial instruments	14	6	6
Employee benefit liability		4,501	4,451
Deferred tax liabilities		5,604	5,771
Non-recurring provisions for risks and charges		-	88
Other long-term liabilities		750	625
TOTAL NON-CURRENT LIABILITIES		**76,788**	**75,085**
CURRENT LIABILITIES			
Interest-bearing financial payables (current portion)	13	76,332	79,764
of which with related parties:	13	*2,061*	*2,158*
Current financial liabilities from rights of use	14	4,049	4,135
Derivative financial instruments	14	3	6
Trade payables	14	54,966	57,514
of which with related parties:	14	*3,913*	*3,143*
Advances from customers	14	5,040	3,641
of which with related parties:	14	*13*	*13*
Income taxes payable		1,351	1,807
Provisions for risks and charges		2,879	3,104
Other current liabilities		23,495	25,343
TOTAL CURRENT LIABILITIES		**168,115**	**175,314**
TOTAL LIABILITIES		**244,903**	**250,399**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**288,238**	**296,551**

Consolidated income statement for the quarter ended 31 March 2020 and 2019

(Euro in thousands)	Notes	Quarter ended 31 March 2020	2019
Revenues from sales and services	15	**31,837**	**49,846**
of which with related parties:		*2,450*	*2,031*
Cost of raw materials and consumables		(9,969)	(23,455)
of which with related parties:		*(8)*	*-*
Costs for services		(6,881)	(8,093)
of which with related parties:		*(32)*	*(50)*
Payroll costs		(12,128)	(12,965)
Other operating (costs)/revenues, net		(1,411)	(1,199)
of which with related parties:		*(593)*	*(1,075)*
Amortisation and depreciation		(4,181)	(4,194)
Development costs capitalised		994	1,614
Portion of losses/(gains) from operational Joint Ventures evaluated using the equity method		27	(5)
Total operating costs	16	**(33,549)**	**(48,297)**
Operating income		**(1,712)**	**1,549**
Financial expenses		(3,376)	(1,708)
of which with related parties:		*(124)*	*(7)*
Financial income		989	1,192
of which with related parties:		*19*	*26*
Portion of losses/(gains) from associated companies and non-operational Joint Ventures evaluated using the equity method		(9)	(6)
Pre-tax profit/(loss)		**(4,108)**	**1,027**
Income tax		1,116	(32)
Net profit/(loss) for the period		**(2,992)**	**995**
Profit/(loss) attributable to non-controlling interests		6	2
Group profit/(loss)		**(2,998)**	**993**
Basic and diluted earnings/(losses) per share		**(0.0280)**	**0.0093**

Consolidated statement of comprehensive income for the quarter ended 31 March 2020 and 2019

		Quarter ended 31 March	
(Euro in thousands)	**Notes**	**2020**	**2019**
NET PROFIT/(LOSS) FOR THE PERIOD		**(2,992)**	**995**
Other components of comprehensive income:			
Exchange differences on conversion of foreign financial statements		185	354
Total other income/(losses) after tax		**185**	**354**
Total comprehensive income (loss) after tax		**(2,807)**	**1,349**
Attributable to:			
Shareholders of Parent Company		(2,813)	1,347
Non-controlling interests		6	2

Statement of consolidated cash flows for the quarter ended 31 March 2020 and 2019

		Quarter ended 31 March	
(Euro in thousands)	**Notes**	**2020**	**2019**
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss) for the period		(2,992)	995
Adjustments to reconcile net income for the period with the cash flows generated by (used in) operating activities:			
Amortisation and depreciation		4,181	4,194
Provisions for employee benefit liability		356	57
Provisions for risks and charges / inventory obsolescence / doubtful accounts		296	476
Employee benefit payments		(306)	(44)
Payments of provisions for risks and charges		(117)	(26)
Net change in deferred tax assets and liabilities		(1,138)	(521)
Change in fair value of financial instruments	14	(3)	(16)
Change in current assets and liabilities:			
Trade receivables	9	10,118	(4,653)
of which with related parties:	9	*293*	*903*
Inventories and work in progress contracts	8	(8,136)	(9,636)
Trade payables		(2,077)	(3,198)
of which with related parties:		*770*	*(281)*
Other current assets and liabilities		(655)	1,399
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		**(473)**	**(10,973)**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment	5	(2,102)	(2,233)
Investments in intangible assets	4	(2,549)	(1,764)
Investments in rights of use	6	(423)	(20,533)
(Investments) / disposals of financial assets		(178)	1,255
of which with related parties:		*(143)*	*654*
Proceeds from sale of property, plant and equipment and rights of use	4-5-6	132	412
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(5,120)**	**(22,863)**
NET CASH FLOW FROM FINANCING ACTIVITIES			
Disbursement of medium/long-term loans	12	-	9,410
Disbursements of shareholder loans	12	2,213	-
of which with related parties:		*2,213*	-
Recognition of financial liabilities from rights of use		372	20,511
Repayment of medium/long-term loans		(1,887)	(3,975)
Repayment of financial liabilities from rights of use		(1,157)	-
Net change in short-term financial debt		(1,169)	(2,524)
of which with related parties:		*(97)*	*194*
Purchase of treasury shares		-	-
Change in the consolidation area		-	-
NET CASH FLOW GENERATED BY / (USED IN) FINANCING ACTIVITIES (C)		**(1,628)**	**23,422**
TOTAL CASH FLOW FOR THE PERIOD (D=A+B+C)		**(7,221)**	**(10,414)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (E)		(301)	238
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (F)		17,935	42,793
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (G=D+E+F)	**14**	**10,413**	**32,617**
Additional information:			
Interest paid		621	661
Income tax paid		552	209

Statement of changes in consolidated shareholders’ equity for the quarter ended 31 March 2020 and 2019

(Euro in thousands)	Share capital	Legal reserve	Share premium reserve	Reserve of treasury shares	Translation reserve	Other reserves	Profit/(loss) 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 2020	**10,708**	**2,141**	**10,915**	**(2,341)**	**5,028**	**16,684**	**2,967**	**46,102**	**50**	**46,152**
Profit/(loss) for the period	-	-	-	-	-	-	(2,998)	(2,998)	6	(2,992)
Other profits/(losses)	-	-	-	-	185	-	-	185	(10)	175
Total comprehensive income/(loss)	-	-	-	-	-	-	-	**(2,813)**	**(4)**	**(2,817)**
Allocation of the result for the period	-	-	-	-	-	2,967	(2,967)	-	-	-
Change in the consolidation area	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2020	**10,708**	**2,141**	**10,915**	**(2,341)**	**5,213**	**19,651**	**(2,998)**	**43,289**	**46**	**43,335**

(Euro in thousands)	Share capital	Legal reserve	Share premium reserve	Reserve of treasury shares	Translation reserve	Other reserves	Profit/(loss) 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**
Profit/(loss) 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**

Explanatory notes

Accounting policies adopted in preparing the interim consolidated financial statements as at 31 March 2020

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 interim consolidated financial statements as at 31 March 2020 were prepared in condensed form in accordance with International Financial Reporting Standards (IFRS).

The accounting standards adopted in preparing the interim consolidated financial statements as at 31 March 2020 are those adopted for preparing the consolidated financial statements as at 31 December 2019 in compliance with IFRS, to which reference is made for full details.

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 2019. 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, 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 2019.

Note that the standards and interpretations approved by the European Union and that came into force for the first time on 1 January 2020 have no particular relevance for the Group. Moreover, the Group has not adopted in advance any other principle, interpretation or modification published but not yet in force.

With reference to the first quarter of 2020 and the impact of the Covid-19 emergency, considering the current uncertainty about the duration and intensity of the health and socio-economic emergency, the Group believes that it is not currently possible, from a medium-term perspective, to make reliable assessments of the potential effects of the pandemic on the recoverability of the value of assets and more generally on significant accounting estimates.

The consolidated financial statements as at 31 March 2020 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 (31 December 2019 for the statement of financial position and the first quarter of 2019 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 2020 was authorised by the Board of Directors on 21 May 2020.

3. Consolidation methods and area

The interim consolidated financial statements comprise the interim financial statements of Tesmec S.p.A. and its subsidiaries as at 31 March 2020. The accounting standards and consolidation methods adopted in preparing the interim consolidated financial statements as at 31 March 2020 are those adopted for preparing the consolidated financial statements as at 31 December 2019 to which reference is made for full details.

As at 31 March 2020, no changes have taken place in the consolidation area in comparison with 31 December 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	
	2020	**2019**	**2020**	**2019**
US Dollar	1.10	1.14	1.10	1.12
Russian Rouble	73.70	75.51	85.95	72.86
South African Rand	16.93	15.75	19.61	16.26
Renminbi	7.69	7.70	7.78	7.54
Qatari Riyal	4.01	4.14	3.99	4.09
Algerian Dinar	132.78	134.90	136.15	134.07
Tunisian Dinar	3.13	3.45	3.15	3.38
Australian Dollar	1.68	1.59	1.80	1.58
New Zealand Dollar	1.74	1.67	1.84	1.65
CFA Franc	655.96	655.96	655.96	655.96
GNF Franc	10,325.65	10,335.85	10,284.76	10,230.40

COMMENTS ON THE MAIN ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

4. Intangible assets

The breakdown and changes in "Intangible assets" as at 31 March 2020 and as at 31 December 2019 are shown in the table below:

(Euro in thousands)	**31 December 2019**	**Increases due to purchases**	**Reclassifications**	**Decreases**	**Amortisation**	**Exchange rate differences**	**31 March 2020**
Development costs	16,570	1,046	-	-	(1,609)	42	16,049
Rights and trademarks	2,447	19	-	-	(227)	(1)	2,238
Other intangible assets	24	-	-	-	(1)	-	23
Assets in progress and advance payments to suppliers	1,378	1,484	-	-	-	-	2,862
Total intangible assets	**20,419**	**2,549**	**-**	**-**	**(1,837)**	**41**	**21,172**

As at 31 March 2020, *intangible assets* totalled Euro 21,172 thousand, up Euro 753 thousand on the previous year due to:

- increase in the item *assets in progress and advance payments to suppliers* of Euro 1,484 thousand relating to the design costs of the new IT system of the Group;
- decrease in the item *development costs* capitalised in the first three months of 2020 for Euro 1,046 thousand, entirely offset by the amortisation for the period (Euro 1,609 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.

5. Property, plant and equipment

The breakdown and changes in "Property, plant and equipment" as at 31 March 2020 and as at 31 December 2019 are shown in the table below:

(Euro in thousands)	**31 December 2019**	**Increases due to purchases**	**Reclassifications**	**Decreases**	**Depreciation**	**Exchange rate differences**	**31 March 2020**
Land	2,989	-	-	-	(1)	6	2,994
Buildings	15,158	74	-	-	(156)	131	15,207
Plant and machinery	3,522	-	518	-	(204)	21	3,857
Equipment	1,045	17	(49)	-	(101)	(1)	911
Other assets	19,004	1,964	(27)	(132)	(831)	(239)	19,739
Assets under construction and advance payments to suppliers	679	47	(522)	-	-	-	204
Total property, plant and equipment	**42,397**	**2,102**	**(80)**	**(132)**	**(1,293)**	**(82)**	**42,912**

As at 31 March 2020, property, plant and equipment totalled Euro 42,912 thousand, up compared to the previous year by Euro 515 thousand.
The increase is mainly due to the increase in trencher machines of the American subsidiary Tesmec USA Inc., registered in the fleet of Euro 1,964 thousand following the drawing-up of new lease contracts and in line with the Group's strategy of establishing the Business Rental, partially offset by depreciations for the period of Euro 831 thousand.

6. Rights of use

The breakdown and changes in "Rights of use" as at 31 March 2020 and as at 31 December 2019 are shown in the table below:

(Euro in thousands)	31 December 2019	Increases due to purchases	Reclassifications	Decreases	Depreciation	Exchange rate differences	31 March 2020
Buildings - rights of use	15,286	-	-	-	(660)	(88)	14,538
Plant and machinery - rights of use	391	-	-	-	(17)	3	377
Equipment - rights of use	25	-	-	-	(2)	-	23
Other assets - rights of use	4,442	423	(7)	-	(372)	(69)	4,417
Total rights of use	**20,144**	**423**	**(7)**	**-**	**(1,051)**	**(154)**	**19,355**

As at 31 March 2020, the rights of use totalled Euro 19,355 thousand, a decrease of Euro 789 thousand compared to the previous year, following the depreciations for the period of Euro 1,051 thousand.

7. Work in progress contracts

The following table sets forth the breakdown of Work in progress contracts as at 31 March 2020 and as at 31 December 2019:

(Euro in thousands)	31 March 2020	31 December 2019
Work in progress (Gross)	22,916	22,251
Advances from contractors	(5,930)	(5,931)
Work in progress contracts	**16,986**	**16,320**
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.

8. Inventories

The following table provides a breakdown of Inventories as at 31 March 2020 compared to 31 December 2019:

(Euro in thousands)	31 March 2020	31 December 2019
Raw materials and consumables	41,513	40,065
Work in progress	9,987	13,885
Finished products and goods for resale	24,948	15,033
Advances to suppliers for assets	612	941
Total inventories	**77,060**	**69,924**

The item *inventories* compared to 31 December 2019 increased by Euro 7,136 thousand due to the reduction in sales in the period attributable to the slowdown in production activities due to the Covid-19 emergency containment measures, since the beginning of March, the most important month for the invoicing process of the quarter.

9. Trade receivables

The following table sets forth the breakdown of Trade Receivables as at 31 March 2020 and as at 31 December 2019:

(Euro in thousands)	31 March 2020	31 December 2019
Trade receivables from third-party customers	54,275	62,411
Trade receivables from associates, related parties and joint ventures	5,225	5,518
Total trade receivables	**59,500**	**67,929**

The decrease in *trade receivables* (-12.4%) reflects the decrease in sales during the quarter.

10. 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 2020 and as at 31 December 2019:

(Euro in thousands)	31 March 2020	31 December 2019
Financial receivables from related parties	4,215	4,072
Financial receivables from third parties	7,855	7,959
Other current financial assets	56	50
Total financial receivables and other current financial assets	**12,126**	**12,081**

The increase in *current financial assets* from Euro 12,081 thousand to Euro 12,126 thousand is mainly due to the increase in credit positions relating to specific contracts signed with the related parties of joint ventures on which an interest rate is applied and repayable within 12 months.

11. 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 2020 and as at 31 December 2019:

(Euro in thousands)	31 March 2020	31 December 2019
Revaluation reserve	86	86
Extraordinary reserve	33,266	33,266
Change in the consolidation area	-	(436)
Reserve for first-time adoption of IFRS 9	(491)	(491)
Severance indemnity valuation reserve	(710)	(710)
Network reserve	824	824
Retained earnings/(losses brought forward)	(9,276)	(11,807)
Bills charged directly to shareholders' equity on operations with entities under common control	(4,048)	(4,048)
Total other reserves	**19,651**	**16,684**

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

As at 31 March 2020, the increase in *Retained earnings/(losses brought forward)* is due to the 2019 result that was allocated by the Shareholders' Meeting on 21 May 2020.

12. Medium/long-term loans

During the first three months of 2020, medium-long term loans increased from Euro 23,972 thousand to Euro 26,440 thousand mainly as a result of the taking-out of the shareholder loan of Euro 2,213 thousand.

13. Interest-bearing financial payables (current portion)

The following table provides details of this item as at 31 March 2020 and as at 31 December 2019:

(Euro in thousands)	**31 March 2020**	**31 December 2019**
Advances from banks against invoices and bills receivables	47,177	45,960
Payables due to factoring companies	9,995	12,270
Current account overdrafts	1,041	1,189
Financial payables due to SIMEST	4,000	4,000
Short-term loans to third parties	452	425
Current portion of medium/long-term loans	11,606	13,762
Other short-term financial payables	2,061	2,158
Total interest-bearing financial payables (current portion)	**76,332**	**79,764**

The decrease in *current portion of medium/long-term loans* of Euro 3,432 thousand mainly due to the decrease in payables to factoring companies of Euro 2,275 thousand and in the current portion of medium/long-term loans of Euro 2,156 thousand. In relation to this last aspect, the Group's Italian companies were able to benefit from certain moratoria on the maturities ABI of their financial payables among the expansive measures of the Government in support of companies.

Moreover, 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.

14. Disclosures: categories of financial assets and liabilities according to IFRS 7

The following tables show the book values for each class of financial assets and liabilities identified by IFRS 9.

The value expressed in the financial statements of derivative financial instruments, whether assets or liabilities, corresponds to their fair value, as explained in these Notes.

The value expressed in the financial statements of cash and cash equivalents, financial receivables and trade receivables, suitably adjusted for impairment in accordance with IFRS 9, approximates the estimated realisable value and therefore the fair value.

All financial liabilities, including fixed-rate financial payables, are recorded in the financial statements at a value that approximates their fair value.

	Current/Non-current assets	
(Euro in thousands)	**31 March 2020**	**31 December 2019**
NON-CURRENT ASSETS:		
Receivables and other financial assets	2,557	2,745
Derivative financial instruments	4	4
Non-current trade receivables	607	516
CURRENT ASSETS:		
Trade receivables	59,500	67,929
Other available-for-sale securities	1	2
Financial receivables	12,126	12,081
Cash and cash equivalents	10,413	17,935

(Euro in thousands)	Current/non-current liabilities 31 March 2020	31 December 2019
NON-CURRENT LIABILITIES:		
Financial payables	26,440	23,972
Bond issue	24,780	24,765
Non-current financial liabilities and rights of use	14,707	15,407
Derivative financial instruments	6	6
CURRENT LIABILITIES:		
Interest-bearing financial payables (current portion)	76,332	79,764
Current financial liabilities and rights of use	4,049	4,135
Derivative financial instruments	3	6
Trade payables	54,966	57,514
Advances from customers	5,040	3,641

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 2020, divided into the three levels defined above:

(Euro in thousands)	Book value as at 31 March 2020	Level 1	Level 2	Level 3
Financial assets:				
Derivative financial instruments	-	-	4	-
Total non-current	**-**	**-**	**4**	**-**
Financial assets:				
Other available-for-sale securities	1	-	-	1
Total current	**1**	**-**	**-**	**1**
Total	**1**	**-**	**4**	**1**
Financial liabilities:				
Derivative financial instruments	6	-	6	-
Total non-current	**6**	**-**	**6**	**-**
Derivative financial instruments	3	-	3	-
Total current	**3**	**-**	**3**	**-**
Total	**9**	**-**	**9**	**-**

15. Revenues from sales and services

The table below shows the breakdown of Revenues from sales and services as at 31 March 2020 and as at 31 March 2019:

	Quarter ended 31 March	
(Euro in thousands)	**2020**	**2019**
Sales of products	19,881	33,465
Services rendered	10,870	9,248
Changes in work in progress	1,086	7,133
Total revenues from sales and services	**31,837**	**49,846**

In the first three months of 2020, the Group recorded consolidated revenues of Euro 31,837 thousand, a decrease of Euro 18,009 thousand compared to Euro 49,846 thousand in the same period of the previous year. This decrease is significantly affected by the slowdown in production and commercial activities following the Covid-19 health emergency and the consequent restrictions on the circulation of goods which have had impacts since the beginning of March, the most important month for invoicing for the quarter.

In percentage terms, this decrease represents a negative change of 36.1%, which is split disparately between the Group's three business segments.

More specifically, the turnover of the Trencher segment at March 31, 2020 amounted to Euro 16,855 thousand, a decrease of 45.6% compared to the figure of Euro 30,969 thousand at March 31, 2019. The performance has been affected, since the last days of February, by the slowdown in logistics activities and subsequently by the blocks of the production and the blocks of the rental activities carried out by the French subsidiary Marais.

The Railway segment recorded revenues of Euro 7,572 thousand, a decrease of 11.4% compared to Euro 8,545 thousand recorded at March 31, 2019. The decrease is mainly due to the gradual slowdown in operations and to the closing of the Monopoli plant in March.

As regards the Energy sector, revenues amounted to Euro 7,410 thousand, a decrease of 28.3% compared to the figure of Euro 10,332 thousand as at March 31, 2019. The decrease related to the Stringing business is due to the production and logistic blocks in March; while the Energy-Automation segment achieved Revenues of Euro 1.5 million, compared to Euro 2.2 million as at 31 March 2019, the decrease in turnover is due to the slowdown in production activities in the quarter.

16. Operating costs

The item *operating costs* amounted to Euro 33,549 thousand, a decrease of 30.5% compared to the previous year, more than proportional with respect to the performance in revenues (-36.1%).

17. Segment Reporting

For management purposes, the 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							
	2020				2019			
(Euro in thousands)	**Energy**	**Trencher**	**Rail**	**Consolidated**	**Energy**	**Trencher**	**Rail**	**Consolidated**
Revenues from sales and services	7,410	16,855	7,572	31,837	10,332	30,969	8,545	49,846
Operating costs net of depreciation and amortisation	(6,718)	(16,155)	(6,495)	(29,368)	(9,086)	(27,883)	(7,134)	(44,103)
EBITDA	**692**	**700**	**1,077**	**2,469**	**1,246**	**3,086**	**1,411**	**5,743**
Amortisation and depreciation	(1,328)	(2,107)	(746)	(4,181)	(1,337)	(2,140)	(717)	(4,194)
Total operating costs	**(8,046)**	**(18,262)**	**(7,241)**	**(33,549)**	**(10,423)**	**(30,023)**	**(7,851)**	**(48,297)**
Operating income	**(636)**	**(1,407)**	**331**	**(1,712)**	**(91)**	**946**	**694**	**1,549**
Net financial income/(expenses)				(2,396)				(522)
Pre-tax profits				**(4,108)**				**1,027**
Income tax				1,116				(32)
Net profit/(loss) for the period				**(2,992)**				**995**
Profit/(loss) attributable to non-controlling interests				6				2
Group profit/(loss)				**(2,998)**				**993**

(*****) The Interim Report on Operations includes consolidated economic and financial indicators that are used by the Management to monitor the economic and financial performance of the Tesmec Group. These indicators are not defined or specified in the applicable financial reporting regulations. As the composition of these measures is not regulated by the reference accounting standards, the calculation criterion used by the Tesmec Group may not be in line with the criterion used by other Groups and, consequently, may not be comparable.
The Alternative Performance Measures are constructed exclusively from the Group's historical accounting data and are determined in accordance with the provisions of the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 as per CONSOB Communication no. 92543 of 3 December 2015 and are not audited.

The directors monitor 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 2020 and as at 31 December 2019:

	As at 31 March 2020					As at 31 December 2019				
(Euro in thousands)	**Energy**	**Trencher**	**Rail**	**Not allocated**	**Consolidated**	**Energy**	**Trencher**	**Rail**	**Not allocated**	**Consolidated**
Intangible assets	9,349	4,769	7,054	-	21,172	9,000	4,371	7,048	-	20,419
Property, plant and equipment	1,267	33,748	7,897	-	42,912	1,421	32,960	8,016	-	42,397
Rights of use	1,117	17,282	956	-	19,355	1,166	18,011	967	-	20,144
Financial assets	3,350	1,936	1	1,426	6,713	3,224	2,029	1	1,482	6,736
Other non-current assets	1,483	5,527	163	6,000	13,173	1,280	4,916	164	6,045	12,405
Total non-current assets	**16,566**	**63,262**	**16,071**	**7,426**	**103,325**	**16,091**	**62,287**	**16,196**	**7,527**	**102,101**
Work in progress contracts	-	-	16,986	-	16,986	-	-	16,320	-	16,320
Inventories	14,236	32,791	30,033	-	77,060	18,424	48,545	2,955	-	69,924
Trade receivables	10,739	37,433	11,328	-	59,500	12,067	46,204	9,658	-	67,929
Other current assets	1,365	2,535	5,310	11,744	20,954	1,508	2,689	7,411	10,734	22,342

Cash and cash equivalents	646	2,371	2,886	4,510	10,413	1,434	1,579	7,758	7,164	17,935
Total current assets	**26,986**	**75,130**	**66,543**	**16,254**	**184,913**	**33,433**	**99,017**	**44,102**	**17,898**	**194,450**
Total assets	**43,552**	**138,392**	**82,614**	**23,680**	**288,238**	**49,524**	**161,304**	**60,298**	**25,425**	**296,551**
Shareholders' equity attributable to parent company shareholders	**-**	**-**	**-**	**43,289**	**43,289**	**-**	**-**	**-**	**46,102**	**46,102**
Shareholders' equity attributable to non-controlling interests	**-**	**-**	**-**	**46**	**46**	**-**	**-**	**-**	**50**	**50**
Non-current liabilities	**2,107**	**7,428**	**7,473**	**59,780**	**76,788**	**2,209**	**8,162**	**7,166**	**57,548**	**75,085**
Current financial liabilities	1,683	6,925	6,557	61,170	76,335	1,609	6,395	11,287	60,479	79,770
Current financial liabilities from rights of use	255	1,241	86	2,467	4,049	256	1,447	53	2,379	4,135
Trade payables	13,035	32,145	9,786	-	54,966	14,507	34,201	8,806	-	57,514
Other current liabilities	1,460	7,397	14,388	9,520	32,765	1,376	7,118	14,968	10,433	33,895
Total current liabilities	**16,433**	**47,708**	**30,817**	**73,157**	**168,115**	**17,748**	**49,161**	**35,114**	**73,291**	**175,314**
Total liabilities	**18,540**	**55,136**	**38,290**	**132,937**	**244,903**	**19,957**	**57,323**	**42,280**	**130,839**	**250,399**
Total shareholders' equity and liabilities	**18,540**	**55,136**	**38,290**	**176,272**	**288,238**	**19,957**	**57,323**	**42,280**	**176,991**	**296,551**

18. 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 2020					**Quarter ended 31 March 2019**				
(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.	83	-	-	-	-	494	-	-	-	6
Subtotal	**83**	**-**	**-**	**-**	**-**	**494**	**-**	**-**	**-**	**6**
Joint Ventures:										
Condux Tesmec Inc.	2,046	-	-	45	1	818	-	-	44	3
Tesmec Peninsula	18	-	-	-	12	25	-	-	-	10
Subtotal	**2,064**	**-**	**-**	**45**	**13**	**843**	**-**	**-**	**44**	**13**
Related parties:										
Ambrosio S.r.l.	-	-	-	(1)	(1)	-	-	-	(3)	-
Ceresio Tours S.r.l.	-	-	(2)	-	-	-	-	(2)	-	-
Dream Immobiliare S.r.l.	-	-	-	-	(117)	-	-	-	(568)	-
TTC S.r.l.	-	-	(30)	-	-	-	-	(49)	-	-
Fi.ind.	-	-	-	27	-	-	-	-	-	-
M.T.S. Officine meccaniche S.p.A.	279	(8)	-	(582)	-	643	-	1	(522)	-
MTS4SERVICE USA LLC	23	-	-	(82)	-	35	-	-	(26)	-
Comatel	1	-	-	-	-	16	-	-	-	-
Subtotal	**303**	**(8)**	**(32)**	**(638)**	**(118)**	**694**	**-**	**(50)**	**(1,119)**	**-**
Total	**2,450**	**(8)**	**(32)**	**(593)**	**(105)**	**2,031**	**-**	**(50)**	**(1,075)**	**19**

(Euro in thousands)	31 March 2020 Trade receivables	Current financial receivables	Non-current financial payables	Current financial payables	Trade payables	Advances from customers	31 December 2019 Trade receivables	Current financial receivables	Current financial payables	Trade payables	Advances from customers
Associates:											
Locavert S.A.	436	-	-	-	-	-	422	-	-	-	-
R&E Contracting (Pty) Ltd.	-	185	-	-	-	-	-	230	-	-	-
Subtotal	**436**	**185**	**-**	**-**	**-**	**-**	**422**	**230**	**-**	**-**	**-**
Joint Ventures:											
Condux Tesmec Inc.	2,799	601	-	-	-	-	2,187	425	-	2	-
Tesmec Peninsula	31	2,113	-	1,561	-	-	147	2,060	1,658	-	-
Marais Tunisie	-	-	-	-	-	-	-	1	-	-	-
Marais Lucas	-	794	-	-	-	-	-	794	-	-	-
Subtotal	**2,830**	**3,508**	**-**	**1,561**	**-**	**-**	**2,334**	**3,280**	**1,658**	**2**	**-**
Related parties:											
Ceresio Tours S.r.l.	-	-	-	-	1	-	-	-	-	1	-
Dream Immobiliare S.r.l.	-	522	-	-	75	-	-	562	-	51	-
Ambrosio S.r.l.	-	-	-	-	13	-	-	-	-	9	-
Fi.ind.	-	-	-	-	-	-	-	-	-	-	-
TTC S.r.l.	-	-	2,213	-	61	-	-	-	-	61	-
M.T.S. Officine meccaniche S.p.A.	1,874	-	-	500	3,681	-	1,532	-	500	3,019	-
MTS4SERVICE USA LLC	85	-	-	-	82	13	1,230	-	-	-	13
Subtotal	**1,959**	**522**	**2,213**	**500**	**3,913**	**13**	**2,762**	**562**	**500**	**3,141**	**13**
Total	**5,225**	**4,215**	**2,213**	**2,061**	**3,913**	**13**	**5,518**	**4,072**	**2,158**	**3,143**	**13**

Certification pursuant to Article 154-bis of Italian Legislative Decree no. 58/98

1. The undersigned Ambrogio Caccia Dominioni and Marco Paredi, 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 2020.

2. We also certify that:

2.1 the Condensed Consolidated Financial Statements as at 31 March 2020:

- have been prepared in accordance with IFRS as endorsed by the European Union, as provided by 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, 21 May 2020

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

www.tesmec.com

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